

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF INTERCOMMERCIAL BANK LIMITED

We have audited the accompanying financial statements of Intercommercial Bank Limited and its subsidiary (the 'Group') which comprise the balance sheet as at 31st March, 2007 and the statement of income, statement of changes in equity and statement of cash flows for the 15-month period 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 the 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

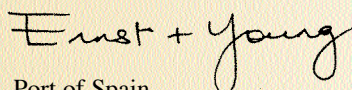
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for 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, the financial statements give a true and fair view of the financial position of the Group as of 31st March, 2007 and of its financial performance and its cash flows for the 15-month period ended in accordance with International Financial Reporting Standards.



Port of Spain,
TRINIDAD:
28th May, 2007

INTERCOMMERCIAL BANK LIMITED

BALANCE SHEET

AS AT MARCH 31, 2007

PARENT			GROUP	
2005	15 Mth ended		15 Mth ended	2005
\$'000	2007	Notes	2007	\$'000
	\$'000		\$'000	\$'000
ASSETS				
5,823	5,827	Cash balances	5,827	5,823
56,859	96,928	Balances with Central Bank	98,773	59,581
98,640	203,117	Due from other financial institutions	206,689	102,012
346,675	370,622	Loans and advances	393,728	360,693
		Investment securities – at fair value through		
–	187	the statement of income	3,051	3,753
7,007	7,160	Investment securities – available for sale	12,207	13,695
37,861	100,817	Investment securities – held to maturity	108,639	45,284
15,000	15,000	Investment in subsidiary	–	–
13,460	12,146	Other assets, prepayments and accrued income	12,889	14,001
6,115	2,014	Customer liabilities and letters of acceptance	2,014	6,115
12,080	12,513	Property and equipment	14,324	13,359
–	721	Taxation recoverable	745	–
–	248	Deferred tax asset	759	–
599,520	827,300	TOTAL ASSETS	859,645	624,316
LIABILITIES				
438,988	728,330	Customer deposits and other funding instruments	759,990	463,226
46,299	–	Due to other financial institutions	–	46,299
5,309	7,300	Amount due to subsidiary	–	–
6,115	2,014	Customer liabilities and letters of acceptance	2,014	6,115
–	3,515	Long-term debt	3,515	–
42,059	19,307	Other liabilities and accruals	20,278	43,349
206	–	Taxation payable	–	247
80	–	Deferred tax liability	–	41
539,056	760,466	TOTAL LIABILITIES	785,797	559,277
EQUITY				
52,631	52,631	Stated capital	52,631	52,631
5,787	10,953	Retained earnings	17,971	9,749
972	1,569	Statutory reserve	2,423	1,487
1,570	1,777	General loss reserve	1,777	1,570
(496)	(96)	Investment revaluation reserve	(954)	(398)
60,464	66,834	TOTAL EQUITY	73,848	65,039
599,520	827,300	TOTAL LIABILITIES AND EQUITY	859,645	624,316

The accompanying notes form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 28th May, 2007 and signed on its behalf by:

Hugh Duncan : Director

Neil : Director



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GROWTH

INTERCOMMERCIAL BANK LIMITED
STATEMENT OF INCOME
 FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

PARENT			GROUP	
2005 \$'000	15 Mth ended 2007 \$'000		15 Mth ended 2007 \$'000	2005 \$'000
		Notes		
31,876	58,970	Interest income on loans and advances	61,241	33,199
5,855	11,730	Interest income from investments	13,344	8,487
2,927	2,415	Other interest income	2,415	2,926
40,658	73,115		77,000	44,612
14,756	38,288	Interest expense on customer deposits	40,902	16,635
621	24	Interest expense on debt	24	621
3,449	1,529	Other interest expense	2,098	3,177
18,826	39,841		43,024	20,433
21,832	33,274	NET INTEREST MARGIN	33,976	24,179
4,406	6,076	Fees and commissions	14	13,602
4,064	10,902	Foreign exchange revenue		11,003
8,470	16,978		24,605	8,982
30,302	50,252	OPERATING INCOME	58,581	33,161
10,763	21,267	Staff costs	22,717	11,189
2,429	3,807	Depreciation	4,137	2,429
698	1,370	Operating lease rentals	15	1,907
1,442	1,226	Advertising and marketing		1,526
8,823	14,174	Administrative and other expenses		15,657
24,155	41,844		45,944	26,197
4,668	1,609	PROVISION FOR LOAN LOSSES	1,609	4,668
28,823	43,453		47,553	30,865
1,479	6,799	PROFIT BEFORE TAXATION	11,028	2,296
593	(829)	TAXATION	16	(1,663)
2,072	5,970	PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	9,365	3,087

The accompanying notes form an integral part of these financial statements.

INTERCOMMERCIAL BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
 FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

	Stated capital \$'000	Retained earnings \$'000	Statutory reserve \$'000	General loss reserve \$'000	Investment revaluation reserve \$'000	Total equity \$'000
GROUP						
Balance as at January 1, 2005	52,631	7,445	1,178	1,096	(2,257)	60,093
Revaluation adjustment on available-for-sale investments	–	–	–	–	(219)	(219)
Realised losses transferred to net profit	–	–	–	–	2,078	2,078
Total income and expenses for the year recognised directly in equity	52,631	7,445	1,178	1,096	(398)	61,952
Net profit after taxation	–	3,087	–	–	–	3,087
Transfer to statutory reserve	–	(309)	309	–	–	–
Transfer to general loss reserve	–	(474)	–	474	–	–
Balance as at December 31, 2005	52,631	9,749	1,487	1,570	(398)	65,039
Revaluation adjustment on available-for-sale investments	–	–	–	–	(914)	(914)
Realised losses transferred to net profit	–	–	–	–	358	358
Total income and expense for the year recognised directly in equity	52,631	9,749	1,487	1,570	(954)	64,483
Net profit after taxation	–	9,365	–	–	–	9,365
Transfer to statutory reserve	–	(936)	936	–	–	–
Transfer to general loss reserve	–	(207)	–	207	–	–
Balance as at March 31, 2007	52,631	17,971	2,423	1,777	(954)	73,848

The accompanying notes form an integral part of these financial statements.



INTERCOMMERCIAL BANK LIMITED
STATEMENT OF CHANGES IN EQUITY (CONTINUED)
 FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

	Stated capital \$'000	Retained earnings \$'000	Statutory reserve \$'000	General loss reserve \$'000	Investment revaluation reserve \$'000	Total equity \$'000
PARENT						
Balance as at January 1, 2005	52,631	4,396	765	1,096	(1,068)	57,820
Revaluation loss on available-for-sale investments	–	–	–	–	(955)	(955)
Realised losses transferred to net profit	–	–	–	–	1,527	1,527
Total income and expense for the year recognised directly in equity	52,631	4,396	765	1,096	(496)	58,392
Net profit after taxation	–	2,072	–	–	–	2,072
Transfer to statutory reserve	–	(207)	207	–	–	–
Transfer to general loss reserve	–	(474)	–	474	–	–
Balance as at December 31, 2005	52,631	5,787	972	1,570	(496)	60,464
Revaluation adjustment on available-for-sale investments	–	–	–	–	266	266
Realised losses transferred to net profit	–	–	–	–	134	134
Total income and expense for the year recognised directly in equity	52,631	5,787	972	1,570	(96)	60,864
Net profit after taxation	–	5,970	–	–	–	5,970
Transfer to statutory reserve	–	(597)	597	–	–	–
Transfer to general loss reserve	–	(207)	–	207	–	–
Balance as at March 31, 2007	52,631	10,953	1,569	1,777	(96)	66,834

The accompanying notes form an integral part of these financial statements.

INTERCOMMERCIAL BANK LIMITED
STATEMENT OF CASH FLOWS
 FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

PARENT			GROUP	
2005	15 Mth ended 2007		15 Mth ended 2007	2005
\$'000	\$'000		\$'000	\$'000
		OPERATING ACTIVITIES		
1,479	6,799	Profit before taxation	11,028	2,296
		Adjusted for:		
2,429	3,807	Depreciation	4,137	2,429
–	(1,141)	Amortisation of bond issue and discount cost	(1,516)	–
4,668	1,609	Provision for loan losses	1,609	4,668
1,459	–	Loss on sale/revaluation of investments	–	1,712
623	1,177	Unrealised losses on investments	1,416	623
10,658	12,251	Operating profit before working capital changes	16,674	11,728
(128,235)	(25,556)	Increase in loans and advances	(34,644)	(127,958)
152,248	289,342	Increase in customer deposits and other funding instruments	296,764	130,911
1,568	1,991	Increase in amount due to subsidiary	–	–
(7,805)	5,414	(Increase)/decrease in other assets, prepayments and accrued income	5,213	(7,110)
(35,860)	(40,068)	Net increase in reserve with Central Bank	(39,192)	(34,462)
30,305	(26,853)	Net increase/(decrease) in other liabilities and accruals	(27,172)	29,942
(40)	(2,252)	Corporation taxes paid	(3,260)	(292)
22,839	214,269	NET CASH GENERATED FROM OPERATING ACTIVITIES	214,383	2,759
		INVESTING ACTIVITIES		
(2,503)	(4,240)	Purchase of property and equipment	(5,158)	(3,782)
(126,378)	(209,970)	Purchase of investments	(220,403)	(126,378)
175,906	147,206	Proceeds from sale of investments	158,643	189,658
47,025	(67,004)	NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	(66,918)	59,498
		FINANCING ACTIVITIES		
(12,500)	3,515	Proceeds from/(principal paid on) debt securities	3,515	(12,500)
(2,821)	(46,299)	Net borrowings from other financial institutions	(46,299)	(2,821)
(15,321)	(42,784)	NET CASH USED IN FINANCING ACTIVITIES	(42,784)	(15,321)
54,543	104,481	Net increase in cash and cash equivalents	104,681	46,936
49,920	104,463	Cash and cash equivalents at beginning of year	107,835	60,899
104,463	208,944	CASH AND CASH EQUIVALENTS AT END OF YEAR	212,516	107,835

The accompanying notes form an integral part of these financial statements.



