DIRECTORS' CIRCULAR

To the Ordinary Stockholders in Jamaica

and Trinidad & Tobago

of

CAPITAL & CREDIT FINANCIAL GROUP LIMITED

in response to the Offer made by

JAMAICA MONEY MARKET BROKERS LIMITED

to

acquire all the Issued Ordinary Shares

in

Capital & Credit Financial Group Limited

THIS DOCUMENT IS IMPORTANT

IF YOU ARE IN DOUBT ABOUT HOW TO ACT, YOU SHOULD CONSULT YOUR STOCKBROKER, BANKER, ATTORNEY-AT-LAW, LICENSED SECURITIES DEALER, LICENSED INVESTMENT ADVISOR OR OTHER PROFESSIONAL ADVISOR

This Directors' Circular is issued pursuant to the Jamaica Stock Exchange General Principles relating to Take-Overs and Mergers; the Jamaica Securities (Take-Overs and Mergers) Regulations, 1999; and the Trinidad & Tobago Securities Industry (Take-Overs) By-Laws, 2005

TABLE OF CONTENTS

INTRODUCTION

May 28, 2012

From: The Board of Directors
Capital & Credit Financial Group Limited
6-8 Grenada Way
Kingston 5
Jamaica

To: The Ordinary Shareholders of Capital & Credit Financial Group Limited ('the CCFG') in Jamaica and in Trinidad & Tobago

On May 24, 2012 a letter advising of an offer ('the Offer') accompanied by an offer circular to all of CCFG's ordinary shareholders in Jamaica titled "Offer Circular", and, another to all of CCFG's shareholders in Trinidad & Tobago, titled "Take-Over Bid Circular" each dated May 21, 2012, were received from Jamaica Money Market Brokers Limited ('JMMB' or 'the Offeror') by your Board.

The 'Offer Circular' and the 'Take-Over Bid Circular' are hereinafter collectively called "the Offer Circular".

The Offer is to purchase all of the issued ordinary shares of CCFG held by shareholders in Jamaica and Trinidad & Tobago, being a total of 926,796,047 ordinary shares, at the price in Jamaica of J$4.55 per share, and, at the price in Trinidad & Tobago of J$4.55 per share payable in the TT$ equivalent calculated on the Closing Date (as that term is defined below) using the average of the J$ buying and selling rates as published by the Central Bank of Trinidad & Tobago on their website (collectively, 'the Offer Price'). The manner of payment of the Offer Price is set out in Section 3 of the respective Offer Circulars.

JMMB is a company incorporated under the Jamaican Companies Act whose principal office is situate at 6 Haughton Terrace, Kingston 10, Jamaica, and whose ordinary stock units are listed on the Jamaica Stock Exchange ('the JSE'), the Trinidad & Tobago Stock Exchange ('the TTSE') and the Barbados Stock Exchange ('the BSE'). Section 16 in each Offer Circular contains a history of JMMB and a profile of their business strategies and goals.

JMMB proposes that if you accept the Offer in the manner set out in the relevant Offer Circular, that the Offer Price should be paid to the shareholders in Jamaica and in Trinidad & Tobago in the manner set out in the relevant Offer Circular.

The Offer opens at 9:00 a.m. on May 25, 2012 ('the Opening Date') and is scheduled to close 4:00 p.m. on June 15, 2012 or such later date as JMMB may advise in accordance with the Offer Circular ('the Closing Date'). The procedure and requirements relating to acceptance of the Offer are also set out in the Form of Acceptance and Transfer sent to you. Please, carefully read all documents, including this Directors' Circular, as they are all important and are designed to give you full information in making your decision whether to hold or sell your shares in CCFG.

Your Board appointed an Advisory Subcommittee of Independent Directors ('the Advisory Subcommittee') comprising Kelvin Roberts, chairman; and Maria Jones to review and advise your Board whether to make a recommendation to you to accept or reject the Offer. Trudy-Ann Bartley Thompson, CCFG's Company Secretary, provided secretarial support to the Advisory Subcommittee. Having received and considered the advice of the Advisory Subcommittee, your Board makes the recommendation set out on page 8 of this Directors' Circular.

You are not obliged, however, to accept your Board's recommendation. You are urged to consult your stockbroker, banker, attorney-at-law, licensed securities dealer, licensed investment advisor or other professional advisor if you have any doubt as to whether you should accept or reject the Offer or are uncertain as to the meaning or effect of this Directors' Circular and/or the Offer Circular.

The contents of this Directors' Circular and its delivery to you have been approved by your Board of Directors comprising:

Ryland Campbell C.D, Chairman of the Board, Group President & Chief Executive Officer

Andrew Cocking, Deputy Group President & CEO, International Business

Curtis Martin, Deputy Group President, Banking & Investment Services & CEO, CCMB

Gregory Shirley

Kelvin St. Clair Roberts

Maria Antoinette Jones

Audrey Deer-Williams

Patrick Wayne Thelwell

The Directors and senior officers know of no information that indicates any material change in the affairs of CCFG since the dates of the annual financial statement for year ended December 31, 2011 and the unaudited financial statement for the quarter ended March 31, 2012 (set out in **Appendix 1**).

This Directors' Circular, the attached appendices and the relevant Offer Circular may be viewed on CCFG's website at **www.capital-credit.com** and on the Jamaica Stock Exchange website at **www.jamstockex.com**.

ALL CAPITALISED WORDS AND PHRASES USED IN THIS DIRECTORS' CIRCULAR HAVE THE SAME MEANINGS GIVEN TO THEM IN THE INTERPRETATION SECTION IN THE RESPECTIVE OFFER CIRCULAR ISSUED BY JMMB.

THE OFFER

(i) **<u>To Shareholders in Jamaica</u>**

To the shareholders in Jamaica, JMMB makes an offer of J$4.55 for each ordinary share of CCFG.

Should you accept the Offer, JMMB will pay the Offer Price to each CCFG shareholder who accepts the Offer (described as an 'Accepting Shareholder' in the Offer Circular), in the following manner (Please see Section 2 of the Offer Circular):

(i) as to J$3.19, in cash, and

(ii) as to J$1.36, by the issue to each Accepting Shareholder of new ordinary stock units in JMMB in respect of CCFG shares transferred, applying the formula shown below which uses for purposes of calculation the book value of JMMB shares as at June 30, 2011, being J$7.54:

Formula

B** x 0.1803713 = **JM*

Where:

***B** = the number of CCFG shares held by the Accepting Shareholder; and,*

***JM** = the number of new ordinary stock units in JMMB to be issued to an Accepting Shareholder*

** Any fractional share entitlement resulting from the application of the formula shall be satisfied by <u>a further cash payment</u> by JMMB, also using for purposes of such calculation the said value of J$7.54 per JMMB share.*

The illustration of the application of the above formula given in the Offer Circular is as follows*: If a CCFG shareholder holds 743,000 CCFG shares as at the Opening Date and accepts the Offer in respect of their entire shareholding, they will be entitled to receive the following:*

(a) *J$2,370,170.00 (i.e. J$3.19 x 743,000), and*

(b) *134,015 new JMMB shares (i.e. 743,000 x 0.1803713 = 134,015.87 but rounded down to the nearest whole number), and*

(c) *J$6.56 (i.e. J$7.54 x 0.87, being the fraction resulting from the application of the formula.*

(ii) <u>To Shareholders in Trinidad & Tobago</u>

To the shareholders in Trinidad & Tobago, JMMB makes an offer of J$4.55 payable in the TT$ equivalent calculated on the Closing Date using the average of the J$ buying and selling rates as published by the Central Bank of Trinidad & Tobago on their website, for each issued ordinary share in CCFG .

Should you accept the Offer, JMMB will pay to each CCFG shareholder who accepts the Offer (described as an 'Accepting Shareholder' in the Take-Over Bid Circular) the Offer Price calculated on the Closing Date using the average of the J$ buying and selling rates as published by the Central Bank of Trinidad & Tobago on their website for each CCFG share in the following manner (Please see Section 2 of the Take-Over Bid Circular):

(i) as to J$3.19, in cash, and

(ii) as to J$1.36, by the issue to each Accepting Shareholder of new ordinary stock units in JMMB in respect of CCFG shares transferred, applying the following formula which uses for purposes of calculation the book value of JMMB shares as at June 30, 2011, being J$7.54:

Formula

B** x 0.1803713 = **JM*

Where:

***B** = the number of CCFG shares held by the Accepting Shareholder; and,*

***JM** = the number of new ordinary stock units in JMMB to be issued to an Accepting Shareholder*

** Any fractional share entitlement resulting from the application of the formula shall be satisfied by <u>a further cash payment</u> by JMMB, also using for purposes of such calculation the said value of J$7.54 per JMMB share payable in the TT$ equivalent calculated on the Closing Date using the average of the J$ buying and selling rates as published by the Central Bank of Trinidad & Tobago.*

The illustration of the application of the above formula given in the Offer Circular is as follows*: If a CCFG shareholder holds 743,000 CCFG shares as at the Opening Date and accepts the Offer in respect of their entire shareholding, they will be entitled to receive the following:*

(a) J$2,370,170.00 (i.e. J$3.19 x 743,000), and

(b) 134,015 new JMMB shares (i.e. 743,000 x 0.1803713 = 134,015.87 but rounded down to the nearest whole number), and

(c) J$6.56 (i.e. J$7.54 x 0.87, being the fraction resulting from the application of the formula.

The New Stock Units in JMMB

The respective Offer Circular states that the new stock units in JMMB issued by JMMB to shareholders of CCFG in Jamaica and in Trinidad & Tobago who accept the Offer shall be treated as **fully paid up in the books of account of JMMB and shall rank** *pari passu* **(that is, equal) for all purposes and in all respects with the existing ordinary stock units in JMMB.**

The Offer Circulars state further that JMMB intends to apply to the JSE, the Barbados Stock Exchange (BSE) and the Trinidad & Tobago Stock Exchange (TTSE) to list the new issued stock units of JMMB that are issued to CCFG shareholders after acceptance of the Offer. **Please note that this is a statement of intention on the part of JMMB that does not guarantee listing of the new JMMB shares on the JSE, the BSE or the TTSE as a listing on any of one of these exchanges is entirely within the discretion of the relevant stock exchange.**

Each Offer Circular further provides that JMMB will bear any cess, brokerage commission and other expenses (and General Consumption Tax, where applicable) incidental to and payable on the transfer of your shareholding in CCFG to JMMB over the floor of the JSE and the TTSE, as applicable in accordance with the rules of the relevant exchange.

PLEASE NOTE THAT THE OFFER TO PURCHASE YOUR SHARES IN CCFG IS SUBJECT TO THE CONDITIONS SET OUT IN SECTION 5 OF YOUR OFFER CIRCULAR WHICH YOU ARE URGED TO READ CAREFULLY. IF YOU DO NOT UNDERSTAND ANY PART OF YOUR OFFER CIRCULAR AND/OR THIS DIRECTORS' CIRCULAR YOU SHOULD CONSULT YOUR STOCKBROKER, BANKER, ATTORNEY-AT-LAW, LICENSED SECURITIES DEALER, LICENSED INVESTMENT ADVISOR OR OTHER PROFESSIONAL ADVISOR FOR ADVICE.

MANNER OF ACCEPTANCE

You may accept the Offer made by JMMB for all your shares during the period open for acceptance by delivering:

A. The Acceptance & Transfer Form (see Appendix 7 of your respective Offer Circular), duly completed and executed; **and**
B. The Certificate for the said shares, in cases where your CCFG shares **are not held** in the Jamaica Central Security Depository ('the JCSD') or in the Trinidad & Tobago Central Depository ('the TTCD'), as applicable;

to either one of the following, each a 'Receiving Agent', in your jurisdiction during the period open for acceptance:

(i) In Jamaica, the Registrar and Transfer Agent or any branch of JMMB;
(ii) In Trinidad & Tobago, the Sub-Registrar and Collecting Agent; or
(iii) In Jamaica and in Trinidad & Tobago, any stockbroker designated by the Offeror in the respective Offer Circular and/or by a notice published in the press and/or on the Offeror's website at www.jmmb.com or on CCFG's website at www.capital-credit.com.

The addresses of the Receiving Agents in your jurisdiction are set out in the Directory in **Appendix 6.**

If your shares are not deposited in the JCSD or in the TTCD, as applicable, and you are unable to find your Certificate for the shares, you will be required to execute a form of indemnity in favour of JMMB in order to accept the Offer. The form of indemnity is available from the Receiving Agent.

PERIOD FOR ACCEPTANCE

The Offer is made on May 25, 2012 ("the Opening Date") and is capable of acceptance as from and between 9:00 a.m. on the Opening Date and 4:00 p.m. on June 15, 2012 the Closing Date.

The date on which the Acceptance & Transfer Form, and, where applicable, the share certificate for the shares or the executed form of indemnity (hereinafter 'the Acceptance Documents') are delivered to the Receiving Agent shall be deemed to be the date of your acceptance of this Offer ("the Date of Acceptance"). However, as required by applicable law, your CCFG shares – (i) shall not be taken up by JMMB until the expiration of seven (7) days from the Opening Date, and (ii) may be withdrawn by you or on your behalf, by written notification to the Receiving Agent, at any time before the expiration of seven (7) days from the Opening Date.

JMMB reserves the right to and may extend the time for acceptance of the Offer by one or more periods of up to fourteen (14) days each by sending you a notice or publishing a notice to that effect in a daily newspaper in general circulation in your jurisdiction on or before the Closing Date of the Offer. **For the purposes of this Offer the term "Closing Date" shall include the final date of any extensions by the Offeror in accordance with the relevant Offer Circular**.

After the Offer becomes unconditional or is declared unconditional by JMMB, the Offer shall, as required by applicable law, remain open for acceptance in the manner set out in the above Section titled 'Manner of Acceptance' in the respective Offer Circular for not less than fourteen (14) days, except where the Offer becomes or is declared unconditional on the Closing Date and JMMB has given at least ten (10) days notice in writing to the shareholders that the Offer will not be open for acceptance beyond that date.

Except in response to any alternative take-over bid properly made at any time up to two (2) business days prior to the Closing Date in compliance with the applicable laws and rules, regulations and procedures of the FSC, the JSE in Jamaica and the Trinidad & Tobago Securities and Exchange Commission (the TSEC) in Trinidad and Tobago, the relevant Offer Circular stipulates that there is an agreement between you and JMMB in consideration of :-

(a) JMMB not prior to the Closing Date of the Offer making any other offer to any of the shareholders of CCFG otherwise than pursuant to the relevant Offer Circular and, in such case,
(b) an identical offer being made to CCFG in each jurisdiction as at the Opening Date,

and that the Acceptance Documents deposited with a Receiving Agent may not be withdrawn after the expiration of seven (7) days from Opening Date, and that this agreement not to withdraw such acceptance shall be binding on the Accepting Shareholder and JMMB upon receipt by a Receiving Agent of the Acceptance Documents duly executed by you or on your behalf.

JMMB's Conditional Obligations to Acquire the Shares

Section 5 of the relevant Offer Circular stipulates that the Offer is conditional upon and shall not be capable of acceptance until the several conditions, stated in the said Section 5 of the Offer Circular, are either fulfilled and satisfied or waived by JMMB. In the event of any one or more of these conditions not being fulfilled and satisfied on or before the Closing Date, JMMB reserves the right by written notice to the Registrar and Transfer Agent to withdraw the Offer. The Offeror shall, however, have the right to waive any such condition by delivery of written notice of waiver to the Registrar and Transfer Agent no later than the Closing Date of the Offer.

PLEASE NOTE THAT the Offer Circular states that JMMB shall not be liable to compensate any shareholder for any loss, damage expense or otherwise which may be suffered or incurred directly or indirectly as a result or consequence of the exercise by JMMB of the right of withdrawal of the Offer.

Note also that the relevant Offer Circular provides that notwithstanding the satisfaction or waiver by the Offeror of the several conditions set out in Section 5 of thereof, the Offeror may thereafter in accordance with Section 9 of the relevant Offer Circular rescind its agreement to purchase your CCFG shares pursuant the Offer.

Amendment of Offer

Section 6 of the relevant Offer Circular provides, inter alia, that JMMB reserves the right to amend the Offer or issue an amended offer in response to any other offer made by a third party and that JMMB will circulate such amended offer in your jurisdiction by notice to each shareholder or publish the notice of the revised offer in a daily newspaper circulating in your jurisdiction.

Right of Compulsory Acquisition

Section 7 of the relevant Offer Circular advises that if the Offer is accepted by the holders of 90% or more of the ordinary shares of CCFG (not including the percentage of shares held by the Offeror, or by a nominee for the Offeror or any subsidiary of the Offeror at the Opening Date), the Offeror reserves the right to and intends to invoke section 209 of the Companies Act of Jamaica to compulsorily acquire the shares of those shareholders in each jurisdiction who do not accept the Offer.

However, the rules of the JSE prohibit any one shareholder of a listed company to hold more than 80% of the issued share capital of the company. A company in breach of this rule would thereupon not be eligible to remain listed on the JSE.. NOTE THAT THE OFFER CIRCULAR STATES THAT BASED ON THE UNDERTAKINGS RECEIVED FROM SOME SHAREHOLDERS AND DISCLOSED IN SECTION 11 OF THE OFFER CIRCULAR THAT THEY ANTICIPATE THAT JMMB WILL HAVE SECURED IRREVOCABLE ACCEPTANCES FROM THE HOLDERS OF MORE THAN 80% OF THE SHARES BY THE SVENTH DAY OF THE OFFER.

THE UNDERTAKINGS REFERRED TO ABOVE IS ALSO DISCLOSED IN APPENDIX 4, PART B OF THIS DIRECTORS' CIRCULAR

It is therefore the Offeror's stated intention to delist the CCFG shares from the JSE and the TTSE after the compulsory acquisition process is completed if it acquires 90% or more of the CCFG shares pursuant to the Offer. However if the Offeror does not acquire 90% or more of the CCFG shares on Closing, the Offeror nonetheless intends to delist the CCFG shares shortly after the Offer closes.

NOTE FURTHER THAT UPON DELISTING OF THE CCFG SHARES, THE SHARES WILL NOT BE TRADEABLE ON THE FLOOR OF THE JSE OR THE TTSE.

If the Offer Becomes Unconditional

In Section 8 of the relevant Offer Circular, JMMB states:

> *'If all the conditions set forth in Section 5 of the Offer Circular are fulfilled and satisfied or, in the case of any such condition as may not have been fulfilled and satisfied have been waived by the Offeror, the Offeror may declare the Offer unconditional prior to or on the Closing Date, and all shares in respect of which a valid acceptance has been made will be taken up by JMMB subject to its rights under Section 9'.*

You are recommended to refer to **Section 8** to ascertain the particular methods of payment that JMMB will use in settling the cash component of the Offer Price and the method of allotment of the new ordinary stock units of JMMB comprising the non-cash component of the Offer Price in your jurisdiction should you accept the Offer.

You are also advised by your Board to refer to **Section 9** of the Offer Circular to ascertain the basis on which JMMB may, without prejudice to any other remedy which it may have against CCFG or its directors, rescind its agreement to purchase the CCFG shares pursuant to the Offer upon giving written notice thereof to the Registrar and Transfer Agent and to the persons to whom the Offer is made.

Right of Rescission

Section 9 of the Offer Circular stipulates that, if any of the events specified in that Section occur prior to JMMB completing payment of the Offer Price (or any part thereof), then JMMB may rescind its agreement to purchase the CCFG shares pursuant to the Offer without prejudice to any other remedies which it may have against CCFG or its Directors upon giving written notice of rescission to the Registrar and Transfer Agent.

Return of Share Certificates and Acceptance & Transfer Forms

Section 10 of the relevant Offer Circular provides that if the Offer is withdrawn or rescinded pursuant to the provisions in the relevant Offer Circular, the Receiving Agent shall return the Acceptance Documents by registered mail to the address indicated in the Acceptance & Form within 14 days of the Closing Date of the Offer.

Disclosures

To Shareholders in Jamaica: Section 11 of the Offer Circular contains disclosures which are required of the Offeror by paragraph 16(1) of the Securities (Take-Overs and Mergers) Regulations 1999.

To Shareholders in Trinidad & Tobago: Sections 11 of the Take –Over Bid Offer contains disclosures required of the Offeror by paragraph 16(1) of the Securities (Take-Overs and Mergers) Regulations 1999 of Jamaica and by-law 14(9) of the Securities industry (Take-Over) By-Laws, 2005 of Trinidad and Tobago.

PLEASE READ SECTION 11 OF EACH OF YOUR OFFER CIRCULAR CAREFULLY AND IF YOU ARE IN DOUBT ABOUT HOW TO ACT, CONSULT YOUR STOCKBROKER, BANKER, ATTORNEY-AT-LAW, LICENSED SECURITIES DEALER, LICENSED INVESTMENT ADVISOR OR OTHER PROFESSIONAL ADVISOR

Additional Disclosures & Other Statutory Information

To Shareholders in Jamaica and Trinidad & Tobago: Section 12 of your Offer Circular contains additional disclosures and other statutory information which the Offeror is required to disclose by paragraph 16(2) of the Securities (Take-Overs and Mergers) Regulations, 1999 given that the Offer includes partly cash and partly the securities to be issued by JMMB. The Offeror declares those disclosures to be accurate as of the date thereof.

Your attention is also invited to the following sections of your respective Offer Circular:

- **Section 13 - Offeror's Right to Dividends and Distributions**
- **Section 14 – Offeror's Right to Vote Deposited Shares**
- **Section 15 – Warranties and Ancillary Matters related to shareholders who have not deposited their shares with the JCSD or the TTCSD, as applicable.**
- **Section 16 – Profile of the Offeror**
- **Section 17 – Entirety of the Offer**

  Please note that the Offer Circular constitutes the entire Offer made by the Offeror and that by accepting the Offer you acknowledge that there has been no inducement to do so by any representation or promise made by the Offeror other than contained in your respective Offer Circular.

- **Section 18 – Jamaica Offer and the Trinidad & Tobago Offer**

  CCFG shares are listed on both the JSE and the TTSE. JMMB has issued a separate take over document to shareholders in each jurisdiction which has been drafted to comply with the Securities (Take–Overs and Mergers) Regulations, 1999 and the Rules of the JSE in Jamaica and the Securities Industry (Take-Over) By-Laws, 2005 in Trinidad & Tobago. The offer to shareholders in Jamaica is called an 'Offer Circular' and the offer to Trinidad & Tobago shareholders is called a 'Take-Over Bid Circular'. Please note that the Offer in both jurisdictions will run concurrently in both jurisdictions and shares deposited in response to the Offer in both jurisdictions will be aggregated to determine the acceptance level including the 90% minimum acceptance threshold.

- **Section 19 - Ministerial Approval**

  Please note that a change in control of Capital & Credit Merchant Bank, a subsidiary of the CCFG and a holder of a licence under the Jamaican Financial Institutions Act, will occur if this Offer to take over CCFG is successful. Accordingly the approval of the Minister of Finance and Planning in Jamaica was first sought and obtained before this Offer was made. Your respective Offer Circular advises that such Ministerial approval was obtained on March 30, 2012.

FINANCIAL RESULTS

Appendix 1 includes the following financial reports which form part of this Directors' Circular:

- The financial statements for CCFG for the financial year ended December 31, 2011 audited by Deloitte & Touche, Chartered Accountants, together with Deloitte & Touche's consent to their inclusion, and,
- The History of Profit and Loss Statements for the previous 5 years (2007-2011) and the unaudited financial statements for the quarter ended March 31, 2012 certified by the Chief Financial Officer of CCFG that they fairly reflect the financial position of CCFG over the period.

