

ANTIGUA COMMERCIAL BANK

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER, 2003

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31st March, 2004

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AUDITORS' REPORT TO THE SHAREHOLDERS OF
ANTIGUA COMMERCIAL BANK

We have audited the consolidated balance sheet of Antigua Commercial Bank as at 30th September, 2003 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 30th September, 2003 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

CONSOLIDATED BALANCE SHEET
AT 30TH SEPTEMBER, 2003

(Expressed in Eastern Caribbean Dollars)

Parent Company				Group
2002	2003			2002
-----	-----			-----
			Notes	

			2003	

				2002

		ASSETS		
59,275,822	63,499,638	Cash resources	3	70,249,118
52,192,382	89,646,170	Investments	4	94,307,471
351,942,766	326,955,710	Loans and advances	5	428,919,688
16,341,686	15,259,505	Other assets	6	14,703,595
11,242,031	16,695,815	Fixed assets (schedule 1)		29,331,465
7,654,878	8,751,563	Customers' liabilities on guarantees, indemnities and credits		8,751,563
-----	-----			-----
\$498,649,565	\$520,808,401	Total assets		\$618,945,946
=====	=====			=====
		LIABILITIES AND SHAREHOLDERS' EQUITY		
424,950,774	464,822,215	Deposits	7	494,745,059
21,387,762	19,582,099	Other liabilities	8	29,979,174
-	-	Current portion long-term liabilities	9	2,544,000
-----	-----			-----
446,338,536	484,404,314			527,268,233
-----	-----			-----
7,654,878	8,751,563	Liabilities on guarantees, indemnities and credits		7,654,878
-----	-----			-----
382,500	315,000	Long term liabilities	9	30,298,500
-----	-----			-----
		SHAREHOLDERS' EQUITY		
5,000,000	5,000,000	Share capital	10	5,000,000
5,000,000	5,000,000	Statutory reserve	11	6,874,356
34,185,054	34,816,176	Other reserves	12	41,448,841
88,597	(17,478,652)	Retained earnings / (deficit) (Page 4)		401,138
-----	-----			-----
44,273,651	27,337,524			53,724,335
-----	-----			-----
\$498,649,565	\$520,808,401	Total liabilities and shareholders' equity		\$618,945,946
=====	=====			=====

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 30TH SEPTEMBER, 2003
(Expressed in Eastern Caribbean Dollars)

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Parent Company			Schedule	Group	
2002	2003			2003	2002
-----	-----		-----	-----	-----
39,792,359	42,099,413	INTEREST INCOME	2	53,058,756	50,826,811
(20,377,907)	(21,689,979)	LESS: INTEREST EXPENSE		(29,685,008)	(28,551,583)
-----	-----			-----	-----
19,414,452	20,409,434	Net interest income		23,373,748	22,275,228
		Less: (Provision for loan losses)/ Recoveries (Note 5.2)		(22,147,374)	(2,405,502)
(2,171,874)	(21,643,504)			-----	-----
-----	-----			-----	-----
17,242,578	(1,234,070)	Net interest income after provisions		1,226,374	19,869,726
4,601,202	5,804,475	Commissions and exchange		6,131,678	4,892,331
1,085,229	807,315	Other income (Note 13)		989,839	1,047,029
-----	-----			-----	-----
22,929,009	5,377,720			8,347,891	25,809,086
-----	-----			-----	-----
		OPERATING EXPENSES			
10,204,095	10,342,883	Salaries and other staff costs	3	11,371,107	11,185,568
383,464	403,065	Agency and sub-branch	4	403,065	383,464
755,858	655,379	Office and general	5	772,730	930,673
683,557	592,170	Electricity and fuel		712,921	744,847
521,165	479,918	Printing and stationery		514,528	561,382
656,294	604,765	Insurance		812,227	842,979
126,000	126,000	Audit fees		159,000	159,000
426,000	412,000	Directors' fees		655,000	684,000
162,306	567,762	Legal and professional fees		600,762	194,981
3,069,177	2,945,533	Other operating	6	2,724,840	3,049,405
1,567,139	1,745,087	Depreciation		2,304,392	2,091,524
971,896	-	Loss on sale of investment		-	971,896
-	2,500,000	Restructuring cost (Note 14)		2,500,000	-
-	1,559,000	Provision for settlement claims (Note 17)		1,559,000	-
-----	-----			-----	-----
19,526,951	22,933,562			25,089,572	21,799,719
-----	-----			-----	-----
3,402,058	(17,555,842)	Income/(loss) before taxation		(16,741,681)	4,009,367
(509,875)	-	Taxation		(421,000)	(818,700)
-----	-----			-----	-----
\$2,892,183	\$(17,555,842)	NET INCOME/(LOSS) FOR THE YEAR		\$(17,162,681)	\$3,190,667
=====	=====			=====	=====
\$0.58	\$ -	EARNINGS PER SHARE (Note 15)		\$ -	\$0.64
=====	=====			=====	=====

