



2007

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007





Sir K Dwight Venner
Chairman



Mr. Angus Smith
Deputy Chairman



Mr. Timothy A. Hodge
Director



Mr. Ralph V. C. Hodge
Director



Mr. Yves R. Ephraim
Director



Ms. Maria Barthelmy
Corporate Secretary

MISSION STATEMENT

To promote the development of the secondary mortgage market in the member states and bring additional benefits, by facilitating the development of the money and capital market, improving liquidity management in the financial system and promoting home ownership throughout the member states.



LIST OF SHAREHOLDERS

Eastern Caribbean Central Bank
 Anguilla Social Security Board
 Dominica Social Security
 National Insurance Scheme-Grenada
 Social Security Board – Montserrat
 St Kitts & Nevis Social Security Board
 National Insurance Corporation of St Lucia
 National Insurance Scheme - (SVG)
 National Bank of Dominica
 St Kitts-Nevis-Anguilla National Bank Ltd
 East Caribbean Financial Holding Co. Ltd
 National Commercial Bank (SVG) Ltd
 National Bank of Anguilla Ltd.
 Caribbean Commercial Bank (Anguilla)
 FirstCaribbean International Bank (Antigua)
 Antigua Commercial Bank
 Bank of Antigua Ltd
 ABI Bank Ltd
 RBTT Bank Caribbean Limited (Antigua)
 RBTT (Grenada) Ltd
 Grenada Co-operative Bank Ltd
 Bank of Nova Scotia (St Kitts & Nevis)
 Bank of Nevis Ltd.
 RBTT Bank (SKN) Ltd
 1st National Bank (St. Lucia) Ltd.
 FirstCaribbean International Bank (St Lucia)
 RBTT Bank Caribbean Ltd. (St Lucia)
 RBTT Bank Caribbean Ltd. (SVG)
 FirstCaribbean International Bank (SVG)
 National Investment Company of Anguilla Ltd
 St John's Co-operative Credit Union (Antigua)
 Roseau Co-operative Credit Union Ltd (Dominica)

St Alphonsus Co-op Credit Union Ltd (Dominica)
 ACB Mortgage & Trust Co Ltd (Antigua)
 Barbados Mutual Life Assurance Ltd
 Anguilla Mortgage Company Ltd
 Finance and Development Company Ltd (Antigua)
 Dominica Co-operative Societies League Ltd
 Portsmouth Co-operative Credit Union Ltd (Dominica)
 Dominica National Mortgage Finance Co Ltd
 Grenada Building and Loan Association
 River Sallee Co-operative Credit Union Ltd
 Grenada Public Service Co-operative Credit Union Ltd
 Montserrat Building Society Ltd
 St Patrick's Co-operative Credit Union (Montserrat)
 St Kitts & Nevis Insurance Company (SNIC)
 National Caribbean Insurance Company Ltd (St Kitts)
 St Kitts Co-operative Credit Union
 Nevis Co-operative Credit Union Ltd
 St Kitts-Nevis Finance Company
 St Lucia Civil Service Co-op Credit Union
 The Royal St Lucia Police Co-op Credit Union
 St Lucia Teachers' Credit Co-op Ltd
 Metrocint General Insurance Company Ltd (SVG)
 St Vincent Insurances Ltd
 SVG General Employees' Co-operative Credit Union Ltd
 St Vincent Teachers' Credit Union Ltd
 Kingstown Co-operative Credit Union (SVG)
 First St Vincent Bank
 The Community First Co-operative Credit Union Ltd
 St Vincent Building and Loan Association
 CLICO International Life Insurance Company
 Demerara Mutual Life Assurance Society





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FINANCIAL HIGHLIGHTS

The highlights of the Eastern Caribbean Home Mortgage Bank's performance over the last five (5) years of commercial operations are as follows:

Balance Sheet Highlights

	2006/07	2005/06	2004/05	2003/04	2002/03
Total Assets	\$131,214,193	\$129,966,206	\$128,669,957	\$125,183,870	\$106,605,318
Mortgages Outstanding	\$74,513,336	\$78,361,012	\$74,224,832	\$65,454,601	\$66,706,641
Other Earning Assets	\$52,159,309	\$47,358,360	\$52,213,530	\$56,690,402	\$38,957,633
Debt Outstanding	\$111,930,000	\$111,480,000	\$111,480,000	\$109,365,000	\$91,915,000
Shareholders Equity	\$18,000,791	\$16,971,096	\$15,719,424	\$14,331,990	\$12,431,513
Number of Shares Outstanding	100,000	100,000	100,000	100,000	100,000
Book value per Share	\$180.00	\$169.71	\$157.19	\$143.32	\$124.32
Equity to Total Assets	13.7%	13.1%	12.2%	11.4%	11.7%

Income Statement Highlights

	2006/07	2005/06	2004/05	2003/04	2002/03
Net Interest Income	\$5,024,075	\$5,093,739	\$4,838,726	\$4,141,930	\$3,532,194
Net Income	\$2,029,695	\$2,251,672	\$2,387,434	\$1,900,477	\$1,484,276
Earnings Per Share	\$20.30	\$22.52	\$23.87	\$19.00	\$14.84
Dividends Per Share	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00
Operating Expenses	\$2,868,461	\$2,746,589	\$2,377,618	\$2,280,544	\$2,033,201
Return on Average Equity (ROE)	11.60%	13.8%	15.9%	12.2%	11.9%
Non-Interest Expenses to Total Assets	2.18%	2.1%	1.8%	1.8%	1.9%





CORPORATE INFORMATION

BOARD OF DIRECTORS

Sir K Dwight Venner
Chairman

Governor,
Eastern Caribbean Central Bank

Mr. Angus Smith
Deputy Chairman

Executive Director,
Grenada Authority for the Regulation of
Financial Institutions

Mr. Timothy A. Hodge

Director of Social Security,
Anguilla Social Security Board

Mr. Yves R. Ephraim

Managing Director,
Pegasus Technologies, Antigua & Barbuda

Mr. Ralph V.C. Hodge

Director,
National Bank of Anguilla Ltd

Ms. Maria Barthelmy
Corporate Secretary

Adviser
Eastern Caribbean Central Bank

MANAGEMENT

Vacant

General Manager/Chief Executive Officer

Mr. Randy R. R. Lewis

Manager, Corporate Finance

Ms. Cynthia M. E. Joseph

Manager, Mortgage Underwriting

Mr. Dennis S. M. Cornwall

Manager, Research and Marketing

AUDITORS

Pannell Kerr Forster
North Independence Square
Basseterre, St. Kitts & Nevis, West Indies

SOLICITORS

Wilkinson, Wilkinson & Wilkinson
Chambers
Lucas Street
St George's
Grenada





CHAIRMAN'S REPORT

On behalf of the Board of Directors of the Eastern Caribbean Home Mortgage Bank (ECHMB), I am pleased to present the Annual Report of the ECHMB with the Audited Financial Statements for the year ended 31 March 2007.

