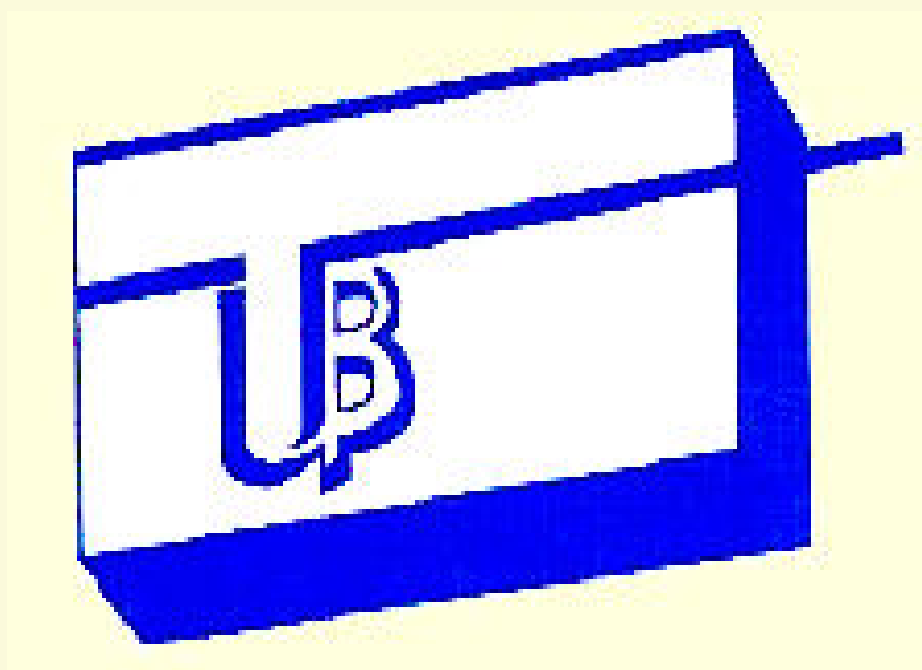


Annual Report & Accounts 2005



UNION TRUST BANK LIMITED

==== *empowering Sierra Leonean commerce* ====

MISSION STATEMENT

Our Mission is the establishment of an efficient, sound and enduring financial institution that gainfully explores the tremendous human and material potentials of the country in order to create national wealth and ensure lasting prosperity.

NOTICE OF MEETING

For the Year ended 31st December, 2005

Registered Office:

Union Trust Bank Ltd.
2 Howe Street
Freetown

NOTICE IS HEREBY GIVEN that the ELEVENTH ANNUAL GENERAL MEETING of the members of the Union Trust Bank Limited will be held at the bank's premises, 2 Howe Street, Freetown on Friday, 5th May 2006 at 1500 hrs to transact the following business:

1. To consider the minutes of the Tenth Annual General Meeting held on the 12th May 2005.
2. To receive the Annual report and Audited Financial Statements for the year ended 31st December, 2005, together with the reports of the, Directors and Auditors thereon.
3. To consider the directors' recommendation for bonus shares for the year ended 31st December 2005.
4. To appoint Auditors and to authorize the Directors to fix the Auditors remuneration.
5. To transact any other business proper to be transacted at an Annual General Meeting.

A member has the right to appoint a Proxy to attend and vote for and on the member's behalf. Such Proxy need not be a member of the Company. A copy of the instrument appointing the Proxy may be deposited at the Company Secretariat, Freetown Nominees at Bicentenary House, 17 Wallace Johnson Street, Freetown, not later than Monday 1st May 2006.

Dated this 10th day of April, 2006

By the Order of the Board.

Felix Rhodes
Acting Secretary

**Proxy Form at back of this Report*

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UNITED NATION'S YEAR OF MICROCREDIT



“Microfinance has proved its value in many countries, as a weapon against poverty and hunger. It really can change peoples’ lives for the better - especially the lives of those who need it most...

