National Bank of Anguilla (Private Banking and Trust) Limited

Financial Statements
March 31, 2009
(expressed in Eastern Caribbean dollars)

PRICEWATERHOUSECOOPERS

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Independent Auditors' Report

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

We have audited the accompanying financial statements of **National Bank of Anguilla (Private Banking and Trust) Limited**, which comprise the balance sheet as at March 31, 2009 and the statement of income, statement of changes in equity and statement of 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 these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control 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 control. 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.

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Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of **National Bank of Anguilla (Private Banking and Trust) Limited** as at March 31, 2009 and the results of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Chartered Accountants
December 18, 2009
Basseterre, St. Kitts

National Bank of Anguilla (Private Banking and Trust) Limited

Balance Sheet

As at March 31, 2009

(expressed in Eastern Caribbean dollars)

	2009 $	Restated 2008 $
Assets		
Cash in bank (note 6)	69,038,328	131,377,875
Loans and advances (note 7)	93,088,207	89,826,224
Other assets	33,977	123,665
Investment security (note 9)	1,766,353	2,152,068
Property, plant and equipment, net (note 10)	202,890	9,371
Intangible asset (note 11)	104,517	64,800
Total assets	164,234,272	223,554,003
Liabilities and shareholder's equity		
Liabilities		
Deposits from customers (note 12)	148,333,841	213,016,311
Other liabilities (note 13)	1,108,950	1,179,322
Total liabilities	149,442,791	214,195,633
Shareholder's equity		
Share capital (note 14)	8,700,000	2,700,000
Other reserves (note 15)	599,137	2,734,560
Retained earnings	5,492,344	3,923,810
Total shareholder's equity	14,791,481	9,358,370
Total liabilities and shareholder's equity	164,234,272	223,554,003

The notes on pages 1 to 51 are an integral part of these financial statements.

Approved by the Board of Directors on December 8, 2009

_________________ Director _________________ Director

National Bank of Anguilla (Private Banking and Trust) Limited
Statement of Income
For the year ended March 31, 2009

(expressed in Eastern Caribbean dollars)

	2009 $	2008 $
Interest and similar income		
Loans to customers	8,469,645	5,351,319
Placement with banks	4,976,108	4,566,836
Securities	166,821	187,843
	13,612,574	10,105,998
Interest and similar expenses		
Time	5,916,210	2,962,329
Savings	624,675	1,310,622
Other	393,080	338,479
	6,933,965	4,611,430
Net interest income	6,678,609	5,494,568
Fees, commissions and other income	1,231,121	1,231,132
Foreign exchange (loss) gain	(233,027)	257,134
Operating income	7,676,703	6,982,834
Operating expenses		
General and administrative expenses (note 16)	1,519,000	1,342,793
Impairment losses on loans and advances (note 8)	569,781	1,498,285
Directors fees	95,150	–
Amortisation (note 11)	34,398	32,400
Depreciation (note 10)	25,263	80,626
	2,243,592	2,954,104
Net income for the year	5,433,111	4,028,730
Earnings per share (note 18)	$169	$403

The notes on pages 1 to 51 are an integral part of these financial statements.

National Bank of Anguilla (Private Banking and Trust) Limited

Statement of Changes in Equity

For the year ended March 31, 2009

(expressed in Eastern Caribbean dollars)

	Share capital $	Other reserves $	Retained earnings $	Total $
Balance at March 31, 2007, as previously stated	675,000	–	2,180,454	2,855,454
Correction of prior period error (note 2t)	–	449,186	–	449,186
Balance at March 31, 2007, restated	**675,000**	**449,186**	**2,180,454**	**3,304,640**
Net income for the year	–	–	4,028,730	4,028,730
Reserve for loan losses (note 2t)	–	2,285,374	(2,285,374)	–
Shares issued during the year	2,025,000	–	–	2,025,000
Balance at March 31, 2008, restated	**2,700,000**	**2,734,560**	**3,923,810**	**9,358,370**
Net income during the year	–	–	5,433,111	5,433,111
Shares issued during the year (note 14)	6,000,000	–	–	6,000,000
Dividend paid	–	–	(6,000,000)	(6,000,000)
Reserve for loan losses (note 15)	–	(2,135,423)	2,135,423	–
Balance at March 31, 2009	**8,700,000**	**599,137**	**5,492,344**	**14,791,481**

The notes on pages 1 to 51 are an integral part of these financial statements.

National Bank of Anguilla (Private Banking and Trust) Limited

Statement of Cash Flows

For the year ended March 31, 2009

(expressed in Eastern Caribbean dollars)

	2009 $	Restated 2008 $
Cash flows from operating activities		
Net income for the year	5,433,111	4,028,730
Items not affecting cash:		
Impairment losses on loans and advances (note 8)	569,781	1,498,285
Depreciation (note 10)	25,263	80,626
Amortization (note 11)	34,398	32,400
Interest and similar income	(13,612,574)	(10,105,998)
Interest and similar expense	6,933,965	4,611,430
Cash flows from operating income before changes in operating assets and liabilities	(616,056)	145,473
Changes in operating assets and liabilities:		
Decrease/(increase) in loans to customers	(3,892,504)	(45,796,722)
Decrease /(increase) in other assets and receivables	89,688	(58,324)
(Decrease)/increase in deposits from customers	(65,980,037)	48,785,786
(Decrease)/increase in other liabilities	(70,372)	1,164,978
Interest received	13,673,314	10,019,737
Interest paid	(5,636,398)	(4,986,603)
Net cash (used in)/ provided by operating activities	(62,432,365)	9,274,325
Cash flows from investing activities		
Redemption of available for sale investments (note 9)	385,715	385,717
Acquisition of property, plant and equipment (note 10)	(218,782)	(473)
Acquisition of intangible assets	(74,115)	–
Net cash provided by investing activities	92,818	385,244
Cash flow from financing activity		
Proceeds from the issuance of share capital (note 14)	6,000,000	2,025,000
Dividends paid	(6,000,000)	–
Net cash provided by financing activities	–	2,025,000
Net (decrease) increase in cash and cash equivalents	(62,339,547)	11,684,569
Cash and cash equivalents at beginning of year	131,377,875	119,693,306
Cash and cash equivalents at end of year (note 6)	69,038,328	131,377,875

The notes on pages 1 to 51 are an integral part of these financial statements.

(expressed in Eastern Caribbean dollars)

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.

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 (EC 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 separate 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 Significant accounting policies

Basis of preparation

(a) Statement of compliance

The financial statements of National Bank of Anguilla (Private Banking and Trust) Limited have been prepared in accordance with International Financial Reporting Standards ("IFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Private Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

(a) Interpretations effective in 2009 but not relevant

IFRIC 11, 'IFRS 2 – Group and treasury share transactions; and
IFRIC 12, 'Service concession arrangements'

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies ... *continued*

Basis of preparation...*continued*

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Private Bank

The following standards and amendments to existing standards have been published and are mandatory for the Private Bank's accounting periods beginning on or after April 1, 2009 or later periods, but the Private Bank has not early adopted them:

- IAS 1 (Amendment), 'Presentation of financial statements' (effective from January 1, 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The Private Bank will apply the IAS 39 (Amendment) from January 1, 2009. It is not expected to have an impact on the Private Bank's financial statements.

