



GLOBAL INVESTMENTS LIMITED

Condensed Consolidated Interim Financial Information (Unaudited)
30 June 2011

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STATEMENT BY DIRECTORS

In the opinion of the Directors, the accompanying condensed statement of financial position of the Company as of 30 June 2011 and the related condensed statements of changes in equity of the Company for the three-month and the six-month period then ended, the condensed consolidated statement of financial position of the Group as of 30 June 2011 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows of the Group for the three-month and the six-month period then ended and other explanatory notes, are prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

On behalf of the Board of Directors

Boon Swan Foo
Chairman
12 August 2011

Tan Mui Hong
Deputy Chairman
12 August 2011

CONDENSED STATEMENT OF FINANCIAL POSITION

	Note	Group As at 30 Jun 11 S\$'000	Company As at 30 Jun 11 S\$'000	Group As at 31 Dec 10 S\$'000	Company As at 31 Dec 10 S\$'000
Non-current assets					
Aircraft		30,779	-	32,793	-
Investment in subsidiaries		-	93,940	-	89,862
Loans and receivables		74,150	-	64,596	-
		<u>104,929</u>	<u>93,940</u>	<u>97,389</u>	<u>89,862</u>
Current assets					
Cash and cash equivalents		37,662	18,046	20,149	8,501
Available for sale financial assets		26,445	-	24,900	-
Intercompany receivables		-	40,085	-	26,239
Other assets		420	212	1,029	56
		<u>64,527</u>	<u>58,343</u>	<u>46,078</u>	<u>34,796</u>
Total assets		<u>169,456</u>	<u>152,283</u>	<u>143,467</u>	<u>124,658</u>
Liabilities					
Interest bearing liabilities	5	16,989	-	18,662	-
Other liabilities	6	846	662	2,985	2,838
Total liabilities		<u>17,835</u>	<u>662</u>	<u>21,647</u>	<u>2,838</u>
Net assets attributable to shareholders		<u>151,621</u>	<u>151,621</u>	<u>121,820</u>	<u>121,820</u>
Equity					
Share capital	4	415,418	415,418	393,922	393,922
Available for sale financial assets revaluation reserve		23,855	-	21,159	-
Translation reserve		(52,220)	(54,829)	(46,201)	(48,835)
Accumulated losses		(235,432)	(208,968)	(247,060)	(223,267)
Total equity		<u>151,621</u>	<u>151,621</u>	<u>121,820</u>	<u>121,820</u>
Net asset per share (S\$ per share)		0.28	0.28	0.31*	0.31*

* If the Rights Issue had been completed before 31 December 2010, the Net Asset per Share as at 31 December 2010 would be 26 cents and not 31 cents. The Net Asset Value per Share of 28 cents as at 30 June 2011 represented an increase of 7.7% over that of 31 December 2010.

The above condensed statement of financial position should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Group Quarter ended 30 Jun 11 S\$'000	Group Half year ended 30 Jun 11 S\$'000	Group Quarter ended 30 Jun 10 S\$'000	Group Half year ended 30 Jun 10 S\$'000
Revenue					
Distribution income		(10)	616	-	-
Dividend income		258	525	292	587
Interest income		2,134	4,669	1,851	3,829
Rental income		1,168	2,375	1,318	2,651
Net foreign exchange gains		2,332	3,848	-	-
Gain on sale of investment		-	2,550	-	-
Total revenue		5,882	14,583	3,461	7,067
Expenses					
Management fees		(233)	(398)	(201)	(396)
Net foreign exchange losses		-	-	(4,693)	(3,516)
Depreciation and amortisation		(318)	(647)	(358)	(721)
Finance costs		(329)	(678)	(408)	(830)
Impairment expenses	7	-	-	35	(6,197)
Other operating expenses	8	(469)	(875)	(819)	(1,675)
Total expenses		(1,349)	(2,598)	(6,444)	(13,335)
Profit/(Loss) before tax		4,533	11,985	(2,983)	(6,268)
Income tax expense	9	(204)	(357)	(234)	(515)
Profit/(Loss) after tax		4,329	11,628	(3,217)	(6,783)
Other comprehensive income/(loss)					
Available for sale financial assets revaluation reserve		(153)	2,696	29	4,362
Foreign currency translation reserve		(3,761)	(6,019)	(435)	(610)
Other comprehensive (loss)/income for the period after tax		(3,914)	(3,323)	(406)	3,752
Total comprehensive income/(loss) for the period attributable to shareholders		415	8,305	(3,623)	(3,031)
Basic earnings/(loss) per share (cents per share)					
		0.79	2.35	(0.75)	(1.59)
Diluted earnings/(loss) per share (cents per share)					
		0.79	2.35	(0.75)	(1.59)