INTERCOMMERCIAL BANK LIMITED
STATEMENT OF CASH FLOWS (CONTINUED)
 FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

PARENT			GROUP	
2005 \$'000	15 Mth ended 2007 \$'000		15 Mth ended 2007 \$'000	2005 \$'000
		CASH AND CASH EQUIVALENTS ARE REPRESENTED BY		
5,823	5,827	Cash balances	5,827	5,823
98,640	203,117	Due from other financial institutions	206,689	102,012
104,463	208,944		212,516	107,835
		SUPPLEMENTAL INFORMATION		
37,816	71,020	Interest received during the year	73,894	42,683
16,016	29,869	Interest paid during the year	33,080	18,780

The accompanying notes form an integral part of these financial statements.

INTERCOMMERCIAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

These notes are applicable to both Parent and Group financial statements unless otherwise stated.

1. Incorporation and principal activity

Intercommercial Bank Limited (the 'Bank' or 'Parent') was incorporated on September 7, 1997 in the Republic of Trinidad and Tobago and commenced operations from June 8, 1998. Its registered office and principal place of business is situated at DSM Plaza, Old Southern Main Road, Chaguanas. The Bank offers a complete range of banking and financial services as permitted under the Financial Institutions Act 1993. The Bank's shares are held by four (4) companies, three (3) of which are incorporated in Barbados and the other in Trinidad and Tobago. The shareholding of the Bank is equally and ultimately owned by Trusts and Jamaica Money Market Brokers.

Intercommercial Trust and Merchant Bank Limited (ITMBL) was incorporated in the Republic of Trinidad and Tobago in January 2001 and commenced operations in October 2001. ITMBL is a wholly owned subsidiary of the Bank and is a licenced merchant bank and mortgage institution. Its principal activities include providing medium and long term finance, mortgages, accepting medium and long term fixed deposits from the public, invoice financing, investment services, leasing, project financing and arranging and underwriting issues of marketable securities.

2. Period of accounts

During 2006 the Group changed its financial year-end from December 31, to March 31, to coincide with the financial year-end of its 50% shareholder Jamaica Money Market Brokers Limited (JMMB). Consequently, this reporting period represents a fifteen-month period from January 1, 2006 to March 31, 2007. The comparative amounts for the statement of income, the statement of changes in equity, the statement of cash flows and related notes are therefore not comparable.

3. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements have been applied consistently to all periods presented in the financial statements and conform in all material aspects to International Financial Reporting Standards (IFRS) as set out below:

(a) Basis of preparation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and are stated in thousands of Trinidad and Tobago dollars. The financial statements are prepared under the historical cost convention as modified by the revaluation of trading securities or financial assets available-for-sale.

The Group has not applied certain IFRS's and IFRIC interpretations that have been issued but are not yet effective. The Group has evaluated the effect of these and has determined that only IFRS 7 – Financial Instruments: Disclosure and the Amendments to IAS 1 Presentation of Financial Statements: Capital Disclosures applies.



INTERCOMMERCIAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

3. Accounting policies (continued)

(a) Basis of preparation (continued)

IFRS 7 and the Amendments to IAS 1 requires entities to disclose about the significance of financial instruments for an entity's financial position and performance, and qualitative disclosures on the nature and extent of risks and the consequences of non-compliance. IFRS 7 and IAS 1, which has become mandatory for annual periods beginning on or after January 1, 2007, will require extensive additional disclosures with respect to the Group's financial instruments and share capital.

(b) Basis of consolidation

The consolidated financial statements for the year ended March 31, 2007 include all of the assets and liabilities and results of operations of the Bank and its subsidiary. The financial statements of the subsidiary is prepared for the same reporting period as the Bank, using consistent accounting policies. All material inter-company transactions and balances between parent and subsidiary have been eliminated. The investment in the subsidiary is reported at cost in the accounts of the Bank.

(c) Significant accounting judgements and estimates

In the process of applying the Group's accounting policies, management has used its judgements and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgements and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

Impairment losses on loans and advances

The Group reviews its problem loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the statement of income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant loans and advances, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

Impairment of equity investments

The Group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its costs or where other objective evidence of impairment exist. The determination of what is "significant" or "prolonged" requires judgement. The Group treats "prolonged" as greater than six months. In addition, the Group evaluates other factors, such as the share price volatility.

INTERCOMMERCIAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

3. Accounting policies (continued)

(c) Significant accounting judgements and estimates (continued)

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax asset that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Fixed assets

Management exercises judgement in determining whether costs incurred can accrue sufficient future economic benefits to the Group to enable the value to be treated as a capital expense. Further judgement is used upon annual review of the residual values and useful lives of all capital items to determine any necessary adjustments to carrying value.

(d) Summary of significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year and are set out below:

i. Foreign currency translation

The consolidated financial statements are presented in Trinidad and Tobago dollars, which is the Group's functional and presentational currency.

Transactions and balances

Transactions in foreign currencies are initially recorded at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago dollars at the rate of exchange ruling on the balance sheet date. All differences arising are taken to the statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

ii. Interest income and expense

Interest income and expense are recognised in the statement of income for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investment and trading securities as well as accrued discount and premium on treasury bills and other discounted instruments. Interest income is suspended when loans are overdue and considered non-performing.

iii. Fees and commission income

Unless included in the effective interest calculation, fees and commissions are recognised on an accrual basis as the service is provided. Commissions and fees not integral to effective interest arising from negotiating or participating in negotiation of a transaction for a third party are recognised on the completion of the underlying transaction.



INTERCOMMERCIAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

3. Accounting policies (continued)

(d) Summary of significant accounting policies (continued)

iv. Financial instruments

The Group's financial assets and financial liabilities are recognised in the balance sheet when it becomes party to contractual obligations of the instrument. The Group derecognises its financial assets when it loses control of the contractual rights that comprise the financial assets. The Group loses such control if it realises rights to benefits specified in the contract, the rights expire, or the Group surrenders those rights. Financial liabilities are derecognised only when the obligation is discharged, cancelled or expired.

v. Financial liabilities

Financial liabilities are recognised initially at fair value net of transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

vi. Investment securities

(i) At fair value through the statement of income

Securities at fair value through the statement of income are trading securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exist. Trading securities are initially recognised at cost and subsequently re-measured at fair value based on quoted bid prices. All related realised and unrealised gains and losses are included in operating income. Interest earned whilst holding trading securities is reported as interest income.

All purchases and sales of trading securities that require delivery within the time frame established by regulation or market convention are recognised at settlement date.

(ii) Available-for-sale

After initial recognition, investments which are classified as "available for sale" are measured at fair value, with unrealised gains or losses on revaluation recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative loss or gain previously reported in the unrealised investment reserve is included in the statement of income.

(iii) Held to maturity

Held to maturity assets are other long-term investments which the Group's management has the positive intention and ability to hold to maturity. These investments are carried at amortised cost.

vii. Loans and advances

Loans and advances are financial assets with fixed or determinable payments. Such assets are stated at amortised cost, net of any advances for credit losses using the effective interest method.

INTERCOMMERCIAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

3. Accounting policies (continued)

(d) Summary of significant accounting policies (continued)

viii. Impairment of financial assets

Financial assets are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of the future cash flows.

A loan is classified as impaired (non-performing) when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of the loan. Objective evidence of impairment includes observable data that comes to the attention of the Group such as:

- Significant financial difficulties of the borrower
- Actual delinquencies
- Adverse change in the payment status of a borrower
- Deterioration of credit ratings assigned to the borrower
- Bankruptcy or reorganisation by the borrower

If there is objective evidence that an impairment loss on loans has been incurred, the amount of the allowance for impairment is measured as the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

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

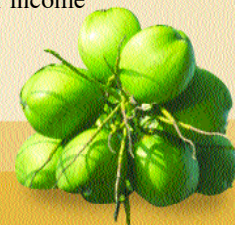
The allowance which is made during the year, less amounts released and recoveries of bad debts previously written off, is charged against the statement of income. When a loan is deemed uncollectible, it is written off against the related allowance for losses.

ix. Property and equipment

Property and equipment are recorded at historic cost less accumulated depreciation. Depreciation on furniture and equipment, which consist of computer hardware, machinery and office equipment, is provided on the reducing balance method at various rates sufficient to write off the assets over their estimated useful lives. Depreciation of all other categories is computed using the straight-line method.

