THE BANK OF NEVIS LIMITED

OUR VISION

To be a world-class bank

THE BANK OF NEVIS LIMITED

OUR MISSION

To create wealth for all stakeholders by providing world-class financial services

THE BANK OF NEVIS LIMITED

CONTENTS

THE BANK OF NEVIS LIMITED

NOTICE OF MEETING

Notice is hereby given that the Seventeenth Annual General Meeting of the Bank of Nevis Limited will be held at Old Manor Hotel on Thursday January 8, 2004 at 5.00 p.m.

AGENDA

1. To approve Minutes of the Sixteenth Annual General Meeting held on January 30, 2003.

2. To receive the report of the directors.

3. To receive and consider the Accounts for the year ending June 30, 2003.

4. To elect Directors. Messrs Reginald Kawaja and Spencer Howell retire by rotation and, being eligible, offer themselves for re-election. Mr Daniel Arthurton retires by rotation and does not offer himself for re-election.

5. To declare a dividend of 17.50 cents per share.

6. To appoint Auditors for the year ending June 30, 2004. PricewaterhouseCoopers, Chartered Accountants, retire and, being eligible, offer themselves for reappointment.

7. Any other business.

BY ORDER OF THE BOARD

LYRA RICHARDS (MISS)
Secretary

NOTES

1. **All shareholders of record as at December 18, 2003, will be entitled to receive a dividend with respect to the financial year ended June 30, 2003.**

2. **A member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him/her. No person shall be appointed by proxy who is not a member of the company and qualified to vote, save that a corporation being a member of the Company (Article 79).**

3. **No person not being a retiring Director shall, unless recommended by the Directors for election, be eligible for election to the office of Director at any General Meeting unless he, or some other member intending to propose him, has at least seven clear days before the meeting left at the office a notice in writing, duly signed, specifying his candidature for the office and the intention of such member to propose him (Article 97).**

THE BANK OF NEVIS LIMITED

CORPORATE INFORMATION

DIRECTORS

Reginald L. Kawaja	Barrister-at-Law / Chairman
Rawlinson Isaac, B.A. (Hons), MBA, AFA, Dip FS, DTEP, FCIB	General Manager
Hanzel Manners, B.A. (Hons), FCCA, ACIB	Chartered Accountant / Chief Financial Officer
Richard Lupinacci, B.A.	Hotelier
Spencer Howell, SCV, RIM	Real Estate Agent
Joseph Parry, B.A. (Hons), JP, Notary Public	Businessman
Daniel Arthurton, Dip. Agric., B.Sc. (Hons), M.Sc.	Consultant
Wendell Huggins, B.A. (Hons)	Businessman

Secretary — Lyra P.S. Richards, Dip. FSM

Registered Office

Bank of Nevis Building
Main Street, Charlestown,
Nevis, West Indies.

Auditors

PricewaterhouseCoopers
11 Old Parham Road,
PO Box 1531,
St. John's, Antigua, West Indies.

Legal Counsel

Kawaja, Gordon & Associates
Barristers-at-Law & Solicitors
Chambers
The Courtyard, Bank of Nevis Bldg.,
Nevis, West Indies

Subsidiary — Bank of Nevis International Ltd.

Correspondent Banks

Antigua	Antigua Commercial Bank
Barbados	Barbados National Bank
Canada	Toronto Dominion Bank
St. Kitts	SKNA National Bank
St. Kitts	Royal Bank of Canada
St. Lucia	Bank of St. Lucia
St. Maarten	Windward Island Bank
St. Vincent	National Commercial Bank
United Kingdom	ABN-AMRO (London)
United Kingdom	Lloyds TSB Bank PLC
United States	Bank of America
United States	ABN-AMRO (New York)

Investment Brokers

Bear Stearns
Charles Schwab

THE BANK OF NEVIS LIMITED

GROUP'S FINANCIAL HIGHLIGHTS (1999-2003)

(expressed in Eastern Caribbean Dollars)

	2003 (000)	2002 (000)	2001 (000)	2000 (000)	1999 (000)
ASSETS/LIABILITIES					
Total Assets	282,793	228,726	201,027	230,995	177,428
Total Deposits	253,856	203,976	175,914	209,725	156,800
Loans & Advances (Net)	62,087	58,674	49,776	44,602	34,384
Cash & Short Term Funds	104,501	104,324	121,238	122,594	69,300
Short-Term Investment	14,765	12,284	2,948	2,948	2,948
Investment Securities	92,766	46,051	18,522	53,059	64,329
Premises & Equipment (Net)	5,476	3,579	3,605	3,783	3,907
OPERATING RESULTS					
Gross Operating Income	15,978	13,909	15,150	15,639	11,189
Total Expense/Provisions	11,436	11,608	9,759	9,133	6,051
Earnings Before Taxation	4,542	2,301	5,390	6,506	5,139
Interest Expense	5,135	4,748	4,325	3,286	2,562
Provision for Income Tax	185	421	475	332	344
Net Earnings	4,357	1,880	4,915	6,174	4,795
SHAREHOLDERS' FUNDS					
Paid-up Share Capital	7,478	7,478	7,478	7,478	4,985
Revenue & Capital Reserves	16,795	9,296	12,248	7,332	5,984
Shareholders' Equity	24,273	16,774	19,726	14,811	10,880
PERFORMANCE INDICATORS					
Return on Average Assets (%)	1.70	0.87	2.28	3.02	3.56
Return on Average Equity (%)	21.23	10.30	28.46	48.86	53.41
Earnings per share ($)	0.58	0.25	0.66	0.83	0.64
Dividend per share ($)	0.175	0.125	0.30	0.30	0.20
Number of Employees	38	36	32	30	26

CHAIRMAN'S REPORT

I am pleased to report on the Financial Statements and affairs of the Bank for the year ending June 30, 2003.

The consolidated statements and notes show the following and other important information.

- Net income increased to $4.36 million up by $2.48 million or 131.9% from last year's figure of $1.88 million, with earnings per share of 58 cents compared with 25 cents per share in 2002.
- Shareholders' equity increased to $24.27 million, up by $7.50 million or 44.7% from $16.77 million in 2002, with an increase in book value per share to $3.25, up from $2.24 per share in 2002.
- Assets increased to $282.79 million, up by $54.07 million or 23.6% from $228.73 million in 2002, with savings accounts up from $26.82 million to $30.22 million and current account deposits up from $118.09 million to $163.58 million. Investment securities increased to $92.76 million, up 100% from $46.05 million in 2002.

The statements indicate improvement in most of the important areas of performance with the result that the Bank now has a stronger financial platform upon which to grow and to achieve its strategic goals.

During the year the Bank, in keeping with its policy, retained experienced outside assistance to help improve its investment policies and practices. As a result, that area of the business and its standards have been improved and stabilised. Our subsidiary's management team has seen the addition of a senior officer with relevant banking experience and we look forward to working closely with him and others in that, and all other areas of the Bank's business.

In the course of its journey forward, the Bank is urged, at all levels, to adhere strictly to sound business practices and statutory guidelines and to cultivate and be bound by the highest standards of accountability and corporate governance. In its day-to-day efforts these include:

- Maintaining management and staff at cost-efficient levels, keeping bad debt to a minimum and otherwise avoiding increased exposure to risk;
- Improving its use of technology, systems and staff training programmes;
- Continuing to develop and apply sound criteria in its lending and investment policies;
- Fostering a regard for authority and for timeliness in all its actions and undertakings.

While conditions in our markets continue to be challenging, we anticipate for our shareholders that we will maintain our strong earnings and growth momentum into 2004 and beyond.

On behalf of the Board, I thank our shareholders and customers and our management and staff for their ongoing support and contribution to our common goals.

