

12<sup>th</sup> February, 2003

**AUDITORS' REPORT TO THE SHAREHOLDERS OF**

**ANTIGUA COMMERCIAL BANK**

We have audited the consolidated balance sheet of Antigua Commercial Bank as at 30<sup>th</sup> September, 2002 and the related Consolidated Statements of Income, Retained Earnings and Cash Flow for the year then ended. These financial statements are the responsibility of the Bank's management. 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 plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects the financial position of Antigua Commercial Bank as at 30<sup>th</sup> September, 2002 and the results of its operations and the changes in financial position for the year then ended in accordance with International Accounting Standards.

**PANNELL KERR FORSTER**

**Chartered Accountants**  
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**ANTIGUA COMMERCIAL BANK**

**CONSOLIDATED BALANCE SHEET**  
**AT 30<sup>TH</sup> SEPTEMBER, 2002**

(Expressed in Eastern Caribbean Dollars)

Parent Company				Group	
2001	2002		Notes	2002	2001
-----	-----		-----	-----	-----
<b>ASSETS</b>					
39,339,259	59,275,822	Cash resources	3	65,518,698	45,430,348
46,475,874	52,192,382	Investments	4	54,007,682	46,291,174
285,017,124	356,383,268	Loans and advances	5	455,808,565	378,131,319
7,248,079	11,901,184	Other assets	6	11,580,426	7,232,396
11,800,262	11,242,031	Fixed assets (schedule 1)		24,375,697	25,059,767
10,538,515	7,654,878	Customers' liabilities on guarantees, indemnities and credits		7,654,878	10,538,515
-----	-----			-----	-----
\$400,419,113	\$498,649,565	<b>Total assets</b>		\$618,945,946	\$512,683,519
=====	=====			=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
333,139,157	424,950,774	Deposits	7	494,745,059	396,229,251
13,909,973	21,387,762	Other liabilities	8	29,979,174	16,512,085
-	-	Current portion long-term liabilities	9	2,544,000	6,000,000
-----	-----			-----	-----
347,049,130	446,338,536			527,268,233	418,741,336
-----	-----			-----	-----
10,538,515	7,654,878	Liabilities on guarantees, indemnities and credits		7,654,878	10,538,515
-----	-----			-----	-----
450,000	382,500	Long term liabilities	9	30,298,500	31,870,000
-----	-----			-----	-----
<b>SHAREHOLDERS' EQUITY</b>					
5,000,000	5,000,000	Share capital	10	5,000,000	5,000,000
5,000,000	5,000,000	Statutory reserve	11	6,874,356	6,739,659
34,185,054	34,185,054	Other reserves	12	41,448,841	41,285,054
( 1,803,586)	88,597	Retained earnings / (deficit)		401,138	( 1,491,045)
-----	-----			-----	-----
42,381,468	44,273,651			53,724,335	51,533,668
-----	-----			-----	-----
\$400,419,113	\$498,649,565	<b>Total liabilities and shareholders' equity</b>		\$618,945,946	\$512,683,519
=====	=====			=====	=====

Approved on behalf of the Board:

: Director

: Director

The accompanying notes are an integral part of these Financial Statements.

**ANTIGUA COMMERCIAL BANK**

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 30<sup>TH</sup> SEPTEMBER, 2002**  
(Expressed in Eastern Caribbean Dollars)

Parent Company			Schedule	Group	
2001	2002			2002	2001
-----	-----		-----	-----	-----
32,728,673	39,792,359	INTEREST INCOME	2	50,826,811	43,155,989
(17,026,677)	(20,377,907)	LESS: INTEREST EXPENSE		(28,551,583)	(24,854,169)
-----	-----			-----	-----
15,701,996	19,414,452	<b>Net interest income</b>		22,275,228	18,301,820
		Less: (Provision for bad debts)/			
		recoveries		( 2,405,502)	( 5,063,928)
( 4,920,737)	( 2,171,874)	Diminution in value of Investments		-	( 1,019,143)
-----	-----			-----	-----
9,792,116	17,242,578	<b>Net interest income after provisions</b>		19,869,726	12,218,749
3,158,648	4,601,202	Commissions and exchange		4,892,331	3,368,399
451,659	1,085,229	Other income (Note 13)		1,047,029	765,203
-----	-----			-----	-----
13,372,423	22,929,009			25,809,086	16,352,351
-----	-----			-----	-----
		<b>OPERATING EXPENSES</b>			
9,817,739	10,204,095	Salaries and other staff costs	3	11,185,568	10,777,738
430,089	383,464	Agency and sub-branch	4	383,464	430,089
908,675	755,858	Office and general	5	930,673	985,429
643,311	683,557	Electricity and fuel		744,847	790,246
629,547	521,165	Printing and stationery		561,382	660,820
563,420	656,294	Insurance		842,979	723,377
122,000	126,000	Audit fees		159,000	155,000
426,000	426,000	Directors' fees		684,000	684,000
171,604	162,306	Legal and professional fees		194,981	193,429
2,720,589	3,069,177	Other operating	6	3,049,405	2,582,622
1,282,291	1,567,139	Depreciation		2,091,524	1,810,925
-	971,896	Loss on sale of investment		971,896	-
-----	-----			-----	-----
17,715,265	19,526,951			\$21,799,719	\$19,793,675
-----	-----			-----	-----
( 4,342,842)	3,402,058	<b>Income/(loss) before taxation</b>		4,009,367	( 3,441,324)
-	( 509,875)	Taxation		( 818,700)	( 141,478)
-----	-----			-----	-----
\$( 4,342,842)	\$2,892,183	<b>NET INCOME/(LOSS) FOR THE YEAR</b>		\$3,190,667	\$(3,582,802)
=====	=====			=====	=====
\$ -	\$0.58	<b>EARNINGS PER SHARE</b>		\$0.64	\$ -
=====	=====			=====	=====