The rates used are as follows:	2005	2007
Leasehold improvements	6.67%	6.67%
Furniture and equipment	10 – 33 ¹ / ₃ %	10% – 33 ¹ / ₃ %

Where 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 disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the statement of income when the expenditure is incurred.



INTERCOMMERCIAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

3. Accounting policies (continued)

(d) Summary of significant accounting policies (continued)

x. Reserve requirements

In accordance with the provisions of the Central Bank Act, 1964 and the Financial Institutions Act, 1993, Intercommercial Bank and Intercommercial Trust and Merchant Bank are required to hold and maintain with the Central Bank of Trinidad and Tobago a cash reserve balance equivalent to 11% and 9% respectively of total prescribed liabilities. Additionally, the Central Bank has mandated that the Bank maintain an interest bearing Secondary Reserve of 2% of total prescribed liabilities along with two fixed rate term deposits with tenures of one year each.

xi. Statutory reserve fund

In accordance with the Financial Institutions Act, 1993, Intercommercial Bank and Intercommercial Trust and Merchant Bank are required to transfer at the end of each financial year no less than 10% of their net income after tax to a statutory reserve fund until the amount standing to the credit of the statutory reserve fund is not less than their paid-up capital.

xii. Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise balances with less than 90 days to maturity from the date of acquisition. These include cash and amounts due from other financial institutions.

xiii. Provisions

Provisions are recognised when the Group 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.

xiv. Taxation

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax assets relating to the carry-forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

xv. Accounting for leases – where the Group is the lessee

Leases entered into by the Group are all operating leases. Payments made under operating leases are charged to the statement of income on a straight-line basis over the period of the lease.

When the operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of a penalty is recognised as an expense in the period in which termination takes place.

INTERCOMMERCIAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

3. Accounting policies (continued)

(d) Summary of significant accounting policies (continued)

xvi. Pension obligations

The Group operates a defined contribution arrangement whereby each eligible employee maintains an individual annuity approved under section 134 (6) of the Income Tax Act with Sagacor Life Inc. Under the terms of employment the Group is obligated to contribute an amount up to 10% of the employees' pensionable salary to the individual annuities in respect of all eligible employees. All eligible employees contribute an amount equivalent to 5% of their pensionable salary.

The Group's contributions to the respective annuities are charged to the Statement of Income in the year to which they relate. For the current financial period to March 31, 2007 the Group's contributions amounted to \$1.148 million (2005: \$526,000).

xvii. Trustee relationship

The Group acts as Trustee/Registrar for a number of bonds issued by third parties and earns fee income for rendering these services. These assets have not been included in these financial statements. The values of these assets as at March 31, 2007 were \$354 million (2005: \$410 million).

xviii. Earnings per share

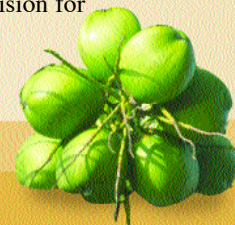
Data on basic earnings per share has been computed by dividing the net profit attributable to ordinary shareholders, by the weighted average number of ordinary shares in issue during the year.

PARENT			GROUP	
2005	15 Mth ended 2007		15 Mth ended 2007	2005
\$'000	\$'000		\$'000	\$'000
		Earnings per share		
2,072	5,970	Net profit after tax	9,365	3,087
52,631	52,631	Number of shares in issue	52,631	52,631
\$0.04	\$0.11	Earnings per share	\$0.18	\$0.06

4. Related parties

These consolidated financial statements include the financial statements of the fully owned subsidiary Intercommercial Trust and Merchant Bank Limited.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. Certain banking transactions are entered into with related parties in the normal course of business. These transactions were carried out on normal terms and conditions at market rates. For the period ended March 31, 2007, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2005:0).



INTERCOMMERCIAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

4. Related parties (continued)

The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial year.

PARENT			GROUP	
2005	15 Mth ended		15 Mth ended	2005
\$'000	2007		2007	\$'000
\$'000	\$'000		\$'000	\$'000
		Related parties		
		<i>Entities with significant influence over the Group</i>		
		Technovision Investments Incorporated		
2,667	2,667	Loans and advances	2,667	2,667
–	–	Customer deposits and other funding instruments	4,210	4,200
3,069	3,369	Other assets, prepayments and accrued income	3,369	3,069
200	250	Interest received	250	200
–	–	Interest paid	250	199
		Jamaica Money Market Brokers and subsidiaries		
14,521	–	Due from other financial institutions	–	14,521
6,299	–	Due to other financial institutions	–	6,299
–	201	Loans and advances	201	–
–	–	Investment securities– at fair value through the statement of income	–	185
–	12,445	Investment securities – held to maturity	12,445	–
1,584	–	Other assets, prepayments and accrued income	–	1,584
–	3,515	Long-term debt	3,515	–
914	143	Interest received	143	914
–	24	Interest paid	24	–
		<i>Subsidiary</i>		
		Intercommercial Trust and Merchant Bank Limited		
2,000	–	Loan balance due to subsidiary	–	–
7,058	7,117	Customer deposits and other funding instruments	–	–
471	184	Other assets, prepayments and accrued income	–	–
381	120	Interest paid	–	–
		<i>Key management personnel of the Group</i>		
		Compensation		
1,241	1,932	Short-term employee benefits	2,576	1,409
68	52	Post employment benefits	102	78
1,309	1,984	Total compensation	2,678	1,487
50	3,927	Directors' loans	3,927	50
116	2,976	Customer deposits – Directors	2,976	116

INTERCOMMERCIAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

PARENT			GROUP	
2005 \$'000	15 Mth ended 2007 \$'000		15 Mth ended 2007 \$'000	2005 \$'000
5. Loans and Advances				
338,113	360,047	Performing loans	383,153	352,025
23,055	22,585	Non-performing loans	22,585	23,161
<hr/>				
361,168	382,632	Gross loans and advances	405,738	375,186
14,493	12,010	Less: Provision for loan losses	12,010	14,493
<hr/>				
346,675	370,622		393,728	360,693
<hr/>				
Provision for loan losses				
10,131	14,493	Balance brought forward	14,493	10,131
4,668	1,609	Charge against profit	1,609	4,668
(306)	(4,092)	Loans written off	(4,092)	(306)
<hr/>				
14,493	12,010	Balance carried forward	12,010	14,493
<hr/>				
6. (a) Investment securities – at fair value through the statement of income				
–	–	Government bonds	–	–
–	187	Other investments	3,051	3,753
<hr/>				
–	187		3,051	3,753
<hr/>				
(b) Investment securities – available for sale				
7,007	7,160	Government bonds	12,207	13,695
–	–	Other investments	–	–
<hr/>				
7,007	7,160		12,207	13,695
<hr/>				
(c) Investment securities – held to maturity				
–	54,550	Treasury bills	54,550	–
21,795	12,764	Government bonds	20,586	29,218
15,276	32,445	Repurchase agreements	32,445	15,276
790	1,058	Other investments	1,058	790
<hr/>				
37,861	100,817		108,639	45,284



INTERCOMMERCIAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

PARENT			GROUP	
2005 \$'000	15 Mth ended 2007 \$'000		15 Mth ended 2007 \$'000	2005 \$'000
		7. Other assets, prepayments and accrued income		
3,880	3,289	Accrued interest income on loans and investments	3,870	4,028
6,511	5,488	Accounts receivable and prepayments	5,650	6,904
3,069	3,369	Related party receivables	3,369	3,069
13,460	12,146		12,889	14,001
		8. Customer liabilities and letters of acceptance		
5,871	1,407	Acceptances, guarantees and indemnities	1,407	5,871
244	607	Customer funds under management	607	244
6,115	2,014		2,014	6,115

These represent the Parent's and Group's potential liability for which there are equal and off-setting claims against its customers in the event of a call on these commitments.

9. Property and equipment (Group)

	Capital work- in-progress \$'000	Leasehold improvements \$'000	Equipment \$'000	15 Mth ended 2007 \$'000	Total 2005 \$'000
Opening net book amount	1,648	3,248	8,463	13,359	12,006
Additions	–	1,690	5,115	6,805	3,782
Disposals	(1,648)	–	(55)	(1,703)	–
Depreciation charge	–	(552)	(3,585)	(4,137)	(2,429)
Closing net book amount	–	4,386	9,938	14,324	13,359
Cost	–	7,212	25,357	32,569	27,467
Accumulated depreciation	–	(2,826)	(15,419)	(18,245)	(14,108)
Net book value	–	4,386	9,938	14,324	13,359
Property and equipment (Parent)					
Opening net book amount	1,648	2,799	7,633	12,080	12,006
Additions	–	1,056	4,832	5,888	2,503
Disposals	(1,648)	–	–	(1,648)	–
Depreciation charge	–	(466)	(3,341)	(3,807)	(2,429)
Closing net book amount	–	3,389	9,124	12,513	12,080
Cost	–	6,129	24,298	30,427	26,188
Accumulated depreciation	–	(2,740)	(15,174)	(17,914)	(14,108)
Net book value	–	3,389	9,124	12,513	12,080

INTERCOMMERCIAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

PARENT			GROUP	
2005 \$'000	15 Mth ended 2007 \$'000		15 Mth ended 2007 \$'000	2005 \$'000
		10. Deferred income tax		
434	255	Accelerated tax depreciation	253	434
–	72	Unrealised gains on investments	156	–
434	327	Deferred tax liability	409	434
(354)	(575)	Unrealised losses on investments	(1,168)	(393)
–	–	Other	–	–
(354)	(575)	Deferred tax asset	(1,168)	(393)
80	(248)	NET DEFERRED TAX (ASSET)/LIABILITY	(759)	41

11. Long-term debt

During the period the Parent company procured unsecured related party long-term financing in the amount of TT\$3.515 million. The debt matures on February 28, 2017 with early repayment after five years at the option of the Bank.