It is a way to grow productive enterprises, and so allow communities to prosper”

(Kofi Annan—18 November 2004)

STATUTORY INFORMATION

Board of Directors:

El Haj Dr Sheku T. Kamara *MB, CHB, DTCD, DTM&H, FWACP, CRSL - Chairman*
J D Okrafo-Smart, *BA (Econs.) (Dunelm), FCCA, FCA(SL), MloD - Managing Director*
J Sanpha Koroma, *BA (Econs.) (Dunelm), MA., MSc., FIoD - Executive Advisor*
Dr L Gordon-Harris, *MD, FWACS, Board Certification in Radiology*
Solomon J Samba, *BA (USL), FCII*
Arthur N Yaskey, *BA (USL), FCII*
Umaru B. Wurie (*Alt. Alimamy Wurie*)

Acting Secretary:

Felix Rhodes, *FCIB*

Registered Office

2 Howe Street
Freetown

Auditors and Tax Advisers

KPMG, Chartered Accountants
Bicentenary House
17 Wallace Johnson Street
Freetown

Solicitors

Basma & Macauley
21 Siaka Stevens Street
Freetown

GENERAL INFORMATION

Branches

KENEMA: 19 Hangha Road
Kenema
Eastern Province
Tel: 221493
032 420309
032 420254

BO: 7 Bojon Street
Bo
Southern Province
Tel: 032 320582
032 320352

KONO: 5 Old Yengema Road
Koidu
Tel: 076 689499

Sub Branches and Western Union Agencies

Head Office
Rawdon Street
Freetown
Tel: 229738

Lumley
Wilkinson Road
Lumley Roundabout
Tel: 233914

Choithram Supermarket
Sanders Street
Freetown
Tel: 225985

Kissy
12 Bai Bureh Road
Freetown-Waterloo Highway
Tel: 221444

Western Union Sub-Agencies

Lunsar
Marampa-Masimera Community Bank
Lunsar
Tel: 076 920764

Mile 91
Yoni Community Bank
Mile 91
Tel: 076 600965

Makeni
Tap Foreign Exchange Bureau
1A Robaneh Road
Makeni
Tel: 221499

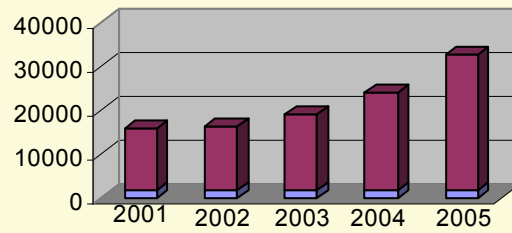
Lungi
irst International Bank
Lungi International Airport
Lungi
Tel: 030 338512 / 030 213832

Segbwema Community Bank
Segwema
Tel No: 076-774036

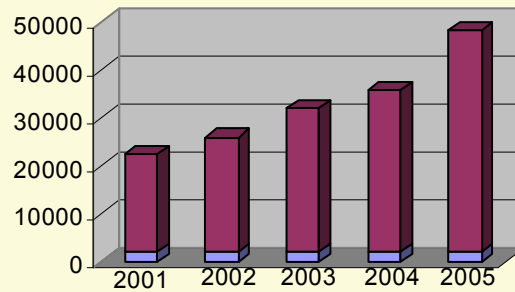
Matru-Jong Community Bank
Matru Jong
Tel No: 076-654389

FINANCIAL HIGHLIGHTS

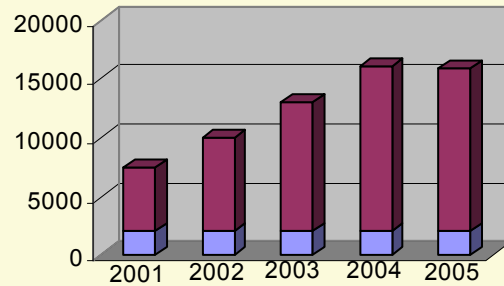
DEPOSITS (Le'M)



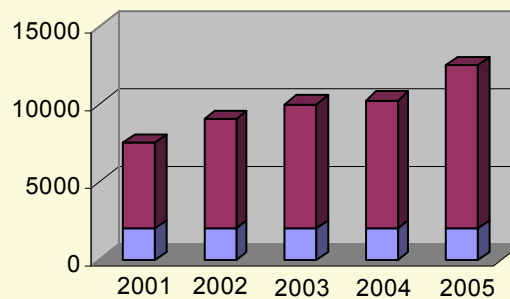
ASSETS (Le'M)



LOANS AND ADVANCES (Le'M)



OPERATING INCOME (Le'M)



DIRECTORS' PROFILES

El Haj Dr Sheku Tejan Kamara

MB, CHB, DTCD, DTM&H, FWACP, CRSL
CHAIRMAN

Retired Director-General of Medical Services of Sierra Leone
Former Executive Board Member, World Health Organisation,
Geneva.

Executive Chairman, Cape Guest House & Facilities

Elected to the Board of Directors in June 2002.