- IAS 1 (Revised), 'Presentation of financial statements' (effective from January 1, 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Private Bank will apply IAS 1 (Revised) from April 1, 2009. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies ... *continued*

Basis of preparation...*continued*

- IAS 36 (Amendment), 'Impairment of assets' (effective from January 1, 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Private Bank will apply the IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from April 1, 2009.

- There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting', which are part of the IASB's annual improvements project published in May 2008 (not addressed above). These amendments are unlikely to have an impact on the Private Bank's accounts and have therefore not been analysed in detail.

(c) Interpretations and amendments to existing standards that are not yet effective and not relevant for the Private Bank's operations

The following interpretations to existing standards have been published and are mandatory for the Private Bank's accounting periods beginning on or after April 1, 2009 or later periods but are not relevant for the Private Bank's operations:

- IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from January 1, 2009).
- IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from January 1, 2009).
- IAS 23 (Amendment), 'Borrowing costs' (effective from January 1, 2009)
- IAS 27 (Amendment), 'Consolidated and separate financial statements' (effective from January 1, 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in a subsidiary that is accounted for under IAS 39, 'Financial instruments: recognition and measurement' is classified as held for sale under IFRS 5, 'Non-current assets held for sale and discontinued operations', IAS 39 would continue to be applied. The amendment will not have an impact on the Private Bank's operations because it is the Private Bank's policy for an investment in subsidiary to be recorded at cost in the stand alone accounts of its parent.
- IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from January 1, 2009).
- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from January 1, 2009).
- IAS 38 (Amendment), 'Intangible assets', (effective from January 1, 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment deletes the wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortisation than the straight line method. The amendment will not currently have an impact on the Private Bank's operations as all intangible assets are amortised using the straight line method.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies ... *continued*

Basis of preparation...*continued*

- IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16) (effective from January 1, 2009).
- IAS 41 (Amendment), 'Agriculture' (effective from January 1, 2009).
- IFRS 1 (Amendment) 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements' (effective from January 1, 2009).
- IFRS 2 (Amendment), 'Share-based payments' (effective from January 1, 2009).
- IFRS 3 (Revised), 'Business combinations' (effective from July 1, 2009).
- IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from July1, 2009).
- IFRIC 13, 'Customer loyalty programmes' (effective from July 1, 2008)
- IFRIC 15, 'Agreements for construction of real estate' (effective from January 1, 2009).
- IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective from October 1, 2008).

(b) Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand, non mandatory deposits held with other banks and short term investments with original maturities of less than or equal to 90 days and that are not subject to a significant risk of change in value.

(c) Financial Assets
The Private Bank classifies its financial assets in the following categories: loans and receivables, available-for-sale securities and held-to-maturity investment. Management determines the classification of its investments at initial recognition.

(a) *Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Private Bank provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are recognised when cash is advanced to the borrowers. Loans and advances to customers are carried at amortized cost using the effective interest method.

(b) *Available-for-sale*
Available-for-sale investments are those 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, exchange rates or equity prices. Purchases and sales of available for sale financial assets are recognised on trade-date – the date on which the Private Bank commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Private Bank has transferred substantially all risks and rewards of ownership.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies ... *continued*

Basis of preparation...*continued*

(c) Financial Assets...*continued*

Available-for-sale financial assets are subsequently carried at fair value. However, unimpaired equity instruments that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost.

Gains and losses arising from changes in the fair value of available-for-sale financial assets are 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. However, interest calculated using the effective interest method is recognised in the statement of income. Dividends on available-for-sale equity instruments are recognised in the statement of income when the entity's right to receive payment is established. The fair values of quoted investments in active markets are based on current bid prices.

Impairment of financial assets

(a) *Assets carried at amortised cost*
The Private Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Private Bank about the following loss events:

(i) significant financial difficulty of the issuer or obligor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

(iii) the Private Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

(iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) the disappearance of an active market for that financial asset because of financial difficulties; or

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies...*continued*

Basis of preparation...*continued*

Impairment of financial assets...*continued*

(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including: adverse changes in the payment status of borrowers in the group; or national or local economic conditions that correlate with defaults on the assets in the group.

The Private Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Private Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, The Private Bank may measure impairment on the basis of an instruments' fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (ie, on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies...*continued*

Basis of preparation...*continued*

Impairment of financial assets...*continued*

experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Private Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the statement of income.

Statutory and other regulatory loan reserve requirements that exceed these amounts are dealt with in the other reserves as an appropriation of retained earnings.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of income.

(b) *Assets carried at fair value*
The Private Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as 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 – is removed from equity and recognised in the statement of income. Impairment losses recognised in the statement of income on equity instruments are not reversed through the statement of income.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of income.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies...*continued*

Basis of preparation...*continued*

Impairment of financial assets...*continued*

(c) Renegotiated loans
Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the asset is considered to be past due and disclosed only if renegotiated.

(d) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(e) Provisions

Provisions are recognised when the Private Bank has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an expense.

(f) Property, plant and equipment and depreciation

Property, plant and equipment are stated at historical 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, plant or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal within the carrying amount of property, plant and equipment and are recognized net within "fees, commissions and other income" in the statement of income.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies...*continued*

Basis of preparation...*continued*

(f) Property, plant and equipment and depreciation...*continued*

When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Private Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other reserves in shareholders equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to the income statement.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Furniture, fittings and equipment	5-10 years
Computers	5-6 years
Automation	3 years
Machinery and equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(g) Intangible assets

Computer software
Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. 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 three to five years. Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies...*continued*

Basis of preparation...*continued*

(h) Interest income and expense and revenue recognition

Interest income and expenses are recognised in the income statement for all instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Private Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest to discount the future cash flows for the purpose of measuring the impairment loss.

(i) Leases

Leases where the Private Bank assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Leases where the lessor retains substantially all the risks and rewards of ownership of the assets are classified as operating leases. Operating lease payments are recognized as an expense in the statement of income on a straight-line basis over the lease term.

(j) Fees and commissions income and revenue recognition

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan origination fees for loans which are probable of being drawn down, are deferred (together with related direct costs) and recognised as an adjustment to the effective yield on the loan. Commission and fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the acquisition of shares or other securities are recognised on completion of the underlying transaction.

(k) Dividend income

Dividends are recognized in the statement of income when the entity's right to receive payment is established.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies...*continued*

Basis of preparation...*continued*

(l) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the board of directors. Dividends for the year which are approved after the balance sheet date are disclosed as a subsequent event.