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

Changes in shareholders' equity of the Group for the quarter and half year ended 30 June 2011	Note	Share capital S\$'000	Available for sale financial assets revaluation reserve S\$'000	Translation reserve S\$'000	Retained earnings S\$'000	Total S\$'000
Total equity as at 1 January 2011		393,922	21,159	(46,201)	(247,060)	121,820
Total comprehensive income/(loss) for the 1st quarter ended 31 March 2011		-	2,849	(2,258)	7,299	7,890
Issuance of rights shares	4	21,496	-	-	-	21,496
Total equity as at 31 March 2011		415,418	24,008	(48,459)	(239,761)	151,206
Total comprehensive (loss)/income for the 2nd quarter ended 30 June 2011		-	(153)	(3,761)	4,329	415
Total equity as at 30 June 2011		415,418	23,855	(52,220)	(235,432)	151,621

Changes in shareholders' equity of the Group for the quarter and half year ended 30 June 2010	Note	Share capital S\$'000	Available for sale financial assets revaluation reserve S\$'000	Translation reserve S\$'000	Retained earnings S\$'000	Total S\$'000
Total equity as at 1 January 2010		393,844	10,496	(35,245)	(249,708)	119,387
Total comprehensive income/(loss) for the 1st quarter ended 31 March 2010		-	4,333	(175)	(3,566)	592
Total equity as at 31 March 2010		393,844	14,829	(35,420)	(253,274)	119,979
Issuance of shares to manager	4	78	-	-	-	78
Total comprehensive income/(loss) for the 2nd quarter ended 30 June 2010		-	29	(435)	(3,217)	(3,623)
Total equity as at 30 June 2010		393,922	14,858	(35,855)	(256,491)	116,434

The above condensed consolidated interim statement of changes in equity should be read in conjunction with the accompanying notes.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

Changes in shareholders' equity of the Company for the quarter and half year ended 30 June 2011	Note	Share capital S\$'000	Translation reserve S\$'000	Retained earnings S\$'000	Total S\$'000
Total equity as at 1 January 2011		393,922	(48,835)	(223,267)	121,820
Total comprehensive (loss)/income for the 1st quarter ended 31 March 2011		-	(2,283)	10,173	7,890
Issuance of rights shares	4	21,496	-	-	21,496
Total equity as at 31 March 2011		415,418	(51,118)	(213,094)	151,206
Total comprehensive (loss)/income for the 2nd quarter ended 30 June 2011		-	(3,711)	4,126	415
Total equity as at 30 June 2011		415,418	(54,829)	(208,968)	151,621

Changes in shareholders' equity of the Company for the quarter and half year ended 30 June 2010	Note	Share capital S\$'000	Translation reserve S\$'000	Retained earnings S\$'000	Total S\$'000
Total equity as at 1 January 2010		393,844	(37,770)	(236,687)	119,387
Total comprehensive (loss)/income for the 1st quarter ended 31 March 2010		-	(188)	780	592
Total equity as at 31 March 2010		393,844	(37,958)	(235,907)	119,979
Issuance of shares to manager	4	78	-	-	78
Total comprehensive loss for the 2nd quarter ended 30 June 2010		-	(405)	(3,218)	(3,623)
Total equity as at 30 June 2010		393,922	(38,363)	(239,125)	116,434

The above condensed interim statement of changes in equity should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Group Quarter ended 30 Jun 11 S\$'000	Group Half year ended 30 Jun 11 S\$'000	Group Quarter ended 30 Jun 10 S\$'000	Group Half year ended 30 Jun 10 S\$'000
Cash flows from operating activities				
Operating costs	(801)	(1,722)	(1,724)	(4,967)
Interest income	2,260	4,546	1,447	3,836
Distribution income	155	1,516	-	-
Dividend income	208	421	292	587
Rental income	1,166	2,386	1,318	2,664
Income tax paid	(203)	(357)	(234)	(515)
Net cash inflow from operating activities	2,785	6,790	1,099	1,605
Cash flows from investing activities				
Purchase of financial assets	(11,990)	(11,990)	(10,260)	(10,260)
Loan repayments received	1,159	2,163	797	1,469
Proceeds from sale of Newgate Funding 2006-3 plc	-	2,550	-	-
Net cash outflow from investing activities	(10,831)	(7,277)	(9,463)	(8,791)
Cash flows from financing activities				
Net repayments of borrowings	(449)	(904)	(470)	(937)
Borrowing costs paid	(323)	(667)	(400)	(824)
Proceed from rights issues	-	21,694	-	-
Payments of right issues expenses	(79)	(198)	-	-
Dividends paid	-	(1,965)	-	(3,926)
Net cash (outflow)/inflow from financing activities	(851)	17,960	(870)	(5,687)
Net (decrease)/increase in cash and cash equivalents	(8,897)	17,473	(9,234)	(12,873)
Cash and cash equivalents at beginning of period	46,504	20,149	23,253	27,499
Effects of exchange rate changes on cash and cash equivalents	55	40	58	(549)
Cash and cash equivalents at end of period	37,662	37,662	14,077	14,077