J D Okrafo-Smart

BA (Econs.) (Dunelm), FCCA, FCA (SL), MIoD
MANAGING DIRECTOR

Director, First Discount House Limited

Director, Home Finance Company Limited

J. Sanpha Koroma

BA (Econs.) (Dunelm), MA., MSc., FIoD

EXECUTIVE ADVISOR

Retired Governor, Bank of Sierra Leone

Founder and Former Managing Director of Union Trust Bank Ltd

Former Managing Director, National Development Bank Ltd

Retired Deputy Financial Secretary, Ministry of Finance (GOSL)

Len O. Gordon-Harris

MD, FWACS, Board Certification in Radiology

Medical Practitioner

Senior Lecturer and Examiner, College of Medicine and
Allied Sciences (USL)

Elected to the Board of Directors in October 1996

Solomon J. Samba

BA (USL), FCII

Managing Director, Aureol Insurance Company Limited

Director, First Discount House Limited

Past President, Sierra Leone Chamber of Commerce, Industry
& Agriculture

Elected to the Board in October 1996.

Arthur N. Yaskey

BA (USL), FCII

Managing Director, National Insurance Company Limited

Director, Sierra Leone Roads Authority

Director, Sierra Leone Export Development and Investment
Company.

Elected to the Board in August 1999.

Umaru B. Wurie

B.Sc (UV. USA), MA, (Bedford, UK)

Director-General, Ministry of Foreign Affairs and
International Cooperation

Diplomatic Service 1989-2004

Elected to the Board in May 2005

MANAGEMENT PROFILES

J D Okrafo-Smart

BA (Econs.) (Dunelm), FCCA, FCA (SL), MIOd
MANAGING DIRECTOR
Director, First Discount House Limited
Director, Home Finance Company Limited

Felix M. Rhodes

FCIB
GENERAL MANAGER
Trustee, Christian Children's Fund (SL)
Board of Director, NASSIT

Alimamy Abdul Bangura

BSc Banking & Finance (UK)
M.SC. Public Finance (UK)
Dip in Business Studies (UK)
BRANCH MANAGER – BO

Susan E. Coker (Mrs)

Cert. CIB (Lon)
BSc (Hons) Financial Services (USL)
MANAGER, INFORMATION TECHNOLOGY, OIC WUFS

Abdulai F. Turay

BSc (Hons) Econs (USL)
MANAGER, BANKING OPERATIONS

Osman A. Amara

BSc (Hons) Financial Services (USL)
Cert. CIB (Lon)
MANAGER, MARKETING & SALES

Hasiatu G. Agbaje (Mrs)

HTC, Cert CIB (London)
BSc Hons, Financial Services (USL)
MANAGER, CREDIT & CUSTOMER RELATIONS

Richard P. Squire

Inter ACIB
BRANCH MANAGER – KENEMA

Kultumi U. Massallay (Mrs)

BA General (USL)
PG Dip in BA (USL)
MANAGER, ADMIN/PERSONNEL

Victor Harleston

AAT (UK)
TDA (USL)
ACCA (UK)
FINANCE MANAGER

Augustine Beckley

BSc (Hons) Accounting (USL)
ACTING BRANCH MANAGER - KOIDU, KONO

CHAIRMAN'S STATEMENT

Dear Shareholders

On the occasion of my first message as your Chairman, it gives me great pleasure to welcome you all to this 11th Annual General Meeting of the members of our company.

As all of us will recall, without doubt, 2005 has been an extraordinarily difficult year for businesses all round—it has clearly not been an easy time for corporate managers. Secondly, the impact of so many factors on forecasts and projections has been unsettling, at best. The evidence and consequences of this systemic turbulence are all so visible and reflected right across the national economic spectrum. All of this notwithstanding, I trust that most of us had a cause or two to cheer in the course of our respective business relationships and operations.

2. Operating Environment

For the global economy, 2005 was generally acclaimed to reflect “*the best of times*” and according to the renowned economist, Kenneth Rogoff, “*any one who cautions that the good times might end is a heretic*”. Out there, five main factors spurred and sustained the global economic prosperity over the last two years.

First, there was the robust trend in globalisation, especially the entry of China into the global economy. This has created enormous opportunities and benefited global markets at an unprecedented scale.

On the train of globalisation has followed the second factor, namely, an unprecedented regime of improved policy frameworks in the leading economies which resulted in a successful and sustained rein on inflation accompanied by stability in both global and domestic money markets.