PARENT			GROUP	
2005 \$'000	15 Mth ended 2007 \$'000		15 Mth ended 2007 \$'000	2005 \$'000
		12. Other liabilities and accruals		
1,585	5,176	Interest accrued on deposits	5,949	2,330
37,949	13,819	Managers cheques	13,819	37,949
2,525	312	Other liabilities and accruals	510	3,070
42,059	19,307		20,278	43,349
		13. Stated capital		
		Authorised: An unlimited number of shares of no par value		
		Reconciliation of the number of issued and fully paid ordinary shares of no par value:		
No.	No.		No.	No.
52,630,756	52,630,756	Number of shares at the beginning of the year	52,630,756	52,630,756
–	–	Shares issued during the year	–	–
52,630,756	52,630,756	Number of issued and fully paid ordinary shares at the end of the year	52,630,756	52,630,756



INTERCOMMERCIAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

PARENT			GROUP	
2005 \$'000	15 Mth ended 2007 \$'000		15 Mth ended 2007 \$'000	2005 \$'000
		14. Fees and commissions		
4,406	6,076	Fees and commissions	13,602	4,975
–	–	Losses on trading securities	–	(57)
4,406	6,076		13,602	4,918
		15. Operating leases		
5,226	7,271	The total of future minimum lease payments under non-cancellable operating leases	8,555	7,365
		The maturity profile of leases are as follows:		
657	1,212	Less than one year	1,640	1,085
2,508	4,457	Between one year and five years	5,313	4,219
2,061	1,602	Greater than five years	1,602	2,061
5,226	7,271		8,555	7,365
698	1,370	The lease payments recognised in the statement of income for the year	1,907	1,019
		16. Taxation		
(40)	(90)	Green fund levy	(104)	(46)
(354)	(1,234)	Current year tax charge	(2,208)	(496)
(65)	–	Under-provision prior year	–	(65)
1,052	495	Deferred tax	649	1,398
593	(829)		(1,663)	791
		Reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate:		
1,479	6,799	Accounting profit	11,028	2,296
(444)	(1,700)	Expected tax calculated at statutory tax rate	(2,757)	(689)
134	304	Income not assessable for tax	587	368
214	–	Change in tax rate	–	260
689	567	Other permanent differences	507	852
593	(829)		(1,663)	791

INTERCOMMERCIAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

PARENT			GROUP	
2005 \$'000	15 Mth ended 2007 \$'000		15 Mth ended 2007 \$'000	2005 \$'000
17. Concentration of assets and liabilities				
Loans and advances (gross)				
139,924	126,981	Consumer	126,981	139,924
85,992	69,399	Distribution	69,399	85,992
41,625	57,267	Other	58,810	41,926
47,221	47,197	Manufacturing and construction	48,355	48,553
19,260	37,256	Mortgages	52,285	30,489
27,146	44,532	Financial	49,908	28,302
361,168	382,632		405,738	375,186
Customer deposits and Other funding instruments				
127,282	248,193	State	248,294	127,282
137,732	218,436	Corporate and commercial	242,241	156,667
173,974	261,701	Personal	269,455	179,277
438,988	728,330		759,990	463,226

18. Contingent liabilities

As at March 31, 2007, there were no legal proceedings outstanding against the Group as such no provisions were required.

19. Credit commitments

As at March 31, 2007, the Group's commitments of a credit nature are as follows:

PARENT			GROUP	
2005 \$'000	15 Mth ended 2007 \$'000		15 Mth ended 2007 \$'000	2005 \$'000
Commitments and contingencies				
12,101	14,109	Undrawn commitments for loans and advances	14,109	12,101



INTERCOMMERCIAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

20. Capital commitments

As at March 31, 2007, there was a contract relating to capital expenditure for leasehold improvements being carried out at Building C of DSM Plaza, Old Southern Main Road, Chaguanas. The total commitment amounted to \$2.05 million, with \$1.056 million being incurred as at March 31, 2007.

21. Financial risk management

The Group's principal financial instruments comprise loans and advances, investment securities, balances with Central Bank, cash balances, amounts due to and from financial institutions, customers deposits and long-term debt. The Group's activities are primarily related to the use of deposits raised from customers to earn above average interest rate margins through the on lending of funds to customers and by the investing in high quality, high yielding assets with acceptable levels of risk.

The Group has various other financial assets and liabilities such as other assets, prepayments and accrued income and other liabilities and accruals which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, currency risk, interest rate risk and liquidity risk. The Board reviews and agrees on policies for managing each of these risks and they are summarised in the subsequent notes.

22. Credit risk

Credit risk is the potential for loss due to the failure of a counter party or borrower to meet its financial obligations. The Group is exposed to credit risk through its loans to customers, from settling payments between financial institutions and from providing products that create replacement risk. These assets are subject to credit assessment and approval procedures. In addition, these balances are monitored on an ongoing basis including the review of the value of the underlying security attached to the asset. The Group's portfolio is adequately secured and where necessary, allowances for impairment are established for potential credit losses on delinquent accounts.

23. Currency risk

The techniques used by the Group to manage currency risk vary subject to market conditions. Assets are primarily funded from liabilities of the same currency, thus eliminating currency risk. Foreign currency transactions have not required the use of interest rate swaps, foreign currency options or other derivative instruments. Currency exposure resides mainly in trading activity where the Parent buys and sells currencies in the spot markets. Trading portfolios are managed with the intent to buy and sell over short periods, rather than to hold positions for investments. Explicit limits are established by currency, position and term, and daily reports are reviewed for compliance.

INTERCOMMERCIAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

23. **Currency risk (continued)**

(a) **Currency risk (Group)**

The following information is expressed in thousands of TT dollars.

	TT \$'000	US \$'000	Other \$'000	Total \$'000
As at 31 March, 2007				
Assets				
Cash and due from banks	135,573	175,419	297	311,289
Loans and advances	362,557	31,171	–	393,728
Investment securities	91,230	32,667	–	123,897
Property and equipment	14,324	–	–	14,324
Other assets	11,588	4,811	8	16,407
	615,272	244,068	305	859,645
Liabilities				
Customer deposits and other funding instruments	579,603	180,387	–	759,990
Borrowed funds	–	3,515	–	3,515
Other liabilities	8,061	14,194	37	22,292
Total liabilities	587,664	198,096	37	785,797
Net balance sheet position	27,608	45,972	268	73,848
Credit commitments	14,109	–	–	14,109
As at 31 December, 2005				
Assets				
Cash and due from banks	84,940	82,394	82	167,416
Loans and advances	356,555	4,138	–	360,693
Investment securities	18,562	44,170	–	62,732
Property and equipment	13,359	–	–	13,359
Other assets	13,378	6,738	–	20,116
Total assets	486,794	137,440	82	624,316
Liabilities				
Customer deposits and other funding instruments	345,004	118,222	–	463,226
Borrowed funds	40,000	6,299	–	46,299
Other liabilities	25,613	24,139	–	49,752
Total liabilities	410,617	148,660	–	559,277
Net balance sheet position	76,177	(11,220)	82	65,039
Credit commitments	12,101	–	–	12,101



INTERCOMMERCIAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

23. **Currency risk (continued)**

(b) **Currency risk (Parent)**

	TT \$'000	US \$'000	Other \$'000	Total \$'000
As at 31 March, 2007				
Assets				
Cash and due from banks	138,928	166,647	297	305,872
Loans and advances	345,048	25,574	–	370,622
Investment securities	83,413	24,751	–	108,164
Investment in subsidiary	15,000	–	–	15,000
Property and equipment	12,513	–	–	12,513
Other assets	10,443	4,678	8	15,129
Total assets	605,345	221,650	305	827,300
Liabilities				
Customer deposits and other funding instruments	549,852	178,478	–	728,330
Borrowed funds	–	3,515	–	3,515
Other liabilities	14,527	14,057	37	28,621
Total liabilities	564,379	196,050	37	760,466
Net balance sheet position	40,966	25,600	268	66,834
Credit commitments	14,109	–	–	14,109
As at 31 December, 2005				
Assets				
Cash and due from banks	87,695	73,545	82	161,322
Loans and advances	342,537	4,138	–	346,675
Investment securities	8,475	36,393	–	44,868
Investment in subsidiary	15,000	–	–	15,000
Property and equipment	12,080	–	–	12,080
Other assets	12,847	6,728	–	19,575
Total assets	478,634	120,804	82	599,520
Liabilities				
Customer deposits and other funding instruments	322,540	116,448	–	438,988
Borrowed funds	40,000	6,299	–	46,299
Other liabilities	29,655	24,114	–	53,769
Total liabilities	392,195	146,861	–	539,056
Net balance sheet position	86,439	(26,057)	82	60,464
Credit commitments	12,101	–	–	12,101

INTERCOMMERCIAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

24. Liquidity risk (Group)

The Group is exposed to various risks and the Asset/Liability Committee continually reviews and manages these risks. The matching and controlled mis-matching of the maturities of assets and liabilities is fundamental to the management of the Group. Liquidity gaps are also mitigated by the marketable nature of a substantial segment of the Group's assets and by the availability of inter-bank funding.