This year marks another turning point for the institution in recording continued successes and influence on the secondary mortgage market in the Eastern Caribbean Currency Union (ECCU). Since its beginnings in 1996, the ECHMB has evolved into a successful capital market institution underpinned by sound policies and governance practices. The ECHMB was conceived to:

- develop and maintain a secondary mortgage market for residential mortgages in the member territories;
- contribute to the mobilisation and allocation of long-term savings for investment in housing;
- support the development of a system of housing finance and provide leadership in the housing and home finance industry;
- promote the growth and development of the money and capital markets;
- improve underwriting practices and efficiency in processing mortgages and to promote services and benefits related to such mortgages.



The ECHMB has succeeded in driving capital market activity which is critical to the growth and development of the financial and real sectors of member countries. The institution has earned the reputation of a highly credible institution in the regional and international arenas and serves as the model for the establishment of emerging capital market institutions. The achievement of over ten years of operations is timely amidst the changing modalities within the regional and international environment.

Regionally, the acceleration of the establishment of a single financial space through an "Organisation of Eastern Caribbean States Economic Union" is envisioned towards (to quote Prime Minister Gonsalves) "the creation of a modern and dynamic post colonial economy which is closely integrated at both the national and OECS levels, and is flexible, adaptive and innovative in order to be regionally and internationally competitive."

Internationally, globalisation and trade liberalisation have had negative effects on our major exports and countries have experienced several devastating hurricanes, floods and volcanic eruptions.

Given these circumstances, it is incumbent on us to reflect on our beginnings, celebrate our successes and develop a strategy for moving ahead.

The successes of the ECHMB are notable. At the end of the financial year the ECHMB's total assets amounted to \$131,214,193 with a mortgage portfolio of 494 valued at \$74,513,336. The value of outstanding Bonds was \$111.9 million at year-end, a net increase of \$450 thousand from the previous year. Retained earnings stood at \$4,033,271 at the end of the year and a



CHAIRMAN'S REPORT

final dividend of \$10.00 per \$100.00 share has been approved for the financial year ended 31 March 2007.

The Financial Results and Statement of Changes in Equity for the year ended March 31, 2007 are as follows:

	Share Capital EC\$	Building Reserve EC\$	Portfolio Risk Reserve EC\$	Retained Earnings EC\$	Total Equity EC\$
Balance at 31 March 2006	10,000,000	2,027,821	1,527,821	3,415,454	16,971,096
Net Income for the year	-	-	-	2,029,695	2,029,695
Dividends Paid	-	-	-	(1,000,000)	(1,000,000)
Transfer to Reserves	-	205,939	205,939	(411,878)	-
Balance at 31 March 2007	10,000,000	2,233,760	1,733,760	4,033,271	18,000,791

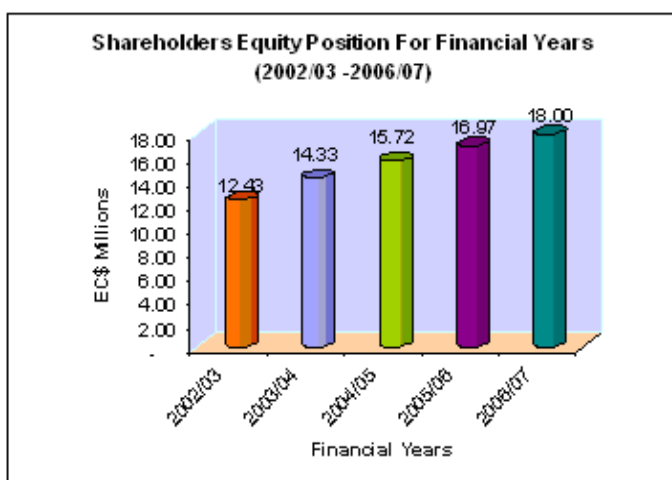
These results demonstrate the agility of ECHMB in spite of challenging market conditions faced during the year. While 2006/2007 was successful, the ECHMB must continue to play a pivotal role in the transformation of the economies of the member countries of the OECS.

In the latter part of the year, the Home Mortgage Bank of Trinidad and Tobago sold its shares held in the ECHMB to CLICO International Life Insurance Limited. This is indicative of the goodwill that the ECHMB has garnered over the years and its credibility in the market place.

I would like to thank the Home Mortgage Bank of Trinidad and Tobago for its valuable support and encouragement as a founding shareholder of the ECHMB and the critical role that the institution has played in transforming the vision of a secondary mortgage market into a profitable business venture while assisting in the development of the Eastern Caribbean Currency Union's capital markets.

The ECHMB looks forward to continuing to work alongside the Home Mortgage Bank of Trinidad and Tobago on future regional initiatives.

During the year, Mr. St Bernard Sebastian, the General Manager since the inception resigned from the services of the ECHMB. We again take this opportunity to thank Mr. Sebastian for his exemplary service to the ECHMB and his commitment and hard work in sustaining the institution and pursuing our mutual





CHAIRMAN'S REPORT

interest in transforming the Eastern Caribbean Currency Union (ECCU) into a single financial space and a leading financial center.

Looking ahead the ECHMB will strive to move forward, provide innovative products and educate the financial community in order to stimulate the economy and provide for the overall socio economic good of our societies. It is expected that the work of the ECHMB in providing funding for mortgages will serve as a catalyst for seamless cross-country lending within a single financial and economic space. In so doing, ECHMB must carefully study the significant increase in land prices within our islands in tandem with its work on building standards, building codes and insurance so that our interventions remain relevant to the dynamics of the industry.

The ECHMB will continue to develop, expand and promote the capital markets within our region through networking with both the public and private sectors and fostering functional collaboration and cooperation.

Finally, I would like to thank the shareholders for your continued support of this initiative and to compliment the Board of Directors, Management and staff on their fortitude and hard work in sustaining the institution and expanding the vision over the years. We believe that the region is at a potential turning point in our economic history, which can be viewed as a transformation for our economies and society. This paradigm shift provides a new era of challenges and opportunities.

Dated: 14th day of June 2007

by Order of the Board

Sir K Dwight Venner
Chairman



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Overview

In April 2006, the Eastern Caribbean Home Mortgage Bank achieved a significant milestone in the celebration of its tenth anniversary. Over the years, the Bank has grown into a leading capital market institution in the Eastern Caribbean Currency Union. The ECHMB was conceived within the rubrics of a development philosophy to:

- promote and maintain the availability of affordable home financing and to assist primary lenders to promote and maintain the availability of affordable home financing in the territories of the participating Governments;
- establish and maintain an organized regional secondary market for mortgages in the form of a Common Home Mortgage Bank to increase the availability of mortgage credit and provide liquidity and flexibility to primary lenders in the territories of the participating Governments;
- promote and increase the efficient mobilization of long-term savings for investment in housing and to further the economic development of the territories of the participating Governments;
- develop the housing and home finance industry and to promote services and benefits to industry by improving the efficiency and effectiveness of the mortgage underwriting process; and
- promote the growth and development of the money and capital markets and to enhance the monetary integration of the territories of the participating Governments.

