



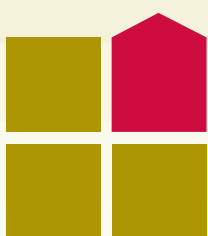
## *Our* **Mission**

The Home Mortgage Bank was created through legislation and enacted by the Parliament of the Republic of Trinidad and Tobago by way of The Home Mortgage Bank act, chap. 79:08.

THE PURPOSES OF THE BANK ARE AS FOLLOWS:

- T      o develop and maintain a secondary mortgage market  
in T      rinidad and Tobago;
- T      o contribute to the mobilization of long-term savings  
for investment in housing;
- T      o support the development of a system of housing  
finance and provide leadership in the housing and  
home finance industry;
- T      o promote the growth of the capital market.

## CONTENTS



3 Five Year Financial Highlights

4 Ten Year Overview

5 Chairman's Review

7 Interview with the Governor  
of the Central Bank

10 Board of Directors  
Corporate Information

11 Directors' Report

12 Shareholders

13 Management's Responsibility  
and Auditors' Report

14 Financials

27 Notice of Meeting

## FIVE YEAR FINANCIAL HIGHLIGHTS

**December 31**

**2002 2001**  
**\$'000 \$'000**

**2000**  
**\$'000**

**1999**  
**\$'000**

**1998**  
**\$'000**

### Balance Sheet

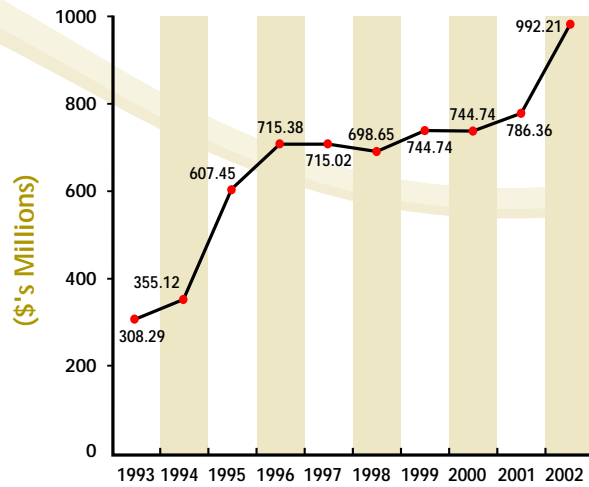
|                            |                  |         |         |         |         |
|----------------------------|------------------|---------|---------|---------|---------|
| Mortgage Loans             | <b>681,674</b>   | 710,671 | 654,704 | 620,277 | 630,294 |
| Construction Loan Advances | <b>24,230</b>    | 17,776  | 26,066  | 24,574  | 21,255  |
| Total Assets               | <b>1,138,015</b> | 885,896 | 837,216 | 829,771 | 772,677 |
| Bonds in Issue             | <b>992,205</b>   | 786,356 | 744,735 | 744,735 | 698,650 |
| Total Liabilities          | <b>1,045,975</b> | 804,669 | 768,896 | 769,380 | 719,430 |
| Share Capital              | <b>16,000</b>    | 16,000  | 16,000  | 16,000  | 16,000  |
| Retained Earnings          | <b>76,040</b>    | 65,227  | 52,320  | 44,391  | 37,247  |

### Income Statement

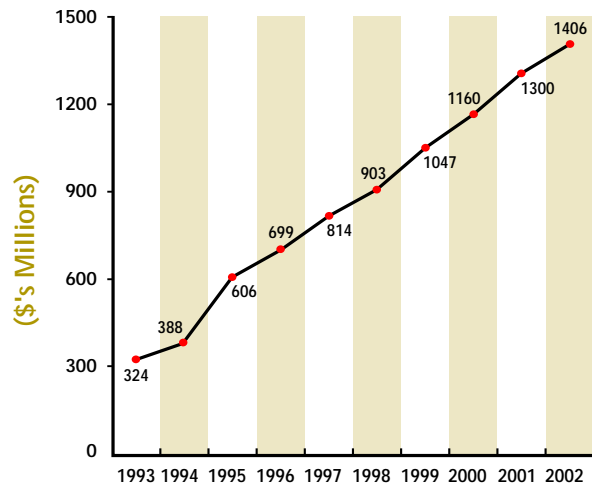
|                          |                 |         |         |         |         |
|--------------------------|-----------------|---------|---------|---------|---------|
| Income                   | <b>101,043</b>  | 89,155  | 85,952  | 84,528  | 82,463  |
| Income Before Taxation   | <b>17,399</b>   | 14,213  | 13,989  | 15,204  | 14,497  |
| Net Income               | <b>16,733</b>   | 14,507  | 13,850  | 13,064  | 11,689  |
| Operating Expenses       | <b>9,500</b>    | 7,240   | 6,299   | 6,525   | 5,322   |
| Earnings Per \$100 Share | <b>\$104.58</b> | \$90.67 | \$86.56 | \$81.65 | \$73.05 |

## TEN YEAR OVERVIEW

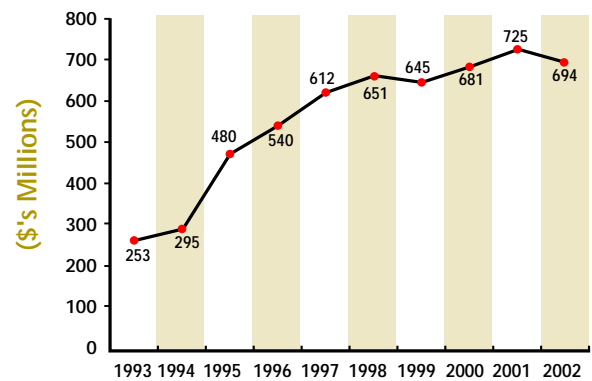
### Total Bonds in Issue



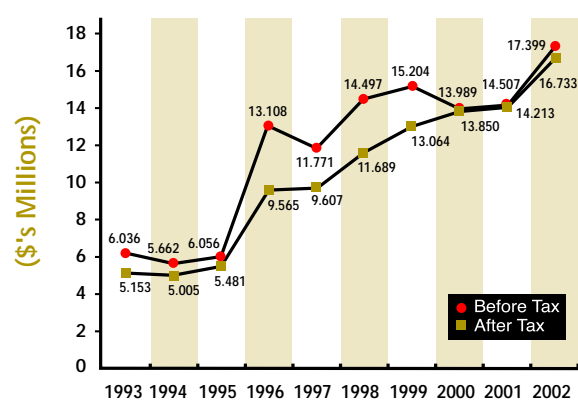
### Accumulated Value of Mortgages Purchased



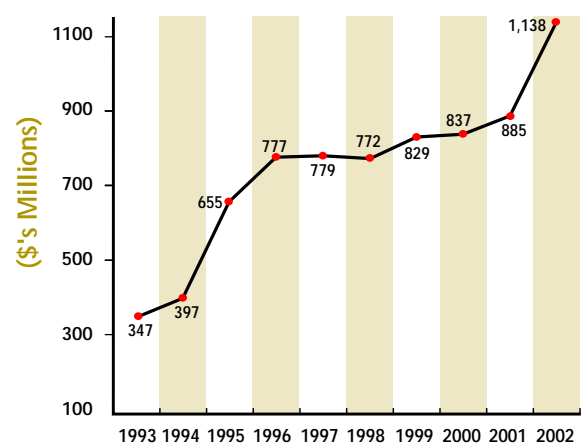
### Mortgage Portfolio Served



### Comparative Net Income



### Total Assets



# Chairman's *Review*



ANDRÉ MONTEIL  
Chairman

It gives me great pleasure to report an increase in the profitability of the Bank by more than 22%, from \$14.2M in 2001 to \$17.4M in 2002. Assets under administration have crossed the billion-dollar threshold and at the end of December 31, 2002 stood at \$1.14B.

