NATIONAL BANK OF ANGUILLA
(PRIVATE BANKING AND TRUST) LIMITED

Financial Statements

March 31, 2007

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(PRIVATE BANKING AND TRUST) LIMITED
Financial Statements
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
National Bank of Anguilla
(Private Banking and Trust) Limited

Report on the financial statements
We have audited the accompanying financial statements of National Bank of Anguilla (Private Banking and Trust) Limited (the Private Bank), which comprise the balance sheet as at March 31, 2007, and the statements of income, changes in equity and cash flows 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 the financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and consistently applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility
Our responsibility is to express an opinion on the 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 about 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 our 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, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as 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.

To the Board of Directors of National Bank of Anguilla
(Private Banking and Trust) Limited

Independent Auditors' Report, cont'd

Opinion

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

KPMG LLC

Chartered Accountants
The Valley, Anguilla, B.W.I
September 3, 2007

NATIONAL BANK OF ANGUILLA
(PRIVATE BANKING AND TRUST) LIMITED
Balance Sheet
As at March 31, 2007

		2007	2006
Assets			
Cash in bank (note 3)	EC$	119,693,306	92,643,521
Loans to customers, net (note 4)		44,469,441	22,703,267
Interest receivable		553,542	27,451
Other assets and receivables (note 5)		65,341	41,006
Investments (note 6)		2,507,142	–
Property, plant and equipment, net (note 7)		89,524	166,215
Software, net (note 8)		97,200	129,600
	EC$	167,475,496	115,711,060
Liabilities and Shareholders' Equity			
Liabilities			
Deposits from customers (note 9)	EC$	163,193,084	112,825,826
Interest payable		1,412,614	1,406,503
Other liabilities		14,344	230,760
		164,620,042	114,463,089
Shareholders' equity			
Share capital and share premium (note 10)		675,000	675,000
Retained earnings		2,180,454	572,971
		2,855,454	1,247,971
	EC$	167,475,496	115,711,060

See accompanying notes to the financial statements.

These financial statements were approved on behalf of the Board of Directors' on September 3, 2007 by the following:

Director

Director

NATIONAL BANK OF ANGUILLA
(PRIVATE BANKING AND TRUST) LIMITED
Statement of Income
For the Year Ended March 31, 2007

		2007	2006
Interest and similar income			
Placement with banks	EC$	4,111,208	4,221,997
Loans to customers		2,844,222	973,880
Securities		143,657	–
		7,099,087	5,195,877
Interest and similar expenses			
Time		(2,527,365)	(2,565,688)
Savings		(696,625)	(1,081,024)
Other		(367,499)	–
		(3,591,489)	(3,646,712)
Net interest income		3,507,598	1,549,165
Provision made for loan losses (note 4)		–	(32,639)
Net interest income after provision for loan losses		3,507,598	1,516,526
Other income and expenses			
Fees, charges and commissions		410,329	212,523
Foreign exchange (loss) gain		(63,548)	123,599
General and administrative expenses (note 11)		(1,797,710)	(1,279,677)
Net income for year	EC$	2,056,669	572,971

See accompanying notes to the financial statements.

NATIONAL BANK OF ANGUILLA
(PRIVATE BANKING AND TRUST) LIMITED
Statement of Shareholders' Equity
For the Year Ended March 31, 2007

	Common Stock		Retained	
	Shares	Amount EC$	Earnings EC$	Total EC$
Balance at March 31, 2005	–	–	–	–
Shares issued during the year	2,500	675,000	–	675,000
Net income for year	–	–	572,971	572,971
March 31, 2006	2,500	675,000	572,971	1,247,971
Net income for year	–	–	2,056,669	2,056,669
Reserve for loan losses (note 4)	–	–	(449,186)	(449,186)
March 31, 2007	2,500	675,000	2,180,454	2,855,454

See accompanying notes to the financial statements.

NATIONAL BANK OF ANGUILLA
(PRIVATE BANKING AND TRUST) LIMITED
Statement of Cash Flows
For the Year Ended March 31, 2007