The accompanying notes are an integral part of these Financial Statements.

**ANTIGUA COMMERCIAL BANK**

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> SEPTEMBER, 2002**

(Expressed in Eastern Caribbean Dollars)

Parent Company				Group	
2001	2002		Notes	2002	2001
-----	-----		-----	-----	-----
		RETAINED EARNINGS - beginning			
2,539,256	(1,803,586)	of year		(1,491,045)	2,843,765
(4,342,842)	2,892,183	Net Income/(loss) for the year		3,190,667	(3,582,802)
-----	-----			-----	-----
		RETAINED EARNINGS - before			
(1,803,586)	1,088,597	appropriations		1,699,622	(739,037)
-----	-----			-----	-----
		APPROPRIATIONS			
		TRANSFERS:			
-	-	Statutory reserve	11	134,697	152,008
-	-	General reserve	12.2	-	-
-	-	Debenture redemption reserve	12.3	163,787	600,000
-	1,000,000	DIVIDENDS	15	1,000,000	-
-----	-----			-----	-----
-	1,000,000			1,298,484	752,008
-----	-----			-----	-----
\$(1,803,586)	\$ 88,597	RETAINED EARNINGS - end of year		\$401,138	\$(1,491,045)
=====	=====			=====	=====

The accompanying notes are an integral part of these Financial Statements

**ANTIGUA COMMERCIAL BANK**

**CONSOLIDATED STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED 30<sup>TH</sup> SEPTEMBER, 2002**

(Expressed in Eastern Caribbean Dollars)

Parent Company			Group	
2001	2002		2002	2001
-----	-----		-----	-----
		<b>CASH INFLOWS (OUTFLOWS) FROM OPERATING ACTIVITIES</b>		
( 4,342,842)	2,892,183	Net income for the year	3,190,667	(3,582,802)
1,282,291	1,567,139	Depreciation	2,091,524	1,810,925
( 25,799)	( 80)	Gain on disposal of fixed assets	( 25,080)	( 25,799)
1,019,143	-	Diminution in value of investments	-	1,019,143
		(Increase)/decrease in loans and advances to customers	(77,677,246)	( 6,428,297)
1,126,708	(71,366,144)	(Increase)/decrease in other assets	( 4,348,030)	( 444,910)
78,427	( 4,653,105)	Increase/(decrease) in deposits	98,515,808	17,792,052
10,898,495	91,811,617	Increase/(decrease) in other liabilities	13,467,089	( 1,292,125)
( 2,090,156)	7,477,790		-----	-----
7,946,267	27,729,400		35,214,732	8,848,187
-----	-----		-----	-----
		<b>CASH INFLOWS (OUTFLOWS) FROM INVESTING ACTIVITIES</b>		
(2,657,436)	(1,008,909)	Purchase of property, equipment and furniture	(1,407,454)	(3,209,244)
( 899,428)	(5,716,508)	(Increase)/decrease in investments	(7,716,508)	( 899,428)
27,000	80	Proceeds from sale of fixed assets	25,080	27,000
-----	-----		-----	-----
(3,529,864)	(6,725,337)		(9,098,882)	(4,081,672)
-----	-----		-----	-----
		<b>CASH INFLOWS (OUTFLOWS) FROM FINANCING ACTIVITIES</b>		
-	( 1,000,000)	Dividends	( 1,000,000)	-
( 67,500)	( 67,500)	Repayment of IPIP loans	( 67,500)	( 67,500)
-	-	Sale of debenture stock	-	6,000,000
-	-	Sale of Housing Bonds	7,545,000	-
-	-	Debenture stock redeemed	( 2,455,000)	(2,487,500)
-	-	Housing Bonds redeemed	(10,050,000)	(3,670,000)
-----	-----		-----	-----
( 67,500)	(1,067,500)		( 6,027,500)	( 225,000)
-----	-----		-----	-----
4,348,903	19,936,563	Net Increase/(decrease) in cash during the year	20,088,350	4,541,515
34,990,356	39,339,259	CASH BALANCE - Beginning of year	45,430,348	40,888,833
-----	-----		-----	-----
\$39,339,259	\$59,275,822	CASH BALANCE - End of year	\$65,518,698	\$45,430,348
=====	=====		=====	=====