SELECTED NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General Information

Global Investments Limited ("GIL" or the "Company") was incorporated on 24 April 2006 as a mutual fund company limited by shares. The current address of its registered office is Penboss Building, 2nd Floor, 50 Parliament Street Hamilton HM 12 Bermuda. The Company and its subsidiaries together are referred to in this condensed consolidated interim financial information ("this report") as "the Group".

The Company was incorporated and domiciled in Bermuda and is publicly traded on the Main Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST").

The principal activities of the Group consist of investing in a diversified portfolio of assets.

GIL is managed by ST Asset Management Ltd ("STAM"), who is responsible for the preparation and maintenance of accounting and other records of GIL.

The condensed consolidated interim financial statements were authorised for issue in accordance with a directors' resolution dated 12 August 2011.

2. Accounting Policies Application

This condensed consolidated interim financial information for the half-year ended 30 June 2011 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and should be read in conjunction with the annual financial statements for the financial year ended 31 December 2010.

Accounting policies and methods of computation applied in preparation of these figures that are not stated in this report are the same as those used in the most recently audited annual financial statements of the Company and the Group.

3. Segment Reporting

Description of segments

The Board considers the Group from both an asset class and geographic perspective and has identified nine reportable segments. The asset classes consist of Operating Lease Assets, Loan Portfolio and Securitisation Assets and Alternative Assets. These asset classes are disaggregated into the geographical segments of the United Kingdom and Europe, the United States and Australia. Geographical segment is assessed by reference to currency.

Segment information provided to the Board

The segment information provided to the Board for the reportable segments for the half year ended 30 June 2011 is as follows:

	Operating Lease Assets			Loan Portfolio and Securitisation Assets			Other	Total
	UK and Europe S\$'000	United States S\$'000	Australia S\$'000	UK and Europe S\$'000	United States S\$'000	Australia S\$'000		
Group for the half year ended 30 June 2011								
Total segment revenue from continuing activities	616	2,900	-	3,601	533	5,384	1,549	14,583
Segment profit/(loss) from continuing activities before tax	616	1,557	-	3,522	533	5,381	376	11,985
Group for the half year ended 30 June 2010								
Total segment revenue from continuing activities	-	3,237	-	227	32	3,530	41	7,067
Segment profit/(loss) from continuing activities before tax	-	1,667	-	(851)	32	(4,833)	(2,283)	(6,268)
Total segment assets								
30 June 2011	-	47,940	-	15,925	23,897	43,717	37,977	169,456
31 December 2010	-	51,311	-	13,000	13,781	44,330	21,045	143,467
Total segment liabilities								
30 June 2011	-	17,001	-	-	118	-	716	17,835
31 December 2010	-	18,697	-	45	-	13	2,892	21,647

The Board assesses the performance of the operating segments based on the measure of segment profit/(loss) from continuing activities before income tax.

The Group currently does not hold any investments in the Alternative Asset class.

4. Share Capital

	Company Number of shares '000	Par value S\$	Company Share capital S\$'000
Authorised share capital			
Authorised share capital as at 1 January 2010	69,607,362	0.01	696,074
Movements in period to 30 June 2010	(368)	0.01	(4)
Movements in period 1 July 2010 to 31 December 2010	-	0.01	-
Movements in year to 31 December 2010	(368)	0.01	(4)
Balance as at 31 December 2010	69,606,994	0.01	696,070
Movements in period to 30 June 2011	(157,202)	0.01	(1,572)
Total available authorised share capital for issue as at 30 June 2011	69,449,792	0.01	694,498