VALUATION OF FREEHOLD PROPERTY

A Valuation of Freehold Property located at 35 Church Street, Saint James, prepared by George Gregg & Co., Chartered Valuation Surveyors, as at May 20, 2011 and the consent to the inclusion of same are set out in **APPENDIX 2** both of which documents form part of this Directors' Circular.

In the opinion of the Directors, all material facts are disclosed in the said valuation.

FAIRNESS OPINION

The Fairness Opinion prepared by KPMG Advisory Services May 23, 2012 and the consent to the inclusion of same are set out in **APPENDIX 3** and form part of this Directors' Circular.

STATUTORY AND REGULATORY DISCLOSURES

The statutory and regulatory disclosures required of CCFG in Jamaica pursuant the Securities (Take-Overs and Mergers) Regulations, 1999 and the Jamaica Stock Exchange General Principles Relating to Take-Overs and Mergers are set out in **APPENDIX 4**.

The statutory and regulatory disclosures required of CCFG in Trinidad & Tobago pursuant to the Trinidad & Tobago Securities Industry (Take-Over) By-Laws, 2005 are set out in **APPENDIX 5**.

OTHER INFORMATION

Changes in Directorship of CCFG

Mr. Earl Samuels accepted an appointment as a senior executive of another financial institution and accordingly tendered his resignation as a director of CCFG effective December 31, 2011.

No new director has been appointed to fill the vacancy created by Mr. Samuels' resignation and it is not intended to do so before the Opening Date.

THE RECOMMENDATION OF THE BOARD

The Advisory Subcommittee guided the preparation of this Directors' Circular and carefully reviewed the entirety of the information set out in this Directors' Circular; the terms and conditions of the Offer set out in each of the Offer Circulars; the Fairness Opinion prepared by KPMG Advisory Services; the Freehold Property Valuation Report prepared by George Gregg & Co; the trading information of the CCFG shares and of the JMMB stock units over the past six months; the advice of its financial and legal advisors and such other information as it considered relevant.

On this basis, the Advisory Subcommittee recommended to the Board of Directors of CCFG that the Offer by JMMB to acquire all the issued ordinary shares in CCFG from shareholders in Jamaica and Trinidad & Tobago payable in the manner set out in the relevant Offer Circulars be accepted. The Advisory Committee placed reliance on the Fairness Opinion prepared by KPMG, that states, inter alia, that as of the date of the Fairness Opinion and based upon and subject to the analyses, assumptions, qualifications and limitations discussed therein, that from a financial point of view, the Offer Price is fair to the shareholders of CCFG. As mentioned above, a copy of the Fairness Opinion is attached as **Appendix 3** to this Directors' Circular.

Based on the above, your Board recommends that shareholders in Jamaica and Trinidad & Tobago accept the Offer Price made by JMMB for all their shares in CCFG under the terms and conditions set out in their respective Offer Circular.

YOU ARE NOT OBLIGED TO ACCEPT THIS RECOMMENDATION. It is further recommended that you seek independent financial advice before making your final decision to accept or reject the Offer by consulting your stockbroker, banker, attorney-at-law, licensed investment advisor, licensed securities dealer or other professional advisor.

If you no longer own any shares in CCFG, please hand the Offer Circular and this Directors' Circular to the person to whom you transferred your shares or to the stockbroker through whom you effected the transfer for transmission to such transferee(s).

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be viewed on the website of CCFG at www.capital-credit.com and the JSE website at www.jamstockex.com and are available for inspection by shareholders on any business day during which the Offer remains in effect, between 10:00 and 4:00 pm at the offices of:

In Jamaica at:

Capital & Credit Financial Group Limited
6-8, Grenada way
Kingston 5, Jamaica

In Trinidad & Tobago:

KPMG
2nd Floor, Albion Court
61, Dundonald Street,
Port of Spain, Trinidad &Tobago

- Articles of Incorporation of CCFG
- Fairness Opinion prepared by KPMG Advisory Services dated May 23, 2012
- Valuation of Freehold Property prepared by George Gregg, Chartered Surveyors dated May 11, 2011
- Undertaking between major shareholders and JMMB made July 14, 2011
- Conduct of Business Agreement made between CCFG and JMMB dated July 14, 2011
- Undertaking between NIF and JMMB made March 8, 2012

NOTICE UNDER TRINIDAD & TOBAGO SECURITIES INDUSTRY (TAKE-OVERS) BY-LAWS, 2005

Shareholders in Trinidad & Tobago are advised that their securities legislation provides security holders of CCFG shares with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, if there is a misrepresentation in a circular or notice that is required to be delivered to such security holders. However, such rights shall be exercised within prescribed time limits. Security holders should refer to the applicable provisions of the Trinidad & Tobago securities legislation for particulars of those rights or consult with a lawyer.

DIRECTORS' CERTIFICATION

We, being duly authorized to sign on behalf of the Board of CCFG certify that the foregoing and the attached Appendices contain no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

We further certify that the contents of this Directors' Circular have been approved and delivery of this Directors' Circular to the shareholders in Jamaica and Trinidad & Tobago authorised by Resolution of the Board passed on the May 24, 2012.

SIGNED ON BEHALF OF THE BOARD OF CCFG BY:

Kelvin Noel ______________ **DIRECTOR**

Kelvin St Clair Roberts

Maria Jones ______________ **DIRECTOR**

Maria Antoinette Jones

DATED THE 27 th DAY MAY 2012

APPENDIX 1

- **CONSENT OF DELOITTE & TOUCHE, AUDITORS, DATED APRIL 16, 2012 AND AUDITED FINANCIAL STATEMENTS FOR YEAR ENDED DECEMBER 31, 2011**
- **HISTORY OF PROFIT AND LOSS STATEMENTS FOR THE PREVIOUS 5 YEARS AND UNAUDITED FINANCIAL STATEMENTS AS AT MARCH 31, 2012 PREPARED AND CERTIFIED BY THE CHIEF FINANCIAL OFFICER**

Deloitte.

3001061-C/JD

April 16, 2012

The Board of Directors
Capital & Credit Financial Group Limited
6-8 Grenada Way
KINGSTON 5

Dear Sirs:

Consent Letter

We have given, and have not withdrawn, our consent to the reproduction of our report dated February 27, 2012 on the Audited Financial Statements for the year ended December 31, 2011 attached as Appendix 1 to the Directors' Circular issued by Capital & Credit Financial Group Limited in relation to the Offer from Jamaica Money Market Brokers Limited to purchase 100% of the issued ordinary share capital from shareholders in Jamaica and Trinidad & Tobago.

Deloitte & Touche
Chartered Accountants

Deloitte.

Deloitte & Touche
Chartered Accountants
7 West Avenue, Kingston Gardens
P.O. Box 13, Kingston 4, Jamaica, W.I.

Tel: (876) 922 6825-7
Fax: (876) 922 7673
http://www.deloitte.com/jm

42B & 42C Union Street
Montego Bay, Jamaica, W.I.

Tel: (876) 952 4713-4
Fax:(876) 979 0246

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 2 to 86 which comprise the Group's and the Company's statement of financial position as at December 31, 2011, the Group's and the Company's profit and loss accounts, the statement of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the Companies Act, 2004 of Jamaica and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

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 of financial statements that give a true and fair view 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.

Deloitte.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at December 31, 2011 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, 2004 of Jamaica

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 therewith and give the information required in the manner so required.

Deloitte & Touche

Chartered Accountants

Kingston, Jamaica

February 27, 2012

CAPITAL & CREDIT FINANCIAL GROUP LIMITED

AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2011

	Notes	2011 $'000	2010 $'000
ASSETS			
Cash resources	5	1,390,754	1,526,083
Investment in securities	6	6,608,145	10,280,182
Pledged assets	7	17,304,800	19,539,466
Other investment	8	15,000	15,000
Loans (after provision for loan losses)	9	6,146,056	6,347,105
Accounts receivable	10	825,124	1,054,009
Investment in associates	11	-	37,775
Intangible assets	13	257,390	324,012
Property and equipment	14	69,039	96,485
Deferred tax assets	15	97,828	29,662
Income tax recoverable		51,106	66,821
Customers' liability under acceptances, guarantees and letters of credit as per contra		157,274	196,140
Total assets		32,922,516	39,512,740

CAPITAL & CREDIT FINANCIAL GROUP LIMITED

AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2011

	Notes	2011 $'000	2010 $'000
LIABILITIES			
Deposits	16	5,576,976	7,338,487
Due to financial institutions	17	696,369	714,998
Securities sold under repurchase agreements	18	18,749,227	23,627,408
Loan participation	19	458,348	681,621
Bank overdraft		-	1,120
Accounts payable	21	319,798	232,282
Liabilities under acceptances, guarantees			
and letters of credit as per contra		157,274	196,140
Preference shares	22	-	22,941
		25,957,992	32,814,997
STOCKHOLDERS' EQUITY			
Share capital	23	1,995,844	1,995,844
Statutory reserve fund	24	532,023	516,541
Capital reserve	25	742,861	742,861
Retained earnings reserve	26	505,842	1,215,442
Fair value reserve	27	(246,118)	(148,945)
Loan loss reserve	9	2,096,416	1,004,907
Foreign currency translation reserve		9,251	9,437
Unappropriated profits		1,328,039	1,361,349
Attributable to stockholders of the parent company		6,964,158	6,697,436
Non-controlling interest		366	307
		6,964,524	6,697,743
Total liabilities and stockholders' equity		32,922,516	39,512,740

The Notes on Pages 12 to 86 form an integral part of the Financial Statements.

The financial statements on Pages 2 to 86 were approved and authorised for issue by the Directors on February 27, 2012 and are signed on its behalf by:

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

CAPITAL & CREDIT FINANCIAL GROUP LIMITED

AND ITS SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

YEAR ENDED DECEMBER 31, 2011

	Notes	2011 $'000	2010 $'000
NET INTEREST INCOME AND OTHER REVENUE			
Interest on investments		2,113,832	2,826,333
Interest on loans		470,072	957,065
Total interest income		2,583,904	3,783,398
Interest expense		1,610,441	2,492,992
Net interest income	28	973,463	1,290,406
Commission and fee income	29	130,080	148,835
Net gains on securities trading		529,254	195,672
Foreign exchange trading and translation		98,313	89,606
Dividend income		34,542	54,871
Gain on sale of property and equipment		77	954
Other income		12,709	17,041
Total other operating income		804,975	506,979
Share of loss of associate		(76,458)	(9,090)
Net interest income and other revenue		1,701,980	1,788,295
NON-INTEREST EXPENSES			
Staff costs	30	649,545	600,794
Loan loss and bad debt expense, less recovery	9	(13,078)	113,089
Bank charges		46,269	42,512
Property expense		101,262	107,684
Depreciation and amortisation	13,14	103,370	103,152
Information technology costs		51,965	49,511
Marketing and corporate affairs		72,240	75,912
Professional fees		62,834	48,372
Regulatory costs		30,376	35,283
Irrecoverable general consumption tax		47,759	45,249
Other operating expenses		71,838	82,865
Total non-interest expenses		1,224,380	1,304,423
PROFIT BEFORE TAXATION		477,600	483,872
Taxation	31	113,468	196,198
NET PROFIT	32	364,132	287,674
Attributable to:			
Stockholders of the parent company		364,081	287,616
Non-controlling interest		51	58
		364,132	287,674
Earnings per stock unit	33	39¢	31¢

The Notes on Pages 12 to 86 form an integral part of the Financial Statements.

CAPITAL & CREDIT FINANCIAL GROUP LIMITED

AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2011

	Notes	2011 $'000	2010 $'000
NET PROFIT		364,132	287,674
Other comprehensive income			
Exchange difference arising on translation of foreign operations		(186)	(7,340)
Available-for-sale financial assets			
Net gains arising on revaluation of available-for-sale financial assets during the year	27	258,334	1,217,120
Reclassification adjustments relating to available-for-sale financial assets disposed of in the year	27	(405,065)	(188,097)
		(146,731)	1,029,023
Income tax relating to components of other comprehensive income	15,27	49,566	(342,530)
Other comprehensive income for the year (net of tax)		(97,351)	679,153
Total comprehensive income for the year		266,781	966,827
Total comprehensive income attributable to:			
Stockholders of the parent company		266,722	966,769
Non-controlling interest		59	58
		266,781	966,827

The Notes on Pages 12 to 86 form an integral part of the Financial Statements.

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2011

	Notes	Share Capital $'000	Statutory Reserve Fund $'000	Capital Reserve $'000	Retained Earnings Reserve $'000	Fair Value Reserve $'000	Loan loss Reserve $'000	Foreign currency Translation Reserve $'000	Unappropriated Profits $'000	Attributable to equity holders of the Parent $'000	Non-controlling Interest $'000	Total $'000
Balance at December 31, 2009		1,995,844	493,110	742,861	1,515,442	(835,438)	336,854	16,777	1,465,217	5,730,667	249	5,730,916
Net profit for the year		-	-	-	-	-	-	-	287,616	287,616	58	287,674
Other comprehensive income for the year		-	-	-	-	686,493	-	(7,340)	-	679,153	-	679,153
Total comprehensive income for the year		-	-	-	-	686,493	-	(7,340)	287,616	966,769	58	966,827
Transfer to loan loss reserve	9,26	-	-	-	(300,000)	-	668,053	-	(368,053)	-	-	-
Transfer to statutory reserve fund	24	-	23,431	-	-	-	-	-	(23,431)	-	-	-
Balance at December 31, 2010		1,995,844	516,541	742,861	1,215,442	(148,945)	1,004,907	9,437	1,361,349	6,697,436	307	6,697,743
Net profit for the year		-	-	-	-		-		364,081	364,081	51	364,132
Other comprehensive income for the year		-	-	-	-	(97,173)	-	(186)	-	(97,359)	8	(97,351)
Total comprehensive income for the year		-	-	-	-	(97,173)	-	(186)	364,081	266,722	59	266,781
Transfer to loan loss reserve	9,26	-	-	-	(709,600)	-	1,091,509	-	(381,909)	-	-	-
Transfer to statutory reserve fund	24	-	15,482	-	-	-	-	-	(15,482)	-	-	-
Balance at December 31, 2011		1,995,844	532,023	742,861	505,842	(246,118)	2,096,416	9,251	1,328,039	6,964,158	366	6,964,524

The Notes on Pages 12 to 86 form an integral part of the Financial Statements.

CAPITAL & CREDIT FINANCIAL GROUP LIMITED

AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2011

	Notes	2011 $'000	2010 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		364,132	287,674
Interest income		(2,583,904)	(3,783,398)
Interest expense		1,610,441	2,492,992
Loan loss and bad debt expense		65,799	133,424
Depreciation and amortisation	13,14	103,370	103,152
Gain on sale of property and equipment		(77)	(954)
Loss from associate	32	76,458	9,090
Taxation		113,468	196,198
		(250,313)	(561,822)
Movement in working capital			
Accounts receivable		206,087	(372,334)
Loans receivable		117,066	249,897
Accounts payable		87,516	62,191
Cash generated by (used in) operations		160,356	(622,068)
Income tax paid		(116,653)	(103,661)
Interest paid		(1,725,604)	(2,745,330)
Net cash used in operating activities		(1,681,901)	(3,471,059)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on sale of property and equipment		84	5,564
Acquisition of property and equipment	14	(9,309)	(25,955)
Decrease in investment in securities		5,779,889	4,309,991
Interest received		2,768,382	4,140,504
Investment in associates		(38,682)	(23,054)
Net cash provided by investing activities		8,500,364	8,407,050
CASH FLOWS FROM FINANCING ACTIVITIES			
Deposits		(1,731,428)	(915,248)
Securities sold under repurchase agreements		(4,793,443)	(3,652,187)
Loan participation		(223,214)	(50,234)
Due to financial institutions		(18,603)	(193,396)
Loan payable		(22,684)	-
Net cash used in financing activities		(6,789,372)	(4,811,065)
INCREASE IN CASH AND CASH EQUIVALENTS		29,091	124,926
OPENING CASH AND CASH EQUIVALENTS		834,729	762,906
Effects of foreign exchange rate changes		(45,056)	(53,103)
CLOSING CASH AND CASH EQUIVALENTS	34	818,764	834,729

The Notes on Pages 12 to 86 form an integral part of the Financial Statements.

CAPITAL & CREDIT FINANCIAL GROUP LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2011

	Notes	2011 $'000	2010 $'000
ASSETS			
Cash resources		42	2,091
Investment in securities	6	14,046	31,368
Loans (after provision for loan losses)	9	41,304	40,094
Accounts receivable	10	-	5,269
Investment in associates	11	75,464	139,119
Investment in subsidiaries	12	2,267,969	2,486,280
Intangible asset	13	453	1,050
Property and equipment	14	3,884	4,833
Deferred tax assets	15	28,169	30,225
Income tax recoverable		7,559	7,542
Total assets		2,438,890	2,747,871
LIABILITIES			
Accounts payable	21	12,564	16,071
Loan payable	20	102,136	148,235
		114,700	164,306
STOCKHOLDERS' EQUITY			
Share capital	23	1,995,844	1,995,844
Capital reserve	25	587,190	587,190
Fair value reserve	27	275	(2,000)
Unappropriated (loss) profit		(259,119)	2,531
		2,324,190	2,583,565
Total liabilities and stockholders' equity		2,438,890	2,747,871

The Notes on Pages 12 to 86 form an integral part of the Financial Statements.

The financial statements on Pages 2 to 86 were approved and authorised for issue by the Directors on February 27, 2012 and are signed on its behalf by:

....
Ryland T. Campbell
Chairman

....
Andrew B. Cocking
Director

....
Curtis Martin
Director

....
Kelvin St. C. Roberts
Director

CAPITAL & CREDIT FINANCIAL GROUP LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED DECEMBER 31, 2011

	Notes	2011 $'000	2010 $'000
INCOME			
Interest		2,615	6,227
Commission and fee income	29	36,000	39,919
Dividend income		367	1,808
(Losses)/Gains on disposal of securities available-for-sale		(1,601)	2,372
Foreign exchange translation – gains		506	-
Other income		1,139	431
		39,026	50,757
EXPENSES			
Finance charges – loan interest		19,104	37,755
Foreign exchange translation		-	40
Professional fees		7,285	13,010
Depreciation and amortisation	13,14	1,546	1,762
Bank charges		11	26
Irrecoverable general consumption tax		239	642
Loan loss expense	9	-	32,561
Impairment of investment in associated company and write-off of irrecoverable advances	11	102,338	-
Impairment of investment in subsidiary company	12	162,789	-
Other expenses		6,445	4,125
		299,757	89,921
LOSS BEFORE TAXATION		(260,731)	(39,164)
Taxation	31	919	(10,517)
NET LOSS	32	(261,650)	(28,647)

The Notes on Pages 12 to 86 form an integral part of the Financial Statements.

CAPITAL & CREDIT FINANCIAL GROUP LIMIED

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2011

	Notes	2011 $'000	2010 $'000
NET LOSS		(261,650)	(28,647)
OTHER COMPREHENSIVE INCOME			
Available-for-sale financial assets			
Net gains arising on revaluation of available-for-sale financial assets during the year	27	1,811	13,635
Reclassification adjustments relating to available-for-sale financial assets disposed of in the year	27	1,601	(2,372)
		3,412	11,263
Income tax relating to components of other comprehensive income	15,27	(1,137)	(3,754)
Other comprehensive income for the year (net of tax)		2,275	7,509
Total comprehensive income for the year		(259,375)	(21,138)

The Notes on Pages 12 to 86 form an integral part of the Financial Statements.

CAPITAL & CREDIT FINANCIAL GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2011

	Notes	Share Capital $'000	Capital Reserve $'000	Fair Value Reserve $'000	Unappropriated Profit (loss) $'000	Total $'000
Balance at December 31, 2009		1,995,844	587,190	(9,509)	31,178	2,604,703
Net loss for the year		-	-	-	(28,647)	(28,647)
Other comprehensive income for the year	27	-	-	7,509	-	7,509
Total comprehensive income (loss) for the year		-	-	7,509	(28,647)	(21,138)
Balance at December 31, 2010		1,995,844	587,190	(2,000)	2,531	2,583,565
Net loss for the year		-	-	-	(261,650)	(261,650)
Other comprehensive income for the year	27	-	-	2,275	-	2,275
Total comprehensive income for the year		-	-	2,275	(261,650)	(259,375)
Balance at December 31, 2011		1,995,844	587,190	275	(259,119)	2,324,190

The Notes on Pages 12 to 86 form an integral part of the Financial Statements.

CAPITAL & CREDIT FINANCIAL GROUP LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2011

	Notes	2011 $'000	2010 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss		(261,650)	(28,647)
Depreciation and amortisation	13,14	1,546	1,762
Taxation		919	(10,517)
Dividend income		(367)	(1,808)
Impairment of investment in associated company and write-off of irrecoverable advances to associated company		102,338	-
Impairment of investment in subsidiary company		162,789	-
Loan loss expense		-	32,561
Interest income		(2,615)	(6,227)
Unrealised foreign exchange loss		429	-
Loss (gain) on disposal of available-for-sale financial assets		1,601	(2,372)
Interest expense		19,104	37,755
		24,094	22,507
Movement in working capital			
Accounts receivable		1,136	(698)
Loans receivable		465	710
Accounts payable		(3,507)	3,154
Cash generated from operations		22,188	25,673
Income tax paid		(17)	(24)
Interest paid		(17,418)	(42,973)
Net cash provided by (used in) operating activities		4,753	(17,324)
CASH FLOWS FROM INVESTING ACTIVITIES			
Redemption of preference shares in subsidiary		62,521	-
Purchase of shares in subsidiaries		(8,032)	(32,714)
Investment in associates (including advances)		(38,683)	(23,254)
Dividend received		367	2,802
Interest received		6,160	2,132
Decrease in investment securities		18,577	43,333
Net cash provided by (used in) investing activities		40,910	(7,701)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans received from subsidiary		-	40,000
Loan repayment		(47,785)	(23,290)
Net cash (used in) provided by financing activities		(47,785)	16,710
DECREASE IN CASH AND CASH EQUIVALENTS		(2,122)	(8,315)
OPENING CASH AND CASH EQUIVALENTS		2,091	10,409
Effects of foreign exchange rate changes		73	(3)
CLOSING CASH AND CASH EQUIVALENTS	34	42	2,091

The Notes on Pages 12 to 86 form an integral part of the Financial Statements.

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

1 GROUP IDENTIFICATION

1.1 Composition of the Group

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.

1.2 Principal activities

(a) 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".

(b) Capital & Credit Merchant Bank Limited ("the banking subsidiary"), has two subsidiaries, Capital & Credit Securities Limited and Capital & Credit Fund Managers Limited. Both subsidiaries are incorporated and domiciled in Jamaica.

The principal activities of its 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.

1 GROUP IDENTIFICATION (Cont'd)

1.3 Regulation and licence

i) 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.

ii) Capital & Credit Securities Limited is licensed under the Securities Act and is regulated by the Financial Services Commission and the Jamaica Stock Exchange as a stockbroker.

iii) Capital & Credit Fund Managers Limited is licensed under the Unit Trust Act and regulated by the Financial Services Commission.

1.4 Associated companies

The company's associates and their principal activities are as follows:

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. (See Note 11).
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 APPLICATION 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

- Amendments to *IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)* - The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. No note was used for the items of other comprehensive income as the information was included in the statement of changes in equity.

- *IAS 24 Related Party Disclosures* - The amendments to the standard clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The application of the amendments had no effect on the Group's financial statements.