Notwithstanding the substantial surplus liquidity in the banking system, The Home Mortgage Bank has continued to expand the range of investment products in its aim "to support the development of a system of housing finance and provide leadership in the housing and home financing industry", as provided for in its legislative mandate.

As an institution dedicated to the competitiveness of our investment products, we were successful in 2002 in reducing the cost of our medium and long-term debt, and as a result, initiated prime reductions in the interest rates we charge on the acquisition of new mortgages and the existing mortgage portfolio. Interest rates in Trinidad and Tobago are now 9% for new mortgage origination and 9½% for existing mortgages under administration.

It is felt that this lower mortgage interest rate regime is sustainable, and we can foresee no pressures that are likely to cause mortgage interest rates to rise in the short term.

Having dealt with the issue of interest rates, the Bank was also instrumental in its attempts to reduce the upfront costs associated with the origination of a mortgage, in particular, the transactional costs, and has implemented a policy of limiting origination fees, particularly for middle and lower to middle income housing.

The Bank has been particularly successful at raising capital through its various debt instruments to support its aggressive policies. While the historical pattern of investors in our organization comprised the large financial institutions in the country, the Bank has been making more of an effort to attract individual investors

and to develop investment products that can be more customized to their personal needs.

All bond issues in 2002 were heavily over-subscribed and the Mortgage Participation Fund, introduced in December 2001, has proven to be successful as a mortgage money market fund, offering competitively priced investment products and at the same time supporting the growth of a highly competitive mortgage portfolio and interest rate regime.

Indeed a secondary mortgage institution exists to improve the efficiency of the "financial pipeline" so that investors obtain optimum yields on their savings and borrowers receive the most competitively priced interest rates on their loans.

The Bank, as well, continued to support lending initiatives introduced in 2001. In particular, facilities enabling younger families to purchase their first housing lot, as well as home improvement loans to families who already own their own homes, were all successful in the market this year.

We were also able, after much consultation and discussion, particularly with the Trinidad and Tobago Association of Retired Persons (TTARP), to introduce reverse mortgages in 2002. In support of this initiative, we conduct educational seminars with independent financial counselors to explain and clarify the benefits and responsibilities of this product to the consumer.

It would be remiss of me if I did not acknowledge the fact that the country now has a National Housing Policy, which was approved by Cabinet in 2002. In my opinion, The Home Mortgage Bank has a substantial role to play in assisting Government to improve its financing mechanisms, enhance affordability of home-ownership, and explain the available housing and mortgage products that would be required by a growing and progressive nation.

Vision 2020 has attracted many of us to its ambitious notion of developed country status by 2020. Housing remains one of the Government's important social priorities, together with Health and Education. The ability to finance these new policies and programmes are critical to the success of that vision.

As the Bank moves to ensure its relevance to an ever changing "financial landscape", it remains committed to streamlining the origination process so that citizens get speedier approvals, quicker processing of their documentation, and more efficient processing of the services associated with those tasks. Automated underwriting, standardized mortgage and legal documentation, and electronic interface, as well as an Automated Land Registry, are critical facets to enabling this goal to be met.

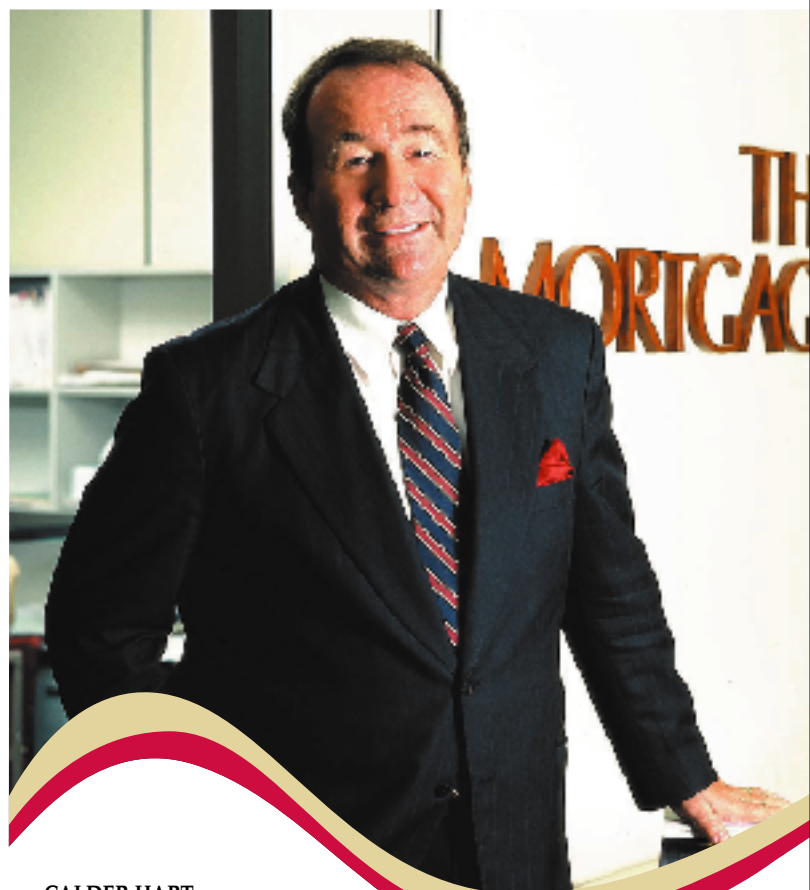
We see the continuing liquidity position in the banking system as presenting the institution with challenges, as we have always positioned ourselves to ensure that mortgage financing is easily accessible and affordable to the marketplace

As a result, the Bank has had to employ a diverse and timely strategy to deal with its substantial cash resources aimed at ensuring profitability across all of its various linkages.

This has been my first full year as Chairman of The Home Mortgage Bank and I certainly want to thank my fellow directors for their continuing support and assistance. As well, our management and staff are to be congratulated for the effective manner in which the business of the Bank is carried out.

I remain optimistic that The Home Mortgage Bank is well positioned to deal with the challenges facing the financial, mortgage and housing markets, and that 2002 will be recorded as a "watershed" for its subsequent progress and success. Indeed, we anticipate that 2003 will be another highly successful year.

