

**Schedule 2
FORM ECSRC – OR**

(Select One)

QUARTERLY FINANCIAL REPORT for the period ended September 30, 2016
Pursuant to Section 98(2) of the Securities Act, 2001

OR

TRANSITION REPORT
for the transition period from _____ to _____

Pursuant to Section 98(2) of the Securities Act, 2001
(Applicable where there is a change in reporting issuer's financial year)

Issuer Registration Number: _____ **HMB160990GR** _____

_____ **EASTERN CARIBBEAN HOME MORTGAGE BANK (ECHMB)** _____
(Exact name of reporting issuer as specified in its charter)

_____ **GRENADA** _____
(Territory or jurisdiction of incorporation)

**Eastern Caribbean Central Bank (ECCB) Complex, Bird Rock Road, Basseterre,
St. Kitts**
(Address of principal executive Offices)

(Reporting issuer's: EASTERN CARIBBEAN HOME MORTGAGE BANK (ECHMB))

Telephone number (including area code): _____ **1-869-466-7869** _____

Fax number: _____ **1-869-466-7518** _____

Email address: _____ **info@echmb.com** _____

Former name, former address and former financial year, if changed since last report)

(Provide information stipulated in paragraphs 1 to 8 hereunder)

Indicate the number of outstanding shares of each of the reporting issuer's classes of common stock, as of the date of completion of this report.

CLASS	NUMBER
Class A	66,812
Class B	51,178
Class C	80,181
Class D	70,578
TOTAL	268,749


SIGNATURES

A Director, the Chief Executive Officer and Chief Financial Officer of the company shall sign this Annual Report on behalf of the company. By so doing each certifies that he has made diligent efforts to verify the material accuracy and completeness of the information herein contained.

The Chief Financial Officer by signing this form is hereby certifying that the financial statements submitted fairly state the company's financial position and results of operations, or receipts and disbursements, as of the dates and period(s) indicated. The Chief Financial Officer further certifies that all financial statements submitted herewith are prepared in accordance with International Accounting Standards consistently applied (except as stated in the notes thereto) and (with respect to year-end figures) including all adjustments necessary for fair presentation under the circumstances.

Name of Chief Executive Officer:

Mr. Randy Lewis




Signature
31st October 2016

Date

Name of Director:

Mr. Dexter Ducreay




Signature
7/11/16

Date

Name of Chief Financial Officer:

Ms. Shanna Herbert



Signature
31st Oct 2016

Date

INFORMATION TO BE INCLUDED IN FORM ECSRC-OR

1. Financial Statements

Provide Financial Statements for the period being reported in accordance with International Accounting Standards. The format of the financial statements should be similar to those provided with the registration statement. Include the following:

- (a) Condensed Balance Sheet as of the end of the most recent financial year and just concluded reporting period.
- (b) Condensed Statement of Income for the just concluded reporting period and the corresponding period in the previous financial year along with interim three, six and nine months of the current financial year and corresponding period in the previous financial year.
- (c) Condensed Statement of Cash Flows for the just concluded reporting period and the corresponding period in the previous financial year along with the interim three, six and nine months of the current financial year and the corresponding period in the previous financial year.
- (d) By way of *Notes to Condensed Financial Statements*, provide explanation of items in the financial statements and indicate any deviations from generally accepted accounting practices.

EASTERN CARIBBEAN HOME MORTGAGE BANK

STATEMENT OF FINANCIAL POSITION (UNAUDITED)

AS AT 30th SEPTEMBER 2016

← **YEAR-TO-DATE** →

	Actual 2016/17	Comparative 2015/16
Assets	\$	\$
Cash and cash equivalents	704,770	5,791,713
Government securities purchased under resale agreements	-	21,374,726
Accounts receivable & prepayments	919,989	53,529
Short-term marketable securities	132,274,276	118,853,955
Government bonds	60,848,473	46,519,292
Quoted bonds	14,287,608	-
Mortgage backed securities	35,253,027	56,440,191
Other assets	349,244	535,845
Available-for-sale investment	100,000	100,000
Intangible assets	1,570	10,992
Motor vehicle & equipment	280,590	170,793
Total assets	<u>245,019,547</u>	<u>249,851,036</u>
Liabilities		
Borrowings	185,312,266	190,529,668
Other liabilities and accrued expenses	203,873	553,540
Total liabilities	<u>185,516,139</u>	<u>191,083,208</u>
Equity		
Share capital	36,999,940	36,999,940
Reserves	8,962,834	8,865,029
Retained earnings	13,540,634	12,902,859
Total equity	<u>59,503,408</u>	<u>58,767,828</u>
Total liabilities and equity	<u>245,019,547</u>	<u>249,851,036</u>

Eastern Caribbean Home Mortgage Bank

Unaudited Statement of comprehensive Income

Six months ended 30 September 2016

(expressed in Eastern Caribbean dollars)