Then, for the first time in twenty years, the last two have witnessed a visible stability

in income levels allowing for better management of corporate and personal finances.

Fourth, the absence of financial crises of global significance, coupled with improvements in portfolio management, have resulted in relatively lower interest rates. The net effect of this trend is the lowering of risk spreads in all classes of debt and investment portfolios and instruments.

Finally, the concerted efforts of the multi-lateral financing institutions in the debt cancellation for the less developing countries has eased the monetary and fiscal burdens and at the same time bolstered the resource deployment of this group of countries. In most recipient countries, the reallocation of these financial gains into earning assets has triggered growth in national GDPs.

But while the rest of the world is basking on the best of times, sadly the same cannot be said of our domestic operating environment. Here, the situation remained unsettling for most of 2005. For starters, the gloomy economic fundamentals of 2004, took a turn for the worse in 2005. Although the war officially ended in 2002, the UN Human Development Report for 2005 still tagged Sierra Leone among its five poorest countries surveyed, with slightly more than 70% of the population living in acute poverty. The formal sector of the economy further declined due to retrenchment in the public sector and the slow growth in the private sector. The net effect is a growth of the informal sector as the labour force re-engaged largely in subsistence and extractive activities.

More specifically, the petroleum pump price increases of March 31st, August 12th and September 14th, 2005 from Le8,000 to Le9,500, Le10,000 and Le11,250 respectively, imposed serious strains on corporate budgets. Worse still, the perennial electricity outage for most of the time meant that businesses had to resort to own-generated electric power supply thereby sending operational costs to cut-throat levels.

3. Operating Results

Operating results across the industry were determined largely by two main factors, namely, the very high operating costs for all business and the consequent stickiness of loan portfolios.

Under operating costs, personnel and occupancy costs stand out conspicuously as labour union demands outstrip inflation indices while utility bills hit unprecedented heights. Under such circumstances, Union Trust Bank Limited, as a growing bank, opening new branches and employing new staff, was bound to experience reduced margins even though operating income increased from Le8.3 billion in 2004 to Le10,7 billion in 2005.

This impressive performance was fractured by an increase in operating expenses from Le6,154 million in 2004 to Le7,990 million in 2005, and an unprecedented massive portfolio impairment provision of Le2,232 million against Le262 million in the previous year, thus reflecting the impact of the operating environment on the business sector.

As members would agree, this seriously erodes the financial bottom-line and dampens enthusiasm all around. What I can assure you though is that this matter has engaged the full attention of management, directors, the external auditors and the legal advisers as well as our foreign potential partners who have kindly funded both a due diligence and a human resource audit on the bank. However, with the collaboration of all concerned, we have put in place a mechanism to change the strategic direction of the bank, including the appointment of a loan recovery task force and a risk management function within the bank.

4. Strategic Planning

Following the due diligence on the bank, the Strategic Plan covering the period 2004-2007 has been revised and extended to 2010. The main objective here was to incorporate the Africap investment and bring into sharper focus the bank's core business—banking operations, Western Union, and microfinance operations.

5. Capital Structure

On the **capital structure**, it will be recalled that the Bank of Sierra Leone has stipulated that the capital of commercial banks should reach the following targets in Leone equivalent.

By end 2006	-	US\$ 2 mil.
“ “ 2007	-	US\$ 3 mil.
“ “ 2008	-	US\$ 4 mil.
“ “ 2009	-	US\$ 5 mil.

Members will also recall the efforts made so far in achieving the target for 2006. In that connection, we have explored various options resulting in the invitation of Africap Microfinance Ventures to subscribe to the bank's equity through a redeemable preference share instrument amounting to one million USDollars. That deal is expected to be closed before the next Annual General Meeting. But even with that intervention, the company is still short of the end-2006 target. So I want to appeal to the members to avail themselves of the opportunity of acquiring more shares on current issued stock.

I am also delighted to report that for the first time in the history of the bank, a thorough structural and operations assessment was undertaken by an independent firm of consultants. This assessment covered the other areas of our strategic plan. It has highlighted the strengths, weaknesses, opportunities and threats (SWOT) of both our internal and external operating environment.

The reports will be immensely useful as a guide in addressing the core policy and operational issues of the bank. On behalf of all members of the company, I take this opportunity to thank our strategic partners who sponsored and largely financed both the due diligence and the business plan.