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

2.2 New and revised IFRSs and Interpretations applied with no material effect on the financial statements (Cont'd)

- *IAS 27 Consolidated and Separate Financial Statements* – The amendment clarifies that the amendments made to IAS 21 The Effects of Changes in Foreign Rates, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures as a result of IAS 27(2008) should be applied prospectively (with the exception of paragraph 35 of IAS 28 and paragraph 46 of IAS 31, which should be applied retrospectively). The application of the amendments had no effect on the Group's financial statements.

- Amendments to *IAS 32 Classification of Rights Issues* - The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to IAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application.

  The application of the amendments has had no effect on the amounts reported in the current and prior years because the Group has not issued instruments of this nature.

- Amendments to *IFRS 3 Business Combinations* - As part of *Improvements to IFRSs* issued in 2010, IFRS 3 was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards. In addition, IFRS 3 was amended to provide more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date ('market-based measure'). The application of this amendment has not resulted in any change in the financial statements of the Group.

- *IFRS 7 Financial Instruments: Disclosures* – The amendment encourages qualitative disclosures in the context of the quantitative disclosure required to help users to form an overall picture of the nature and extent of risks arising from financial instruments. It also clarifies the required level of disclosure around credit risk and collateral held and provides relief from disclosure of renegotiated loans. The application of the amendments has not had material effect on the Group's financial statements.

- *Improvements to IFRSs* issued in 2010 - the application of *Improvements to IFRSs* issued in 2010 had no effect on amounts reported in the consolidated financial statements.

- *IFRIC 13 Customer Loyalty Programmes* – The amendment Clarifies that the 'fair value' of award credits should take into account the amount of discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale and any expected forfeitures. The application of the amendments had no effect on the Group's financial statements.

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

2.2 New and revised IFRSs and Interpretations applied with no material effect on the financial statements (Cont'd)

- Amendments to *IFRIC 14 Prepayments of a Minimum Funding Requirement* - IFRIC 14 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments had no effect on the Group's financial statements.

- *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments*. The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under IFRIC 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss.

  The application of IFRIC 19 had no effect on the amounts reported in the current and prior years because the Group has not entered into any transactions of this nature.

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

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

2 APPLICATION 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.

- The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

  The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

- IAS 27 Separate Financial Statements (2011) - Amended version of IAS 27 which now only deals with the requirements for separate financial statements, which have been carried over largely unamended from IAS 27 *Consolidated and Separate Financial Statements*. Requirements for consolidated financial statements are now contained in IFRS 10 *Consolidated Financial Statements*. The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 *Financial Instruments*. The Standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements. This standard is applicable to annual reporting periods beginning on or after January 1, 2013. The Board of Directors and management anticipate that the application of this amendment to the standard is not likely to compact the financial results or disclosures.

2 APPLICATION 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)*

- IAS 28 Investments in Associates and Joint Ventures (2011) - This Standard supersedes IAS 28 *Investments in Associates* and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment. This standard is applicable to annual reporting periods beginning on or after January 1, 2013. The Board of Directors and management anticipate that the application of this amendment to the standard is not likely to compact the financial results or disclosures.

- *Amendment to IFRS 7 – Enhanced Derecognition Disclosure Requirements* – The IASB introduced enhanced disclosure requirements to IFRS 7 as part of its comprehensive review of off-balance sheet activities. The amendments are designed to ensure that users of financial statements are able to more readily understand transactions involving the transfer of financial assets (for example, securitisations), including 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. Disclosures are not required for comparative periods before the date of initial application of the amendments. The application of the amendment will result in enhanced disclosures in the financial statements to the extent applicable.

- IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

(i) IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

(ii) The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

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.

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including *IFRS 10, IFRS 11, IFRS 12, IAS 27* (as revised in 2011) and *IAS 28* (as revised in 2011). These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time. However, entities are permitted to incorporate any of the disclosure requirements in *IFRS 12 Disclosure of Interests in Other Entities* into their financial statements without technically early applying the provisions of IFRS 12.

2 APPLICATION 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)*

- IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation – Special Purpose Entities has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios. This standard is applicable to annual reporting periods beginning on or after January 1, 2013.

- IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

- IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 *Financial Instruments: Disclosures* will be extended by IFRS 13 to cover all assets and liabilities within its scope.

  IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

  The directors anticipate that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 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.

3.2 Basis of preparation

3.2.1 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.

The principal accounting policies are set out below.

3.2.2 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.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Basis of preparation (Cont'd)

3.2.3 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 profit or loss. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at rates prevailing at that date. 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.

3.2.4 Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities using exchange rates prevailing at the end of the reporting period.
- Income and expense items at the average rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used.
- Exchange differences arising from the above translation as well as from the differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation) are recognised in other comprehensive income.
- When a foreign operation is sold, the component of other comprehensive income relating to that particular foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

3.3 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.

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

3.3.1 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.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.3 Basis of consolidation

3.3.1 Changes in the Group's ownership interests in existing subsidiaries (Cont'd)

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 Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRS). 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.

3.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively*;*

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and

- 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* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.4 Business combinations (Cont'd)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if those interests were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Business combinations that took place prior to January 1, 2010 were accounted for in accordance with the previous version of IFRS 3.

3.5 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.

3.6 Investment in associates

An associate is an entity over which the Group has significant influence and that 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 is not 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.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.6 Investment in associates (Cont'd)

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.

3.7 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see 3.4 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, 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 based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated profit and loss account. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described at Note 3.6 above.

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

3.8 **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 instrument 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

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

(i) a non-derivative instrument 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 statement of financial position only when the Group becomes a party to the contractual provisions of the instruments.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.8 Financial Instruments (Cont'd)

3.8.1 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, pledged assets, 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
- 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.

3.8.1.1 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
- on initial recognition 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 arising on remeasurement upon initial recognition if:

- such a designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise 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.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss arising on remeasurement 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 39.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.8 Financial Instruments (Cont'd)

3.8.1 Financial assets (Cont'd)

3.8.1.2 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. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of fair value reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to 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 reclassified to 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 financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

3.8.1.3 Loans and receivables

Loans and accounts receivables that are non-derivative and 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 rate 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.

3.8.1.4 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 on initial recognition.

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

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.8 Financial Instruments (Cont'd)

3.8.1.5 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.

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. During the current and previous year the regulator approved transfers from retained earnings reserve to loan loss reserve in the banking subsidiary.

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.

3.8.1.6 Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. 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-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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

3.8 **Financial Instruments (Cont'd)**

3.8.1 Financial assets (Cont'd)

3.8.1.6 Impairment of financial assets (Cont'd)

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 recognised 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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. 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.

3.8.1.7 De-recognition of financial assets

The Group de-recognises a financial asset only when the contractual rights to the cash flows from the asset 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 collateralized borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.8 Financial Instruments (Cont'd)

3.8.1 Financial assets (Cont'd)

3.8.1.7 De-recognition of financial assets (Cont'd)

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3.8.2 Financial liabilities and equity instruments issued by the Group

Debt and equity instruments issued by the Group are classified as other financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.8.2.1 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.

3.8.2.2 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. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable is recognised in profit or loss.

3.8.2.3 Equity instruments

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

3.8.2.4 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 collaterized 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.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.8 Financial Instruments (Cont'd)

3.8.3 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.

3.9 Intangible assets

3.9.1 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.

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.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3.10 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. Historical cost includes expenditure that is directly attributable to the acquisition of these items.

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. 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.

Land, painting and artwork are not depreciated.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. 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 profit or loss.

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

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.11 Impairment of tangible and intangible assets

At each reporting 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 profit or loss, 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 profit or loss 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.

3.12 Taxation

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

3.12.1 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 consolidated profit and loss account because of items of income or expenses that are taxable or deductible in other years and 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 the reporting date.

3.12.2 Deferred tax

Deferred tax is recognised 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. 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 goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.12 Taxation (Cont'd)

3.12.2 Deferred Taxation (Cont'd)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The principal temporary differences arise from depreciation on property and equipment, tax losses, interest payable, interest receivable and revaluation adjustments on available-for-sale investments.

The carrying amount of deferred tax assets is reviewed at each reporting 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 reporting 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.

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.

3.12.3 Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3.13 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.

3.14 Related party transactions and balances

A party is related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party:
- controls, is controlled by, or is under common control with, the Group (this includes parent, subsidiaries and fellow subsidiaries);
- has an interest in the entity that gives it significant influence over the Group; or
- has joint control over the Group;

(ii) the party is an associate of the Group;
(iii) the party is a joint venture in which the Group is a venturer;
(iv) the party is a member of the key management personnel of the Group;
(v) the party is a close member of the family of any individual referred to in (i) or (iv);
(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Related party transactions and balances are recognised and disclosed in the financial statements.

Transactions with related parties are recorded in accordance with the normal policies of the Group at transaction dates.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.15 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 reporting date and are discounted to present value.

3.16 Revenue recognition

3.16.1 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.

3.16.2 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.

3.16.3 Dividend income

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

3.17 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.

3.17.1 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.

3.17.2 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.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.18 Employee benefits

3.18.1 Pension obligations

The Group pays fixed contributions into a defined contribution Superannuation Fund has 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.

3.18.2 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 reporting date.

3.18.3 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.

3.19 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.

4.1 Critical judgments in applying accounting policies

The directors are of the opinion that, apart from those involving estimations (see below) there were no critical judgements made in the process of applying the Group's accounting policies that have a significant effect on the amounts recognised in the financial statements.

4.2 *Key sources of estimation uncertainties*

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

4.2.1 Fair value of financial assets

As described in Note 39, 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 reporting date stated at fair value amount to $19 billion (2010: $24.3 billion) and of the Company $14.1 million (2010: $31.4 million).

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

4.2 *Key sources of estimation uncertainties* (Cont'd)

4.2.1 Fair value of financial assets (Cont'd)

Had the fair value of these securities been 5% higher or lower, profit for the Group would increase/decrease by $Nil (2010: $2.2 million) and $Nil for the Company, while other comprehensive income would increase/decrease by $919.6 million (2010: $1.2 billion) for the Group and $0.1 million (2010: $1.6 million) for the Company.

4.2.2 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 Notes 15 and 31).

4.2.3 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 profit or loss, 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 $369.4 million to $488.7 million (2010: $397.3 million to $519.8 million) for the Group.

5 CASH RESOURCES

Cash resources of the Group include $572.0 million (2010: $700.2 million) held under Section 14(i) of the Financial Institutions Act, at the Bank of Jamaica as a Cash Reserve. This amount is not available for investment or other use by the Group.

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

6 INVESTMENT IN SECURITIES

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Financial assets at fair value through profit or loss:				
Equity securities	41,527	34,589	-	-
Securities available-for-sale				
Government of Jamaica securities	15,107,353	19,657,272	-	-
US Treasury Bills	376,333	786,875	-	-
Quoted equity investments	346,551	622,316	1,090	17,983
Unquoted equity investments	12,956	13,385	12,956	13,385
Bank of Jamaica certificates of deposit	469,014	946,000	-	-
Other securities	2,578,336	2,193,243	-	-
	18,890,543	24,219,091	14,046	31,368
Loans and Receivables Securities: (see Note 41)				
Government of Jamaica securities	2,871,608	3,209,239	-	-
Securities purchased under resale agreements	479	10,000	-	-
Other securities	1,718,722	1,813,165	-	-
	4,590,809	5,032,404	-	-
	23,522,879	29,286,084	14,046	31,368
Pledged assets (see Note 7)	(17,304,800)	(19,539,466)	-	-
	6,218,079	9,746,618	14,046	31,368
Interest receivable	390,066	533,564	-	-
	6,608,145	10,280,182	14,046	31,368

In 2010, the Bank of Jamaica (BOJ) implemented the Central Securities Depository and the Real Time Gross Settlement system. As a result the banking subsidiary is no longer required to pledge assets to the BOJ to cover possible shortfalls in the banking subsidiary primary dealer account.

Gross gains of 405.06 million for the Group and a loss of $1.6 million for the Company (2010: gains of $188.09 million for the Group and $2.4 million for the Company) were realised during the year on sale of securities available-for-sale.

In February 2010, all domestic Government of Jamaica securities held were effectively "matured", and all of the new securities purchased were classified as available-for-sale on the date of acquisition.

7 PLEDGED ASSETS

The Group enters into collateralised repurchase agreements and as at the reporting date, investment securities amounting to $17.3 billion (2010: $19.5 billion) (Note 6) 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 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.

9 LOANS (AFTER PROVISION FOR LOAN LOSSES)

(a)

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Loans	6,328,488	6,515,782	52,801	53,266
Less: provision	361,964	389,895	25,162	25,162
	5,966,524	6,125,887	27,639	28,104
Interest receivable	186,931	228,617	21,064	19,389
Less: provision	7,399	7,399	7,399	7,399
	179,532	221,218	13,665	11,990
	6,146,056	6,347,105	41,304	40,094

Loans in the Group and the Company include amounts due from related parties (See Note 38).

(b)

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Corporate	4,852,698	4,577,166	40,503	40,968
Individuals	1,475,790	1,938,616	12,298	12,298
	6,328,488	6,515,782	52,801	53,266

(c) The loan balance includes an amount of $104.1 million (2010: $113.4 million) receivable from employees.

(d) The aggregate amount of non-performing loans on which interest is not being accrued is $3.2 billion (2010: $2.9 billion). Majority of non-performing loans are not considered impaired. (see Note 39.4.6)

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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

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

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Provision for loan losses under IFRS				
Provision at January 1	397,294	385,334	32,561	-
Write offs	(1,965)	(101,129)	-	-
Recovery of amount previously written off	10,614	-	-	-
	405,943	284,205	32,561	-
Charged to profit and loss	52,012	133,424	-	32,561
Recoveries during the year	(78,877)	(20,335)	-	-
Transfer (See Note 10)	(9,715)	-	-	-
	(36,580)	113,089	-	32,561
Balance at December 31	369,363	397,294	32,561	32,561
Regulatory provision (In excess of IFRS Requirements)				
Provision at January 1	1,004,907	336,854	-	-
Charged to equity	1,091,509	668,053	-	-
Balance at December 31	2,096,416	1,004,907	-	-
Total allowance for impairment	2,465,779	1,402,201	-	-

Total allowance for loan losses is made up as follows:

	The Group	
	2011	2010
	$'000	$'000
Allowance based on accounting standards - (IAS 39 see (i) below)	369,363	397,294
Additional allowance based on Bank of Jamaica regulations (see (ii) below)	2,096,416	1,004,907
	2,465,779	1,402,201

(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.

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

10 ACCOUNTS RECEIVABLE

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Broker receivable	1,285	119,755	-	-
Withholding tax recoverable	307,129	379,914	-	-
Dividends receivable	-	24	-	24
Owed by associates	-	4,187	-	4,187
Owed by subsidiary	-	-	-	196
Liquid and staff loans	134,440	147,578	-	-
Recoverable expenses	302,669	266,948	-	-
Other receivables	103,103	135,603	-	862
	848,626	1,054,009	-	5,269
Less: Provision (including transfer from loan provision) (See Note 9)	23,502	-	-	-
	825,124	1,054,009	-	5,269

Ageing of past due but not impaired accounts receivable

	The Group	
	2011	2010
	$'000	$'000
90 – 180 days	25,275	58,096
181- 360 days	10,446	82,925
Over 360 days	243,446	125,927
	279,167	266,948

Ageing of impaired accounts receivable

	The Group	
	2011	2010
	$'000	$'000
Over 180 days	23,502	-

Movement in provision for doubtful debts

	The Group	
	2011	2010
	$'000	$'000
Balance at January 1	-	-
Transferred from loans (See Note 9)	9,715	-
Charged to profit or loss	13,787	-
Balance at end of year	23,502	-

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

11 INVESTMENT IN ASSOCIATES

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Shares at cost:				
Capital & Credit Fund Managers Limited	-	-	75,464	75,464
Shares at cost:				
Express Remittance Services (Cayman) Limited	73,354	73,354	69,073	69,073
Loans: Express Remittance Services (Cayman) Limited	38,697	14	38,697	14
	112,051	73,368	107,770	69,087
Less: Share of losses	(106,619)	(30,161)	-	-
Provision for impairment and write-off of irrecoverable advances	(5,432)	(5,432)	(107,770)	(5,432)
	-	37,775	-	63,655
Total investment in associates	-	37,775	75,464	139,119

During the year, Express Remittance Services (Cayman) Limited discontinued its operations.

Summarised financial information in respect of the Group's associate is set out below.

	2011	2010
	$'000	$'000
Total assets	1,870	12,062
Total liabilities	1,870	20,970
Net assets	-	(8,908)
Group's share of net assets of associates	-	(3,563)

	2011	2010
	$'000	$'000
Total revenue	13,732	31,724
Total loss for the year	(76,458)	(22,713)
Group's share of loss in associate	(76,458)	(9,090)
Group's share of other comprehensive income	-	-

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

12 INVESTMENT IN SUBSIDIARIES

	2011	2010
	$'000	$'000
Shares at cost:		
Capital & Credit Merchant Bank Limited	2,236,433	2,298,954
Capital & Credit Remittance Limited	14,000	14,000
Capital & Credit Payment Systems Limited	212	212
Capital & Credit Holdings Inc.	180,113	172,081
	2,430,758	2,485,247
Less Provision for impairment loss – Capital & Credit Holdings Inc.	(162,789)	-
Interest receivable on preference shares	-	1,033
	2,267,969	2,486,280

13 INTANGIBLE ASSETS

	The Group			The Company
	Computer Software	Goodwill	Total	Computer Software
	$'000	$'000	$'000	$'000
Cost				
Balance at December 31, 2009, 2010 and 2011	334,083	207,372	541,455	2,993
Amortisation				
December 31, 2009	150,627	-	150,627	1,345
Charge for the year	66,816	-	66,816	598
December 31, 2010	217,443	-	217,443	1,943
Charge for the year	66,622	-	66,622	597
December 31, 2011	284,065	-	284,065	2,540
Net book value				
December 31, 2011	50,018	207,372	257,390	453
December 31, 2010	116,640	207,372	324,012	1,050

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

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

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

14 PROPERTY AND EQUIPMENT

	The Group						
	Land	Building	Furniture, Fixtures and Equipment	Paintings and Artwork	Leasehold Improvements	Motor Vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At cost							
December 31, 2009	2,968	20,391	241,768	9,619	91,754	18,066	384,566
Additions	-	-	22,298	-	3,657	-	25,955
Disposal	-	-	(4,084)	-	(3,312)	(1,972)	(9,368)
December 31, 2010	2,968	20,391	259,982	9,619	92,099	16,094	401,153
Additions	-	-	9,309	-	-	-	9,309
Disposal	-	-	(121)	-	-	-	(121)
December 31, 2011	2,968	20,391	269,170	9,619	92,099	16,094	410,341
Depreciation							
December 31, 2009	-	3,073	197,003	-	63,770	9,244	273,090
Charge for year	-	495	23,323	-	9,846	2,672	36,336
Eliminated on disposal	-	-	(1,475)	-	(1,470)	(1,813)	(4,758)
December 31, 2010	-	3,568	218,851	-	72,146	10,103	304,668
Charge for year	-	510	24,591	-	8,513	3,134	36,748
Eliminated on disposal	-	-	(114)	-	-	-	(114)
December 31, 2011	-	4,078	243,328	-	80,659	13,237	341,302
Net book value							
December 31, 2011	2,968	16,313	25,842	9,619	11,440	2,857	69,039
December 31, 2010	2,968	16,823	41,131	9,619	19,953	5,991	96,485

Annual depreciation rates are based on the following estimated useful lives:

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

No depreciation is provided on land, paintings and artwork.

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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, 2009, 2010 and 2011	10,271	3,493	45	13,809
Depreciation				
December 31, 2009	4,274	3,493	45	7,812
Charge for year	1,164	-	-	1,164
December 31, 2010	5,438	3,493	45	8,976
Charge for year	949	-	-	949
December 31, 2011	6,387	3,493	45	9,925
Net book value				
December 31, 2011	3,884	-	-	3,884
December 31, 2010	4,833	-	-	4,833

Annual depreciation rates are based on the following estimated useful lives:

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

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

15 DEFERRED TAXATION

(a) The following is the analysis of the deferred tax assets/liabilities presented in the statement of financial position:

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Deferred tax assets	319,601	340,658	36,705	40,231
Deferred tax liabilities	(221,773)	(310,996)	(8,536)	(10,006)
Net assets	97,828	29,662	28,169	30,225

(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	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Net assets at January 1	29,662	469,499	30,225	23,462
Credited/(Charged) to income (see Note 31)	18,600	(97,307)	(919)	10,517
Credited/(Charged) to other comprehensive income (See Note 27)	49,566	(342,530)	(1,137)	(3,754)
Net assets at December 31	97,828	29,662	28,169	30,225

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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

(b) (Cont'd)

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	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At December 31, 2009	217,063	5,364	458,859	229,735	1,000	753	1,416	914,190
Charged to income for the year	(127,306)	(4,059)	-	(97,870)	-	(351)	(1,416)	(231,002)
Charged to other comprehensive income for the year	-	-	(342,530)	-	-	-	-	(342,530)
At December 31, 2010	89,757	1,305	116,329	131,865	1,000	402	-	340,658
Charged to income for the year	(30,653)	(1,305)	-	(38,577)		(88)	-	(70,623)
Credited to other comprehensive income for the year	-	-	49,566	-	-	-	-	49,566
At December 31, 2011	59,104	-	165,895	93,288	1,000	314	-	319,601

	The Company				
	Interest Payable	Available-for- sale Investments Revaluation	Tax Loss	Foreign Exchange Loss	Total
	$'000	$'000	$'000	$'000	$'000
At December 31, 2009	1,739	4,754	24,023	1,861	32,377
(Charged)/Credited to income for the year	(1,739)	-	15,208	(1,861)	11,608
Charged to other comprehensive income	-	(3,754)	-	-	(3,754)
At December 31, 2010	-	1,000	39,231	-	40,231
Credited/(Charged) to income for the year	562	-	(2,951)	-	(2,389)
Charged to other comprehensive income	-	(1,137)	-	-	(1,137)
At December 31, 2011	562	(137)	36,280	-	36,705

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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

(b) (Cont'd)

(ii) Deferred tax liabilities

	The Group						
	Capital Allowances in excess of Depreciation charges	Interest Receivable	Unrealised Gains	Securities Trading Revaluation	Foreign Exchange Loss	Revaluation on trading Investments	Total
	$'000	$'000	$'000			$'000	$'000
At December 31, 2009	50,378	394,205	-	-	-	108	444,691
(Credited)/Charged to income for the year	(8,915)	(129,207)	4,527	-	-	(100)	(133,695)
At December 31, 2010	41,463	264,998	4,527	-	-	8	310,996
(Credited)/Charged to income for the year	(25,855)	(63,351)	(4,527)	4,292	226	(8)	(89,223)
At December 31, 2011	15,608	201,647	-	4,292	226	-	221,773

	The Company			
	Unrealised foreign exchange gains	Capital Allowances in excess of Depreciation Charges	Interest Receivable	Total
	$'000	$'000	$'000	$'000
At December 31, 2009	-	2,167	6,748	8,915
(Credited)/Charged to income for the year	-	(364)	1,455	1,091
At December 31, 2010	-	1,803	8,203	10,006
Charged/(Credited) to income for the year	168	(456)	(1,182)	(1,470)
At December 31, 2011	168	1,347	7,021	8,536

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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 $177.6 million (2010: $269.7 million) and $108.8 million for the company (2010: $117.7 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	
	2011	2010
	$'000	$'000
Total	5,576,976	7,338,487
Personal	3,242,510	3,965,534
Financial institutions	56,768	85,647
Commercial and business enterprises	2,232,958	3,212,483
	5,532,236	7,263,664
Interest payable	44,740	74,823
	5,576,976	7,338,487

17 **DUE TO OTHER FINANCIAL INSTITUTIONS**

	The Group	
	2011	2010
	$'000	$'000
Principal payable	696,231	714,834
Interest payable	138	164
	696,369	714,998

The above balance consists of US$ 4.1 million and J$340.6 million (2010: US$ 4.4 million and J$338.9 million) due to the Development Bank of Jamaica (DBJ), at interest rates of 4.50% to10.00% per annum for periods up to10 years (2010: 4.25% to10.00% per annum for periods up to 9 years). Loans are repayable in monthly installments. The loans are for on-lending to customers to finance development and agricultural projects within the terms and conditions of the DBJ.