Reginald Kawaja
Chairman

THE BANK OF NEVIS LIMITED

BOARD OF DIRECTORS

A Mr. Richard S. Lupinacci

B Mr. Daniel Arthurton

C Mr. R. Wendell Huggins

D Mr. Reginald L. Kawaja

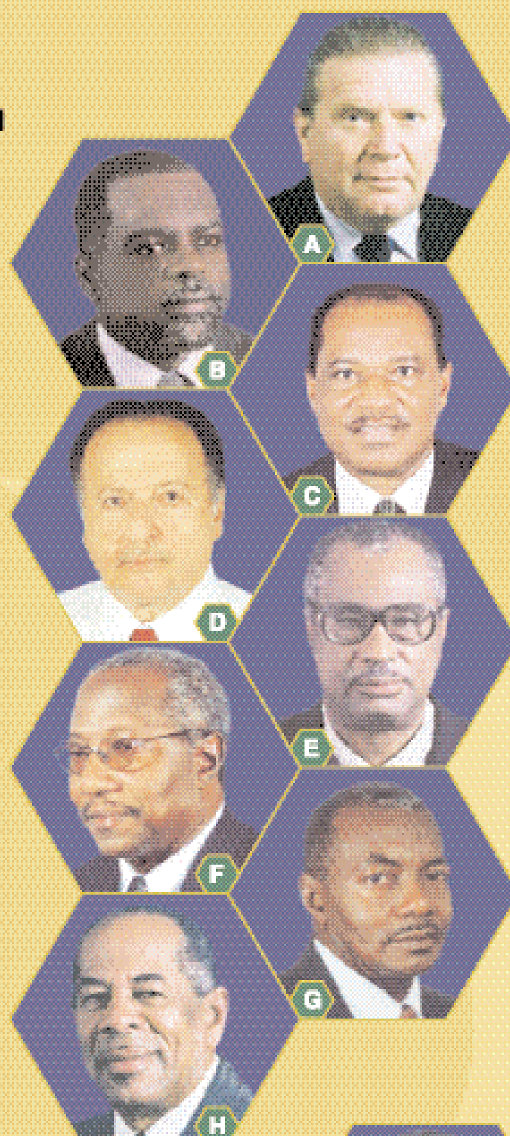
E Mr. Joseph Parry

F Mr. Hanzel Manners

G Mr. Rawlinson Isaac

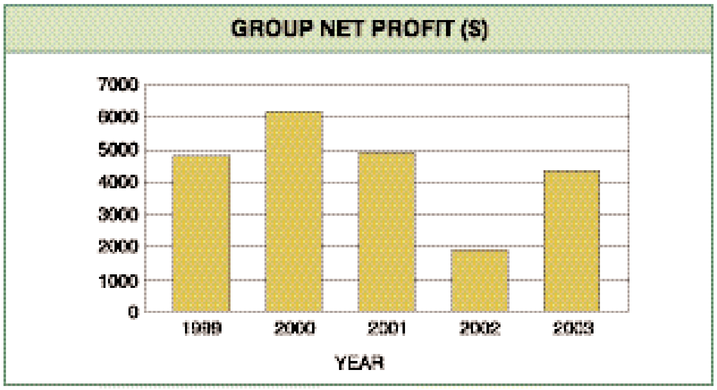
H Mr. Spencer H. Howell

I Ms. Lyra P.S. Richards
Secretary



Group's Financial Performance

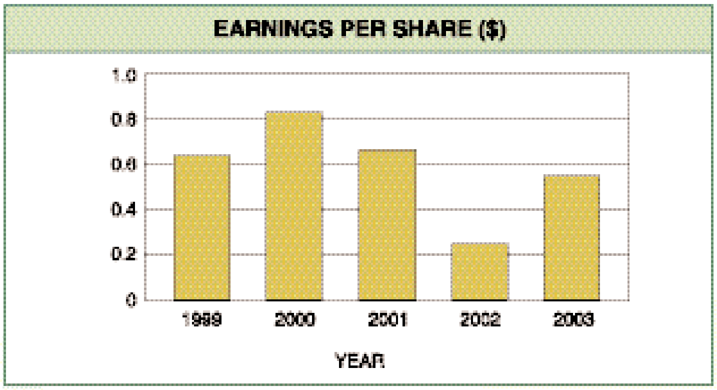
The group recorded an increase in net profit of $2.48 million or 131.9% from $1.88 million in 2002 to $4.36 million in 2003, despite economic uncertainty, both locally and internationally.



The available economic data for St. Kitts-Nevis suggest a downturn in economic activity particularly in the construction and tourism sectors. Most of the public and private sector capital projects were completed and there was a decline in stay-over and cruise ship passengers during the year. The agricultural and manufacturing sectors showed some increase. Consumer prices rose, while liquidity in the banking system increased.

Internationally, there were economic slowdown, corporate and accounting scandals, stock market volatility and terrorist attacks. Interest rates at a historic forty five (45) year low, slowdown in travel due to the SARS outbreak, a weak US dollar relative to major trading partners, high unemployment, geopolitical risks and an increase in oil prices — all contributed to a challenging and difficult year.

At the end of the financial year, earnings per share (EPS) stood at $0.58, up from $0.25 in 2002. Total revenue increased by $2.07 million or 14.9% from $13.91 million to $15.98 million.



Sources of revenue are indicated by the table below:

Table 1 (Million)

	2003 $	2002 $	Change $
Loans & Advances	6.49	5.97	0.52
Deposits and Investments	6.48	5.91	0.57
Sale of Investments Securities	0.70	(0.18)	0.88
Operations	2.31	2.21	0.10
	15.98	13.91	2.07

Interest yield on loans and advances was 10.0% in 2003, down marginally from 10.25% in 2002. During the year the Bank further reduced interest rates on loans in response to the declining interest rates environment, and discontinued the policy of 'Add-on loans' to consumers.

Interest on loans and advances increased by $0.52 million or 8.7% compared with an increase of $0.98 million or 19.6% in 2002, while interest on deposits and investments increased by $0.57 million or 9.6%.

Our investments portfolio, which consists mainly of US dollar fixed income securities, increased by $46.72 million or 101.4% compared with an increase of $27.53 million or 148.6% in 2002. Interest rates in the US fell further during the year as the Federal Reserve pursued its monetary policies to stimulate the US economy.

The increase in interest income was due to the net effect of the three elements of interest rate, volume and securities mix. As interest rates fell, the fixed income securities values increased, resulting in the recognition of a net capital gain on the sale of a portion of the securities of $702,272. Other operating income increased by $87,498 or 3.9% in 2003 compared with an increase of $528,975 or 31.3% in 2002.

Our efforts to control and manage expenses resulted in a reduction in operating expenses of $558,057 or 8.1% in 2003 compared with an increase of $1,425,446 or 26.2% in 2002. The income statement has been reformatted and provision for loans impairment is now reported under operating expenses.

General and administrative expenses, which represent 67.1% of total operating expenses (69.1% in 2002), declined by $511,892 or 10.8% compared with an increase of $1,157,399 or 32.3% in 2002 and staff and related costs increased by $337,822 or 20.8% compared with a decline of $304,017 or 16.2% in 2002. Staff complement now stands at 38 compared with 36 in 2002.