6. Sub-Regional Alliances

Consistent with its strategic plan, the sub-region is still necessary and makes sound strategy. In pursuance of this, the bank has established strategic alliances with Calbank Limited and Databank Financial Services both of Ghana, Liberia Bank for Development and Industry of Liberia, Trust Bank in the Gambia and United Bank of Africa of Nigeria. The feasibility study and business plan for a joint sub-regional project have been completed. Other areas of cooperation are also under active discussion.

7. Short-Term Outlook

Against the backdrop of our national macro-economic realities, what I think the bank should be fully focused on in the short- to medium-term is to bolster its competitiveness. This means essentially waging an onslaught on marketing and on designing new products that create visible and powerful market niche.

During the course of the year, the **School Fees Savings Plan** was added to the range of products. While the merits and relevance of this product remain undoubtable, yet there is a need to market it more robustly. An export credit facility was also established with assistance from the African Import-Export Bank (Afreximbank). More products are on the drawing board. A new product—**Pay Advance Salary Scheme (PASS)** - has been designed and will be launched soon.

Furthermore, entry into **microfinance** is another key objective of the bank's strategy. Here the prospects are legion. And in this regard, the bank is currently negotiating a subscription to the equity of Finance Salone, which is the biggest microfinance institution in Sierra Leone. Strong operational ties have also been established with the community banks and are now providing agency services for the bank's Western Union Money Transfer Service.

8. Conclusion

In conclusion, and on behalf of my colleagues on the board, management and staff, let me seize the opportunity of this report to thank and to express appreciation to all our customers, our strategic partners and our service providers at home and abroad for their support and patronage in the bank's effort at empowering Sierra Leonean commerce and businesses.

Personally, I want to thank the shareholders, my colleagues on the board and the management and staff of the bank for their strong support.

I wish you all a very successful Annual General Meeting.

El-Haj Dr Sheku Tejan Kamara
Chairman

MANAGING DIRECTOR'S STATEMENT

It has been another year of great effort by the bank to improve its market share. The economy itself has not been kind to this effort. However, we were able to increase deposits by 42% during the year. Also, in the year under review, declining margins have been a key feature of the competitive arena but the bank has developed a fitting strategy to deal with this phenomenon.

FINANCIAL HIGHLIGHTS

The company has made a net profit of only Le253 Million this year against Le1.1 billion last year. This bottom line by itself is not representative of the performance of the company during the course of the year; rather, the level of the net assets better reflect performance.

Interest income increased by 0.5% over the 2004 figure which is indicative of the treatment given to the interest element related to the unprecedented loan provision made during the year. This was deliberate and tended towards cleansing our loan portfolio. The provision should therefore not be considered as a permanent loss since a massive effort is now directed at loan recovery.

Another contributing factor to the low increase in net interest income is the significant increase in interest expense during the year over 2004. This is the result of about 40% increase in savings deposit which is a positive sign as savings have a stabilising effect on total deposits.

Total deposits increased from Le21.7 Billion in 2004 to Le30.8 Billion in 2005, a handsome reward to the effort made to improve the market share of the company. Little wonder though that the related income of the core banking business, i.e. of net fee and commissions, increased by 28% from the Le3.2 Billion in 2004 to Le4.1 Billion in 2005.

The unprecedented provision for impairment losses on loans and advances was undertaken both to satisfy prudential requirements and with the hope of a massive recovery drive to recover a huge percentage of the provision which will come in as revenue in the ensuing year.

With regard to operating expenses, which increased by 30% from Le6.2 Billion in 2004 to Le8 Billion in 2005, the bank gave a salary increase in line with inflationary and market trends. This cost further increased by the recruitment of more personnel to man our new branch. The increased power shortages meant increased running costs of our generators at all our locations, which was compounded by the 3-fold increase in fuel costs during the year. Efforts have been made to contain certain other costs which are within the bank's control.

The bank was able to improve its liquidity position and made alternative investment to overdraft facilities, a testimony to the fact that the quality of its portfolio had very little effect on the availability of funds by the very nature and circumstances of the debts provided for.

GROWTH AND DEVELOPMENT

Our efforts to grow and take the bank even closer to our customers are not without serious challenges, given the uncertainty and harsh realities of the macro economic environment that we operate in. The level of investment in opening new branches is high and the gestation period characteristically sluggish. A much more robust risk management and the introduction of the appropriate technology will mitigate some of the difficulties which one can encounter.

NEW PRODUCTS

The bank continues to be practical in its approach to introduce new products into the market. Because of our circumstances, it is only natural that we encourage the grass-roots to imbibe the banking culture and thereby enhance their quality of life by such exposure.