**ANTIGUA COMMERCIAL BANK**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AT 30<sup>TH</sup> SEPTEMBER, 2002**  
(Expressed in Eastern Caribbean Dollars)

**1. CONSTITUTION AND ACTIVITY**

Antigua Commercial Bank is a limited liability Company incorporated under Caption 358 of the laws of Antigua and Barbuda. The Bank is also governed by the Banking Act No. 17 of 1991 and the Eastern Caribbean Central Bank Act No. 10 of 1983.

The Bank offers a complete range of commercial banking and related services. Its wholly-owned subsidiary, ACB Mortgage and Trust Company Limited is principally engaged in the business of providing long-term mortgages and accepting deposits from the public.

**2. ACCOUNTING POLICIES**

**a) Basis of Consolidation**

The consolidated financial statements include the assets and liabilities and results of operations of the Bank and its wholly-owned subsidiaries, ACB Mortgage and Trust Company Limited and ACB Investment Company Limited, for the year ended 30<sup>th</sup> September, 2002.

All of the inter-company transactions have been eliminated in preparing the consolidated financial statements.

**b) Historical Cost Convention**

These financial statements are prepared on the basis of historical cost and no adjustment has been made to take into account the effects of inflation except for land, buildings and investments which were revalued.

**c) Currency Translations**

Foreign currency transactions during the year have been effected at the rates ruling on the dates of the transactions.

Assets and liabilities in foreign currencies at the year end have been converted at the exchange rates prevailing at the balance sheet date.

**d) Bad and Doubtful Debts**

Specific and general provisions are made against loans and advances when, in the opinion of the Directors, recovery is doubtful. The aggregate provisions made during the year (less amounts released and recoveries of bad debts previously written off) are charged against operating profit. Bad debts are written off when the extent of the loss incurred is confirmed.

**e) Investments**

Investments are stated at lower of cost or market value except for those United States securities, which are designated as long-term investments.

**ANTIGUA COMMERCIAL BANK**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AT 30<sup>TH</sup> SEPTEMBER, 2002**  
(Continued)  
(Expressed in Eastern Caribbean Dollars)

2. **ACCOUNTING POLICIES - (Cont'd)**

f) **Fixed Assets and Depreciation**

Land and buildings are stated at professional valuation. The remaining fixed assets are recorded at cost of acquisition. Provision is made for depreciation annually on a straight-line basis at the following rates:-

Buildings	2 ½%
ATM Buildings	10%
Building improvements	10%
Equipment	10%
Furniture and fittings	15%
Motor vehicles	20%
Computer hardware	20%
Computer software	33 1/3%
Car park	33 1/3%

g) **Provision for Income Tax**

The provision for income tax recorded in the income statement represent the estimated tax payable on the income of the Bank and its subsidiaries reported therein.

h) **Pension Scheme**

The Bank established a contributory pension scheme for its employees from 1<sup>st</sup> October, 1991. The pension is administered under a trust deed by seven trustees; four appointed by the Board of Directors and three appointed by employees. The funds of the scheme are invested under the control of the trustees and may be used only for the purposes of the scheme.

The scheme requires that an actuarial review be carried out every three years.

i) **Statutory Cash Deposits**

Pursuant to the provisions of the Eastern Caribbean Central Bank Act, 1983 and the Banking Act 1991, the Bank and its subsidiaries are required to maintain with the Central Bank and the Accountant General respectively, non-interest bearing cash balances in relation of its deposit liabilities excluding inter-bank deposits.