	Company Number of shares '000	Share capital at par value S\$'000	Share premium reserve S\$'000	Company Share capital S\$'000
Issued and fully paid shares				
Opening balance as at 1 January 2010	392,638	3,926	389,918	393,844
Movements in period to 30 June 2010	368	4	74	78
Movements in period 1 July 2010 to 31 December 2010	-	-	-	-
Movements in year to 31 December 2010	368	4	74	78
Total share capital as at 31 December 2010	393,006	3,930	389,992	393,922
Issue of Rights Share at \$0.138 each	157,202	1,572	20,122	21,694
Share issue expenses	-	-	(198)	(198)
Movements in period to 30 June 2011	-	-	-	-
Total share capital as at 30 June 2011	550,208	5,502	409,916	415,418

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up the Company in proportion to the number of the shares held. Each shareholder is entitled to one vote for each share held on all matters submitted to a vote of shareholders.

All shares issued rank pari passu with previously issued shares.

5. Interest Bearing Liabilities

	Group as at 30 Jun 11 S\$'000	Company as at 30 Jun 11 S\$'000	Group as at 31 Dec 10 S\$'000	Company as at 31 Dec 10 S\$'000
Term loans	16,989	-	18,662	-
Total interest bearing liabilities	16,989	-	18,662	-
Amount repayable in one year or less, or on demand	1,878	-	1,889	-
Amount repayable after one year	15,111	-	16,773	-
Total interest bearing liabilities	16,989	-	18,662	-
Amount secured	16,989	-	18,662	-
Total interest bearing liabilities	16,989	-	18,662	-

The term loans are secured against the two Boeing 757-200 aircrafts leased to Thomson Airways Limited and the shares in Fly Leasing Limited.

6. Other Liabilities

	Group as at 30 Jun 11 S\$'000	Company as at 30 Jun 11 S\$'000	Group as at 31 Dec 10 S\$'000	Company as at 31 Dec 10 S\$'000
Base management fees payable to the Manager	217	217	194	194
Dividend payable	-	-	1,965	1,965
Other payables	629	445	826	679
Total other liabilities	846	662	2,985	2,838

7. Impairment Expense

	Group Quarter ended 30 Jun 11 S\$'000	Group Half year ended 30 Jun 11 S\$'000	Group Quarter ended 30 Jun 10 S\$'000	Group Half year ended 30 Jun 10 S\$'000
Seiza Augustus Series 2007-1 Trust G Note	-	-	-	3,388
Seiza Series 2006-1 Trust (Warehouse) G Note	-	-	-	2,809
Impact of movement in foreign exchange rates ¹	-	-	(35)	-
Total other operating expenses	-	-	(35)	6,197

¹ Reflects the movement in the base currencies of the Group's investments during the quarter.

8. Other Operating Expenses

	Group Quarter ended 30 Jun 11 S\$'000	Group Half year ended 30 Jun 11 S\$'000	Group Quarter ended 30 Jun 10 S\$'000	Group Half year ended 30 Jun 10 S\$'000
Professional fees	321	586	526	1,136
Investor relations expenses	21	27	67	111
Directors fees	57	114	77	183
Other expenses	70	148	149	245
Total other operating expenses	469	875	819	1,675

9. Income Tax Expense

	Group Quarter ended 30 Jun 11 S\$'000	Group Half year ended 30 Jun 11 S\$'000	Group Quarter ended 30 Jun 10 S\$'000	Group Half year ended 30 Jun 10 S\$'000
Income tax expense				
Current tax	204	357	234	515
Deferred tax	-	-	-	-
Total income tax expense	204	357	234	515
Tax expense on profit differs from the amount that would arise using the Bermuda standard rate of income tax due to the following:				
Profit/(Loss) from continuing operations before income tax expense	4,533	11,985	(2,983)	(6,268)
Tax at the Bermuda tax rate of 0%	-	-	-	-
Withholding tax	204	357	234	515
Income tax expense	204	357	234	515

The income tax expense for the half year ended 30 June 2011 has arisen from interest withholding tax relating to BBSFF Securitisation Ltd.

The income tax expense for the half year ended 30 June 2010 has arisen from dividend withholding tax relating to GIL Aircraft Lessor No. 1 Ltd. (formerly known as Babcock & Brown Aircraft Lessor No. 1 Ltd.) (S\$0.1 million) and interest withholding tax relating to BBSFF Securitisation Ltd (S\$0.4 million).

