

Balance Sheet
As at December 31, 2005 (expressed in Eastern Caribbean dollars)

	31-12-2005	30-9-2005
	\$	\$
Assets		
Cash resources (note 3)	26,470,850	29,623,709
Customer loans and advances (note 4)	235,964,015	228,671,638
Interest Receivable on Loans and investments	3,717,892	3,489,997
Other assets and prepayments	8,223,051	4,819,201
Investments (note 5)	20,068,730	24,217,601
Reserve Deposit - E.C.C.B. (note 6)	16,920,000	16,920,000
Property, plant and equipment (note 7)	10,945,748	10,788,507
Customers' liability under guarantees	2,964,029	1,920,460
	<u>325,274,315</u>	<u>320,451,113</u>
Total Assets		
Liabilities		
Due to other banks	8,000,000	6,000,000
Customer deposits (note 8)	280,234,581	282,120,420
Interest payable	2,738,610	2,862,823
Proposed dividends (note 9)	714,000	714,000
Managers' Cheques	2,130,205	2,246,231
Other liabilities	3,144,934	1,464,627
Provision for credit card losses	159,995	159,995
Income tax payable	549,971	375,625
Liability for guarantees	2,964,029	1,920,460
	<u>300,636,324</u>	<u>297,864,181</u>
Total liabilities		
Equity		
Stated capital (note 10)	7,620,000	7,620,000
Statutory reserve (note 11)	5,335,513	5,335,513
Retained earnings	10,715,748	8,664,689
Revaluation surplus (note 12)	966,730	966,730
	<u>24,637,991</u>	<u>22,586,932</u>
Total Equity		
Total liabilities and Equity		
	<u>325,274,315</u>	<u>320,451,113</u>

Statement of Income
For the quarter ended December 31, 2005

	31-12-2005	31-12-2004
	\$	\$
Interest income		
Customer loans and advances	5,810,638	4,794,759
Investments and deposits at other banks	795,877	776,282
	<u>6,606,515</u>	<u>5,571,041</u>
Interest expense (note 1)	2,289,385	2,285,518
	<u>4,317,130</u>	<u>3,285,523</u>
Net interest income		
Other income	616,201	487,063
	<u>4,933,331</u>	<u>3,772,586</u>
Operating income		
Expenditure		
Direct operating expenses	1,427,127	1,308,286
Other expenses	984,757	817,919
	<u>2,411,884</u>	<u>2,126,204</u>
Income , before income tax	2,521,447	1,646,382
Provision for Income Tax	470,388	385,116
	<u>2,051,059</u>	<u>1,261,265</u>
Net income		
Basic earnings per share (note 2)	<u>\$0.40</u>	<u>\$0.25</u>

Statement of Cash Flows
For the three months ended December 31, 2005 (expressed in Eastern Caribbean dollars)

	31-12-2005	31-12-2004
	\$	\$
Cash flows from operating activities		
Income before income tax	2,521,447	1,646,382
Items not affecting working capital		
Depreciation and amortization	206,194	233,514
(Gain)/loss on disposal of property, plant and equipment	(55,000)	(6,650)
	<u>2,672,641</u>	<u>1,873,246</u>
Operating profit before working capital changes		
Net changes in operating assets and liabilities:		
Interest receivable and prepayments	(3,631,745)	692,028
Customer loans and advances	(7,292,377)	(7,238,421)
Customer deposits	(1,885,839)	38,704,906
Interest payable	(124,213)	369,321
Other liabilities	1,564,281	459,144
Due to banks	2,000,000	0
	<u>(6,697,252)</u>	<u>34,860,223</u>
Income tax paid	<u>560,662</u>	<u>777,372</u>
Net cash from/(used in) operating activities	<u>(6,136,590)</u>	<u>35,637,595</u>
Cash flows from investing activities		
(Purchase)/sale of investments	4,148,871	(7,147,862)
Purchase of property, plant and equipment	(1,220,139)	(135,875)
Proceeds on sale of property, plant and equipment	55,000	6,650
Increase in reserve deposit - E.C.C.B.	-	0
	<u>2,983,732</u>	<u>(7,277,087)</u>
Net cash from in investing activities		
Cash flows used in financing activities		
Dividends paid	<u>0</u>	<u>0</u>
Net change in cash resources	(3,152,859)	28,360,508
Cash resources - beginning of the year	<u>29,623,709</u>	<u>23,199,052</u>
Cash resources - end of year (note 3)	<u>26,470,850</u>	<u>51,559,560</u>

Notes to Financial Statements
December 31, 2005 (expressed in Eastern Caribbean dollars)

1. Incorporation and principal activity

The Bank was incorporated on July 26, 1932, under the laws of Grenada and is engaged in the business of banking. The registered office is situated on Church Street, St. George's.

The bank employed 92 persons during the quarter (2005 - 92 persons).