Given the current expectations for the economy along with the housing thrust of the Government, we expect that 2003 will be a defining year for The Home Mortgage Bank.



**CALDER HART**  
Director / Chief Executive Officer



# Interview

with  
**Ewart Williams**  
*Governor - Central Bank of  
Trinidad and Tobago*



## **1. How long do you expect the current high bank liquidity to continue?**

The current high level of bank liquidity results, for the most part, from sluggish credit demand. It certainly doesn't come from excess Government spending or from unusually large capital inflows. One factor that had influenced private sector credit demand was the general political uncertainty. Now that the general elections are behind us I would expect that, over time, private sector confidence would be re-established and the liquidity situation would gradually return to normal levels.

## **2. Residential mortgage interest rates have dropped from 12% to 9%.**

**Are these defensible?**

**Are they likely to decline further?**

Residential mortgage interest rates are just one element of the general interest rate structure; mortgage interest rates are coming down because the general structure of interest rates is coming down and this is for two reasons. One is because of the sluggishness in credit demand noted earlier. The second factor is because Government has maintained a prudent and a disciplined fiscal policy without putting pressure on capital markets. To the extent that inflation continues to come down, one would

expect the general structure of interest rates to continue declining.

The Home Mortgage Bank has taken the lead in reducing interest rates and that has carried over to the rest of the commercial banking system. Also, consumers are becoming more aware of the importance of comparative shopping. The more informed the consumer, the greater the pressure on financial institutions to compete and to lower interest rates. Of course there is going to be a floor on mortgage and other lending interest rates since, on the deposit side, the level of interest rates needs to provide sufficient incentives to savings. There needs to be a balance between providing incentives for savings and keeping interest rates low so as to stimulate credit demand.

## **3. Where Trinidad and Tobago has a secondary mortgage institution, are there any other structural changes that can be made to improve the flow, efficiency and affordability of mortgage financing?**

Anything that increases the supply of long-term loanable funds including fiscal and other measures that provide incentives for long-term savings, will benefit the mortgage market.

The Home Mortgage Bank is doing an excellent job of discounting mortgages and of providing financing for mortgages initiated by the commercial banks. Some commercial banks are actually in competition with The Home Mortgage Bank to the extent that they are securitizing mortgages and doing their own secondary market lending. That's also good for the market. The larger the supply of loanable funds, the lower mortgage interest rates and the better it is for the consumer.

**4. The financial institution originally promoted via the Central Bank is coming under pressure to privatize. What are your views on the divestment and privatization of institutions like The Home Mortgage Bank and Unit Trust?**

Let me talk about Unit Trust because the Government has made its intentions clear about privatizing Unit Trust. To the extent that privatization would lead to greater efficiency and the leveling of the playing field between Unit Trust and other institutions that are in the mutual funds business, privatization is a good step. As of now, Unit Trust enjoys certain advantages that other institutions in the mutual fund industry do not enjoy. Privatization of Unit Trust also offers an opportunity for the broadening of shareholder democracy. Unit Trust started off as an institution for the small saver. It has grown to be much more than that but I think that a privatized Unit Trust would need to find some kind of mechanism to give a greater stake to the small saver – to the Trade Unions, to the Credit Unions and to small savers in general.

Unit Trust was built by mobilizing the savings of small savers and I would expect that small savers would hope to participate in the shareholding of the Trust. Of course, market forces may not necessarily produce this result and there may be need for specific arrangements to be put in place.

**5. Government late last year adopted the first national Housing Policy ever in the history of the country. How realistic are these provisions in being satisfied in the current economic circumstances?**

The Central Bank really does not get into the business of national housing policy and I am not sure I know enough about it. I can certainly say that one of the urgent imperatives of this

Government is providing housing for a larger section of the population. Any national policy that aims at increasing the supply of housing, particularly for the medium to low income section of the population, is desirable. I seem to remember that the central government budget allocates significant resources to help meet low-income housing needs. It cannot be denied that education, health and housing, are among the country's most pressing requirements.

**6. The country has benefited from higher oil prices relative to the budgeted price of \$22 per barrel. What are the likely surpluses to the Government's coffers?**

Higher oil prices may not all end up as surpluses as larger than budgeted revenue collections may be used to implement spending programmes that are considered priority but were not included in the Budget because of resource constraints. In principle, the Revenue Stabilization Fund requires that part of the excess revenues be allocated as "rainy day savings". At any rate, any fiscal savings from higher oil prices are likely to accrue only at the end of the year since the quarterly revenue collections are based on oil prices projected at the beginning of the year. Surpluses would, therefore, accrue only when the final accounting takes place.

**7. Much has been made of the potential windfall to the country from further oil and gas revenue. What priorities must Government address at this time to ensure the most effective utilization of these resources?**

The Budget makes it clear that the Government's priorities are improving the quality of health care, education and housing. It is difficult to question these priorities simply because in order to achieve sustainable growth and, ultimately, developed nation status, we are going to need to diversify the economy. We cannot depend exclusively on oil. We need to use the oil revenues to develop the rest of the economy and this means improving the skills that are available to bring them more in line with the requirements of a high technology economy and that's going to mean a big boost in education, particularly tertiary and vocational education. Economic studies have shown that improving the health of the population is also a pre-condition for improving productivity



through the creation of a higher quality labour force. As we discussed, housing was a third urgent priority enunciated in the budget. Achieving sustainable growth also requires that we significantly improve our physical infrastructure, including, importantly, the road network and the public utilities. Such improvement is necessary to help reduce production costs.

**8. What do you see as the greatest challenge to preserving the financial security of Trinidad and Tobago?**

We have had a pretty sound financial system since the early 1990's when there was some shake out after some domestic banks faced difficulties. Our banking system was restructured and has been put on a very sound footing. But the experience from some other countries has shown that, particularly in this area of globalization, you can't rest on your laurels and one needs to continue to take the steps that are necessary to ensure that the financial system continues to operate along sound prudential lines. We in the Central Bank are improving our ability to supervise and to regulate the financial system. We have moved from a system of rules-based to risk-based supervision in line with international standards.

Secondly we are broadening the supervisory net. Over the next few months the Central Bank will assume the authority for the supervision of the insurance companies and the pension funds. The Government has indicated that it will also take steps to strengthen the regulation and supervision of the credit unions and other financial institutions. Our job is to make sure that the institutions that we supervise continue to operate in an efficient way that is consistent with the maintenance of financial sector stability. In addition, we are working with the Ministry of Finance towards the development of our capital markets. If we are to move to developed nation status, the capital market and financial system would need to provide the

financing for all the new industries and the expansion of existing industries. The Central Bank has a role to play in the development of the capital market. We have started working with the Ministry of Finance to develop the Government security market, and we hope that in time we will, in collaboration with the Securities Exchange, find ways to increase the liquidity in the stock market.