Expense items showing significant differences are given below:

Table 2

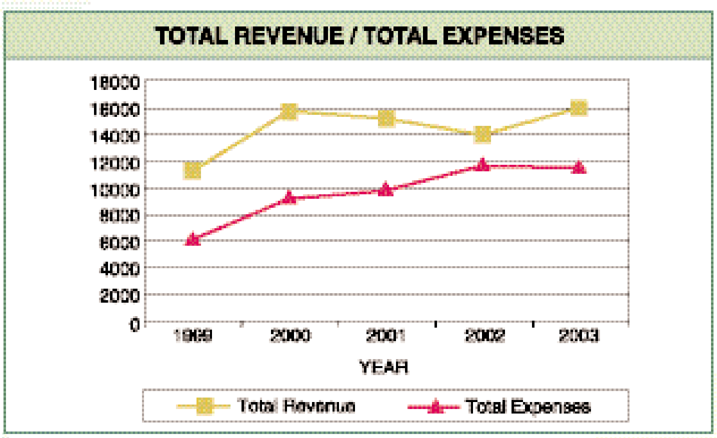
	2003	2002	Increase/ (Decrease)
	$	$	$
Credit Card processing	381,807	259,923	121,884
Professional Fees	354,811	158,299	196,512
Legal Fees	256,622	73,627	182,995
Strategic Planning	33,776	–	33,776
Provision for Lawsuit	110,773	–	110,773
Provision for amounts due from merchant processors	53,071	758,698	(705,627)
Operational (recoveries) losses	(188,643)	256,517	(445,160)
Investment Securities write-offs	–	386,228	(386,228)

During the year under review, we engaged the services of professionals to assist with the following:

- Management and development of our investments portfolio
- Feasibility study for the St Kitts branch
- The development of procedures and policy manuals

Our credit card issuing program is now fully operational, and with increased volumes we should recoup the investment made.

Recently, the International Bank has had to defend against claims by plaintiffs naming the Bank as second defendant to recover lost funds. In such events, the Bank has had to engage the services of legal counsel, both local and overseas, at considerable expense.



Directors' fees and expenses increased by $57,845 or 12.1% in 2003, up from $44,584 or 10.3% in 2002.

Operating expenses represent 2.5% of the average total assets in 2003 compared with 3.2% in 2002, and the overhead efficiency ratio, which measures the non-interest expenses covered by fees, service charges, security gains and other income, stood at 0.48:1 in 2003 compared with 0.30:1 in 2002, a 60.0% increase. The objective of the Bank is to achieve a target overhead efficiency ratio of 1:1.

Interest expense increased by $386,181 or 8.1% in 2003 compared with an increase of $422,872 or 9.8% in 2002. However, the interest expense ratio remained unchanged at 0.40:1 and the average cost of deposits fell from 2.5% in 2002 to 2.2% in 2003.

Performance Indicators

The Bank's performance indicators improved significantly as shown below:

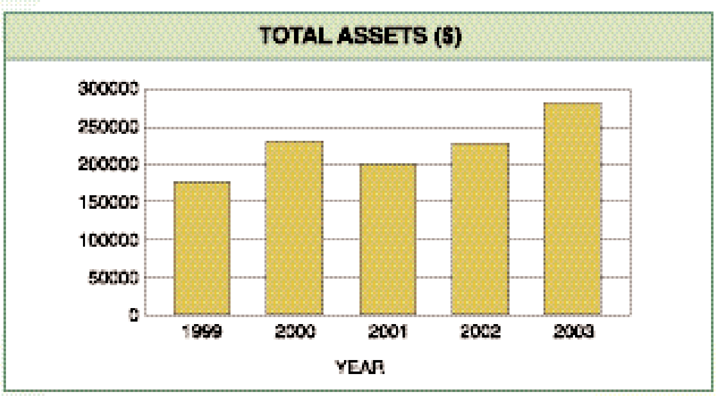
Table 3

	2003	**2002**
Return on Average Equity (ROE) %	21.23	10.30
Return on Average Assets (ROA) %	1.70	.87
Profit Margin %	27.27	13.52
Earnings per Share (EPS) $	0.58	0.25
Net Asset Backing (NAB) $	3.25	2.24

At the end of the financial year, the shares traded on the ECSE at $3.90 per share, a price earning (PE) multiple of 6.72 compared with a price of $4.45 and a PE of 17.8 in 2002.

Balance Sheet Performance

The group's total assets grew by $54.07 million or 23.6% to reach $282.79 million in 2003.



The components of the balance sheet are represented by the following percentages:

Table 4 (%)

	2003	**2002**
ASSETS		
Cash and due from other Banks	37.0	45.6
Treasury Bills	5.2	5.4
Investment Securities	32.8	20.1
Loans & Advances	22.0	25.9
Property, Plant & Equipment	1.9	1.6
Other Assets	1.1	1.4
Total Assets	100.0	100.0
LIABILITIES & SHAREHOLDERS' EQUITY		
Deposits	89.8	89.8
Other Liabilities	1.6	2.9
Shareholders' Funds	8.6	7.3
	100.0	100.0

An analysis of the above is evidence of the Bank's strong liquidity management policy in ensuring that in times of market volatility and economic uncertainty funds can be easily made available to meet the needs of depositors and short-term investments. Investments in securities increased from 20.1% of the total assets in 2002 to 32.8% in 2003.

Loans and advances dropped from 25.9% in 2002 to 22% in 2003 due to tightening of our credit policies in a period of slow economic activity and increased non-performing loans indicators.

Deposits remained unchanged at 89.8%, with the equity multiplier, which is a measure of financial leverage, declining from 13.6% in 2002 to 11.7% in 2003. This reflects a shift in reliance on depositors' funds for growth.

Shareholders' funds increased from 7.3% of the balance sheet in 2002 to 8.6% in 2003.

Cash And Due From Banks

Cash and balances due from banks increased marginally by $0.18 million or 0.2% to $104.50 million in 2003.

Treasury Bills

Our investments in Treasury Bills increased by $2.48 million or 20.2% to $14.77 million in 2003. Treasury bills are short term government instruments with a maturity of less than one year with interest rates ranging from 6.0% – 7.5%.

Investment Securities

Our investment in investment securities increased by $46.72 million or 101.4% to $92.77 in 2003. The majority of securities held is carried at market value.

Loans and Advances

Net loans and advances grew by $2.90 million or 4.9% to $62.09 million in 2003. Loan loss provision declined by $0.48 million from $4.46 million in 2002 to $3.98 in 2003. During the year loans and advances deemed uncollectible totalling $1.21 million were written-off.

Property, Plant and Equipment

Property, plant and equipment (net of depreciation) increased by $1.90 million or 53% in 2003 compared with a decrease of $25,641 or 0.7% in 2002. The increase was due mainly to the following items:
- Upgrade of our computer systems by $0.57 million
- Purchase of a lot of land contiguous to the existing property $0.16 million
- Revaluation of the existing property of $1.51 million.

The Bank has adopted a policy of revaluing its property every five (5) years based on independent valuation. Fixed assets to shareholders' funds ratio stood at 0.23:1 in 2003 compared with 0.21:1 in 2002.

Deposits

Customers' deposits, the main source of funding for our investments and lending activities of the Bank, increased by $48.50 million or 23.6% to $253.86 million in 2003 up from $28.06 million or 16.0% in 2002.

