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Notice Of Annual General Meeting

Notice is hereby given that the Fifty-First Annual General Meeting of the Antigua Commercial Bank will be held at the Conference Room at the City View Hotel, Newgate Street, St. John's, Antigua on Thursday, September 25, 2008 at 3:00 p.m. to:

1. Confirm the Minutes
2. Consider Matters arising from Minutes
3. Present the Directors' and the Chairman's Report
4. Consider the Financial Statements for the year ended September 30, 2006 and the Auditors' report
5. Declare a dividend
6. Elect directors and fix their remuneration
7. Re-appoint the incumbent Auditors for the year ending September 30, 2007 and to authorize the Board of Directors to fix their remuneration
8. Transact any other business which may properly come before an annual meeting of shareholders

BY ORDER OF THE BOARD

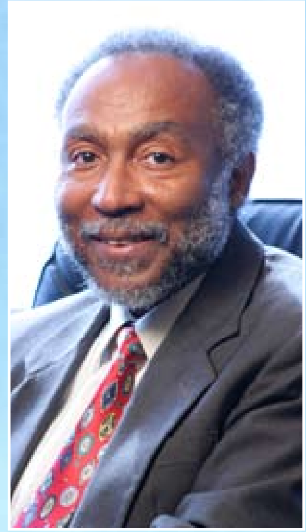
Alincia Williams-Grant (Mrs.)

Legal Counsel/Corporate Secretary

6th March 2008

Performance

I am happy to report that the Bank performed creditably for a second consecutive year recording after tax profit of $8.2 million. This is below the $10.3 million generated for fiscal 2005 and is due to a higher tax liability of $5.8 million compared to $2.6 million the previous year. Based on our performance, the Board of Directors recommends that a final dividend of 40% be paid . Earnings per share was $2.18 compared to $2.74 for 2005.



Sir Clare K. Roberts
Chairman ACB

Despite market pressures to lower interest rates on mortgages, increasingly aggressive competitors with attractive mortgage takeover offers, the internal and external challenges resulting from the conversion to a new banking software, our subsidiary company, ACB Mortgage and Trust Company Limited was able to expand its asset base by 4.8% to $177.6 million and increase its core activity mortgage loans by 10.7% to $113.8M. Despite the expansion in the mortgage loan portfolio, total operating income declined by 2.1.% as a result of the challenges with the downward movement of mortgage interest rates. In 2005 the company fully adopted Standard 39 of the International Financial Reporting Standards (IFRS) which resulted in an Income Statement transfer of $1.2 million (provision for loan impairment) from operating expenses to a statutory reserve on the Balance Sheet. The operating income for 2006 declined by 12.65% to $4,054,567 as compared to the Standard 39 adjusted $4.6 million in 2005.

In fiscal 2007, Antigua & Barbuda's economy is expected to record significant growth from tourism and increased construction activity due to Cricket World Cup 2007. It is therefore anticipated that the Bank will benefit as a result yielding growth in both our balance sheet and overall profit position.

Civic Responsibility

During the fiscal, our Company continued to recognize the importance of its role as a good corporate citizen. It continued its sponsorship and support of sports, culture and education including its commitment to Parish League Cricket, and the sponsorship of the female calypso competition, the latter of which is an integral part of our annual carnival celebrations. The Bank also conceptualized and spearheaded the first time event dubbed "Christmas in the Park", which was held at the Botanical Gardens and allowed families the opportunity to share in "ole time" Christmas festivities. Our Company takes its corporate responsibilities seriously and will continue to be involved in these and other areas.

Corporate Capacity

We continued our focus on building the Bank's capacity. In pursuance of this objective, Directors attended corporate governance training sessions including seminars conducted by the Eastern Caribbean Central Bank. It will be recalled that the law passed on 24th October 2004 restricts a director from serving on our Board for more than 6 years at a time. Consequently, I will not be eligible for reappointment on my retirement at the end of this fiscal. We will also lose the services of Directors Reginald Peterson, Heather Labadie, and Jasper Scotland at the 51st AGM.

I take this opportunity to pay tribute to these Directors who have worked tirelessly and conscientiously throughout their tenure on the Board. I thank them for their hard work and tremendous effort in moving the Bank forward and wish them well in every respect. It is noteworthy that Mr. Reginald Peterson would have served 16 years at the end of this fiscal.

HR Achievements

As a consequence of the performance incentive programme implemented last fiscal, eligible staff members were, for the first time in the company's history, paid bonuses in recognition of their performance. This was a very gratifying development for the institution as our deserving employees shared in its financial gains. We recognize the importance of our employees in achieving the Bank's objectives and we thank the management and staff for another successful year of operations.

Acknowledgements

We also thank all our customers for their continued patronage as we work to provide them with the best possible service. Appreciation must also be given to our shareholders who continue to offer support, encouragement and understanding to the management and Board. There have been many challenges but together we maintain our resolve and efforts to realize our mission and resulting increased returns for our shareholders.

Looking Ahead

Our focus in the upcoming fiscal will be on enhancing the ACB brand, further capacity building at both corporate and staff levels while buttressing our service and financial strengths. The core banking software and recruitment of competent and diligent employees will play key roles in ACB continuing as a safe, sound, and solid institution on which its stakeholders can continue to depend.

The Directors and Management of the Bank are committed to high standards of corporate governance which allow for the establishment of a framework through which the Board oversees the company and performs its functions on behalf of the shareholders.

Board Composition

Article 51 of the Company's Articles/Bylaws provides for a minimum of seven directors and a maximum of 15 directors. The Board is comprised of ten (10) directors all of whom are independent non executive members. The Chairman is Sir Clare K. Roberts. Messrs. Reginald Peterson and Jasper Scotland and Mrs. Heather Labadie are the Vice Chairmen. The Board of ACB Mortgage & Trust Company is chaired by Mr. Reginald Peterson and is comprised of five ACB directors together with two directors chosen from the shareholders of ACB.

Board Committees

The Board Committees enable the Board to discharge its oversight and development functions. Each member of the Board serves on at least two Board Committees which include the Audit Committee which was chaired by Mr. Davidson Charles, the Credit Committee chaired by Mr. Jasper Scotland and the Human Resource and Compensation Committee chaired by Mr. Reginald Peterson. Sir Clare K. Roberts chaired the Governance & Executive Committee and the Investment Committee. Mrs. Heather Labadie chaired the Marketing and Promotions Committee.

Auditors

The incumbent auditors, PricewaterhouseCoopers offer themselves for reappointment for the ensuing year.

Mr. Reginald Peterson
Vice Chairman ACB &
Chairman ACB M&T

Mr. Jasper Scotland
Vice Chairman ACB &
Director ACB M&T

Mr. Gordon Derrick
Director ACB

Mr. Peter Blanchard
Director ACB

Dr. Carle J. Walter
Director ACB

Mr. Francis Henry
Director ACB M&T

Mrs. Heather Labadie
Vice Chairman ACB &
Director ACB M&T

Mr. Davidson Charles
Director ACB
& ACB M&T

Mr. Reuben Deubry
Director ACB

Lt. Col. Edward Croft
Director ACB

Mrs. Evelyn Sheppard
Director ACB M&T

Mrs. Alincia Williams-Grant
Legal Counsel/Corporate Secretary

Shareholding

No shareholder owns more than 5% of the Company. Table A below provides an analysis of shareholders' shareholding as at September 30, 2006. Article 52 requires every director to be a holder of at least $1000 in value of the shares of the Company. Table B details the directors' shareholding as at September 30, 2006.

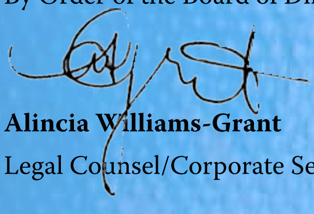
Table A: Analysis of Shareholders as at September 30, 2006

Shareholders by Size of Holdings as at September 30, 2006			
Size of Holding			Shareholders
1	-	1,000	4,838
1,001	-	2,000	300
2,001	-	5,000	224
5,001	-	10,000	84
10,001	-	25,000	56
25,001	-	100,000	27
100,001	-	250,000	3
Total			5,532

Table B: Particulars of Directors shareholdings in the issued capital of the Company as at September 30, 2006

Directors	No. of shares held
Sir Clare K. Roberts	234,595
Reuben Deubry	105,000
Dr. Carle Walter	34,659
Reginald Peterson	15,327
Gordon Derrick	3,900
Peter Blanchard	3,200
Lt. Col. Edward Croft	3,195
Heather Labadie	2,800
Jasper Scotland	2,419
Davidson Charles	1,000

By Order of the Board of Directors



Alincia Williams-Grant
Legal Counsel/Corporate Secretary

Operating Environment

Trends in the global economy indicate that economic output for 2006 could grow by 5.1% with strong performances in the People's Republic of China, the United Kingdom Japan and Europe. In fact, the IMF's World Economic Outlook for September 2006 suggested that the People's Republic of China could grow by 10% with inflation remaining at 1.5%. The world outlook is important to us as Antigua & Barbuda is a highly open small economy and as such, positive developments in the global economy , particularly in the United Kingdom and the United States of America should positively impact the local economy, especially tourism.