These broad development objectives have largely been achieved to date. Notwithstanding, the current landscape requires ECHMB to innovate in order to fully realise these objectives and maintain the profitability of the institution.

During the 2006/2007 financial year, the ECHMB continued to be profitable despite the challenges which it faced including:

1. relatively high liquidity in the commercial banking sector which translated into a less attractive environment for primary lenders to sell mortgages on the secondary mortgage market;
2. refinancing activities in the primary mortgage market impacted negatively on the yield expected from pools of mortgages purchased in prior years. Mortgage rates reached an all time low in some institutions, while the cost of funds for ECHMB is becoming more expensive;
3. the overall quality of the mortgages serviced by primary lenders showed some signs of deterioration. Primary lenders experienced difficulty replacing defaulting mortgages with that of similar and comparable terms and conditions. This impacted negatively on the expected yield on pools of mortgages already purchased from primary lenders;
4. in January 2007 the ECHMB issued its fifteenth Bond through a private placement. The limited success of the Bond was indicative of the prevailing market conditions which were less attractive than previous years. There are clear indications that the cost of raising funds is becoming more expensive and it is therefore critical for the ECHMB to explore new and innovative ways of raising funds.





MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

In the latter part of March 2007 primary lenders in Antigua, Grenada, St. Lucia and St. Vincent and the Grenadines indicated an interest in selling mortgages to ECHMB amounting to EC\$31.0 million and it is anticipated that the sale of these mortgages will be concluded in the first half of the new financial year.

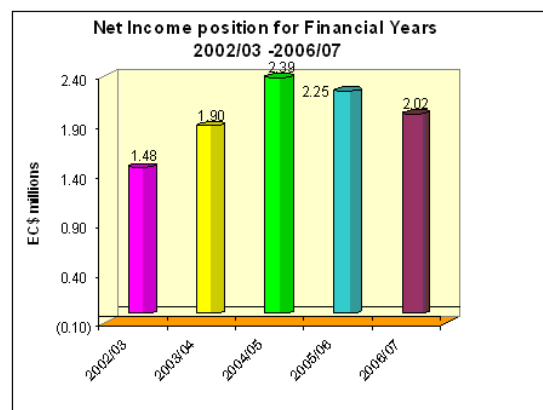


Back Row: Mr. Randy Lewis, Mr. Dennis S. M. Cornwall and Mr. Derrick J. Leonce
Centre Row: Mrs. Miriam Etienne and Ms Cynthia M. E. Joseph
Front Row: Mr. Robert D. Samuel, Ms Sharon Pyke and Ms. Sanginee Rattan

FINANCIAL PERFORMANCE

Profit Attributable to Shareholders

The ECHMB achieved a net income of \$2.029 million for the financial year ended 31 March 2007, representing a decline of \$221 thousand or 9.85% when compared to 2006. The main contributors to the decline were a reduction in interest earned on investments held as term deposits and an increase in general and administrative expenses. Earnings per share fell by 9.8% from \$22.52 to \$20.30. During the year the Bank paid a dividend of \$1 million and after transfers to reserves of \$411 thousand, retained earnings at year end stood at \$4.03 million an increase of 18.08% over prior year.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Interest Income

Total interest income which comprises interest earned on outstanding mortgages and investments fell marginally in 2006/2007 by some \$59 thousand or 0.5% due largely to the fall in interest earned on investments of \$165 thousand as available rates on term deposits declined.

Interest Expense

Interest expense which comprises Bond expenses remained relatively flat at \$6.3 million as Bonds in Issue increased only marginally at year end to \$111.9 million from \$111.4 million.

General and Administrative Expenses

General and Administrative Expenses amounted to \$2.868 million an increase of \$121 thousand or 4.43% over prior year. The main contributor to this increase was salaries and related costs as the Bank increased its staff compliment in 2006/2007 and a number of changes at the senior level necessitated expenditure on recruitment of replacement staff. Also in 2006 the Bank celebrated its tenth anniversary. An additional amount of \$47 thousand was incurred on promotional activities over prior year.

Funding

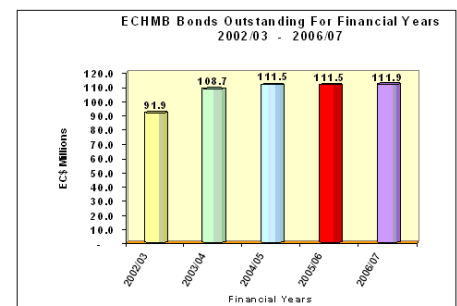
The ECHMB's main source of funding for its operations continues to be through the issue of Bonds. During the year there was one Bond redemption and one new issue resulting in total Bonds in Issue of \$111.9 million at year-end, a net increase of \$450 thousand over the previous year.

Mortgages

As at year-end mortgages outstanding stood at \$74.5 million a decline of some \$3.8 million or 4.91% over 2006. Current projections indicate that this decline will be reversed in 2007/2008. The largest concentration of mortgages outstanding amounting to some \$36 million or 48.3% came from institutions in St Vincent and the Grenadines. At year end, mortgages represented 56.78% of total assets, a reduction from the 60% in 2006.

Balance Sheet

Despite the reduction in earnings in 2006/2007 the Balance Sheet of the Bank remained strong at year-end. Total assets stood at \$131.214 million an increase of 1% over prior year while shareholders equity increased by some 6% to \$18 million. The Bank is projecting an improved performance in 2007/2008, which is expected to further strengthen the Balance Sheet.



MORTGAGE PORTFOLIO

The housing market in the ECCU continues to show signs of steady growth. To many homeowners, owning a house has now become a financial tool which can help achieve goals and build wealth. According to ECCB's statistics, residential mortgages in the ECCU banking system reached EC\$2.76 billion as at September 2006. Total mortgages would be even higher when consideration is taken of mortgages originated by non-banks such as credit unions, insurance companies, social security systems and building societies. ECHMB's share of the market at \$74.5 million remains small at approximately 3%.

Within the last five years many homeowners took advantage of lower mortgage rates and higher home values and refinanced their mortgages. For many, the decision to refinance was motivated by the desire to reduce monthly payments, thus





MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

improving their cash flow situation. A significant proportion of those who refinanced also borrowed additional funds for expansion and other purposes. Since most refinancing was because of lower interest rates primary lenders correspondingly received reduced interest income. The ECHMB was also not spared the effects of refinancing by primary lenders. During the past twelve months however the ECHMB witnessed a reduction in the refinancing activities of primary lenders as interest rates in the market have stabilised somewhat.