**9. You are the sixth Trinidadian Governor of the Central Bank. How do you view the challenge facing you in respect of that faced by your predecessors?**

Some of my predecessors came in when economic conditions were much more difficult. When I came here for an eighteen-month stint in 1988 - 1989, Governor Williams Demas had to preside over the introduction of an IMF-financed stabilization programme that incorporated difficult adjustment measures. It was a difficult time. Fortunately, I have come in at a time when economic conditions are on a much sounder footing. We have a comfortable external reserve position; we have reduced fiscal imbalances and now we have a near-balanced central government budget; we are enjoying low and stable inflation; and our financial system is virtually free from distress. My job is to consolidate the monetary and the financial stability that we have enjoyed over the last few years, work towards reducing inflation further, towards maintaining the stability of the exchange rate, and strengthening the supervision and the regulation of the banking system. Of course, the other part is to work towards the development of the capital market and the new institutions which would be needed to facilitate our movement towards developed country status. I can afford to focus more on a developmental role than my predecessors.

**10. How do you feel about being back in Trinidad and Tobago after your stay in Washington?**

I really love it. It's great to be back home after thirty years. I realized that I was abroad for far too long.

## BOARD OF DIRECTORS AND CORPORATE INFORMATION



**L. André Monteil**  
Chairman



**Amoy Chang-Fong**  
Deputy Chairman



**Calder Hart**  
Director / Chief Executive Officer

### MANAGEMENT

#### Calder Hart

Director/Chief Executive Officer

#### Peter Johnson

Chief Financial Officer/  
Manager, Corporate Finance

#### Robert Green

Manager, Business Development

#### Rawle Ramlogan

Manager, Securities and  
Investments

#### Sharmila Mahase

Manager, Mortgage Operations

#### Laurette Kam Hong

Manager, Accounting and  
Administration

### COMPANY SECRETARY

Lucille Mair

### REGISTERED OFFICE

The Home Mortgage Bank  
14th Floor, Central Bank Tower,  
Independence Square,  
Port of Spain

### AUDITORS

Ernst & Young  
5-7 Sweet Briar Road,  
Port of Spain

### ATTORNEYS-AT-LAW

Pollonais, Blanc,  
de la Bastide and Jacelon  
17-19 Pembroke Street,  
Port of Spain

### BANKERS

Republic Bank Limited  
Independence Square,  
Port of Spain

### TRUSTEE, REGISTRAR AND PAYING AGENTS FOR BOND ISSUES

Republic Bank Limited  
Trust and Asset Management  
Division (TRUSTEE)  
Republic Finance and  
Merchant Bank Limited  
(REGISTRAR AND PAYING AGENTS)  
Republic House,  
9-17 Park Street,  
Port of Spain



**Lucille Mair**  
Secretary



**Ronald Huggins**



**Cheryl Greaves**



**Walton Hilton-Clarke**

## DIRECTORS' REPORT

The Directors have pleasure in submitting their Report and the Audited Financial Statements for the year ended 31st December, 2002

### FINANCIAL RESULTS

|  | \$'000's |
|--|----------|
| Net Profit before taxation                     | 17,399   |
| Taxation                                       | (666)    |
| Net Profit for the year                        | 16,733   |
| Retained earnings at the beginning of the year | 65,227   |
|  | 81,960   |
| Less:  |          |
| Dividends – Final (2001) 27%                   | (4,320)  |
| Dividends – Interim (2002) 10% (1,600)         |          |
| Retained earnings at the end of the year       | 76,040   |

### DIVIDENDS

An interim dividend of \$10.00 per share was paid on the 8th August, 2002 and the Directors have declared a final dividend of \$30.00 per share making a total distribution of \$40.00 per share for the financial year. The final dividend has not been booked in these Financial Statements as they were declared at a Directors' meeting held on the 18th February, 2003.

### DIRECTORS' INTEREST

None of the Directors holds shares in the Bank.

No Director had, during the year, or at the end of the year, any interest in any contract pertaining to the Bank's business.

### AUDITORS

The auditors, Ernst & Young, retire and being eligible, offer themselves for re-appointment.

BY ORDER OF THE BOARD



Lucille Mair  
Secretary  
April 2, 2003

## SHAREHOLDERS

The Home Mortgage Bank is authorised to issue 500,000 shares of no par value.

The stated capital is 160,000 shares to a value of \$16,000,000, subscribed as follows at December 31<sup>st</sup>, 2002:

| Amount |                                    |   |                           |
|--------|------------------------------------|---|---------------------------|
| Class  | Institution \$                     |   | %                         |
| A      | Central Bank of T                  | Trinidad and Tobago                           | 2,400,000 15.0            |
| B      | The National Insurance Board       |   | 1,200,000 7.5             |
| C      | Republic Bank Limited              |   | 3,840,000 24.0            |
|        | The Bank of Nova Scotia T          | Trinidad and Tobago Limited                   | 960,000 6.0               |
| D      | Colonial Life Insurance Company (T | Trinidad) Limited                             | 7,000,000 43.8            |
|        | T                                  | ATIL Life Assurance Limited                   | 500,000 3.1               |
|        | British                            | American Insurance Company (Trinidad) Limited | 100,000 0.6               |
|        |                                    |   | <hr/>                     |
|        |                                    |   | <b>\$16,000,000 100.0</b> |
|        |                                    |   | <hr/>                     |



## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

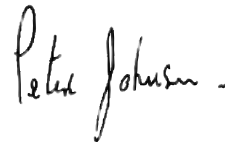
These financial statements have been prepared by Management, which is responsible for the reliability, integrity and objectivity of the information provided. They have been prepared in accordance with the disclosed basis of accounting as described in the notes.

The Bank's accounting system and related system of internal control are designed to provide reasonable assurance that transactions are properly authorised and recorded, assets are safe-guarded, and financial records are properly maintained to ensure reliable information for use in the preparation of financial statements.

These financial statements have been approved by the Board of Directors and examined by the Bank's external auditors, whose report is set out below.



Calder Hart  
Director / Chief Executive Officer  
Manager



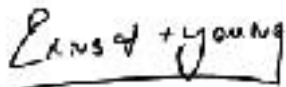
Peter Johnson  
Chief Financial Officer and  
, Corporate Finance

## REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF THE HOME MORTGAGE BANK

We have audited the balance sheet of the Bank as at 31st December, 2002 and the statements of income, changes in shareholders' equity and cash flows for the year then ended, as set out on pages 14 to 26. These financial statements are the responsibility of the Bank's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31st December, 2002 and the results of its operations and cash flows for the year then ended in accordance with International Accounting Standards.