		2007	2006
Cash flows from operating activities:			
Net income	EC$	2,056,669	572,971
Adjustments for:			
Interest and similar income		(7,099,087)	(5,195,877)
Interest and similar expenses		3,591,489	3,646,712
Depreciation and amortization		112,728	112,415
(Reversal of) provision for loan losses		(32,639)	32,639
		(1,370,840)	(831,140)
Increase in operating assets:			
Increase in loans to customers		(21,733,535)	(22,735,906)
Increase in other assets and receivables		(24,335)	(41,006)
Increase in operating liabilities:			
Increase in deposits from customers		41,842,978	112,825,826
Increase in other liabilities		8,307,864	230,760
		27,022,132	89,448,534
Interest and similar receipts		6,572,996	5,168,426
Interest and similar payments		(3,585,378)	(2,240,209)
Net cash provided by operating activities		30,009,750	92,376,751
Cash flows used in investing activity:			
Purchase of investments		(2,507,142)	–
Purchase of property, plant and equipment		(3,637)	(408,230)
Net cash used in investing activities		(2,510,779)	(408,230)
Cash flows from financing activities:			
Proceeds from the issuance of share capital		–	675,000
Increase in reserve for loan losses		(449,186)	–
Net cash used in financing activities		(449,186)	675,000
Net increase in cash		27,049,785	92,643,521
Cash in bank at beginning of year		92,643,521	–
Cash in bank at end of year	EC$	119,693,306	92,643,521

See accompanying notes to the financial statements.

1. General information

The National Bank of Anguilla (Private Banking and Trust) Limited (the Private Bank) is a wholly-owned subsidiary of National Bank of Anguilla Limited (NBA), a company incorporated in Anguilla. The Private Bank was incorporated on February 4, 2002 under the Companies Act -IRSA 2000 and commenced operations on April 1, 2005.

The Private Bank was created to conform with the Trust Companies and Offshore Banking Act 2005 which requires all banks operating from within Anguilla and conducting business in currencies other than Eastern Caribbean Dollars with persons or entities who are not citizens or residents of Anguilla to obtain an offshore banking license and keep those accounts within a newly formed Bank.

The principal activity of the Private Bank is to carry on the business of banking, including accepting deposits from customers, making loans to customers and investing in debt and equity securities for persons or entities not citizens or residents of Anguilla. The Private Bank commenced its operations on April 1, 2005.

2. Basis of preparation

The significant accounting policies adopted in the preparation of these financial statements are set out below:

(a) Statement of compliance

The financial statements of the Private Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board (IASB).

The financial statements of the Private Bank were authorised for issue by the Board of Directors on September 3, 2007.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except for available for sale investments which are stated at fair value.

(c) Functional and presentation currency

The Private Bank's functional currency is the United States dollar. The financial statements have been prepared in EC dollars for the purpose of consolidating the statements into its parent company, National Bank of Anguilla. There is no exchange gain or loss arising from the change in functional currency to presentation currency as the EC Dollar is fixed to the US Dollar at a rate of 2.70.

2. Basis of preparation, continued

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS's requires management to make judgements, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have most significant effect on the amount recognised in the financial statements is described in Note 15.

3. Summary of significant accounting policies

(a) Financial Instruments

(i) Classification

The Bank classifies its financial assets and liabilities in the following categories: financial assets and liabilities at fair value through profit or loss, loans and receivables and held-to-maturity investments.

Financial instruments at fair value through profit or loss comprises financial instruments held for trading and financial instruments designated as fair value through profit and loss upon initial recognition. A financial instrument is classified in this category if acquired principally for the purpose of settling in the short term or if so designated by management.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately in the near term.

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. Were the Bank to sell other than an insignificant amount of held to maturity assets, the entire category would be tainted and reclassified as available for sale.

3. Summary of significant accounting policies, continued

(a) Financial Instruments, continued

(ii) Recognition

The Bank recognises financial assets and liabilities on the date it becomes party to the contractual provisions of the instrument.

A regular way purchase of financial assets is recognised using trade date accounting. From this date any gains or losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Financial liabilities are not recognised unless one of the parties has performed or the contract is a derivative contract not exempted from the scope of IAS 39.

(iii) Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statement of income and all instruments classified as available-for-sale are measured at fair value with changes in fair value recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in the statement of income.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method with impairment losses, if any, recognised in the statement of income.

Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a significant amount of held-to-maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Private Bank from classifying investment securities as held-to-maturity for the current and the following two financial years.

3. Summary of significant accounting policies, continued

(a) Financial Instruments, continued

(iii) Measurement, continued

Financial liabilities other than those at fair value through profit and loss are measured at amortised cost using the effective interest rate method with impairment losses, if any, recognised in the statement of income.

(iv) Gains and losses on subsequent measurement

Private Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Private Bank is recognised as a separate asset or liability.

The Private Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Private Bank enters into transactions whereby it transfers assets recognised on its balance sheet, but retains both all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet.

Transfers of assets with retention of all or substantially all risks and rewards include securities lending and repurchase transactions.

When assets are sold to a third party with a concurrent total rate or return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions. In transactions where the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Bank also derecognises certain assets when it charges off balances pertaining to the assets deemed to be uncollectible (note 3e).