The ECHMB places great emphasis on the due diligence process and a thorough review of mortgages purchased to ensure compliance with its underwriting standards and practices.

Nonetheless, primary lenders have reported increased levels of delinquency in their mortgage portfolios and when this occurs, replacement mortgages are difficult to find at the required interest rate. It was recently noted that sufficient attention was not being paid by some primary lenders to the renewal of fire and peril insurance. This situation exposes the ECHMB to undue risk and compromises the integrity of the security on the mortgages. However, steps have been taken to ensure compliance by primary lenders with the After Sales Agreement.

As at 31 March, 2007 some 73 % of the outstanding mortgage portfolio originated from two countries – St. Lucia and St. Vincent and the Grenadines. There were 494 mortgages outstanding averaging \$150,837 and with an average yield, net of servicing and administration fees, of 8.30%. The remaining term to maturity averaged 12.62 years.

The following chart depicts the distribution of mortgages by country at 31 March 2007.

Country	Number of Mortgages	Value of Mortgages EC\$
Antigua and Barbuda	34	8,770,293
Grenada	9	1,089,798
St. Kitts and Nevis	91	9,724,071
St. Lucia	139	18,840,986
St. Vincent and the Grenadines	221	36,088,188
TOTAL	494	\$74,513,335

Capacity Building in the Residential Mortgage Industry

The ECHMB has sought to perform a leadership role in standardising the mortgage underwriting practices within in the ECCU through its Mortgage Underwriting Seminars. Over the past decade, the ECHMB in collaboration with the Real Estate Institute of Canada (REIC), has trained over two hundred credit officers within the region and Barbados. Credit unions, mortgage finance companies, building and loan societies and commercial banks all participated in the seminars.

While it is important to meet the demand of housing for citizens, prudent underwriting standards and practices on the part of primary lenders are key in



Participants attending Mortgage Underwriting Seminar in St. Kitts, May 2007



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

ensuring that citizens do not lose their homes through foreclosure. In addition, the enabling environment must facilitate the advancement of the industry. Accordingly, the harmonisation of legislation dealing with registration and transfer of mortgages, foreclosure and security for mortgages across countries must be addressed. Zoning laws as well as data collection related to the demand and supply of housing should also be closely examined to ensure that this limited resource is efficiently managed. The ECHMB intends to actively undertake these initiatives to add to its repository of information on the housing sector in the ECCU.



Participants attending Home Ownership day
in Grenada, July 2006

Promoting Home Ownership Day in Grenada

Over the year, the ECHMB continued to foster greater public awareness of the housing market in the region. On 29 July 2006, the ECHMB hosted its annual "Home Ownership Day" in Grenada. The housing stock in Grenada was severely affected as a result of Hurricanes Ivan and Emily in September 2004 and June 2005 respectively. Accordingly, the ECHMB sought to assist the citizens of Grenada by providing valuable information on a number of issues related to owning and maintaining a home. The event focused on promoting "best practices" in construction standards and other safeguards during the rebuilding process while enhancing the ECHMB's visibility to primary lenders and the public at large. The

feature address was delivered by the Honourable Gregory Bowen, Minister of Agriculture, Forestry, Lands, Fisheries, Public Utilities and Energy. Some 120 persons participated in the event which was well received.

In order for citizens of the region to benefit from more affordable housing, it is important for primary lenders to embrace the ECHMB's Funding Facility as the preferred means of accessing dedicated long-term funding for the housing sector. This will alleviate the inherent mismatch between short-term deposits used for funding long-term investments in mortgages.

Financial Literacy Month

During the year the ECHMB continued to participate in the annual "Financial Literacy Month" activities being spearheaded by the Eastern Caribbean Central Bank (ECCB) and supported by other financial institutions operating in the ECCU. The activities were geared towards sensitising citizens on financial related issues. As more persons are exposed to financial literature, seminars, open houses at financial institutions, a more financially astute population would emerge. Exposure to this level of financial information would assist persons in planning their financial future and making sound investment choices such as building or buying a home.

Looking to the Future

While the ECHMB has made considerable progress in the past ten years there is room for further growth. In the short to medium term the Bank will focus on strengthening its business by concentrating on the following areas: -

1. collaborate with international organisations such as the International Finance Corporation (IFC), the Canadian International Development Agency (CIDA) and the Organization of American States (OAS) in developing new products for primary lenders;
2. exposing staff to training initiatives to improve efficiency and remain at the cutting edge of secondary mortgage business;





MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

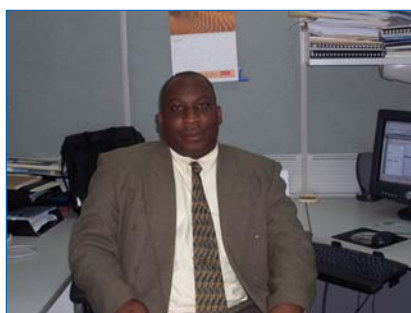
3. commission the Mortgage Interfacing System with current primary lenders to benefit from real time information on its mortgages;
4. automate the ECHMB's Accounting Systems by implementing an updated accounting package - (IBOS) to enhance the reporting requirements of the Bank;
5. continue to grow the mortgage portfolio of the Bank by tapping into new markets;
6. increase the ECHMB's presence on the capital market.

The ECHMB will also concentrate on developing new products for the market, as well as working closely with its business partners to further develop the secondary mortgage market. The Bank will also seek to take advantage of the business opportunities that will emerge from the CARICOM Single Market and Economy (CSME) including examining the legal framework across countries and improving the business operating systems in line with new developments.

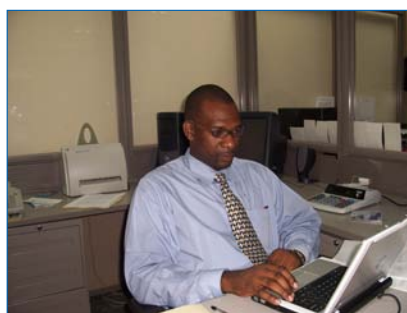
During the year, the Home Mortgage Bank of Trinidad and Tobago divested its shareholding in the ECHMB to CLICO International Life Insurance Ltd. The ECHMB is at the juncture where strategic shareholders now feel confident that the Bank has come of age. It is envisaged that the new shareholders will make an equally valuable contribution to the future growth of the Bank. It is expected that shareholders in the residential mortgage business will build strategic partnerships with the ECHMB to grow its mortgage portfolio.

The ECHMB is at a pivotal cross road in its development and while the future looks encouraging we are preparing to face the challenges.