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

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED 30TH SEPTEMBER, 2003

(Expressed in Eastern Caribbean Dollars)

Parent Company				Group	
2002	2003		Notes	2003	2002
-----	-----		-----	-----	-----
		RETAINED EARNINGS - beginning			
(1,803,586)	88,597	of year		401,138	(1,491,045)
2,892,183	(17,555,842)	Net Income/(loss) for the year		(17,162,681)	3,190,667
-----	-----			-----	-----
		RETAINED EARNINGS - before			
1,088,597	(17,467,245)	Appropriations		(16,761,543)	1,699,622
-----	-----			-----	-----
		APPROPRIATIONS			
-	11,407	PRIOR YEAR ADJUSTMENT	20	11,407	-
		TRANSFERS:			
-	-	Statutory reserve	11	152,232	134,697
-	-	General reserve	12.2	-	-
-	-	Debenture redemption reserve	12.3	190,290	163,787
1,000,000	-	DIVIDENDS	15	-	1,000,000
-----	-----			-----	-----
1,000,000	11,407			353,929	1,298,484
-----	-----			-----	-----
\$88,597	\$(17,478,652)	RETAINED EARNINGS - end of year		\$(17,115,472)	\$401,138
=====	=====			=====	=====

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30TH SEPTEMBER, 2003

(Expressed in Eastern Caribbean Dollars)

Parent Company			Group	
2002	2003		2003	2002
-----	-----		-----	-----
		CASH INFLOWS (OUTFLOWS) FROM OPERATING ACTIVITIES		
2,892,183	(17,555,842)	Net income for the year	(17,162,681)	3,190,667
1,567,139	1,745,087	Depreciation	2,304,392	2,091,524
(80)	-	Gain on disposal of fixed assets	-	(25,080)
-	631,122	Unrealised holding gains/(losses)	277,123	-
-	(11,407)	Prior year adjustments	(11,407)	-
		(Increase)/decrease in loans and advances to customers	22,448,375	(77,677,246)
(71,366,144)	24,987,056	(Increase)/decrease in other assets	1,317,333	(4,348,030)
(4,653,105)	1,082,181	Increase/(decrease) in deposits	52,518,556	98,515,808
91,811,617	39,871,440	Increase/(decrease) in other liabilities	(6,621,322)	13,467,089
7,477,790	(1,805,663)		-----	-----
27,729,400	48,943,974		55,070,369	35,214,732
-----	-----		-----	-----
		CASH INFLOWS (OUTFLOWS) FROM INVESTING ACTIVITIES		
(1,008,909)	(7,198,870)	Purchase of property, equipment and furniture	(7,260,160)	(1,407,454)
(5,716,508)	(37,453,788)	(Increase)/decrease in investments	(40,299,789)	(7,716,508)
80	-	Proceeds from sale of fixed assets	-	25,080
-----	-----		-----	-----
(6,725,337)	(44,652,658)		(47,559,949)	(9,098,882)
-----	-----		-----	-----
		CASH INFLOWS (OUTFLOWS) FROM FINANCING ACTIVITIES		
(1,000,000)	-	Dividends	-	(1,000,000)
(67,500)	(67,500)	Repayment of IPIP loans	(67,500)	(67,500)
-	-	Sale of debenture stock	5,222,500	-
-	-	Sale of Housing Bonds	180,000	7,545,000
-	-	Debenture stock redeemed	(1,290,000)	(2,455,000)
-	-	Housing Bonds redeemed	(6,825,000)	(10,050,000)
-----	-----		-----	-----
(1,067,500)	(67,500)		(2,780,000)	(6,027,500)
-----	-----		-----	-----
19,936,563	4,223,816	Net Increase/(decrease) in cash during the year	4,730,420	20,088,350
39,339,259	59,275,822	CASH BALANCE - Beginning of year	65,518,698	45,430,348
-----	-----		-----	-----
\$59,275,822	\$63,499,638	CASH BALANCE - End of year	\$70,249,118	\$65,518,698
=====	=====		=====	=====