(m) Foreign currency translation

Functional and presentation currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the Private Bank operates (the "functional currency"), which is United States Dollars. The financial statements are presented in Eastern Caribbean dollars, which is the Private Bank's presentation currency.

Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into Eastern Caribbean dollars at the closing rates of exchange prevailing at the balance sheet date. Foreign currency transactions are translated at the rates prevailing on the transaction dates. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

(n) Trade payables

Trade payables recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(o) Tax on income

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

(p) Events after balance sheet date

Post year-end events that provide additional information about the Private Bank's financial position at the balance sheet date (adjusting events) are reflected in the financial statements when material. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies...*continued*

Basis of preparation...*continued*

(q) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction net of tax, from the proceeds.

(r) Impairment of non-financial assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets' fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(s) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(t) Correction of prior period error

Reserve for loan loss provisions

During the year, the Private Bank corrected the manner in which it recorded the reserve for the difference between the loan loss provision calculated in accordance with the Eastern Caribbean Central Bank prudential guidelines and that required by IAS 39. In prior years, the difference was recorded as an increase in the loan loss provision account and a reduction in the retained earnings. As a result, the loan loss provision reflected on the balance sheet was not in accordance with IAS 39. The difference between the IAS 39 loan loss provision and that recommended by the ECCB prudential guidelines is now recorded as a reduction in the retained earnings and as an increase in other reserves. The correction of the error has been accounted for retrospectively. As a result, the 2008 comparatives for the loan loss provision and the statement of changes in equity have been restated.

The effect of the change in 2008 is outlined below. The opening other reserves at March 31, 2009 and loans and advances have both been increased by $2,734,560 which is the amount of the adjustment related to 2008 ($2,285,374) and periods prior to that ($449,186). There was no impact on the statement of income for the correction of the error. There was no cash flow impact as a result of the restatement other than the consequential adjustments arising as a result of restatement of the comparative balances as at March 31, 2008.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies...*continued*

Basis of preparation...*continued*

(t) Correction of prior period error...*continued*

	As previously stated 2008 $	As restated 2008 $	Restatement 2008 $
Effect on balance sheet			
Loans and advances (excluding interest receivable)	85,461,693	88,196,253	2,734,560
Other reserves	–	2,734,560	2,734,560

3 Financial risk management

(a) Introduction and overview

The Private Bank has exposure to the following risks from its use of financial instruments:
- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Private Bank's exposure to each of the above risks, it's objectives, policies and procedures for measuring and managing risk, and the management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Private Bank's risk management framework. The Board of Directors has established the Investment and Loan committees, which are responsible for developing and monitoring the Private Bank's risk management policies in their specified areas. All committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Private Bank's risk management policies are established to identify and analyse the risks faced by the Private Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Private Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Risk management framework...*continued*

The Private Bank's Audit Committee is responsible for monitoring compliance with the Private Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Private Bank. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(b) Credit risk

Credit risk is the risk of financial loss to the Private Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Private Bank's loans and advances to customers and deposits to banks.

Management of credit risk
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. The Board of Directors has delegated responsibility for the management of credit risk to its Loan Committee.

The Loan Committee is responsible for oversight of the Private Bank's credit risk, including:

- Formulating credit policies in consultation with management and staff, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to the Credit Manager and Senior Manager by the Loan Committee as appropriate.

- Reviewing and assessing credit risk. The credit department assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers. Renewals and reviews of facilities are subject to the same review process.

- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer, credit rating band and market liquidity.

- Developing and maintaining the Private Bank's risk gradings in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of eight grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive/committee as appropriate. Risk grades are subject to regular reviews by the Loan Committee.

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

b) Credit risk...*continued*

Management of credit risk...*continued*

- Reviewing compliance with agreed exposure limits, including those for selected industries, country risk and product type. Regular reports are provided to the Loan Committee on the credit quality of local portfolios and appropriate corrective action is taken.

- Providing advice, guidance and specialist skills to departments to promote best practice throughout the Private Bank in the management of credit risk.

The credit department is required to implement the Private Bank's credit policies and procedures, with credit approval authorities delegated from the Loan Committee. The credit department has a Credit Manager who reports on all credit related matters to top management and the Loan Committee. The credit department is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Audits of the credit department processes are undertaken by Internal Audit.

(a) Loans and advances

The Private Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed based on the Eastern Caribbean Central Bank guidelines. Customers of the Private Bank are segmented into five rating classes. The Private Bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The ratings tools kept under review and upgraded as necessary.

Bank's rating	Description of the grade
1	Pass
2	Special mention
3	Sub-standard
4	Doubtful
5	Loss

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

b) Credit risk...*continued*

Risk limit control and mitigation policies

The Private Bank manages, limits and controls concentrations of credit risk wherever they are identified, in particular to individual counterparties and groups, and to industries and countries.

The Private Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and industry segments. Such risks are monitored on a revolving basis and subject to regular review by the Board of Directors.

The exposure to any one borrower, including banks and brokers is further restricted by sub-limits covering on and off balance sheet exposures, and daily delivery risk limits in relation to trading items. Actual exposures against limits are monitored.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

The following specific control and mitigation measures are also utilised:

a) Collateral
The Private Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is a common practice. The Private Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are as follows:

- Mortgages over properties
- Charges over business assets such as premises, inventory and accounts receivable
- Charges over financial instruments such as debt securities and equities

Longer-term finance and lending to corporate entities are generally secured; individual credit facilities are generally secured. In addition, in order to minimise the credit loss, the Private Bank will seek additional collateral from the counter party as soon as there are impairment indicators for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

(b) Credit-related commitments
The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit which are written undertakings by the group on behalf of a customer authorising a third party to draw drafts on the Private Bank up to a stipulated amount under specific terms and conditions are collateralised by the underlying shipment of goods to which they relate, and therefore carry less risk than a direct loan.

(expressed in Eastern Caribbean dollars)

3 Financial risk management*....continued*

b) Credit risk*...continued*

Risk limit control and mitigation policies*...continued*

(b) Credit-related commitments...continued

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Private Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Private Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter term commitments.

(c) Impairment and provision policies

The Private Bank's internal rating system focuses more on credit quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the balance sheet date based on the objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

The impairment provision shown in the balance sheet at year end is derived from each of the five rating grades. However, the majority of the impairment provision comes from the substandard and doubtful grades. The following table shows the percentage of the Private Bank's balance sheet items relating to loans and advances and the associated impairment provision for each of the Private Bank's internal rating categories.

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

b) Credit risk...*continued*

The impairment provision shown in the balance sheet at year end is derived from each of the five rating grades. However, the majority of the impairment provision comes from the substandard and doubtful grades. The following table shows the percentage of the Private Bank's balance sheet items relating to loans and advances and the associated impairment provision for each of the Private Bank's internal rating categories.