	UNAUDITED		UNAUDITED		AUDITED
	Three Months ended		Six Months ended		Year ended
	30-Jun-16	30-Jun-15	30-Sep-16	30-Sep-15	31-Mar-16
Interest Income	2,777,745	3,177,049	5,605,512	6,267,587	12,423,570
Interest expenses	<u>(1,572,785)</u>	<u>(1,982,506)</u>	<u>(3,015,766)</u>	<u>(3,829,290)</u>	<u>(6,523,972)</u>
Net interest income	1,204,960	1,194,543	2,589,746	2,438,297	5,899,598
Other operating income	79,098	24,872	79,098	24,871	40,439
Mortgage administration fees	<u>(45,698)</u>	<u>(147,467)</u>	<u>(116,579)</u>	<u>(278,680)</u>	<u>(532,044)</u>
Operating income	<u>1,238,360</u>	<u>1,071,948</u>	<u>2,552,265</u>	<u>2,184,488</u>	<u>5,407,993</u>
Expenses					
General and administrative expenses	(468,826)	(410,798)	(924,486)	(854,148)	(1,685,089)
Other operating expenses	<u>(142,125)</u>	<u>(120,786)</u>	<u>(237,975)</u>	<u>(242,182)</u>	<u>(1,218,262)</u>
Total operating expenses	<u>(610,951)</u>	<u>(531,584)</u>	<u>(1,162,461)</u>	<u>(1,096,330)</u>	<u>(2,903,351)</u>
Total comprehensive income	<u>627,409</u>	<u>540,362</u>	<u>1,389,804</u>	<u>1,088,158</u>	<u>2,504,642</u>

Eastern Caribbean Home Mortgage Bank

Statement of Changes in Equity

Period ended 30 September 2016

(Expressed in Eastern Caribbean dollars)

	<u>Share Capital</u>	<u>Building Reserve</u>	<u>Portfolio Risk Reserve</u>	<u>Retained Earnings</u>	<u>Total</u>
	\$	\$	\$	\$	\$
Balance at 31 March 2015	36,999,940	-	8,865,029	11,759,611	57,624,580
Changes in equity for 2015:					
Dividends	-	-	-	-	-
Total comprehensive income for the six months	-	-	-	1,088,158	1,088,158
Balance at 30 September 2015	<u>36,999,940</u>	<u>-</u>	<u>8,865,029</u>	<u>12,847,769</u>	<u>58,712,738</u>
Balance at 31 March 2016	36,999,940	-	8,962,834	12,150,830	58,113,604
Changes in equity for 2016:					
Dividends	-	-	-	-	-
Total comprehensive income for the six months	-	-	-	1,389,804	1,389,804
Balance at 30 September 2016	<u>36,999,940</u>	<u>-</u>	<u>8,962,834</u>	<u>13,540,634</u>	<u>59,503,408</u>

EASTERN CARIBBEAN HOME MORTGAGE BANK
STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30th SEPTEMBER 2016

31 Mar 2016 Unaudited		30 Sept 2016 \$	30 Sept 2015 \$
	CASH FLOWS FROM OPERATING ACTIVITIES:		
2,504,642	Net income for the period	1,389,804	1,088,158
	Adjustments for:		
86,331	Depreciation	38,919	47,767
643,294	Amortisation: Borrowing costs	496,651	265,600
9,422	Amortisation: Intangible assets	4,711	4,711
-	Gain on disposal of equipment & motor vehicle	(36,905)	-
(12,423,570)	Interest income	(5,605,512)	(6,274,984)
6,523,972	Interest expense	3,015,767	3,781,283
	Operating loss before changes in operating assets and liabilities	(696,565)	(1,087,465)
	Changes in operating assets & liabilities		
(2,822,178)	(Increase)/decrease in accounts receivable & prepayments	(1,888,164)	484,037
(122,311)	Increase/(decrease) in other liabilities & accrued expenses	496,965	499,487
(5,600,398)	Cash used in/ provided by operations	(2,087,764)	(103,941)
12,271,720	Interest received	3,085,527	4,662,959
(6,214,463)	Interest paid	(2,330,526)	(3,991,413)
456,859	Net cash (used in)/ from operating activities	(1,332,763)	567,605
	CASH FLOW FROM INVESTING ACTIVITIES:		
(43,908,515)	Purchase of short term marketable securities	(87,034,984)	(42,639,426)
-	Purchase of quoted bonds	(14,310,124)	-
43,683,370	Proceeds from maturity of short term marketable securities	46,572,184	26,500,000
21,374,726	Proceeds from principal repayment on securities purchased under agreements to resell	-	-
(3,256,555)	Purchase of mortgages	-	-
17,401,482	Proceeds from repurchases of mortgages by primary lenders	15,073,466	17,401,482
3,949,392	Proceeds from principal repayment on mortgages	1,405,835	2,081,368
8,679,162	Increase in mortgage repurchased/ replaced	1,629,600	3,715,389
-	Purchase of motor vehicle and equipment	(255,377)	-
-	Proceeds from disposal of equipment & motor vehicle	105,000	-
47,923,062	Net cash (used in)/ from investing activities	(36,814,400)	7,058,813
	CASH FLOWS FROM FINANCING ACTIVITIES:		
87,637,700	Proceeds from bond issues	109,970,000	60,000,000
(87,637,700)	Repayment of bonds	(109,970,000)	(60,000,000)
(10,658,097)	Repayment of borrowings	(4,341,903)	(9,600,000)
(658,919)	Payment for bond issue costs	(234,588)	(465,842)
(1,865,618)	Dividend paid	-	-
(13,182,634)	Net cash used in financing activities	(4,576,491)	(10,065,842)
35,197,287	NET INCREASE/ (DECREASE) IN CASH	(42,723,654)	(2,439,424)
8,231,137	CASH BALANCE AT BEGINNING OF PERIOD	43,428,424	8,231,137
43,428,424	CASH BALANCE AT END OF PERIOD	704,770	5,791,713

2. Management's Discussion and Analysis of Financial Condition and Results of Operation.

Discuss the reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations during the reporting period. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated. Discussion of material changes should be from the end of the preceding financial year to the date of the most recent interim report.

The Management's Discussion and Analysis should disclose sufficient information to enable investors to judge:

1. The quality of earnings;
2. The likelihood that past performance is indicative of future performance; and
3. The issuer's general financial condition and outlook.