Closer home, economic growth for the CARICOM Region is projected at 6% fuelled primarily by preparations for Cricket World Cup 2007. Trinidad & Tobago in particular is projected to grow by 12.5% largely on account of activities in the area of natural gas production and processing. In terms of the Eastern Caribbean Currency Union (ECCU), economic prospects are expected to be strong with GDP expected to grow by 7% in 2006 (2005:6%). Increased construction activity in preparation for Cricket World Cup 2007, growth in tourism and expansion in the wholesale and retail trade sector will be the main drivers of this projected growth.

For Antigua & Barbuda, real economic growth is projected at 12% in 2006 driven by major expansion in the construction sector and a rebound in tourism. World Cup 2007 related activities such as small and large hotel construction and renovation as well as a projected increase of 5% over 2005 in stay over visitors will largely be responsible for this strong performance.

Against the economic backdrop provided above, the group recorded its second consecutive double digit profit as discussed below and we look ahead to even better performance in the new fiscal.

Financial Review

Consolidated income before tax for the group amounted to $18.11 million and represents an increase of $0.63 million or 3.6% compared to the previous fiscal. Total revenue increased by $1.94 million or 3.1 % due largely to non interest income increasing by $2.24 million. Income from loans and advances declined by $5.77 million or 12 % but this was partially offset by an increase in income from investments and deposits with other financial institutions of $5.48 million or 77 %. The decrease in income from loans is largely as a result of a decline in collection of non-performing loan interest while our strong liquidity allowed for increased investments and consequently higher income from this source. The result of all this is that total interest income declined marginally by $298,000 or 0.54%.

In terms of cost, interest expense declined to $22.5 million from $22.8 and reflects some success in reducing the rates paid on term deposits while focusing on acquiring lower cost savings deposits. Additionally, non interest income increased significantly by $2.24 million or 27.7 % as alluded to above. This is encouraging particularly as this category now represents 16 % of total income and points to our continued success in diversifying our revenue sources.

Operating expenses increased by 5.7 % or $1.12 million resulting from higher depreciation cost and a provision for specific receivables considered to be impaired.

The group's total assets increased by $8.71 million to $690.7 million. Loans, which are the single major component, increased by only $14.2 million to $405.1 million (2005: 390.9 million).This is attributed to our focus on consolidation with the primary goal being reduction in the level of non-performing loans. Deposit liabilities, which are the major source of funding for the above, declined by 1.9 % to $543.1million and reflect our decision not to aggressively pursue deposits at the same time non-performing loans, were being exited.

PRICEWATERHOUSECOOPERS

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St. John's
Antigua, West Indies
Telephone (268) 462-3000
Facsimile (268) 462-1902

July 16, 2008

Independent Auditors' Report

To the Shareholders of Antigua Commercial Bank Ltd

We have audited the accompanying consolidated financial statements of **Antigua Commercial Bank Ltd**, which comprise the consolidated balance sheet as at September 30, 2006, and the consolidated income statement, statement of changes in equity and cash flow statement 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.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at September 30, 2006 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Chartered Accountants

Antigua Commercial Bank Ltd

Consolidated Balance Sheet

As of September 30,2006

(expressed in Eastern Caribbean dollars)

	2006 $	2005 $
ASSETS		
Cash and balances with the Central Bank (note 5)	34,525,443	31,957,410
Due from other banks (note 6)	56,123,458	66,994,877
Treasury bills (note 7)	42,319,442	39,812,803
Investment securities (note 8)	96,611,286	97,346,224
Investment in joint venture (note 26)	259,126	2,023,187
Loans and advances (note 9)	405,093,300	390,886,316
Other assets (note 10)	11,397,096	1,820,458
Income tax recoverable (note 17)	1,850,664	3,883,291
Intangible assets (note 12)	–	1,023,330
Property, plant and equipment (note 11)	38,260,824	39,076,414
Pension asset (note 13)	4,232,871	4,289,024
Deferred tax asset (note 17)	–	2,848,772
TOTAL ASSETS	**690,673,510**	**681,962,106**
LIABILITIES		
Customers' deposits (note 14)	543,114,185	554,161,707
Other liabilities and accrued expenses (note 15)	12,661,185	8,951,014
Due under repurchase agreements (note 19)	17,374,034	18,544,847
Long term liabilities (note 20)	29,107,500	29,362,500
Deferred tax liability (note 17)	2,915,911	161,821
TOTAL LIABILITIES	**605,172,815**	**611,181,889**
SHAREHOLDERS' EQUITY		
Share capital (note 21)	5,000,000	5,000,000
Statutory reserve (note 22)	8,859,132	8,132,595
Redemption reserve	7,784,662	7,784,662
Other reserves (note 23)	66,018,208	56,846,580
Deficit	(2,161,307)	(6,983,620)
TOTAL SHAREHOLDERS' EQUITY	**85,500,695**	**70,780,217**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**690,673,510**	**681,962,106**

The notes on pages 15 to 48 are an integral part of these financial statements.

Approved for issue by the Board of Directors on July 16, 2008

Vice-Chairman

Director

Director

Antigua Commercial Bank Ltd

Consolidated Statement of Income

For the year ended September 30, 2006

(expressed in Eastern Caribbean dollars)	2006	2005
	$	$
INTEREST INCOME		
Income from loans and advances	41,725,568	47,502,243
Income from deposits with other banks and investments	12,591,153	7,112,922
	54,316,721	**54,615,165**
INTEREST EXPENSE		
Savings accounts	10,713,562	10,872,251
Time deposits and current accounts	10,074,389	10,092,833
Debenture stock and housing bonds	1,752,067	1,850,942
	22,540,018	**22,816,026**
NET INTEREST INCOME	**31,776,703**	**31,799,139**
OTHER OPERATING INCOME (NOTE 24)	**10,347,322**	**8,103,180**
OPERATING INCOME	**42,124,025**	**39,902,319**
OPERATING EXPENSES		
General and administrative expenses (note 25)	18,508,342	16,732,995
Depreciation (notes 11)	2,990,369	1,843,937
Directors' fees and expenses	684,000	729,999
Audit fees and expenses	322,500	191,997
Provision for impairment of joint venture	259,126	–
(Recovery from) provision for loan impairment expense – net (note 9)	(256,160)	966,379
Provision for impairment of securities (note 8)	–	921,999
	22,508,177	**21,387,306**
SHARE OF LOSS OF JOINT VENTURE (NOTE 26)	**(1,504,935)**	**(1,030,746)**
OPERATING INCOME FOR THE YEAR	**18,110,913**	**17,484,267**
TAXATION (NOTE 17)		
Current tax expense	1,689,863	1,809,533
Prior year under (over) accrual	467,963	(213,117)
Deferred tax charge	4,113,410	1,466,901
	6,271,236	**3,063,317**
NET INCOME FOR THE YEAR	**11,839,677**	**14,420,950**
EARNINGS PER SHARE (NOTE 27)	**3.15**	**3.83**

The notes on pages 15 to 48 are an integral part of these financial statements.