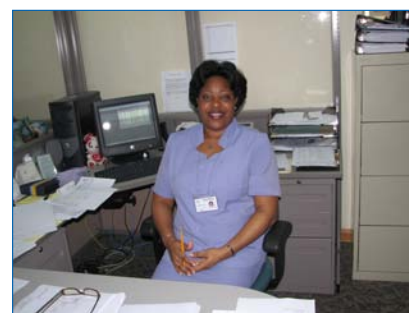
Eastern Caribbean Home Mortgage Bank Management Team



Mr. Dennis S. M. Cornwall, Msc. Econ.
Manager, Research and Marketing



Mr. Randy R. R. Lewis, FCCA, ACMA
Manager, Corporate Finance



Ms. Cynthia M. E. Joseph, MBA
Manager, Mortgage Underwriting





REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF EASTERN CARIBBEAN HOME MORTGAGE BANK

Pannell Kerr Foster
Chartered Accountants
ST. KITTS-NEVIS-ANGUILLA
Tel: (869) 465-2746/2215

We have audited the accompanying financial statements of Eastern Caribbean Home Mortgage Bank, which comprise the Balance Sheets as at 31 March 2007, and the Income Statements, Statements of Changes in Equity and Cash Flow Statements 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 and fair presentation of these financial statements in accordance with International financial reporting standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for 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 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.

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the company as of 31 March 2007, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Pannell Kerr Foster

Chartered Accountants:

BASSETERRE - ST KITTS
27 April 2007





BALANCE SHEET

BALANCE SHEET AS AT 31 MARCH 2007 (Expressed in Eastern Caribbean Dollars)

ASSETS	Notes	2007	2006
Cash and Short Term Funds	4	8,159,309	5,358,360
Accounts Receivable & Prepayments	5	3,350,125	2,971,559
Mortgages Receivable	6	74,513,336	78,361,012
Capitalised Costs	7	877,771	998,161
Deferred Expenses	8	63,063	97,746
Investments	9	44,100,000	42,100,000
Fixed Assets (Schedule Page 20)	3(b) & 11	<u>150,589</u>	<u>79,368</u>
TOTAL ASSETS		<u>131,214,193</u>	<u>129,966,206</u>
LIABILITIES			
Accounts Payable and Accruals	10	1,283,402	1,515,110
Bonds in Issue	11	<u>111,930,000</u>	<u>111,480,000</u>
TOTAL LIABILITIES		<u>113,213,402</u>	<u>112,995,110</u>
SHAREHOLDERS' EQUITY (Page 18)			
Share Capital	12	10,000,000	10,000,000
Retained Earnings		4,033,271	3,415,454
Reserved Funds	13	<u>3,967,520</u>	<u>3,555,642</u>
TOTAL SHAREHOLDERS' EQUITY		<u>18,000,791</u>	<u>16,971,096</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>\$131,214,193</u>	<u>\$129,966,206</u>

The attached Notes form part of these Financial Statements.

K Dwight Venner – Chairman

Mr. Angus Smith – Deputy Chairman



STATEMENT OF INCOME

STATEMENT OF INCOME FOR THE YEAR ENDED 31 MARCH 2007 (Expressed in Eastern Caribbean Dollars)

INTEREST INCOME	<u>2007</u>	<u>2006</u>
Deposits with Banks	3,849,801	4,015,275
Mortgages	7,217,347	7,193,646
Other	140,000	57,918
	<u>11,207,148</u>	<u>11,266,839</u>
 OTHER INCOME		
Seminar Costs Recovered	<u>46,182</u>	<u>83,000</u>
Sundry	<u>12,240</u>	<u>620</u>
	<u>58,422</u>	<u>83,620</u>
 TOTAL INCOME	<u>11,265,570</u>	<u>11,350,459</u>
 INTEREST EXPENSE		
Bond Expenses (Note 16)	<u>6,367,414</u>	<u>6,352,198</u>
 GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries and Related Costs	1,187,045	1,114,779
Ancillary Services	24,758	58,000
Promotional Activities	315,809	268,125
General Services and Supplies	147,963	145,966
Depreciation/Amortization	82,158	71,894
Mortgage Administration Fees	921,849	910,482
Audit Fees	<u>25,000</u>	<u>25,000</u>
Directors' Fees and Expenses	<u>163,879</u>	<u>152,343</u>
	<u>2,868,461</u>	<u>2,746,589</u>
 TOTAL EXPENSES	<u>9,235,875</u>	<u>9,098,787</u>
 NET INCOME FOR YEAR CARRIED TO STATEMENT OF CHANGES IN EQUITY (Page 18)	<u>\$2,029,695</u>	<u>\$2,251,672</u>
 EARNINGS PER SHARES (Note 17)	<u>\$20.30</u>	<u>\$22.52</u>

The attached Notes form part of these Financial Statements





STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2007 (Expressed in Eastern Caribbean Dollars)

	<u>Share Capital</u>	<u>Building Reserve</u>	<u>Portfolio Risk Reserve</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at 31 March 2005	10,000,000	1,777,487	1,277,487	2,664,450	15,719,424
Net Income for Year (Page 17)	-	-	-	2,251,672	2,251,672
Dividends Paid	-	-	-	(1,000,000)	(1,000,000)
Transfer to Reserves (Note 13 - Page 27)	<u>-</u>	<u>250,334</u>	<u>250,334</u>	<u>(500,668)</u>	<u>-</u>
Balance at 31 March 2006	10,000,000	2,027,821	1,527,821	3,415,454	16,971,096
Net Income for Year (Page 17)	-	-	-	2,029,695	2,029,695
Dividends Paid	-	-	-	(1,000,000)	(1,000,000)
Transfer to Reserves (Note 13 - Page 27)	<u>-</u>	<u>205,939</u>	<u>205,939</u>	<u>(411,878)</u>	<u>-</u>
Balance at 31 March 2007	<u>\$10,000,000</u>	<u>\$2,233,760</u>	<u>\$1,733,760</u>	<u>\$4,033,271</u>	<u>\$18,000,791</u>

The attached Notes form part of these Financial Statements.

STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2007 (Expressed in Eastern Caribbean Dollars)

CASH FLOWS FROM OPERATING ACTIVITIES	2007	2006
Income for the Year	2,029,695	2,251,672
Gain on disposal of fixed assets	(300)	-
Adjustment for Depreciation/Amortisation	221,282	201,673
	<u>2,250,677</u>	<u>2,453,345</u>
NON-CASH WORKING CAPITAL CHANGE		
Increase Accounts Receivable	(378,566)	(2,176,940)
<Increase>(Decreases) in Accounts Payable	(231,708)	44,577
Dividends Paid	<u>(1,000,000)</u>	<u>(1,000,000)</u>
CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	<u>640,403</u>	<u>(679,018)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Deferred Expenses	25,749	(27,302)
<Increase>(Decreases) in Investments	(2,000,000)	1,000,000
Pre-implementation Cost - Mortgage System	(11,495)	(10,085)
Redemption/(Purchase) of Mortgages (Net)	3,847,676	(4,136,180)
Purchase of Fixed Assets	(150,038)	(2,585)
Proceeds From Disposal of Fixed Assets	<u>11,004</u>	<u>-</u>
CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	<u>1,722,896</u>	<u>(3,176,152)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Bond Issue	6,450,000	-
Bonds Redeemed	(6,000,000)	-
Bond Issue Costs	<u>(12,350)</u>	<u>-</u>
CASH INFLOW FROM FINANCIAL ACTIVITIES	<u>437,650</u>	<u>-</u>
NET INCREASE/(DECREASE) IN CASH AND SHORT TERM FUNDS	<u>2,800,949</u>	<u>(3,855,170)</u>
CASH AND SHORT TERM FUNDS AT THE BEGINNING OF THE YEAR	<u>5,358,360</u>	<u>9,213,530</u>
CASH AND SHORT TERM FUNDS AT THE END OF THE YEAR	<u><u>\$8,159,309</u></u>	<u><u>\$5,358,360</u></u>

The attached Notes form part of these Financial Statements.





FIXED ASSETS SCHEDULE

FIXED ASSETS SCHEDULE FOR THE YEAR ENDED 31 MARCH 2007 (Expressed in Eastern Caribbean Dollars)

	<u>Motor Vehicle</u>	<u>Computer Equipment</u>	<u>Furniture & Fixtures</u>	<u>Machinery & Equipment</u>	<u>T O T A L 2007</u>	<u>2006</u>
Cost						
Balance Brought Forward	107,000	261,124	41,982	31,344	441,450	482,676
Additions	108,000	39,854	-	2,184	150,038	2,585
Disposals	(107,000)	(71,386)	-	-	(178,386)	(43,811)
Cost Carried Forward	<u>108,000</u>	<u>229,592</u>	<u>41,982</u>	<u>33,528</u>	<u>413,102</u>	<u>441,450</u>
Depreciation						
Balance Brought Forward	92,729	218,715	37,455	13,183	362,082	335,020
Charge for Year	21,567	40,960	1,268	4,318	68,113	70,873
Disposals	(96,296)	(71,386)	-	-	(167,682)	(43,811)
Depreciation Carried Forward	<u>18,000</u>	<u>188,289</u>	<u>38,723</u>	<u>17,501</u>	<u>262,513</u>	<u>362,082</u>
Net Book Value	<u>\$90,000</u>	<u>\$41,303</u>	<u>\$3,259</u>	<u>\$16,027</u>	<u>\$150,589</u>	<u>\$79,368</u>

As explained in Note 11 to the Financial Statements the fixed Assets are pledged to secure the Bonds in Issue.

The attached Notes form part of these Financial Statements.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007 (Expressed in Eastern Caribbean Dollars)

1. INCORPORATION

The Governments of Anguilla, Antigua and Barbuda, The Commonwealth of Dominica, Grenada, Montserrat, St Kitts and Nevis, St Lucia and St Vincent and The Grenadines signed an agreement on 27 May 1994, to establish the Eastern Caribbean Home Mortgage Bank.

The Eastern Caribbean Home Mortgage Bank was formally established on 19 August 1994, in accordance with Article 40 of the Eastern Caribbean Home Mortgage Bank Agreement, which was incorporated in the Eastern Caribbean Home Mortgage Bank Agreement Act, and subsequently passed in the member territories.

2. PRINCIPAL ACTIVITY

The Principal activity of the Eastern Caribbean Home Mortgage Bank, is to buy and sell mortgage loans on residential properties, in order to develop and maintain a secondary market in mortgages.

3. STATEMENT OF ACCOUNTING POLICIES

(a) Taxation:

Under Section 5 sub-sections (1) and (2) of the Eastern Caribbean Home Mortgage Bank Agreement Act, 1994 the Bank is exempted from stamp duty and corporation tax.

(b) Fixed Assets:

Fixed Assets are stated at historical cost. Depreciation is provided on the straight-line basis at rates estimated to write off the cost of the assets over their useful lives as follows:

Furniture and Fixtures	15%
Machinery and Equipment	15%
Motor Vehicles	20%
Computer Equipment	33 1/3%

(c) Bond Issue Costs:

Bond Issue costs were incurred floating the various issues of tax-free bonds. These costs will be amortized over the duration of the respective bonds effective from their issue date (see note).





NOTES TO THE FINANCIAL STATEMENTS

(d) Investments:

Investments are classified into the following categories: available-for-sale and held-to-maturity. Investments intended to be left for an indefinite period of time, which may be sold in response to needs for liquidity or changes in prices are classified as available-for-sale. Investments with fixed maturity where the bank has the positive intent and ability to hold them to maturity are classified as held-to-maturity. Management determines the appropriate classification of its investments at the time of the purchase.

Investments are initially recognized at cost. Fair value of investments in equity instruments that do not have a quoted market price in an active market is recognized at cost once they are not impaired.

(e) Pension Plan:

The Bank's contributions to the defined contribution pension plan are charged to the statement of income in the period to which the contributions relate.

4. CASH AND SHORT TERMS FUNDS

	<u>2007</u>	<u>2006</u>
Cash with Banks	8,158,809	5,357,860
Cash on Hand	<u>500</u>	<u>500</u>
TOTAL (Page 16)	<u>\$8,159,309</u>	<u>\$5,358,360</u>

Cash with Banks attracted interest rates varying between 2% and 7% (2006 = 2% and 7%) during the year under review.

5. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<u>2007</u>	<u>2006</u>
Accrued Interest on Deposits	547,578	445,012
Mortgage Payment Receivable	758,744	443,793
Sundry Debtors	43,803	82,754
Mortgage Origination Loan	<u>2,000,000</u>	<u>2,000,000</u>
TOTAL (Page 16)	<u>\$3,350,125</u>	<u>\$2,971,559</u>



6. MORTGAGES RECEIVABLE

<u>Territory</u>	<u>2007</u>	<u>2006</u>
Antigua and Barbuda	8,770,293	9,055,100
St Lucia	18,840,987	19,934,120
Grenada	1,089,798	1,651,627
St Kitts and Nevis	9,724,070	9,984,926
St Vincent & The Grenadines	<u>36,088,188</u>	<u>37,735,239</u>
TOTAL (Page 16)	<u>\$74,513,336</u>	<u>\$78,361,012</u>

Terms and Conditions of Purchased Mortgages

1. Purchase of Mortgages:

The Bank entered into a Sale and Administration Agreement with certain Commercial Banks and Primary Lending Institutions in the OECS territories for the purchase of mortgages. The mortgages were purchased at the outstanding principal on the settlement date.