18 **SECURITIES SOLD UNDER REPURCHASE AGREEMENTS**

	The Group	
	2011	2010
	$'000	$'000
Total	18,749,227	23,627,408
Personal	3,025,427	3,667,440
Financial institutions	10,111,728	13,034,681
Commercial and business enterprises	5,405,098	6,633,575
	18,542,253	23,335,696
Interest payable	206,974	291,712
	18,749,227	23,627,408

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

19 LOAN PARTICIPATION

	The Group	
	2011	2010
	$'000	$'000
Total	458,348	681,621
Personal	69,108	163,376
Financial institutions	5,229	79,359
Commercial and business enterprises	382,934	437,749
	457,271	680,484
Interest payable	1,077	1,137
	458,348	681,621

20 LOAN PAYABLE

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Loan from Banking Subsidiary (i)	-	-	60,450	108,235
Loan from associate (ii)	-	-	40,000	40,000
Interest payable	-	-	1,686	-
	-	-	102,136	148,235

(i) This represents an unsecured loan facility from the banking subsidiary maturing on June 30, 2012. Interest is payable on a monthly basis at a fixed rate of 17% (2010: 20%) per annum with the principal balance being repayable at maturity.

(ii) Loan from associated company represents two (2) unsecured loan facilities of $20 million each with interest payable on a monthly basis at a fixed rate of 12% per annum (2010: 15% and 12% per annum), with principal balances repayable at maturity on June 30, 2012.

21 ACCOUNTS PAYABLE

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Owed to associate	-	2,523	-	-
Prime accounts	16,828	7,810	-	-
Payroll taxes	22,417	24,498	-	-
Deferred income	56,461	21,584	-	-
GCT payable	1,035	2,054		
Other payable	223,057	173,813	6,767	7,902
Due to subsidiaries	-	-	5,797	8,169
	319,798	232,282	12,564	16,071

22 PREFERENCE SHARES

The preference shares were issued by the Banking subsidiary in 2008 and paid 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 was not in issue on the market, the 90 day Treasury Bill yield was applied.

The preference shares were redeemed on April 1, 2011.

23 SHARE CAPITAL

	Number of units	
	2011	2010
	'000	'000
Authorised		
Ordinary shares - no par value, January 1 and December 31	1,000,000	1,000,000
Redeemable preference shares - no par value, January 1 and December 31	500,000	500,000
Issued and fully paid		
Ordinary shares- no par value, January 1 and December 31	926,796	926,796

	2011	2010
	$'000	$'000
Stated capital		
At January 1 and December 31	1,995,844	1,995,844

24 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% (2010:15%).

25 CAPITAL RESERVE

Capital reserve comprises realised capital gains of $680.4 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 4% and unrealised gains for the group and the company of $62.5 million not available for distribution.

26 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.

The Bank of Jamaica has been notified of the $709.6 million (2010: $300 million) transfer from retained earnings reserve to loan loss reserve.

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

27 FAIR VALUE RESERVE

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

Movement in fair value reserve is as follows:

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Balance at January 1	(148,945)	(835,438)	(2,000)	(9,509)
Unrealised gains on available-for-sale investments	258,334	1,217,120	1,811	13,635
Deferred tax on unrealised gains	(85,454)	(405,229)	(603)	(4,545)
Realised (gains)/ losses on sale of available-for-sale investments transferred to profit and loss account	(405,065)	(188,097)	1,601	(2,372)
Deferred tax on realised gains/ (losses)	135,020	62,699	(534)	791
	(97,165)	686,493	2,275	7,509
Attributable to non-controlling interest	(8)	-	-	-
Balance at December 31	(246,118)	(148,945)	275	(2,000)

28 INVESTMENT REVENUE

(a) Net interest income

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Interest income				
Government of Jamaica securities	1,962,430	2,572,582	-	-
US Treasury Bills	2,383	1,701	-	-
Other securities	136,548	192,030	-	4,347
Bank of Jamaica certificates of deposits	3,152	59,880	-	-
Loans and other receivables (including cash and cash equivalents)	479,391	957,205	2,615	1,880
	2,583,904	3,783,398	2,615	6,227
Interest expenses				
Securities sold under repurchase agreements	1,236,697	1,760,028	-	-
Deposits	298,149	633,087	-	-
Other	75,595	99,877	19,104	37,755
	1,610,441	2,492,992	19,104	37,755
	973,463	1,290,406	(16,489)	(31,528)

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

28 INVESTMENT REVENUE (Cont'd)

(b) Revenue from financial assets

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Interest revenue:				
Securities available-for-sale	1,566,853	1,257,934	-	-
Loans and Receivables Securities	537,659	1,561,398	-	-
Held-to-maturity Securities	-	2,514	-	-
Loans and other receivables (including cash and cash equivalents)	479,392	961,552	2,615	6,227
	2,583,904	3,783,398	2,615	6,227
Other revenue:				
Dividends	34,542	54,871	367	1,808
Gains/(Losses) on disposal of available-for-sale investments	502,470	191,756	(1,601)	2,372
Gains on disposal of financial assets classified as held for trading	13,907	-	-	-
Net foreign exchange gains	98,313	89,606	506	-
Unrealised gains arising on financial assets classified as held for trading	12,877	3,916	-	-
	662,109	340,149	(728)	4,180

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

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Investments in securities				
- Financial Assets at fair value through profit or loss	26,784	3,916	-	-
- Available-for-sale investments	2,103,866	1,504,561	(1,234)	4,180
- Loans and receivables	537,659	1,561,398	-	-
- Held to maturity	-	2,514	-	-
Loans and other receivables (including cash and cash equivalents)	577,705	1,051,158	3,121	6,227
Total income for financial assets	3,246,014	4,123,547	1,887	10,407

Non-interest revenues relating to loans are included in "Commission and fee income" in Note 29.

CAPITAL & CREDIT FINANCIAL GROUP LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

29 COMMISSION AND FEE INCOME

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Loan processing fees	23,880	21,934	-	-
Commission – Government of Jamaica	3,542	3,767	-	-
Commission – equity trading	5,447	2,844	-	-
Commission – other	5,895	32,859	-	-
Fund management and registrar fees	67,726	58,099	-	-
Management fees	-	3,919	36,000	39,919
Remittance fees	23,590	25,413	-	-
	130,080	148,835	36,000	39,919

30 STAFF COSTS

	The Group	
	2011	2010
	$'000	$'000
Staff costs incurred during the year were:		
Salaries and wages	483,638	439,269
Statutory contributions	47,188	43,474
Pension contributions	18,692	17,267
Termination costs	-	6,685
Other staff benefits	100,027	94,099
	649,545	600,794

31 TAXATION

(a) The charge for the year comprises:

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Income tax at 33⅓% of taxable income	132,068	98,891	-	-
Deferred tax (see Note 15)	(18,600)	97,307	919	(10,517)
	113,468	196,198	919	(10,517)

(b) Subject to agreement of the Commissioner, Taxpayer Audit and Assessment, at the end of the reporting period the Group had tax losses of approximately $177.6 million (2010: $269.7 million) and the company $108.8 million (2010: $117.7 million) available for set-off against future taxable profits. A deferred tax asset has been recognized in respect of the tax losses.

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

31 **TAXATION (Cont'd)**

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

	The Group	
	2011	2010
	$'000	$'000
Profit before tax	477,600	483,872
Tax at the domestic income tax rate	159,200	161,291
Tax effect of:		
Expenses not deductible in determining taxable profit	42,534	91,620
Non-taxable income	(90,176)	(61,376)
Prior year over provision	(250)	-
Other adjustments	2,160	4,663
Taxation recognized in the consolidated profit and loss account	113,468	196,198

	The Company	
	2011	2010
	$'000	$'000
Loss before tax	(260,731)	(39,164)
Tax at the domestic income tax rate	(86,910)	(13,055)
Tax effect of:		
Expenses not deductible in determining taxable profit	87,829	3,329
Non-taxable income	-	(791)
Taxation recognised in the profit and loss account	919	(10,517)

32 **NET PROFIT (LOSS)**

(a) Dealt with in the accounts of:

	2011	2010
	$'000	$'000
The company (See below)	3,477	(28,647)
The subsidiaries	437,113	325,411
The associate	(76,458)	(9,090)
	364,132	287,674

(b)	Loss per financial statements of the company	(261,650)
	Impairment of investment in associate and subsidiary eliminated on consolidation	265,127
		3,477

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

32 NET PROFIT (Cont'd)

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

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Directors' emoluments				
- Fees	11,460	9,070	5,475	3,185
- Management	45,564	54,186	-	-
Audit fees - current year	14,965	13,821	1,687	1,430
- prior year	168	65	-	-
Depreciation and amortisation	103,370	103,152	1,546	1,762
Loan interest	-	-	19,104	37,755

33 EARNINGS PER STOCK UNIT

Earnings per stock unit is calculated by dividing the net profit attributable to stockholders of the parent of $364.1 million (2010: $287.6 million) by the 926,796,047 ordinary stock units in issue.

34 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Cash and balances with banks including Bank of Jamaica	1,390,754	1,526,083	42	2,091
Securities purchased under resale Agreements	-	10,000	-	-
	1,390,754	1,536,083	42	2,091
Less: Statutory cash reserves (see Note 5)	(571,990)	(700,234)	-	-
Bank overdraft	-	(1,120)	-	-
	818,764	834,729	42	2,091

35 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, 2011, the Group had financial assets under administration which amounted to approximately $4.4 billion (2010: $3.6 billion).

36 SEGMENTAL FINANCIAL INFORMATION

The Group's activities are 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's 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 of $3.4 billion (2010: $4.5 billion) arising from Banking & related services of $1.7 billion (2010: $2.4 billion) and Financial & related services of $1.7 billion (2010: $2.1 billion) (see following table) are revenues of approximately $2 billion (2010: $2.6 billion) which arose from transactions with the Group's largest customer.

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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

	2011					
	Banking & Related Services	Financial & Related Services	Remittance & Related Services	Holding Investments	Eliminations	Group
Segment revenue	$'000	$'000	$'000	$'000	$'000	$'000
External revenue	1,545,280	1,687,817	52,665	2,116	97,407	3,385,285
Inter-segment revenue	155,361	36,483	92	36,910	(228,846)	-
Total revenue	1,700,641	1,724,300	52,757	39,026	(131,439)	3,385,285
Net interest income	476,985	521,050	(8,011)	(16,561)	-	973,463
Segment result						
Profit before taxation	94,199	358,956	3,999	(276,784)	297,230	477,600
Taxation	(9,011)	119,209	2,351	919	-	113,468
Profit for the year	103,210	239,747	1,648	(277,703)	297,230	364,132
Statement of Financial Position						
Assets						
Segment assets	20,296,526	14,357,176	84,381	2,443,499	(4,259,066)	32,922,516
Consolidated total assets						32,922,516
Liabilities						
Segment liabilities	15,593,445	11,937,537	71,849	113,530	(1,758,369)	25,957,992
Consolidated total liabilities						25,957,992
Other information						
Capital additions	8,351	888	70	-	-	9,309
Depreciation and amortisation	83,076	17,923	274	2,097	-	103,370
Loan loss expense, less recovery	(13,078)	-	-	-	-	(13,078)

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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

	2010					
	Banking & Related Services	Financial & Related Services	Remittance & Related Services	Holding Investments	Eliminations	Group
Segment revenue	$'000	$'000	$'000	$'000	$'000	$'000
External revenue	2,266,910	1,926,866	44,283	43,228	-	4,281,287
Inter-segment revenue	164,272	126,035	215	40,348	(330,870)	-
Total revenue	2,431,182	2,052,901	44,498	83,576	(330,870)	4,281,287
Net interest income	745,088	586,309	(9,334)	(31,657)	-	1,290,406
Segment result						
Profit before taxation	247,186	308,035	(23,895)	(47,454)	-	483,872
Taxation	90,978	120,184	(5,061)	(9,903)	-	196,198
Profit for the year	156,208	187,851	(18,834)	(37,551)	-	287,674
Statement of Financial Position						
Assets						
Segment assets	23,067,062	17,830,279	81,031	2,768,493	(4,234,125)	39,512,740
Consolidated total assets						39,512,740
Liabilities						
Segment liabilities	18,604,908	15,475,258	76,439	170,943	(1,512,551)	32,814,997
Consolidated total liabilities						32,814,999
Other information						
Capital additions	23,455	2,244	256	-	-	25,955
Depreciation and amortisation	80,728	19,201	467	2,756	-	103,152
Loan loss expense, less recovery	80,528	-	-	32,561	-	113,089

37 **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 30).

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

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

38 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	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Interest income				
Wholly-owned subsidiary	-	-	940	4,348
Management fees received				
Associated company	-	3,919	-	3,919
Wholly-owned subsidiary	-	-	36,000	36,000
	-	3,919	36,000	39,919
Interest expense				
Wholly-owned subsidiary	-	-	19,104	37,755

Year-end balances with related parties are as follows:

	The Group 2011 $'000	The Group 2010 $'000	The Company 2011 $'000	The Company 2010 $'000
Accounts receivable				
Associated company	-	4,187	-	4,187
Wholly-owned subsidiary	-	-	314	196
	-	4,187	314	4,383
Accounts payable				
Owed to wholly-owned subsidiary	-	-	-	156,137

The transactions occurred in the normal course of business.

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

38 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	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Salaries, fees and other short term benefits				
Directors	57,024	63,256	5,475	3,185
Management Personnel	108,551	102,887	-	-
	165,575	166,143	5,475	3,185
Interest expense				
Securities sold under repurchase agreements				
Directors	-	8,477	-	-
Management Personnel	-	170	-	-
Other related parties	-	1,644	-	-
	-	10,291	-	-
Interest expense				
Deposits				
Directors	8,659	2,390	-	-
Management Personnel	241	398	-	-
Other related parties	1,328	27	-	-
	10,228	2,815	-	-
Interest income				
Loans				
Directors	6,289	5,029	1,107	1,107
Management Personnel	4,777	3,420	-	-
Parties connected to Directors	569	773	569	773
Other related parties	-	49,601	-	-
	11,635	58,823	1,676	1,880
Other income				
Other related parties	57,498	-	-	37,755

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

38 RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

(b) (Cont'd)

Year end balances with related parties are as follows:

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Deposits				
Directors	33,092	34,452	-	-
Management Personnel	4,225	11,989	-	-
Other related parties	2,435	218	-	-
	39,752	46,659	-	-
Loans				
Directors	62,983	64,356	12,298	12,298
Management Personnel	57,433	64,199	-	-
ESOP	11,278	11,743	11,278	11,743
Parties connected to Directors and Management	-	4,063	4,063	4,063
	131,694	144,361	27,639	28,104
Securities sold under repurchase agreements				
Directors	130,638	150,296	-	-
Management Personnel	75	4,341	-	-
Other related parties	128,967	33,200	-	-
	259,680	187,837	-	-
Interest receivable				
Directors	11,553	10,446	11,553	10,446
Parties connected to Directors and Management	2,112	1,544	2,112	1,544
	13,665	11,990	13,665	11,990
Accounts receivable				
Other related parties	12,815	545	-	-
Accounts payable				
Other related parties	23	-	-	-

The loans to the directors and management are secured. There are no irrecoverable debts in respect of amounts owed by related parties for which an expense should be recognised in the period.

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

39 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT

39.1 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.

39.2 Categories of financial instruments

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Financial assets				
Investment in securities:				
Fair value through profit or loss				
- Held-for-trading	41,527	34,589	-	-
- Available-for-sale financial assets at fair value	19,208,978	24,676,832	14,046	31,368
- Loans and receivables at amortised cost	4,662,440	5,108,226	-	-
Loans and other receivables (including cash and cash equivalents) at amortised cost	8,035,314	8,568,757	2,384,779	2,672,854
	31,948,259	38,388,404	2,398,825	2,704,222
Financial liabilities				
Other financial liabilities at amortised cost	25,788,705	32,596,591	114,700	164,306

39.3 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.

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

39.3 Financial risk management objectives (Cont'd)

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.

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 risks on the statement of financial position 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.

39.4 Credit risk management

39.4.1 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.

39.4.2 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, securities from US Treasury Bills, 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.

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

39.4 **Credit risk management (Cont'd)**

39.4.2 Credit review process (Cont'd)

(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.

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

39.4.3 Collateral and other credit enhancement

Collateral

The taking of collateral (including guarantees) for funds advanced is dependent on the assessments 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.

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

39.4 Credit risk management (Cont'd)

39.4.3 Collateral and other credit enhancement (Cont'd)

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.

39.4.4 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.

39.4.5 The Group's loan portfolio is rated as follows:

	2011	2010
	$'000	$'000
Standard	2,062,205	2,374,508
Special mention	995,218	977,926
Sub-standard	72,581	407,973
Doubtful	2,252,906	1,563,363
Loss	945,578	1,192,012
	6,328,488	6,515,782

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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

39.4 **Credit risk management (Cont'd)**

39.4.5 (Cont'd)

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

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Cash resources				
(excluding cash on hand)	1,271,621	1,408,736	42	2,091
Investment in securities	6,608,145	10,280,182	14,046	31,368
Pledged assets	17,304,800	19,539,466	-	-
Loans (after provision for				
loan losses)	6,146,056	6,347,105	41,304	40,094
Accounts receivable	488,352	641,673	-	5,269
	31,818,974	38,217,162	55,392	78,822

39.4.6 Credit quality

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Neither past due nor impaired -				
standard	1,662,624	2,497,158	16,361	16,361
Past due but not impaired	3,668,384	3,078,834	-	-
Impaired	997,480	939,790	36,440	36,905
Gross	6,328,488	6,515,782	52,801	53,266
Less: provision for credit loss	361,964	389,895	25,162	25,162
Net	5,966,524	6,125,887	27,639	28,104

The Group held collateral in respect of loans that are individually impaired, as per the table above, excluding unsecured loans, amounting to $998.8 million (2010: $869.3 million) at their fair value. There were no other financial assets that were individually impaired.

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

39.4 **Credit risk management (Cont'd)**

39.4.6 Credit quality (Cont'd)

The aging of the Group's and the company's past due loan portfolio at the reporting date is as follows:

	2011	2010
	$'000	$'000
Past due but not impaired		
Past due 1 - 30 days	1,144,687	510,544
Past due 31– 60 days	194,825	304,405
Past due 61 – 90 days	118,605	300,738
More than 90 days	2,210,267	1,963,147
	3,668,384	3,078,834

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 $6.3 billion (2010:$6.6 billion).

Aging of impaired loans

The analysis below is done based on the number of days since impairment:

	2011	2010
	$'000	$'000
Current	1,199	565,298
1 - 30 days	-	1,840
31 - 60 days	1,237	3,014
61- 90 days	1,204	-
90 - 120 days	3,032	6,762
120 – 360 days	583,069	29,956
Over 360 days	407,739	332,920
	997,480	939,790

39.4.7 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 $172.9 billion (2010: $2.4 billion).

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

39.4 **Credit risk management (Cont'd)**

39.4.8 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 7 motor vehicles and 3 properties aggregating $9.4 million and $154.5 million respectively (2010: 15 motor vehicles and 6 properties aggregating $15.8 million and $231.5 billion respectively) held as security against loans categorized as past due but not impaired. Of this amount 6 motor vehicles (2010: 12 motor vehicles and 2 properties) have been sold as at year end and the 1 remaining motor vehicle and 3 properties (2010: 3 motor vehicles and 4 properties) 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 $44.7 million (2010: $87.7 million).

39.4.9 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	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Construction, land development and real estate acquisition	2,270,803	2,083,195	-	-
Distribution	223,969	375,292	-	-
Financial institutions	87,234	259,368	-	-
Government and public entities	-	99,867	-	-
Manufacturing	130,481	231,296	-	-
Personal	1,655,078	1,709,515	12,298	12,298
Professional and other services	1,580,488	1,371,608	-	-
Tourism and entertainment	312,721	301,168	-	-
Transport, storage and communication	7,551	18,525	-	-
Agriculture	19,660	24,980	-	-
Other	40,503	40,968	40,503	40,968
Total	6,328,488	6,515,782	52,801	53,266
Less: provisions	361,964	389,895	25,162	25,162
	5,966,524	6,125,887	27,639	28,104
Interest receivable	186,931	228,617	21,064	19,389
Less: provisions	7,399	7,399	7,399	7,399
	179,532	221,218	13,665	11,990
	6,146,056	6,347,105	41,304	40,094

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

39.4 **Credit risk management (Cont'd)**

39.4.10 Investments

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

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Government of Jamaica	17,978,962	22,866,511	-	-
US Treasury Bills	376,333	786,875	-	-
Bank of Jamaica	469,014	946,000	-	-
Corporate	388,078	670,639	14,046	31,368
Financial institutions	479	10,000	42	2,091
Related parties	-	-	52,801	53,266
Other	4,310,013	4,006,059	-	5,269
	23,522,879	29,286,084	66,889	91,994
Interest receivable	390,066	533,564	21,064	19,389
	23,912,945	29,819,648	87,953	111,383

39.5 **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.

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

39.5 Liquidity risk (Cont'd)

Management of Liquidity Risk (Cont'd)

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 liquidity ratios on the statement of financial position 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.

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.