Antigua Commercial Bank Ltd

Consolidated Statement of Cash Flows

For the year ended September 30, 2006

(expressed in Eastern Caribbean dollars)	2006 $	2005 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income for the year	18,110,913	17,484,267
Items not affecting cash		
Depreciation	2,990,369	1,843,937
Loss on disposal of property, plant and equipment	37,227	28,972
Provision for impairment on investment securities	259,126	921,999
(Recovery from) provision for loan loss impairment	(256,160)	966,379
Decrease in pension asset	56,153	64,864
Share of results of joint venture	1,504,935	1,030,746
Interest income	(54,316,721)	(54,615,165)
Interest expense	22,540,018	22,816,026
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES	**(9,074,140)**	**(9,457,975)**
Increase in other receivables and other assets	(16,367,359)	(1,073,198)
(Increase) decrease in loans and advances	(10,078,010)	27,414,294
(Decrease) increase in customer deposits	(11,889,859)	17,907,581
Increase (decrease) in other liabilities and accrued liabilities	3,710,171	(776,025)
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES BEFORE INTEREST	**(43,699,197)**	**34,014,677**
Taxes paid	(125,200)	(1,502,394)
Interest paid	(21,697,681)	(21,000,594)
Interest received	49,989,564	50,265,076
NET CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES	**(15,532,514)**	**61,776,765**
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposals (purchases) of investments	6,275,626	(9,844,197)
Purchase of property, plant & equipment	(1,188,676)	(1,785,834)
Intangible assets	–	(407,272)
Advances to joint venture	–	(540,000)
NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	**5,086,950**	**(12,577,303)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Redemption of repurchase agreements	(1,170,813)	(7,623,705)
Dividends paid	(750,000)	–
Decrease in long-term liabilities	(255,000)	6,207,500
NET CASH FLOWS USED IN FINANCING ACTIVITIES	**(2,175,813)**	**(1,416,205)**

Antigua Commercial Bank Ltd

Consolidated Statement of Cash Flows (cont'd)

For the year ended September 30, 2006

(expressed in Eastern Caribbean dollars)

	2006	2005
	$	$
NET (DECREASE) INCREASE IN CASH	**(12,621,377)**	**47,783,257**
Cash and cash equivalents, beginning of year	114,148,426	66,365,169
CASH AND CASH EQUIVALENTS, END OF YEAR (NOTE 28)	**101,527,049**	**114,148,426**

The notes on pages 15 to 48 are an integral part of these financial statements.

Antigua Commercial Bank Ltd

Consolidated Statement of Changes in Equity

For the year ended September 30, 2006

(expressed in Eastern Caribbean dollars)

	SHARE CAPITAL $	STATUTORY RESERVE $	REDEMPTION RESERVE $	GENERAL RESERVE $	CAPITAL RESERVE $	RESERVE FOR LOAN LOSS $	REVALUATION RESERVE – PROPERTY $	REVALUATION RESERVE – AVAILABLE FOR SALE SECURITIES $	PENSION RESERVE $	DEFICIT $	TOTAL $
BALANCE, SEPTEMBER 30, 2004	**5,000,000**	**7,291,056**	**7,784,662**	**26,723,105**	**7,461,949**	**–**	**–**	**1,379,881**	**–**	**(4,846,461)**	**50,794,192**
Adjustment upon adoption of IFRS	–	–	–	–	–	–	–	–	–	(1,728,436)	(1,728,436)
BALANCE, OCTOBER 1, 2004	**5,000,000**	**7,291,056**	**7,784,662**	**26,723,105**	**7,461,949**	**–**	**–**	**1,379,881**	**–**	**(6,574,897)**	**49,065,756**
Net income for the year	–	–	–	–	–	–	–	–	–	14,420,950	14,420,950
Reserve for loan loss (note 23)	–	–	–	–	–	7,771,107	–	–	–	(9,699,110)	(1,928,003)
Appreciation in market value of investment securities (net of tax of $618,710)	–	–	–	–	–	–	–	1,458,991	–	–	1,458,991
Revaluation of property, plant and equipment (net of tax of $201,730)	–	–	–	–	–	–	7,762,523	–	–	–	7,762,523
Transfer to statutory reserve	–	841,539	–	–	–	–	–	–	–	(841,539)	–
Allocation to pension reserve	–	–	–	–	–	–	–	–	4,289,024	(4,289,024)	–
BALANCE, SEPTEMBER 30, 2005	**5,000,000**	**8,132,595**	**7,784,662**	**26,723,105**	**7,461,949**	**7,771,107**	**7,762,523**	**2,838,872**	**4,289,024**	**(6,983,620)**	**70,780,217**

Antigua Commercial Bank Ltd

Consolidated Statement of Changes in Equity (cont'd)

For the year ended September 30, 2006

(expressed in Eastern Caribbean dollars)

	SHARE CAPITAL $	STATUTORY RESERVE $	REDEMPTION RESERVE $	GENERAL RESERVE $	CAPITAL RESERVE $	RESERVE FOR LOAN LOSS $	REVALUATION RESERVE – PROPERTY $	REVALUATION RESERVE – AVAILABLE FOR SALE SECURITIES $	PENSION RESERVE $	DEFICIT $	TOTAL $
Net income for the year	–	–	–	–	–	–	–	–	–	11,839,677	11,839,677
Dividends	–	–	–	–	–	–	–	–	–	(750,000)	(750,000)
Reserve for loan loss (note 23)	–	–	–	–	–	5,664,223	–	–	–	(5,664,223)	–
Appreciation in market value of investment securities (net of tax of $1,509,626)	–	–	–	–	–	–	–	3,610,628	–	–	3,610,628
Reversal of revaluation of property, plant and equipment (net of tax $20,173)	–	–	–	–	–	–	(47,070)	–	–	67,243	20,173
Adjustment to pension reserve	–	–	–	–	–	–	–	–	(56,153)	56,153	–
Transfer to reserve fund	–	726,537	–	–	–	–	–	–	–	(726,537)	–
BALANCE, SEPTEMBER 30, 2006	**5,000,000**	**8,859,132**	**7,784,662**	**26,723,105**	**7,461,949**	**13,435,330**	**7,715,453**	**6,449,500**	**4,232,871**	**(2,161,307)**	**85,500,695**

The notes on pages 15 to 48 are an integral part of these financial statements.

1. Incorporation And Principal Activity

The Bank is a limited liability company incorporated on 19th October 1955 under caption 358 of the laws of Antigua and Barbuda. The Bank is also governed by the Banking Act No. 14 of 2005 and the Eastern Caribbean Central Bank Act No. 10 of 1983. The Bank and its subsidiaries offer a complete range of commercial banking and related services.

The Bank's registered office is located at P.O. Box 95, corner of St. Mary's and Thames Streets, St. John's, Antigua.

2. Significant Accounting Policies

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

a) Basis of preparation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards and under the historical cost convention, as modified by the revaluation of property and available-for-sale investment securities.

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas involving a high degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Bank's accounting periods beginning on or after October 1, 2006 or later periods, but the Bank has not early adopted them:

IAS 39 (Amendment), The Fair Value Option (effective from 1 January 2006), changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. This amendment does not have a significant impact on the Bank's financial statements.

IFRIC 8, 'Scope of IFRS 2' (effective May 1, 2007), requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This interpretation does not have any impact on the Bank's financial statements.

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and capital management and does not have any impact on the classification and valuation of the Bank's financial instruments, or the disclosures relating to taxation and trade and other payables.

IFRIC 11, 'IFRS 2 – Bank and treasury share transactions', provides guidance on whether share-based transactions involving treasury shares or involving Bank entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the separate accounts of the parent and Bank companies. This interpretation does not have an impact on the Bank's financial statements.

IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Bank will apply IFRS 8 from 1 January 2009. This standard is not expected to have an impact on the Bank's financial statements.

IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Bank will review its impact on the pension asset in the period in which the standard becomes effective.

Standards and interpretations to existing standards that are not yet effective and not relevant for the Bank's operations.

The following interpretations to existing standards have been published and are mandatory for the Bank's accounting periods beginning on or after October 1, 2006 or later periods but are not relevant for the Bank's operations:

IAS 19 Amendment – Actuarial Gains and Losses, Group Plans and Disclosures (effective January 2006)

IAS 21 Amendment – Net Investment in Foreign Operations (effective January 2006)

IAS 23 Amendment – Borrowing costs (effective from 1 January 2009)

IAS 39 Amendment – Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective January 2006)

IAS 39 and IFRS 4 Amendment – Financial Guarantee Contracts (effective January 2006)

IFRS 1 Amendment – First-time Adoption of International Financial Reporting Standards and IFRS 6 Amendment – Exploration for an Evaluation of Mineral Resources (effective January 2006)

IFRIC 4 – Determining whether an Arrangement contains a Lease (effective January 2006)

IFRIC 5 – Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective January 2006)

IFRIC 7 – Applying the Restatement Approach under IAS 29 (effective March 1, 2006)

IFRIC 9 – Reassessment of Embedded Derivative (effective June 2006)

IFRIC 10 – Interim Financial Reporting and Impairment (effective November 2006)

IFRIC 12 – Service concession arrangements (effective from January 2008)

IFRIC 13 – Customer loyalty programmes (effective from 1 July 2008)

b) Basis of consolidation

The consolidated financial statements include the accounts of the company and its subsidiaries, ACB Mortgage and Trust Company Limited and ACB Investment Co. Limited. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

c) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents consist of cash on hand, non-mandatory deposits with the Central Bank and other banks, treasury bills and other eligible bills, short-term funds and investments with original maturities of less than or equal to ninety days.

d) Financial assets

The Bank classifies its financial assets in the following categories: loans and advances and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

(i) 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 Bank provides money, goods or services directly to a debtor with no intention of trading the receivable.