2. Significant accounting policies

(a) Basis of accounting

These financial statements are prepared in compliance with International Accounting Standards and in accordance with the historical cost convention.

(b) Depreciation

Depreciation on property, plant and equipment is provided at the following rates, which are expected to write off the costs of the assets over the period of their estimated useful lives.

The annual rates used are as follows: -

Motor vehicles	20%
Furniture and equipment	10%
Computer equipment	16.67%
Freehold Buildings	2.50%

Leasehold improvements are amortized over the terms of the lease.

The cost of fixed assets replaced, retired or otherwise disposed of and the accumulated depreciation thereon are eliminated from the accounts and the resulting gain or loss reflected in current operations.

(c) Provision for loan losses

Specific allowances are made against loans and advances where in the opinion of Management, after detailed appraisal of the loans portfolio, recovery is doubtful. Guidelines issued by the Eastern Caribbean Central Bank are followed in this regard. Bad debts are written off when the extent of the loss is confirmed.

(d) Revenue Recognition

The Bank classifies loans as non-productive when the loans have not been services for a period in excess of three months. No accrual is made for interest receivable on such loans.

Notes to Financial Statements
December 31, 2005 (expressed in Eastern Caribbean dollars)

2. Significant accounting policies... Continued

(e) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated to E.C. dollars at the rates of exchange ruling at the end of the financial year. Transactions arising during the year involving foreign currencies have been converted at the rates prevailing on the dates the transactions occurred. Differences arising from fluctuations in exchange rates are included in the statement of income.

(f) Taxation

The company provides for tax in accordance with Income Tax Act of 1994, as amended.

Deferred tax is provided where material using the liability method at currently enacted tax rates.

(g) Investments

Debt and equity investments held for short-term liquidity purposes and or intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates are classified as available-for-sale. Investments with a fixed maturity where management has both the intent and the ability to hold to maturity are classified as held- to-maturity and are carried at amortized cost. Equity investments are initially carried at cost and are subsequently re-measured at fair value. The unrealized gains or losses on investments are accounted for on the balance sheet as part of the revaluation surplus. Where the fair value of the equity investment cannot be reliably measured, the investment is measured at cost.

(h) Pension

The Bank's contributions to its Defined Contribution Pension Plan are charged to the income statement in the year to which they relate.

3. Cash resources	31-12-2005	30-9-2005
	\$	\$
Cash in hand	10,605,595	4,511,451
Cash at other banks - current accounts	847,943	5,175,427
Cash at other financial institutions	16,437,552	18,634,052
E.C.C.B.	-1,420,239	1,302,779
	<u>26,470,850</u>	<u>29,623,709</u>

Notes to Financial Statements
December 31, 2005 (expressed in Eastern Caribbean dollars)

	31-12-2005	30-9-2005
	\$	\$
4. Customer loans and advances		
Mortgages	199,862,664	194,085,208
Promissory notes	16,418,543	16,204,289
Other advances	<u>23,921,828</u>	<u>22,621,161</u>
	240,203,035	232,910,658
Provision for loan losses	(4,148,439)	(4,148,439)
Special provision re: Trans-Nemwil (Finance) Ltd.	<u>(90,581)</u>	<u>(90,581)</u>
	<u>235,964,015</u>	<u>228,671,638</u>

Notes to Financial Statements
December 31, 2005 (expressed in Eastern Caribbean dollars)

5. Investments

	31-12-2005	30-9-2005
	\$	\$
Treasury Bills: -		
Government of Grenada -		
6% Treasury Bills - E.C.C.B.	492,076	492,076
9% Treasury Bills	418,500	418,500
7% Treasury Bills	8,067,500	8,067,500
	<u>8,978,076</u>	<u>8,978,076</u>
Bonds/Debentures - held to maturity:		
Government of Grenada -	1,091,172	1,091,172
National Development Bonds	30,000	30,000
Eastern Caribbean Home Mortgage Bank	1,500,000	1,500,000
Grenada Electricity Services Ltd.	350,501	372,190
Government of St. Vincent - 2014 Bonds	-	1,799,980
Government of St. Vincent - 2007 Bonds	-	2,900,000
Government of St. Kitts	650,000	650,000
Government of St. Lucia	500,000	500,000
Government of Antigua	5,049,767	5,140,269
	<u>9,171,440</u>	<u>13,983,611</u>

Interest is earned on held-to-maturity investments at rates ranging between 4.25% to 9.75%

Equities - Available for sale:

National Commercial Bank of Grenada Ltd. -		
8,000 Ordinary shares	300,000	312,000
RBTT Bank Grenada Ltd. -		
8,916 Ordinary Shares	43,064	43,064
Caribbean Credit Card Corporation -		
25 Ordinary shares of \$1,000 each	25,000	25,000
Eastern Caribbean Home Mortgage Bank:		
777 Class C Shares of \$100 each	77,700	77,700
Eastern Caribbean Securities Exchange		
- Shares - 5,000 class C shares of \$10 each	50,000	50,000
Antigua Barbuda Investment Bank		
- 100,000 shares	300,000	300,000
Grenada Electricity Services Ltd.		
50,000 Ordinary shares	448,450	448,150
Turks & Caicos International Bank Ltd.		
250,000 Ordinary shares	675,000	-
	<u>1,919,214</u>	<u>1,255,914</u>
	<u>20,068,730</u>	<u>24,217,601</u>

Notes to the Financial Statements

December 31, 2005 (expressed in Eastern Caribbean dollars)

6. Reserve deposit

This reserve is maintained in accordance with Article 33 of the E.C.C.B. Agreement 1983, and is based on the level of deposit liabilities held from time to time.

7. Property, plant and equipment

	31-12-2005	30-9-2005
	\$	\$
Balance at cost	18,057,503	17,939,311
Accumulated depreciation and amortization	<u>7,111,755</u>	<u>7,150,804</u>
Net book values	<u>10,945,748</u>	<u>10,788,507</u>

The bank's property was revalued on September 16, 2003 by Joseph John & Associates Ltd.; resulting in a revaluation excess of EC\$695,442. Valuations were made on the basis of open market value.

8. Customer deposits

	31-12-2005	30-9-2005
	\$	\$
Savings accounts	119,269,985	116,198,699
Fixed deposit accounts	112,483,075	110,912,367
Treasure Chest accounts	18,060,756	20,060,020
Chequing accounts	18,970,495	19,115,159
Current accounts	<u>11,450,270</u>	<u>15,834,175</u>
	<u>280,234,581</u>	<u>282,120,420</u>

All deposits mature within one year. Effective interest rate ranged from 1.25% to 5%.

Notes to Financial Statements
December 31, 2005 (expressed in Eastern Caribbean dollars)

10. Stated capital

	31-12-2005	30-9-2005
Authorised:-	\$	\$
An unlimited number of common shares with no par value		
Issued:-		
5,100,000 common shares	7,620,000	7,620,000

11. Statutory reserve

The Banking act for 1993 under Sub-section 14 (1) requires that a minimum of 20% of net after tax profits in each year be transferred to a Statutory Reserve Fund until the balance of this fund is equal to the issued Share Capital. This reserve is not available for distribution as dividends or any form of appropriation.

12. Revaluation surplus

	Property	Equity investments	Total
	\$	\$	\$
Balance at beginning of year	695,442	257,416	952,858
Revaluation surplus - unrealized gain on available for sale investments	-	13,872	13,872
Balance at end of year	<u>695,442</u>	<u>271,288</u>	<u>966,730</u>

Notes to Financial Statements
December 31, 2005 (expressed in Eastern Caribbean dollars)

13. Financial instruments

Fair value of financial assets and liabilities

Financial assets and liabilities are carried at amounts which approximate their fair values at the balance sheet date. The following methods and assumptions have been used to estimate their values.

Assets

Cash resources

The fair values of these financial instruments are assumed to approximate their carrying values due to their short-term nature.

Loans and advances

The carrying amounts, net of allowances for loan losses are assumed to reflect their fair values.

Investments

The valuation policy for investments is disclosed in note 2 (g).

Liabilities

Customers' deposits and other borrowings

Deposit liabilities payable on demand are assumed to equal their fair value.

Notes to Financial Statements
March 31, 2005 (expressed in Eastern Caribbean dollars)

14. Interest Expense

	31-12-2005	31-12-2004
	\$	\$
Savings deposits	993,483	903,808
Other time deposits	1,166,537	1,328,790
Chequing account	53,453	52,920
Interbank Market	75,912	0
	<u>2,289,385</u>	<u>2,285,518</u>

15. Basic Earnings per share

Basic earnings per share is calculated by dividing income attributable to common shareholders by the weighted average number of common shares in issue during the half year

	31-12-2005	31-12-2004
	\$	\$
Income attributable to common shareholders	2,051,059	1,261,265
Weighted average of common shares in issue	5,100,000	5,100,000
Basic earnings per share	\$0.40	\$0.25

The bank has no potential ordinary shares in issue which would give rise to a dilution of the basic earnings per share.

14. Leasehold commitments

At Decedmber 31, 2005, the bank was committed to \$247,763 in annual leasehold payments re. The Spiceland Mall Branch. The unexpired term of the leases is 1 - 5 years.

15. Undrawn commitments

Undrawn commitments on loans and advances at December 31, 2005 amounted to \$29,312,000 (2004: \$20,362,000)

16. Defined contribution scheme

The bank maintains a superannuation plan into which both employer and employee pay 5% of gross salary. The bank's contribution to the Scheme was \$37,007 (2004: \$43,685)

17. Capital commitments

At December 31st, 2005, the bank had no significant capital commitments.