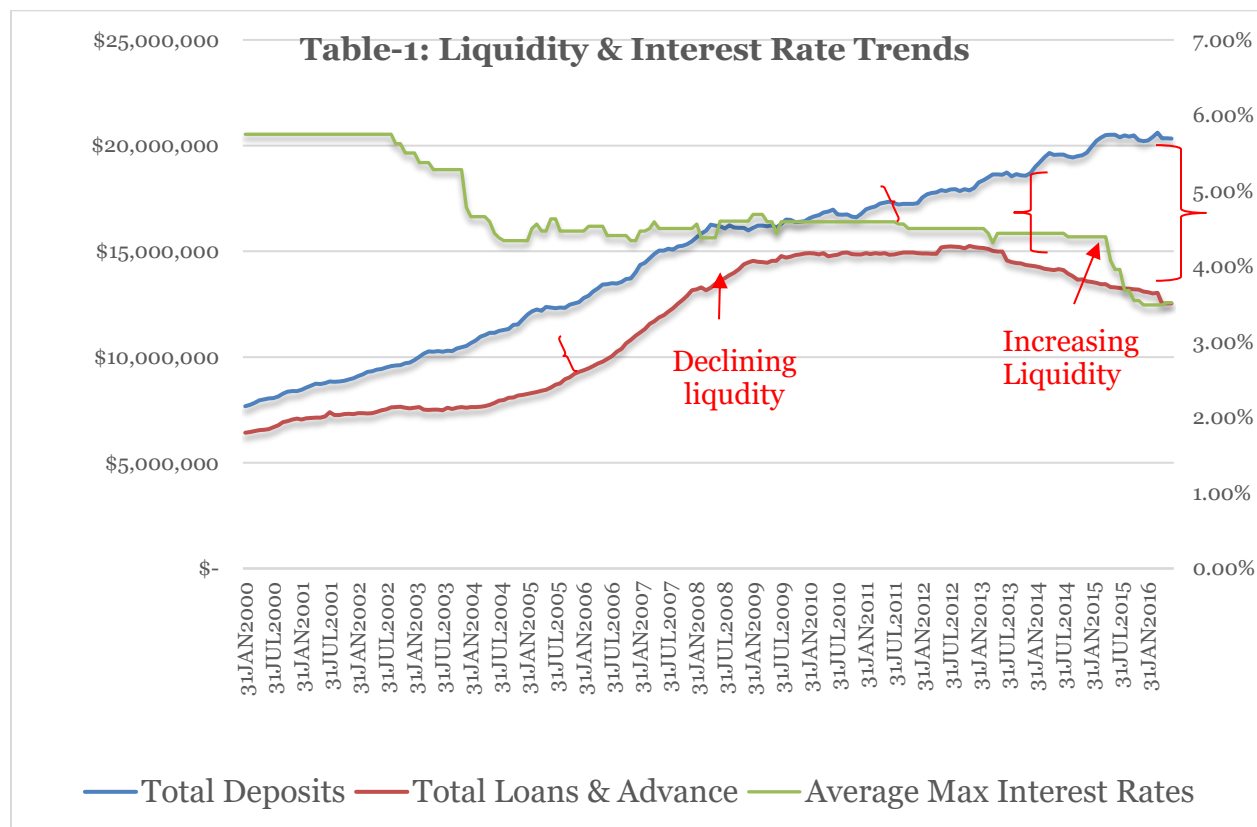
It should disclose information over and above that which is provided in the management accounts and should not be merely a description of the movements in the financial statements in narrative form or an otherwise uninformative series of technical responses. It should provide management's perspective of the company that enables investors to view the business from the vantage point of management.

The discussion should focus on aspects such as liquidity; capital resources; changes in financial condition; results of operations; material trends and uncertainties and measures taken or to be taken to address unfavourable trends; key performance indicators; and non-financial indicators.