ANTIGUA COMMERCIAL BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 30TH SEPTEMBER, 2003

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(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 30th September, 2003.

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) 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%

ANTIGUA COMMERCIAL BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 30TH SEPTEMBER, 2003

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(Expressed in Eastern Caribbean Dollars)

2. ACCOUNTING POLICIES - (Cont'd)

e) Interest Income and expenses

Interest income and expenses are recognized in the income statement on the accrual basis. When loans are ninety (90) days in arrears, interest income is suspended and is excluded from interest income until received.

f) Loans

Loans are stated net of unearned income and an allowance for loan losses.

Loans are classified as non-accrual when, in the opinion of management, there has been a deterioration in the credit quality and a loss may be suffered by the Bank either as to principal or interest. When a loan is classified as non-accrual, recognition of interest on an accrual basis is discontinued.

g) Provision for loan losses

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.

h) Provision for Income Tax

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

i) Investments

Investments are classified, based on Management's intentions, as Trading account, Available-for-sale, or Held to maturity. Trading account investments are stated at the estimated current market value.

Available for sale investments are carried at cost or amortized cost, except for quoted investments which are stated at current market value.

Held to Maturity investments are debt securities that the Bank has both the intent and ability to hold until maturity. These are carried at amortized cost.

Interest earned is included in interest income while dividend income, and gains and losses realized on disposal of investments are included in other income.

Unrealized gains and losses on Available-for-sale investments remeasured to market value are reported in Equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 30TH SEPTEMBER, 2003
 (Continued)

(Expressed in Eastern Caribbean Dollars)

2. ACCOUNTING POLICIES - (Cont'd)

j) Pension Scheme

The Bank established a contributory pension scheme for its employees from 1st 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.

k) 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	
2002	2003		2003	2002
-----	-----		-----	-----
4,214,449	5,349,875	Cash on hand	5,349,875	4,214,449
		Statutory and Central Bank		
21,170,047	32,561,154	Deposits	35,310,634	23,412,923
6,405,971	16,330,615	Due from banks at sight	16,330,615	6,405,971
23,586,467	8,840,489	Due from banks at term	12,840,489	27,586,467
3,898,888	417,505	Marketable securities	417,505	3,898,888
-----	-----		-----	-----
\$59,275,822	\$63,499,638		\$70,249,118	\$65,518,698
=====	=====		=====	=====

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 30TH SEPTEMBER, 2003
 (Continued)

(Expressed in Eastern Caribbean Dollars)

4. INVESTMENTS

Parent Company			Group	
2002	2003		2003	2002
-----	-----		-----	-----
		Available For Sale		
14,038,020	19,256,196	Equity securities	20,617,497	15,753,320
5,364,986	5,378,223	US Government Treasury Bills	5,378,223	5,364,986
5,100,000	5,100,000	Investment in subsidiaries	-	-
-----	-----		-----	-----
24,503,006	29,734,419		25,995,720	21,118,306
-----	-----		-----	-----
		Held To Maturity		
		Government of Antigua		
4,145,000	4,145,000	- Bonds	4,145,000	4,145,000
9,897,429	9,907,633	- Treasury Bills	9,907,633	9,897,429
13,646,947	45,859,118	Commercial Bonds	54,259,118	18,846,947
-----	-----		-----	-----
27,689,376	59,911,751		68,311,751	32,889,376
-----	-----		-----	-----
\$52,192,382	\$89,646,170		\$94,307,471	\$54,007,682
=====	=====		=====	=====