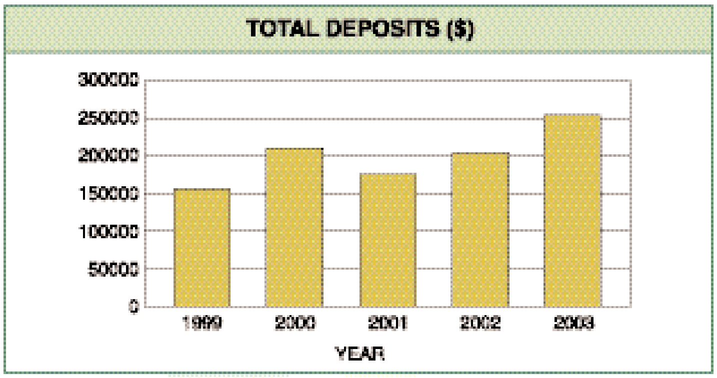
Deposits are categorised as follows:

Table 5 (Million)

	2003 $	%	2002 $	%	Change $	%
Domestic Bank (BON)	85.67	33.7	82.36	40.1	3.31	4.0
International Bank (BONI)	168.18	66.3	123.00	59.9	45.18	36.7
	253.85	100.0	205.36	100.0	48.49	23.6

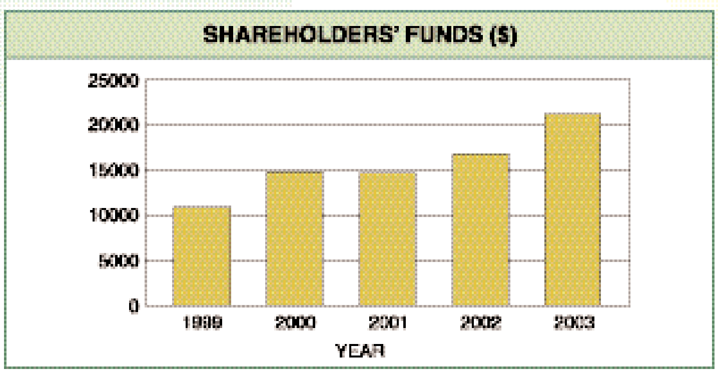
Domestic deposits grew marginally by $3.31 million or 4.0% in 2003 compared with $20.66 million or 33.5% in 2002. The International Bank, on the other hand, grew by $45.18 million or 36.7% up from $7.69 million or 6.7% in 2002.

At the end of the financial year, the Parent (Domestic) Bank's deposits represented 33.7% of Total Deposits compared with 40.1% in 2002. The figures reveal the increasing significance of the International Bank to the growth in assets of the Group.



Shareholders' Equity

Shareholders' Funds grew significantly by $7.50 million or 44.7% to reach $24.27 million compared with a decline of $2.95 million or 15.0% in 2002. The decline in 2002 was due mainly to the adoption of the provisions of International Accounting Standard (IAS) #39 Financial Instruments: Recognition and Measurement, and hence, the Bank made an adjustment for the decline in market value of investment securities of $2.59 million against Shareholders' Equity.



The change in equity during the financial year, 2003 is indicated below:

Table 6 (Million)

	2003 $	2002 $	Change $
Share Capital	7.48	7.48	–
Revaluation Reserve	1.56	(2.51)	4.08
Reserve Fund	4.54	4.15	0.38
Retained Earnings	10.69	7.65	3.04
	24.27	16.77	7.50

Retained Earnings increased by $3.04 million or 39.7% to reach $10.69 million in 2003 while the increase in Revaluation Reserves of $4.08 million is made up of Property Revaluation of $1.51 million and net appreciation in market value of Investment Securities of $2.57 million.

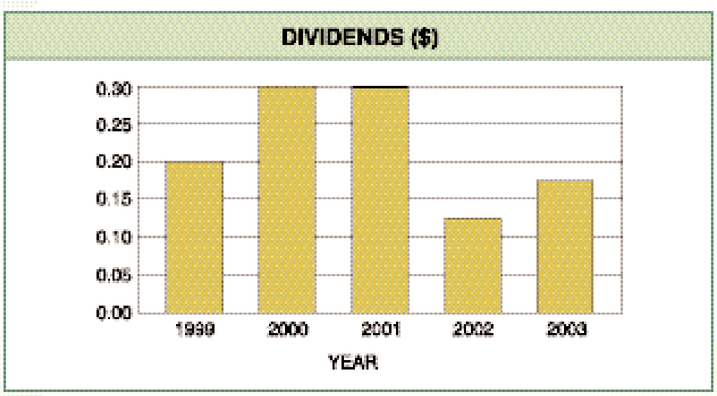
The Net Asset Backing stood at $3.25 compared with $2.24 in 2002, an increase of 45.1%. The market capitalisation of the Bank stood at $29.16 million as at financial year June 30, 2003 down from $33.28 million or 12.4% in 2002.

Dividends

The Board is pleased to propose to shareholders a cash dividend of 17.5 cents per share in 2003, up from the dividend paid of 12.5 cents per share in 2002.

The cash dividend represents a payout ratio of 30% down from 49.7% in 2002, which is indicative of a strategy to grow shareholders' funds from internally generated flows.

The cash dividend proposed amounts to $1,308,676, an increase of $373,907 or 40.0% over 2002 of $934,769.



Directorate

Messrs Reginald Kawaja, Spencer Howell and Daniel Arthurton retire by rotation. Accordingly, Messrs Reginald Kawaja and Spencer Howell, being eligible, offer themselves for re-election. Mr. Daniel Arthurton has indicated to the Board that he will not seek re-election due to his unavailability to serve effectively as a result of a new job appointment.

Mr. Daniel Arthurton served as a Director of the Board since 1998 and we would like to take this opportunity to record our appreciation for his contribution to the growth and development of the Bank and to wish him every success in his new position.

Also, effective June 5, 2003, Mr. Martin Dalgleish resigned from the Board of Bank of Nevis International Ltd (Subsidiary) due to his election to the Board of the Caribbean Information and Credit Rating Agency, a position which will substantially reduce his time available on Nevis. The Board will miss his invaluable contributions. Mr Dalgleish has worked on establishing a Caribbean credit rating agency since his relocation to the region in 1998.

Human Resource Development

The Bank continues to commit its resources to the growth and development of its Human Asset and to ensure an efficient network of collaborative individuals assuming leadership responsibilities and working together to build a world-class Bank and add value to shareholders' investment.

In keeping with our theme, *Competitive Advantage Through a Strong Brand*, we recognise that a cultural change is a sine qua non. To this end, our focus has been on behavioural change and linking of concepts with our vision, mission, values and corporate strategy.

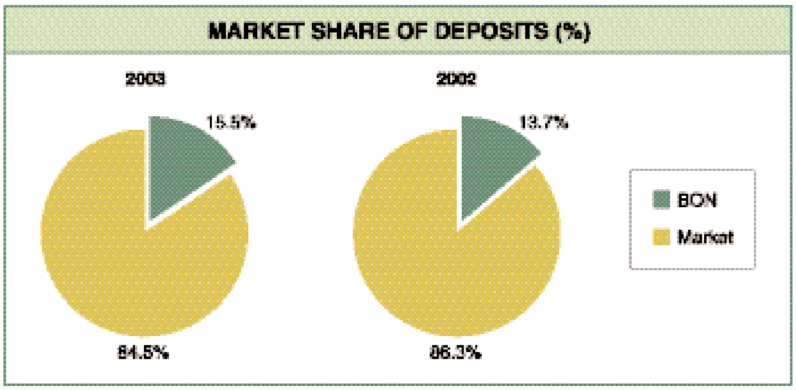
During the year, staff participated in seminars dealing with such topics as work ethics, time management, increasing self-awareness, personal leadership, job stress, conflicts resolution, and customer care.

Areas of skill enhancement were mortgage underwriting, loan recoveries, risk management, investment portfolio management, new technology, anti-money laundering, and audit and compliance.

Market Share St Kitts - Nevis

The Group's deposits of $253.86 million represent 15.5% of the total market size of $1.63 billion as at June 2003, up from 13.7% in 2002.

Market deposits grew by $135.82 million or 9.0% in 2003 compared with $102.49 million or 7.3% in 2002.



The total deposits, as indicated by the ECCB Banking statistics, have been adjusted to reflect the inclusion of the deposits of Bank of Nevis International, which is omitted in computing the domestic banking statistics.