The table below analyses the major financial assets and liabilities of the Group and Parent into relevant groupings based on the remaining period at March 31 to the contractual maturity date.

	Up to one year \$'000	One to five years \$'000	Over five years \$'000	Total \$'000
As at 31 March, 2007				
Assets				
Cash and due from banks	311,289	–	–	311,289
Loans and advances	226,265	126,244	41,219	393,728
Investment securities	100,175	6,673	17,049	123,897
Other assets	16,407	12,513	1,811	30,731
Total assets	654,136	145,430	60,079	859,645
Liabilities				
Customer deposits and other funding instruments	548,927	211,063	–	759,990
Borrowed funds	–	–	3,515	3,515
Other liabilities	22,292	–	–	22,292
Total liabilities	571,219	211,063	3,515	785,797
Net liquidity gap	82,917	(65,633)	56,564	73,848
As at 31 December, 2005				
Assets				
Cash and due from banks	167,416	–	–	167,416
Loans and advances	167,934	122,510	70,249	360,693
Investment securities	28,776	10,413	23,543	62,732
Other assets	13,879	17,046	2,550	33,475
Total assets	378,005	149,969	96,342	624,316
Liabilities				
Customer deposits and other funding instruments	302,021	161,205	–	463,226
Borrowed funds	46,299	–	–	46,299
Other liabilities	44,247	5,505	–	49,752
Total liabilities	392,567	166,710	–	559,277
Net liquidity gap	(14,562)	(16,741)	96,342	65,039



INTERCOMMERCIAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

24. **Liquidity risk (Parent)** (continued)

	Up to one year \$'000	One to five years \$'000	Over five years \$'000	Total \$'000
As at 31 March, 2007				
Assets				
Cash and due from banks	305,872	–	–	305,872
Loans and advances	214,410	122,284	33,928	370,622
Investment securities	91,945	1,059	15,160	108,164
Investment in subsidiary	–	–	15,000	15,000
Other assets	15,129	12,513	–	27,642
Total assets	627,356	135,856	64,088	827,300
Liabilities				
Customer deposits and other funding instruments	517,368	210,962	–	728,330
Borrowed funds	–	–	3,515	3,515
Other liabilities	28,621	–	–	28,621
Total liabilities	545,989	210,962	3,515	760,466
Net liquidity gap	81,367	(75,106)	60,573	66,834
As at 31 December, 2005				
Assets				
Cash and due from banks	161,322	–	–	161,322
Loans and advances	166,575	119,245	60,855	346,675
Investment securities	24,723	4,347	15,798	44,868
Investment in subsidiary	–	–	15,000	15,000
Other assets	13,338	17,046	1,271	31,655
Total assets	365,958	140,638	92,924	599,520
Liabilities				
Customer deposits and other funding instruments	278,463	160,525	–	438,988
Borrowed funds	46,299	–	–	46,299
Other liabilities	48,264	5,505	–	53,769
Total liabilities	373,026	166,030	–	539,056
Net liquidity gap	(7,068)	(25,392)	92,924	60,464

INTERCOMMERCIAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

25. Interest rate risk (Group)

Interest sensitivity of assets and liabilities

The Group is exposed to various risks associated with the effect of fluctuations in the prevailing levels of market rates on its financial position and cash flows. The table below summarises the Group's exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Average effective rate	Up to one year \$'000	One to five years \$'000	Over five years \$'000	Non- interest bearing \$'000	Total \$'000
As at 31 March, 2007						
Assets						
Cash and due from banks	2.66%	209,281	–	–	102,008	311,289
Loans and advances	11.97%	298,973	82,623	9,717	2,415	393,728
Investment securities	7.67%	84,080	3,056	32,652	4,109	123,897
Other assets		2,265	–	–	28,466	30,731
Total assets		594,599	85,679	42,369	136,998	859,645
Liabilities						
Customer deposits and other funding instruments	6.25%	694,654	101	–	65,235	759,990
Borrowed funds	5.77%	–	–	3,515	–	3,515
Other liabilities		2,015	–	–	19,967	22,292
Total liabilities		696,669	101	3,515	85,512	785,797
Interest sensitivity gap		(102,070)	85,578	38,854		
As at 31 December, 2005						
Assets						
Cash and due from banks	2.34%	83,196	–	–	84,220	167,416
Loans and advances	10.63%	280,866	8,719	70,926	182	360,693
Investment securities	8.13%	28,477	7,413	26,052	790	62,732
Other assets		6,115	–	–	27,360	33,475
Total assets		398,654	16,132	96,978	112,552	624,316
Liabilities						
Customer deposits and other funding instruments	4.54%	420,921	680	–	41,625	463,226
Borrowed funds	6.86%	46,299	–	–	–	46,299
Other liabilities		6,115	–	–	43,637	49,752
Total liabilities		473,335	680	–	85,262	559,277
Interest sensitivity gap		(74,681)	15,452	96,978		



INTERCOMMERCIAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

25. **Interest rate risk (Parent)** (continued)

	Average effective rate	Up to one year \$'000	One to five years \$'000	Over five years \$'000	Non- interest bearing \$'000	Total \$'000
As at 31 March, 2007						
Assets						
Cash and due from banks	2.69%	212,826	–	–	93,046	305,872
Loans and advances	11.98%	276,128	83,362	9,717	2,415	370,622
Investment securities	8.26%	79,314	–	27,605	1,245	108,164
Investment in subsidiary		–	–	–	15,000	15,000
Other assets		2,262	–	–	25,380	27,642
Total assets		570,530	82,362	37,322	137,086	827,300
Liabilities						
Customer deposits and other funding instruments	6.19%	663,095	–	–	65,235	728,330
Borrowed funds	5.77%	–	–	3,515	–	3,515
Other liabilities		9,314	–	–	19,307	28,621
Total liabilities		672,409	–	3,515	84,542	760,466
Interest sensitivity gap		(101,879)	82,362	33,807		
As at 31 December, 2005						
Assets						
Cash and due from banks	2.13%	79,824	–	–	81,498	161,322
Loans and advances	10.71%	266,848	8,719	70,926	182	346,675
Investment securities	9.82%	24,724	4,347	15,007	790	44,868
Investment in subsidiary		–	–	–	15,000	15,000
Other assets		6,115	–	–	25,540	31,655
Total assets		377,511	13,066	85,933	123,010	599,520
Liabilities						
Customer deposits and other funding instruments	4.38%	397,363	–	–	41,625	438,988
Borrowed funds	6.86%	46,299	–	–	–	46,299
Other liabilities		6,115	–	–	47,654	53,769
Total liabilities		449,777	–	–	89,279	539,056
Interest sensitivity gap		(72,266)	13,066	85,933		

INTERCOMMERCIAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

26. Financial instruments

Fair values

The carrying amount of short-term financial assets and liabilities comprising cash and statutory deposits with Central Bank, balances with other financial institutions, short-term investments, customers' current, savings and deposit accounts, other assets, prepayments and accrued income and other liabilities and accruals are a reasonable estimate of their fair values because of the short maturity of these instruments.

Loans are net of specific provisions for impairment. The carrying value of performing loans is assumed to be equal to the estimated fair value as the inherent rates of interest in the portfolio approximate market conditions.

The fair value of long-term debt is determined based on the prevailing market rates appropriate for similar type debt.

Market values have been used to determine the fair values of trading securities. Where other investment securities are not actively traded in organised financial markets, the fair value is determined using discounted cash flow analysis which requires considerable judgement in interpreting market data and developing estimates. Accordingly the estimates contained herein are not necessarily indicative of the amounts that the Group could realise in a current market exchange. The use of different assumptions and/or estimation of methodologies may have a material effect on the estimated fair values.

The fair value information for investment securities is based on information available to management as of the dates presented. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively re-valued for purposes of the financial statements since those dates and, therefore, the current estimates of fair value may differ significantly from the amounts presented herein.