Government of Antigua and Barbuda Bonds and Treasury Bills totalling \$10,256,500 and United States government securities totalling \$5,378,223 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 30TH SEPTEMBER, 2003

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(Expressed in Eastern Caribbean Dollars)

5. LOANS AND ADVANCES

Parent Company			Group	
2002	2003		2003	2002
-----	-----		-----	-----
203,569,775	194,875,831	Business	194,875,831	203,569,775
64,090,952	70,264,632	Mortgages	174,101,759	164,910,366
79,992,141	75,739,546	Personal	75,739,546	79,992,141
4,797,010	5,523,355	Directors	5,523,355	4,797,010
17,775,530	16,866,137	Staff	16,866,137	17,725,530
-----	-----		-----	-----
370,225,408	363,269,501		467,106,628	471,044,822
(18,282,642)	(36,313,791)	Less: Provision for Bad Debt	(38,186,940)	(19,676,759)
-----	-----		-----	-----
\$351,942,766	\$326,955,710		\$428,919,688	\$451,368,063
=====	=====		=====	=====

5.1 Provision For Loan Losses

Parent Company			Group	
2002	2003		2003	2002
-----	-----		-----	-----
15,897,900	18,282,642	Balance at beginning of year	19,676,759	17,210,754
-	(3,681,799)	Write offs	(3,705,438)	(157,859)
-	12,268,024	Recommended for write off: Balance	12,268,024	-
-	(7,595,280)	Less: amount previously provided for	(7,595,280)	-
2,384,742	17,040,204	Current provision	17,542,875	2,623,864
-----	-----		-----	-----
\$18,282,642	\$36,313,791	Balance at end of the year	\$38,186,940	\$19,676,759
=====	=====		=====	=====

5.2 Loan Loss Expense

Parent Company			Group	
2002	2003		2003	2002
-----	-----		-----	-----
2,478,919	21,724,535	Charges for the year	22,227,205	2,718,800
-	51,236	Amounts directly written off	52,436	-
(307,045)	(132,267)	Recoveries	(132,267)	(313,298)
-----	-----		-----	-----
\$2,171,874	\$21,643,504		\$22,147,374	\$2,405,502
=====	=====		=====	=====

The Bank undertook a comprehensive review of its Loans portfolio and has made the necessary adjustment in accordance with the ECCB guidelines.

In addition, collaterals were disposed of for a few customers that resulted in losses totalling approximately \$8 Million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 30TH SEPTEMBER, 2003
(Continued)
(Expressed in Eastern Caribbean Dollars)

6. OTHER ASSETS

Parent Company			Group	
2002	2003		2003	2002
-----	-----		-----	-----
6,521,333	8,269,225	Accrued interest	8,710,293	6,724,317
819,315	1,194,315	Due from affiliates	-	-
2,327,871	3,561,312	Prepayments and deferred expenses	3,639,782	2,504,621
6,673,167	2,234,653	Other	2,353,520	6,791,990
-----	-----		-----	-----
\$16,341,686	\$15,259,505		\$14,703,595	\$16,020,928
=====	=====		=====	=====

7. DEPOSITS

Parent Company			Group	
2002	2003		2003	2002
-----	-----		-----	-----
49,580,558	57,087,662	Demand	57,924,574	49,610,721
169,356,342	195,796,459	Savings	230,686,479	199,855,047
119,758,483	138,546,537	Time	212,283,527	177,700,882
18,676,982	27,022,522	Subsidiary deposit	-	-
67,578,409	46,369,035	Deposits from other banks	46,369,035	67,578,409
-----	-----		-----	-----
\$424,950,774	\$464,822,215		\$547,263,615	\$494,745,059
=====	=====		=====	=====