	Loans and advances to customers		Impairment provision		Net total
At March 31, 2009	$	%	$	%	$
Substandard	18,153,416	19%	(1,208,063)	59%	16,945,353
Doubtful	22,888	–	(22,888)	1%	–
Loss	823,217	1%	(823,217)	40%	–
Special mention	35,501,353	38%	–	–	35,501,353
Pass	40,106,979	42%	–	–	40,106,979
Gross loans and advances	94,607,853	100%	(2,054,168)	100%	92,553,685
Interest receivable	548,420	–	–	–	548,420
Inherent risk provision	–	–	(13,898)	–	(13,898)
	95,156,273		(2,068,066)		93,088,207

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

b) Credit risk...*continued*

At March 31, 2008	Loans and advances to customers $	%	Impairment provision $	%	Net total $
Substandard	20,520,028	23%	(653,696)	43%	19,866,332
Doubtful	837,061	1%	(837,061)	56%	–
Loss	7,528	–	(7,528)	1%	–
Special mention	6,886	–	–	–	6,886
Pass	69,343,846	76%	–	–	69,343,846
Gross loans and advances	90,715,349	100%	(1,498,285)	100%	89,217,064
Interest receivable	609,160	–	–	–	609,160
	91,324,509		**(1,498,285)**		**89,826,224**

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

b) Credit risk...*continued*

Loans and advances are analysed as follows:

	2009 $	2008 $
Pass: *Neither past due nor impaired*	1,720,011	19,254,432
Pass: *Past due but not impaired*	38,386,968	50,089,414
Special mention:	35,501,353	6,886
	73,888,321	50,096,300
Individually impaired:		
Substandard	18,153,416	20,520,028
Doubtful	22,888	837,061
Loss	823,217	7,528
	18,999,521	21,364,617
Total gross loans and advances	94,607,853	90,715,349
Allowance for impairment losses	(2,068,066)	(1,498,285)
Interest receivable on loans	548,420	609,160
Total carrying amount	93,088,207	89,826,224

The total impairment provision for loans and advances is $2,068,066 (2008:$1,498,285) of which $2,054,169 represents the individually impaired loans, and the remaining amount of $13,897 represents the portfolio provision. Further information on the impairment provision for loans and advances to banks and to customers is provided in notes 7 and 8.

(expressed in Eastern Caribbean dollars)

3 Financial risk management ... *continued*

(b) Credit risk ... *continued*

	Overdraft $	Retail $	Total $
As at March 31, 2009			
Pass: *Neither past due nor impaired*	201,080	1,518,931	**1,720,011**
Pass: *Past due but not impaired*	–	38,386,968	**38,386,968**
Special mention:	29,826	35,471,527	**35,501,353**
Individually impaired			
Substandard	151	18,153,265	**18,153,416**
Doubtful	22,888	–	**22,888**
Loss	823,217	–	**823,217**
Total gross loans and advances	**1,077,162**	**93,530,691**	**94,607,853**
Allowance for impairment	(846,256)	(1,221,810)	**(2,068,066)**
	230,906	92,308,881	**92,539,787**
Interest receivable	–	548,420	**548,420**
Total net carrying amount	**230,906**	**92,857,301**	**93,088,207**

(expressed in Eastern Caribbean dollars)

3 Financial risk management ... *continued*

(b) Credit risk ... *continued*

	Overdraft $	Retail $	Total $
As at March 31, 2008			
Pass: *Neither past due nor impaired*	–	19,254,432	**19,254,432**
Pass: *Past due but not impaired*	–	50,089,414	**50,089,414**
Special mention:	6,886	–	**6,886**
Individually impaired:			
Substandard	1,500	20,518,528	**20,520,028**
Doubtful	837,061	–	**837,061**
Loss	7,528	–	**7,528**
Total gross loans and advances	**852,975**	**89,862,374**	**90,715,349**
Allowance for impairment	(846,089)	(652,196)	**(1,498,285)**
	6,886	89,210,178	**89,217,064**
Interest receivable	–	609,160	**609,160**
Total net carrying amount	**6,886**	**89,819,338**	**89,826,224**

(expressed in Eastern Caribbean dollars)

3 Financial risk management ... *continued*

(b) Credit risk ... *continued*

Impaired loans and securities
Impaired loans and securities are loans and securities for which the Private Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreements. These loans are graded substandard to loss in the Private Bank's internal credit risk grading system.

Past due but not impaired loans
Loans and securities where contractual interest or principal payments are past due but the Private Bank believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Private Bank.

	Overdrafts $	Retail Loans $	Total $
As at March 31, 2009			
Past due up to 30 days	–	–	–
Past due up to 60 days	29,826	–	29,826
Past due up to 89 days	–	35,471,527	35,471,527
Total	29,826	35,471,527	35,501,353
Fair value of collateral	–	43,253,258	43,253,258

	Overdrafts $	Retail Loans $	Total $
As at March 31, 2008			
Past due up to 30 days	–	12,714,330	12,714,330
Past due up to 60 days	6,837	–	6,837
Past due up to 89 days	49	–	49
Total	6,886	12,714,330	12,721,216
Fair value of collateral	–	50,908,500	50,908,500

(expressed in Eastern Caribbean dollars)

3 Financial risk management ... *continued*

(b) Credit risk ... *continued*

Loans with renegotiated terms
Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Private Bank has made concessions that it would otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Renegotiated loans at March 31, 2009 amounted to EC$9,720,000 (2008: nil).

Allowance for impairment
The Private Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main component of this allowance is the specific loss component that relates to individually significant exposures.

The impairment losses were made in accordance with IAS 39 which considers the estimated future cash flows of the collaterals. However, appropriate loan loss provisions were also made taking into consideration ECCB's prudential guidelines. Based on ECCB guidelines, all loans of EC$270,000 or more, as well as loans that are in arrears for 60 days or more, are reviewed and an additional provision is made, if necessary. In addition, a 1% general provision is made to the remaining loan portfolio. An additional provision is recognised as reserve under retained earnings to account for the difference between the requirements of ECCB and IAS 39.

Write-off policy
The Private Bank writes off a loan balance (and any related allowances for impairment losses) when the Loan Committee determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, charge off decisions generally are based on product specific past due status.