3. **CASH RESOURCES**

Parent Company			Group	
2001	2002		2002	2001
-----	-----		-----	-----
3,228,585	4,214,449	Cash on hand	4,214,449	3,228,585
		Statutory and Central Bank		
		deposits	23,412,923	19,161,113
17,070,024	21,170,047	Due from banks at sight	6,405,971	1,043,687
1,043,687	6,405,971	Due from banks at term	27,586,467	18,166,687
14,166,687	23,586,467	Marketable securities	3,898,888	3,830,276
3,830,276	3,898,888		-----	-----
-----	-----		\$65,518,698	\$45,430,348
\$39,339,259	\$59,275,822		=====	=====
=====	=====			

**ANTIGUA COMMERCIAL BANK**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AT 30<sup>TH</sup> SEPTEMBER, 2002**  
(Continued)  
(Expressed in Eastern Caribbean Dollars)

4. INVESTMENTS

Parent Company			Group	
2001	2002		2002	2001
-----	-----		-----	-----
		ACB Mortgage and Trust Company Limited 500,000 Ordinary shares of \$10 each	-	-
5,000,000	5,000,000	ACB Investment Ltd. 10,000 ordinary shares of \$10 each	-	-
100,000	100,000	Government of Antigua and Barbuda Bonds and Treasury Bills	14,042,429	14,052,633
14,052,633	14,042,429	National Commercial Bank of Grenada 62,100 shares	465,750	465,750
465,750	465,750	Caribbean Credit Card Corp. 550 shares of \$1,000 each	550,000	550,000
550,000	550,000	RBTT Bank (SKN) Limited 40,000 shares	40,000	40,000
40,000	40,000	East Caribbean Financial Holding Company Limited 575,814 shares of \$5 each	2,879,070	2,635,890
2,135,890	2,379,070	LIAT (1974) Limited 8,161 shares of \$100 each	816,100	816,100
272,100	272,100	Eastern Caribbean Home Mortgage Bank 1624 shares of \$100 each	162,400	162,400
31,100	31,100	ECHMB Bonds. Listed United States Government Securities	5,200,000	3,200,000
-	-	Other securities listed in the United States	5,364,986	13,193,718
13,193,718	5,364,986	AB Investment Group Ltd. 1,500,000 shares	-	2,084,683
2,084,683	-	Eastern Caribbean Securities Exchange 400,000 class C shares of \$10 each	4,590,000	4,590,000
4,050,000	4,050,000	St. Kitts/Nevis-Anguilla National Bank Ltd. 1,000,000 ordinary shares of \$1.35 per share	400,000	-
-	400,000	LIAT (1974) Ltd. fixed rate bonds	1,350,000	-
-	1,350,000	National Bank of Anguilla Limited 1690 no par shares	5,400,000	-
-	5,400,000	Antigua Barbuda Investment Bank 1,777,778 shares of \$2.25 per share	500,000	500,000
500,000	500,000	St. Kitts/Nevis US\$ fixed rate bonds	4,000,000	4,000,000
4,000,000	4,000,000		8,246,947	-
-	8,246,947		-----	-----
-----	-----		\$54,007,682	\$46,291,174
\$46,475,874	\$52,192,382		=====	=====

Government of Antigua and Barbuda Bonds and Treasury Bills totalling \$10,256,200 and United States government securities totalling \$5,364,986 have been hypothecated to obtain general credit facilities from the Eastern Caribbean Central Bank and Bank America International respectively.

**ANTIGUA COMMERCIAL BANK**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**AT 30<sup>TH</sup> SEPTEMBER, 2002**

(Continued)

(Expressed in Eastern Caribbean Dollars)

**5. LOANS AND ADVANCES**

Parent Company			Group	
2001	2002		2002	2001
-----	-----		-----	-----
121,171,913	203,569,775	Business	203,569,775	121,171,913
78,553,912	68,531,454	Mortgages	169,350,868	172,980,961
101,189,199	102,564,681	Personal	102,564,681	101,189,199
-----	-----		-----	-----
300,915,024	374,665,910		475,485,324	395,342,073
( 15,897,900)	( 18,282,642)	Less: Provision for Bad Debt	( 19,676,759)	( 17,210,754)
-----	-----		-----	-----
\$285,017,124	\$356,383,268		\$455,808,565	\$378,131,319
=====	=====		=====	=====

**6. OTHER ASSETS**

Parent Company			Group	
2001	2002		2002	2001
-----	-----		-----	-----
3,021,080	2,080,831	Accrued interest	2,283,815	3,226,739
444,315	819,315	Due from affiliates	-	-
1,518,475	2,614,628	Prepayments and deferred expenses	2,791,378	1,666,448
2,264,209	6,386,410	Other	6,505,233	2,339,209
-----	-----		-----	-----
\$7,248,079	\$11,901,184		\$11,580,426	\$7,232,396
=====	=====		=====	=====