8. OTHER LIABILITIES

Parent Company			Group	
2002	2003		2003	2002
-----	-----		-----	-----
4,034,943	3,614,755	Accrued interest payable	5,802,633	5,664,662
6,774,009	2,816,894	Manager's cheques outstanding	2,816,894	6,774,009
8,006,255	10,747,476	Creditors and accruals	12,357,282	14,235,716
904,543	883,421	Unclaimed dividend	883,421	904,543
1,000,000	-	Dividend payable	-	1,000,000
-	-	Escrow Property		
668,012	1,519,553	Tax/Insurance/saving	1,497,622	1,400,244
-----	-----	Due to affiliates	-	-
\$21,387,762	\$19,582,099		\$23,357,852	\$29,979,174
=====	=====		=====	=====

ANTIGUA COMMERCIAL BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 30TH SEPTEMBER, 2003
(Continued)

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(Expressed in Eastern Caribbean Dollars)

9.	LONG-TERM LIABILITES			Group	
	Parent Company			2003	2002
	2002	2003		-----	-----
	-----	-----		-----	-----
			(a) Debenture Stock and Bonds		
			Authorised		
			(i) Debenture Stock		
	-	-	- 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
	-	-	- Issue No. 7	6,000,000	-
	-----	-----		-----	-----
	-	-		\$27,000,000	\$21,000,000
	=====	=====		=====	=====
	-	-	(ii) Housing Bonds	\$42,000,000	\$42,000,000
				=====	=====
			Issued and fully paid		
			(i) Debenture Stock	13,090,000	15,545,000
	-	-	Add: Debenture stock sold	5,222,500	-
	-	-	Less: Debenture stock redeemed	(1,290,000)	(2,455,000)
	-----	-----		-----	-----
	-	-		\$17,022,500	\$13,090,000
	=====	=====		=====	=====
			(ii) Housing Bonds		
			Issue No. 2		
	-	-	8.0% Housing bonds, 2006	-	605,000
	-	-	8.5% Housing bonds, 2006	-	720,000
	-----	-----		-----	-----
	-	-		-	1,325,000
	-----	-----		-----	-----
			Issue No. 3		
	-	-	7.5% Housing bonds, 2002	-	325,000
	-	-	8.0% Housing bonds, 2002	-	1,610,000
	-	-	8.0% Housing bonds, 2007	-	430,000
	-	-	8.5% Housing bonds, 2007	-	350,000
	-	-	9.0% Housing bonds, 2007	-	2,785,000
	-----	-----		-----	-----
	-	-		-	5,500,000
	-----	-----		-----	-----

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 30TH SEPTEMBER, 2003
 (Continued)

(Expressed in Eastern Caribbean Dollars)

9. LONG-TERM LIABILITES - (Cont'd)

2002	2003	Issue No. 4	2003	2002
-----	-----		-----	-----
-	-	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
-----	-----		-----	-----
		Issue No. 5		
-	-	7.5% Bronze Housing bonds, 2006	355,000	285,000
-	-	8.0% Silver Housing bonds, 2006	1,940,000	1,830,000
-	-	8.5% Gold Housing bonds, 2006	5,430,000	5,430,000
-----	-----		-----	-----
-	-		7,725,000	7,545,000
-----	-----		-----	-----
-	-	Total Housing Bonds	\$12,725,000	\$19,370,000
=====	=====		=====	=====
		Total Housing Bonds and		
-	-	Debentures	29,747,500	32,460,000
-	-	Less: Current portion	(393,000)	(2,544,000)
382,500	315,000	(b) Investment Project Loan	315,000	382,500
-----	-----		-----	-----
\$382,500	\$315,000		\$29,669,500	\$30,298,500
=====	=====		=====	=====

(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 31st March and 30th 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 31st March and 30th 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 30TH SEPTEMBER, 2003
(Continued)

(Expressed in Eastern Caribbean Dollars)