10. Earnings per Share

	Group Quarter ended 30 Jun 11	Group Half year ended 30 Jun 11	Group Quarter ended 30 Jun 10 (restated)	Group Half year ended 30 Jun 10 (restated)
Basic earnings/(loss) per share				
Earnings/(Loss) used in calculation of basic earnings/(loss) per share (S\$'000)	4,329	11,628	(3,217)	(6,783)
Weighted average number of shares on issue used in calculation of basic earnings/(loss) per share ('000)	550,208	494,251	426,363	426,328
Basic earnings/(loss) per share (cents per share)	0.79	2.35	(0.75)	(1.59)
Diluted earnings/(loss) per share				
Diluted earnings/(loss) used in calculation of diluted earnings/(loss) per share (S\$'000)	4,329	11,628	(3,217)	(6,783)
Weighted average number of shares on issue used in calculation of diluted earnings/(loss) per share ('000)	550,208	494,251	426,692	426,592
Diluted earnings/(loss) per share (cents per share)	0.79	2.35	(0.75)	(1.59)

11. Dividends

The Company is declaring an interim dividend of 0.75 cents per share in respect of the period from 1 January 2011 to 30 June 2011. The 2011 interim dividend is expected to be paid on 12 September 2011.

The 2010 interim dividend of 0.5 cents per share in respect of the period from 1 January 2010 to 30 June 2010 amounting to S\$1.97 million was paid on 15 September 2010. A final dividend of 0.5 cent per share declared for the period of 1 July 2010 to 31 December 2010 was paid on 31 Jan 2011.

	Interim dividend 2011	Final dividend 2010
Ordinary shares		
Dividends per share (cents)	0.75	0.50
Dividends paid/declared (S\$'000)	4,127	1,965

While the Company is tax resident of Singapore for 2010, it has yet to receive confirmation from the Inland Revenue Authority of Singapore that it will remain a tax resident of Singapore for the financial year 2011. Should its tax status remain unchanged in 2011, all dividend paid by the Company will continue to enjoy tax exemption.

12. Net Asset Value

	Group as at 30 Jun 11	Company as at 30 Jun 11	Group as at 31 Dec 10	Company as at 31 Dec 10
Net asset value				
Total net asset value (S\$'000)	151,621	151,621	121,820	121,820
Total number of ordinary shares on issue used in calculation of net asset value per share ('000)	550,208	550,208	393,006	393,006
Net asset value per ordinary share (S\$ per share)	0.28	0.28	0.31	0.31

Net asset value per ordinary share is derived by dividing the net assets as disclosed in the financial position of the Group by the number of ordinary shares on issue as at the end of the accounting period.

13. Commitments

	Group As at 30 Jun 11 S\$'000	Group as at 31 Dec 10 S\$'000
Lease Commitments – Operating Leases where a group company is a lessor		
Commitments for minimum lease payments in relation to non-cancellable operating leases are receivable as follows:		
Within one year	4,717	4,924
Later than one year but not later than five years	3,931	6,566
Total lease commitments – operating leases where a group company is a lessor	8,648	11,490

14. Non-Cash Financing and Investing Activities

Group half year ended 30 June 2010

Not included in the Consolidated Statement of Cash Flows is the settlement of the base management fees (S\$77,337) to the Manager in respect of 4Q 2009 and 1Q 2010 via the issuance of new shares.

15. Related-Party Transactions

Director's remuneration

Manager Nominated Directors do not receive any fees for serving as a Director or as a member of a committee of the Board of Directors.

Directors (including the Manager Nominated Directors) are reimbursed for reasonable out-of-pocket expenses incurred in attending meetings of the Board of Directors or committees and for any expenses reasonably incurred in their capacity as Directors.

The Company has adopted the following fee structure for independent Directors:

	Remuneration per Annum
1. Base remuneration fee for independent Directors	US\$50,000 per Director
2. Fees for membership in various Board committees:	
a) Chairman of the GIL Board (applicable only when the Chairman is an Independent Director)	US\$10,000
b) Deputy Chairman of the GIL Board (applicable only when the Deputy Chairman is an Independent Director)	US\$5,000
c) Membership of Audit and Risk Management Committee	US\$10,000 per member
d) Membership of Nominations and Governance Committee	US\$2,000 per member
e) Directorship of all Cayman Island Subsidiary companies	US\$5,000 per director

The maximum aggregate amount of fees payable to the Directors in respect of one year is the number of directors appointed at the relevant time multiplied by US\$70,000. A total of US\$91,244 has been paid or accrued (2010: US\$131,158) in respect of the period ended 30 June 2011.

The Manager

ST Asset Management Limited (the "Manager") of GIL was appointed by the Company as the sole and exclusive Manager pursuant to management agreement dated 24 September 2009.