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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

39.5 Liquidity risk (Cont'd)

The tables below present the cash flow payable by the Group under non derivative financial assets and liabilities by remaining contractual maturities at the reporting 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					
	2011					
	Remaining Term to Maturity					
	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	No specific maturity $'000	Total $'000
Financial assets						
Cash resources	1,390,754	-	-	-	-	1,390,754
Investment in securities	1,199,412	1,727,586	12,828,801	29,656,097	401,034	45,812,930
Loans after provision for loan losses	2,990,184	672,758	3,453,827	1,716,368	-	8,833,137
Accounts receivable	419,091	54,810	15,557	-	15,000	504,458
Total Assets (contractual maturity dates)	5,999,441	2,455,154	16,298,185	31,372,465	416,034	56,541,279
Financial Liabilities						
Deposits	4,055,819	1,581,011	3,911	-	-	5,640,741
Securities sold under repurchase agreements	17,903,208	946,232	60,029	308	-	18,909,777
Loan Participation	441,287	18,257	-	-	-	459,544
Due to financial institutions	138	427	194,966	798,939	-	994,470
Other liabilities	297,773	-	-	-	-	297,773
Total financial liabilities (contractual maturity dates)	22,698,225	2,545,927	258,906	799,247	-	26,302,305
Liquidity gap	(16,698,784)	(90,773)	16,039,279	30,573,218	416,034	30,238,974
Cumulative liquidity gap	(16,698,784)	(16,789,557)	(750,278)	29,822,940	30,238,974	-

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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

39.5 Liquidity risk (Cont'd)

	The Group					
	2010					
	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
Financial assets						
Cash resources	1,526,083	-	-	-	-	1,526,083
Investment in securities	7,324,317	1,482,979	8,981,791	22,729,756	670,573	41,189,416
Loans after provision for loan losses	1,725,988	1,784,650	3,696,789	1,228,597	-	8,436,024
Accounts receivable	579,055	65,423	16,383	-	15,000	675,861
Total assets (contractual maturity dates)	11,155,443	3,333,052	12,694,963	23,958,353	685,573	51,827,384
Financial liabilities						
Deposits	5,116,694	2,319,460	6,998	-	-	7,443,152
Securities sold under repurchase agreements	21,675,230	2,680,549	13,391	308	-	24,369,478
Loan participation	674,270	9,393	452	-	-	684,115
Due to financial institutions	792	-	129,492	936,045	-	1,066,329
Preference shares	-	23,377	-	-	-	23,377
Other liabilities	185,895	-	-	-	-	185,895
Total financial liabilities (contractual maturity dates)	27,652,881	5,032,779	150,333	936,353	-	33,772,346
Net liquidity gap	(16,497,438)	(1,699,727)	12,544,630	23,022,000	685,573	18,055,038
Cumulative liquidity gap	(16,497,438)	(18,197,165)	(5,652,535)	17,369,465	18,055,038	-

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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

39.5 Liquidity risk (Cont'd)

	The Company					
	2011					
	Remaining Term to Maturity					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No fixed maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets						
Cash resources	42	-	-	-	-	42
Investment in securities					14,046	14,046
Loans receivable	-	49,127	-	-	-	49,127
Total financial assets	42	49,127	-	-	14,046	63,215
Financial Liabilities						
Loan	-	109,633	-	-	-	109,633
Accounts payable	12,564	-	-	-	-	12,564
Total financial liabilities	12,564	109,633	-	-	-	122,197
Liquidity gap	(12,522)	(60,506)	-	-	14,046	(58,982)
Cumulative Liquidity gap	(12,522)	(73,028)	(73,028)	(73,028)	(58,982)	-

	The Company					
	2010					
	Remaining Term to Maturity					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No fixed maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets						
Cash resources	2,091	-	-	-	-	2,091
Investment in securities	-	-	-	-	31,368	31,368
Loans receivable	-	48,557	-	-	-	48,557
Accounts receivable	5,269	-	-	-	-	5,269
Total financial assets	7,360	48,557	-	-	31,368	87,285
Financial liabilities						
Loan	-	159,689	-	-	-	159,689
Accounts payable	16,071	-	-	-	-	16,071
Total financial liabilities	16,071	159,689	-	-	-	175,760
Liquidity gap	(8,711)	(111,132)	-	-	31,368	(88,475)
Cumulative liquidity gap	(8,711)	(119,843)	(119,843)	(119,843)	(88,475)	-

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

39.5 Liquidity risk (Cont'd)

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments.

At December 31, 2011

	No later Than 1 year $'000	1 to 5 Years $'000	Over 5 years $'000	Total $'000
Loan commitments	115,233	-	-	115,233
Guarantees, acceptances and other financial liabilities	147,029	10,195	50	157,274
	262,262	10,195	50	272,507

At December 31, 2010

	No later Than 1 year $'000	1 to 5 Years $'000	Over 5 years $'000	Total $'000
Loan commitments	263,468	-	3,972	267,440
Guarantees, acceptances and other financial liabilities	162,412	2,728	31,000	196,140
	425,880	2,728	34,972	463,580

39.6 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 risks on the statement of financial position 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.

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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

39.6 **Market risk (Cont'd)**

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

39.6.1 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.

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							
	2011							
	USD		CDN		GBP		EUR	
	US$ '000	J$ Equiv. '000	Cdn$ '000	J$ Equiv. '000	£ '000	J$ Equiv. '000	€ '000	J$ Equiv. '000
Total assets	221,949	19,169,713	273	22,823	945	126,488	112	12,322
Total liabilities	(178,694)	(15,433,812)	(469)	(39,208)	(813)	(108,820)	(130)	(14,303)
Net exposure	43,255	3,735,901	(196)	(16,385)	132	17,668	(18)	(1,981)

	2010							
	USD		CDN		GBP		EUR	
	US$ '000	J$ Equiv. '000	Cdn$ '000	J$ Equiv. '000	£ '000	J$ Equiv. '000	€ '000	J$ Equiv. '000
Total assets	254,777	21,808,880	567	47,821	1,740	230,167	258	28,948
Total liabilities	(219,289)	(18,771,097)	(1,733)	(146,161)	(1,486)	(196,568)	(166)	(18,625)
Net exposure	35,488	3,037,783	(1,166)	(98,340)	254	33,599	92	10,323

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

39.6 Market risk (Cont'd)

39.6.1 Foreign currency risk (Cont'd)

	The Company			
	2011		2010	
	USD		USD	
	US$ '000	J$ Equiv. '000	US$ '000	J$ Equiv. '000
Total assets	150	12,956	1	46
Total liabilities	-	-	(61)	(5,226)
Net exposure	150	12,956	(60)	(5,180)

39.6.2 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 1% appreciation or depreciation (2010: 2% appreciation or a 5% depreciation) of the Jamaican dollar against the relevant foreign currency rates. A 1% appreciation or 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							
	2011				2010			
	Appreciation		Depreciation		Appreciation		Depreciation	
	Change in currency rate %	Effect on Net profit J$'000	Change in currency rate %	Effect on Net profit J$'000	Change in currency rate %	Effect on Net profit J$'000	Change in currency rate %	Effect on Net profit J$'000
Currency:								
USD	1	(37,359)	1	37,359	2	(60,756)	5	151,889
CDN	1	164	1	(164)	2	1,967	5	(4,917)
GBP	1	(177)	1	177	2	(672)	5	1,680
EUR	1	20	1	(20)	2	(206)	5	516

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

39.6 **Market risk (Cont'd)**

39.6.2 Foreign currency sensitivity (Cont'd)

	The Company			
	2011		2010	
	Change in Currency rates	Effect on Net Loss	Change in Currency Rates	Effect on Net Profit
	%	$'000	%	$'000
Currency:				
USD	1% Appreciation	(129)	2% Appreciation	104
	1% Depreciation	129	5% Depreciation	(259)

39.6.3 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.

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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

39.6 Market risk (Cont'd)

39.6.3 Interest rate risk (Cont'd)

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.

	The Group						
	2011						
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing Securities	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets							
Cash resources	1,390,754	-	-	-	-	-	1,390,754
Investment in securities							
- Trading Securities	-	-	-	-	-	41,527	41,527
- Available-for-sale Securities	469,014	178,188	376,333	4,868,856	12,630,425	686,162	19,208,978
- Loans & Receivables	49,387	33,895	29,496	1,645,626	2,832,404	71,632	4,662,440
Loans after provision for losses	1,447,837	123,438	48,021	2,373,720	1,973,507	179,533	6,146,056
Other assets	5,358	63,142	51,615	12,547	-	365,841	498,503
Total Financial Assets	**3,362,350**	**398,663**	**505,465**	**8,900,749**	**17,436,336**	**1,344,695**	**31,948,258**
Financial Liabilities							
Securities sold under repurchase agreements	13,418,456	4,153,016	914,097	56,584	100	206,974	18,749,227
Deposits	2,619,222	1,398,697	1,510,805	3,513	-	44,739	5,576,976
Loan participation	406,441	33,440	17,390	-	-	1,077	458,348
Due to financial institutions	-	-	417	158,191	537,623	138	696,369
Other liabilities	16,826	-	-	-	-	280,962	297,788
Total Financial Liabilities	**16,460,945**	**5,585,153**	**2,442,709**	**218,288**	**537,723**	**533,890**	**25,788,708**
Interest sensitivity gap	**(13,098,595)**	**(5,186,490)**	**(1,937,244)**	**8,682,461**	**16,898,613**	**810,805**	**6,169,550**
Cumulative interest sensitivity gap	**(13,098,595)**	**(18,285,085)**	**(20,222,329)**	**(11,539,868)**	**5,358,745**	**6,169,550**	-

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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

39.6 Market risk (Cont'd)

39.6.3 Interest rate risk (Cont'd)

	The Group 2010						
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest bearing Securities	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets							
Cash resources	1,526,083	-	-	-	-	-	1,526,083
Investment in securities							
- Trading securities	278	10,000	-	-	-	34,643	44,921
- Available-for-sale	896,084	7,015,144	156,631	4,371,740	11,143,792	1,093,443	24,676,834
- Loans and Receivables	-	-	10,993	194,944	4,816,188	75,768	5,097,893
Investment in associate	-	-	-	-	-	37,775	37,775
Loans after provision for loan losses	622,195	59,264	1,217,655	3,016,691	1,210,083	221,217	6,347,105
Other assets	2,101	71,170	60,419	12,744	-	511,362	657,796
Total financial assets	**3,046,741**	**7,155,578**	**1,445,698**	**7,596,119**	**17,170,063**	**1,974,208**	**38,388,407**
Financial Liabilities							
Securities sold under repurchase agreements	17,537,983	3,487,429	2,289,079	18,805	78	294,034	23,627,408
Deposits	3,151,735	1,904,147	2,201,497	6,483	-	74,625	7,338,487
Loan participation	561,552	109,417	9,094	421	-	1,137	681,621
Due to financial institutions	-	618	-	103,337	610,879	164	714,998
Preference shares	-	22,684	-	-	-	257	22,941
Other liabilities	8,930	-	-	-	-	202,206	211,136
Total financial liabilities	**21,260,200**	**5,524,295**	**4,499,670**	**129,046**	**610,957**	**572,423**	**32,596,591**
Interest sensitivity gap	**(18,213,459)**	**1,631,283**	**(3,053,972)**	**7,467,073**	**16,559,106**	**1,401,785**	**5,791,816**
Cumulative interest sensitivity gap	**(18,213,459)**	**(16,582,176)**	**(19,636,148)**	**(12,169,075)**	**4,389,031**	**5,791,816**	**-**

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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

39.6 Market risk (Cont'd)

39.6.3 Interest rate risk (Cont'd)

	The Company						
	2011						
	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	42	-	-	-	-	-	42
Investment in securities	-	-	-	-	-	14,046	14,046
Loans receivable	-	-	27,639	-	-	13,665	41,304
Investment in subsidiaries	-	-	-	-	-	2,267,969	2,267,969
Investment in associate	-	-	-	-	-	75,464	75,464
Total financial assets	42	-	27,639	-	-	2,371,144	2,398,825
Financial liabilities							
Loan	-	-	100,450	-	-	1,686	102,136
Other liabilities	-	-	-	-	-	12,564	12,564
Total financial liabilities	-	-	100,450	-	-	14,250	114,700
Interest sensitivity gap	42	-	(72,811)	-	-	2,356,894	2,284,125
Cumulative interest sensitivity gap	42	42	(72,769)	(72,769)	(72,769)	2,284,125	-

	The Company						
	2010						
	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	2,091	-	-	-	-	-	2,091
Investment in securities	-	-	-	-	-	31,368	31,368
Loans receivable	-	-	28,104	-	-	11,990	40,094
Investment in subsidiaries	-	-	-	-	-	2,486,280	2,486,280
Investment in associate	-	-	-	-	-	139,119	139,119
Other assets	-	-	-	-	-	5,269	5,269
Total financial assets	2,091	-	28,104	-	-	2,674,026	2,704,221
Financial liabilities							
Loan	-	-	148,235	-	-	-	148,235
Other liabilities	-	-	-	-	-	16,071	16,071
Total financial liabilities	-	-	148,235	-	-	16,071	164,306
Interest sensitivity gap	2,091	-	(120,131)	-	-	2,657,955	2,539,915
Cumulative interest sensitivity gap	2,091	2,091	(118,040)	(118,040)	(118,040)	2,539,915	-

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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

39.6 Market risk (Cont'd)

39.6.3 Interest rate risk (Cont'd)

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

	The Group					
	2011					
	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)						
- Available-for-sale	6.25	12.19	0.05	7.57	8.44	8.02
- Loans and receivables	6.31	12.00	6.31	8.60	8.85	9.13
Loans (2)	17.45	10.65	7.08	11.88	13.09	13.57
Other assets	11.53	11.75	10.25	6.80	-	10.69
Deposits (3)	3.17	4.17	5.28	5.71	-	4.00
Securities sold under repurchase agreements	5.62	5.37	5.10	5.89	-	5.54
Loan participation	3.39	4.49	5.37	-	-	3.54
Due to other financial institutions	-	-	10.00	6.45	7.47	7.24
Other liabilities	3.04	-	-	-	-	3.04

	2010					
	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)						
- Available-for-sale	7.58	9.86	20.95	8.75	8.81	8.74
- Loans and Receivables	7.49	8.00	-	9.00	9.00	8.57
Securities purchased under resale agreements	12.23	-	0.31	-	-	12.54
Loans (2)	18.25	15.58	16.31	13.09	14.56	14.80
Deposits (3)	4.20	5.30	6.16	5.97	-	5.08
Securities sold under repurchase agreements	7.16	5.63	4.10	7.19	-	6.55
Loan participation	4.04	6.18	4.41	6.75	-	4.39
Due to other financial institutions	-	10.00	-	6.82	8.09	7.91
Preference Shares	-	7.48	-	-	-	7.48
Other liabilities	4.05	-	-	-	-	4.05

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

39.6 **Market risk (Cont'd)**

39.6.3 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

2011			2010		
	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**		
-1%	(61,367)	788,278	-6%	(462,225)	1,371,585
+1%	61,367	(715,290)	+2%	154,078	(555,110)

The Company

2011			2010		
	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**		
- 1%	(727)	-	- 6%	(5,700)	-
+1%	727	-	+2%	1,900	-

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

39.6 Market risk (Cont'd)

39.6.4 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 15% higher/lower (2010: 20% higher/lower):

- net profit for the year ended December 31, 2011, would have increased/decreased by $6.2 million (2010: $10.8 million) for the Group and the Company $Nil (2010: $Nil) as a result of equity investments classified at fair value through profit or loss;
- other comprehensive income would have increased/decreased by $45.1 million (2010: $84.1 million) for the Group and $0.5 million (2010: $2.4 million) for the Company as a result of the changes in fair value of available-for-sale equities.

39.7 Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the Statement of Financial Position, 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.

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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

39.7 **Capital management (Cont'd)**

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-the statement of financial position exposure, with some adjustments to reflect the more contingent nature of the potential losses.

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, 2011 and 2010. 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	
	2011	2010	2011	2010	2011	2010
	$'000	$'000	$'000	$'000	$'000	$'000
Tier 1 capital	2,337,188	2,827,564	2,061,071	1,851,183	162,605	139,207
Tier 2 capital	31,716	35,844	238,000	238,000	-	-
Prescribed deductions	(305,406)	(308,688)	-	-	-	-
Total regulatory capital	2,063,498	2,554,720	2,299,071	2,089,183	162,605	139,207
Total required capital	1,698,042	1,555,214	580,906	458,642	11,900	11,177
Risk-weighted assets:						
On statement of financial position	13,823,761	12,340,526	4,970,050	4,079,531	138,025	127,249
Off statement of financial position	161,309	433,148	-	-	-	-
Foreign exchange exposure	2,995,347	2,778,467	839,008	506,891	-	-
Total risk weighted assets	16,980,417	15,552,141	5,809,058	4,586,422	138,025	127,249
Actual capital base to risk weighted assets	12%	16%	40%	46%	118%	109%
Required capital base to risk weighted assets	10%	10%	10%	10%	14%	13%

The change of the regulatory capital in 2011 is mainly due to the contribution of the current year profit or loss and the movement in the fair value reserve.

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

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

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

(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 reporting 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 reporting date yields of similar instruments.

Fair value measurements recognised in the statement of financial position

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).

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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

39.8 Fair value of financial instruments (Cont'd)

Fair value measurements recognised in the statement of financial position (Cont'd)

	The Group			
	2011			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Financial assets at fair value through profit or loss:				
Equity securities	41,527	-	-	41,527
Securities available-for-sale				
Government of Jamaica securities	-	15,107,353	-	15,107,353
US Treasury Bills	-	376,333	-	376,333
Equity investments	306,778	39,773	-	346,551
Bank of Jamaica certificates of deposit	-	469,014	-	469,014
Other securities	-	2,591,292	-	2,591,292
	306,778	18,583,765	-	18,890,543
Total	348,305	18,583,765	-	18,932,070

	The Group			
	2010			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Financial assets at fair value through profit or loss:				
Securities purchased under resale agreements	-	10,278	-	10,278
Equity securities	34,589	-	-	34,589
	34,589	10,278	-	44,867
Securities available-for-sale				
Government of Jamaica securities	-	19,657,272	-	19,657,272
US Treasury Bills	-	786,875	-	786,875
Equity investments	588,081	34,235	-	622,316
Bank of Jamaica certificates of deposit	-	946,000	-	946,000
Other securities	-	2,206,628	-	2,206,628
	588,081	23,631,010	-	24,219,091
Total	622,670	23,641,288	-	24,263,958

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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

39.8 Fair value of financial instruments (Cont'd)

Fair value measurements recognised in the statement of financial position (Cont'd)

	The Company			
	2011			
	Level 1	Level 2	Level 3	Total
Financial Assets	$'000	$'000	$'000	$'000
Securities available-for-sale				
Quoted equity investments	1,090	-	-	1,090
Unquoted equity investments	-	12,956	-	12,956
Total	1,090	12,956	-	14,046

	2010			
	Level 1	Level 2	Level 3	Total
Financial Assets	$'000	$'000	$'000	$'000
Securities available-for-sale				
Quoted equity investments	17,983	-	-	17,983
Unquoted equity investments	-	13,385	-	13,385
Total	17,983	13,385	-	31,368

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

40 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 reporting date.

(b) Capital commitments

There were no capital expenditure authorised or contracted for as at December 31, 2011 and 2010.

(c) Operating Leases

The Group has entered into lease agreements for office space expiring between May 2012 and August 2014. The amount charged to profit and loss account is $53 million (2010: $45 million).

The total annual rentals to be paid are as follows:

	The Group
	$'000
2012	54,519
2013	59,438
2014	38,534

CAPITAL & CREDIT FINANCIAL GROUP LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

40 **CONTINGENCIES AND COMMITMENTS (Cont'd)**

(d) Maintenance contract

The Group has entered into a maintenance agreement for the computer software for a period of ten years expiring June 2015. The amount charged in the profit and loss account is $25 million (2010: $14.6 million).

(e) Credit

Commitments by the Banking Subsidiary to extend credit on term to maturity of no more than one year amount to $115.2 million (2010: $267.4 million).

41 **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 as follows:

	The Group			
Securities:	2011		2010	
	Carrying Value $'000	Fair value $'000	Carrying Value $'000	Fair value $'000
Transferred to loans and receivables				
GOJ US$ Fixed rate Global Bonds	2,663,706	3,229,161	2,973,572	3,131,819
Other Corporate Bonds	1,710,126	1,869,376	1,786,041	1,746,013
	4,373,832	5,098,537	4,759,613	4,877,832

(a) Fair value losses, in relation to the above investments, of $248.5 million (2010: $245.4 billion) for the Group and $Nil million (2010: $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 indicative market yields as at year end. 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.

(b) The weighted average effective interest rate of the investments at the date of reclassification was 8.6%. The undiscounted cash flows to be recovered from the investment reclassified by the Group is $9.79 billion (2010: $10.86 billion) and $Nil for the company.

42 **POTENTIAL CHANGES IN OWNERSHIP**

On August 10, 2011 Capital & Credit Financial Group Limited (CCFG) and Jamaica Money Market Brokers Limited (JMMB) issued a joint statement to their stakeholders relating to the interest that JMMB has in acquiring up to 100% of the shares of the Company. JMMB has taken the preliminary step of securing the formal undertaking of some of CCFG's shareholders, who together account for over 50% of the issued ordinary share capital of the company, to accept JMMB's offer to purchase their shares, if and when the offer is made.

Such a transaction would require approval of the Minister of Finance and Planning of Jamaica. As at February 27, 2012, no approval has been received.

HISTORY OF PROFIT AND LOSS STATEMENTS FOR THE PREVIOUS 5 YEARS

CAPITAL & CREDIT FINANCIAL GROUP LIMITED AND ITS SUBSIDIARIES
FINANCIAL DATA FOR DIRECTORS CIRCULAR

The Capital & Credit Financial Group Limited and Its Subsidiaries Profit & Loss summaries extracted from the audited financial statements for the previous five financial years ended December 31, 2011 are set out below:

5 Year Summary Profit & Loss Account

	AUDITED				
	2011	**2010**	**2009**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Gross Operating Revenue	**3,312,421**	**4,281,287**	**6,163,530**	**5,777,675**	**5,529,043**
Interest on Investments	2,113,832	2,826,333	4,161,653	4,163,780	4,077,034
Interest on Loans	470,072	957,065	1,326,513	1,037,802	814,010
	2,583,904	3,783,398	5,488,166	5,201,582	4,891,044
Interest Expense	1,610,441	2,492,992	4,214,058	3,946,229	4,054,711
Net Intrerest Income	**973,463**	**1,290,406**	**1,274,108**	**1,255,353**	**836,333**
Operating Income	728,517	497,889	675,364	576,093	637,999
Net Interest Income and other revenue	**1,701,980**	**1,788,295**	**1,949,472**	**1,831,446**	**1,474,332**
NON-INTEREST EXPENSES					
Staff Costs	649,545	600,794	643,730	668,617	541,581
Other Non-Interest Expenses	574,835	703,629	1,017,991	713,286	515,081
Total Non-Interest expenses	**1,224,380**	**1,304,423**	**1,661,721**	**1,381,903**	**1,056,662**
PROFIT BEFORE TAXATION	477,600	483,872	287,751	449,543	417,670
Taxation	113,468	196,198	- 2,888	60,048	69,486
NET PROFIT	**364,132**	**287,674**	**290,639**	**389,495**	**348,184**
Attributable to Stockholders of the parent company	**364,081**	**287,616**	**290,579**	**355,070**	**233,590**
Non-controlling interest	51	58	60	34,425	114,594
	364,132	**287,674**	**290,639**	**389,495**	**348,184**
Earnings per stock unit (Cents)	**39**	**31**	**31**	**38**	**25**

CAPITAL & CREDIT FINANCIAL GROUP LIMITED AND ITS SUBSIDIARIES
UN-AUDITED FINANCIAL RESULTS
FOR THE 1ST 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.

....

RYLAND T. CAMPBELL
CHAIRMAN

ANDREW B. COCKING
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**	**364,080**
Non-controlling interest	**16**	**10**	**51**
	92,182	**85,597**	**364,131**
Earnings per stock unit (EPS) (cents)	10	9	39

CAPITAL & CREDIT FINANCIAL GROUP LIMITED AND ITS SUBSIDIARIES
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**

CAPITAL & CREDIT FINANCIAL GROUP LIMITED AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2012

	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	**Financial & Related Services**	**Remittance & Related Services**	**Holding Investments**	**Eliminations**	**Group**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'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

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.

The accounting policies and methods of computation in the interim financial statements are consistent with those applied in the most recent audited financial statements.

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.

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.

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 2011 audited financial statements. For further information on these policies, please refer to our Website.

CHIEF FINANCIAL OFFICER'S CERTIFICATION

I, Janet Small, Chief Financial Officer of Capital & Credit Financial Group Limited ('CCFG') certify that the Profit and Loss Statements for the previous five years (2007-2011) and the unaudited Financial Statements for the quarter ending March 31, 2012, which both form part of this Directors' Circular fairly reflect the financial position of CCFG over the periods in question.

Janet Small (Mrs.)
SVP/Chief Financial Officer
May 22, 2012

APPENDIX 2
CONSENT OF GEORGE GREGG & CO., CHARTERED VALUATION SURVEYORS, DATED [ ] AND
VALUATION REPORT ON FREEHOLD PROPERTY

GEORGE GREGG & CO.