3. Summary of significant accounting policies, continued

(a) Financial Instruments, continued

(iv) Gains and losses on subsequent measurement, continued

The Bank uses the weighted average method to determine realised gains and losses on derecognition.

(b) Cash in bank

Cash in bank represents demand deposits held by NBA, its parent company, and earns interest ranging from 2.74% to 4.25% in 2007 and 2006. Bank overdrafts that are repayable on demand and form an integral part of the Private Bank's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(c) Impairment

The carrying amounts of the Private Bank's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of income.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

3. Summary of significant accounting policies, continued

(c) Impairment, continued

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(d) Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

ii. Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to Private Bank and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of income as incurred.

iii. Depreciation

Depreciation is charged to the statement of income on the straight line basis over the estimated useful lives of items of property, plant and equipment.

3. Summary of significant accounting policies, continued

(d) Property, plant and equipment, continued

(iii) Depreciation, continued

The estimated useful lives are as follows:

Furniture and equipment	5 – 7 years
Machinery and equipment	5 – 7 years
Computer hardware	5 years
Automation	3 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(e) Software

Software acquired by the Private Bank is stated at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in the statement of income on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is five years.

(f) Deposits, debt securities issued and subordinated liabilities

Deposits, debt securities issued and subordinated liabilities are the Private Bank's sources of debt funding.

When the Private Bank sells a financial asset and simultaneously enters into a "repo" or "stock lending" agreement to repurchase the asset (or similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Private Bank's financial statements.

Private Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. The Private Bank's redeemable preference shares bear non-discretionary coupons and are redeemable by the holder, and are therefore included within subordinated liabilities.

3. Summary of significant accounting policies, continued

(f) Deposits, debt securities issued and subordinated liabilities, continued

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except, where the Private Bank chooses to carry the liabilities at fair value through profit or loss.

(g) Provisions

A provision is recognised if, as a result of a past event, the Private Bank has a present legal or constructive obligation that can be estimated reliably, and is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when Private Bank has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Private Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Private Bank recognises any impairment loss on the assets associated with that contract.

(h) Interest income and expenses

Interest income and expenses are recorded in the statement of income as it accrues, except where collectibility of interest income is doubtful, in which case it is recorded when received. Non-performing loans relate to accounts whose interest payments are ninety days or more in arrears.

(i) Fee and commission income

Fee and commission income arises on financial services provided by the Private Bank including cash management services and brokerage services. Fee and commission income is recognised when the corresponding service is provided.

3. Summary of significant accounting policies, continued

(j) *Foreign currency*

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into EC Dollars at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to EC Dollars at the foreign exchange rate ruling at the dates the fair value was determined.

(k) *Income on Tax*

No provision is made for income tax since Anguilla does not have any form of income tax.

(l) *New standards and interpretations not yet adopted:*

A number of new standards, amendments to standards and interpretations are not yet effective for the fiscal year ended 31 March 2007, and have not yet been applied in preparing these financial statements:

IFRS 7	*Financial Instruments: Disclosure*	January 1, 2007
IFRS 8	*Operating Segments*	January 1, 2009
IFRIC 8	*Scope of IFRS 2*	May 1, 2006
IFRIC 9	*Reassessment of Embedded Derivatives*	June 1, 2006
IFRIC 10	*Interim Financial Reporting*	November 1, 2006
IFRIC 11	*Group and Treasury Share Transactions*	March 1, 2007
IFRIC 12	*Service Concession Arrangement*	January 1, 2008
IFRIC 13	*Customer Loyalty Programmes*	July 1, 2008
IFRIC 14	*IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction*	January 1, 2008
IAS 23 (Revised)	*Borrowing Costs*	January 1, 2009

3. Summary of significant accounting policies, continued

(l) New standards and interpretations not yet adopted:

- IFRS 7 – *Financial Instruments: Disclosures and the Amendments* to IAS 1 Presentation of Financial Statements: Capital Disclosures require extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which become mandatory for the Private Bank's 2007 financial statements, will require extensive additional disclosures with respect to the Private Bank's financial instruments and share capital.

- IFRS 8 – *Operating Segments* requires segment disclosure based on the components of the Private Bank that management monitors in making decisions about operating matters as well as qualitative disclosures on segments. Segments will be reportable based on threshold tests related to revenues, results and assets. IFRS 8 will become mandatory for the Private Bank's 2009 financial statements, and the statement is not expected to have any impact on the financial statements.