10. SHARE CAPITAL

Parent Company			Group	
2002	2003		2003	2002
-----	-----		-----	-----
		Authorised		
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
=====	=====		=====	=====
		Issued and fully paid		
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	
2002	2003		2003	2002
-----	-----		-----	-----
5,000,000	5,000,000	Balance at beginning of year	6,874,356	6,739,659
-	-	Transfer from income after Taxation	152,232	134,697
-----	-----		-----	-----
\$5,000,000	\$5,000,000		\$7,026,588	\$6,874,356
=====	=====		=====	=====

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 30TH SEPTEMBER, 2003

(Continued)

(Expressed in Eastern Caribbean Dollars)

12. OTHER RESERVES

Parent Company			Group	
2002	2003		2003	2002
-----	-----		-----	-----
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)	7,454,077	7,263,787
-	631,122	Unrealised Holding Gains (12.4)	277,123	-
-----	-----		-----	-----
\$34,185,054	\$34,816,176		\$41,916,254	\$41,448,841
=====	=====		=====	=====

12.1 Capital Reserve

Parent Company			Group	
2002	2003		2003	2002
-----	-----		-----	-----
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	
2002	2003		2003	2002
-----	-----		-----	-----
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 30TH SEPTEMBER, 2003
 (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.

12.4 Unrealised Holdings Gains

Parent Company			Group	
2002	2003		2003	2002
-----	-----		-----	-----
\$ -	\$631,122	Unrealised Holding Gains	\$277,123	\$ -
=====	=====		=====	=====

International Accounting Standards No. 39 relating to financial instruments was implemented during the current year. Quoted market securities are stated at market value with the unrealized gains reflected in the Balance Sheet until realized.

13. OTHER INCOME

Parent Company			Group	
2002	2003		2003	2002
-----	-----		-----	-----
1,043,701	682,085	Dividends	332,215	756,831
36,000	36,000	Rents	36,000	36,000
5,448	11,427	Cash overs	11,427	5,448
-	23,441	Gain on investment	23,441	-
-	54,362	Investment income	586,756	222,920
80	-	Gain on disposal of fixed assets	-	25,830
-----	-----		-----	-----
\$1,085,229	\$807,315		\$989,839	\$1,047,029
=====	=====		=====	=====

14. RESTRUCTURING COST

The Bank is engaged in a comprehensive restructuring exercise with the express intention of improving its operating efficiency. This exercise commenced during the current financial year, and is expected to be completed in the next financial year. Total restructuring cost is not expected to exceed \$2.5 Million.

15. EARNINGS PER SHARE

Earnings per share have been calculated on the monthly average for each dollar value of share outstanding. For the year ended 30th September, 2003 this average was 5,000,000 (2002: 5,000,000).

ANTIGUA COMMERCIAL BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 30TH SEPTEMBER, 2003

(Continued)
 (Expressed in Eastern Caribbean Dollars)

16. LOAN COMMITMENTS

Parent Company			Group		
2002	2003		2003	2002	
-----	-----		-----	-----	
		Loans approved			
\$12,467,176	\$1,910,641	not yet drawn	\$7,026,697	\$14,398,947	
=====	=====		=====	=====	

17. PROVISION FOR SETTLEMENT CLAIMS

Counsel has advised that there have been third party claims against the Bank, for which provision has been made.

18. CAPITAL COMMITMENT

The Bank is currently renovating its Head Office Building. The first phase has been completed and included renovations to the exterior and first floor. The second phase is in progress and includes internal renovations to the first, second and third floors. The Bank estimates the cost to completion of the second phase will amount to approximately \$4.8 million.

19. CONTINGENT LIABILITIES

Various actions and legal proceedings may arise against the Bank from the normal course of business. However, Management is not aware of any unsettled, material claims other than what has been provided for in these financial statements.

20. PRIOR YEAR ADJUSTMENTS

Prior year adjustments related mainly to the under accrual of interest earned on Commercial and Industrial loans which was not accrued at the year end.

21. COMPARATIVES

Certain of the 2002 comparatives have been restated to conform to the current year's presentation.

22. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 30TH SEPTEMBER, 2003

(Continued)

(Expressed in Eastern Caribbean Dollars)

22. **FINANCIAL INSTRUMENTS - (Cont'd)**

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 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 30TH SEPTEMBER, 2003
(Continued)
(Expressed in Eastern Caribbean Dollars)

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

Fair value of financial instruments - (Cont'd)

(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.

SCHEDULE TO THE CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30TH SEPTEMBER, 2003
 (Expressed in Eastern Caribbean Dollars)

SCHEDULE 2

Parent Company			Group	
2002	2003		2003	2002
-----	-----		-----	-----
		Interest income		
36,504,865	37,845,610	Loans and advances	48,502,049	47,231,413
978,908	667,446	Deposits	970,350	1,286,812
2,308,586	3,586,357	Investments	3,586,357	2,308,586
-----	-----		-----	-----
\$39,792,359	\$42,099,413		\$53,058,756	\$50,826,811
=====	=====		=====	=====

SCHEDULE 3

Parent Company			Group	
2002	2003		2003	2002
-----	-----		-----	-----
		Salaries and Other Staff Costs		
8,244,455	8,349,653	Salaries, wages and Allowances	9,226,492	9,085,502
517,016	530,372	Social Security and Medical Benefit	581,379	567,060
162,486	165,980	Group health and life Insurance	181,839	177,818
116,733	85,433	Uniforms	85,433	116,733
258,440	156,501	Training	173,086	267,167
104,849	112,990	Refreshments	120,169	112,483
568,382	622,523	Pension fund	683,278	627,071
231,734	319,431	Other benefits	319,431	231,734
-----	-----		-----	-----
\$10,204,095	\$10,342,883		\$11,371,107	\$11,185,568
=====	=====		=====	=====

SCHEDULE 4

Parent Company			Group	
2002	2003		2003	2002
-----	-----		-----	-----
		Agency/Sub-Branch Expenses		
289,877	290,371	Barbuda	290,371	289,877
93,587	112,694	V.C. Bird International Airport	112,694	93,587
-----	-----		-----	-----
\$383,464	\$403,065		\$403,065	\$383,464
=====	=====		=====	=====

SCHEDULES TO THE CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30TH SEPTEMBER, 2003
(Continued)

(Expressed in Eastern Caribbean Dollars)

SCHEDULE 5

Parent Company			Group	
2002	2003		2003	2002
-----	-----		-----	-----
Office and General Expenses				
-	-	Loss on sale of equipment	-	75,000
278,218	262,705	Cleaning	304,153	309,418
15,572	8,633	Water	8,633	18,454
171,220	89,825	Entertainment	137,948	221,109
75,500	144,793	Shareholders meeting	144,793	75,500
69,867	42,446	Equipment maintenance	59,159	72,642
6,031	19,256	ACB Richie Richardson stand	19,256	6,031
139,450	87,721	Miscellaneous	98,788	152,519
-----	-----		-----	-----
\$755,858	\$655,379		\$772,730	\$930,673
=====	=====		=====	=====

SCHEDULE 6

Parent Company			Group	
2002	2003		2003	2002
-----	-----		-----	-----
Other Operating Expenses				
293,838	272,900	Advertising and promotion	378,534	446,872
217,652	107,672	Travelling	134,135	223,378
99,474	78,514	Motor vehicle	94,571	120,739
		Postage, telephone and		
295,675	218,785	Telegrams	258,408	330,207
134,671	103,637	Rates, taxes and licences	201,528	212,456
463,093	307,895	Repairs and maintenance	359,356	505,790
207,009	181,810	Subscription and donations	235,807	228,926
		Commission paid - Currency		
68,908	60,734	Purchase	60,734	68,908
927,871	870,888	Rent	212,952	428,971
244,603	244,544	Security services	289,756	366,361
81,467	67,289	Scholarship fund	67,289	81,467
3,528	49,333	Litigation cost	49,333	3,528
-	-	Bank charges	905	414
31,388	381,532	Software licence	381,532	31,388
-----	-----		-----	-----
\$3,069,177	\$2,945,533		\$2,724,840	\$3,049,405
=====	=====		=====	=====