(expressed in Eastern Caribbean dollars)

3 Financial risk management ... *continued*

(b) Credit risk ... *continued*

An estimate of the fair value of collateral and other security enhancements held against financial assets follows:

	2009 $	2008 $
Against individual impaired		
Property	**28,066,895**	37,913,400
Debt securities	**–**	–
Other	**–**	–
Against past due but not impaired		
Property	**43,253,258**	50,908,500
Debt securities	**–**	–
Other	**–**	–
Against neither past due nor impaired		
Property	**93,765,900**	102,702,735
Debt securities	**–**	–
Other (cash)	**9,674,100**	2,025,000
	174,760,153	**193,549,635**

(expressed in Eastern Caribbean dollars)

3 Financial risk management ... *continued*

(b) Credit risk ... *continued*

Concentration risk

The Private Bank monitors concentrations of credit risk by sector. An analysis of economic sector credit risk concentrations of outstanding loans are presented in the table below:

	2009 $	2009 %	2008 $	2008 %
Construction and land development	**73,113,442**	77	77,727,012	85
Transportation	**14,067,744**	15	8,091,098	8
Professional services	**1,649,874**	2	1,907,156	3
Other	**5,776,792**	6	2,990,083	4
	94,607,852	100	90,715,349	100

Maximum exposure to credit risk before collateral held or other credit enhancements

	2009 $	2008 $
Credit risk exposures relating to on-balance sheet assets:		
Cash in bank (note 6)	**69,038,328**	131,377,875
Loans and advances (note 7)	**93,088,207**	89,826,224
Available-for-sale investment (note 9)	**1,766,353**	2,152,068
Other assets	**33,977**	123,665
	163,926,865	223,479,832
Credit exposures relating to off-balance sheet items		
Loan commitment and other credit related facilities	**2,397,108**	6,244,370
	166,323,973	229,724,202

(expressed in Eastern Caribbean dollars)

3 Financial risk management ... *continued*

(b) Credit risk ... *continued*

Geographical sectors

The following table breaks down the Private Bank's main credit exposure at their carrying amounts, as categorised by geographical region as at March 31, 2009. For this table, the Private Bank has allocated exposures to regions based on country of domicile of the counterparties.

	Anguilla $	Caribbean $	USA $	Europe $	Other	Total $
Cash in bank (note 6)	69,038,328	–	–	–	–	69,038,328
Loans and advances (note 7)	–	41,574,419	51,379,567	–	134,221	93,088,207
Investment securities (note 9)						
-Available-for-sale investment	–	1,766,353	–	–	–	1,766,353
Other assets	33,977	–	–	–	–	33,977
As at March 31, 2009	**69,072,305**	**43,340,772**	**51,379,567**	**–**	**134,221**	**163,926,865**

(expressed in Eastern Caribbean dollars)

3 Financial risk management ... *continued*

(b) Credit risk ... *continued*

Geographical sectors

	Anguilla $	Caribbean $	USA $	Europe $	Other	Total $
Cash in bank (note 6)	131,377,875	–	–	–	–	131,377,875
Loans and advances (note 7)	–	41,719,705	47,934,723	–	171,796	89,826,224
Investment securities (note 9)						
-Held to maturity debt investments	–	2,152,068	–	–	–	2,152,068
Other assets	123,665	–	–	–	–	123,665
As at March 31, 2008	**131,501,540**	**43,871,773**	**47,934,723**	–	**171,796**	**223,479,832**

(expressed in Eastern Caribbean dollars)

3 Financial risk management ... *continued*

(b) Credit risk ... *continued*

Settlement risk
The Private Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a Bank to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions the Private Bank mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process described earlier. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from Private Bank risk.

(c) Liquidity risk
Liquidity risk is the risk that the Private Bank will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk
The Private Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Private Bank's reputation.

The Board of Directors assesses information regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. It then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, deposits to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained by the Private Bank.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the Board of Directors. A summary report, including any exceptions and remedial action taken, is submitted regularly to the Board of Directors.

Exposure to liquidity risk
The key measure used by the Private Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash in bank for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month.

It is the policy of the Private Bank to monitor the following liquidity measures and keep them with the limits cited.

(a) Loans to capital ratio
(b) Loans to available deposits
(c) Net funds purchased to capital
(d) Net liquid assets to net liabilities

(expressed in Eastern Caribbean dollars)

3 Financial risk management ... *continued*

(c) Liquidity risk ... *continued*

The above liquidity measures are reviewed internally on a historical basis and externally when possible with other banks.

Details of the ratio of net liquid assets to deposits and customers at the reporting date and during the reporting period were as follows:

	2009 $	2008 $
At March 31	**0.62**	0.41
Average for the period	**0.46**	0.40
Maximum for the period	**0.62**	0.47
Minimum for the period	**0.39**	0.25

The Private Bank has access to a diverse funding base. Funds are raised during a broad range of instruments including deposits, other liabilities and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Private Bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Private Bank continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Private Bank strategy. In addition, the Private Bank holds a portfolio of liquid assets as part of its liquidity risk management strategy.

(expressed in Eastern Caribbean dollars)

3 Financial risk management ... *continued*

(c) Liquidity risk ... *continued*

The Board of Directors addresses the liquidity needs of the Private Bank to assure that sufficient funds are available to meet credit demand and deposit withdrawals. In assessing liquidity equal consideration is given to the current position as well as the future outlook.

Residual contractual maturities of financial liabilities:

	Carrying amount $	Gross nominal inflow $	Less than 1 month $	1-3 months $	3 months to 1 year $	1-5 years $
March 31, 2009						
Deposits from customers (note 12)	148,333,841	150,667,839	79,136,761	10,885,472	25,726,314	34,919,292
Other liabilities (note 13)	127,757	127,757	127,757	–	–	–
	148,461,598	**150,795,596**	**79,264,518**	**10,885,472**	**25,726,314**	**34,919,292**
Off balance sheet items						
Credit commitments (note 20)	**2,397,108**	**2,397,108**	–	**2,397,108**	–	–
	150,858,706	**153,192,704**	**79,264,518**	**13,282,580**	**25,726,314**	**34,919,292**
March 31, 2008						
Deposits from customers (note 12)	213,016,311	214,053,284	92,025,059	76,624,187	13,621,016	31,783,022
Other liabilities (note 13)	158,512	158,512	158,512	–	–	–
	213,174,823	214,211,796	92,183,571	76,624,187	13,621,016	31,783,022
Off balance sheet items						
Credit commitments (note 20)	6,244,370	6,244,370	–	6,244,370	–	–
	219,419,193	**220,456,166**	**92,183,571**	**82,868,557**	**13,621,016**	**31,783,022**

(expressed in Eastern Caribbean dollars)

3 Financial risk management ... *continued*

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads will affect the Private Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risk

The Private Bank separates its exposure to market risk between trading and non-trading portfolios.

The market risks arising from trading and non-trading portfolios are monitored by the Investment Committee and management. Regular reports are submitted to the Board of Directors and department heads.

Trading portfolios include those positions arising from market-making transactions where the Private Bank acts as principal with clients or with the market.

Non trading portfolios primarily arise from the interest rate management of the entity's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the Private Bank's available-for-sale investment securities.

Overall authority for market risk is vested in the Board of Directors. The Board of Directors is responsible for the development of detailed risk management policies and for the day-to-day review of their implementation.

Equity price risk

Equity price risk is the possibility that equity prices will fluctuate affecting the fair value of equity investments and other instruments that derive their value from a particular equity investment or index of equity prices. The company has no investments in equity securities and thus is not exposed to equity securities price risk. The company is not exposed to commodity price risk.

Interest rate risk

Interest rates 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 are subject to interest rate adjustments within a specified period.