- IFRIC 7 – *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies* addresses the application of IAS 29 when an economy first becomes hyperinflationary and in particular the accounting for deferred tax. IFRIC 7, which becomes mandatory for the Private Bank's 2007 financial statements, is not expected to have any impact on the financial statements as Anguilla does not have any form of income taxes and management does not envision Anguilla's economy becoming hyperinflationary in the near future.

- IFRIC 8 – *Scope of IFRS 2 Shared-based Payment* addresses the accounting for share-based payment transactions in which some or all goods or services received cannot be specially identified. IFRIC 8 will become mandatory for the Private Bank's 2007 financial statements, with retrospective application required. It is not expected to have any impact on the financial statements.

3. Summary of significant accounting policies, continued

(l) New standards and interpretations not yet adopted continued:

- IFRIC 9 – *Reassessment of Embedded Derivatives* requires an assessment of whether embedded derivative should be separated from the underlying host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract in which case reassessment is required. IFRIC 9, which becomes mandatory for the Private Bank's 2007 financial statements, is not expected to have any impact on the financial statements.

- IFRIC 10 – *Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognized in a previous interim period in respect of goodwill, investment in equity instruments and investments in financial assets carried at cost. IFRIC 10 will become mandatory for the Private Bank's 2007 financial statements, and is not expected to have any impact on the financial statements.

- IFRIC 11 – *IFRS 2 – Group and Treasury Share Transactions* addresses the classification of a share-based payment transaction (as equity or cash-settled), in the financial statements of the entity whose employees are entitled to the share-based payment, where equity instruments of the parent or another group company are transferred in settlement of the obligation. IFRIC 11, which becomes mandatory for the Private Bank's 2008 financial statements, is not expected to have any impact on the financial statements.

- IFRIC 12 – *Service Concession Arrangements* addresses the accounting requirements for public-to-private service concession arrangements in private sector entities. IFRIC 12 will become mandatory for the Private Bank's 2008 financial statements and is not expected to have any impact on the financial statements.

3. Summary of significant accounting policies, continued

(l) New standards and interpretations not yet adopted continued:

- IFRIC 13 – *Customer Loyalty Programmes* addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13 will become mandatory for 2009 financial statements, with retrospective application required. It is not expected to have any impact on the Company's financial statements.

- IFRIC 14 – *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* provides a limit on the measurement of a defined benefit asset to the "present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan" plus unrecognised gains and losses (the "asset ceiling"). IFRIC 14 will become mandatory for the Company's 2009 financial statements.

- IAS 23 (Revised) – *Borrowing Costs* removes the option of immediately recognising all borrowing costs as an expense, which was the benchmark treatment in the previous standard. The revised standard requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. IAS 23 (Revised) will become mandatory for the Company's 2010 financial statements.

(m) Comparative information

Comparative information has been re-classified where necessary to conform to the current year presentation. Such re-classifications do not affect previously reported net income or shareholders' equity.

4. Loans to customers

		2007	2006
Commercial industrial loans	EC$	33,479,669	18,495,903
Real estate loans		9,461,707	3,756,894
Personal loans		1,087,965	278,780
Other		889,286	204,329
		44,918,627	22,735,906
Provision for loan losses		(449,186)	(32,639)
	EC$	44,469,441	22,703,267

Maturity analysis

		2007	2006
On demand	EC$	1,097,893	201,653
Within 1 year		42,422	117,610
Between 1 to 5 years		1,057,765	931,074
After 5 years		42,720,547	21,493,129
Unknown classification		–	(7,560)
	EC$	44,918,627	22,735,906

At March 31, 2007, approximately sixty-four percent (64%) (2006:62%) of the total loan portfolio has been made to Europeans, approximately thirty two percent (32%) (2006:37%) has been made to North Americans and approximately four percent (4%) (2006:1%) has been made to Caribbean residents.

5. Other assets and receivables

		2007	2006
Other assets and receivables	EC$	65,341	28,350
Prepayments		–	12,656
	EC$	65,341	41,006

6. Investments

This pertains to investment in Antigua and Barbuda government bonds which will mature on January 26, 2013 and earns interest at 11.46% per annum. Private Bank classified the investment as held to maturity.