CHARTERED VALUATION SURVEYORS
REAL ESTATE CONSULTANTS

SUITE # 39,
FREEPORT (SHOPPING) CENTRE
MONTEGO FREEPORT, P.O. BOX 1078,
MONTEGO BAY, JAMAICA, W.I.
TEL.: (876) 979-8055, (876) 979-8840
(876) 953-6919
CELL: 618-1128
FAX: (876) 953-6042
E-mail: office@georgegreggandcompany.com

Real Property Valuers | **Real Estate Consultants** | **Estate Agents** | **Property Management**

April 5, 2012

Mr. Lance Duhaney
Capital & Credit Merchant Bank Ltd
25 Church Street
Montego Bay
St. James

<u>Attention: Mr. Lance Duhaney</u>

Consent of George Gregg

Re: Directors' Circular of Capital & Credit Financial Group Limited

We, George Gregg and Company, have given and have not withdrawn our consent to reproduce our report on 25 Church Street, Montego Bay, St. James, registered at Volume 1367 Folio 341, dated May 11, 2011, in the Directors' Circular of Capital & Credit Financial Group Limited in the form and context in which it is included.

Per: ______________

Name: George Gregg
Title: Principal

GG/am

May 20, 2011

Mr. Lance Duhaney
Capital & Credit Merchant Bank Ltd
25 Church Street
Montego Bay
St. James

Attention: Mr. Lance Duhaney

REFERENCE: 25 CHURCH STREET, MONTEGO BAY, ST. JAMES

The following narrative appraisal report was prepared on your instructions and consists of twelve (12) pages, in addition to an Addendum on the above-referenced property. This report forms the basis of our opinion on the value, and is to be read in its entirety.

The purpose of the appraisal is to estimate the current market value of the subject property. The value expressed herein is according to the definition thereof, as stated in this report, subject to the contingent or limiting conditions.

After analyzing all the available information, with the critical assumptions, it is our opinion that the market value of the subject property is **SIXTY-FIVE MILLION DOLLARS ($65,000,000)**.

The prevailing exchange rate (weighted by The Bank of Jamaica) is United States Currency One Dollar is equivalent to Eighty-five Dollars and Seventy-seven Cents in Jamaican Currency.

We appreciate your use of our services.

Sincerely yours,
GEORGE GREGG AND COMPANY

....

George St. A. Gregg

GG/ll

SUMMARY OF IMPORTANT FACTS AND ASSUMPTIONS

PROPERTY NAME/ADDRESS	25 Church Street, Montego Bay, St. James, Jamaica West Indies.
TITLE REFERENCE	Volume 1367 Folio 341
LEGAL DESCRIPTION	Land Known as 25 Church Street in the Town of Montego Bay in the parish of St. James
PLOT SIZE	489.9 square metres (5,273.28 square feet).
COMMERCIAL TYPE	Two-storey Purpose-built
FLOOR AREA	629.4 square metres (6,775 square feet).
ZONING (NEIGHBOURHOOD)	Commercial (Primary Business District)
HIGHEST AND BEST USE	Commercial Complex
MARKET VALUE	$65,000,000
FORCED SALE PRICE	$52,000,000
REINSTATEMENT VALUE	$47,000,000
EFFECTIVE DATE OF VALUATION	May 20, 2011
EXCHANGE RATE	US$1 = Jamaican $85.77

PREAMBLE

INSTRUCTIONS	Mr. Lance Duhaney of Capital and Credit Merchant Bank gave instructions for an appraisal to determine current market value.
INTEREST BEING VALUED	Unencumbered freehold interest.
PURPOSE OF APPRAISAL	The valuation is to serve as the basis on which negotiations are conducted vis-à-vis selling/purchase price.
	If another use of this report is intended, then further analysis may be required.
INSPECTION/INVESTIGATIONS	The physical inspection of the property was undertaken on May 18, 2011. Associated research, investigations and analyses were concluded on May 20, 2011.
BASIS OF VALUATION	In accordance with the standards of **The International Assets Valuation Standards Committee, The Incorporated Society of Valuers and Auctioneers** and consistent with the **Royal Institution of Chartered Surveyors *Appraisal and Valuation Manual***, *market value is defined as:*
	the estimated amount for which (the freehold interest in) a property should exchange at the date of valuation between a willing buyer and willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and not accounting for offers by prospective purchasers with special interest..

LEGAL PARTICULARS

OWNERSHIP	The registered proprietor of the freehold interest is Capital & Credit Merchant Bank Limited.
TITLE	
(Scan Date March 12, 2004)	Title to this premises falls within the provisions of the Registration of Titles Act and is recorded at Volume 1367 Folio 341 of the Register Book of Titles (See Appendix VI).
COVENANTS	Title is endorsed with covenants, which exist to maintain the character of the neighbourhood (See Appendix VI).
MORTGAGE, CAVEATS OR OTHER CHARGES	None endorsed on title.

GENERAL INFORMATION

URBAN AMENITIES

Commercial facilities and urban amenities are shared with Greater Montego Bay. These include Commercial Banks, Building Societies, money transfer outlets, supermarkets, shopping malls, pharmacies, inns, petrol filling stations, government agencies (NLA, RADA, PWD, National Insurance, Revenue Office, Regional Hospital etc.), restaurants (including fast food outlets), educational institutions, private hospitals, professional offices etc.

NEIGHBOURHOOD ANALYSIS

Montego Bay is the capital of the parish of St. James and Jamaica's second city and second largest urban center. It is one of the fastest growing conurbations with a population of over 100,000 persons, serving as a regional centre, in respect of being a collection and distribution point for the hinterlands of St. James, Hanover, Westmoreland, Trelawny and St. Elizabeth.

The Greater Montego Bay Area with some 50% of the tourist infrastructure and plant, taking into account such facilities as the expanding international airport, ground transport and hotels. Within fifteen (15) kilometers of the business district, there are mountains, international standard golf courses, internationally acclaimed Marine Park, world famous beaches, cruise ship pier and commercial Freeport (with Freezone).

Approximately 11% of the land space in the central business district is devoted to tourism related uses, highlighting the divide between the two cities, a "tourist city" and a "regional city". It is estimated that some 37% of the buildings are in a fair condition and need some form of improvement, in most instances, structural. Another 27% is categorized as being fit for demolition or require extensive repairs. Many of these form part of the Relocation 2000 programme, under which residents are re-settled at Providence.

This capital district is set on a narrow plain, which is dissected by the North Gully, the Montego Pie and Retirement Rivers. Surrounding the plains are steeply rising hills, which have served as the dormitory settlement, with developments ranging from informal (squatter) settlements to resort/residential arrangements.

A distinct feature of the business district is the extent to which commercial activity is steadily embracing hitherto residential neighbourhoods. This trend is evident in such peripheral areas as Barnett Lane, Jarrett Street, McCatty Street, Humber Avenue, Orange Street etc. The introduction of the Urban Tax Relief Program has yielded limited results (including commercial strata complex) along Barnett Street.

In early 1990s, the Chamber of Commerce and Local Government co-ordinated the formation of The Greater Montego Bay Re-development Company, which sponsored studies needed for the revision of the outdated Development Order. The current need for a new development plan is heightened by the ongoing development activities, which include public sector-initiated ones such as - Relocation 2000 exercise and roadway improvements (dualisation of Howard Cooke, Northern Coastal Highway, proposed by-pass etc.).

SUBJECT PROPERTY

ADDRESS & LOCATION

Church Street is one-way (west to east) to vehicular traffic with limited on-street parking. This parcel is at the intersection of Church Street and Payne Street and is otherwise bounded as follows:

North	Church Street ,
South	2 Payne Street (electricity sub-station),
East	27 Church Street (Patrol Police Division),
West	Payne Street.

SIZE & LEGAL DESCRIPTION

Registered as 25 Church Street, in the town of Montego Bay, in the parish of St. James, this parcel has an area of 489.9 square metres (5,273.28 square feet).

SITE FEATURES

The plot is of a regular, somewhat rectangular shape with a frontage of 24 metres (78.72 feet) and a depth of 20 metres (60 feet). It slopes gently above road-level in a southerly direction and appears to be free-draining.

The boundaries are protected with cement concrete block walls and chain-linked fencing on cement concrete base. Towards the front, the pavement area is covered with concrete tiles and there is cement concrete screed to the sides. A mild steel gate alongside the building serves to enclose the rear of the site.

COMPLEX

Design and Layout

This is a purpose-built, two-storey complex so oriented as have the benefit of good traffic flow (both pedestrian and vehicular), circulation/accessibility, parking, natural-lighting, aesthetics and exposure.

The lower floor is sub-divided with demountable partitions into modules, which include spacious banking hall, teller's counter, restrooms and two internal vaults.

The upper floor has a spacious open area along with partitioned boardroom, male and female restrooms, sick bay, kitchen, three offices and area for stationery storage

Construction

The materials of construction are as follows:-

Roof	reinforced concrete slab, timber shingle fascia,
Ceiling	acoustic tiles (moulding strips),
Walls	reinforced cement concrete block rendered and painted, sheet rock partitions,
Doors	hollow-core flush panel, raised timber panels (internal), self closing glass in aluminium frame at the front, wooden louvres (closet),
Windows	french, fixed glass, fixed louvre screens,
Floors	ceramic tiles (with timber skirting).

Floor Area

The building is disposed over a gross floor area of approximately 629.4 square metres (6,775 square feet), more than 90% of which is net lettable area.

Repairs and Maintenance

Extensively refurbished some 20 years ago, there is no report or evidence of structural defects and the building is in good cosmetic/architectural condition, potentially with a remaining useful physical life upwards of 30 years, with adequate upkeep and maintenance.

Finishes and Fixtures

Windows are protected with lattice-work screens and "tenant's improvements" include demountable partitions and window air-conditioning units.

APPRAISAL

DIRECT COMPARISON APPROACH

Freehold Sales

Somewhat more active than in most other western capital township, market activities with Montego Bay Business are emerging from a slump, which followed a peak around 2007.

Prices recently negotiated and agreed for comparable facilities are indicative of current capital values between $96,840 per square metre ($9,000 per square foot) to $107,600 per square metre ($10,000 per square foot).

Offered for sale on the open market, the subject property is expected to receive fairly good responses

Deduced Market Value

Based on the analysis of prices (asking, offers, bids and agreed) obtaining for comparable facilities, with the necessary adjustments for location, size, distance from port, airport, highway, city centre, frontage, exposure, zoning plot ratio, date and nature of transactions, the open market value indication for the subject property is SIXTY-FIVE MILLION DOLLARS ($65,000,000).

INVESTMENT CRITERIA

Rental Demand

There is growing demand for long-term rentals of small retail space, particularly on the ground and first floors of complexes within the prime business district.

With potential to attract long-term rentals, investment appeal in the subject property is predicated on prevailing market circumstances, which reflect: -

Loan-to-Value	70%
Term	20 Years
Loan Rate	14%
Return on Equity	9.25%
Property Yield	7%

Market (Investment) Value

Based on a potential first year gross potential income of SEVEN MILLION DOLLARS ($7,000,000), the attendant outgoings - management, repairs, maintenance, insurance (at market rates), the market value deduction is SIXTY-FOUR MILLION DOLLARS ($64,000,000) (Appendices I– V).

DEPRECIATED REPLACEMENT COST APPROACH

Having regard for current construction costs, inclusive of professional fees, finance charges and developer's profit, the Depreciated Replacement Value (taking into account physical, functional and economic obsolescence is estimated at SIXTY-SIX MILLION FIVE HUNDRED THOUSAND DOLLARS ($66,500,000), inclusive of land TWENTY-TWO MILLION DOLLARS ($22,000,000).

RECOMMENDATIONS AND CONCLUSION

MARKET VALUE	For the purposes required all three approaches are pertinent, hence our final opinion that, offered for sale on bona fide terms, a fair negotiated open market price for the unencumbered freehold interest in the subject property is **SIXTY-FIVE MILLION DOLLARS ($65,000,000)**.
ESTIMATED REALISABLE PRICE **(Forced Sale Price)**	It is contended that in the absence of sustained marketing efforts, the freehold interest should fetch a price of **FIFTY-TWO MILLION DOLLARS ($52,000,000)**.
MORTGAGE	This is considered to be a good security for the investment of Mortgage/Trust/Development Funding, and a loan within the criteria of the Lending Institution is deemed adequately secured as a first charge against the freehold interest.
INSURANCE	The costs of construction, including site improvements (driveway, boundaries, and underground utilities) and debris removal along with professional fees form the basis on which losses are recovered for insurable risks. It is therefore recommended that an insurance policy be established for the improvements (new for old) in the amount of FORTY-SEVEN MILLION DOLLARS ($47,000,000).

GEORGE GREGG AND COMPANY

....

George St. A. Gregg B.Sc., M.R.I.C.S.

May 20, 2011.

CERTIFICATION

I hereby certify that, to the best of my knowledge and belief, the statements of fact contained in this appraisal report are true and correct.

I further certify, that I have no present or prospective interest in the appraised property and I have no personal interest or bias with respect to the parties involved. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, unbiased professional analyses, opinions and conclusions. My compensation is not contingent on an action or event resulting from the analyses, opinions or conclusions in, or the use of, this report.

My analyses, opinions and conclusions were developed and this report has been prepared in conformity with and the use of this report is subject to, the requirements of the code of Professional Ethics and the Standards of Professional Practice of the Royal Institution of Chartered Surveyors and the Incorporated Society of Valuers and Auctioneers.

I do not authorize the out of context quoting from or partial reprinting of this appraisal report. Further, neither all nor any part of this appraisal report shall be disseminated to the general public by the use of media for public communication without the prior written consent of the appraiser signing this appraisal report.

This twelve (12) page report forms the basis of our opinion of value on the subject property, and is to be read in its entirety.

Therefore, after consideration and analysis of the data contained in this report, it is our opinion, the Market Value of the subject property is:-

SIXTY-FIVE MILLION DOLLARS ($65,000,000)

GEORGE GREGG AND COMPANY

....

George St. A. Gregg B.Sc., M.R.I.C.S.

May 20, 2011.

CAPITAL AND CREDIT MERCHANT BANK - MONTEGO BAY
CASH FLOW PROJECTIONS (YEARS 1 - 5)

	Year 1	Year 2	Year 3	Year 4	Year 5
Gross (Potential) Income	7,000,000	7,350,000	7,717,500	8,103,375	8,508,544
Voids & Collection Loss	7.5%	7.5%	7.5%	7.5%	7.5%
Gross Annual Rental Income	6,475,000	6,798,750	7,138,688	7,495,622	7,870,403
Outgoings					
Management	647,500	679,875	713,869	749,562	787,040
Repairs	608,972	663,779	723,520	788,636	859,614
Insurance	479,581	491,571	503,860	516,456	529,368
Property Taxes	38,500	38,500	77,000	77,000	77,000
Net Annual Rental Income	4,700,447	4,925,025	5,120,439	5,363,967	5,617,381
Income to Loan	3,290,313	3,447,517	3,584,308	3,754,777	3,932,167
Net Income to Equity	1,410,134	1,477,507	1,536,132	1,609,190	1,685,214

CAPITAL AND CREDIT MERCHANT BANK - MONTEGO BAY
CASH FLOW PROJECTIONS (YEARS 6 - 11)

	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Gross (Potential) Income	8,933,971	9,470,009	10,038,210	10,640,502	11,278,932	11,955,668
Voids & Collection Loss	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Net Annual Rental Income	8,263,923	8,759,759	9,285,344	9,842,465	10,433,013	11,058,993
Outgoings						
Management	826,392	875,976	928,534	984,246	1,043,301	1,105,899
Repairs	936,979	1,021,307	1,113,225	1,213,415	1,322,622	1,441,658
Insurance	542,602	556,167	570,071	584,323	598,931	613,904
Property Taxes	77,000	77,000	77,000	77,000	77,000	77,000
Net Annual Rental Income	5,880,950	6,229,309	6,596,514	6,983,480	7,391,158	7,820,532
Income to Loan	4,116,665	4,360,516	4,617,560	4,888,436	5,173,811	5,474,372
Net Income to Equity	1,764,285	1,868,793	1,978,954	2,095,044	2,217,347	2,346,159

CAPITAL VALUE FROM NET RENTAL INCOME
5/11/12

Net Rental Income Year 11	$7,820,532
Capitalised at 7%	$111,721,879.15
Net Income Discounted @	12.00%
Year 1	$4,196,828
Year 2	$3,926,200
Year 3	$3,644,628
Year 4	$3,408,898
Year 5	$3,187,453
Year 6	$2,979,472
Year 7	$2,817,823
Year 8	$2,664,221
Year 9	$2,518,313
Year 10	$2,379,755
Net Reversion	$32,117,371
Capital Value Indication	$63,840,961

Title Report for Volume:1367 Folio:341

REGISTER BOOK	
VOLUME	FOLIO
1367	341

ORIGINAL

NOT TO BE REMOVED FROM TITLES OFFICE

DO NOT FOLD

JAMAICA

Misc. 1208929

Certificate of Title under the Registration of Titles Act

CAPITAL ASSURANCE BUILDING SOCIETY, a Building Society duly incorporated and under the Laws of Jamaica with Offices at 76 Knutsford Boulevard, Kingston 5 in the parish of Saint Andrew is now the proprietor of an estate in fee simple subject to the incumbrances notified hereunder in ALL THAT parcel of land known as NUMBER TWENTY-FIVE CHURCH STREET in the Town of MONTEGO BAY in the parish of SAINT JAMES containing from North to South on the Eastern boundary Sixty-six Feet and on the Western boundary Seventy-one Feet and from East to West Seventy-seven Feet more or less and butting Northerly on Church Street, Southerly on land of Emily Wilson, Easterly on land of Ella Magnus and Westerly on Payne Street and being the land formerly comprised in Certificate of Title registered at Volume 1284 Folio 341.

Dated this 15th day of December Two Thousand and three.

Dep. Registrar of Titles

OFFICE OF TITLES JAMAICA

Incumbrances above referred to:-

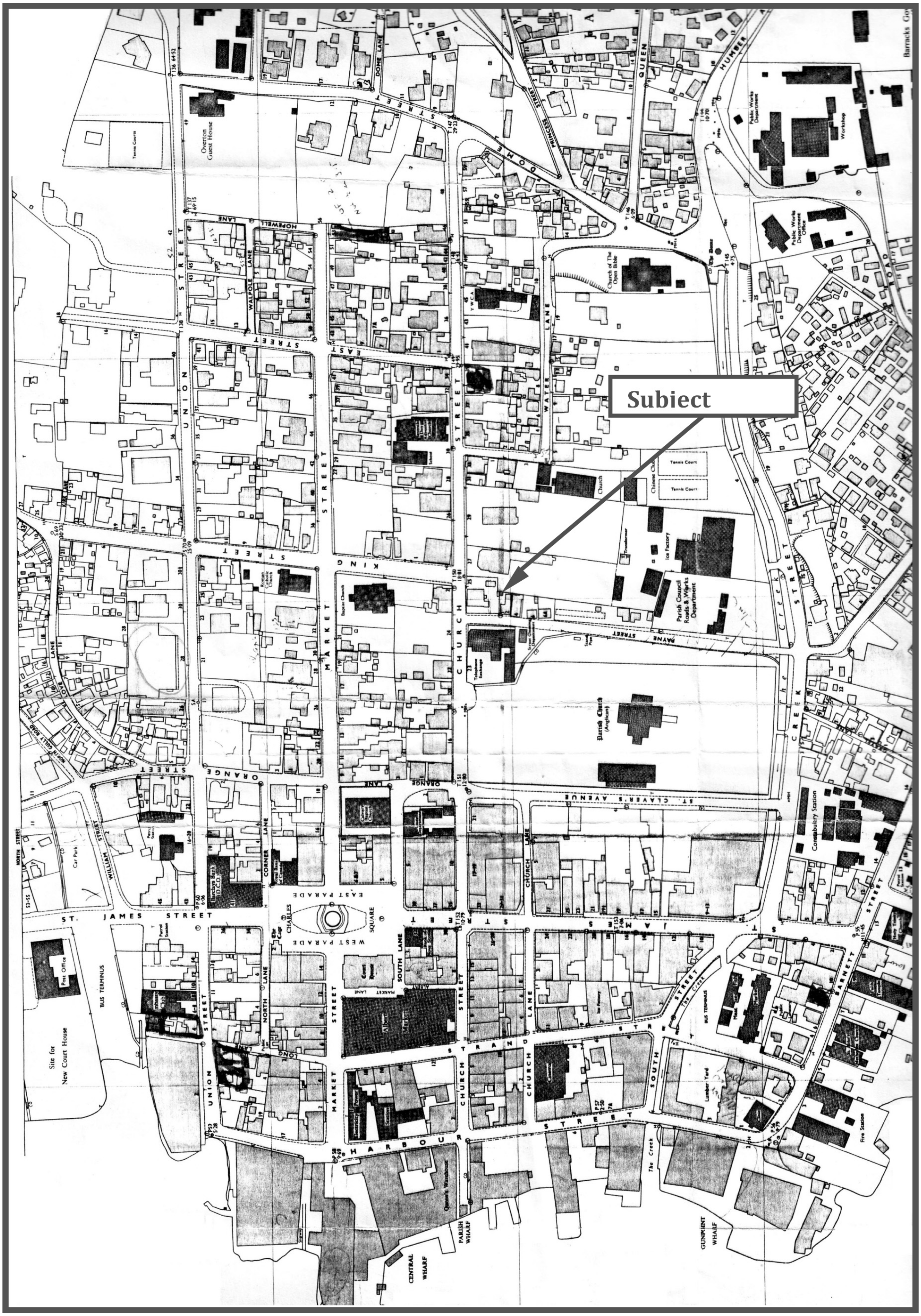
Transfer No. 1277869 registered on the 11th day of February, 2004, to CAPITAL & CREDIT MERCHANT BANK LIMITED at 6-8 Grenada Way, Kingston 5, Saint Andrew. Consideration money Fourteen Million Dollars.

Lois Edwards-Dean

for Registrar of Titles.

OFFICE OF TITLES JAMAICA

Location (Planimetric) Plan



Front

Rear

Interior

Generator & Parking Lot

Road Frontage (Church Street)

Road Frontage (Payne Street)

ADDENDUM

LIMITING CONDITIONS	In the preparation of this appraisal assignment, there are conditions which relate to: -
USE OF REPORT	Possession of this report or any copy thereof does not carry with it the right of publication, nor may it be used for other than its intended use.
CONFIDENTIALITY	The report is to be used in its entirety and no part is to be used without the whole report. No change in any item in the report shall be made by anyone other than the appraiser(s) whose signature(s) appears on the report.
INFORMATION USED	No responsibility is assumed for the accuracy of information furnished by the client, his designees, or public records.
COMPLETION OF CONTRACT	The contract for appraisal, consultation or analytical service is fulfilled and the total fee payable upon completion of the report. If testimony or deposition is required, the client shall be responsible for any additional time, fees and charges, regardless of issuing party.
HIDDEN COMPONENTS	The appraisal is based on there being no hidden and/or apparent conditions of the property site, sub-soil or structures which would render it more or less valuable.
ZONING/USE	Unless otherwise stated, the appraisal is based on the premise that all applicable zoning, building and use regulations and restrictions have been complied with.
AUTHENTIC COPIES, ALTERATION AND MODIFICATION	The authentic copies of this report are signed in black ink and have an embossed stamp. Any copy that does not have the above is unauthorized and may have been altered. After a diligent effort in following standard appraisal procedures, the Appraiser reserves the rights, at his sole discretion, at any time to alter statements, analysis, conclusions or any value estimate(s) in the appraisal if there become known to the Appraiser facts pertinent to the appraisal process which were unknown to the Appraiser when the report was finished.
EXHIBITS/PLANS	The sketches, maps and photographs in this appraisal report are included solely for the purpose of assisting the reader in visualizing the property and are not necessarily to scale. The Appraiser has made no survey of the property and site plans included in the report are not to be considered as surveys unless so designated. Any sketch or map in the appraisal report shows approximate dimensions and is included for general illustrative purposes only. It is the responsibility of a qualified engineer, architect, or commissioned land surveyor to show the exact location of the subject improvements thereon, existing or proposed, as well as the measurements and areas of land and improvements. In the absence of a survey, the Appraiser may have used records or other maps provided by the client, which may or may not represent the exact measurements of the subject property. Any variation in land or building areas from those considered in the appraisal may alter the estimates of value contained in the report.