Fair values – Group

	2007	
	Carrying value	Fair value
	\$'000	\$'000
Assets		
Cash and cash equivalents	311,289	311,289
Investment securities	123,897	123,125
Loans	393,728	393,728
Interest receivable	3,870	3,870
Other financial assets	2,014	2,014
Liabilities		
Customers' deposits	752,990	752,990
Other funding instruments	7,000	7,000
Other financial liabilities	2,014	2,014
Other borrowings	3,515	3,152
Interest payable	5,949	5,949



INTERCOMMERCIAL BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

26. Financial instruments (continued)

Fair values – Group (continued)

	2005	
	Carrying value	Fair value
Assets	\$'000	\$'000
Cash and cash equivalents	167,416	167,416
Investment securities	62,732	64,786
Loans	360,693	360,693
Interest receivable	4,028	4,028
Other financial assets	6,115	6,115
Liabilities		
Customers' deposits	454,172	454,172
Other funding instruments	55,353	55,353
Interest payable	2,330	2,330
Other financial liabilities	6,115	6,115
 Fair Values – Parent		
	2007	
	Carrying value	Fair value
Assets	\$'000	\$'000
Cash and cash equivalents	305,872	305,872
Investment securities	108,164	107,118
Loans	370,622	370,622
Interest receivable	3,289	3,289
Other financial assets	2,014	2,014
Liabilities		
Customers' deposits	728,330	728,330
Other financial liabilities	2,014	2,014
Other borrowings	3,515	3,152
Interest payable	5,176	5,176
 Fair Values – Parent		
	2005	
	Carrying value	Fair value
Assets	\$'000	\$'000
Cash and cash equivalents	161,322	161,322
Investment securities	44,868	45,671
Loans	346,675	346,675
Interest receivable	3,880	3,880
Other financial assets	6,115	6,115
Liabilities		
Customers' deposits	438,988	438,988
Other funding instruments	46,299	46,299
Interest payable	1,585	1,585
Other financial liabilities	6,115	6,115

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF INTERCOMMERCIAL TRUST AND MERCHANT BANK LIMITED

We have audited the accompanying financial statements of Intercommercial Trust and Merchant Bank Limited (the 'Bank') which comprise the balance sheet as at 31st March, 2007 and the statement of income, statement of changes in equity and statement of cash flows for the 15-month period 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 the 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for 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, the financial statements give a true and fair view of the financial position of the Bank as of 31st March, 2007 and of its financial performance and its cash flows for the 15-month period ended in accordance with International Financial Reporting Standards.

Ernst + Young

Port of Spain,
TRINIDAD:
28th May, 2007



INTERCOMMERCIAL TRUST AND MERCHANT BANK LIMITED

BALANCE SHEET

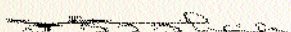
AS AT MARCH 31, 2007

Assets	Notes	15 Mth ended 2007 \$'000	2005 \$'000
Cash in hand – deposited with Parent		7,117	7,058
Balances with Central Bank		1,845	2,722
Due from other financial institutions		3,572	3,372
Loans and advances	4	23,106	14,018
Investment securities:			
At fair value through the statement of income	5	2,864	3,753
Available for sale	5	5,047	6,688
Held to maturity	5	7,822	7,423
Amounts due from Parent company		184	–
Fixed assets	6	1,811	1,279
Other assets, prepayments and accrued income	7	743	541
Corporation tax recoverable		22	–
Deferred tax asset	8	511	39
Total assets		54,644	46,893
Liabilities			
Customer deposits	9	24,660	15,184
Other funding instruments	10	7,000	9,054
Amounts due to Parent company		–	1,749
Other liabilities and accruals	11	970	1,290
Corporation tax payable		–	41
Total liabilities		32,630	27,318
Equity			
Stated capital	12	15,000	15,000
Retained earnings		7,018	3,963
Statutory reserve fund		854	514
Investment revaluation reserve		(858)	98
Total equity		22,014	19,575
Total liabilities and equity		54,644	46,893

These financial statements were approved for issue by the Board of Directors on May 28, 2007 and are signed on its behalf by:



∴ Director



: Director

The accompanying notes form an integral part of these financial statements.

INTERCOMMERCIAL TRUST AND MERCHANT BANK LIMITED

STATEMENT OF INCOME

FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

	Note	15 Mth ended 2007 \$'000	2005 \$'000
Interest income			
Interest income on loans and advances		2,271	1,323
Interest income from investments		1,614	2,633
Other interest income		120	381
		4,005	4,337
Interest expense			
Interest expense on customer deposits		3,303	1,988
Net interest income		702	2,349
Other income			
Profit on sale of investments		–	495
Loss on fair value of investments		(463)	(748)
Fees and commissions		7,840	679
Foreign exchange income		101	–
Dividend income		149	86
		7,627	512
Operating income		8,329	2,861
Non-interest expense			
Depreciation		330	–
Operating lease rentals		537	321
Staff costs		1,450	425
Advertising and marketing		300	25
Administrative and other expenses		1,483	1,271
		4,100	2,042
Income before taxation		4,229	819
Taxation	13	(834)	198
Net income for the period		3,395	1,017

The accompanying notes form an integral part of these financial statements.



INTERCOMMERCIAL TRUST AND MERCHANT BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
 FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

	Stated capital \$'000	Retained earnings \$'000	Statutory reserve fund \$'000	Investment revaluation reserve \$'000	Total equity \$'000
Balance as at January 1, 2005	15,000	3,048	412	(1,189)	17,271
Revaluation adjustment on available for sale investments	–	–	–	737	737
Realised losses transferred to net profit	–	–	–	550	550
Total income and expense for the year recognised directly in equity	15,000	3,048	412	98	18,558
Net income for the period	–	1,017	–	–	1,017
Transfer to statutory reserve fund	–	(102)	102	–	–
Balance as at December 31, 2005	15,000	3,963	514	98	19,575
Revaluation adjustment on available for sale investments	–	–	–	(956)	(956)
Total income and expense for the year recognised directly in equity	15,000	3,963	514	(858)	18,619
Net income for the period	–	3,395	–	–	3,395
Transfer to statutory reserve fund	–	(340)	340	–	–
Balance as at March 31, 2007	15,000	7,018	854	(858)	22,014

The accompanying notes form an integral part of these financial statements.

INTERCOMMERCIAL TRUST AND MERCHANT BANK LIMITED
STATEMENT OF CASH FLOWS
 FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

	15 Mth ended 2007 \$'000	2005 \$'000
Operating activities		
Income before taxation	4,229	819
Adjusted for:		
Depreciation and Amortisation	330	–
Amortisation of Bond Issue and Discount Cost	(374)	–
Profit on sale of investments	–	(495)
Unrealised loss on fair value of investments	239	748
Operating profit before working capital changes	4,424	1,072
Decrease in reserve with Central Bank	877	1,399
(Increase)/decrease in loans and advances	(9,087)	277
(Increase)/decrease in other assets, prepayments and accrued income	(202)	693
Increase/(decrease) in customer deposits and other funding instruments	7,422	(21,337)
(Increase)/decrease in amounts due to Parent company	(1,933)	3,825
Decrease in other liabilities and accruals	(318)	(366)
Taxes paid	(1,008)	(252)
Net cash generated from/(used in) operating activities	175	(14,689)
Investing activities		
Proceeds from sale of investments	11,434	13,754
Purchase of investments	(10,432)	–
Purchase of fixed assets	(918)	(1,279)
Net cash generated from investing activities	84	12,475
Net increase/(decrease) in cash and cash equivalents	259	(2,214)
Cash and cash equivalents at beginning of period	10,430	12,644
Cash and cash equivalents at end of period	10,689	10,430
Cash and cash equivalents are represented by:		
Cash deposited with Parent	7,117	7,058
Due from other financial institutions	3,572	3,372
	10,689	10,430
Supplemental information:		
Interest received during the year	3,572	4,868
Interest paid during the year	3,275	2,874

The accompanying notes form an integral part of these financial statements.



INTERCOMMERCIAL TRUST AND MERCHANT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

1. Incorporation and principal activity

Intercommercial Trust and Merchant Bank Limited ('the Bank') was incorporated in the Republic of Trinidad and Tobago in January 2001 and commenced operations in October 2001. The Bank is a wholly owned subsidiary of the Intercommercial Bank Limited and is a licenced merchant bank and mortgage institution. Its principal activities include providing medium and long-term finance, mortgages, accepting medium and long-term fixed deposits from the public, invoice financing, investment services, leasing, project financing and arranging and underwriting issues of marketable securities. Its registered office is situated at DSM Plaza, Old Southern Main Road, Chaguana.

2. Period of accounts

During 2006 the Bank changed its financial year-end from December 31, to March 31, to coincide with the financial year-end of its ultimate 50% shareholder Jamaica Money Market Brokers Limited (JMMB). Consequently, this reporting period represents a fifteen-month period from January 1, 2006 to March 31, 2007. The comparative amounts for the statement of income, the statement of changes in equity, statement of cash flows and related notes are therefore not comparable.

3. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements have been applied consistently to all periods presented in the financial statements and conform in all material aspects to International Financial Reporting Standards (IFRS) as set out below:

(a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and are stated in thousands of Trinidad and Tobago dollars. The financial statements are prepared under the historical cost convention as modified by the revaluation of trading securities or financial assets available-for-sale.

The Bank has not applied certain IFRS's and IFRIC interpretations that have been issued but are not yet effective. The Bank has evaluated the effect of these and has determined that only IFRS 7 – Financial Instruments: Disclosure and the Amendments to IAS 1 Presentation of Financial Statements: Capital Disclosures applies.

IFRS 7 and Amendments to IAS 1 require entities to disclose about the significance of financial instruments for an entity's financial position and performance, and qualitative disclosures on the nature and extent of risks and the consequences of non-compliance. IFRS 7 and IAS 1, which has become mandatory for annual periods beginning on or after January 1, 2007, will require extensive additional disclosures with respect to the Bank's financial instruments and share capital.