Port of Spain,  
TRINIDAD.  
18th February, 2003

# BALANCE SHEET

At 31st December, 2002

| Notes   | 2002<br>\$ | 2001<br>'000 \$  | '000           |
|---|------------|------------------|----------------|
| <b>Assets</b>                                     |            |                  |                |
| Cash and short term funds                         | 3          | 343,673          | 141,205        |
| Investment securities                             | 4          | 67,000           | —              |
| Interest receivable and sundry debtors            |            | 11,037           | 5,672          |
| Retained mortgage portfolio                       | 5          | 681,674          | 710,671        |
| Construction loan advances                        | 6          | 24,230           | 17,776         |
| Investment in associated bank                     | 7          | 5,725            | 5,533          |
| Property and equipment                            | 8          | 4,346            | 4,033          |
| Capitalised bond issue costs                      | 9          | 330              | 446            |
| Taxation recoverable                              |            | —                | 132            |
| Deferred income tax asset                         | 12         | —                | 428            |
| <b>Total assets</b>                               |            | <b>1,138,015</b> | <b>885,896</b> |
| <b>Liabilities</b>                                |            |                  |                |
| Other liabilities                                 | 10         | 53,657           | 18,056         |
| Bonds in issue                                    | 1          | 992,205          | 786,356        |
| Deferred income tax liability                     | 12         | 113              | 257            |
|   |            | <b>1,045,975</b> | <b>804,669</b> |
| <b>Shareholders' equity</b>                       |            |                  |                |
| Stated capital                                    | 13         | 16,000           | 16,000         |
| Retained earnings                                 |            | 76,040           | 65,227         |
|   |            | <b>92,040</b>    | <b>81,227</b>  |
| <b>Total liabilities and shareholders' equity</b> |            | <b>1,138,015</b> | <b>885,896</b> |

These financial statements were approved by the Board of Directors on 18th February, 2003 and signed on its behalf by:



André  
Director

é Monteil Amoy Chang-Fong  
Director



The accompanying notes on pages 18 to 26 form an integral part of these financial statements.

# STATEMENT OF INCOME

For The Year Ended 31st December, 2002

| Notes                                   | 2002<br>\$     | 2001<br>'000 \$ | '000          |
|---|----------------|-----------------|---------------|
| <b>Income</b>                           |                |                 |               |
| Mortgage interest (net)                 | 71,208         |                 | 71,515        |
| Interest on cash and short term funds   | 29,193         |                 | 16,809        |
| Other income                            | 642            |                 | 831           |
|   | <u>101,043</u> |                 | <u>89,155</u> |
| <b>Expenditure</b>                      |                |                 |               |
| Bond expenses and other costs           | 74,884         |                 | 67,965        |
| General and administrative expenses 14  | 9,500          |                 | 7,240         |
| Provision for loan losses 5             | (108)          |                 | 341           |
|   | <u>84,276</u>  |                 | <u>75,546</u> |
| Operating profit                        | 16,767         |                 | 13,609        |
| Share of profits from associated bank 7 | 632            |                 | 604           |
|   | <u>17,399</u>  |                 | <u>14,213</u> |
| Net profit before taxation              | 17,399         |                 | 14,213        |
| Taxation 15                             | (666)          |                 | 294           |
|   | <u>16,733</u>  |                 | <u>14,507</u> |
| Net profit for the year                 | 16,733         |                 | 14,507        |
| Earnings per share (\$)                 | 104.58         |                 | 90.67         |
| Number of shares ('000)                 | 160            |                 | 160           |

The accompanying notes on pages 18 to 26 form an integral part of these financial statements.

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For The Year Ended 31st December, 2002

| Stated<br>capital<br>\$               | Retained<br>earnings<br>'000 \$ | Shareholders<br>equity<br>'000 \$ | ' |
|---------------------------------------|---------------------------------|-----------------------------------|---|
| <b>Balance at 31st December, 2000</b> | 16,000 52,320                   | 68,320                            |   |
| Net profit for the year               | — 14,507                        | 14,507                            |   |
| Dividends — Interim — 10%             | — (1,600)                       | (1,600)                           |   |
| <b>Balance at 31st December, 2001</b> | <u>16,000 65,227</u>            | <u>81,227</u>                     |   |
| Net profit for the year               | — 16,733                        | 16,733                            |   |
| Dividends — Final (2001) — 27%        | — (4,320)                       | (4,320)                           |   |
| Dividends — Interim (2002) — 10%      | — (1,600)                       | (1,600)                           |   |
| <b>Balance at 31st December, 2002</b> | <u><b>16,000 76,040</b></u>     | <u><b>92,040</b></u>              |   |

The accompanying notes on pages 18 to 26 form an integral part of these financial statements.



# STATEMENT OF CASH FLOWS

For The Year Ended 31st December, 2002

| 2002  | 2001      |           |
|---|-----------|-----------|
| Cash flows from operating activities \$                       | '000 \$   | '000      |
| Net profit before taxation                                    | 17,399    | 14,213    |
| Adjustments for:  |           |           |
| Depreciation (net)  | 697       | 563       |
| Mortgage premiums amortised                                   | 7         | 13        |
| Bond issue costs amortised                                    | 294       | 245       |
| Share of profits from associated bank                         | (192)     | (156)     |
| Operating profit before working capital changes               | 18,205    | 14,878    |
| (Increase)/decrease in interest receivable and sundry debtors | (5,365)   | 3,045     |
| Increase/(decrease) in other liabilities                      | 35,480    | (1,415)   |
| Corporation taxes paid  | (309)     | (243)     |
| Taxation recovered  | 132       | —         |
| Net cash generated from operating activities                  | 48,143    | 16,265    |
| <b>Cash flows from investment activities</b>                  |           |           |
| Net decrease in short term funds                              | 26,720    | 650       |
| Increase in investment securities                             | (67,000)  | —         |
| Net (decrease)/increase in guaranteed mortgage securities     | (17,156)  | 8,163     |
| Proceeds from sale of mortgage participation certificates     | 35,823    | 5,652     |
| Purchase of other investments                                 | —         | (25,000)  |
| Sale of other investments                                     | —         | 25,000    |
| Purchase of mortgages   | (106,346) | (140,191) |
| Proceeds from repayment on mortgages                          | 116,669   | 70,396    |
| Additions to fixed assets                                     | (1,010)   | (1,216)   |
| Proceeds from sale of fixed assets                            | —         | 55        |
| (Increase)/decrease in construction loan advances             | (6,454)   | 8,290     |
| Net cash used in investing activities                         | (18,754)  | (48,201)  |
| <b>Cash flows from financing activities</b>                   |           |           |
| Proceeds from bonds issued                                    | 475,526   | 155,906   |
| Redemption of bonds   | (269,677) | (114,285) |
| Bond issue costs incurred                                     | (178)     | (63)      |
| Dividends paid on share capital                               | (5,920)   | (5,920)   |
| Net cash generated from financing activities                  | 199,751   | 35,638    |
| <b>Net increase in cash and cash equivalents</b>              | 229,140   | 3,702     |
| <b>Cash and cash equivalents</b>                              |           |           |
| – at the beginning of the year                                | 77,482    | 73,780    |
| – at the end of the year                                      | 306,622   | 77,482    |
| <b>Represented by:</b>  |           |           |
| Cash and cash equivalents                                     | 306,672   | 77,484    |
| Bank overdraft  | (50)      | (2)       |
|   | 306,622   | 77,482    |

The accompanying notes on pages 18 to 26 form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2002

### 1. Incorporation and principal activities

The Bank is incorporated in the Republic of Trinidad and Tobago under the Home Mortgage Bank Act 1985. Its principal activities are the trading of mortgages made by primary mortgage lenders and the issue of bonds for investment in housing. Its registered office is located at 14th Floor, Central Bank Towers, Eric Williams Plaza, Port of Spain.