The school fees saving plan was our latest product which encouraged families and friends to save with the help of the bank to meet the ever increasing school fees and expenses for how better can one achieve ones aim of empowering Sierra Leonean Commerce other than starting with our most priced resource at an early age.

Another new banking product, the Pay Advance Salary Scheme (PASS) has been devised and will be launched shortly to provide more consumer credit in the financial market. This we hope will attract depositors to increase the bank's deposit base further.

WESTERN UNION OPERATIONS

More aggressive promotion of the bank's Western Union Money Transfer product is paying off handsomely.

Volume of transactions increased from 47,279 in 2003 to 61,660 in 2004 (76 percent) and to 87,366 in 2005 (70 percent). In terms of value there was an increase of 68 percent from USD8.5 Million to USD12.4 Million in 2004 and a further 69 percent to USD18.0 Million in 2005.

With the expansion of the bank to new locations and the appointment of new sub-agencies, this product will continue to be the most preferred vehicle for money transfers into the country, even as the franchise is soon to be extended to two other competitors. This fact should not, however, cause unnecessary worry given the bank's unmatched outreach leverage.

REPORT OF THE DIRECTORS

1. Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with International Financial Reporting Standards and the requirements of the companies Act Cap. 249. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

2. Share Capital

Details of the bank's share capital as at 31st December 2005 are shown in Note..... to the Financial Statements.

In response to the minimum share capital targets set by the Bank of Sierra Leone in 2005, the share capital of the bank was increased to Le6.0 billion at the Extraordinary General Meeting of the company held on 24th November, 2005 (60 mil shares of a nominal value of Le100 each).

At the same meeting, the shareholders agreed to issue one billion Leones worth in redeemable preferential shares in favour of Africap Micro-Finance Ventures of Mauritius. These are redeemable in six years beginning on the fourth anniversary of the issue.

3. Reserves

Transfers to reserves have been made in strict accord with the provisions of the Banking Act, 2000, the Articles of Association, and on the judgment of the directors.

4. Capital Adequacy

The bank is required to maintain a minimum Capital adequacy Ratio of 15% of total adjusted assets. As at December 31, 2005, the capital adequacy of the bank was 30.5% (2004 36.2%). Details of the computation are shown in note 32 to these financial statements.

The annual financial statements disclose the results of the bank's operations during the year.

5. Dividend

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2005 (2004: Le30). However, consistent with the policy of returning value to the shareholders, the directors intend to propose a bonus issue of one ordinary share of Le100 each every three ordinary share held by members as at 31 December 2005.

6. Nature of Business

i. Universal Banking

As a licensed bank, the provision of services and products remains the core business of the bank. In this connection and in addition to its range of services and products, the bank introduced a new product in the market during the year under review. This is the School Fees Savings Plan (SFSP). This product combines the bank's awareness of its social responsibility and the flexibility and versatility of its operations. Its features can be sourced from the bank's website and the first page of its 2006 calendar.

ii. Microfinance

The directors have happily embraced the concept of microfinance not so much because of its currency in the financial community as the stark reality that close to 80 percent of Sierra Leoneans and transactions can only be effectively serviced through microfinance. Thus the perception that when a bank designs and markets a micro credit product it is downgrading is simply a gross misconception. As the survey of microfinance in *The Economist* of November 5, 2005 points out, "...Local banking giants that used to ignore the poor are now entering the (microfinance market). Even more strikingly, some of the world's biggest and wealthiest banks, including Citigroup, Deutsche Bank, Commerzbank, HSBC, ING and ABN Amro are dipping their toes into the water" (P.5).

Working cooperatively with both international private equity funds and local financial institutions such as Finance Salone and the community banks, UTB hopes to give practical expression to its vision of ***empowering Sierra Leonean commerce***.

7. Foreign Direct Investment

Given the scale of Sierra Leone's natural resource endorsement pitted against her acute levels of poverty, the country could easily be a most attractive destination for foreign direct investment. But several factors continue to stand in the way to either attracting foreign investment or encouraging indigenous investors.

In spite of its technical strengths and prospects or the merit of its investment proposals, the bank has found it very difficult to attract foreign investors to fund viable and sound projects. These obstacles notwithstanding, the bank will continue its efforts at fostering strategic partnerships especially with private equity funds that have the appropriate corporate vision in empowering seriously disadvantaged communities such as our clientele.