**7. CUSTOMERS' DEPOSITS**

Parent Company			Group	
2001	2002		2002	2001
-----	-----		-----	-----
40,685,229	49,580,558	Demand	49,610,721	41,105,165
152,864,223	169,356,342	Savings	199,855,047	166,123,582
102,708,160	119,758,483	Time	177,700,882	170,807,046
18,688,087	18,676,982	Subsidiary deposit	-	-
18,193,458	67,578,409	Deposits from other banks	67,578,409	18,193,458
-----	-----		-----	-----
\$333,139,157	\$424,950,774		\$494,745,059	\$396,229,251
=====	=====		=====	=====

**ANTIGUA COMMERCIAL BANK**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**AT 30<sup>TH</sup> SEPTEMBER, 2002**

(Continued)

(Expressed in Eastern Caribbean Dollars)

**8. OTHER LIABILITIES**

Parent Company			Group	
2001	2002		2002	2001
-----	-----		-----	-----
		Manager's cheques		
1,018,374	6,774,009	outstanding	6,774,009	1,018,374
		Creditors and		
11,860,250	12,709,210	accruals	19,900,378	13,151,437
1,031,349	904,543	Unclaimed dividend	904,543	1,031,349
-	1,000,000	Dividend payable	1,000,000	-
		Escrow Property		
-	-	Tax/Insurance/saving	1,400,244	1,310,925
-----	-----		-----	-----
\$13,909,973	\$21,387,762		\$29,979,174	\$16,512,085
=====	=====		=====	=====

**9. LONG-TERM LIABILITIES**

Parent Company			Group	
2001	2002		2002	2001
-----	-----		-----	-----
<b>(a) Debenture Stock and Bonds</b>				
<b>Authorised</b>				
<b>(i) Debenture Stock</b>				
-	-	- Issue No. 2	-	-
-	-	- Issue No. 3	5,000,000	5,000,000
-	-	- Issue No. 4	5,000,000	5,000,000
-	-	- Issue No. 5	5,000,000	5,000,000
-	-	- Issue No. 6	6,000,000	6,000,000
-----	-----		-----	-----
-	-		\$21,000,000	\$21,000,000
=====	=====		=====	=====
-	-	<b>(ii) Housing Bonds</b>	\$42,000,000	\$30,000,000
			=====	=====
<b>Issued and fully paid</b>				
<b>(i) Debenture Stock</b>				
-	-	Add: Debenture stock sold	15,545,000	12,032,500
		Less: Debenture stock	-	6,000,000
-	-	redeemed	( 2,455,000)	( 2,487,500)
-----	-----		-----	-----
-	-		\$13,090,000	\$15,545,000
=====	=====		=====	=====

**ANTIGUA COMMERCIAL BANK**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AT 30<sup>TH</sup> SEPTEMBER, 2002**  
(Continued)

(Expressed in Eastern Caribbean Dollars)

9.	2001	2002	(ii) Housing Bonds	2002	2001
	-----	-----		-----	-----
			<b>Issue No. 2</b>		
	-	-	7.5% Housing bonds, 2001	-	360,000
	-	-	8.0% Housing bonds, 2001	-	3,590,000
	-	-	8.5% Housing bonds, 2001	-	1,050,000
	-	-	9.0% Housing bonds, 2001	-	-
	-	-	8.0% Housing bonds, 2006	605,000	605,000
	-	-	8.5% Housing bonds, 2006	720,000	720,000
	-	-	9.0% Housing bonds, 2006	-	1,180,000
	-----	-----		-----	-----
	-	-		1,325,000	7,505,000
	-----	-----		-----	-----
			<b>Issue No. 3</b>		
	-	-	7.5% Housing bonds, 2002	325,000	380,000
	-	-	8.0% Housing bonds, 2002	1,610,000	1,610,000
	-	-	8.5% Housing bonds, 2002	-	1,000,000
	-	-	9.0% Housing bonds, 2002	-	2,815,000
	-	-	8.0% Housing bonds, 2007	430,000	430,000
	-	-	8.5% Housing bonds, 2007	350,000	350,000
	-	-	9.0% Housing bonds, 2007	2,785,000	2,785,000
	-----	-----		-----	-----
	-	-		5,500,000	9,370,000
	-----	-----		-----	-----
			<b>Issue No. 4</b>		
	-	-	7.5% Housing bonds, 2005	310,000	310,000
	-	-	8.0% Housing bonds, 2005	1,215,000	1,215,000
	-	-	8.5% Housing bonds, 2005	3,475,000	3,475,000
	-----	-----		-----	-----
	-	-		5,000,000	5,000,000
	-----	-----		-----	-----
			<b>Issue No. 5</b>		
	-	-	7.5% Bronze Housing bonds, 2006	285,000	-
	-	-	8.0% Silver Housing bonds, 2006	1,830,000	-
	-	-	8.5% Gold Housing bonds, 2006	5,430,000	-
	-----	-----		-----	-----
	-	-		7,545,000	-
	-----	-----		-----	-----
	-	-	<b>Total Housing Bonds</b>	\$19,370,000	\$21,875,000
	=====	=====		=====	=====
			<b>Total Housing Bonds and</b>		
	-	-	<b>Debentures</b>	32,460,000	37,420,000
	-	-	Less: Current portion	( 2,544,000)	( 6,000,000)
	-----	-----		-----	-----
	450,000	382,500	<b>(b) Investment Project Loan</b>	382,500	450,000
	-----	-----		-----	-----
	\$450,000	\$382,500		\$30,298,500	\$31,870,000
	=====	=====		=====	=====