At March 31, 2009, if interest rates on Available-for-sale investments been 1% higher with all other variables held constant, post-tax profit for the year would have been $20,853 (2008: $23,480) higher, mainly as a result of higher interest income. At March 31, 2009, if interest rates on cash and cash equivalent had been 1% higher with all other variables held constant, post-tax profit for the year would have been $1,170,849 (2008: $1,074,500) higher, mainly as a result of higher interest income. At March 31, 2009, if interest rates on loans to customers had been 1% higher with all other variables held constant, post-tax profit for the year would have been $954,864 (2008: $718,234) higher, mainly as a result of higher interest income. At March 31, 2009 , if interest rates on deposits to customers had been 1% higher with all other variables held constant, post-tax profit for the year would have been $1,650,944 (2008: $1,097,960) lower, mainly as a result of higher interest expense.

(expressed in Eastern Caribbean dollars)

3 Financial risk management ... *continued*

(d) Market risk...*continued*

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.

	Effective interest rate %	12 months or less $	1 – 5 years $	More than 5 years $	Non-interest bearing financial assets $	Total $
At March 31, 2009						
Financial assets						
Cash in bank (note 6)	4.25%	69,038,328	–	–	–	69,038,328
Loans and advances (note 7)	9.26%	23,433,122	1,188,224	68,466,861	–	93,088,207
Investment securities (note 9)						
-Available-for-sale investments	8.00%	–	1,766,353	–	–	1,766,353
Other assets	Nil	–	–	–	33,977	33,977
		92,471,450	2,954,577	68,466,861	33,977	163,926,865
Financial liabilities						
Deposits from customers (note 12)	3.84%	(125,950,595)	(22,383,246)	–	–	(148,333,841)
Other liabilities (note 13)	Nil	–	–	–	(127,755)	(127,755)
		(125,950,595)	(22,383,246)	–	(127,755)	(148,461,596)
Repricing gap		(33,479,145)	(19,428,669)	68,466,861	(93,778)	15,465,269

(expressed in Eastern Caribbean dollars)

3 Financial risk management ... *continued*

(d) Market risk...*continued*

	Effective Interest Rate %	12 months or less $	1-5 years $	More than 5 Years $	Non-Interest Bearing Financial Assets $	Total $
At March 31, 2008						
Financial assets						
Cash in bank (note 6)	2.70%	131,377,875	–	–	–	131,377,875
Loans and advances (note 7)	9.74%	15,180,000	1,070,000	73,576,224	–	89,826,224
Investments securities (note 9)						
-Held-to-maturity investment	8.00%	–	–	2,152,068	–	2,152,068
Other assets	Nil	–	–	–	123,665	123,665
		146,557,875	**1,070,000**	**75,728,292**	**123,665**	**223,479,832**
Financial liabilities						
Deposits from customers (note 12)	2.27%	(187,514,311)	(25,502,000)	–	–	(213,016,311)
Other liabilities (note 13)	Nil	–	–	–	(158,512)	(158,512)
		(187,514,311)	**(25,502,000)**	–	**(158,512)**	**(213,174,823)**
Repricing gap		**(40,956,436)**	**(24,432,000)**	**75,728,292**	**(34,847)**	**10,305,009**

(expressed in Eastern Caribbean dollars)

3 Financial risk management ... *continued*

(d) Market risk...*continued*

Foreign currency risk
Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Private Bank incurs 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.

(expressed in Eastern Caribbean dollars)

3 Financial risk management ... *continued*

Foreign currency risk

	US $	US$ %	Euro $	Euro %	GBP $	GBP %	CAD $	CAD %	Total $
At March 31, 2009									
Financial assets									
Cash in bank (note 6)	67,334,893	99	1,975,603	2	(47,787)	–	(224,381)	(1)	69,038,328
Loans and advances (note 7)	93,088,207	100	–	–	–	–	–	–	93,088,207
Investment security (note 9)									
- Available-for-sale investment	1,766,353	100	–	–	–	–	–	–	1,766,353
Other assets	33,977	100	–	–	–	–	–	–	33,977
	162,223,430		**1,975,603**		**(47,787)**		**(224,381)**		**163,926,865**
Financial liabilities									
Deposits from customers (note 12)	(147,761,348)	100	(463,405)	–	(19,715)	–	(89,373)	–	(148,333,841)
Other liabilities (note 13)	(127,757)	100	–						(127,757)
	(147,889,105)		**(463,405)**		**(19,715)**		**(89,373)**		**(148,461,598)**
Net on balance sheet position	**14,334,325**		**1,512,198**		**(67,502)**		**(313,754)**		**15,465,267**

(expressed in Eastern Caribbean dollars)

3 Financial risk management ... *continued*

Foreign currency risk...*continued*

At March 31, 2008	US $	US$ %	Euro $	Euro %	GBP $	GBP %	CAD $	CAD %	Total $
Financial assets									
Cash in bank (note 6)	125,399,151	95	5,983,425	5	(96,017)	–	91,316	–	131,377,875
Loans and advances (note 7)	89,826,224	100	–	–	–	–	–	–	89,826,224
Investment security (note 9)									
- Held-to-maturity investment	2,152,068	100	–	–	–	–	–	–	2,152,068
Other assets	123,665	100	–	–	–	–	–	–	123,665
	217,501,108		**5,983,425**		**(96,017)**		**91,316**		**223,479,832**
Financial liabilities									
Deposits from customers (note 12)	(178,074,986)	84	(4,214,256)	2	(23,493)	–	(30,703,576)	14	(213,016,311)
Other liabilities (note 13)	(158,512)	100	–	–	–	–			(158,512)
	(178,233,498)		**(4,214,256)**		**(23,493)**		**(30,703,576)**		**(213,174,823)**
Net on balance sheet position	**39,267,610**		**1,769,169**		**(119,510)**		**(30,612,260)**		**10,305,009**

(expressed in Eastern Caribbean dollars)

3 Financial risk management ... *continued*

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Private Bank's processes, personnel, technology, infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Private Bank's operations and are faced by all business entities.

The Private Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Private Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Board of Directors. This responsibility is supported by the development of overall Private Bank's standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risk faced and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance when this is effective.

Compliance with Private Bank's standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of business unit to which they relate, with summaries submitted to the Board of Directors.

(f) Capital management

Regulatory capital

The Private Bank's local regulator, Anguilla Financial Services Commission, monitors capital requirements for the Private Bank.

The Private Bank's policy is to maintain investor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Private Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Private Bank has complied with all externally imposed capital requirements throughout the period. There have been no material changes in the Private Bank's management of capital during the period.

(expressed in Eastern Caribbean dollars)

3 Financial risk management ... *continued*

(f) Capital management...*continued*

The Private Bank's regulatory capital is analysed into one tier:

- Tier 1 capital which includes ordinary share capital, share premium, retained earnings and other reserves.