8. Changes on the Board of Directors

Following his reelection to the Board of Directors at the last Annual General Meeting, Mr Emeric Bernanrd-Jones resigned from the Board on 26th July 2005. The reasons for the resignation are personal to him; but all the same, I want on behalf of my colleagues, management and staff and all shareholders to express our thanks and appreciation for his services to the bank. The vacancy created has not yet been filled, but it

is hoped that the representative of Africap Microfinance Ventures will join the Board following the subscription of that company to the equity of the bank.

9. Committees of the Board

In addition to the Finance and Technical Committee and Audit Committee, the directors established a new committee titled "Human Resource Development Committee". Its membership comprises the chairmen of the other two committees and the Managing Director. The Human Resource Committee will address more effectively staff and career development training, deployment and compensation policies and make recommendations to the Board.

10. Directors and their Interests

The names of the directors who served during the year were

Dr S B Nicol-Cole DLL, GCR, OBE	-(Chairman)	- Retired 12 May 2005
Dr El Haj Sheku Kamara CRSL	-(Chairman)	- With effect from 12 May 2005
J D Okrafo Smart BA (Econs) (Dunhelm) FCCA, FCA (SL)	- (Managing)	
E Bernard Jones		- Resigned 26 July 2005
Dr L Gordon Harris		
Hon. Justice (Rtd) C A Harding ORSL		- Retired 12 May 2005
S J Samba		
A N Yaskey		
Mrs A Benjamin		- Resigned 12 May 2005
J Sanpha Koroma		- Re-appointed 12 May 2005
Umaru B Wurie		- Appointed 12 May 2005

At the Annual General Meeting of 12 May 2005. Dr S B Nicol Cole and Hon Justice (Retired) C A Harding retiring after 3 years in accordance with Article 100 did not offer themselves for reelection.

In accordance with Article 100 of the Articles of Association the directors are required to serve three years in office.

The interests of the directors under arrangement of significance to which the bank was a party have been disclosed in note 30 to these financial statements.

The directors will continue to focus on articulating sound policies and practices aimed at creating medium- to long-term successes for the bank.

11. Auditors

The auditors Messrs KPMG retire at the forthcoming Annual General Meeting. A resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Felix Rhodes
Acting Secretary

REPORT OF THE INDEPENDENT AUDITORS

Report of the Independent Auditors, KPMG, to the Shareholders of Union Trust Bank Limited

We have audited the accompanying balance sheet of Union Trust Bank Limited as of 31 December 2005 and the related statements of income and cash flows and changes in shareholder's equity for the year then ended. These financial statements are the responsibility of the directors. 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 as promulgated by the International Federation of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- we were able to obtain all the information and explanations required by us for the efficient performance of our duties;
- the bank's transactions were within its powers;
- the bank has complied with the relevant provisions of the Banking Act 2000;
- the accompanying financial statements give a true and fair view of the financial position of the bank as of 31 December 2005 and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board and have been properly prepared in accordance with the requirements of the Companies Act Cap. 249, the Banking Act 2000 and the Banking Regulations 2003.

Freetown

Chartered Accountants

Date:

INCOME STATEMENT

for the year ended 31 December 2005

<i>In thousands of Leones</i>	Note	2005	2004
Interest and similar income	6	4,751,790	4,428,069
Interest expenses and similar charges	6	(548,608)	(385,688)
Net interest income		4,203,182	4,042,381
Net fee and commission income	7	4,060,646	3,161,546
Net trading income	8	2,341,898	1,064,719
Other operating income	9	70,144	16,531
Impairment losses on loans and advances	10	(2,232,133)	(262,732)
Operating expenses	11	(7,990,635)	(6,154,019)
Operating profit		453,102	1,868,426
Income tax expense	12(a)	(200,192)	(732,012)
Profit after taxation		252,910 =====	1,136,414 =====
 Earnings per share for profit attributable to the equity holders of the bank during the year			
<i>(In Leones per share)</i>			
Basic	13	15	79
Diluted	13	15	79