The following relationships and transactions with the Manager exist:

	Group Half year ended 30 Jun 11 S\$'000	Group Half year ended 30 Jun 10 S\$'000
Transactions with STAM:-		
Base management fee	364	361
Fixed fee	322	322
Acquisition fee	119	-
Expense reimbursement ¹	186	246

	Group as at 30 Jun 11 S\$'000	Company as at 30 Jun 11 S\$'000	Group as at 31 Dec 10 S\$'000	Company as at 31 Dec 10 S\$'000
Balances with STAM:-				
Accrued base management fees	217	217	194	194
Accrued fixed management fees	162	162	164	164
Dividend payable	-	-	2	2
Acquisition fee	119	119	-	-
Expense reimbursement ¹	78	78	98	98
Total liabilities payable to the Manager	576	576	458	458

¹The expense reimbursement relates to those costs which have been paid or are payable by the Manager on behalf of the Company and are required to be reimbursed by the Company pursuant to the management agreement between the Company and the Manager.

As at 30 June 2011 the Manager holds 515,200 (2010: 368,000) ordinary shares in the Company.

16. Critical Accounting Estimates and Judgments in Applying Accounting Policies

GIL makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates are evaluated on an ongoing basis and take into account historical experience and expectations of future events.

(i) Fair value of Available for Sale Financial Assets

The fair values of Available for Sale Financial Assets that are quoted in active markets is based on quoted market prices at the statements of financial position date. The quoted market price used is the current bid price.

The fair values of Available for Sale Financial Assets that are not quoted in active markets are determined by using valuation techniques such as discounted cash flow analysis, valuation of similar investments and reference to recent sales transactions of the same or similar assets. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date. Where appropriate, quoted market prices, broker or dealer quotes for similar instruments are used.

(ii) Impairment of Assets

The carrying values of all assets are reviewed on a quarterly basis for indications of impairment. Indicators such as changes in interest rates, creditworthiness of borrowers in the case of loans, performance of the investment, assessment of the performance of the underlying collateral, where applicable, and other asset-specific and industry and economic factors are considered as part of the assessment. To the extent that an indication of impairment is identified, a detailed assessment of the recoverable amount is performed.

(iii) Special Purpose Entities

The Group has dealings with special purpose entities ("SPEs") primarily for the purpose of holding investments, for asset securitisation transactions and for buying or selling credit protection. The Group does not consolidate SPEs that it does not control. As it can sometimes be difficult to determine whether the Group does control an SPE, management makes judgement on the Group's exposure to the risks and rewards, as well as on the Group's ability to make operational decisions for the SPE in question. In many instances, elements are present that, considered in isolation, indicate control or lack of control over an SPE but when considered together make it difficult to reach a clear conclusion. In such cases, management makes judgement as to whether the Group does indeed control an SPE.

(iv) Estimate of Cashflows and Effective Interest Rates of Investments

The Group has invested in instruments which are at a deep discount to the issuance price. Such investments include the US Residential Mortgage-Backed Securities Portfolio. In determining the effective interest rate of such investments, the projected cashflows are initially estimated. As the projected cashflows are inherently estimates, so is the effective interest rates computed for these investments. Over the life of the investments, the actual cashflows may differ from the projected cashflows that were initially estimated. Judgement is exercised by the Group to form a conclusion as to whether the projected cashflows initially estimated would need to be re-estimated in light of actual cashflows. This would have a corresponding impact on either the effective interest rate or the impairment allowance. Judgement has been applied in concluding that the estimate of effective interest rates remain appropriate.

(v) Access to the Underlying Data of Investments Managed by Third Party Managers

The Group invests in certain notes which are managed by Third Party Managers. To assess the value of its investments, the Manager relies on information such as collateral performance and cashflows of the underlying portfolio against which the notes have been issued. Such information is usually provided by Third Party Managers on a laggard basis. Whilst the Manager will consider all information obtained as part of the assessment of the valuation of the investments, there may also be instances where the Manager will make best estimates as required, particularly in situations where there are developments (for example floods) that may impact the underlying portfolio but which may not have been included in the Third Party Managers' reports.

17. SUBSEQUENT EVENT

On 3rd August 2011, the Company sold its investment in American Home Mortgage Investment Trust 2005-4 RMBS for US\$1.16 million. The investment was acquired at a cost of US\$1.67 million in June 2010, and the Company received capital repayment and interest income totalling US\$1.43 million during the investment period prior to the sale.

The Company will record a net profit of US\$0.85 million on this disposal in the 3Q 2011 report.