General Discussion and Analysis of Financial Condition

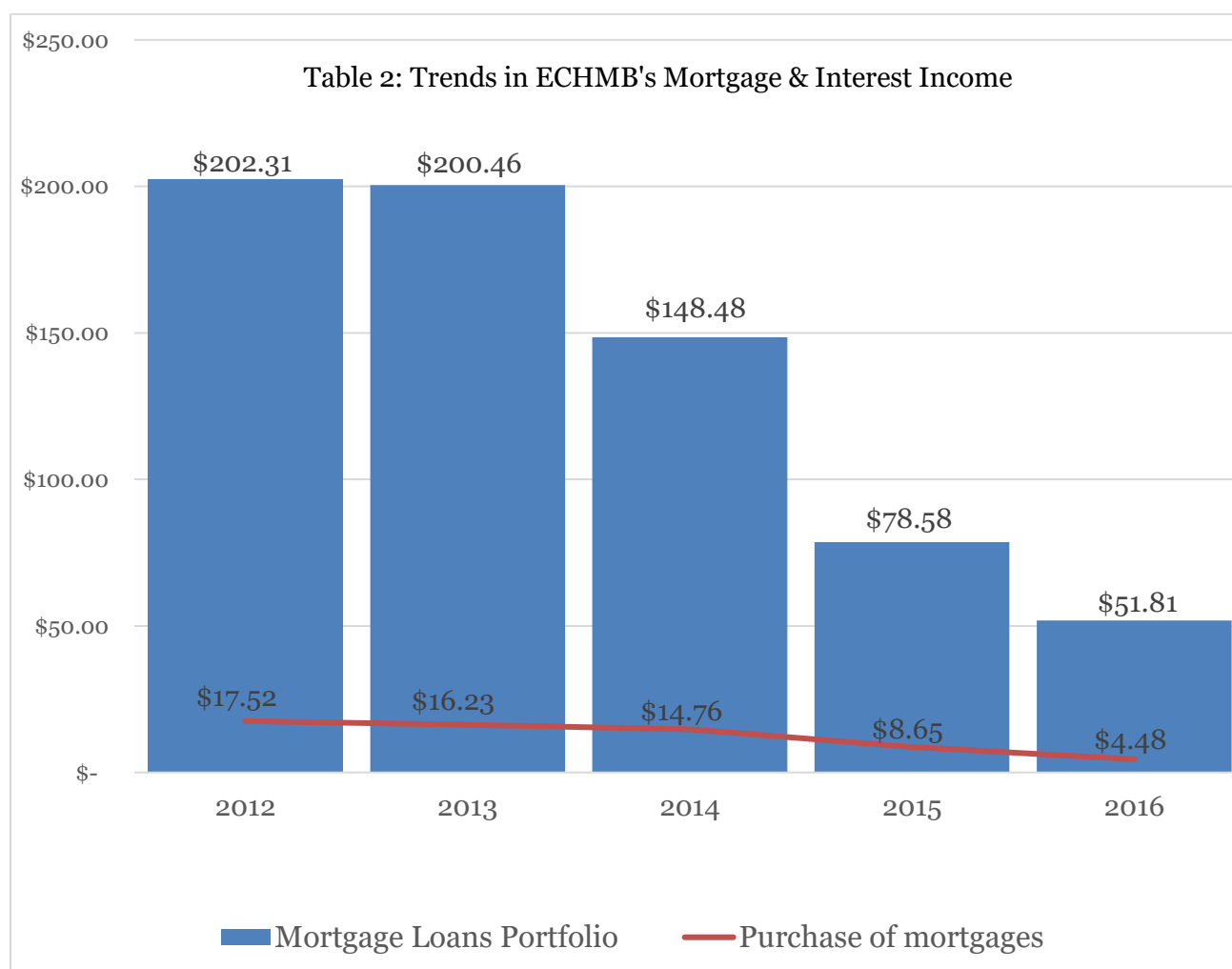
1.0 Market Conditions in the Eastern Caribbean

1.1 The principal purpose of the ECHMB is to make liquidity accessible in order to stimulate growth in the stock of mortgages in the Eastern Caribbean Currency Union (ECCU). The ECHMB therefore generates income from the funds loaned and/or its cash & cash equivalents. The graph depicted in Table-1, is therefore vital in deducing the operations of the ECHMB. As depicted in Table-1, Primary Lenders demand external funds (Secondary Market) when there is convergence in the trends in Total Deposits and Total Loans & Advances. This occurred during the period 2006 to 2013 and the ECHMB provided \$240.79M for investment in mortgages. Table-1 also shows that in instances where Total Deposits grow at a faster pace than Total Loans & Advances, excess liquidity becomes a feature of the banking system. Under these conditions, Primary Lenders generally try to reduce liquidity and have even resorted to repurchasing their mortgages from the Secondary Market.



1.2 Table-1 also shows that the Max Interest Rate in the ECCU is contingent on the level of liquidity in the banking system. The Max Interest Rate is generally high when liquidity is scarce and vice versa. The Max Interest Rate has implications for the yield on ECHMB's assets and cost of funds.

- 1.3 In the current environment of excess liquidity in the ECCU, Primary Lenders have repurchased mortgages totaling \$182.10M from the ECHMB over the period 2012 to 2016. As a result, Table-2 shows, ECHMB's Mortgage Loans Portfolio has declined from \$202.31M in 2012 to \$51.81M in 2016. Income from the Mortgage Loans Portfolio declined from \$17.52M in 2012 to \$4.48M in 2016.
- 1.4 Further, given the decline in the Max Interest Rate, the yield on the Bank's Cash & Cash Equivalents has also declined notwithstanding the greater proportion of assets held therein. This is attributed to the decline in the coupon rate on cash on call from 7.0% to 0.1%.



1.5 In summary, we recognize that in the current environment:-

- The growth of mortgages on the Primary Market is likely to remain flat.
- Liquidity is likely to continue to increase in commercial banks.
- Interest rates on financial assets will continue to decline.
- The need for the ECHMB to review its current operating model is apparent.

1.6 As a result of these unflattering market conditions, during the 2015/16 financial year, Management in collaboration with the Board of Directors developed a Strategic Plan (“the Plan”) for the period 2017 to 2020. The objectives of the Plan are as follows:-

- Increase the range of financial instruments issued by the Bank
- Build recurring revenue streams
- Stringent focus on improving operational efficiency and effectiveness
- Implement an efficient functional structure
- Attract and retain great people
- Conservative balance sheet with strong cash flows
- Deliver strong shareholders’ return

1.7 As at 30th September 2016, Management has implemented the first phase of the Plan. A perusal of ECHMB’s results for the six (6) months ended 30th September 2016 indicates that the Bank generated a Net Profit of \$1.39M; an increase of \$0.30M (27.52%) when compared to the corresponding period. Management is of the opinion that the second half of the financial year is likely to produce stronger results than the first six months.