(b) Significant accounting judgements and estimates

In the process of applying the Bank's accounting policies, management has used its judgements and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgements and estimates are as follows:

INTERCOMMERCIAL TRUST AND MERCHANT BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

3. Accounting policies (continued)

(b) Significant accounting judgements and estimates (continued)

Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

Impairment losses on loans and advances

The Bank reviews its problem loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the statement of income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Impairment of equity investments

The Bank treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its costs or where other objective evidence of impairment exist. The determination of what is “significant” or “prolonged” requires judgement. The Bank treats “prolonged” as greater than six months. In addition, the Bank evaluates other factors, such as the share price volatility.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax asset that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Fixed assets

Management exercises judgement in determining whether costs incurred can accrue sufficient future economic benefits to the Group to enable the value to be treated as a capital expense. Further judgement is used upon annual review of the residual values and useful lives of all capital items to determine any necessary adjustments to carrying value.



INTERCOMMERCIAL TRUST AND MERCHANT BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

3. Accounting policies (continued)

(c) Summary of significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year and are set out below:

i. Foreign currency translation

Transactions in foreign currencies are initially recorded at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago dollars at the rate of exchange ruling on the balance sheet date. All differences are taken to the statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

ii. Interest income and expense

Interest income and expense are recognised in the statement of income for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investment and trading securities as well as accrued discount and premium on treasury bills and other discounted instruments. Interest income is suspended when loans are overdue and considered non-performing.

iii. Fees and commission income

Unless included in the effective interest calculation, fees and commissions are recognised on an accrual basis as the service is provided. Commissions and fees not integral to effective interest arising from negotiating or participating in negotiation of a transaction for a third party are recognised on the completion of the underlying transaction.

iv. Financial instruments

The Bank's financial assets and financial liabilities are recognised in the balance sheet when it becomes party to contractual obligations of the instrument. The Bank derecognises its financial assets when it loses control of the contractual rights that comprise the financial assets. The Bank loses such control if it realises rights to benefits specified in the contract, the rights expire, or the Bank surrenders those rights. Financial liabilities are derecognised only when the obligation is discharged, cancelled or expired.

v. Financial liabilities

Financial liabilities are recognised initially at fair value net of transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

vi. Investment securities

At fair value through the statement of income

Securities at fair value through the statement of income are trading securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exist. Trading securities are initially recognised at cost and subsequently re-measured at fair value based on quoted bid prices. All related realised and unrealised gains and losses are included in net interest income. Interest earned whilst holding trading securities is reported as interest income.

INTERCOMMERCIAL TRUST AND MERCHANT BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

3. Accounting policies (continued)

(c) Summary of significant accounting policies (continued)

vi. Investment securities (continued)

At fair value through the statement of income (continued)

All purchases and sales of trading securities that require delivery within the time frame established by regulation or market convention are recognised at settlement date.

Available-for-sale

After initial recognition, investments which are classified as “available for sale” are measured at fair value, with unrealised gains or losses on revaluation recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative loss or gain previously reported in the unrealised investment reserve is included in the statement of income.

Held to maturity

Held to maturity assets are other long-term investments which the Bank’s management has the positive intentions and ability to hold to maturity. These investments are carried at amortised cost.

vii. Loans and advances

Loans and advances are financial assets with fixed or determinable payments. Such assets are stated at amortised cost, net of any advances for credit losses using the effective interest method.

viii. Impairment of financial assets

Financial assets are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of the future cash flows.

A loan is classified as impaired (non-performing) when there is objective evidence that the Bank will not be able to collect all amounts due according to the original contractual terms of the loan. Objective evidence of impairment includes observable data that comes to the attention of the Bank such as:

- Significant financial difficulties of the borrower
- Actual delinquencies
- Adverse change in the payment status of a borrower
- Deterioration of credit ratings assigned to the borrower
- Bankruptcy or reorganisation by the borrower

If there is objective evidence that an impairment loss on loans has been incurred, the amount of the allowance for impairment is measured as the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

The allowance which is made during the year, less amounts released and recoveries of bad debts previously written off, is charged against the profit and loss account. When a loan is deemed uncollectible, it is written off against the related allowance for losses.



INTERCOMMERCIAL TRUST AND MERCHANT BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

3. **Accounting policies** (continued)

(c) **Summary of significant accounting policies** (continued)

ix. Reserve requirements

In accordance with the provisions of the Central Bank Act, 1964 and the Financial Institutions Act, 1993, the Bank is required to hold and maintain with the Central Bank of Trinidad and Tobago a cash reserve balance equivalent to 9% of total prescribed liabilities.

x. Statutory reserve fund

In accordance with the Financial Institutions Act, 1993, the Bank is required to transfer at the end of each financial year no less than 10% of its net income after tax to a statutory reserve fund, until the amount standing to the credit of the statutory reserve fund is not less than its paid-up capital.

xi. Taxation

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax assets relating to the carry-forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

xii. Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise balances with less than 90 days to maturity from the date of acquisition. These include cash and amounts due from other financial institutions.

xiii. Fixed assets

Leasehold improvements, furniture and equipment are recorded at historic cost less accumulated depreciation. Depreciation on furniture and equipment, which consist of computer hardware, machinery and office equipment, is provided on the reducing balance method at various rates sufficient to write off the assets over their estimated useful lives. Depreciation of all other categories is computed using the straight-line method.

The rates used are as follows:

Leasehold improvements	6.67%
Furniture and equipment	10% - 33 ¹ / ₃ %

Where 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 disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the statement of income when the expenditure is incurred.

INTERCOMMERCIAL TRUST AND MERCHANT BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

3. Accounting policies (continued)

(c) Summary of significant accounting policies (continued)

xiv. 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.

xv. Pension obligations

The Parent company operates a defined contribution arrangement whereby each eligible employee maintains an individual annuity approved under section 134 (6) of the Income Tax Act with Guardian Life of the Caribbean Limited. Under the terms of employment the Parent company is obligated to contribute an amount up to 10% of the employees' pensionable salary to the individual annuities in respect of all eligible employees. All eligible employees, who include employees of the Bank, contribute an amount equivalent to 5% of their pensionable salary.

The Bank's contributions to the respective annuities are charged to the statement of income in the year to which they relate. For the current financial period to March 31, 2007, the Bank's contribution expense in relation to this plan for the year amounts to \$89,950 in 2007 (2005: \$18,250).

xvi. Trustee relationship

The Bank acts as Trustee/Registrar for a number of bonds issued by third parties and earns fee income for rendering these services. These assets have not been included in these financial statements. The values of these assets as at March 31, 2007 were \$354 million (2005: \$410 million).

4. Loans and advances

Mortgages
 Financial
 Manufacturing and construction
 Other

15 Mth ended 2007 \$'000	2005 \$'000
15,029	11,229
5,375	1,156
1,158	1,332
1,544	301
23,106	14,018

At March 31, 2007, there were no non-performing loans (2005: \$106,000).



INTERCOMMERCIAL TRUST AND MERCHANT BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

		15 Mth ended 2007 \$'000	2005 \$'000
5.	Investment securities – At fair value through the statement of income		
	Certificates of investment	–	438
	Equities	2,864	3,315
		2,864	3,753
	Investment securities – available for sale		
	Government bonds	5,047	6,688
		5,047	6,688
	Investment securities – held to maturity		
	Government bonds	7,822	7,423
		7,822	7,423
6.	Fixed assets		
		Leasehold improvements \$'000	Furniture & equipment \$'000
			Total 15 Mth ended 2007 \$'000
			Total 2005 \$'000
	Opening net book value	449	830
	Additions	634	284
	Disposals/adjustments	–	(55)
	Depreciation charge	(86)	(245)
	Closing net book value	997	814
	Cost	1,083	1,035
	Accumulated Depreciation	(86)	(221)
	Closing net book value	997	814
			15 Mth ended 2007 \$'000
			2005 \$'000
7.	Other assets, prepayments and accrued income		
	Accounts receivable and prepayments	162	394
	Accrued income	581	147
		743	541
8.	Deferred income tax		
	Deferred tax asset		
	Unrealised losses on investments	511	39

INTERCOMMERCIAL TRUST AND MERCHANT BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

	15 Mth ended 2007 \$'000	2005 \$'000
9. Customer deposits		
State sector	101	–
Corporate and commercial sector	16,805	9,935
Personal sector	7,754	5,249
	24,660	15,184
10. Other funding instruments		
Corporate and commercial sector	7,000	9,000
Personal sector	–	54
	7,000	9,054
11. Other liabilities and accruals		
Interest accrued on deposits	773	745
Other liabilities and accruals	197	545
	970	1,290
12. Stated capital		
Authorised An unlimited number of shares of no par value		
Issued and fully paid 15,000,000 ordinary shares of no par value	15,000	15,000
13. Taxation		
Green levy	14	6
Current year tax charge	974	142
Deferred tax	(154)	(346)
	834	(198)
Reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate:		
Accounting profit	4,229	819
Expected tax calculated at statutory tax rate – 25%	1,057	246
Income not assessable for tax	(282)	(233)
Change in tax rate	–	(46)
Other	59	(165)
	834	(198)



INTERCOMMERCIAL TRUST AND MERCHANT BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

14. Earnings per share

Earnings per share is calculated by dividing the profit after tax by the weighted average number of shares in issue during the year.