GEORGE ST. A. GREGG

QUALIFICATIONS AND EXPERIENCE

ACADEMIC	North East London Polytechnic, London, England - B. Sc. (Land Administration).1978
EMPLOYMENT	1985 - Present George Gregg & Company (Principal) 1978 - 1985 Assistant Commissioners of Valuations Land Valuation Department Ministry of Finance, Government of Jamaica
EXPERIENCE	Conducted valuations for taxation purposes, hotels incentives, stamp duty, transfer tax, government acquisition and sales, rent restriction, as well as providing advice on sub-division applications and property tax measures. Prepare appraisal reports on resort, commercial, residential, agricultural and industrial properties for the purposes of mortgage applications, portfolio management and development financing. Provide consultancy/appraisals services for government agencies including Urban Development Corporation, Factories Corporation, Land Valuation Department, Commissioner of Lands, Local Government Authority, Port Authority, and the National Water Commission Undertake consultancy/appraisal assignments for local private sector institutions, including building societies, co-operative societies, commercial, merchant, development and investment banks and the Judiciary. Overseas clients include private individuals, investors, attorneys, developers, private financial institutions, private corporations and bilateral financial organizations.
PROFESSIONAL AFFILIATIONS	• Royal Institution of Chartered Surveyors. • Commonwealth Association of Surveyors and Land Economy. • Association of Land Economy and Valuation Surveyors. • Realtors Association of Jamaica.
BUSINESS (475/85)	Registration of Business Name – George St. Anthony Gregg, trading as GEORGE GREGG AND COMPANY (Chartered Valuation Surveyors, Real Estate Consultants) and License 2011-DL/144 (under the Real Estate (Dealers and Developers) Act to practice as a Real Estate Dealer – Sales, Rentals, Leases, Appraisals, Property Management and Auctioneering.

APPENDIX 3
CONSENT OF KPMG ADVISORY SERVICES DATED MAY 24, 2012 AND FAIRNESS OPINION

KPMG Advisory Services
The Victoria Mutual Building
6 Duke Street
Kingston
Jamaica, W.I.

P.O. Box 76
Kingston
Jamaica, W.I.

Telephone	+1 (876) 922-6640
Fax	+1 (876) 922-7198
	+1 (876) 922-4500
e-Mail	firmmail@kpmg.com.jm

The Board of Directors
Capital & Credit Financial Group Limited
4 - 6 Grenada Way
Kingston 5

24 May 2012

Dear Sirs,

We hereby consent to the inclusion of the text of our Fairness Opinion attached as Appendix 3 to the Directors' Circular of Capital & Credit Financial Group Limited.

This Fairness Opinion has been provided for the exclusive use of the Board, to assist them in analysing the Offer and is not to be published or communicated in other contexts or to other persons without our prior and express written consent in each such instance.

Yours faithfully,

KPMG Advisory Services

ROC:am

KPMG

KPMG Advisory Services
The Victoria Mutual Building
6 Duke Street
Kingston
Jamaica, W.I.

P.O. Box 76
Kingston
Jamaica, W.I.
Telephone +1 (876) 922-6640
Fax +1 (876) 922-7198
+1 (876) 922-4500
e-Mail firmmail@kpmg.com.jm

Board of Directors
Capital & Credit Financial Group Limited
4-6 Grenada Way
Kingston 5
Jamaica

22 May 2012

Dear Sirs,

KPMG Advisory Services ("KPMG") understands that Capital & Credit Financial Group Limited ("CCFG" or the "Company") is considering entering into an agreement with Jamaica Money Market Brokers Limited ("JMMB") pursuant to which JMMB proposes to acquire all of the ordinary shares of CCFG (the "Shares") by way of a take-over bid (the "Offer"). Pursuant to the Offer, holders of Shares (the "Shareholders") will receive consideration (the "Offer Consideration") for each Share consisting of: (i) 0.1803713 of a JMMB ordinary stock unit (a "JMMB Stock Unit"), plus J$3.19 cash. The Offer, is referred to as the "Transaction", and the Offer Consideration, is referred to as the "Consideration". The above description is summary in nature. The specific terms and conditions of the Transaction are described in the offer to all of CCFG's ordinary shareholders in Jamaica titled "Offer Circular", the offer to all of CCFG's shareholders in Trinidad & Tobago, titled "Take-Over Bid Circular" (the Offer Circular and the Take-Over Bid Circular are hereinafter collectively called the "Offer Circulars"), and in the directors' circular of CCFG (the "Directors' Circular") which are to be mailed to Shareholders in connection with the Transaction.

CCFG has retained KPMG to prepare an opinion as to the fairness, from a financial point of view, of the Consideration to be received by the Shareholders, other than the Locked-Up Shareholders, in connection with the Transaction (the "Fairness Opinion"). For purposes of the Fairness Opinion, "Locked-Up Shareholders" means Weststar Finance Limited, Weststar International Limited, Andrew Cocking, Weststar Group Limited, and Estate Stephen Cocking who have entered into a lock-up agreement with JMMB.

Engagement of KPMG by CCFG

Representatives of CCFG initially contacted KPMG on 26 April 2011, regarding a potential advisory engagement and KPMG was engaged by CCFG pursuant to an engagement letter (the "Engagement Letter") dated 11 May 2011. On 7 July 2011, KPMG delivered a valuation report dated 23 June 2011 containing an estimate of the fair market value of the Shares as at 31 March 2011 (the "Valuation"). On 27 January 2012, at the request of CCFG, KPMG was requested to provide a Fairness Opinion. In order to provide this Fairness Opinion KPMG performed an update to the 31 March 2011 estimate of the fair market value of CCFG as at 31 December 2011. KPMG orally delivered the Fairness Opinion on 22 May 2012 to the Company. This Fairness Opinion provides the same opinion, in writing, as of 22 May 2012.

The terms of the Engagement Letter provide that KPMG will receive a fee of US$162,500 for its services and is to be reimbursed for its reasonable out-of-pocket expenses. In addition, the Company has agreed to indemnify KPMG, in certain circumstances, against certain expenses, losses, claims, actions, damages and liabilities incurred in connection with the provision of its services.

Subject to the terms of the Engagement Letter, KPMG consents to the inclusion of this Fairness Opinion in the Directors' Circular, in a form acceptable to KPMG, and to the filing thereof with the applicable Jamaican, and Trinidadian and Tobagonian, securities regulatory authorities.

Credentials of KPMG

KPMG Advisory Services is a Jamaican partnership which is part of KPMG in Jamaica, a Jamaican partnership and a member firm of KPMG, a global network of professional firms providing Audit, Tax and Advisory services. KPMG is a network of independent member firms affiliated with KPMG International, a Swiss cooperative. Each KPMG firm is a legally distinct and separate entity and describes itself as such. KPMG International performs no professional services for clients nor, concomitantly, generates any revenue.

KPMG has participated in a significant number of regional and Jamaica based transactions involving public and private companies and has extensive experience in preparing business valuations and fairness opinions. The Valuation and Fairness Opinion are the opinions of KPMG and their form and content have been approved by accredited valuation professionals, each of whom is experienced in merger, acquisition, divestiture, business valuation and fairness opinion matters. The Valuation and Fairness Opinion have been prepared in accordance with the Practice Standards of the Canadian Institute of Chartered Business Valuators (the "CICBV") but the CICBV has not been involved in the preparation or review of the Valuation or this Fairness Opinion.

KPMG

Board of Directors
Capital & Credit Financial Group Limited

22 May 2012

Description of CCFG

CCFG is a diversified financial entity that provides banking, asset management, securities trading, stock broking, pension fund management, unit trust products and remittance services. CCFG's subsidiaries are: Capital & Credit Merchant Bank Limited; Capital & Credit Securities Limited; Capital & Credit International Inc.; Capital & Credit Fund Managers Limited; and Capital & Credit Remittance Limited.

Relationship with Interested Parties

Neither KPMG nor any of its partners: (i) is an associated or affiliated entity or issuer insider of CCFG, JMMB, or any of their respective associates or affiliates (collectively, the "Interested Parties"), (ii) is an advisor to any of the Interested Parties or any of their respective associates or affiliates in connection with the Transaction, other than KPMG in its capacity as financial advisor to CCFG, (iii) is a manager or co-manager of a soliciting dealer group for the Offer, or (iv) has a material financial interest in the completion of the Transaction, however certain partners of KPMG Advisory Services, and KPMG in Jamaica hold an insignificant number of Shares, or maintain deposit and investment account balances on an arm's length basis with CCFG and JMMB. Additionally KPMG in Jamaica as a firm maintains investment and/or banking accounts with Interested Parties. The existence of these arm's length commercial relationships in the ordinary course of business was not considered by us to impair our independence or objectivity. Further none of the partners with commercial relationships with any Interested Parties, or insignificant shareholdings in CCFG has played any part whatsoever in the conduct of the engagement, and do not exercise any management control over any of the Interested Parties.

KPMG and its affiliated entities have not been engaged to provide any financial advisory services, nor have they acted as lead or co-lead manager on any offering of Shares or any other securities of CCFG, JMMB, or any Interested Party, during the 24 months preceding the date on which KPMG was first contacted in respect of the Valuation and Fairness Opinion, other than as described herein.

KPMG in Jamaica provides statutory audit services, tax compliance and regulatory compliance services for JMMB. KPMG has provided various professional services for CCFG and its subsidiaries covering human resources and recruitment, Information Technology Advisory, and tax services. Further none of the partners of KPMG with professional service relationships with JMMB have played any part whatsoever in the conduct of this engagement.

We do not believe these relationships with JMMB, CCFG or any related entities impair the ability of KPMG to assess the fairness, from a financial point of view, of the Transaction to the Shareholders in an independent and objective manner. The boards of directors of CCFG and JMMB have approved the use of KPMG in providing this Fairness Opinion recognising that KPMG has performed the additional abovementioned services. KPMG has performed its Fairness Opinion review of the Transaction independent of the other professional services being provided with the same access to management information and reports as would be provided to a non-affiliated professional services firm.

Except for the fees referred to above, neither KPMG, nor its representative, or any of its employees, involved in the provision of the report, receive any pecuniary or other benefits, directly or indirectly, for or in connection with, the provision of the Fairness Opinion. All our employees receive a salary and our partners or employees may receive partnership distributions from KPMG or bonuses based on overall productivity, but not directly in connection with any engagement for the provision of a report. KPMG does not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we provide.

Scope of Review

In connection with the Fairness Opinion, KPMG has reviewed and relied upon (without attempting to verify independently the completeness or accuracy of) or carried out, among other things, the following:

(i) a draft of the Offer Circular received 14 May 2012;
(ii) audited annual financial statements and management's discussion and analysis of CCFG as at and for the years ended 31 December 2006, 2007, 2008, 2009, 2010, and 2011;
(iii) audited annual financial statements and management's discussion and analysis of JMMB as at and for the years ended 31 March 2006, 2007, 2008, 2009, 2010, and 2011;
(iv) unaudited interim financial statements of CCFG as at and for reporting periods ended 31 March 2011, 30 June 2011, 30 September 2011, and 31 March 2012;
(v) annual reports and notices of annual general meetings of CCFG for the years ended 31 December 2006, 2007, 2008, 2009, 2010, and 2011;
(vi) various internal financial reports of CCFG prepared by management of the Company;
(vii) considered the size, scope, organisational structure, market position, financial attributes, and identifiable strengths and weaknesses of CCFG;
(viii) discussions with senior management of CCFG with respect to the information referred to above and other issues considered relevant;
(ix) the Valuation of the Shares as at 31 March 2011 dated 23 June 2011;
(x) the valuation of premises located 25 Church Street, Montego Bay prepared by George Gregg & Co. dated May 20, 2011;
(xi) unaudited interim financial statements of JMMB as at and for the reporting periods ended 31 March 2011, 30 June 2011, 30 September 2011, and 31 December 2011;
(xii) annual reports and notices of annual general meetings of JMMB for the years ended 31 March 2006, 2007, 2008, 2009, 2010, and 2011;
(xiii) letter from the Office of the Minister of Finance and Planning dated 30 March 2012;
(xiv) representations from CCFG contained in a letter dated as of the date hereof;
(xv) various research publications and other selected public companies and industries considered relevant;
(xvi) public information relating to the business, operations, financial performance and securities trading history of CCFG, JMMB, and other selected public companies considered relevant;

Board of Directors
Capital & Credit Financial Group Limited

22 May 2012

(xvii) public information with respect to certain other transactions of a comparable nature considered relevant; and

(xviii) such other corporate, industry, and financial market information, investigations, analyses financial, economic and market criteria as KPMG considered necessary or appropriate in the circumstances.

KPMG has not, to the best of its knowledge, been denied access by CCFG to any information requested by KPMG. KPMG did not meet with the auditors of CCFG and has assumed the accuracy, completeness and fair presentation of and has relied upon, without independent verification, the audited financial statements of CCFG and the reports of the auditors thereon.

The Valuation

CCFG retained KPMG to prepare and deliver to the Company a Valuation of the Shares as at 31 March 2011. The Valuation delivered was in the form of an estimate valuation report. The Valuation was updated as at 31 December 2011 (the "Revised Valuation Date") with the same level of assurance. An estimate valuation report contains a conclusion as to the value of shares, assets or an interest in a business that is based on limited review, analysis and corroboration of relevant information, and is generally set out in a less detailed valuation report. For estimate valuation reports, the scope of review is inherently limited by the nature of the valuation report being provided, and that the conclusion expressed may have been different had a comprehensive valuation report been provided. The results of the Valuation were considered in arriving at our conclusion as to the fairness of the Offer from a financial point of view.

Assumptions and Limitations

With the Board of Directors' acknowledgement and agreement as provided for in the Engagement Letter, KPMG has relied upon the accuracy, completeness and fair presentation of all data and other information obtained by it from public sources, provided to it by or on behalf of CCFG, or otherwise obtained by KPMG (collectively, the "Information"). The Fairness Opinion is conditional upon such accuracy, completeness and fair presentation. Subject to the exercise of professional judgment, and except as expressly described herein, KPMG has not attempted to verify independently the accuracy, completeness or fair presentation of any of the Information.

With respect to the budgets, forecasts, projections or estimates provided to KPMG and used in its analyses, KPMG notes that projecting future results is inherently subject to uncertainty. KPMG has assumed, however, that such budgets, forecasts, projections and estimates were prepared using the assumptions identified therein which KPMG has been advised are (or were at the time of preparation and continue to be), in the opinion of CCFG reasonable in the circumstances. KPMG expresses no independent view as to the reasonableness of such budgets, forecasts, projections and estimates or the assumptions on which they are based.

KPMG has not, to the best of its knowledge been denied access by CCFG to any information requested by KPMG. In developing our opinion, we have assumed that any draft documents pertinent to the Transaction which were reviewed by us will be finalised without substantial revision.

The Directors of CCFG have represented to KPMG in a letter dated 22 May 2012, to the best of their knowledge, information and belief after due inquiry, that:

(i) CCFG has no information or knowledge of any facts public or otherwise not specifically provided to KPMG relating to CCFG which would reasonably be expected to affect materially the Fairness Opinion to be given by KPMG;

(ii) with the exception of forecasts, projections or estimates referred to in subparagraph (iv) below, the information, data and other material (collectively, the "CCFG Information") provided to KPMG by or on behalf of CCFG or its representatives in respect of CCFG and its affiliates in connection with the Offer is or, in the case of historical CCFG Information was, at the date of preparation, true, complete and accurate and did not and does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the CCFG Information not misleading in the light of circumstances in which it was presented;

(iii) to the extent that any of the CCFG Information identified in subparagraph (ii) above is historical, there have been no changes in any material facts or new material facts since the respective dates thereof which have not been disclosed to KPMG or updated by more current information not provided to KPMG by CCFG and there has been no material change, financial or otherwise in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of CCFG and no material change has occurred in the CCFG Information or any part thereof which would have or which would reasonably be expected to have a material effect on the Fairness Opinion;

(iv) any portions of the CCFG Information provided to KPMG which constitute forecasts, projections or estimates were prepared using the assumptions identified therein, which, in the reasonable opinion of CCFG, are (or were at the time of preparation and continue to be) reasonable in the circumstances;

(v) there have been no valuations or appraisals relating to CCFG or any affiliate or any of their respective material assets or liabilities made in the preceding 24 months and in the possession or control of CCFG other than those which have been provided to KPMG or, in the case of valuations known to CCFG which it does not have within its possession or control, notice of which has not been given to KPMG;

(vi) there have been no verbal or written offers or serious negotiations for or transactions involving any material property of CCFG or any of its affiliates during the preceding 24 months which have not been disclosed to KPMG (for the purposes of subparagraphs (v) and (vi), "material assets", "material liabilities" and "material property" shall include assets, liabilities and property of CCFG or its affiliates having a gross value greater than or equal to J$50 million);

(vii) since the dates on which the CCFG Information was provided to KPMG, no material transaction has been entered into by CCFG or any of its affiliates;

(viii) other than as disclosed in the CCFG Information, neither CCFG nor any of its affiliates has any material contingent liabilities and there are no actions, suits, claims, proceedings, investigations or inquiries pending or threatened against or affecting the Offer, CCFG or any of its affiliates at law or in equity or before or by any governmental department, commission, bureau, board, agency or instrumentality which may, in any way, materially adversely affect CCFG or its affiliates or the Offer;

KPMG

Board of Directors
Capital & Credit Financial Group Limited

22 May 2012

(ix) all financial material, documentation and other data concerning the Offer, CCFG and its affiliates, including any projections or forecasts provided to KPMG, were prepared on a basis consistent in all material respects with the accounting policies applied in the most recent audited consolidated financial statements of CCFG;

(x) there are no agreements, undertakings, commitments or understanding (whether written or oral, formal or informal) relating to the Offer, except as have been disclosed in complete detail to KPMG;

(xi) the contents of any and all documents prepared by CCFG or on its behalf in connection with the Offer for filing with regulatory authorities or delivery or communication to security holders of CCFG (collectively, the "Disclosure Documents") have been, are and will be true, complete and correct in all material respects and have not and will not contain any misrepresentation and the Disclosure Documents have complied, comply and will comply with all requirements under applicable laws;

(xii) CCFG has complied in all material respects with the Engagement Letter; and

(xiii) to the best of its knowledge, information and belief after due inquiry, there is no plan or proposal for any material change in the affairs of CCFG which have not been disclosed to KPMG.

In preparing the Fairness Opinion, KPMG has made several assumptions, including that all final or executed versions of documents will conform in all material respects to the drafts provided to KPMG, conditions to the Offer can be satisfied in due course, all consents, permissions, exemptions or orders of relevant regulatory authorities or third parties will be obtained, without adverse condition or qualification, the procedures being followed to implement the Offer are valid and effective, the Offer Circulars and the Directors' Circular will be distributed to the Shareholders of CCFG in accordance with all applicable laws, and the disclosure in the Offer Circulars and the Directors' Circular will be accurate, in all material respects, and will comply, in all material respects, with the requirements of all applicable laws. In its analysis in connection with the preparation of the Fairness Opinion, KPMG made numerous assumptions with respect to industry performance, general business and economic conditions, and other matters, many of which are beyond the control of KPMG, or CCFG or any of its respective affiliates. Among other things, KPMG has assumed the accuracy, completeness and fair presentation of and has relied upon, without independent verification, the financial statements forming part of the Information.

The Fairness Opinion has been provided for the use of the Board of Directors only and is not intended to be, and does not constitute, a recommendation that any Shareholder tender their Shares. The Fairness Opinion may not be used for any other purpose, without the express prior written consent of KPMG. KPMG denies any responsibility for losses which result from the unauthorised use of this Fairness Opinion.

The Fairness Opinion does not address the relative merits of the Offer as compared to other transactions or business strategies that might be available to CCFG, nor does it address the underlying business decision to the sale of Shares. In considering fairness, from a financial point of view, KPMG considered the Offer from the perspective of Shareholders of CCFG generally and did not consider the specific circumstances of any particular Shareholder, including with regard to income tax considerations. Shareholders should consult an independent expert if such a Shareholder is in any doubt as to the merits or otherwise of the Offer. The Fairness Opinion is rendered as of 22 May 2012, on the basis of securities markets, economic and general business and financial conditions prevailing on that date and the condition and prospects, financial and otherwise, of CCFG, and its subsidiaries and affiliates as they were reflected in the Information provided or otherwise available to KPMG. Any changes therein may affect the Fairness Opinion and, although KPMG reserves the right to change or withdraw the Fairness Opinion in such event, it disclaims any undertaking or obligation to advise any person of any such change that may come to its attention, or update the Fairness Opinion after such date.

The preparation of a fairness opinion is a complex process and is not necessarily amenable to partial analysis or summary description. KPMG believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create an incomplete view of the process underlying the Fairness Opinion. Accordingly, this Fairness Opinion should be read in its entirety.

Our Approach in Arriving at a Conclusion

Given that the Consideration consists of a combination of JMMB Stock Units and cash, we considered fair market value of the Consideration including the JMMB Stock Units and not merely the intrinsic value of the Shares in arriving at our conclusion. For the purpose of this Fairness Opinion, fair market value is defined as the highest price available in an open and unrestricted market, between informed, prudent parties acting at arm's length and under no compulsion to act, expressed in terms of money or money's worth.

We were engaged by CCFG with no access to the prospective financial information of JMMB and, as such, we relied on publicly available information in arriving at the fair market value of the JMMB Stock Units included in the Consideration.

Each of the analyses performed was considered to bear on the overall assessment of the financial fairness of the Transaction but no single analysis was considered sufficient to that end on its own merits.

Fairness Conclusion

Based upon and subject to the foregoing, KPMG is of the opinion that, as of 22 May 2012, the Consideration under the Offer is fair, from a financial point of view, to the Shareholders of CCFG.

Yours faithfully,

KPMG Advisory Services

ROC:am

APPENDIX 4
INFORMATION INCLUDED IN DIRECTORS' CIRCULAR BY VIRTUE OF THE JAMAICA SECURITIES ACT (TAKE-OVERS AND MERGERS) REGULATIONS 1999, AND THE JAMAICA STOCK EXCHANGE RULES ON TAKE-OVERS AND MERGERS

The following information is included in the Directors' Circular by virtue of the Jamaican Securities Act (Take-Overs and Mergers) Regulation, 1999 and the Jamaica Stock Exchange Rules on Take-Overs and Mergers.

Part A – Ownership of Shares in CCFG

1. Below is the number of ordinary shares in CCFG beneficially owned (directly or indirectly) by the Directors and senior officers of CCFG.