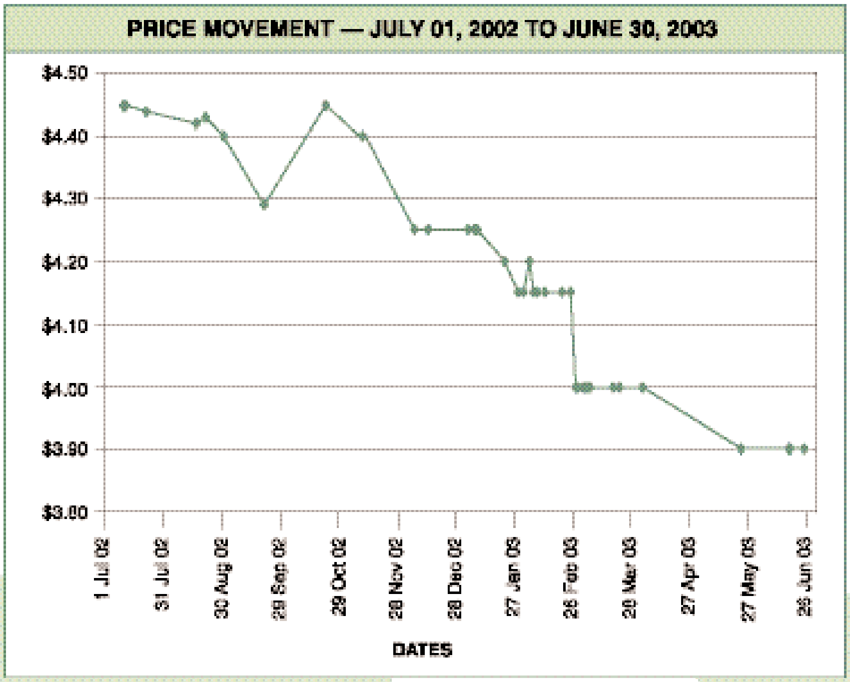
Share Performance on the ECSE

The Bank listed its shares on the ECSE on October 19, 2001 and confirmed a market price for its shares at $5.00 per share. Since then, we have seen a decline in the share price to $3.90 at the end of the financial year 2003, a drop of 22%. Activities covering two periods are shown below:

Table 7

	1/7/02 to 30/6/03	**19/10/01 to 30/6/02**
Number of trades	46	72
Volume	17,532	41,144
Average price ($)	4.20	4.63

The market continues to be characterised as a thin market where there are few buyers and sellers and hence there is a need for a change in the investment culture from one of buy and hold for purposes of dividend incomes and inheritance, to one of wealth maximisation supported by the Bank's fundamentals and investors' perspective.



To effect the change, it is recognised that investor education is a prerequisite. To this end, the Eastern Caribbean Securities Exchange has embarked on a marketing, education and awareness (MEA) programme in partnership with the intermediaries and the regional media to appraise the public of the workings of the market.

The Brokerage Unit of the Bank has also commenced a programme of investor education, which is aired on Von Radio at 7:40 am daily. We have recently staffed the unit with the addition of an international banker and investment analyst, and it is hoped that with a full complement of trained personnel we will be able to develop new investment products to meet the needs of both our local and international customers.

There are now eleven (11) securities listed on the exchange, six (6) corporate (equities) and five (5) government securities (T-bills and Bonds).

The ECSE is working closely with the Eastern Caribbean Securities Regulatory Commission (ECSRC) to formalise a regime for listing foreign securities for trading.

Corporate Governance

Corporate governance is about promoting corporate fairness, transparency, accountability, and control, and is the primary responsibility of the Directors and officers of the Bank.

The Directors in exercising their powers and discharging their duties must act honestly and in good faith, and a duty of care, diligence and skill is imposed upon them.

The Directors have a duty to protect the deposits of the customer, operate the institution in a safe and sound manner, maximise shareholders' value, provide leadership and strategic direction and adhere to laws and regulations. Directors must also adopt principles of best practice and are required to act ethically at all times. The Board and management must ensure that information disclosed to the general public is accurate, complete, verifiable, reliable and timely.

At the Bank, emphasis is placed on the independence of the Directors and a culture of trust and open dissent is fostered.

The Board operates through committees and three of these, the human resource, investment, and the internal audit and compliance committees, include individuals who are not members of the Board and management, and who bring an outside perspective and independence to the deliberations and decisions.

During the year, members of the Board participated in a Corporate Governance Forum organised by the Eastern Caribbean Securities Exchange and the Eastern Caribbean Central Bank and sponsored by the Commonwealth Secretariat and the Caribbean Development Bank. The main objectives of the forum were to raise the profile of corporate governance and to assess the current governance activity in the Organisation of Eastern Caribbean States (OECS), with a view to creating a uniform corporate governance code.

The Bank will continue to build a strong governance culture, which is critical to its reputation, integrity, public trust, confidence and corporate image.

New Products

The Bank has recently executed an agreement with the St Kitts-Nevis, Anguilla National Bank to share its ATM network. We hope to have our ATM facilities fully functional shortly.

The Bank is also at an advanced stage of development with other electronic products such as its local and international debit cards and the credit card acquiring programs. These products should be available early in 2004.

Regarding investment products, new investment vehicles, such as mutual and other money index funds, are being developed in response to the needs of our customers.

We also hope to repackage and rebrand some of our existing products to make them more attractive and affordable.

Conclusion

The economic environment both local and international is showing signs of recovery, albeit mild, and the challenges continue to be daunting.

However, we will continue to adapt our strategy to the changing environment as we seek opportunities to increase our market share, deliver to our customers a high quality service beyond expectation, manage risk, increase operational efficiency, improve all our performance indicators, and maximise shareholder value and wealth.

This year is the Bank's 18th anniversary and we would like to take this opportunity to record heartfelt appreciation and gratitude to all who have contributed to the success of the Bank over the years.

We would like to thank the Directors, Management and Staff for their continued dedication, loyalty and commitment to the vision, mission and values of the Bank.

To the Shareholders and customers, the cornerstone of our success, we salute you and ask for you continued confidence and trust in our stewardship as we endeavour to gain competitive advantage through a strong brand.

Happy Christmas and a prosperous New Year.

On behalf of the Board.

Lyra P S Richards (Miss)
Secretary

THE BANK OF NEVIS LIMITED

AUDITORS' REPORT

To the Shareholders of
The Bank of Nevis Limited

November 14, 2003

We have audited the accompanying consolidated balance sheet of **The Bank of Nevis Limited** as of June 30, 2003 and the related consolidated statements of income, changes in equity and cash flows for the year then ended. 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 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 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 consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of June 30, 2003 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
St. John's, Antigua

THE BANK OF NEVIS LIMITED

CONSOLIDATED BALANCE SHEET

As of June 30, 2003

(expressed in Eastern Caribbean Dollars)

	2003 $	2002 $
Assets		
Cash and due from other banks (note 4)	**104,501,441**	104,324,083
Treasury bills (note 5)	**14,765,000**	12,283,727
Investment securities (note 6)	**92,766,138**	46,050,974
Interest receivable	**1,556,531**	2,006,110
Loans and advances (note 7)	**62,086,690**	59,189,347
Other assets (note 8)	**1,641,826**	1,292,364
Property, plant and equipment (note 9)	**5,475,737**	3,579,268
Total assets	**282,793,363**	228,725,873
Liabilities		
Customers' deposits (note 10)	**253,855,661**	205,351,048
Other liabilities and accrued expenses (note 11)	**3,992,827**	5,743,021
Provision for income tax (note 12)	**526,109**	712,751
Deferred income tax (note 12)	**145,326**	145,326
Total liabilities	**258,519,923**	211,952,146
Shareholders' Equity		
Share capital (note 13)	**7,478,150**	7,478,150
Revaluation reserves (deficit) (note 14)	**1,564,016**	(2,513,742)
Reserve fund (note 15)	**4,541,778**	4,155,460
Retained earnings	**10,689,496**	7,653,859
Total shareholders' equity	**24,273,440**	16,773,727
Total liabilities and shareholders' equity	**282,793,363**	228,725,873