Loans originated by the Bank by providing money directly to the borrower at draw down are categorised as originated loans and are carried at amortised cost which is defined as the fair value of cash consideration given to originate those loans as is determined by reference to market prices at origination date. Loans and receivables are carried at amortised cost using the effective interest method. Originated loans are carried at amortised cost using the effective yield method, less any provision for impairment. Expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction.

(ii) Available-for-sale financial assets

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.

Regular-way purchases and sales of financial assets are recognised on trade-date, the date on which the Bank commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

Available-for-sale financial assets are subsequently carried at fair value. 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 this time, the cumulative gain or loss previously recognised in equity is recognised in profit or loss. However, interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement 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. If there is no active market for a financial asset, the Bank establishes fair value using valuation techniques or at cost if the asset is not impaired.

Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

e) Impairment of financial assets

(i) Assets carried at amortised cost

The 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 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 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
(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 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 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.

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 income statement. 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 Bank may measure impairment on the basis of an instrument's 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 Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank.

Historical loss 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 Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the 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.

Statutory and other regulatory loan loss reserve requirements that exceed these amounts are dealt with in 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 income statement in impairment charge for credit losses.

(ii) Assets classified as available for sale

The 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 income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. 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 income statement.

f) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operational 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 obligations may be small.

Provisions are measured at the present value of the expenditure 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 interest expense.

g) Property, plant and equipment and depreciation

Property, plant and equipment are stated at historical cost or valuation, less accumulated depreciation. Depreciation is calculated on the straight-line method at rates estimated to write down the cost or valuation of such assets to their residual values over their estimated useful lives at the following annual rates:

Buildings	2.5%
ATM buildings and building improvements	10%
Furniture and fixtures	15%
Equipment	10%
Motor vehicles	20%
Computer hardware	20%
Computer software	33.3%
Car park	33.3%

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Repairs and renewals are charged to the income statement when the expenditure is incurred.

Property, plant and equipment are periodically reviewed for impairment. When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on the disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

Revaluations of property are carried out every 3 – 5 years based on independent valuations.

h) Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three years. The company's intangible assets were put into use during the year, thus this was reclassified as property, plant and equipment as at September 30, 2006.

i) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

The principal temporary differences arise from the depreciation of property, plant and equipment and the revaluation of certain financial assets and liabilities.

Income tax payable on profits, based on the applicable tax law in each jurisdiction is recognised as an expense in the period in which profits arise. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The tax effects of income tax losses available for carry-forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax related to fair value re-measurements of available-for-sale investments and property which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement on disposal together with the deferred gain or loss.

j) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by shareholders. Dividends for the year which are approved after the balance sheet date are noted as a subsequent event (note 16).

k) Interest income and expense and revenue recognition

Interest income and expense for all interest-bearing financial instruments are 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 Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) 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.

l) Fees and commissions income

Fees and commissions are generally recognised on an accruals 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.

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 Bank operates (the "functional currency"). The consolidated financial statements are presented in Eastern Caribbean dollars, which is the Bank's functional and 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 income statement.

n) Employee benefits

The Bank operates a defined benefit pension scheme for all its eligible employees which commenced October 1, 1991. The assets of the plan are held in a seven member trustee administered fund, established by the Bank with four of the trustees appointed by the Board of Directors, and three appointed by the employees. The funds of the scheme are invested under the control of the trustees and may be used only for the purposes of the scheme.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The pension benefit is based on the final salary of the employee.

An asset or liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. Under this method, the cost of providing pensions is charged to the statement of income so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plan every three years.

The pension obligation is measured as the present value of the discounted estimated future cash outflows using interest rates of long-term government bonds that are denominated in the currency in which the benefits will be paid, and which have terms to maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income in the period in which they arise, over the employees' expected average remaining working lives, where these amounts represent an excess over the 10% corridor.

Past-service costs are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

The pension plan is funded by payments from employees and the Bank, taking into account the recommendations of independent qualified actuaries.

o) Statutory cash deposits

Pursuant to the provisions of the Eastern Caribbean Central Bank Agreement Act 1983 and the Banking Act 2005, the Bank and its subsidiaries are required to maintain with the Central Bank and the Accountant General respectively, non-interest bearing cash balances in relation to its deposit liabilities excluding inter-bank deposits.

p) Joint ventures

The Bank's interest in the joint venture is accounted for by the equity method. Under the equity method the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the venturer's share of the profit or loss of the joint venture after the date of acquisition.

q) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. All of the bank's leases at September 30, 2006 were classified as operating leases.

r) Comparatives

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

3. Financial risk management

a) Strategy in using financial instruments

By its nature, the Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by the Bank's management under policies approved by the Board of Directors. Management identifies, evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk. The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

b) Credit risk

The Bank takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The 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 to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by product, industry sector and by country are approved by management. Cash deposits with other banks and short-term investments are placed with reputable regional and international financial institutions and Governments.

Exposure to credit risk is 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. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

Credit related commitments

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans or overdraft facilities. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss. However, the likely amount of loss, though not easy to quantify, is considerably less than the total unused commitments, since most commitments to extend credit are contingent upon customers maintaining specific credit standards. While there is some credit risk associated with the remainder of commitments, the risk is viewed as modest, since it results from the possibility of unused portions of authorised loans and advances being drawn by the customer and, second, from these drawings subsequently not being repaid as due. The total outstanding contractual amount of commitments to extend credit may not necessarily represent future cash requirements specifically in the case of advances, but usually tend to result in such, in the case of loans.

The Bank monitors the term to maturity of credit commitments because of long-term commitments generally have a greater degree of credit risk than shorter term commitments.

Commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions are collateralised and therefore carry less risk than direct borrowing.

The Bank's exposure to credit risk is concentrated as detailed below. Antigua and Barbuda is the home country of the Bank where the predominant activity is commercial banking services.

As a major indigenous bank in Antigua and Barbuda, the Bank accounts for a significant share of credit exposure to many sectors of the economy. However, credit risk is spread over a diversity of personal and commercial customers.

Geographic sector risk concentrations within the customer loan portfolio are as follows:

	2006	2006	2005	2005
	$	%	$	%
ANTIGUA AND BARBUDA	**412,149,219**	**100**	**406,086,597**	**100**

Economic sector risk concentrations with the customer loan portfolio were as follows:

	2006	2006	2005	2005
	$'000	%	$'000	%
Private individuals	182,962	44	195,518	48
Wholesale and retail	58,122	14	58,326	14
Other	90,015	22	44,425	11
Government bodies	18,539	4	39,147	10
Professional and other services	26,439	7	35,981	9
Manufacturing	19,087	5	20,263	5
Tourism	12,367	3	8,560	2
Agricultural	4,618	1	3,866	1
TOTAL BEFORE DEDUCTION OF ALLOWANCE FOR LOAN IMPAIRMENT	**412,149**	**100**	**406,086**	**100**

c) Interest rate risk

The bank advances loans and receives deposits as a part of its normal course of business from both related and third parties. The interest rates on loans generally reflect interest based on market rates. Investment securities and customer deposits generally attract fixed interest rates. The bank mitigates its interest rate risk by matching the maturity periods of its assets and liabilities. The following table below outlines the Bank's interest rate risk:

	2006	2005
LOANS AND ADVANCES		
Demand loans	11.5%	12.0%
Discount loans	7.5%	8.5%
Mortgage loans	8.5% - 11.0%	10.5 - 12.0%
Advances & Overdrafts	11.0%	12.5%
Other	19.5%	19.5%
INVESTMENT SECURITIES		
Government treasury bills	7.0%	7.0%
Other securities	6.5%	6.5%
CUSTOMER DEPOSITS		
Demand deposits	3.0%	3.0%
Savings deposits	3.0% - 3.5%	4.8%
Time deposits	4.8%	6.2%
Other – thrift, pension	6.0% - 6.5%	6.5%
Housing bonds	–	8.25%
Debenture stock	6.5%	6.5%

d) Currency risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions.