2.0 Financial Results 2016/17

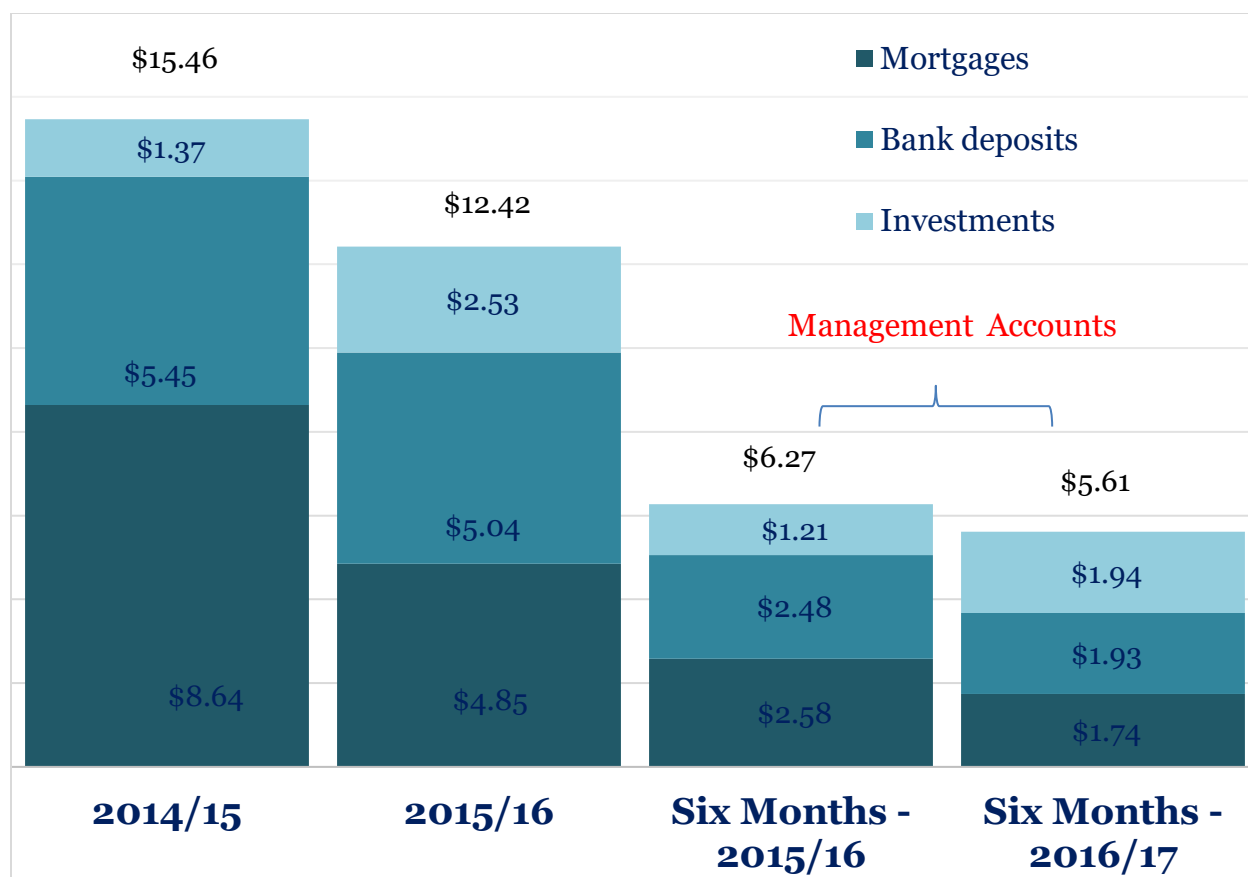
- 2.1 As noted above, notwithstanding the depressed market in the ECCU, the Bank's performance has surpassed the outturn for the six months ended 30th September 2015. The results indicated that the strategies implemented by Management are having a positive impact on the Bank's operations. An analysis of ECHMB's performance for the six months ended 30th September 2016 is provided in sections 1.2 to 3.1.

(EC\$ in millions, except as noted)		
For Six (6) Months - 30 th September 2016	2016	2015
Interest income	5.61	6.27
Interest expense	(3.02)	(3.83)
Net interest income	2.59	2.44
Other income	0.08	0.02
Operating income	2.67	2.46
Non-interest expenses	(1.28)	(1.37)
Net profit for the six (6) Months	1.39	1.09
Key Performance Metrics		
Net interest income percentage	46.20%	38.90%
Return on total assets (Annualized)	1.13%	0.87%
Interest cover ratio	1.84	1.64
Debt-to-equity ratio	3.12:1	3.25:1
Mortgage loans portfolio	35.25	56.44
Borrowings	185.31	190.53
Assets under management	245.02	249.85
Full time employees	6	8

2.2 Interest Income

2.2.1 Revised Income Model

- 2.2.2 In accordance with the Plan, the ECHMB has adopted a new income model for the 2016/17 financial year. The principal strategy of ECHMB's income model is geared at focusing on investments pending recovery of the mortgage market. In effect, the ECHMB intends to stabilise Interest Income through assets, product and market diversification. This is achieved by investing in new products in new markets.