Appoved by the Board of Directors on November 14, 2003

Reginald L. Kawaja — Chairman

Rawlinson Isaac — Director

Hanzel Manners — Director

THE BANK OF NEVIS LIMITED

CONSOLIDATED STATEMENT OF INCOME

For the year ended June 30, 2003

(expressed in Eastern Caribbean Dollars)

	2003 $	2002 $
Interest income		
Income from loans and advances	**6,490,737**	5,966,605
Income from deposits with other banks and investments	**6,480,786**	5,909,294
	12,971,523	11,875,899
Interest expense		
Savings accounts	**917,591**	862,571
Time deposits and current accounts	**4,217,068**	3,885,907
	5,134,659	4,748,478
Net interest income	**7,836,864**	7,127,421
Gain less losses from investment securities (note 6)	**702,272**	(183,264)
Other operating income (note 16)	**2,303,807**	2,216,309
Operating income	**10,842,943**	9,160,466
Operating expenses		
General and administrative expenses (note 23)	**4,229,844**	4,741,736
Provision for loan impairments	**731,568**	909,045
Directors' fees and expenses	**535,105**	477,260
Depreciation (note 9)	**424,656**	328,243
Correspondent bank charges	**218,535**	270,957
Audit fees and expenses	**161,519**	132,043
	6,301,227	6,859,284
Operating income for the year before taxation	**4,541,716**	2,301,182
Taxation (note 12)		
Current tax expense	**183,014**	421,032
Prior year tax expense	**1,978**	—
	184,992	421,032
Net income for the year	**4,356,724**	1,880,150
Earnings per share (note 18)	**0.58**	0.25

THE BANK OF NEVIS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2003
(expressed in Eastern Caribbean Dollars)

	Share capital $	Revaluation reserve-available for sale investments $	Revaluation reserve-property $	Reserve fund $	Retained earnings $	Total $
Balance, June 30, 2001	7,478,150	–	74,955	3,852,618	8,319,996	19,725,719
Net income for the year	–	–	–	–	1,880,150	1,880,150
Depreciation in market value of investment securities	–	(1,208,332)	–	–	–	(1,208,332)
Transitional adjustment on implementation of IAS 39	–	(1,380,365)	–	–	–	(1,380,365)
Dividends (note 21)	–	–	–	–	(2,243,445)	(2,243,445)
Transfer to reserve fund (note 15)	–	–	–	302,842	(302,842)	–
Balance, June 30, 2002	7,478,150	(2,588,697)	74,955	4,155,460	7,653,859	16,773,727
Net income for the year	–	–		–	4,356,724	4,356,724
Available-for-sale investments, transfer from equity to income, net	–	(822,233)	–	–	–	(822,233)
Appreciation in market value of investment securities	–	3,388,314	–	–	–	3,388,314
Property revaluation surplus (note 9)	–	–	1,511,677	–	–	1,511,677
Dividends (note 21)	–	–	–	–	(934,769)	(934,769)
Transfer to reserve fund (note 14)	–	–		386,318	(386,318)	–
Balance, June 30, 2003	**7,478,150**	**(22,616)**	**1,586,632**	**4,541,778**	**10,689,496**	**24,273,440**

THE BANK OF NEVIS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2003

(expressed in Eastern Caribbean Dollars)

	2003 $	2002 $
Cash flows from operating activities		
Operating income for the year	**4,541,716**	2,301,182
Items not affecting cash		
Provision for loan losses	**731,568**	909,045
Depreciation	**424,656**	328,243
Loss on disposal of property, plant and equipment	**–**	11,636
Interest income	**(12,971,523)**	(11,875,899)
Interest expense	**5,134,659**	4,748,478
Operating losses before changes in operating assets and liabilities	**(2,138,924)**	(3,577,315)
Changes in operating assets and liabilities		
(Increase) decrease in other assets	**(349,462)**	294,461
Increase in loans and advances	**(3,801,642)**	(9,806,696)
Increase in customer deposits	**48,198,231**	28,062,533
(Decrease) increase in other liabilities and accrued expenses	**(1,750,194)**	2,301,710
Increase in deposits held for regulatory purposes	**(901,730)**	(2,350,951)
Decrease in restricted fixed deposit	**10,141,818**	169,364
Cash generated from operations	**49,398,099**	15,093,106
Interest paid	**(4,828,277)**	(4,368,115)
Interest received	**13,593,832**	12,705,987
Income tax paid	**(371,634)**	(514,793)
Net cash from operating activities	**57,792,020**	22,916,185
Cash flows from investing activities		
Purchase of property, plant and equipment	**(809,449)**	(314,238)
Increase in investment securities	**(44,149,083)**	(30,117,586)
(Increase) decrease in fixed deposits	**(119,999)**	38,923,500
Net cash from (used in) investing activities	**(45,078,531)**	8,491,676
Cash flows used in financing activities		
Dividends paid	**(934,769)**	(2,243,445)
Increase in cash and cash equivalents	**11,778,720**	29,164,416
Cash and cash equivalents, beginning of year	**93,817,262**	64,652,846
Cash and cash equivalents, end of year (note 22)	**105,595,982**	93,817,262

1 Incorporation and principal activity

The Bank is a public company incorporated on August 29, 1985 under the laws of the Federation of St. Christopher and Nevis. It is licensed to conduct banking activities under the Banking Act of St. Christopher and Nevis of 1991.

In July 1998, the Bank's offshore activities and operations were transferred into a newly formed subsidiary company, Bank of Nevis International Limited, which is licensed to carry on the business of Offshore Banking as contemplated by the Nevis Offshore Banking Ordinance No. 1 of 1996.

The Bank employed 38 persons during the year (2002: 36 employees). The registered office of the Bank is located on Main Street, Charlestown, Nevis.

The Bank's shares are listed on the Eastern Caribbean Securities Exchange.

2 Significant accounting policies

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

a) Basis of preparation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards, and under the historical cost convention, as modified by the revaluation of certain assets and the carrying of investment securities at fair value.

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

Effective July 1, 2001, the Bank adopted the provisions of International Accounting Standard 39 on Financial Instruments: Recognition and Measurement which has been applied prospectively and therefore comparative financial information has not been restated. The transitional adjustment on adoption of this standard is disclosed on the Statement of Changes in Equity.

2 Significant accounting policies ***... continued***

b) Basis of consolidation

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiary, Bank of Nevis International Limited. A subsidiary is a company in which the Bank, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations. The Bank has adopted the pooling of interest method for consolidation.

c) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents consist of cash on hand, non-mandatory deposits with the Central Bank and other banks, treasury bills, short-term funds and investments with original maturities of less than or equal to 90 days.

d) Foreign currency translation

Items included in the financial statements of Bank of Nevis International Limited are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the measurement currency"). The consolidated financial statements are presented in Eastern Caribbean dollars which is the measurement currency of the parent.

Income statements and cash flows are translated into the Group's reporting currency at average exchange rates for the year and their balance sheets are translated at the exchange rates ruling on 30 June, 2003.

Foreign currency transactions are translated into the measurement currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses. Translation differences on non-monetary items such as equities held for trading are reported as part of the fair value gain or loss. Thus, underlying translation differences on available-for-sale equities are included in the revaluation reserve in equity.

2 Significant accounting policies ***... continued***

e) Interest income and expense

Interest income and expense are recognised in the income statement on an accrual basis using the effective yield method. Interest income includes coupons earned on fixed income investments and discounts or premiums on treasury bills.

f) Fees and commissions income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan origination fees for loans which are probable of being drawn down, are deferred (together with related direct costs) and recognised as an adjustment to the effective yield on the loan. Commission and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of shares or other securities are recognised on completion of the underlying transaction.

g) Investment securities

Investment securities are classified into the following categories: held to maturity, originated debt and available-for-sale securities. Investments with fixed maturity where the Bank has the positive intent and ability to hold them to maturity are classified as held-to-maturity. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

Investment securities are initially recognised at cost (which includes transaction costs). Originated debt and held-to-maturity investments are carried at amortised cost using the effective yield method, less any provision for impairment.