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

e) Liquidity risk

The bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts and maturing deposits. Management sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The table right analyses assets and liabilities of the bank into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date:

Maturities of assets and liabilities, September 30, 2006

	Up to 1 year $	1-5 years $	Over 5 years $	Total $
ASSETS				
Cash and due from other banks	90,648,901	–	–	90,648,901
Treasury bills	42,319,442	–	–	42,319,442
Investment securities	1,008,495	11,051,729	84,551,062	96,611,286
Loans and advances	58,890,867	88,934,829	257,267,604	405,093,300
Other assets	11,397,096	–	–	11,397,096
Investment in joint venture	–	259,126	–	259,126
Income tax recoverable	1,850,664	–	–	1,850,664
Property, plant and equipment	–	11,343,261	26,917,563	38,260,824
Pension asset	–	–	4,232,871	4,232,871
TOTAL ASSETS	**206,115,465**	**111,588,945**	**372,969,100**	**690,673,510**
LIABILITIES				
Customer deposits	425,814,750	117,299,435	–	543,114,185
Other liabilities and accrued expenses	10,491,690	2,169,495	–	12,661,185
Due under repurchase agreements	–	17,374,034	–	17,374,034
Long-term liabilities	–	29,107,500	–	29,107,500
Deferred tax	228,781	2,687,130	–	2,915,911
TOTAL LIABILITIES	**436,535,221**	**168,637,594**	**–**	**605,172,815**
NET LIQUIDITY GAP, SEPTEMBER 30, 2006	**(230,419,756)**	**(57,048,649)**	**372,969,100**	**85,500,695**
MATURITIES OF ASSETS AND LIABILITIES, SEPTEMBER 30, 2005				
TOTAL ASSETS	**205,117,915**	**113,448,083**	**363,396,108**	**681,962,106**
TOTAL LIABILITIES	**442,125,891**	**137,817,700**	**31,238,298**	**611,181,889**
NET LIQUIDITY GAP, SEPTEMBER 30, 2005	**(237,007,976)**	**(24,369,617)**	**332,157,810**	**70,780,217**

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks to be ever completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

f) Fair value

	Carrying value		Fair value	
	2006	2005	2006	2005
	$	$	$	$
FINANCIAL ASSETS				
Cash and balances with the Central Bank	34,525,443	31,957,410	34,525,443	31,957,410
Treasury bills	42,319,442	39,812,803	42,319,442	39,812,803
Due from other banks	56,126,458	66,994,877	56,126,458	66,994,877
Loans and advances	405,093,300	390,886,316	405,093,300	390,886,316
Investment securities	96,611,286	97,346,224	96,611,286	97,346,224
Other assets	11,397,096	1,820,458	11,397,096	1,820,458
Investment in joint venture	259,126	2,023,187	259,126	2,023,187
Pension asset	4,232,871	4,289,024	4,232,871	4,289,024
	650,565,022	**635,130,299**	**650,565,022**	**635,130,299**
FINANCIAL LIABILITIES				
Customers' deposits	543,114,185	554,161,707	543,114,185	554,161,707
Other liabilities	12,661,185	8,951,014	12,661,185	8,951,014
Due under repurchase agreements	17,374,034	18,544,847	17,374,034	18,544,847
Long-term liabilities	29,107,500	29,362,500	29,107,500	29,362,500
	602,256,904	**611,020,068**	**602,256,904**	**611,020,068**

The following methods and assumptions have been used to estimate the fair value of each class of financial instruments for which it is practical to estimate a value:

Short-term financial assets and liabilities

The carrying value of these assets and liabilities is a reasonable estimate of their fair value because of the short maturity of these instruments. Short-term financial assets are comprised of cash resources and short term investments, fixed deposits, interest receivable, and other assets. Short-term financial liabilities are comprised of demand deposits interest payable and certain other liabilities.

Loans and advances

These assets result from transactions conducted in the normal course of business and their values are not adversely affected by unusual terms. The inherent rates of interest in the portfolio approximate market conditions and yield discounted cash flow values which are substantially in accordance with financial statement amounts.

Customers' deposits

The fair value of items with no stated maturity is assumed to be equal to their carrying values. Deposits with fixed rate characteristics are at rates which are not significantly different from current rates and are assumed to have discounted cash flow values which approximate carrying values.

Investment securities

Fair value is based on quoted market values. Where fair values are not available for equity investments that are not quoted in an active market, fair value has been assumed to approximate to cost. This basis is reasonable where there is no objective evidence of impairment of the securities. Where these securities are impaired fair value of equity investments is determined by management using an appropriate valuation method

g) Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

- To comply with the capital requirements set by the regulators of the banking market where the Bank operates.
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Eastern Caribbean Central Bank (the "Central Bank"), for supervisory purposes. The required information is filed with the Central Bank on a quarterly basis.

The Central Bank requires each bank or banking group to: (a) hold a minimum level of the regulatory capital and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the 'Basel ratio') at an agreed minimum percentage.

4. Critical accounting estimates and judgements in applying accounting policies and key sources of estimation uncertainty

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the 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 in a group, or national or local economic conditions that correlate with defaults on assets in the group. 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 +/-5%, the provision would be estimated $755,066 lower or $1,612,172 higher.

(b) Impairment of available-for-sale equity investments

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. There were no such declines in fair value noted during the current year.

(c) Estimate of pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Bank determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the company considers the interest rates of corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 13.

(d) Estimate of income taxes

The Bank is subject to income taxes in Antigua and Barbuda. Judgement is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such determination is made. Were the actual final outcome to differ by +/-10% from management's estimates, the impact on the current income tax provision would be estimated $168,986 lower or higher.

5. Cash And Balances With The Central Bank

	2006 $	2005 $
Cash on hand	3,028,169	4,125,383
Balances with the Eastern Caribbean Central Bank (ECCB) other than mandatory reserve deposits	2,832,409	5,957,884
INCLUDED IN CASH AND CASH EQUIVALENTS (NOTE 28)	**5,860,578**	**10,083,267**
Mandatory reserve deposits	28,664,865	21,874,143
TOTAL CASH AND BALANCES WITH THE CENTRAL BANK	**34,525,443**	**31,957,410**

Commercial banks doing banking business in member states of the Organization of the Eastern Caribbean States are required to maintain a non-interest bearing reserve with the ECCB equivalent to 6% of their total deposit liabilities (excluding inter-bank deposits and foreign currencies). This reserve deposit is not available for use in the Bank's day-to-day operations, and is non-interest bearing.

The bank's subsidiary company has placed a statutory deposit with the Government of Antigua equivalent to 2½% of its deposit liabilities.

6. Due From Other Banks

	2006 $	2005 $
Operating accounts with other banks	10,441,058	8,421,745
Term deposits with other banks	39,219,435	56,250,269
Items in the course of collection from other banks	6,099,278	1,453,945
INCLUDED IN CASH AND CASH EQUIVALENTS (NOTE 28)	**55,759,771**	**66,125,959**
Interest receivable	363,687	868,918
TOTAL DUE FROM OTHER BANKS	**56,123,458**	**66,994,877**

7. Treasury Bills

	Nominal Value 2006 $	Cost 2006 $	Nominal Value 2005 $	Cost 2005 $
Treasury bills at amortised cost – OECS Governments with maturity dates from November 2006 – January 2007 and interest rates ranging from 6.44% to 9.75%	40,500,000	39,906,700	38,500,000	37,939,200
INCLUDED IN CASH AND CASH EQUIVALENTS (NOTE 28)	**40,500,000**	**39,906,700**	**38,500,000**	**37,939,200**
Interest receivable	–	2,412,742	–	1,873,603
TOTAL TREASURY BILLS	**40,500,000**	**42,319,442**	**38,500,000**	**39,812,803**

Government of Antigua and Barbuda bonds totalling $3,936,604 (2005: $3,936,604) have been hypothecated to obtain general credit facilities from the Eastern Caribbean Central Bank.