2. Recourse to Commercial Banks and Other Primary Lending Institutions:

Under the terms of the Sale and Administration Agreement, the Administrator (Primary Lending Institutions) warrants that any default, loss or title deficiency occurring during the life of the loans secured by the Purchased Mortgages will be remedied and the Purchaser (ECHMB) protected against resulting loss.

3. Administration Fees:

Under the terms of the Sale and Administration Agreement between the Bank (ECHMB) and each Primary Lending Institution, the Primary Lending Institution is responsible for administering the mortgages on behalf of the Bank at an agreed fee on the aggregate principal amount, excluding any accrued interest, penalties or bonuses, outstanding at the beginning of the month in reference.



NOTES TO THE FINANCIAL STATEMENTS

7. CAPITALISED COST

	<u>2007</u>	<u>2006</u>
a) Bond Issue Costs		
Total Bond Issue Cost	1,077,181	1,064,831
<u>Less: Costs Amortised</u>	<u>(606,699)</u>	<u>(476,509)</u>
	<u>470,482</u>	<u>588,322</u>
b) Pre-implementation Cost - Mortgage System		
Balance brought forward	409,839	399,754
Additions (Net)	<u>11,495</u>	<u>10,085</u>
	421,334	409,839
Less: Amortisation to date	<u>(14,045)</u>	<u>-</u>
	<u>407,289</u>	<u>409,839</u>
TOTAL (Page 16)	<u><u>\$877,771</u></u>	<u><u>\$998,161</u></u>

a) The bond issue costs are being amortized over the duration of the life of the respective bonds.

b) Pre-implementation cost - mortgage system represents expenses incurred on the project to integrate the servicing systems of Primary Lenders with that of the Bank. Implementation of the project was completed in January 2007. The costs are being amortised over five (5) years from February 2007.

NOTES TO THE FINANCIAL STATEMENTS

8. DEFERRED EXPENSES

	<u>2007</u>	<u>2006</u>
b) Defined Contribution Plan		
Past Service Contribution	114,037	114,037
Reversal of amount not vested in the Plan	(25,749)	-
Less: Amount Amortised	<u>(25,225)</u>	<u>(16,291)</u>
TOTAL (Page 16)	<u>\$63,063</u>	<u>\$97,746</u>

Past Service Contribution:

The Bank established a defined contribution plan for its employees. The directors agreed for the Bank to make a one-off contribution to the plan on the behalf of existing employees to cover past services. The amount is to be amortized over a period of seven (7) years.

9. INVESTMENTS

	<u>2007</u>	<u>2006</u>
Available-for-sale securities		
Eastern Caribbean Securities Exchange		
10,000 Class D Shares of \$10 each (Page 16)	100,000	100,000
Held-to-maturity		
Term Deposits	<u>44,000,000</u>	<u>42,000,000</u>
TOTAL (Page 16)	<u>\$44,100,000</u>	<u>\$42,100,000</u>

Term Deposits attracted interest rates varying between 7% to 8.5% (2006 = 7% to 8.5%) during the year under review.





NOTES TO THE FINANCIAL STATEMENTS

10. ACCOUNTS PAYABLE AND ACCRUALS

	<u>2007</u>	<u>2006</u>
Accrued Interest on Bonds	1,053,370	1, 043,397
Sundry Creditors and Accruals	<u>230,032</u>	<u>471,713</u>
TOTAL (Page 16)	<u>\$1,283,402</u>	<u>\$1,515,110</u>

11. BONDS IN ISSUE

	<u>2007</u>	<u>2006</u>
Balance at the beginning of the year	111,480,000	111,480,000
Add: Issues during the year	6,450,000	-
Less: Redemptions during the year	<u>(6,000,000)</u>	<u>-</u>
Balance at the end of the year (Page 16)	<u>\$111,930,000</u>	<u>\$111,480,000</u>

(a) The bonds are secured by debentures over the fixed and floating assets of the Bank.
Interest is payable semi-annually in arrears at rates varying between 5.50% to 6%
(2006 = 5% to 6%).

(b) The amounts outstanding on bonds issued are redeemable as follows:

	<u>2007</u>	<u>2006</u>
Within 1 year	13,805,000	6,000,000
1 to 2 years	-	13,805,000
2 to 3 years	6,150,000	-
3 to 4 years	43,455,000	6,150,000
4 to 5 years	13,150,000	43,455,000
Over 5 years	<u>35,370,000</u>	<u>42,070,000</u>
	<u>\$111,930,000</u>	<u>\$111,480,000</u>

(c) The bonds are tax-free.



NOTES TO THE FINANCIAL STATEMENTS

12. SHARE CAPITAL

	<u>2007</u>	<u>2006</u>
Authorised:		
400,000 Shares of \$100 each	<u>40,000,000</u>	<u>40,000,000</u>
Application and Allotment		
100,000 Shares of \$100 each		
Class A	2,500,000	2,500,000
Class B	1,500,000	1,500,000
Class C	2,486,700	2,486,700
Class D	3,513,300	1,513,300
Class F	<u>-</u>	<u>2,000,000</u>
TOTAL (Page 16)	<u>\$10,000,000</u>	<u>\$10,000,000</u>

During the year under review, the Class F shares were sold to a shareholder in Class D.

Dividend of \$10 per share (amounting to \$1,000,000) in respect of 2006 was paid during the year.

A dividend of in respect of 2007 amounting to \$1,000,000 (EC\$10 per share) is proposed. The financial statements for the year ended 31 March 2007 do not reflect this proposed dividend which, if ratified, will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 March 2008.

13. RESERVE FUNDS

	<u>2007</u>	<u>2006</u>
Building Reserve Fund	<u>2,233,760</u>	<u>2,027,821</u>
Portfolio Risk Reserve Fund	<u>1,733,760</u>	<u>1,527,821</u>
TOTAL (Page 16)	<u>\$3,967,520</u>	<u>\$3,555,642</u>

In March 2004, the Board of Directors approved the creation of two special reserve accounts, a Building Reserve Fund and a Portfolio Risk Reserve Fund. After the initial transfers from Retained Earnings the Directors also agreed to an annual allocation to each reserve fund of 20% of profit after the appropriation for dividends, effective March 31, 2005.

The Board of Directors considered it prudent, in light of the emerging trend in refinancing, to create a Portfolio Risk Reserve Fund to provide cover against general risks associated with the Secondary Mortgage Market.





NOTES TO THE FINANCIAL STATEMENTS

14. STAFF PENSION PLAN

The Bank instituted a defined contribution plan for its employees. Contribution to the plan for the year ended 31 March 2007 amounted to \$52,895. In addition, the Bank committed to make a one-off contribution of \$114,037 on behalf of existing employees for past periods of service. The amount was subsequently reduced by \$25,749 as a result of a staff member leaving the employ of the Bank before the funds were vested in the plan. This amount is being amortized over seven (7) years.