**ANTIGUA COMMERCIAL BANK**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AT 30<sup>TH</sup> SEPTEMBER, 2002**  
(Continued)

(Expressed in Eastern Caribbean Dollars)

**9. LONG-TERM LIABILITIES – Cont'd**

**(a) (i) Debenture Stock**

The stock issues are unsecured and are repayable at the rate of one fifth of the issued stock per year for issues No. 4 and 5, while issue No. 6 is one third of the issued stock per year. Issue No. 3 was fully redeemed during the year.

Interest is repayable on the 31<sup>st</sup> March and 30<sup>th</sup> September of each year at the rate of 8% per annum for all issues.

**(a) (ii) Housing Bonds**

The Housing Bonds are unsecured and may be redeemed at any time after the expiration of the first three (3) years for five year bonds and after the expiration of the first six (6) years for ten year bonds. Interest is payable on the 31<sup>st</sup> March and 30<sup>th</sup> September of each year.

**(b) Investment Project Loans**

The United States Agency for International Development through the Eastern Caribbean Central Bank has provided funds to the bank to facilitate on-lending for the financing of industrial estate buildings according to specific loan applications made by customers. Interest is charged at the rate of 5 percent and the loans are repayable over the period as normally granted by the Bank to its customers. There have not been any new funds for several years.

**ANTIGUA COMMERCIAL BANK**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**AT 30<sup>TH</sup> SEPTEMBER, 2002**

(Continued)

(Expressed in Eastern Caribbean Dollars)

10. SHARE CAPITAL

Parent Company			Group	
2001	2002		2002	2001
-----	-----		-----	-----
		<b>Authorised</b>		
1,250,000	1,250,000	12,500 shares of \$100 each	1,250,000	1,250,000
3,750,000	3,750,000	3,750,000 shares of \$1 each	3,750,000	3,750,000
-----	-----		-----	-----
\$5,000,000	\$5,000,000		\$5,000,000	\$5,000,000
=====	=====		=====	=====
		<b>Issued and fully paid</b>		
1,250,000	1,250,000	12,500 shares of \$100 each	1,250,000	1,250,000
3,750,000	3,750,000	3,750,000 shares of \$1 each	3,750,000	3,750,000
-----	-----		-----	-----
\$5,000,000	\$5,000,000		\$5,000,000	\$5,000,000
=====	=====		=====	=====

There are no preferred rights between shareholders holding shares of par values \$1 and \$100.

11. STATUTORY RESERVE

Parent Company			Group	
2001	2002		2002	2001
-----	-----		-----	-----
5,000,000	5,000,000	Balance at beginning of year	6,739,659	6,587,651
-	-	Transfer from income after Taxation	134,697	152,008
-----	-----		-----	-----
\$5,000,000	\$5,000,000		\$6,874,356	\$6,739,659
=====	=====		=====	=====

Section 14(1) of the Banking Act 1991, requires that a Financial Institution transfers to a reserve fund at the end of each financial year a minimum of 20% of its net income until the reserve fund is equal to its paid up capital.

**ANTIGUA COMMERCIAL BANK**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**AT 30<sup>TH</sup> SEPTEMBER, 2002**

(Continued)

(Expressed in Eastern Caribbean Dollars)

**12. OTHER RESERVES**

Parent Company			Group	
2001	2002		2002	2001
-----	-----		-----	-----
7,461,949	7,461,949	Capital reserve (12.1)	7,461,949	7,461,949
26,723,105	26,723,105	General reserve (12.2)	26,723,105	26,723,105
-	-	Debenture redemption Reserve (12.3)	7,263,787	7,100,000
-----	-----		-----	-----
\$34,185,054	\$34,185,054		\$41,448,841	\$41,285,054
=====	=====		=====	=====

**12.1 Capital Reserve**

Parent Company			Group	
2001	2002		2002	2001
-----	-----		-----	-----
1,644,275	1,644,275	Surplus on revaluation of land and buildings	1,644,275	1,644,275
6,171,428	6,171,428	Share premium	6,171,428	6,171,428
-----	-----		-----	-----
7,815,703	7,815,703		7,815,703	7,815,703
( 353,754)	( 353,754)	Less: Bonus shares issue	( 353,754)	( 353,754)
-----	-----		-----	-----
\$7,461,949	\$7,461,949		\$7,461,949	\$7,461,949
=====	=====		=====	=====

The land and buildings were revalued in March, 1974 and in September 1984 giving rise to appraisal increases of \$340,036 and \$1,304,240.