The Bank owns 20% of the Eastern Caribbean Home Mortgage Bank (ECHMB) which was formally established in August 1994, in accordance with the ECHMB Act. The principal activities of the associated bank are to buy and sell mortgage loans on residential properties in order to maintain a secondary market in mortgages.

### 2. Statement of accounting policies

#### (a) Basis of accounting

These financial statements are expressed in Trinidad and Tobago dollars and are prepared under the historical cost convention in accordance with International Accounting Standards. No account is taken of the effects of inflation.

#### (b) Use of estimates

The preparation of financial statements in conformity with International Accounting Standards requires management to make estimates and assumptions. These affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### (c) Revenue recognition

Income from mortgages is recognised on an amortised basis. Accrual of mortgage income ceases when recoverability is doubtful. In these circumstances income is recognised on a cash receipt basis.

#### (d) Mortgages

Mortgages are carried at principal outstanding net of adjustments for premiums and discounts on purchase. Premiums and discounts on the purchase of these mortgages are amortised over the remaining life of the related pool of mortgages using an amortisation method that in the aggregate, approximates a constant yield over the remaining life of the mortgages.

The policy of the Bank is to make specific provisions for mortgages considered doubtful, and in addition, amounts have been set aside as general provisions based on an evaluation of the portfolio in respect of losses which, although not specifically identified, are known from experience to be present in any such portfolio.

#### (e) Guaranteed Mortgage Investment Certificates (GareeMics)

GareeMics represent beneficial interest in pools of mortgages held in trust by the Bank. The Bank guarantees the timely payment of principal and interest on the underlying mortgages, whether or not received, together with the full principal balance of any foreclosed mortgages. The pools of mortgages are not assets of the Bank, except when reacquired in the event of default. (Refer to notes 5 and 18).

#### (f) Capitalised bond issue costs

The costs incurred in the issue of bonds for investment in housing are amortised over the duration of the respective bond issues (note 9).

#### (g) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation. Depreciation is provided at various rates which are estimated to write off the cost of the assets over their useful lives.

## NOTES TO THE FINANCIAL STATEMENTS

### For The Year Ended 31st December, 2002 (Continued)

#### 2. Statement of accounting policies (continued)

##### (g) Property and equipment (continued)

The rates used are as follows:

|   |                                |
|---|--------------------------------|
| Freehold building                                   | 2% on cost                     |
| Furniture, fixtures, office machinery and equipment | 7½% to 25% on reducing balance |
| Motor vehicles                                      | 25% on straight line           |
| Development costs                                   | 5% on straight line            |

##### (h) Pension benefits

The Bank operates a defined contribution pension plan which covers all of its eligible employees. The Bank's contribution expense in relation to this plan for the year amounts to \$1,441,540 (2001: \$215,690).

##### (i) Taxation

Taxes are accounted for on the basis of deferred tax accounting using the liability method. The amount of taxation deferred on account of all material temporary differences is reflected in the taxation expense for the year.

Deferred tax assets related 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.

Under Section 5, Sub-section (1) and (2) of the ECHMB Act 1994, the associated bank is exempt from stamp duty and corporation tax.

##### (j) Earnings per share

Earnings per share for each year are computed by relating profit after taxation accruing to shareholders to the weighted average number of shares in issue during the year.

##### (k) Investment in associated bank

This investment is accounted for in these financial statements on the equity basis of accounting which reflects the investment at net asset value plus the Bank's share of post acquisition retained profits.

##### (l) Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less and are carried at cost, which approximates market value.

##### (m) Investment securities

Investment securities represent short and medium term investments in primary issues of bonds and other securities made by the Bank as part of its treasury function. These securities are accounted for at amortised cost.

##### (n) Related parties

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. A number of banking transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms and conditions, at market rates.

##### (o) Comparative figures

Certain changes in presentation have been made during the year and comparative figures have been restated accordingly.

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2002 (Continued)

| 2002  |    | 2001           |                |
|---|----|----------------|----------------|
| 3. Cash and short term funds                                      | \$ | '000 \$        | '000           |
| Cash and cash equivalents   |    | 306,672        | 77,484         |
| Fixed deposits with original maturities greater than three months |    | 37,001         | 63,721         |
|   |    | <u>343,673</u> | <u>141,205</u> |
| <b>4. Investment securities</b>                                   |    |                |                |
| Investment in bonds   |    | <u>67,000</u>  | <u>—</u>       |

These investments are for a period of five years and earn interest at a rate of 8.5%.

| 2002   |    | 2001           |                |
|--|----|----------------|----------------|
| 5. Retained mortgage portfolio                                   | \$ | '000 \$        | '000           |
| <b>Principal balances and unamortised premiums and discounts</b> |    |                |                |
| Balance at the beginning of the year (net of provisions)         |    | 835,552        | 765,770        |
| Purchases for the year (net of provisions)                       |    | 106,346        | 140,191        |
|  |    | <u>941,898</u> | <u>905,961</u> |
| Less: Principal repayments                                       |    | (116,784)      | (70,068)       |
| Provision for loan losses  |    | 108            | (341)          |
|  |    | <u>825,222</u> | <u>835,552</u> |
| Less: Guaranteed Mortgage Investment Certificates (GareeMics)    |    | (102,073)      | (119,229)      |
| Less: Mortgage Participation Certificates                        |    | (41,475)       | (5,652)        |
| Balance at the end of the year                                   |    | <u>681,674</u> | <u>710,671</u> |
| <b>Provision for loan losses</b>                                 |    |                |                |
| Provision brought forward  |    | 2,925          | 2,664          |
| Net charges against income                                       |    |                |                |
| Specific   |    | (160)          | (1)            |
| General  |    | 52             | 342            |
| Provision for loan losses  |    | <u>(108)</u>   | <u>341</u>     |
| Write-offs   |    | (84)           | (80)           |
| Provision carried forward  |    | <u>2,733</u>   | <u>2,925</u>   |
| Specific provision   |    | —              | 244            |
| General Provision  |    | <u>2,733</u>   | <u>2,681</u>   |
|  |    | <u>2,733</u>   | <u>2,925</u>   |
| <b>Represented by:</b>   |    |                |                |
| Mortgages with recourse  |    | 239,844        | 296,345        |
| Mortgages without recourse                                       |    | <u>441,830</u> | <u>414,326</u> |
| Balance at the end of the year                                   |    | <u>681,674</u> | 710,671        |



## NOTES TO THE FINANCIAL STATEMENTS

### For The Year Ended 31st December, 2002 (Continued)

#### 6. Construction loan advances

These represent advances made through the Bank's approved lenders to mortgagors on new residential construction. These advances are for a maximum period of six months and are secured in a similar manner to the mortgages purchased.

| 2002                                       |    | 2001    |      |
|--|----|---------|------|
| 7. Investment in associated bank (note 2k) | \$ | '000 \$ | '000 |