The Bank's regulatory capital position at March 31 is as follows:

Tier capital I	**2009** **$**	**2008** **$**
Share capital	8,700,000	2,700,000
Other reserves	599,137	2,734,560
Retained earnings	5,492,344	3,923,810
Total qualifying tier 1 capital	**14,791,481**	**9,358,370**
Risk weighted assets		
On balance sheet	96,910,000	107,523,000
Off balance sheet	–	–
Total risk weighted assets	**96,910,000**	**107,523,000**
Basel ratio	**15.26%**	**8.70%**

The Private Bank's policy is to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Private Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Private Bank has complied with all externally imposed capital requirements throughout the period. There have been no material changes in the Private Bank's management of capital during the period.

(expressed in Eastern Caribbean dollars)

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Private Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment losses on loans and advances
The Private Bank reviews its loan portfolios to assess impairment on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of income, the Private Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or local economic conditions that correlate with defaults on assets in the Private Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the net present value of estimated cash flows differs by +/-10 percent, the provision would be estimated $1,221,809 (2008: $652,196) lower or $1,542,373 ($1,873,127) higher respectively.

5 Determination of fair values

A number of the Private Bank's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Financial assets
Due to the short-term nature of the assets, the fair values of cash in bank, and other assets approximate the carrying amounts as of the balance sheet date.

(ii) Loans to customers
The fair value of loans to customers is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(iii) Financial liabilities
The carrying value of the Private Bank's deposit liabilities and other liabilities approximates the fair value because of its short-term nature.

(expressed in Eastern Caribbean dollars)

5 Financial assets and liabilities

Accounts classification and fair values

The table below sets out the Private Bank's classification of each class of financial assets and liabilities, and their fair values:

	Held-to-maturity $	Loans and receivable	Available-for-sale	Other $	Total carrying amount $	Fair value $
March 31, 2009						
Financial assets						
Cash in bank (note 6)	–	69,038,328	–	–	69,038,328	69,038,328
Loans and advances (note 7)	–	93,088,207	–	–	93,088,207	93,088,207
Investment security (note 9)						
-Available-for-sale investment	–	–	1,766,353	–	1,766,353	1,766,353
Other assets	–	33,977	–	–	33,977	33,977
	–	**162,160,512**	**1,766,353**	–	**163,926,865**	**163,926,865**
Financial liabilities						
Deposits from customers (note 12)	–	–	–	(148,333,841)	(148,333,841)	(148,333,841)
Other liabilities (note 13)	–	–	–	(127,757)	(127,757)	(127,757)
	–	–	–	**(148,461,598)**	**(148,461,598)**	**(148,461,598)**

(expressed in Eastern Caribbean dollars)

5 Financial assets and liabilities...*continued*

Accounts classifications and fair values...*continued*

	Held-to-maturity $	Loans and receivables $	Available-for-sale $	Other $	Total carrying amount $	Fair value $
March 31, 2008						
Cash in bank (note 6)	–	131,377,875	–	–	131,377,875	131,377,875
Loans and advances (note 7)	–	89,826,224	–	–	89,826,224	89,826,224
Investment security (note 9)						
-Held-to-maturity investment	2,152,068	–	–	–	2,152,068	2,152,068
Other assets	–	123,665	–	–	123,665	123,665
	2,152,068	**221,327,764**	**–**	**–**	**223,479,832**	**223,479,832**
Financial liabilities						
Deposits from customers (note 12)	–	–	–	(213,016,311)	(213,016,311)	(213,016,311)
Other liabilities (note 13)	–	–	–	(158,512)	(158,512)	(158,512)
	–	–	–	**(213,174,823)**	**(213,174,823)**	**(213,174,823)**

(expressed in Eastern Caribbean dollars)

6 Cash in bank

	2009 $	2008 $
Cash in bank	69,038,328	131,377,875

Cash in bank is comprised of accounts held with the parent company, National Bank of Anguilla Limited.

7 Loans and advances

	2009 $	Restated 2008 $
Commercial industrial loans	45,956,948	49,507,253
Real estate loans	25,158,553	20,613,187
Non-productive loans and advances	18,999,522	17,794,641
Personal loans	4,261,924	1,912,595
Other	230,906	887,673
	94,607,853	90,715,349
Allowance for impairment losses (note 8)	(2,068,066)	(1,498,285)
	92,539,787	89,217,064
Interest receivable	548,420	609,160
	93,088,207	89,826,224
Current portion	23,433,122	21,418,712
Non current portion	69,655,085	68,407,512
	93,088,207	89,826,224

According to the Eastern Caribbean Central Bank loan provisioning guidelines the calculated allowance for loan impairment amounts to $2,667,203 (2008: $4,232,845).

The total loan value of non productive loans and advances at the end of the year recorded in these financial statements amounted to $18,999,521 (2008:$17,794,641).

(expressed in Eastern Caribbean dollars)

7 Loans and advances...*continued*

	2009 $	Restated 2008 $
Maturity analysis		
On demand	1,625,582	2,516,247
Within 1 year	21,807,540	18,902,465
Between 1-5 years	1,188,224	794,873
After 5 years	68,466,861	67,612,639
	93,088,207	89,826,224

At March 31, 2009, approximately forty-four percent (44%) (2008: 47%) of the total loan portfolio has been made to Europeans and approximately sixty-six percent (66%) (2008: 52%) has been made to North Americans.

8 Allowance for impairment losses

	2009 $	Restated 2008 $
Balance beginning of year	1,498,285	–
Impairment loss during the year	569,781	1,498,285
Balance, end of year	2,068,066	1,498,285

9 Investment security

(a) Available-for-sale debt securities	2009 $	2008 $
Securities available for sale		
Government of Antigua bond	1,735,710	–
Interest receivable	30,643	–
	1,766,353	–
Current portion	30,643	–
Non current portion	1,735,710	–
	1,766,353	–

This represents an investment in Antigua and Barbuda government bonds which will mature on July 26, 2013 and earns interest at 8.00% per annum.

(expressed in Eastern Caribbean dollars)

9 Investment security...*continued*

(b)Held-to-maturity debt securities	2009 $	2008 $
Government of Antigua bond	–	2,121,425
Interest receivable	–	30,643
	–	**2,152,068**
Current portion	–	–
Non current portion	–	**2,152,068**
	–	**2,152,068**

This represents an investment in Antigua and Barbuda government bonds which will mature on July 26, 2013 and earns interest at 8.00% per annum. During the year the bond was reclassified as available-for-sale since this classification was more appropriate based on Management's current intent.