**12.2 General Reserve**

Parent Company			Group	
2001	2002		2002	2001
-----	-----		-----	-----
26,723,105	26,723,105	Balance at beginning of year	26,723,105	26,723,105
-	-	Transfer from retained earnings	-	-
-----	-----		-----	-----
\$26,723,105	\$26,723,105	Balance at end of year	\$26,723,105	\$26,723,105
=====	=====		=====	=====

At the discretion of the Board of Directors, amounts are appropriated from Retained earnings to a general reserve account for general purposes and for possible future losses on loans.

**ANTIGUA COMMERCIAL BANK**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**AT 30<sup>TH</sup> SEPTEMBER, 2002**

(Continued)

(Expressed in Eastern Caribbean Dollars)

**12.3 Debenture Redemption Reserve**

At the discretion of the Board of Directors of ACB Mortgage and Trust Company Limited, amounts are appropriated from Retained Earnings to this reserve account for the redemption of debenture stock.

**13. OTHER INCOME**

Parent Company			Group	
2001	2002		2002	2001
-----	-----		-----	-----
224,205	1,043,701	Dividends	756,831	308,335
36,000	36,000	Rents	36,000	36,000
6,809	5,448	Cash overs	5,448	6,809
157,645	-	Gain/(loss) on sale of investment	-	157,645
-	-	Investment income	222,920	225,870
27,000	80	Gain on disposal of fixed assets	25,830	30,544
-----	-----		-----	-----
\$451,659	\$1,085,229		\$1,047,029	\$765,203
=====	=====		=====	=====

**14. EARNINGS PER SHARE**

Earnings per share have been calculated on the monthly average for each dollar value of share outstanding. For the year ended 30<sup>th</sup> September, 2002 this average was 5,000,000 (2001: 5,000,000).

**15. DIVIDENDS**

The Directors have proposed a dividend of 20% of the paid up capital to paid to the Shareholders on record at 30<sup>th</sup> September, 2002.

**16. LOAN COMMITMENTS**

Parent Company			Group	
2001	2002		2002	2001
-----	-----		-----	-----
\$3,285,350	\$12,467,176	Loans approved not yet drawn	\$14,398,947	\$5,790,350
=====	=====		=====	=====

**17. COMPARATIVES**

Certain of the 2001 comparatives have been restated to conform to the current year's presentation.

**ANTIGUA COMMERCIAL BANK**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**AT 30<sup>TH</sup> SEPTEMBER, 2002**

**(Continued)**

**(Expressed in Eastern Caribbean Dollars)**

**18. FINANCIAL INSTRUMENTS**

In accordance with the provisions on International Accounting Standard No. 32 disclosure is required regarding interest rate risk, currency risk, credit risk and fair value of financial assets and liabilities.

**Concentration of credit risk**

Concentration of credit risk may arise from a variety of circumstances including counterparties with similar economic characteristics or geographic locations. The ability of such counterparties to meet contractual obligations would similarly be affected by changing economic, political or other conditions. The maximum amount of credit risk is equivalent to the total value of financial assets indicated in the balance sheet.

**Interest rate risk**

Differences in maturities or re-pricing dates of financial instruments create rate gap and may expose the Bank to interest-rate risk. The majority of financial assets and liabilities are priced on a floating basis with reference to rates set by regulators.

**Currency risk**

Substantially all the Bank's transactions and assets and liabilities are denominated in either United States or Eastern Caribbean dollars. Therefore the Bank has no significant exposure to currency risk.

**Credit risk**

Credit risk arises from the possibility that counterparties may default on their obligations to the Bank. The Bank has made adequate provision for any potential credit losses and the amount of the Bank's maximum exposure to credit risk is indicated by the carrying amount of its financial assets.

**Fair value of financial instruments**

Fair value represents the amounts at which a financial instrument could be exchanged in an arms-length transaction between willing parties and is best evidenced by quoted market prices, if one exists.

ANTIGUA COMMERCIAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 30<sup>TH</sup> SEPTEMBER, 2002

(Continued)

(Expressed in Eastern Caribbean Dollars)

18. **FINANCIAL INSTRUMENTS - Cont'd**

The following methods and assumptions have been used in determining fair values:

(a) **Cash resources, acceptances, other assets and other liabilities**

Due to the short-term nature of these financial instruments their carrying values are assumed to approximate their fair value.