8. Investment Securities

	2006 $	2005 $
AVAILABLE FOR SALE - UNQUOTED		
Equity Securities (US$)	8,843,333	7,510,000
Equity Securities (EC$)	5,326,402	3,852,151
TOTAL AVAILABLE FOR SALE - UNQUOTED	**14,169,735**	**11,362,151**
AVAILABLE FOR SALE - QUOTED		
Equity securities (EC$)	11,458,850	9,074,981
Debt Securities (US$)	–	5,400,000
TOTAL AVAILABLE FOR SALE - QUOTED	**11,458,850**	**14,474,981**
LOANS AND RECEIVABLES	**72,721,649**	**74,212,474**
TOTAL INVESTMENT SECURITIES - GROSS	**98,350,234**	**100,049,606**
Provision for impairment – available for sale - unquoted	(2,835,000)	(3,378,999)
Provision for impairment – loans and receivables	(2,251,800)	(2,251,800)
TOTAL PROVISION FOR IMPAIRMENT	**(5,086,800)**	**(5,630,799)**
TOTAL INVESTMENT SECURITIES – NET	**93,263,434**	**94,418,807**
INTEREST RECEIVABLE	**3,347,852**	**2,927,417**
TOTAL INVESTMENT SECURITIES	**96,611,286**	**97,346,224**

The movement in investment securities may be summarised as follows:

	Available For Sale $	Loans And Receivables $	Total $
BALANCE AS OF SEPTEMBER 30, 2005	**22,458,132**	**71,960,674**	**94,418,806**
Additions	615,200	–	615,200
Disposals (sale and redemption)	(5,400,000)	(2,607,218)	(8,007,218)
Net gains from change in fair value transferred to equity	5,120,253	–	5,120,253
Amortization of bond discount	–	1,116,393	1,116,393
BALANCE AS OF SEPTEMBER 30, 2006	**22,793,585**	**70,469,849**	**93,263,434**

There are no losses from disposal of investment securities.

United States government securities totalling $Nil (2005: $5,400,000) have been hypothecated to obtain general credit facilities from Bank of America International. Impairment losses of $Nil (2005: $921,999) were recognised in the income statement.

Unquoted securities for which fair values could not be readily obtained are recognised at amortised cost. This basis is reasonable where there is no objective evidence of impairment of the security. Further, a range of possible fair values could not be determined due to their being no active market as the securities exchange market in the region is still developing.

9. Loans And Advances

	2006 $	2005 $
Business loans	177,405,276	176,710,002
Mortgage loans	148,901,456	149,303,033
Personal loans	69,610,643	64,903,202
Staff loans	8,869,900	10,803,752
Bridging loans	3,864,729	782,001
Directors loans	2,290,861	2,490,810
Credit card advances	1,206,354	1,093,797
	412,149,219	**406,086,597**
INTEREST RECEIVABLE	**14,138,090**	**10,265,276**
ALLOWANCE FOR LOAN IMPAIRMENT	**(21,194,009)**	**(25,465,557)**
TOTAL LOANS AND ADVANCES	**405,093,300**	**390,886,316**

ALLOWANCE FOR LOAN IMPAIRMENT

The movement in allowance for loan impairment is as follows:		
Balance, beginning of year	25,465,557	24,721,265
Provision for loan impairment	125,431	1,015,677
Loan recoveries	(381,591)	(49,298)
Write-off of loan balances	(4,015,388)	–
Adjustment to provision upon adoption of IFRS (IAS 39)	–	(222,087)
BALANCE, END OF YEAR	**21,194,009**	**25,465,557**

According to the Eastern Caribbean Central Bank loan provisioning guidelines, the calculated allowance for loan impairment amounts to $27,170,079 (2005: $28,034,072) and the difference between this figure and the loan loss provision calculated under IAS 39 has been set aside as a specific reserve. The carrying value of impaired loans at the year end was $25,224,322 (2005: $27,218,570). Interest receivable on loans not recognized for statutory purposes amounted to $6,640,261 (2005: $5,324,095), and is included in the reserve.

10. Other Assets

	2006	2005
	$	$
Bills receivable	9,069,947	-
Miscellaneous receivables	3,561,977	1,657,294
Prepayments	205,609	163,164
	12,837,533	**1,820,458**
Less provision for impairment of bills receivable	(1,440,437)	–
TOTAL OTHER ASSETS	**11,397,096**	**1,820,458**

During the year $1,440,437 was recorded as impairment of bills receivables in the general and administrative expenses.

11. Property, Plant And Equipment

	Land $	ATM, Buildings & Building Improvements $	Furniture & Fixtures $	Equipment $	Motor Vehicles $	Computer Hardware $	Computer Software $	Car Park $	Total $
YEAR ENDED SEPTEMBER 30, 2005									
Opening net book amount	3,551,500	23,750,951	1,070,368	1,323,309	336,182	862,956	332,517	42,109	31,269,892
Revaluation adjustment	7,291,820	(4,272,911)	–	–	–	–	–	–	3,018,909
Additions	–	1,105,466	134,859	493,853	–	31,515	20,141	–	1,785,834
Disposal	–	–	(20,708)	(28,389)	(155,757)	–	–	–	(204,854)
Write back of accumulated depreciation - disposals	–	–	20,708	20,582	134,592	–	–	–	175,882
Depreciation charge	–	(289,602)	(390,632)	(476,336)	(129,999)	(385,691)	(166,638)	(5,039)	(1,843,937)
Transfers in (out)	–	(854,312)	854,312	–	–	–	(70,656)	–	(70,656)
Write back of accumulated depreciation-revaluation	–	4,945,344	–	–	–	–	–	–	4,945,344
CLOSING NET BOOK AMOUNT	**10,843,320**	**24,384,936**	**1,668,907**	**1,333,019**	**185,018**	**508,780**	**115,364**	**37,070**	**39,076,414**
AT SEPTEMBER 30, 2005									
Cost or valuation	10,843,320	25,800,911	4,867,425	6,810,238	739,994	7,898,782	1,883,924	160,615	59,005,209
Accumulated depreciation	–	(1,415,975)	(3,198,518)	(5,477,219)	(554,976)	(7,390,002)	(1,768,560)	(123,545)	(19,928,795)
NET BOOK AMOUNT	**10,843,320**	**24,384,936**	**1,668,907**	**1,333,019**	**185,018**	**508,780**	**115,364**	**37,070**	**39,076,414**
YEAR ENDED SEPTEMBER 30, 2006									
Opening net book amount	10,843,320	24,384,936	1,668,907	1,333,019	185,018	508,780	115,364	37,070	39,076,414
Additions	–	–	15,908	90,181	–	163,372	919,215	–	1,188,676
Transfer from intangible asset	–	–	–	–	–	–	1,023,330	–	1,023,330
Disposal	–	–	(38,019)	–	–	(116,415)	–	–	(154,434)
Write back of accumulated depreciation - disposals	–	–	792	–	–	116,415	–	–	117,207
Depreciation charge	–	(658,666)	(490,790)	(335,224)	(104,217)	(337,478)	(1,059,315)	(4,679)	(2,990,369)
CLOSING NET BOOK AMOUNT	**10,843,320**	**23,726,270**	**1,156,798**	**1,087,976**	**80,801**	**334,674**	**998,594**	**32,391**	**38,260,824**
AT SEPTEMBER 30, 2006									
Cost or valuation	10,843,320	25,800,911	4,845,314	6,784,004	739,994	8,062,154	3,826,469	160,615	61,062,781
Accumulated depreciation	–	(2,074,641)	(3,688,516)	(5,696,028)	(659,193)	(7,727,480)	(2,827,875)	(128,224)	(22,801,957)
NET BOOK AMOUNT	**10,843,320**	**23,726,270**	**1,156,798**	**1,087,976**	**80,801**	**334,674**	**998,594**	**32,391**	**38,260,824**

As of September 30, 2005, all of the Bank's land and buildings and improvements were revalued based on the appraisal made on September 30, 2004 by an independent firm of appraisers. Valuations were made on the basis of comparative recent market transactions on arm's length terms. The revaluation surplus net of applicable deferred income taxes was credited to 'other reserves in shareholder's equity' (note 23).

The following is the historical cost carrying amount of land and buildings carried at revalued amounts as of September 30, 2006.

	Land	Building	Total
	$	$	$
Cost	3,551,500	30,129,910	33,681,410
Accumulated depreciation	–	(7,008,829)	(7,008,829)
NET BOOK VALUES	**3,551,500**	**23,121,081**	**26,672,581**

12 Intangible Assets

	2006	2005
	$	$
BANKING SOFTWARE LICENSE		
Balance at beginning of year	1,023,330	545,402
Additions during the year	–	477,928
Reclassification to property, plant and equipment	(1,023,330)	–
BALANCE AT END OF YEAR	**–**	**1,023,330**

The Bank started using the new Flex-cube retail banking software during the year. This was therefore reclassified as property, plant and equipment.

13 Pension Asset

The Bank contributes to a defined benefit pension scheme covering substantially all full-time employees. The assets of the Plan are held separately in independent trust administered funds. The pension scheme is valued every three years by an independent qualified actuary, Derek M. Osborne, FSA (Nassau, Bahamas). The latest available valuation was at September 30, 2005 using the projected unit credit method, and showed that the fair value of the Fund's assets of $12,664,200 represented 158% of the benefits that had accrued to members as at that date. At September 30, 2005 the actuarial valuation showed an adequately funded Plan with assets exceeding the projected plan benefits by 17%, and a recommended contribution rate by the Bank, for the next three years, of 6.80% of pensionable salaries.