7. Property, plant and equipment

		2006	Additions	Disposals	2007
Cost:					
Furniture and equipment	EC$	6,270	864	–	7,134
Computer Hardware		–	2,773	–	2,773
Automation		231,790	–	–	231,790
Machinery and equipment		8,170	–	–	8,170
	EC$	246,230	3,637	–	249,867

		2006	Depreciation for the year	Disposals	2007
Accumulated depreciation:					
Furniture and equipment	EC$	1,254	1,384	–	2,638
Computer hardware		–	46	–	46
Automation		77,263	77,264	–	154,527
Machinery and equipment		1,498	1,634	–	3,132
	EC$	80,015	80,328	–	160,343

		2007	2006
Net book value:			
Furniture and equipment	EC$	4,496	5,016
Computer hardware		2,727	–
Automation		77,263	154,527
Machinery and equipment		5,038	6,672
	EC$	89,524	166,215

8. Software

		2006	Additions	Disposals	2007
Cost	EC$	162,000	–	–	162,000
Accumulated amortization		32,400	32,400	–	64,800
	EC$	129,600	32,400	–	97,200

9. Deposit from customers

		2007	2006
Savings	EC$	79,261,827	31,518,787
Time		50,362,082	53,840,469
Demand		33,569,175	27,466,570
	EC$	163,193,084	112,825,826

At March 31, 2007, approximately fifty percent (50%) (2006:24%) of deposits held are from North America, thirty three percent (33%) (2006:48%) from the Caribbean, and seventeen percent (17%) (2006:28%) from Europe.

10. Share Capital

The Private Bank is authorised to issue an unlimited number of ordinary shares. At March 31, 2007, the Private Bank had issued 2,500 shares at US$100 per share.

11. General and administrative expenses

		2007	2006
Staff costs	EC$	387,997	318,338
Service maintenance costs		270,000	270,000
Depreciation and amortization		112,728	112,415
Occupancy costs		104,957	93,069
Public relations		100,675	127,037
Professional fees		76,174	112,995
Supplies		60,645	–
NCDS expenses		30,573	–
Other		653,961	245,823
	EC$	1,797,710	1,279,677

12. Related party disclosures

The Private Bank had the following transactions during the year and balances outstanding at year-end with National Bank of Anguilla, its parent company:

		2007	2006
Cash in bank	EC$	119,693,306	92,643,521
Interest received		4,111,208	4,221,997
Service maintenance fee paid		270,000	270,000
Rent paid		17,739	17,739

Remuneration to directors and executive staff

		2007	2006
Executive staff salaries	EC$	171,300	112,728

13. Commitments

Customer loans approved at March 31, 2007 but not disbursed amounting to EC$7,538,568 (2006:EC$3,286,866). Undrawn overdraft facilities were EC$165,878 (2006:EC$67,310). There were no guarantees and letters of credit at March 31, 2007.

14. Risk management

Exposure to credit, interest rate, and currency risks arise in the normal course of the Private Bank's business.

(i) *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Private Bank's primary exposure to credit risk arises through its loans and advances. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet.

Concentration of credit risk (whether on or off balance sheet) that arise from financial instruments exist for groups of counter-parties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

14. Risk management, continued

(i) *Credit risk, continued*

The major contractions of credit risk arise by location and type of customer in relation to the Private Bank's loans and advances. The Bank has no significant exposure to any individual customer or counterpart.

Total economic sector credit risk concentrations are presented in the table below.

		2007	2006
Construction and land development	EC$ (000's)	33,665	12,178
Transportation expenses		7,483	6,648
Professional services		2,285	1,885
Others		1,486	2,025
	EC$ (000's)	44,919	22,736

The Private Bank requires collateral in respect of credit facilities granted. Collateral is usually in the form of land and buildings. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers.

(ii) *Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk is affected where there is a mismatch between interest earning assets and interest-bearing liabilities, which is subject to interest rate adjustments within a specified period.

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at balance sheet date and the periods in which they are re-priced.

	2007				
	Effective Interest Rate	Total EC$('000)	12 months or less EC$('000)	1-5 years EC$('00	More than 5 years EC$('000)
Debt securities held to maturity	8.00%	2,507	–	–	2,507
Cash	2.70%	119,693	119,693	–	–
Loans to customers	8.41%	44,919	1,139	1,0584	2,722
Deposits from customers	2.34%	(163,193)	(154,925)	(8,268)	–
		3,926	(34,093)	(7,210)	45,229

14. Risk management, continued

(ii) Interest rate risk

	2006				
	Effective Interest Rate	Total EC$('000)	12 months or less EC$('000)	1-5 years EC$('00	More than 5 years EC$('000)
Cash	4.25%	92,643	92,643	–	–
Loans to customers	8.60%	22,703	312	931	21,460
Deposits from customers	6.10%	(112,826)	(88,291)	(24,535)	–
		2,520	4,664	(23,604)	21,460

(iii) Foreign currency risk

The Private Bank is exposed to foreign currency risk on transactions that are denominated in a currency other than the functional currency, the US Dollar. The currencies that give rise to this risk are primarily Canadian Dollars, Pounds Sterling and Euro.