(b) **Securities**

Where no quoted market price is available, amortized cost has been assumed to approximate fair value. For unquoted equity securities, fair value has been assumed to be the book value as reflected by the Bank's accounts.

(c) **Loans and net investment in leases**

The rate of interest in the portfolio reflect market conditions and their carrying amounts, net of allowances for credit losses, are assumed to reflect their fair values.

(d) **Deposits**

Deposit liabilities payable on demand are assumed to equal their fair value. Deposits payable after notice or on a fixed date are at rates which reflect market conditions and are assumed to have fair values, which approximate carrying values.

ANTIGUA COMMERCIAL BANK

SCHEDULE TO THE CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 30<sup>TH</sup> SEPTEMBER, 2002  
(Expressed in Eastern Caribbean Dollars)

SCHEDULE 2

Parent Company			Group	
2001	2002		2002	2001
-----	-----		-----	-----
<b>Interest income</b>				
29,420,572	36,504,865	Loans and advances	47,231,413	39,537,888
775,570	978,908	Deposits	1,286,812	1,085,570
2,532,531	2,308,586	Investments	2,308,586	2,532,531
-----	-----		-----	-----
\$32,728,673	\$39,792,359		\$50,826,811	\$43,155,989
=====	=====		=====	=====

SCHEDULE 3

Parent Company			Group	
2001	2002		2002	2001
-----	-----		-----	-----
<b>Salaries and Other Staff Costs</b>				
7,809,432	8,244,455	Salaries, wages and allowances	9,085,502	8,636,010
491,834	517,016	Social Security and Medical Benefit	567,060	537,671
150,094	162,486	Group health and life insurance	177,818	164,518
128,842	116,733	Uniforms	116,733	128,842
406,170	258,440	Training	267,167	419,471
107,127	104,849	Refreshments	112,483	114,471
547,091	568,382	Pension fund	627,071	599,606
177,149	231,734	Other benefits	231,734	177,149
-----	-----		-----	-----
\$9,817,739	\$10,204,095		\$11,185,568	\$10,777,738
=====	=====		=====	=====

SCHEDULE 4

Parent Company			Group	
2001	2002		2002	2001
-----	-----		-----	-----
<b>Agency/Sub-Branch Expenses</b>				
322,555	289,877	Barbuda	289,877	322,555
107,534	93,587	V.C. Bird International Airport	93,587	107,534
-----	-----		-----	-----
\$430,089	\$383,464		\$383,464	\$430,089
=====	=====		=====	=====

**ANTIGUA COMMERCIAL BANK**

**SCHEDULES TO THE CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 30<sup>TH</sup> SEPTEMBER, 2002**  
(Continued)

(Expressed in Eastern Caribbean Dollars)

**SCHEDULE 5**

Parent Company			Group	
2001	2002		2002	2001
-----	-----		-----	-----
<b>Office and General Expenses</b>				
-	-	Loss on sale of equipment	75,000	-
260,728	278,218	Cleaning	309,418	297,167
11,308	15,572	Water	18,454	18,215
175,829	171,220	Entertainment	221,109	190,834
74,730	75,500	Shareholders meeting	75,500	74,730
197,581	69,867	Equipment maintenance	72,642	199,901
23,582	6,031	ACB Richie Richardson stand	6,031	23,582
164,917	139,450	Miscellaneous	152,519	181,000
-----	-----		-----	-----
\$908,675	\$755,858		\$930,673	\$985,429
=====	=====		=====	=====

**SCHEDULE 6**

Parent Company			Group	
2001	2002		2002	2001
-----	-----		-----	-----
<b>Other Operating Expenses</b>				
306,209	293,838	Advertising and promotion	446,872	407,572
130,526	217,652	Travelling	223,378	136,324
89,108	99,474	Motor vehicle	120,739	116,218
273,374	295,675	Postage, telephone and telegrams	330,207	315,160
260,683	166,059	Rates, taxes and licences	243,844	271,515
512,799	463,093	Repairs and maintenance	505,790	538,097
188,409	207,009	Subscription and donations	228,926	208,429
53,148	68,908	Commission paid - Currency purchase	68,908	53,148
610,400	927,871	Rent	428,971	96,853
155,318	244,603	Security services	366,361	298,691
115,724	81,467	Scholarship fund	81,467	115,724
24,891	-	Archival	-	24,891
-	3,528	Court settlement	3,528	-
-	-	Bank charges	414	-
-----	-----		-----	-----
\$2,720,589	\$3,069,177		\$3,049,405	\$2,582,622
=====	=====		=====	=====