Available-for-sale securities are subsequently re-measured at fair value based on quoted bid prices. Equity securities for which fair values cannot be measured reliably are recognised at cost less any provision for impairment.

Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity. When the securities are disposed of or impaired, the related accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

2 Significant accounting policies *... continued*

g) Investment securities

An investment security is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for securities carried at amortised cost is calculated as the difference between the securities' carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rates. By comparison, the recoverable amount of an instrument measured at fair value is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset.

Interest earned whilst holding investment securities is reported as interest income. Dividends receivable are included separately in dividend income when a dividend is declared.

All purchases and sales of investment securities are recognised at trade date, which is the date the Bank commits to purchase or sell the asset.

h) Property, plant and equipment and depreciation

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

Buildings	2.5%
Furniture and fixtures	15%
Equipment	15%
Computer equipment	20%
Motor vehicle	20%

Land is not depreciated.

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

Gains and losses on the disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into income in the year the assets are disposed. Repairs and renewals are charged to the income statement when the expenditure is incurred.

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

2 Significant accounting policies *... continued*

i) Originated loans and provisions for loan impairment

Loans originated by the Bank by providing money directly to the borrower at draw down are categorised as originated loans and are carried at amortised cost which is defined as the fair value of cash consideration given to originate those loans as is determined by reference to market prices at origination date. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction.

All loans and advances are recognised when cash is advanced to borrowers.

An allowance for loan impairment is established if there is objective evidence that the Bank will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loans.

The allowance for loan impairment also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate. The allowance for loan impairment is deducted in arriving at the balance sheet figure for loans and advances. When a loan is uncollectible, it is written off against the related provision for impairments. Subsequent recoveries are credited to the provision for loan losses in the income statement.

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

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited as a reduction of the provision for loan impairments in the income statement.

j) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

2 Significant accounting policies ***... continued***

k) Deferred income tax

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

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

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

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

l) Treasury shares

Where the Bank or its subsidiary purchases the Bank's equity share capital, the consideration paid including any attributable incremental external costs net of income taxes is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

m) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are declared. Dividends for the year, which are declared after the balance sheet date, are noted as a subsequent event.

n) Pension costs

The company's contributions to the defined contribution pension plan are charged to the statement of income in the period to which the contributions relate.

3 Financial risk management

a) Strategy in using financial instruments

By its nature the Bank's activities are principally related to the use of financial instruments. The Bank accepts deposits from customers at both fixed and floating rates and for various periods and seeks to earn above average interest margins by investing these funds in high-quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due.

The Bank also seeks to raise its interest margins by obtaining above-average margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standing.

Financial assets of the Bank include cash and deposits with other banks, treasury bills, investments, interest receivable and loans and advances. Financial liabilities of the Bank include customers' deposits, certain other liabilities and interest payable.

b) Credit risk

Cash deposits with other banks and short-term investments are placed with reputable regional and international financial institutions and with the Governments of St. Christopher and Nevis and St. Lucia.

The Bank takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by product, industry sector and by country are approved by management.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

3 Financial risk management ... *continued*

b) Credit risk ... *continued*

Credit-related commitments

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

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

3 **Financial risk management ... *continued***

Geographical concentrations of assets, liabilities and off balance sheet items

	Total assets $	%	Total liabilities $	%	Interest and other operating income $	%	Credit commitments $	%	Capital expenditure $	%
As at June 30, 2003										
St. Christopher and Nevis	110,203,809	39	77,918,344	30	10,066,849	66	2,623,421	93	809,449	100
United States of America and Canada	166,102,148	59	180,601,579	70	4,997,705	33	202,118	7	–	–
Other Caribbean states	3,295,176	1	–	–	210,776	1	–	–	–	–
Europe	3,192,230	1	–	–	–	–	–	–	–	–
	282,793,363	**100**	**258,519,923**	**100**	**15,275,330**	**100**	**2,825,539**	**100**	**809,449**	**100**
As at June 30, 2002										
St. Christopher and Nevis	100,621,027	44	87,885,903	41	8,112,376	57	887,084	100	314,238	100
United States of America and Canada	120,837,306	53	124,066,243	59	5,562,564	40	–	–	–	–
Other Caribbean states	2,877,140	1	–	–	417,268	3	–	–	–	–
Europe	4,390,400	2	–	–	–	–	–	–	–	–
	228,725,873	**100**	**211,952,146**	**100**	**14,092,208**	**100**	**887,084**	**100**	**314,238**	**100**

3 Financial risk management … *continued*

Geographical concentration of assets, liabilities and off balance sheet items … *continued*

The Bank's exposure to credit risk is concentrated as detailed above. St. Christopher and Nevis is the home country of the Bank. In the above countries, the predominant activity is corporate banking services.

As one of the largest banks in St. Christopher and Nevis, the Bank accounts for a significant share of credit exposure to many sectors of the economy. However, credit risk is spread over a diversity of personal and commercial customers.

With the exception of St. Christopher and Nevis, and the United States of America and Canada, no other individual country contributed more than 10% of consolidated income or assets.

Capital expenditure is shown by the geographical area in which the buildings and equipment are located.

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

	2003 $	2003 %	2002 $	2002 %
St. Christopher and Nevis	**62,991,230**	**95**	59,420,623	93
United States of America and Canada	**3,076,878**	**5**	4,231,947	7
	66,068,108	**100**	63,652,570	100

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

	2003 $	2003 %	2002 $	2002 %
Tourism	**1,914,084**	**3**	2,591,160	4
Government bodies	**1,054,120**	**2**	1,567,200	2
Manufacturing	**301,006**	**1**	371,220	1
Agricultural	**2,993,024**	**5**	1,250,367	2
Commercial and personal	**57,138,732**	**85**	54,017,665	85
Other	**2,667,142**	**4**	3,854,958	6
	66,068,108	100	63,652,570	100

3 Financial risk management … *continued*

c) Interest rate risk

The Bank advances loans and receives deposits as part of its normal course of business from both related and third parties. The interest rates on loans generally attract interest based on market rates. Investment securities and customer deposits generally attract fixed interest rates. The company mitigates its interest rate risk by matching the maturity periods of its assets and liabilities.

	2003 $	2002 $
Loans and advances		
Demand loans	**9 – 14%**	11 – 13%
Discount loans	**9.75 – 18%**	17 – 18%
Mortgage loans	**10 – 13%**	11 – 13%
Overdrafts	**9.75 – 15%**	11 – 15%
Investments		
Government treasury bills	**6.5 – 7.5%**	7%
Investment securities, fixed deposits and other investments	**1.5 – 10%**	4.7% – 10%
Fixed rate bonds	**6.5 – 10.125%**	10.125%
Deposit liabilities		
Demand deposits	**0 – 3.0%**	0% – 3.0%
Savings deposits	**4 – 4.5%**	5%
Time deposits	**1.5 – 8%**	1.5% – 7.5%

In 2003, the interest rate policy was changed for discount loans whereby interest charged on an “add-on-basis” was discontinued. New customer loans which would previously be classified as discount loans are issued at interest rates within the band 9.75% – 14%. The existing “add-on” loans continued to earn interest at rates of between 16 and 18% as at June 30, 2003.