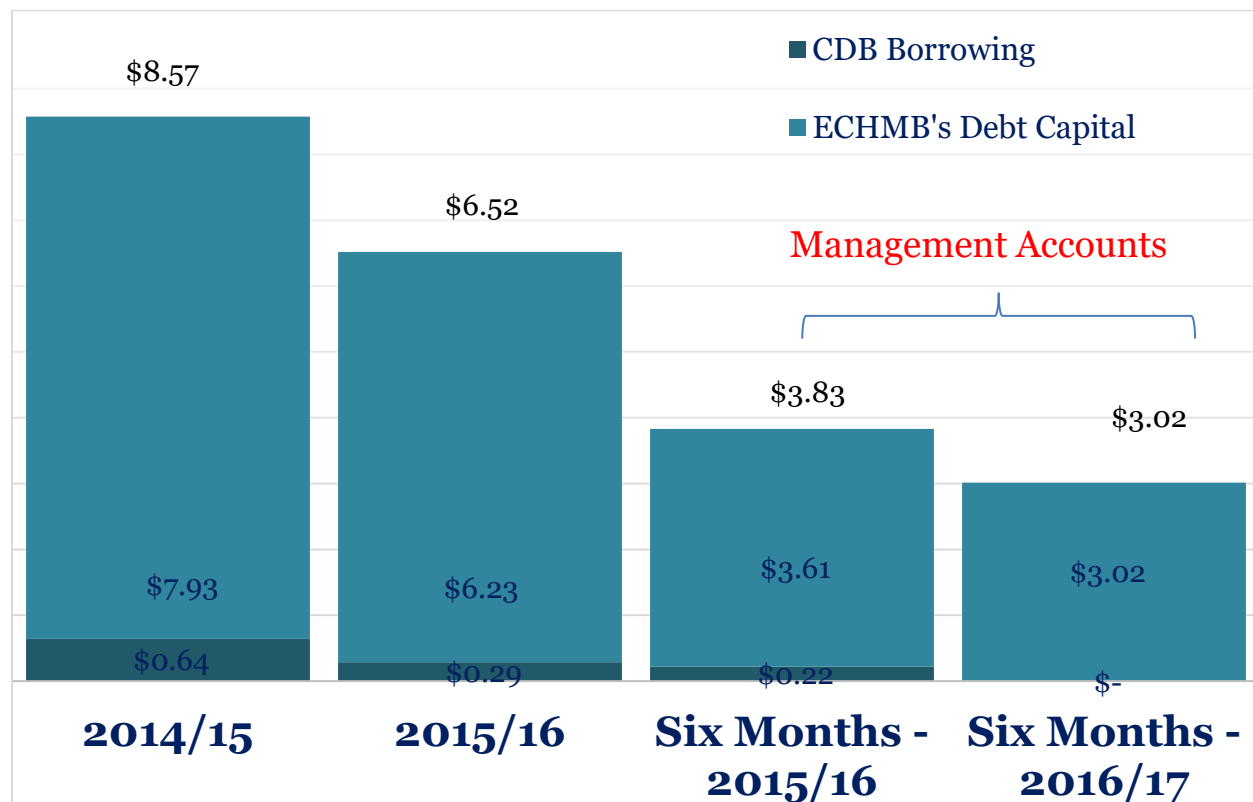


2.2.3 The graph above reflects the impact of the new income model is evident. Interest Income declined from \$6.27M in 2015/16 to \$5.61M in 2016/17. This represents a decline of 10.53% compared with 19.66% reported decline for the financial year ended 31st March 2016. In effect, the new income model serves to insulate the Bank against its over reliance on income from mortgages.

(EC\$ in millions, except as noted) For Six (6) Months - 30 th September 2016			Change from 2015
	2016	2015	%
Mortgage Loans portfolio	1.74	2.6	-32.45%
Interest on bonds	1.60	1.1	42.87%
Term deposits	1.94	2.5	-21.77%
Call account	0.01	0.0	-72.22%
Treasury bills	0.21	0.06	245.16%
Mortgage credit facility	0.11	0.01	854.55%
	5.61	6.27	-10.53%

2.3 Finance Cost

2.3.1 During the 2016/17 financial year, the ECHMB issued four (4) tranches of corporate paper with a cumulated face value of \$109.97M at coupon rates ranging from 1.50% to 2.0%. This resulted in a decline in the weighted average cost of debt (WACD) from 3.33% in 2014 to 2.46% as at 30th September 2016. As a result of the lower WACD, Finance Cost declined by \$0.81M (21.24%).



(EC\$ in millions, except as noted)			Change from 2015
For Six (6) Months - 30 th September 2016	2016	2015	%
Bonds in issue	3.02	3.61	-16.43%
CDB loan	0.00	0.22	-100.00%
	3.02	3.83	-23.52%