Shares at cost

20,000 shares of EC\$100 each (20% shareholding)  
Cumulative share of post acquisition retained profits

|       |       |
|-------|-------|
| 4,453 | 4,453 |
| 1,272 | 1,080 |
| 5,725 | 5,533 |

| Freehold<br>buildings           |    | Furniture,<br>fixtures,<br>of | office<br>machinery<br>& equip | Motor<br>vehicles | Development<br>costs | T<br>2002 | otal<br>2001 |
|---------------------------------|----|-------------------------------|--------------------------------|-------------------|----------------------|-----------|--------------|
| 8. Property and equipment       | \$ | '000 \$                       | '000 \$                        | '000 \$           | '000 \$              | '000 \$   | '000         |
| <b>Cost</b>                     |    |                               |                                |                   |                      |           |              |
| Balance brought forward         |    | 818                           | 2,292                          | 1,183             | 1,500                | 5,793     | 4,979        |
| Additions                       |    | —                             | 135                            | 585               | 290                  | 1,010     | 1,216        |
| Disposals                       |    | —                             | —                              | —                 | —                    | —         | (402)        |
| Cost carried forward            |    | 818                           | 2,427                          | 1,768             | 1,790                | 6,803     | 5,793        |
| <b>Depreciation</b>             |    |                               |                                |                   |                      |           |              |
| Balance brought forward         |    | 173                           | 1,072                          | 507               | 8                    | 1,760     | 1,544        |
| Charge for the year             |    | 14                            | 228                            | 375               | 80                   | 697       | 563          |
| Disposals                       |    | —                             | —                              | —                 | —                    | —         | (347)        |
| Depreciation<br>carried forward |    | 187                           | 1,300                          | 882               | 88                   | 2,457     | 1,760        |
| Net book value                  |    | 631                           | 1,127                          | 886               | 1,702                | 4,346     | 4,033        |

#### Note:

Development costs include the expenditure incurred in the development of an automated underwriting system.

| 2002                                      |    | 2001    |       |
|---|----|---------|-------|
| 9. Capitalised bond issue costs (note 2f) | \$ | '000 \$ | '000  |
| Balance at the beginning of the year      |    | 446     | 628   |
| Add: Costs incurred during the year       |    | 178     | 63    |
|   |    | 624     | 691   |
| Less: Costs amortised during the year     |    | (294)   | (245) |
| Balance at the end of the year            |    | 330     | 446   |

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2002 (Continued)

### 2002 10. Other liabilities \$

|  |  |
|--|--|
| Bank overdraft                         |  |
| Interest payable on bonds              |  |
| Sundry creditors and accruals          |  |
| Remittances due to bank                |  |
| GareeMic holders — instalments payable |  |
| Taxation payable                       |  |

### 2001 '000 \$ '000

|               |               |
|---------------|---------------|
| 50            | 2             |
| 19,028        | 10,232        |
| 6,313         | 6,273         |
| 26,756        | —             |
| 1,437         | 1,549         |
| 73            | —             |
| <u>53,657</u> | <u>18,056</u> |

### 11. Bonds in issue

|                                      |  |
|--------------------------------------|--|
| Balance at the beginning of the year |  |
| Add: Issues during the year          |  |
| Less: Redemptions during the year    |  |
| Balance at the end of the year       |  |

|                |                |
|----------------|----------------|
| 786,356        | 744,735        |
| 475,526        | 155,906        |
| (269,677)      | (114,285)      |
| <u>992,205</u> | <u>786,356</u> |

#### Note:

(a) These bonds are secured by debentures created at the time of issue and rank pari-passu over the fixed and floating assets of the Bank. Interest is payable semi-annually in arrears at rates varying between 5.00 – 8.50% (2001: 6.50–10.75%).

(b) The amounts outstanding on bonds issued are redeemable as follows:

### 2002

|               |  |
|---------------|--|
| Within 1 year |  |
| 1 to 2 years  |  |
| 2 to 3 years  |  |
| 3 to 4 years  |  |
| 4 to 5 years  |  |
| Over 5 years  |  |

### 2001 \$'000 \$ '000

|                |                |
|----------------|----------------|
| 57,605         | 111,130        |
| 62,165         | 71,535         |
| 126,818        | 94,282         |
| 94,881         | 95,673         |
| 117,481        | 101,981        |
| 533,255        | 311,755        |
| <u>992,205</u> | <u>786,356</u> |

(c) Tax free bonds  
Other bonds

|                |                |
|----------------|----------------|
| 531,226        | 600,000        |
| 460,979        | 186,356        |
| <u>992,205</u> | <u>786,356</u> |

Under the Home Mortgage Bank Act 1985, the Bank has been authorised to issue tax-free bonds up to \$600 million.

### 2002 12. Components of deferred tax liability and deferred tax asset \$

#### Deferred income tax liability:

|                        |  |
|------------------------|--|
| Bond issue costs       |  |
| Property and equipment |  |
| Other                  |  |

### 2001 '000 \$ '000

|            |            |
|------------|------------|
| 99         | 156        |
| 9          | 93         |
| 5          | 8          |
| <u>113</u> | <u>257</u> |

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31st December, 2002 (Continued)

### 12. Components of deferred tax liability and deferred tax asset (continued)

| 2002<br>\$'000                    | 2001<br>\$'000 |
|-----------------------------------|----------------|
| <b>Deferred income tax asset:</b> |                |
| Tax losses                        | — 428          |

#### Notes:

- (a) The Bank has adopted the policy of writing off costs incurred in the issue of bonds over the duration of the respective bonds. However, for taxation purposes, these expenses are allowed in the year they are incurred.
- (b) The Bank has adopted the policy of writing off premiums paid on the purchase of mortgages over the average life of the pool of mortgages to which they relate. However, for taxation purposes, these expenses are allowed in the year they are incurred.

### 13. Stated capital \$'000

#### Authorised

|         |                           |
|---------|---------------------------|
| Class A | – 75,000 at no par value  |
| Class B | – 75,000 at no par value  |
| Class C | – 150,000 at no par value |
| Class D | – 150,000 at no par value |
| Class E | – 50,000 at no par value  |

#### Issued and fully paid

160,000 ordinary shares of no par value

|         |               |               |
|---------|---------------|---------------|
| Class A | 2,400         | 2,400         |
| Class B | 1,200         | 1,200         |
| Class C | 4,800         | 4,800         |
| Class D | 7,600         | 7,600         |
|         | <u>16,000</u> | <u>16,000</u> |

On 17th September, 1998 the Bank obtained its Certificate of Continuance under the Companies Act, 1995, the Article of which established its Authorised Share Capital as unlimited.