Director	Shares owned or over which control or direction is exercised by the Director
Ryland T. Campbell C.D.	316,342
	44,003,592 – Weststar Group Ltd (Gregory Shirley)
	158,659,722 – Weststar International Limited
	196,444,764 – Weststar Finance Limited (Gregory Shirley, Kelvin Roberts)
	1,446,894 – Arland Investments Limited
	145,080 – Bavar Investments Limited
Gregory Shirley	44,003,592 – Weststar Group Limited (Ryland Campbell)
	196,444,764 – Weststar Finance Limited (Ryland Campbell, Kelvin Roberts)
Curtis Martin	598,522
Kelvin Roberts	42,000
	612,217 – Kelmar Limited
	196,444,764 - Weststar Finance Limited (Gregory Shirley, Ryland Campbell)
Maria Jones	128,486
Audrey Deer-Williams	Nil
Andrew Cocking	128,219,797
Patrick Thelwell	100,000
Senior Officer	Shares owned or over which control or direction is exercised by Senior Officers
Trudy-Ann Bartley Thompson	Nil
Janet Small	10,000
Michelle Wilson-Reynolds	Nil
Rosalie Deane	295,548
Jennifer Anderson	120,000
Moya Leiba-Barnes	149,408
Christopher Walker	Nil
Peta – Gaye Fairclough	Nil
Laurie Wiggan	Nil
Janet Collins-Green	nil
Ernest Edwards	2,400
Sheron Dixon-Brown	Nil
Lance Duhaney	2,500
Sydney McLennon	Nil
Karlene Mullings	1,000

2. To the knowledge of the Directors and the senior officers of CCFG the following persons/companies beneficially own (directly or indirectly) or exercise control or direction over shares in CCFG carrying over 10% of the voting rights in CCFG.

Person/Company	Number of ordinary shares beneficially owned (directly or indirectly)
National Insurance Fund	196,444,764
Andrew Cocking	128,219,797
Ryland Campbell	401,016,394

Part B – Acceptance of Take-Over Bid

3. As far as the Directors are aware, Kelvin Roberts, Maria Jones, Curtis Martin and Patrick Thelwell intend to accept the Offer.

As far as the Directors are aware the following persons have accepted or intend to accept the Offer on the terms detailed in the following paragraphs: Weststar Finance Limited, Weststar International Limited, Weststar Group Limited, The Administrator-General of Jamaica (As Administrator of the estate of Stephen Cocking (deceased)), and Andrew Cocking (collectively the "Legacy Shareholders"); Ryland T. Campbell, Gregory Shirley, National Insurance Fund and Audrey Deer-Williams. The Directors are not aware of whether any senior officer has accepted or intends to accept the Offer.

On July 14, 2011, the Legacy Shareholders and certain directors of CCFG gave undertakings to JMMB to the effect that, inter alia, if and when the Offer was made on the terms set out therein (or if any revised offer was made by JMMB which is at least as favourable as the Offer) the Legacy Shareholders would accept such offer as soon as is practicable after the opening date of the Offer but in any event not later than seven (7) days after the opening date of the Offer as stipulated in the Offer Document (or, if such day is not a business day, the first business day after such day). The Legacy Shareholders further agreed, inter alia, from the cash consideration due and payable to each of them in respect of the Offer, JMMB is irrevocably authorised to deduct the amount of J$0.50 per CCFG share held and in respect of which an acceptance was tendered and to pay the amount so withheld into an interest-bearing Escrow Account (the "Escrow Account") to be held by an Escrow Agent appointed by the parties (or, if the parties do not agree the appointee prior to the opening of the Offer, by the President of the Institute of Chartered Accountants of Jamaica). As soon as practicable after the end of the period of 12 months period commencing on July 14, 2011 (such period, the "Calculation Period"), the Company's external auditors shall determine and notify the Escrow Agent in writing of the amount (such amount, the "Actual Collection") which has been collected or rehabilitated in accordance with applicable Bank of Jamaica requirements from the current J$3 billion non-accrual loan portfolio of Capital & Credit Merchant Bank Limited within the Calculation Period. Upon being notified of the Actual Collection as aforesaid, the Escrow Agent shall distribute the amount in the Escrow Account as follows:

(a) Provided the Actual Collection equals or exceeds a minimum of J$1.5 billion Jamaican dollars (the "Collection Threshold"), the Escrow Agent shall apportion and pay the full amount in the Escrow Account, inclusive of all interest and accretions thereto (the "Escrow Amount") among and to the respective Shareholders in proportion to their respective contributions to the Escrow Account.

(b) In the event that the Actual Collection is less than the Collection Threshold, the Escrow Amount shall be apportioned as between the Legacy Shareholders on the one hand, and JMMB on the other hand, as follows:

(i) part of the Escrow Amount, such part being the Legacy Shareholders' Portion, shall be apportioned among and paid to the respective Legacy Shareholders in proportion to their respective contributions to the Escrow Account (and for this purpose the "Legacy Shareholders' Portion" means the sum which results when the Escrow Amount is multiplied by a fraction, the numerator of which is the Actual Collection and the denominator of which is J$1.5 billion); and

(ii) the remaining balance of the Escrow Amount shall belong and be paid to the Offeror.

(c) The Directors of CCFG who are parties to the aforementioned undertaking are Ryland Campbell, Gregory Shirley and Andrew Cocking. These Directors undertook, inter alia, in so far as this is not inconsistent with their duties or obligations as a director under general law or under any regulatory requirements relevant to the Offer,– (i) to use their best endeavours to procure that the directors of CCFG recommended acceptance of the Offer to its shareholders, and – (ii) to use their reasonable endeavours to procure that the directors of CCFG (and CCFG itself) provide all necessary information and facilities to JMMB and its professional advisers, to enable the Offer to be made in accordance with the regulatory requirements.

The parties to the July 14, 2011 undertaking extended the time periods within which the Offer may be made to May 31, 2012 and in respect of the Calculation Period to August 14, 2012.

In its Offer Circulars JMMB states that on March 8, 2012, JMMB requested and received an undertaking from the National Insurance Fund to the effect that, inter alia, if and when the Offer was made on the terms set out therein (or if any revised offer was made by JMMB which is at least as favourable as the Offer) the NIF would accept such offer as soon as is practicable after the opening date of the Offer but in any event not later than seven (7) days after the opening date of the Offer as stipulated in the Offer Circular (or, if such day is not a business day, the first business day after such day) (the "NIF Undertaking").

Audrey Deer-Williams, a Director of CCFG, is also a party to the NIF Undertaking, and undertook in her capacity as a director of CCFG (insofar as this is not inconsistent with her duties or obligations as a director, then and at all times, under general law, the Companies Act, or any regulatory requirements relevant to the Offer or otherwise and in so far as this is not inconsistent with directions given to her or the NIF by the Minister of Labour & Social Security and/or the Minister of Finance being the Ministers under whose portfolios the National Insurance Fund falls) – inter alia, (i) to use her best endeavours to procure that the Directors of CCFG recommended acceptance of the Offer to its shareholders, and – (ii) to use her reasonable endeavours to procure that the Directors of CCFG (and CCFG itself) provide all necessary information and facilities to JMMB and its professional advisers, to enable the Offer to be made in accordance with the regulatory requirements.

Part C – Ownership of Shares in JMMB

4. As far as the Directors are aware, the Directors and senior officers do not beneficially own (directly or indirectly) or exercise direction or control over any shares in JMMB, except for those detailed below.

Director/ Senior Officer	Number of shares beneficially owned (directly or indirectly)
Rosalie Deane	6,300
Michelle Wilson-Reynolds	1,000
Ryland T. Campbell	20,000
indirectly - Arland Investments Limited owns 9,350	

5. Based on the information provided to the Directors, detailed below is the number of shares in JMMB beneficially owned or over which direction or control is exercised by persons/companies holding more than 10% of the voting rights of JMMB.

Person/Company	Number of ordinary stock units beneficially owned (directly or indirectly)
NCB Capital Markets	428,777,325
Trustees ESOP	173,799,344

Part D – Relationship Between JMMB and the Directors and Senior Officers of CCFG

6. JMMB has entered into arrangements with the directors and the Shareholders of CCFG who are parties to the Undertakings dated July 14, 2011 and March 8, 2012 as referenced in point 3 of this Appendix 4. Pursuant to such arrangements and subject to the terms thereto, the price at which such directors and such shareholders have agreed to accept the Offer is the Offer Price.

7. No arrangement (whether in relation to any proposed compensation for loss of office or retaining or retiring from office if the Offer is successful, or otherwise) has been made or proposed between JMMB and any officers or directors of CCFG save and except the arrangements detailed at point 3 of this Appendix 4.

Part E – Interests in Material Contracts

8. As far as the Directors are aware, no Director or senior officer of CCFG has any interest in any material contract to which CCFG is a party.

9. As far as the Directors are aware, no person or company owning more than 10% of the voting shares of CCFG has any interest in any material contract to which CCFG is a party.

Part F – No Material Change and Trading of CCFG shares

10. The Directors of CCFG are not aware of any material change in the financial position of CCFG since the date of CCFG's last published interim or annual financial statements.

11. In the opinion of the Directors of CCFG information on the volume of trading and the price range of the CCFG shares in the six months period preceding the Offer is adequately disclosed in the Offer Circulars.

Part G - Trading in Shares by Directors and Senior Officers of CCFG

12. No Director or senior officer of CCFG has purchased or sold any shares in CCFG in the six months immediately prior to the date of the Offer.

13. No Director or senior officer of CCFG has purchased or sold any shares in JMMB in the six months immediately prior to the date of the Offer except for the following transactions:

Director/ Senior Officer	Number of shares in JMMB purchased/sold
Christopher Walker	Purchased 10,000 in September 2011 and sold them in November 2011

APPENDIX 5
INFORMATION INCLUDED IN DIRECTORS' CIRCULAR BY VIRTUE OF THE TRINIDAD & TOBAGO SECURITIES INDUSTRY (TAKE-OVERS) BY-LAWS, 2005

The following information is included in the Directors' Circular by virtue of the **Trinidad & Tobago Securities Industry (Take-Overs) By-Laws, 2005**

1. Name of Offeror:
   Jamaica Money Market Brokers Limited
   6 Haughton Terrace,
   Kingston 10,
   Jamaica
   www.jmmb.com
2. Name of Offeree Issuer:
   Capital & Credit Financial Group Limited
   6-8 Grenada Way,
   Kingston 5,
   Jamaica
   www.capital-credit.com
3. The names of the Directors of CCFG are:
   Ryland Campbell C.D, Chairman of the Board, Group President & Chief Executive Officer
   Andrew Cocking, Deputy Group President & CEO International Business
   Curtis Martin, Deputy Group President, Banking & Investment Services & CEO, CCMB
   Gregory Shirley
   Kelvin St. Clair Roberts
   Maria Antionette Jones
   Audrey Deer-Williams
   Patrick Wayne Thelwell
4. Ownership of securities of CCFG

Director	Shares owned or over which control or direction is exercised by the Director		Percentage shareholding
	Number of shares beneficially owned (directly)	Number of shares beneficially owned (indirectly)	
Ryland T. Campbell C.D.	316,342		0.0341
		44,003,592 – Weststar Group Limited (Gregory Shirley)	4.7475
		158,659,722 – Weststar International Limited	17.1177
		196,444,764 – Weststar Finance Limited (Gregory Shirley, Kelvin Roberts)	21.1944
		1,446,894 – Arland Investments Limited	0.1561
		145,080 – Bavar Investments Limited	0.0157
Gregory Shirley		44,003,592 – Weststar Group Limited (Ryland Campbell)	4.7475
		196,444,764 – Weststar Finance Limited (Ryland Campbell, Kelvin Roberts)	21.1944
Curtis Martin	598,522		0.0645
Kelvin Roberts	42,000		0.0045
		612,217 – Kelmar Limited	0.0661
		196,444,764 - Weststar Finance Limited (Ryland Campbell, Gregory Shirley	21.1944
Maria Jones	128,486		0.0139
Audrey Deer Williams	nil		
Andrew Cocking	128,219,797		13.8336
Patrick Thelwell	100,000		0.0108

Senior Officers	Shares owned or over which control or direction is exercised by the Senior Officer		Percentage shareholding
	Number of shares beneficially owned (directly)	Number of shares beneficially owned (indirectly)	
Trudy-Ann Bartley Thompson	nil		
Janet Small	10,000		0.0011
Michelle Wilson-Reynolds	nil		
Rosalie Deane	295,548		0.0319
Jennifer Anderson	120,000		0.0129
Moya Leiba-Barnes	149,408		0.0161
Christopher Walker	nil		
Peta – Gaye Fairclough	nil		
Laurie Wiggan	nil		
Janet Collins-Green	nil		
Ernest Edwards	2,400		0.0003
Sheron Dixon-Brown	nil		
Lance Duhaney	2,500		0.0003
Sydney McLennon	nil		
Karlene Mullings	1,000		0.0001

After reasonable enquiry, the directors of CCFG advise as follows:

(i) They know of no associate of a director or senior officer of CCFG who holds securities of any class of CCFG or over which control or direction is exercised by an associate of a director or a senior officer except for those shareholdings listed below

Director/Senior Officer	Associate of Director/Senior Officer	Shares in CCFG owned by Associate
Rosalie Deane	Rosalie Deane & Lincoln Deane	2,844 and 18,000 (Jointly)
	Charmaine Deane	12,000
	Megan Deane	33,000
	Nora Reckford	24,000
Janet Collins Green	Marvene Duval	7,866
Janet Small	Bernetta Fearon	3,000
Ernest Edwards	Ernest & Sharon Edwards	2,400
Michelle Wilson Reynolds	Leila Wilson and Michelle Wilson-Reynolds	8,400 (Jointly)
	Viola Blake and George Reynolds	1,200 (Jointly)
	Victor Wilson and Leila Wilson	7,200
Ryland T. Campbell	Stephanie Campbell	2,880
	Simona Campbell	11,000
Kelvin Roberts	Caryl Fenton	132,000
Sheron Dixon-Brown	Austin Brown	184,568

(ii) They are aware that the following persons hold more than ten percent of voting capital of CCFG:

Person/Company	Number of shares beneficially owned (directly or indirectly)	Percentage Shareholding
National Insurance Fund	196,444,764	21.1961
Andrew Cocking	128,219,797	13.8336
Ryland Campbell	401,016,394	43.2691

(iii) They are not aware that any person is acting jointly or in concert with CCFG that owns or controls any shares in CCFG.

5. Acceptance of Take-Over Bid

As far as the directors of CCFG are aware, the persons mentioned at point 3 of Appendix 4 intend to accept the Offer on the terms stated therein.

6. Ownership of Securities of JMMB

CCFG does not own any shares/stock units in JMMB.

As far as the Directors are aware, the Directors and senior officers of CCFG do not beneficially own (directly or indirectly) or exercise direction or control over any shares/stock units in JMMB except for those detailed below.

Director/ Senior Officer	Number of shares beneficially owned (directly or indirectly)	Percentage shareholding
Rosalie Deane	6,300	0.0003
Michelle Wilson-Reynolds	1,000	Less than 0.0001
Ryland T. Campbell	20,000 Arland Investments Limited owns 9,350	0.0008 0.0004

As far as the Directors are aware, no associate of any Director or of any senior officer of CCFG holds any shares in JMMB except for those detailed below.

Director/Senior Officer	Associate of Director/Senior Officer	Shares in JMMB owned by Associate
Janet Collins-Green	Marvene Duval	31,476
Ernest Edwards	Sharon Edwards	1,000
Jennifer Anderson	Norman Anderson	10,000
Ryland T. Campbell	Arland Investments Limited	9,350

As far as the Directors are aware, no person acting jointly or in concert with CCFG owns, directs or controls any shares in JMMB.

7. Relationship between JMMB and the Directors and Senior Officers of CCFG

As far as the Directors are aware, Kelvin Roberts, Maria Jones, Curtis Martin and Patrick Thelwell intend to accept the Offer.

As far as the Directors are aware the following persons have accepted or intend to accept the Offer on the terms detailed in the following paragraphs: Weststar Finance Limited, Weststar International Limited, Weststar Group Limited, The Administrator-General of Jamaica (As Administrator of the estate of Stephen Cocking (deceased)), and Andrew Cocking (collectively the "Legacy Shareholders"); Ryland T. Campbell, Gregory Shirley, National Insurance Fund and Audrey Deer-Williams. The Directors are not aware of whether any senior officer has accepted or intends to accept the Offer.

On July 14, 2011, the Legacy Shareholders and certain directors of CCFG gave undertakings to JMMB to the effect that, inter alia, if and when the Offer was made on the terms set out therein (or if any revised offer was made by JMMB which is at least as favourable as the Offer) the Legacy Shareholders would accept such offer as soon as is practicable after the opening date of the Offer but in any event not later than seven (7) days after the opening date of the Offer as stipulated in the Offer Document (or, if such day is not a business day, the first business day after such day). The Legacy Shareholders further agreed, inter alia, from the cash consideration due and payable to each of them in respect of the Offer, JMMB is irrevocably authorised to deduct the amount of J$0.50 per CCFG share held and in respect of which an acceptance was tendered and to pay the amount so withheld into an interest-bearing Escrow Account (the "Escrow Account") to be held by an Escrow Agent appointed by the parties (or, if the parties do not agree the appointee prior to the opening of the Offer, by the President of the Institute of Chartered Accountants of Jamaica). As soon as practicable after the end of the period of 12 months period commencing on July 14, 2011 (such period, the "Calculation Period"), the Company's external auditors shall determine and notify the Escrow Agent in writing of the amount (such amount, the "Actual Collection") which has been collected or rehabilitated in accordance with applicable Bank of Jamaica requirements from the current J$3 billion non-accrual loan portfolio of Capital & Credit Merchant Bank Limited within the Calculation Period. Upon being notified of the Actual Collection as aforesaid, the Escrow Agent shall distribute the amount in the Escrow Account as follows:

(a) Provided the Actual Collection equals or exceeds a minimum of J$1.5 billion Jamaican dollars (the "Collection Threshold"), the Escrow Agent shall apportion and pay the full amount in the Escrow Account, inclusive of all interest and accretions thereto (the "Escrow Amount") among and to the respective Shareholders in proportion to their respective contributions to the Escrow Account.

(b) In the event that the Actual Collection is less than the Collection Threshold, the Escrow Amount shall be apportioned as between the Legacy Shareholders on the one hand, and JMMB on the other hand, as follows:

(i) part of the Escrow Amount, such part being the Legacy Shareholders' Portion, shall be apportioned among and paid to the respective Legacy Shareholders in proportion to their respective contributions to the Escrow Account (and for this purpose the "Legacy Shareholders' Portion" means the sum which results when the Escrow Amount is multiplied by a fraction, the numerator of which is the Actual Collection and the denominator of which is J$1.5 billion); and

(ii) the remaining balance of the Escrow Amount shall belong and be paid to the Offeror.

(c) The Directors of CCFG who are parties to the aforementioned undertaking are Ryland Campbell, Gregory Shirley and Andrew Cocking. These Directors undertook, inter alia, in so far as this is not inconsistent with their duties or obligations as a director under general law or under any regulatory requirements relevant to the Offer,– (i) to use their best endeavours to procure that the directors of CCFG recommended acceptance of the Offer to its shareholders, and – (ii) to use their reasonable endeavours to procure that the directors of CCFG (and CCFG itself) provide all necessary information and facilities to JMMB and its professional advisers, to enable the Offer to be made in accordance with the regulatory requirements.

The parties to the July 14, 2011 undertaking extended the time periods within which the Offer may be made to May 31, 2012 and in respect of the Calculation Period to August 14, 2012.

In its Offer Circulars JMMB states that on March 8, 2012, JMMB requested and received an undertaking from the National Insurance Fund to the effect that, inter alia, if and when the Offer was made on the terms set out therein (or if any revised offer was made by JMMB which is at least as favourable as the Offer) the NIF would accept such offer as soon as is practicable after the opening date of the Offer but in any event not later than seven (7) days after the opening date of the Offer as stipulated in the Offer Circular (or, if such day is not a business day, the first business day after such day) (the "NIF Undertaking").

Audrey Deer-Williams, a Director of CCFG, is also a party to the NIF Undertaking, and undertook in her capacity as a director of CCFG (insofar as this is not inconsistent with her duties or obligations as a director, then and at all times, under general law, the Companies Act, or any regulatory requirements relevant to the Offer or otherwise and in so far as this is not inconsistent with directions given to her or the NIF by the

Minister of Labour & Social Security and/or the Minister of Finance being the Ministers under whose portfolios the National Insurance Fund falls) – inter alia, (i) to use her best endeavours to procure that the Directors of CCFG recommended acceptance of the Offer to its shareholders, and – (ii) to use her reasonable endeavours to procure that the Directors of CCFG (and CCFG itself) provide all necessary information and facilities to JMMB and its professional advisers, to enable the Offer to be made in accordance with the regulatory requirements.

No arrangement (whether in relation to any proposed compensation for loss of office or retaining or retiring from office if the Offer is successful, or otherwise) has been made or proposed between JMMB and any officers or directors of CCFG save and except the arrangements detailed at this point 7.

No Director or senior officer of CCFG is a director or senior officer of JMMB or any subsidiary of JMMB.

8. Agreement between CCFG and Officers and Directors

Save as herein otherwise disclosed, no agreements or arrangements have been made between CCFG and any Director or senior officer of CCFG pursuant to which payment or other benefit is to be made or given by way of compensation for loss of office or as to their remaining in or retiring from office if the take-over bid is successful.

9. Interests of Directors and Senior Officers of CCFG in material contracts with JMMB

After reasonable enquiry, the Directors advise as follows:

(i) The Directors are not aware of any director or any senior officer of CCFG that has any interest in any material contract to which JMMB is a party;
(ii) The Directors know of no associate of any director or senior officer of CCFG that has any interest in any material contract to which JMMB is a party; and
(iii) The Directors know of no person/company who owns more than 10% of any equity securities of CCFG that has any interest in any material contract to which JMMB is a party.

10. Trading by Directors and Officers in CCFG Shares

CCFG has not issued or purchased any shares in CCFG in the six months immediately prior to the date of the Offer.

No Director or senior officer of CCFG has purchased or sold any shares in CCFG in the six months immediately prior to the date of the Offer.

After reasonable enquiry, the Directors advise as follows, in respect of the six month period immediately prior to the date of the Offer:

(i) The Directors know of no associate of any director or any senior officer of CCFG that has purchased or sold any shares in CCFG;
(ii) The Directors know of no person holding more than 10% of a class of voting or equity securities in CCFG that has purchased or sold any shares in CCFG;
(iii) The Directors know of no person acting jointly or in concert with CCFG that has purchased or sold any shares in CCFG .

11. As far as the Directors are aware, no new shares in CCFG have been issued to any Director or senior officer during the two-year period immediately prior to the date of the Offer.

12. Additional Information.

As far as the Directors are aware, there is no information which is required to be disclosed by JMMB which has been presented incorrectly or is misleading.

13. Material Changes in the Affairs of CCFG.

There is no information known to any of the directors of CCFG that indicate that there has been any material change in the affairs of CCFG since the date of the last published interim or annual financial statement of CCFG.

14. Valuation

See valuation reports disclosed in this Directors' Circular

APPENDIX 6 - THE DIRECTORY

In Jamaica

Registrar and Transfer Agent	-	**KPMG Regulatory & Compliance Services** **6 Duke Street, Kingston, Jamaica**

In Trinidad & Tobago

Sub- Registrar & Collecting Agent	-	**KPMG** **2nd Floor, Albion Court,** **61 Dundonald Street** **Port of Spain, Trinidad & Tobago**
Lead Broker	-	**JMMB Securities Ltd 6 Haughton Terrace,** **Kingston 10, Jamaica**
Legal Advisors	-	**DunnCox, Attorneys-at-law** **48, Duke Street, Kingston, Jamaica**

A List of JMMB branch locations in Jamaica can be found in Appendix 8 of the Offer Circular issued to CCFG shareholders in Jamaica.