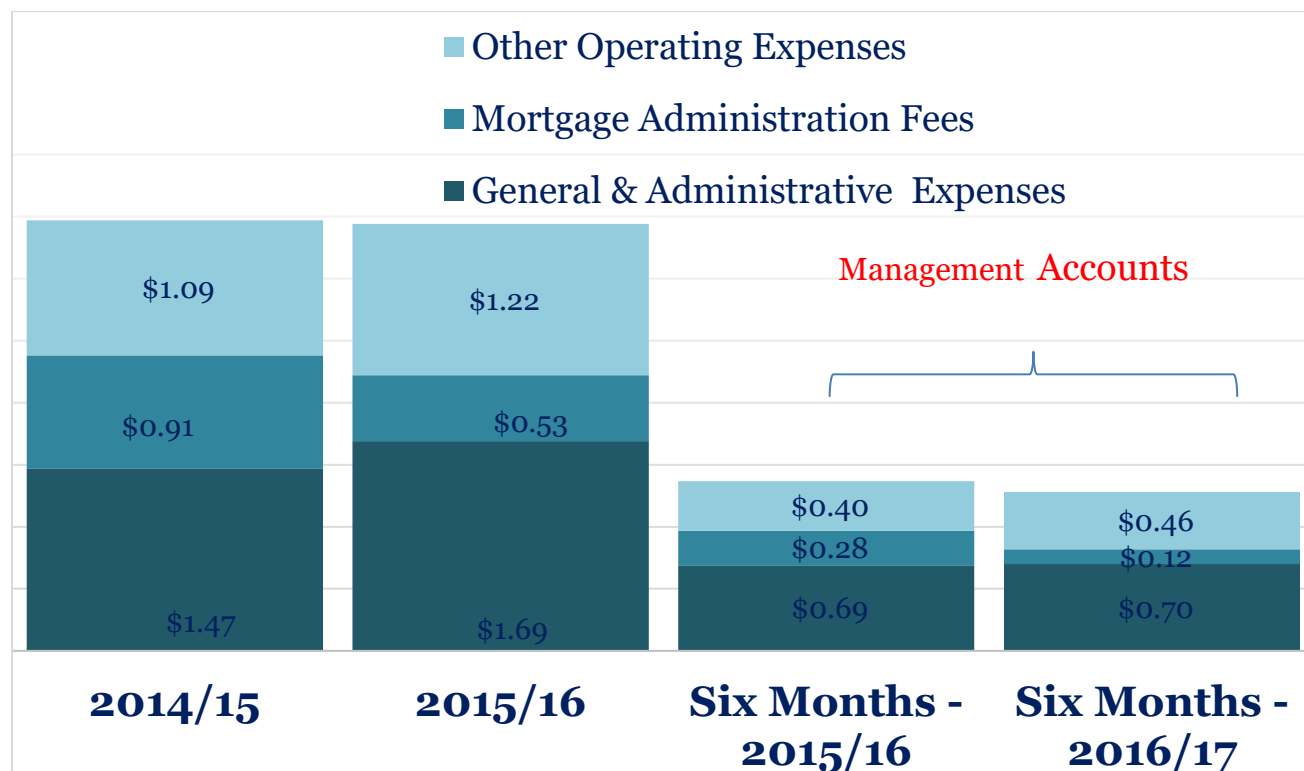
2.4 Net Interest Income

2.4.1 Net Interest Income or the difference between Interest Income (\$5.61M) and Interest Expense (\$3.02M) was reported at \$2.59M or 46.20% compared with \$2.44M or 38.90% in 2015. The improved Net Interest Income was attributed to ECHMB's income model as well as lower cost of funding its operations.

(EC\$ in millions, except as noted) For Six (6) Months – 30 th September 2016	2016	2015	Change from 2015 %
Interest income	5.61	6.27	-10.53%
Interest expense	-3.02	-3.83	-21.15%
Net Interest income	2.59	2.44	-22.73%
Net interest income percentage	46.20%	38.90%	7.30%

2.5 Non-Interest Expenses

2.5.1 Non-interest Expenses of \$1.28M was 6.90% lower than the 2015 outturn of \$1.37M. The savings were mainly achieved in Mortgage Administration Fees, Foreign Exchange losses and Corporate Governance expenses.



(EC\$ in millions, except as noted) For Six (6) Months – 30 th September 2016			Change from 2015
	2016	2015	%
Salaries and related costs	0.60	0.61	0.16%
Mortgage Administration fees	0.12	0.28	-58.06%
Foreign exchange loss	0.00	0.01	-97.00%
Promotion	0.12	0.06	101.75%
Administrative	0.20	0.19	6.35%
Corporate governance	0.24	0.24	0.85%
	1.28	1.37	-6.90%

3.0 **Projected Outcome 2016/17**

- 3.1 The current results show that the ECHMB is on course to exceed projected outturn of \$2.5M for the 2016/17 financial year.

4.0 **Statement of Financial Position**

- 4.1 In an effort to optimise costs and resources across the Bank, Assets under Management were reduced from \$249.85M in 2015 to \$245.02M as at 30th September 2016; this resulted in an improvement in the weighted average return on assets from 3.92% in 2015 to 4.33% in 2016. During the 2016 financial year, the ECHMB fully repaid the CDB Borrowings; as a result, debts declined from \$191.08M in 2015 to \$185.52M in 2016. The Bank's Debt to Equity ratio improved from 3.24:1 in 2015 to 3.12:1 in 2016. The ECHMB Cash & Investments amounts to \$208.12M (84.94%) of ECHMB's Assets under Management. The ECHMB therefore has sufficient resources to meet all current obligations. Major changes to the statement of financial position are as follows:-

- Diversified the assets portfolio by investing in new products in new markets;
- Divested assets in banks under conservatorship;
- Restrict non-income generating assets to less than 4.0% of assets under management;
- Issuance of short-term debt and thereby benefited from declining interest rates;
- Repaid high cost debt with restrictive covenants;

- Preserved reserves; and
- A more conservative dividend policy.

Shanna Herbert, ACCA
Chief Financial Officer
Eastern Caribbean Home Mortgage Bank
ECCB Complex, Bird Rock Road
P.O. Box 753, Basseterre, St. Kitts & Nevis

Liquidity and Capital Resources

Provide a narrative explanation of the following (but not limited to):

- i) The reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations.
- ii) Any known trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of action that the reporting issuer has taken or proposes to take to remedy the deficiency.
- iii) The issuer's internal and external sources of liquidity and any material unused sources of liquid assets.
- iv) Provisions contained in financial guarantees or commitments, debt or lease agreements or other arrangements that could trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation such as adverse changes in the issuer's financial ratios, earnings, cash flows or stock price or changes in the value of underlying, linked or indexed assets.
- v) Circumstances that could impair the issuer's ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential or that could render that activity commercially impracticable such as the inability to maintain a specified level of earnings, earnings per share, financial ratios or collateral.
- vi) Factors specific to the issuer and its markets that the issuer expects will affect its ability to raise short-term and long-term financing, guarantees of debt or other commitment to third parties, and written options on non-financial assets.
- vii) The relevant maturity grouping of assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. Commentary should provide information about effective periods and the way the risks associated with different maturity and interest profiles are managed and controlled.
- viii) The issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments.
- ix) Any known material trends, favorable or unfavorable, in the issuer's capital resources, including any expected material changes in the mix and relative cost of capital resources, considering changes between debt, equity and any off-balance sheet financing arrangements.