Assumptions used in determining the present value of the obligation were as follows:

	2006	**2005**
	%	**%**
Discount rate at end of year	8.0	8.0
Expected return on plan assets at end of year	6.0	6.0
Future promotional salary increases	1.8 – 8.6	1.8 – 8.6
Future pension increases	0.0	0.0
Future changes in Social Security ceiling	–	–

Contributions to the pension scheme for the year ended September 30, 2006 amounted to $287,082, being Antigua Commercial Bank: $257,080; ACB Mortgage & Trust: $30,002 (2005: $286,539 – Antigua Commercial Bank, $255,745: ACB Mortgage & Trust, $30,794). The Bank's contributions are adjusted according to the actuary's recommendations.

	2006 $	2005 $
THE AMOUNTS RECOGNISED IN THE BALANCE SHEET ARE AS FOLLOWS:		
Present value of pension obligation	(8,821,099)	(7,998,056)
Fair value of plan assets	13,431,090	12,664,200
PRESENT VALUE OF OVER FUNDED OBLIGATIONS	**4,609,991**	**4,666,144**
UNRECOGNISED ACTUARIAL (GAINS) LOSSES	**(377,120)**	**(377,120)**
NET ASSET RECOGNISED IN BALANCE SHEET	**4,232,871**	**4,289,024**
MOVEMENT IN THE NET ASSET RECOGNISED IN THE BALANCE SHEET IS AS FOLLOWS:		
Net asset at start of year	4,289,024	4,353,888
Net expense recognised in the income statement	(343,235)	(351,403)
Contributions paid during the year	287,082	286,539
NET ASSET AT END OF YEAR	**4,232,871**	**4,289,024**
THE AMOUNTS RECOGNISED IN THE INCOME STATEMENT ARE AS FOLLOWS:		
Current service cost	463,243	449,751
Interest on defined benefit obligation	639,844	631,954
Expected return on plan assets	(759,852)	(730,302)
TOTAL EXPENSE INCLUDED IN SALARY COSTS	**343,235**	**351,403**

The actual return on plan assets for the year was $731,501 (2005: $500,822).

14. Customers' Deposits

	2006	2005
	$	$
Current accounts	100,052,259	93,080,236
Savings accounts	261,462,373	257,891,973
Time deposits	151,496,182	163,328,588
Other Deposits	23,027,014	33,626,890
	536,037,828	**547,927,687**
INTEREST PAYABLE	**7,076,357**	**6,234,020**
TOTAL CUSTOMERS' DEPOSITS	**543,114,185**	**554,161,707**

15. Other Liabilities And Accrued Expenses

	2006	2005
	$	$
Accounts payable and accrued expenses	6,251,698	2,184,403
Manager's cheques	3,396,235	1,925,780
Escrow accounts	1,022,188	1,674,437
Unclaimed dividends and dividends payable	893,123	968,618
Credit life insurance payable	183,785	110,144
Statutory deductions payable	128,620	91,870
Bills payable	95,054	510,685
Severance accruals	56,543	427,917
Legal fees and court settlement accruals	–	579,031
Other sundry payables	633,939	478,129
TOTAL OTHER LIABILITIES AND ACCRUED EXPENSES	**12,661,185**	**8,951,014**

16. Dividends

The dividend proposed in respect of the 2006 financial year end is 40% of paid up capital or EC$2,000,000 (2005: 50% or EC$2,500,000). The financial statements for the year ended September 30, 2006 do not reflect this proposed dividend which, if ratified, will be accounted for in equity as an appropriation of retained earnings in the year ended September 30, 2008. An interim dividend of 25% was declared and paid on November 21, 2007.

17. Taxation

	2006 $	2005 $
INCOME TAX RECOVERABLE		
Income tax recoverable, beginning of year	3,883,291	3,977,313
Payments made during year	125,199	1,502,394
Current tax expense	(1,689,863)	(1,809,533)
Prior year over accrual	(467,963)	213,117
INCOME TAX RECOVERABLE, END OF YEAR	**1,850,664**	**3,883,291**
INCOME TAX EXPENSE		
Operating income for the year	18,110,913	17,484,267
Income tax expense at statutory rate	5,027,816	5,134,672
Untaxed interest income	(1,075,818)	(828,864)
Effect of other permanent differences	544,395	1,496,236
Deferred tax movement in equity	20,173	(2,525,610)
Prior years' under (over) accrual	1,754,670	(213,117)
ACTUAL INCOME TAX EXPENSE	**6,271,236**	**3,063,317**

The statutory tax rate for Antigua Commercial Bank is 30% and for ACB Mortgage and Trust is 20%.

	2006 $	2005 $
DEFERRED TAX ASSET		
Balance, beginning of year	2,848,772	6,902,295
Charge for the year	–	(1,246,579)
Movement on revaluation of available for sale securities	–	(609,510)
Movement on revaluation of buildings	–	(201,730)
Movement on statutory loan loss reserve	–	(1,928,003)
Reclassification to deferred tax liability	(2,848,772)	(67,701)
	–	**2,848,772**

The components of the deferred tax asset are as follows:

	2006 $	2005 $
Decelerated capital allowances	–	1,679,662
Tax losses	–	4,375,446
Revaluation of AFS securities	–	(1,076,603)
Revaluation of buildings	–	(201,730)
Statutory loan loss reserve	–	(1,928,003)
	–	**2,848,772**

DEFERRED TAX LIABILITY		
Balance, beginning of year	(161,821)	67,701
Reclassification from deferred tax asset	2,848,772	–
Charge for the year	(4,113,409)	(220,322)
Movement on revaluation of available for sale securities	(1,509,626)	(9,200)
Movement on revaluation of buildings	20,173	–
BALANCE, END OF YEAR	**(2,915,911)**	**(161,821)**

The components of the deferred tax liability are as follows:

	2006 $	2005 $
Tax losses	3,091,681	–
Accelerated (decelerated) capital allowances	1,999,319	(80,121)
Revaluation of buildings	(181,557)	–
Pension asset	(1,269,861)	–
Deferred tax on revaluation of available for sale securities	(2,667,929)	(81,700)
Statutory loan loss reserve	(3,887,564)	–
BALANCE, END OF YEAR	**(2,915,911)**	**(161,821)**

The Bank has incurred income tax losses in 2003 with a remaining balance amounting to $10,305,602 which may be carried forward and applied to reduce taxable income up to the period ended September 30, 2009 by an amount not exceeding one half of the taxable income in any one year of assessment prior to the expiration of the losses.

The income tax recoverable does not represent agreed amounts due from the Tax Authority. The amount is reflective of the Bank's position concerning its tax balance with the Inland Revenue on the basis of its records. However, as tax returns for years of assessment 1999 to the present have not been finalised with the IRD, there is uncertainty as to the eventual recoverability of the amount.

18. Related party transactions

The volumes of related party transactions, outstanding balances at the year end and related expenses and income for the year are as follows:

	2006 $	2005 $
LOANS TO DIRECTORS		
Loans outstanding at beginning of year	5,477,026	5,831,629
Loans issued during the year	–	–
Loans repayments during the year	(607,444)	(354,603)
LOANS OUTSTANDING AT END OF YEAR	**4,869,582**	**5,477,026**

Interest income earned on directors' loans and advances during the year is $465,369 (2005: $564,853). The average interest rate on directors' loans is 8% (2005: 10%) and these are granted on an arms length basis.

	2006 $	2005 $
DEPOSITS BY DIRECTORS		
Deposits at beginning of year	4,147,357	4,067,360
Deposits received during the year	3,067,934	2,929,578
Deposits repaid during the year	(3,067,368)	(2,849,581)
DEPOSITS AT END OF YEAR	**4,147,923**	**4,147,357**

Interest expense paid on directors' deposits during the year is $87,783 (2005: $91,319). The average interest rate on directors' deposits is 2% (2005: 3%) and these are accepted on an arms length basis.