### 14. General and administrative expenses \$'000

|                          |              |              |
|--------------------------|--------------|--------------|
| Staff costs              | 5,030        | 3,440        |
| Accommodation expenses   | 1,068        | 982          |
| Other operating expenses | 3,402        | 2,818        |
|                          | <u>9,500</u> | <u>7,240</u> |

Included within general and administrative expenses are the following charges:

| 2002<br>\$'000     | 2001<br>\$'000 |
|--------------------|----------------|
| Depreciation (net) | 697 563        |
| Directors' fees    | 321 121        |

## NOTES TO THE FINANCIAL STATEMENTS

### For The Year Ended 31st December, 2002 (Continued)

| 2002   | 2001    |
|--|---------|
| 15. Taxation charge for the year \$'000  | \$'000  |
| Reconciliation between tax expense and the product of accounting profits multiplied by applicable tax rate |         |
| Accounting profit  | 17,399  |
| Tax at the statutory rate of 35% (2001: 35%)   | (6,089) |
| Tax effect of items that are adjustable in determining taxable profit:                                     |         |
| Tax exempt income  | 5,629   |
| Other permanent differences  | (206)   |
|  | (666)   |
|  | 14,213  |
|  | (4,975) |
|  | 5,695   |
|  | (426)   |
|  | 294     |
| <b>Current year's tax provision:</b>   |         |
| Corporation tax/business levy  | (258)   |
| Green fund levy  | (108)   |
| Prior year under provision   | (16)    |
| Deferred income tax  | (284)   |
| Taxation charge for the year   | (666)   |
|  | (161)   |
|  | (81)    |
|  | —       |
|  | 536     |
|  | 294     |
| <b>16. Related party transactions and balances (note 2n)</b>   |         |
| <b>Transactions</b>  |         |
| Interest on cash and short term funds  | 8,544   |
| Bond expenses and other costs  | 26,389  |
|  | 7,405   |
|  | 15,732  |
| <b>Balances</b>  |         |
| Cash and short term funds  | 134,015 |
| Investment securities  | 67,000  |
| Bonds in issue   | 294,836 |
|  | 59,382  |
|  | —       |
|  | 183,826 |

#### 17. Mortgage commitments

The Bank has issued standby commitments to purchase mortgages of which undrawn balances amount to \$58,787,560 at 31st December, 2002 (2001: \$28,837,621).

#### 18. Financial instruments

##### Fair values

##### (i) Short term financial assets and liabilities

The carrying amount of short term financial assets and liabilities comprising cash and short term funds, interest receivable and sundry debtors and current liabilities, is a reasonable estimate of their fair values because of the short maturity of these instruments.

##### (ii) Long term financial assets and liabilities

In the absence of an active market for the Bank's long term financial assets and liabilities, it is not possible to determine the fair value of these financial instruments.



## NOTES TO THE FINANCIAL STATEMENTS

### For The Year Ended 31st December, 2002 (Continued)

#### 18. Financial instruments (continued)

##### Credit risk

##### (i) Accounts receivable

The Bank trades in mortgages which represent the majority of total assets, some of which are held with recourse. Provisions have been set up for potential credit losses for mortgages without recourse.

##### (ii) Guaranteed Mortgage Investment Certificates (GareeMics)

As issuer and guarantor of GareeMics, the Bank is obligated to disburse scheduled monthly instalments of principal and interest (at the coupon rate) and the full unpaid principal balance of any foreclosed mortgage to GareeMic investors, whether or not any such amounts have been received. The Bank is also obligated to disburse unscheduled principal payments received from borrowers. At 31st December, 2002 the outstanding balances of securitised mortgages and the related GareeMics issued amounts to \$102,073,451 (2001: \$119,228,905).

The Bank's credit risk is mitigated to the extent that sellers of pools of mortgages elect to remain at risk for the loans sold to the Bank or other credit enhancement was provided to protect against the risk of loss from borrower default. Lenders have the option to retain the primary default risk, in whole or in part, in exchange for a lower guarantee fee. The Home Mortgage Bank however, bears the ultimate risk of default.

##### (iii) Mortgage Participation Fund (MPF )

The Bank introduced this investment product in addition to the Mortgage Participation Certificates. The fund is backed by mortgage and/or other securities. The key difference between the MPF and MPC is that the MPF does not repay principal on a monthly basis. At 31st December, 2002 the outstanding balance of securitized mortgages and related MPF outstanding amounts to \$41,475,013 (2001: \$5,651,974).

#### 19. Liquidity risk

Liquidity risk arises from fluctuations of cash flows. The liquidity risk management process ensures that the Bank is able to honour all of its financial commitments as they fall due. The matching of the maturities and interest rates of assets and liabilities is fundamental to the liquidity risk management process.

The table below analyses major financial assets and liabilities of the Bank based on the remaining period at 31st December to the contractual maturity date.

| Maturing<br>2002<br>\$      | W | ithin 1 year<br>2002<br>'000 \$ | Over 1 year<br>2002<br>'000 \$ | T<br>2002<br>'000 \$ | otal<br>'000 |
|-----------------------------|---|---------------------------------|--------------------------------|----------------------|--------------|
| <b>Assets</b>               |   |                                 |                                |                      |              |
| Cash and short term funds   |   | 343,673                         | —                              |                      | 343,673      |
| Investment securities       |   | —                               | 67,000                         |                      | 67,000       |
| Retained mortgage portfolio |   | 39,288                          | 642,386                        |                      | 681,674      |
| <b>Liabilities</b>          |   |                                 |                                |                      |              |
| Bonds in issue              |   | 57,605                          | 934,600                        |                      | 992,205      |

## NOTES TO THE FINANCIAL STATEMENTS

### For The Year Ended 31st December, 2002 (Continued)

#### 19. Liquidity risk (continued)

| 2001<br>\$                  | 2001<br>'000 \$ | 2001<br>'000 \$ | '000    |
|-----------------------------|-----------------|-----------------|---------|
| <b>Assets</b>               |                 |                 |         |
| Cash and short term funds   | 141,205         | —               | 141,205 |
| Retained mortgage portfolio | 37,590 673,081  |                 | 710,671 |
| <b>Liabilities</b>          |                 |                 |         |
| Bonds in issue              | 111,130 675,226 |                 | 786,356 |

#### 20. Interest rate risk

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. It manages this risk by maintaining a positive interest rate gap between its major financial assets and liabilities. The mortgage portfolio earns interest at rates between 8.5% to 11%, whereas interest rates on bonds vary between 5.00% to 8.5%.

#### 21. Employees

At 31st December , 2002 the Bank had in its employ a staff complement of 15 people (2001:15).

22. The Board of Directors declared a final dividend of \$30.00 per share for the year ended 31st December, 2002. This dividend amounted to \$4,800,000 and has not been recorded as a liability in the balance sheet.

## NOTICE OF MEETING

### To all Shareholders of The Home Mortgage Bank

#### SEVENTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventeenth Annual General Meeting of The Home Mortgage Bank will be held in the Board Room of The Home Mortgage Bank, 14th Floor, Central Bank Building, on the 29th day of April, 2003, at 10 a.m. when the following business will be transacted:

1. To receive the Report of the Directors and the Audited Financial Statements including the Report of the Auditors for the year ended 31st December, 2002.
2. To declare a Final Dividend for the year.
3. To re-appoint the Auditors and to authorise the Directors to fix their remuneration.
4. Any other business.

Dated the 2nd day of April, 2003.

By Order of the Board



Lucille Mair  
Company Secretary