Discussion of Liquidity and Capital Resources

There were no major trends, commitments, demands or events that materially affected the liquidity situation of ECHMB.

Off Balance Sheet Arrangements

Provide a narrative explanation of the following (but not limited to):

- i) Disclosures concerning transactions, arrangements and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of, or requirements for capital resources.
- ii) The extent of the issuer's reliance on off-balance sheet arrangements should be described fully and clearly where those entities provide financing, liquidity, market or credit risk support, or expose the issuer to liability that is not reflected on the face of the financial statements.
- iii) Off-balance sheet arrangements such as their business purposes and activities, their economic substance, the key terms and conditions of any commitments, the initial on-going relationship with the issuer and its affiliates and the potential risk exposures resulting from its contractual or other commitments involving the off-balance sheet arrangements.
- iv) The effects on the issuer's business and financial condition of the entity's termination if it has a finite life or it is reasonably likely that the issuer's arrangements with the entity may be discontinued in the foreseeable future.

Not applicable

Results of Operations

In discussing results of operations, issuers should highlight the company's products and services, facilities and future direction. There should be a discussion of operating considerations and unusual events, which have influenced results for the reporting period. Additionally, any trends or uncertainties that might materially affect operating results in the future should be discussed.

Provide a narrative explanation of the following (but not limited to):

- i) Any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, the extent to which income was so affected.
- ii) Significant components of revenues or expenses that should, in the company's judgment, be described in order to understand the issuer's results of operations.
- iii) Known trends or uncertainties that have had or that the issuer reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- iv) Known events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), and changes in relationships should be disclosed.
- v) The extent to which material increases in net sales or revenues are attributable to increases in prices or to increases in the volume or amount of goods or services being sold or to the introduction of new products or services.
- vi) Matters that will have an impact on future operations and have not had an impact in the past.
- vii) Matters that have had an impact on reported operations and are not expected to have an impact upon future operations
- viii) Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships that have or are reasonably likely to have a current or future effect on the registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.
- ix) Performance goals, systems and, controls.

Overview of Results of Operations

Refer to Management Analysis.

3. Disclosure about Risk Factors.

Provide a discussion of the risk factors that may have an impact on the results from operations or on the financial conditions. Avoid generalised statements. Typical risk factors include untested products, cash flow and liquidity problems, dependence on a key supplier or customer, management inexperience, nature of business, absence of a trading market (specific to the securities of the reporting issuer), etc. Indicate if any risk factors have increased or decreased in the time interval between the previous and current filing.

No events which meet the criteria stated above occurred during the period under review.

4. Legal Proceedings.

A legal proceeding need only be reported in the ECSRC – OR filed for the period in which it first became a reportable event and in subsequent interim reports in which there have been material developments. Subsequent Form ECSRC – OR filings in the same financial year in which a legal proceeding or a material development is reported should reference any previous reports in that year. Where proceedings have been terminated during the period covered by the report, provide similar information, including the date of termination and a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

There were no pending legal matters.

5. Changes in Securities and Use of Proceeds.

- (a) Where the rights of the holders of any class of registered securities have been materially modified, give the title of the class of securities involved. State briefly the general effect of such modification upon the rights of holders of such securities.

Not applicable.

- (a) Where the use of proceeds of a security issue is different from that which is stated in the registration statement, provide the following:
- Offer opening date (provide explanation if different from date disclosed in the registration statement)
Not applicable

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- Offer closing date (provide explanation if different from date disclosed in the registration statement)

Not applicable

-
- Name and address of underwriter(s)

Not applicable

Amount of expenses incurred in connection with the offer **Not applicable**

- Net proceeds of the issue and a schedule of its use

Not applicable

- Payments to associated persons and the purpose for such payments

Not applicable

- (c) Report any working capital restrictions and other limitations upon the payment of dividends.

There are no working capital restrictions or other limitations.

6. Defaults upon Senior Securities.

- (a) If there has been any material default in the payment of principal, interest, a sinking or purchase fund instalment, or any other material default not satisfied within 30 days, with respect to any

indebtedness of the reporting issuer or any of its significant subsidiaries exceeding 5 per cent of the total assets of the reporting issuer and its consolidated subsidiaries, identify the indebtedness. Indicate the nature of the default. In the case of default in the payment of principal, interest, or a sinking or purchase fund instalment, state the amount of the default and the total arrears on the date of filing this report.

ECHMB has not defaulted on any of its payment obligations.

- (b) If any material arrears in the payment of dividends have occurred or if there has been any other material delinquency not satisfied within 30 days, give the title of the class and state the amount and nature of the arrears or delinquency.

Not applicable

7. Submission of Matters to a Vote of Security Holders.

If any matter was submitted to a vote of security holders through the solicitation of proxies or otherwise during the financial year covered by this report, furnish the following information:

- (a) The date of the meeting and whether it was an annual or special meeting.

None during the period under review.

- (b) If the meeting involved the election of directors, the name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting.

None during the period under review.

- (c) A brief description of each other matter voted upon at the meeting and a statement of the number of votes cast for or against as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.

None during the period under review.

- (d) A description of the terms of any settlement between the registrant and any other participant.

None during the period under review.

- (e) Relevant details of any matter where a decision was taken otherwise than at a meeting of such security holders.

None during the period under review.

8. Other Information.

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC – MC report (used to report material changes), with respect to which information is not otherwise called for by this form, provided that the material change occurred within seven days of the due date of the Form ECSRC-OR report. If disclosure of such information is made under this item, it need not be repeated in a Form ECSRC – MC report which would otherwise be required to be filed with respect to such information or in a subsequent Form ECSRC – OR report

None during the period under review.