Remuneration of key members of management

During the year, salaries and related benefits were paid to key members of management allocated as follows:

	2006 $	2005 $
Salaries and wages	513,456	513,030
Other staff costs	185,476	180,217
Pension costs	10,600	7,344
	709,532	**700,591**

Joint venture

During the year, the Bank acquired computer software and related costs of $1,915,735 (2005: $477,928) from the joint venture, Straight Through Processing Inc. (see note 26)

19. Due Under Repurchase Agreements

	2006	2005
	$	$
Antigua Pier Group Series A bonds	16,294,034	16,924,847
Antigua Pier Group Series B bonds	1,080,000	1,620,000
TOTAL DUE UNDER REPURCHASE AGREEMENTS	**17,374,034**	**18,544,847**

The repurchase agreements indicate that ACB agrees to transfer APG Bonds to the buyer and simultaneously agrees with the buyer to repurchase said securities at a determined date. In all of the above cases the repurchase price was equivalent to the face value.

20. Long-term Liabilities

	2006	2005
	$	$
DEBENTURE STOCKS AND HOUSING BONDS:		
AUTHORISED:		
Debenture stock	29,362,500	52,000,000
Housing bonds	–	42,000,000
	29,362,500	**94,000,000**
DEBENTURE STOCK:		
ISSUED AND FULLY PAID:		
Debenture stock at beginning of year	29,362,500	15,222,500
Debenture stock sold	–	14,150,000
Debenture stock redeemed	(255,000)	(10,000)
DEBENTURE STOCK AT END OF YEAR	**29,107,500**	**29,362,500**

Housing bonds accrue interest from 7% - 8.5% and mature in 2006. Debenture stock accrue interest from 5.5% - 7% and mature from March 31, 2009 to April 1, 2010.

	2006	2005
	$	$
DEBENTURE STOCKS:		
Debenture stock 7th issue at 7% p.a. maturing on March 31, 2009	5,122,500	5,222,500
Debenture stock 8th issue at 6% p.a. maturing on March 31, 2009	9,875,000	9,990,000
Debenture stock 9th issue at 6% p.a. maturing on September 30, 2009	4,930,000	4,970,000
Debenture stock 10th issue at 5.5% p.a. maturing on March 31, 2010	9,180,000	9,180,000
Total long-term liabilities	29,107,500	29,362,500

21. Share Capital

	2006	2005
	$	$
AUTHORISED SHARE CAPITAL		
3,762,500 shares at nil par value	5,000,000	5,000,000
ISSUED AND FULLY PAID		
12,500 shares of no par value (originally issued at $100 per share)	1,250,000	1,250,000
3,750,000 shares of no par value (originally issued at $1 per share)	3,750,000	3,750,000
	5,000,000	**5,000,000**

22. Statutory Reserve

	2006	2005
	$	$
BALANCE AT BEGINNING AND END OF YEAR	**8,859,132**	**8,132,595**

Section 14 (1) of the Antigua and Barbuda Banking Act of 2005 provides that not less than 20% of each year's net earnings shall be set aside to a reserve fund whenever the fund is less than the paid-up capital of the Bank. This section also applies to the subsidiary company.

23. Other Reserves

	2006	2005
	$	$
General reserve	26,723,105	26,723,105
Reserve for loan loss	13,435,330	7,771,107
Revaluation reserve - property	7,715,453	7,762,523
Capital reserve	7,461,949	7,461,949
Revaluation reserve – available for sale securities	6,449,500	2,838,872
Pension reserve	4,232,871	4,289,024
TOTAL OTHER RESERVES	**66,018,208**	**56,846,580**

Revaluation Reserves

	2006	2005
	$	$
BALANCE, BEGINNING OF YEAR	**10,601,395**	**1,379,881**
Appreciation in market value of investment securities, net of tax of $1,509,626 (2005: $618,710)	3,610,628	1,458,991
Appreciation in market value of property (release through depreciation), net of tax of $20,173 (2005: $201,730)	(47,070)	7,762,523
BALANCE, END OF YEAR	**14,164,953**	**10,601,395**
REPRESENTED BY REVALUATION RESERVES ATTRIBUTABLE TO:		
Available for sale investment securities	6,449,500	2,838,872
Property	7,715,453	7,762,523
	14,164,953	**10,601,395**

An independent valuation of land and buildings was conducted in 2005 (note 11).

General Reserve

At the discretion of the Board of Directors, amounts are periodically appropriated from net income to general reserve for general purposes and for possible future loan losses.

Capital Reserve

Included in this balance is an amount of $6,171,428 recorded in the prior years for share premium recognised.

Pension Reserve

The Board of Directors has decided to appropriate annually out of net income the amounts necessary to maintain a pension reserve equivalent to the pension asset.

Revaluation Reserve – Property

This represents the increase in property, plant and equipment's carrying amount as a result of revaluation.

Revaluation Reserve – Available for Sale Securities

Quoted market securities are stated at market value with the unrealized gains (losses) reflected in equity until realized.

Loan Loss Reserve

The reserve represents the additional provision required by the Eastern Caribbean Central Bank prudential guidelines as compared to the provision measured in accordance with International Financial Reporting Standards, including the interest on loans not recognized for statutory purposes.

24. Other Operating Income

	2006 $	2005 $
Fees and commissions	5,165,522	4,017,926
Foreign exchange	2,753,550	1,641,315
Dividend income	2,146,776	1,383,821
Credit life insurance service fees	–	783,319
Miscellaneous income	281,474	276,799
TOTAL OTHER OPERATING INCOME	**10,347,322**	**8,103,180**

25. General and administrative expenses

	2006 $	2005 $
Salaries and related costs	10,208,395	10,713,996
Receivable impairment allowance	1,440,437	–
Utilities	873,321	703,264
Software operating expenses	830,240	–
Insurance expense	827,862	820,772
Repairs and maintenance	542,901	675,565
Telephone, postage, telegram expenses	436,094	402,472
Printing and stationery expenses	416,751	383,435
50th Anniversary celebrations	397,536	–
Cleaning	273,860	246,417
Security services	269,937	287,679
Branch losses	257,770	509,319
Advertising and promotion	234,784	315,028
Agency expenses	217,880	321,446
Licenses and taxes	216,357	257,743
Shareholders’ meeting expenses	171,775	152,719
Legal and professional fees	142,985	330,716
Rent	127,550	67,948
Subscriptions and fees	122,627	89,248
Vehicle expenses	84,138	72,741
ECCB expenses	62,054	62,649
Travel and entertainment	39,270	84,172
Loss on disposal of fixed assets	37,227	28,972
Correspondent company charges	567	1,886
Court settlement (recovery) expenses	–	(105,266)
Miscellaneous expenses	276,024	310,074
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	**18,508,342**	**16,732,995**

26. Investment In Joint Venture Entity

	2006 $	2005 $
STRAIGHT THROUGH PROCESSING INC.		
Balance at beginning of year	2,023,187	2,513,933
Advances	–	540,000
Share of results for the year	(1,504,935)	(1,030,746)
Impairment	(259,126)	–
BALANCE AT END OF YEAR	**259,126**	**2,023,187**

Straight Through Processing Inc. is a financial services application provider delivering business-to-business data processing and business process outsourcing services.

The cost of the investment is comprised of share capital and long term advances as follows:

	2006 $	2005 $
Share capital	2,430,000	2,430,000
Advances	2,989,826	2,989,826
	5,419,826	**5,419,826**

The Bank's interest in the joint venture, which is unlisted, is as follows:

	Current assets $	Long-term assets $	Current liabilities $	Long-term liabilities $	Revenues $	Expenses $	Profit (loss) $	% Interest
2006	870,596	4,142,165	3,903,802	6,052,107	1,824,095	5,420,142	(3,596,047)	50
2005	914,482	7,475,906	2,501,003	6,144,588	1,769,063	3,830,554	(2,061,491)	50

There are no contingencies relating to the Bank's interest in the joint venture.

27. Earnings per Share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2006	2005
	$	$
Net profit attributable to shareholders	11,839,677	14,420,950
Weighted average number of ordinary shares in issue	3,762,500	3,762,500
BASIC AND DILUTED EARNINGS PER SHARE	**3.15**	**3.83**

28. Cash and Cash Equivalents

	2006	2005
	$	$
Cash and balances with the Central Bank (note 5)	5,860,578	10,083,267
Due from other banks (note 6)	55,759,771	66,125,959
Treasury bills (note 7)	39,906,700	37,939,200
TOTAL CASH AND CASH EQUIVALENTS	**101,527,049**	**114,148,426**

29. Contingencies and commitments

Pending Litigation

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

Credit Related Commitments

The following table indicates the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers:

	2006	2005
	$	$
UNDRAWN COMMITMENTS TO EXTEND ADVANCES	**48,178,551**	**36,128,033**

Off Balance Sheet Items

The Bank had letters of credit outstanding at the year end in the following amounts:

	2006	2005
	$	$
LETTERS OF CREDIT	**6,235,105**	**6,847,275**