	15 Mth ended 2007 \$'000	2005 \$'000
Profit after tax	3,395	1,017
Number of shares in issue	15,000	15,000
Earnings per share	\$ 0.23	\$ 0.07

15. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. Certain banking transactions are entered into with related parties in the normal course of business. These transactions were carried out on normal terms and conditions at market rates. For the year ended March 31, 2007, the Bank has not made any provision for doubtful debts relating to amounts owed by related parties (2005: Nil).

The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial year.

	15 Mth ended 2007 \$'000	2005 \$'000
Loans to Parent	–	2,000
Cash deposits held with Parent	7,117	7,058
Due from/(to) Parent	184	(1,749)
Interest received	120	381
Key management personnel of the Bank:		
Compensation		
Short-term employee benefits	644	168
Post employment benefits	50	10
Total compensation	694	178

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 FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

	15 Mth ended 2007 \$'000	2005 \$'000
16. Operating leases		
The total future minimum lease payments under a non-cancellable operating lease	1,284	1,818
The maturity profile of the lease is as follows:		
Less than one year	428	428
Between one year and five years	856	1,390
	<u>1,284</u>	<u>1,818</u>
The lease payments recognised in the statement of income for the year	537	321

17. Contingent liabilities

As at March 31, 2007, there were no legal proceedings outstanding against the Bank and as such no provisions were required.

18. Credit commitments

As at March 31, 2007, the Bank has no commitments of a credit nature.

19. Capital commitments

As at March 31, 2007, there were no capital commitments. The total commitment as at December 2005 which amounted to \$1.32 million was utilised towards leasehold improvements at the Bank's newly refurbished offices at Furness House, 90 Independence Square, Port of Spain.

20. Financial risk management

The Bank's principal financial instruments comprise of loans and advances, investment securities, balances with Central Bank, cash balances, amounts due from financial institutions, customer deposits and other funding instruments. The Bank's activities are primarily related to the use of deposits raised from customers to earn above average interest rate margins through the on lending of funds to customers and by the investing in high quality, high yielding assets with acceptable levels of risk.

The Bank has various other financial assets and liabilities such as other assets, prepayments and accrued income and other liabilities and accruals which arise directly from its operations.

The main risks arising from the Bank's financial instruments are credit risk, currency risk, interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised in the subsequent notes.



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21. Credit risk

Credit risk is the potential for loss due to the failure of a counter party or borrower to meet its financial obligations. The Bank is exposed to credit risk through its loans to customers, from settling payments between financial institutions and from providing products that create replacement risk. These assets are subject to credit assessment and approval procedures. In addition, these balances are monitored on an ongoing basis including the review of the value of the underlying security attached to the asset. The Bank's portfolio is adequately secured and where necessary, allowances for impairment are established for potential credit losses on delinquent accounts.

22. Currency risk

The techniques used by the Bank to manage currency risk vary subject to market conditions. Assets are primarily funded from liabilities of the same currency, thus eliminating currency risk. Foreign currency transactions have not required the use of interest rate swaps, foreign currency options or other derivative instruments. The Bank does not trade in foreign exchange and therefore has no trading position subject to currency risk.

The following information is expressed in thousands of TT dollars.

	TT (\$'000)	US (\$'000)	Total (\$'000)
As at 31 March, 2007			
Assets			
Cash resources	3,762	8,772	12,534
Investment securities	7,817	7,916	15,733
Loans and advances	17,509	5,597	23,106
Other assets	3,138	133	3,271
Total assets	32,226	22,418	54,644
Liabilities			
Customers' deposits	22,751	1,909	24,660
Other funding instruments	7,000	–	7,000
Other liabilities	833	137	970
Total liabilities	30,584	2,046	32,630
Net balance sheet position	1,642	20,372	22,014
Credit commitments	–	–	–
As at 31 December, 2005			
Assets			
Cash resources	4,303	8,849	13,152
Investment securities	10,087	7,777	17,864
Loans and advances	14,018	–	14,018
Other assets	1,849	10	1,859
Total assets	30,257	16,636	46,893
Liabilities			
Customers' deposits	13,410	1,774	15,184
Other funding instruments	9,054	–	9,054
Other liabilities	3,055	25	3,080
Total liabilities	25,519	1,799	27,318
Net balance sheet position	4,738	14,837	19,575
Credit commitments	–	–	–

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

23. Liquidity risk

The Bank is exposed to various risks and the Asset/Liability Committee continually reviews and manages these risks. The matching and controlled mis-matching of the maturities of assets and liabilities is fundamental to the management of the Bank. Liquidity gaps are also mitigated by the marketable nature of a substantial segment of the Bank's assets and by the availability of inter-bank funding.

The table below analyses the major financial assets and liabilities of the Bank into relevant groupings based on the remaining period at March 31 to the contractual maturity date.

	Up to one year (\$'000)	One to five years (\$'000)	Over five years (\$'000)	Total (\$'000)
As at 31 March, 2007				
Assets				
Cash resources	12,534	–	–	12,534
Investment securities	8,230	5,614	1,889	15,733
Loans	11,855	3,960	7,291	23,106
Other assets	1,461	–	1,810	3,271
Total assets	34,080	9,574	10,990	54,644
Liabilities				
Customers' deposits	24,559	101	–	24,660
Other funding instruments	7,000	–	–	7,000
Other liabilities	970	–	–	970
Total liabilities	32,529	101	–	32,630
Net liquidity gap	1,551	9,473	10,990	22,014
As at 31 December, 2005				
Assets				
Cash resources	13,152	–	–	13,152
Investment securities	4,053	6,066	7,745	17,864
Loans	1,359	3,265	9,394	14,018
Other assets	580	–	1,279	1,859
Total assets	19,144	9,331	18,418	46,893
Liabilities				
Customers' deposits	14,504	680	–	15,184
Other funding instruments	9,054	–	–	9,054
Other liabilities	3,080	–	–	3,080
Total liabilities	26,638	680	–	27,318
Net liquidity gap	(7,494)	8,651	18,418	19,575



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 FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

24. Interest rate risk

Interest sensitivity of assets and liabilities

The Bank is exposed to various risks associated with the effect of fluctuations in the prevailing levels of market rates on its financial position and cash flows. The table below summarises the Bank's exposure to interest rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Average effective rate	Up to one year \$'000	One to five years \$'000	Over five years \$'000	Non- interest bearing \$'000	Total \$'000
As at 31 March, 2007						
Assets						
Cash resources	2.07%	3,571	–	–	8,963	12,534
Investment securities	5.22%	4,766	3,056	5,048	2,864	15,733
Loans	11.69%	22,845	260	–	–	23,106
Other assets		184	–	–	3,087	3,271
Total assets		31,366	3,317	5,048	14,913	54,644
Liabilities						
Customers' deposits	7.05%	24,559	101	–	–	24,660
Other funding instruments	7.85%	7,000	–	–	–	7,000
Other liabilities		–	–	–	970	970
Total liabilities		31,559	101	–	970	32,630
Interest sensitivity gap		(193)	3,216	5,048		
As at 31 December, 2005						
Assets						
Cash resources	4.14%	10,430	–	–	2,722	13,152
Investment securities	3.61%	3,753	3,066	11,045	–	17,864
Loans	9.01%	14,018	–	–	–	14,018
Other assets		–	–	–	1,859	1,859
Total assets		28,201	3,066	11,045	4,581	46,893
Liabilities						
Customers' deposits	6.09%	14,504	680	–	–	15,184
Other funding instruments	6.52%	9,054	–	–	–	9,054
Other liabilities		–	–	–	3,080	3,080
Total liabilities		23,558	680	–	3,080	27,318
Interest sensitivity gap		4,643	2,386	11,045		

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 FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2007

25. Financial instruments

Fair values

The carrying amount of short-term financial assets and liabilities comprising cash and statutory deposits with Central Bank, balances with other financial institutions, short-term investments, customers' current, savings and deposit accounts, other assets, prepayments and accrued income and other liabilities and accruals are a reasonable estimate of their fair values because of the short maturity of these instruments.

Loans are net of specific provisions for impairment. The carrying value of performing loans is assumed to be equal to the estimated fair value as the inherent rates of interest in the portfolio approximate market conditions.

Market values have been used to determine the fair values of trading securities. Where other investment securities are not actively traded in organised financial markets, the fair value is determined using discounted cash flow analysis which requires considerable judgement in interpreting market data and developing estimates. Accordingly the estimates contained herein are not necessarily indicative of the amounts that the Bank could realise in a current market exchange. The use of different assumptions and/or estimation of methodologies may have a material effect on the estimated fair values.

The fair value information for investment securities is based on information available to management as of the dates presented. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively re-valued for purposes of the financial statements since those dates and, therefore, the current estimates of fair value may differ significantly from the amounts presented herein.

	2007	
	Carrying value	Fair value
	\$'000	\$'000
Assets		
Cash and cash equivalents	12,534	12,534
Investment securities	15,733	16,007
Loans	23,106	23,106
Interest receivable	581	581
Liabilities		
Customers' deposits	24,660	24,660
Other financial liabilities	7,000	7,000
Interest payable	773	773
		2005
Assets		
Cash and cash equivalents	13,152	13,152
Investment securities	17,864	19,115
Loans	14,018	14,018
Interest receivable	147	147
Liabilities		
Customers' deposits	15,184	15,184
Other financial liabilities	9,054	9,054
Interest payable	745	745