The notes on pages 9 to 44 are an integral part of these financial statements

BALANCE SHEET

as at 31 December 2005

<i>In thousands of Leones</i>	Note	2005	2004
Assets			
Cash and balances with The Central Bank	15	6,345,277	2,178,148
Balances with other banks	16	8,477,568	8,044,745
Treasury bills and other eligible bills	17	6,477,990	3,292,411
Investment securities	18	205,000	205,000
Balances due from other banks	19	1,757,915	637,880
Loans and advances to customers	21	13,387,968	13,608,205
Property, plant and equipment	22	3,622,312	3,517,608
Income tax receivable	12	1,213,337	683,834
Deferred income tax asset	12b	599,996	60,133
Other assets	23	5,674,821	1,656,098
Total assets		<u><u>47,762,184</u></u>	<u><u>33,884,062</u></u>
Liabilities			
Due to customers	24	30,820,139	21,717,120
Other liabilities	25	6,518,899	2,853,480
Total liabilities		<u><u>37,339,038</u></u>	<u><u>24,570,600</u></u>
Shareholders' equity			
Issued share capital	26	1,775,603	1,431,559
Share premium	27	78,862	1,891
Reserves	28	4,222,472	4,222,472
Retained earnings	29	4,346,209	3,657,540
Total equity		<u><u>10,423,146</u></u>	<u><u>9,313,462</u></u>
Total liabilities and Shareholders' equity		<u><u>47,762,184</u></u>	<u><u>33,884,062</u></u>

These financial statements were approved by the Board of Directors on 6 April 2006

.....)	
.....)	
.....)	
.....)	
.....)	Directors
.....)	
.....)	
.....)	

The notes on pages 9 to 44 are an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

	Issued share capital	Share premium	Revenue reserve	Statutory reserve	Building reserve	General reserve	Total share holders equity
Balance at 1 January 2004	1,046,099	1,891	3,547,212	1,157,787	1,803,777	664,290	
Issues during the year	8,221,056	-	-	-	-	-	
	385,460	-	-	-	-	-	
	385,460	-	1,136,414	-	-	-	
Net profit for the year	1,136,414	-	-	-	-	-	
Transfer to reserves	-	-	(596,618)	284,104	227,283	85,231	
Dividends to shareholders	-	-	(429,468)	-	-	-	
Deferred tax credit	(429,468)	-	435,759	-	-	-	
	435,759	-	-	-	-	-	
Balance at 31 December 2004	1,431,559	1,891	4,093,299	1,441,891	2,031,060	749,521	
Share issues during the year	9,749,221	76,971	-	-	-	-	
	344,044	-	-	-	-	-	
	421,015	-	252,910	-	-	-	
Net profit for the year	-	-	-	-	-	-	
	252,910	-	(63,228)	63,228	-	-	
Transfer to reserves	-	-	-	-	-	-	
	-	-	-	-	-	-	
	1,775,603	78,862	4,282,981	1,505,119	2,031,060	749,521	
	10,423,146						

The notes on pages 9 to 44 are an integral part of these financial statements

STATEMENT OF CASH FLOWS

for the year ended 31 December 2005

<i>In thousands of Leones</i>	Note	2005	2004
Operating activities			
Interest received	6	4,751,790	4,428,069
Interest paid	6	(548,608)	(385,688)
Loan provision	10	(2,232,133)	(262,732)
Fees and commission received	7	4,060,646	3,161,546
Operating expenses paid	11	(7,865,110)	(6,154,019)
Other operating income	8,9	2,412,042	1,081,250
Depreciation of property, plant and equipment ²⁰		464,336	503,183
Profit on sale of fixed asset		(15,000)	(100)
		<u>1,027,963</u>	<u>2,371,509</u>
Cash flows from operating profits before changes in operating assets and liabilities			
Changes in operating assets and liabilities			
Loans and advances to customers		220,237	(2,769,607)
Deposits from customers		9,103,019	4,066,487
Other assets		(4,018,723)	249,122
Other liabilities		4,094,887	(466,701)
		<u>10,427,383</u>	<u>3,450,810</u>
Net cash flows from operating activities before tax			
Income tax paid	12	(833,596)	(1,136,067)
Taxation adjustment		(203)	-
		<u>9,593,584</u>	<u>2,314,743</u>
Investing activities			
Proceeds from sale of fixed assets		15,000	100
Acquisition of property, plant and equipment ²¹		(694,565)	(1,642,508)
		<u>(679,565)</u>	<u>(1,642,408)</u>
Financing activities			
Amount received from shares		421,015	385,460
Dividends paid		(429,468)	(261,748)
		<u>(8,453)</u>	<u>123,712</u>
Cash and cash equivalents at 31 December			
Net increase in cash and cash equivalents		8,905,566	796,047
Cash and cash equivalents at 1 January		14,153,184	13,357,137
		<u>23,058,750</u>	<u>14,153,184</u>

The notes on pages 9 to 44 are an integral part of these financial statements

Notes to the Financial Statements