An employee must have contributed to the Plan for a period of not less than five (5) years in order to be entitled to a deferred pension from his normal retirement date.

15. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

At 31 March 2007, the Board of Directors approved capital expenditure in the amount of \$182,795 for the acquisition of new computer equipment (2006=\$226,525).

There were no outstanding contingent liabilities at 31 March 2007 (2006 = Nil).

16. BONDS EXPENSES

	<u>2007</u>	<u>2006</u>
Interest on Bonds	6,183,073	6,173,100
Bond Issue Costs Amortized	130,190	129,779
Trustee Fees	6,075	4,969
Sundry Bond Expenses	<u>48,076</u>	<u>44,350</u>
TOTAL (Page 17)	<u>\$6,367,414</u>	<u>\$6,352,198</u>

17. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net income by the number of shares in issue during the year.

	<u>2007</u>	<u>2006</u>
Net Income for Year	<u>\$2,029,695</u>	<u>\$2,251,672</u>
Number of Shares in issue	<u>100,000</u>	<u>100,000</u>
Basic Earnings per Share	<u>\$20.30</u>	<u>\$22.52</u>



18. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk:

Differences in maturities of financial instruments create rate gap and may expose the Bank to interest rate risk. Interest rates and terms of borrowing are disclosed in Note 11. Interest rates on short-term deposits range from 7% to 8.5% per annum (2006 = 7% to 8.5% per annum).

(b) Credit Risk:

Credit risk arises from the possibility that counterparties may default on their obligation to the Bank. The amount of the Banks maximum exposure to credit risk is indicated by the carrying amount of its financial assets. Financial instruments which potentially expose the Bank to concentration of credit risk consist primarily of fixed deposits and mortgages receivable. The Bank performs ongoing credit evaluations of its counterparties financial condition and management believes that no provision is required at 31 March 2007.

(c) Currency Risk:

Substantially all the Banks transactions and assets and liabilities are denominated in Eastern Caribbean Dollars or United States Dollars. Therefore, the Bank has no significant exposure to currency risk.

(d) Fair Value:

The carrying amounts of the following financial assets and liabilities approximate their fair value: Cash and Bank Balances, Short Term Deposits, Accounts Receivable, Investments, Mortgages Receivable, Accounts Payable and Bonds in Issue.



NOTES TO THE FINANCIAL STATEMENTS

19. LIQUIDITY RISKS

Liquidity risks arise from fluctuations of cash flows. The liquidity risk management process ensures that the Bank is able to honour all its financial commitments as they fall due. The matching of the maturities and interest rates of assets and liabilities is fundamental to the liquidity risk management process.

Maturities of assets and liabilities:

	<u>Up to 1 Year</u>	<u>1 to 5 Years</u>	<u>Over 5 Years</u>	<u>Total</u>
As at 31 March 2007				
Assets				
Cash and Short Term Funds	8,159,309	-	-	8,159,309
Investments	34,000,000	10,000,000	100,000	44,100,000
Accounts Receivable and Prepayments	3,350,125	-	-	3,350,125
Mortgages Receivable	219,432	3,636,706	70,657,198	74,513,336
Fixed Assets	49,746	100,230	613	150,589
Capitalised Costs	216,275	645,052	16,444	877,771
Deferred Expenses	<u>12,613</u>	<u>50,450</u>	<u>-</u>	<u>63,063</u>
	<u>46,007,500</u>	<u>14,432,438</u>	<u>70,774,255</u>	<u>131,214,193</u>
Liabilities				
Accounts Payable and Accruals	1,283,402	-	-	1,283,402
Bonds in Issue	<u>13,805,000</u>	<u>62,755,000</u>	<u>35,370,000</u>	<u>111,930,000</u>
	<u>15,088,402</u>	<u>62,755,000</u>	<u>35,370,000</u>	<u>113,213,402</u>
Net Liquidity Gap	<u>30,919,098</u>	<u>(48,322,562)</u>	<u>35,404,255</u>	<u>18,000,791</u>

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2006

Assets

	<u>Up to 1 Year</u>	<u>1 to 5 Years</u>	<u>Over 5 Years</u>	<u>Total</u>
Cash and Short Term Funds	5,358,360	-	-	5,358,360
Investments	27,000,000	15,000,000	100,000	42,100,000
Accounts Receivable and Prepayments	2,971,559	-	-	2,971,559
Mortgages Receivable	9,480,579	42,231,667	26,648,766	78,361,012
Fixed Assets	62,140	17,228	-	79,368
Capitalised Costs	144,158	771,597	82,406	998,161
Deferred Expenses	<u>34,683</u>	<u>50,450</u>	<u>12,613</u>	<u>97,746</u>
	<u>45,051,479</u>	<u>58,070,942</u>	<u>26,843,785</u>	<u>129,966,206</u>

Liabilities

Accounts Payable and Accruals	1,505,025	-	-	1,505,025
Bonds in Issue	<u>6,000,000</u>	<u>63,410,000</u>	<u>42,070,000</u>	<u>111,480,000</u>
	<u>7,505,025</u>	<u>63,410,000</u>	<u>42,070,000</u>	<u>112,985,025</u>
Net Liquidity Gap	<u>37,546,454</u>	<u>(5,339,058)</u>	<u>(15,226,215)</u>	<u>16,981,181</u>





NOTES TO THE FINANCIAL STATEMENTS

20. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The Eastern Caribbean Central Bank, which provided material support to the bank in its formative years, holds 25% of its share capital and controls the chairmanship of the board of directors.

Additionally, the bank is housed in the complex of the Eastern Caribbean Central Bank at an annual rent of \$51,386.

Key Management Compensation

The salaries and other benefits paid to key management personnel of the bank during the year amounted to \$669,050 (2006 - \$705,386).

21. COMPARATIVE FIGURES

An amount of \$10,085 has been reclassified as capitalized costs from accounts payable and accruals in order to achieve a clearer or more appropriate presentation. The comparative figures have been similarly reclassified in order to achieve comparability with the current period.

22. APPROVAL OF FINANCIAL STATEMENTS

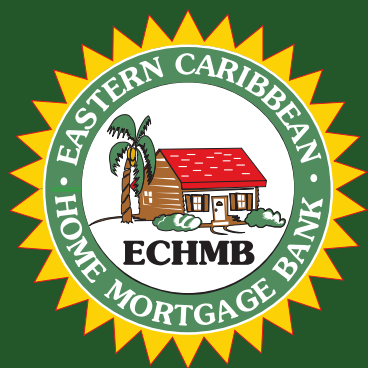
The Financial Statements were approved by the Board of Directors and authorized for issue on 29th May 2007.





NOTES





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