The movement in investment security is as follows;

	Available-for-sale $	Held-to-maturity $	Total $
At April 1, 2007	–	2,542,799	2,542,799
Disposals (principal repayment)	–	(390,731)	(390,731)
At March 31, 2008	–	**2,152,068**	**2,152,068**
At April 1, 2008	–	2,152,068	2,152,068
Transfer of principal repayment	2,152,068	(2,152,068)	–
Disposals (sale and redemption)	(385,715)	–	(385,715)
At March 31, 2009	**1,766,353**	–	**1,766,353**

(expressed in Eastern Caribbean dollars)

10 Plant, property and equipment

	Furniture and equipment $	Computers $	Automation $	Machinery and equipment $	Total $
At March 31, 2007					
Cost	7,134	2,773	231,790	8,170	249,867
Accumulated depreciation	(2,638)	(46)	(154,527)	(3,132)	(160,343)
Net book amount	4,496	2,727	77,263	5,038	89,524
Year ended March 31, 2008					
Opening net book amount	4,496	2,727	77,263	5,038	89,524
Additions in the year	–	–	–	473	473
Depreciation for the year	(1,168)	(555)	(77,262)	(1,641)	(80,626)
Closing net book amount	3,328	2,172	1	3,870	9,371
At March 31, 2008					
Cost	7,134	2,773	231,790	8,643	250,340
Accumulated depreciation	(3,806)	(601)	(231,789)	(4,773)	(240,969)
Net book amount	3,328	2,172	1	3,870	9,371
Year ended March 31, 2009					
Opening net book amount	3,328	2,172	1	3,870	9,371
Additions in the year	197,862	–	–	20,920	218,782
Transfer of assets (cost)	–	(2,773)	–	2,773	–
Transfer of assets (accumulated depreciation)	–	601	–	(601)	–
Depreciation for the year	(21,090)	–	–	(4,173)	(25,263)
Closing net book amount	**180,100**	–	**1**	**22,789**	**202,890**
At March 31, 2009					
Cost	204,996	–	231,790	32,595	469,381
Accumulated depreciation	(24,896)	–	(231,789)	(9,806)	(266,491)
Net book amount	**180,100**	–	**1**	**22,789**	**202,890**

(expressed in Eastern Caribbean dollars)

11 Intangible asset

	Computer Software $
At March 31, 2007	
Cost	162,000
Accumulated amortisation	(64,800)
Net book amount	97,200
Year ended March 31, 2008	
Opening net book amount	97,200
Additions	–
Amortisation charge for the year	(32,400)
Closing net book amount	64,800
At March 31, 2008	
Cost	162,000
Accumulated amortisation	(97,200)
Net book amount	64,800
Year ended March 31, 2009	
Opening net book amount	64,800
Additions	74,115
Amortisation charge for the year	(34,398)
Closing net book amount	**104,517**
At March 31, 2009	
Cost	236,115
Accumulated amortisation	(131,598)
Net book amount	**104,517**

(expressed in Eastern Caribbean dollars)

12 Deposits from customers

	2009 $	2008 $
Demand	80,325,141	36,442,225
Savings	35,825,729	53,449,935
Time	29,847,963	122,086,710
Interest payable	2,335,008	1,037,441
	148,333,841	213,016,311
Current	125,950,595	187,514,556
Non-current	22,383,246	25,501,755
	148,333,841	213,016,311

13 Other liabilities

	2009 $	2008 $
Accounts payable and accrued expenses	71,114	65,362
Other payables	56,643	93,150
Total financial other liabilities	127,757	158,512
Unearned fees closing costs	981,193	1,020,810
Total other liabilities	1,108,950	1,179,322

	2009 $	2008 $
Current	127,757	158,512
Non current	981,193	1,020,810
	1,108,950	1,179,322

(expressed in Eastern Caribbean dollars)

14 Share capital

The authorised share capital is unlimited.

	2009 $	2008 $
Issued and fully paid-up 32,222 (2008: 10,000) ordinary shares @ EC$270 per share	**8,700,000**	2,700,000

15 Other reserves

Other reserves represent amount by which the loan loss provision calculated under the Prudential Guidelines of the Eastern Caribbean Central Bank exceeds the loan loss provision calculated in accordance with IAS 39.

16 General and administrative expenses

	2009 $	2008 $
Staff costs (note 17)	**550,729**	522,114
Service maintenance costs	**490,660**	371,310
Public relations	**144,883**	103,399
NCDS expenses	**133,762**	32,888
Professional fees	**107,109**	113,668
Other	**52,369**	169,236
Supplies	**20,185**	9,193
Occupancy costs	**17,739**	17,739
Communication	**1,564**	3,246
	1,519,000	1,342,793

(expressed in Eastern Caribbean dollars)

17 Salaries and related cost

	2009 $	2008 $
Salaries, wages and allowances	528,430	499,320
Social security	17,189	14,524
Other staff cost and benefits	5,110	8,270
	550,729	522,114

18 Earnings per share

The calculations of basic earnings per share as at March 31, 2009 and 2008 were based on the net income for the year and the total number of capital shares issued and outstanding as at balance sheet date calculated as follows:

	2009 $	2008 $
Net income for the year	5,433,111	4,028,730
Total number of shares issued and outstanding at the end of the year	32,222	10,000
Earnings per share	169	403

19 Related party disclosures

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

	2009 $	2008 $
Cash in bank	69,061,577	131,177,473
Interest received	4,976,108	4,566,836
Service maintenance fee paid	270,000	270,000
Rent expense	17,739	17,739
Remuneration to directors and executive staff		
Director's fees	95,150	–
Executive staff salaries	202,560	208,680

The parent company, National Bank of Anguilla Limited, pays for the pension expense of all employees on behalf of the Private Bank.

(expressed in Eastern Caribbean dollars)

20 Commitments

Customer loans approved at March 31, 2009 but not disbursed amounted to EC$2,316,108 (2008: EC$6,107,382). Undrawn overdraft facilities were EC$81,000 (2008: EC$136,988). There were no guarantees and letters of credit at March 31, 2009 (2008: nil).

21 Comparative figures

Several items in the financial statements have been classified differently to achieve a clearer or more appropriate presentation. The comparative figures have been similarly reformatted and reclassified in order to achieve comparability with the current period. The items which have been reclassified are as follows:

1. Interest receivable of $1,659,217 was reclassified to Held-to-maturity investment and Loans and advances on the balance sheet and the related notes to the financial statements.
2. Unearned fees closing costs of $1,020,810 were reclassified from Loans and advances to other liabilities and accrued expenses on the balance sheet and the related notes to the financial statements.
3. Interest accrued on non-performing loans and advances and the related provision of $1,019,414 were reversed on the balance sheet. The related interest income and impairment loss on loans and advances that were reflected in the statement of income were also reversed.
4. Interest payable of $1,037,441 was reclassified to Deposits from customers on the balance sheet and the related notes to the financial statements.
5. Depreciation expense of $80,626 was reclassified from general and administrative expenses and is reflected as a separate line item on the balance sheet.
6. Amortisation expense of $32,400 was reclassified from general and administrative expenses and is reflected as a separate line item on the balance sheet.
7. Director's expenses of $95,150 were reclassified from general and administrative expenses and are reflected as a separate line item on the balance sheet.