d) Currency risk

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

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

3 Financial risk management … ***continued***

e) Liquidity risk

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

The table below analysed assets and liabilities of the Bank into relevant maturing groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	Up to 1 year	1–5 years	Over 5 years	Total
Maturities of assets and liabilities as of June 30, 2003				
Assets				
Cash and due from other banks	104,501,441	–	–	104,501,441
Treasury bills	14,765,000	–	–	14,765,000
Investment securities	–	65,053,449	27,712,689	92,766,138
Interest receivable	1,556,531	–	–	1,556,531
Loans and advances	9,246,317	46,230,449	6,609,924	62,086,690
Other assets	261,080	1,380,746	–	1,641,826
Property, plant and equipment	–	–	5,475,737	5,475,737
	130,330,369	112,664,644	39,798,350	282,793,363
Liabilities				
Customer deposits	252,079,644	1,776,017	–	253,855,661
Other liabilities and accrued expenses	3,490,341	502,486	–	3,992,827
Provision for income tax	526,109	–	–	526,109
Deferred tax	–	145,326	–	145,326
	256,096,094	2,423,829	–	258,519,923
Net liquidity gap	**(125,765,725)**	**110,240,815**	**39,798,350**	**24,273,440**
Maturities of assets and liabilities as of June 30, 2002				
Total assets	**144,081,049**	**48,378,789**	**36,266,035**	**228,725,873**
Total liabilities	**208,631,604**	**2,766,436**	**554,106**	**211,952,146**
Net liquidity gap, June 30, 2002	**(64,550,555)**	**45,612,353**	**35,711,929**	**16,773,727**

3 Financial risk management … *continued*

e) Liquidity risk ... *continued*

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

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

f) Fair value

The following table summarises the carrying amount and fair values of those financial assets and liabilities not presented on the Bank's balance sheet at their fair value.

	Carrying value		Fair value	
	2003	**2002**	**2003**	**2002**
	$	**$**	**$**	**$**
Financial assets				
Cash and due from other banks	104,501,441	104,324,083	104,501,441	104,324,083
Treasury bills	14,765,000	12,283,727	14,765,000	12,283,727
Interest receivable	1,556,531	2,006,110	1,556,531	2,006,110
Loans and advances to customers	62,086,690	58,673,739	62,086,690	58,673,739
Investment securities	92,766,138	46,050,974	92,766,138	46,000,974
Other assets	1,641,826	1,292,364	1,641,826	1,292,364
	277,317,616	224,630,997	277,317,626	224,630,997
Financial liabilities				
Customers' deposits	253,455,661	205,351,048	253,855,661	205,351,048
Other liabilities and accrued expenses	3,992,827	5,743,021	3,992,827	5,743,021
	257,448,488	**211,094,069**	**257,448,488**	**211,094,069**

3 Financial risk management … *continued*

f) Fair value ... *continued*

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

- Short-term financial assets and liabilities

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

- Investment securities

  Fair value is based on quoted market values.

- Loans and advances

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

- Customers' deposits

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

4 Cash and due from other banks

	2003 $	2002 $
Cash	**1,087,491**	638,512
Balances with Eastern Caribbean Central Bank (ECCB) other than mandatory deposits	**213,759**	677,536
Cash and current accounts with other banks	**62,933,986**	59,254,206
Fixed deposits	**3,091,357**	6,444,900
Cheques in the course of collection	**737,594**	1,034,508
Short-term marketable securities	**23,766,795**	13,483,873
Included in cash and cash equivalents (note 22)	**91,830,982**	81,533,535
Mandatory reserve deposits with the ECCB	**5,626,527**	5,724,797
Restricted fixed deposits	**5,423,933**	15,565,751
Fixed deposit	**1,619,999**	1,500,000
	104,501,441	104,324,083

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

The fixed deposit of $1,619,999 is a certificate of deposit held at the Grenada Co-operative Bank and accrues interest at 7% (2002: 7%) per annum. The restricted fixed deposits are deposits held with Bank of America of $269,490 (2002: $Nil) and $2,694,900 (2002: $14,821,950) and accrue interest of 1.3% and 1.19% (2002: 3.42%) per annum respectively; and deposits held with Caribbean Credit Card Corporation of $2,459,543 (2002: $743,801) and accrue interest of 4% (2002: 6%) per annum. These deposits are not available for use in the company's day-to-day operations.

5 Treasury bills

	Nominal Value 2003 $	Cost 2003 $	Nominal Value 2002 $	Cost 2002 $
Treasury bill – Government of Saint Christopher and Nevis, maturing August 28, 2003 with interest rate of 6.5%.	**6,000,000**	**5,902,500**	6,000,000	5,895,000
Treasury bill – Government of Saint Lucia matured August 9, 2002 with interest rate of 6%.	**–**	**–**	1,500,000	1,476,226
Treasury bill – Government of Saint Christopher and Nevis, maturing August 26, 2003 with interest rate of 6.5%.	**5,000,000**	**4,918,750**	5,000,000	4,912,501
Treasury bill – Nevis Island Government maturing July 29, 2003 with interest rate of 7.5%.	**3,000,000**	**2,943,750**	–	–
	14,000,000	**13,765,000**	12,500,000	12,283,727
Treasury bill – Nevis Island Government maturing July 28, 2003 with interest rate of 7.5%	**1,018,839**	**1,000,000**	–	–
	15,018,839	**14,765,000**	12,500,000	12,283,727

The treasury bill with nominal value $1,018,839 and cost $1,000,000 acts as a statutory deposit with the Nevis Island Government and is not available to finance the bank's day-to-day operations.

6 Investment securities

	2003 $	2002 $
Held to maturity		
Statutory deposit with Nevis Island Government	**–**	1,000,000
Available for sale — quoted		
Debt securities at market value	**80,957,350**	34,955,976
Equity securities at market value	**425,643**	3,435,685
Available for sale — unquoted		
Caribbean Credit Card Corporation Limited 275 shares at cost of $1,000 each	**275,000**	275,000
Eastern Caribbean Securities Exchange Limited 7,500 (2001: 2,500) Class “C” shares at cost of $10 each	**75,000**	75,000
St. Kitts-Nevis-Anguilla National Bank 370,400 ordinary shares at cost of $1.35 each	**500,040**	500,040
Eastern Caribbean Home Mortgage Bank 482 shares at cost of $100 each	**48,200**	48,200
Originated debt		
Taurus Services Limited Fixed rate bond bearing interest at 10.125%	**3,013,445**	5,511,073
Government of Belize Fixed rate bond bearing interest at 9.25%	**2,221,460**	–
Government of Saint Christopher and Nevis Fixed rate bond bearing interest at 7.5%	**5,000,000**	–
Caribbean Credit Card Corporation Limited Unsecured loan bearing interest at a rate of 10%, with no specific terms of repayment	**150,000**	150,000
Eastern Caribbean Home Mortgage Bank Long-term bond bearing interest at 6%	**100,000**	100,000
	92,766,138	46,050,974

6 Investment securities ... *continued*

In 2003, the statutory deposit with the Nevis Island Government was converted to a treasury bill (see note 5).

	Held to maturity $	Originated debt $	Available for sale $	Total $
Balance as of June 30, 2002	1,000,000	5,761,073	39,289,901	45,050,974
Additions	–	7,671,606	138,348,484	146,020,090
Disposals (sale and redemption)	(1,000,000)	(2,947,776)	(95,334,534)	(99,282,310)
Loss from change in fair value, net	–	–	(22,616)	(22,616)
Balance as of June 30, 2003	**–**	**10,484,903**	**82,281,235**	**92,766,138**

Gains less losses from investment securities comprise:

	2003 $	2002 $
Net realised gains (losses) from disposal of available-for-sale financial assets	**702,272**	(183,264)

7 Loans and advances

	2003 $	2002 $
Reducing balance loans	**54,515,670**	52,861,938
Overdrafts	**9,528,877**	8,414,421
Discount loans	**1,138,693**	1,811,365
Credit card advances	**541,990**	49,239
Interest receivable	**342,878**	515,607
	66,068,108	63,652,570
Less: Allowance for loan impairment	**(3,981,418)**	(4,463,223)
	62,086,690	59,189,347

7 Loans and advances ... *continued*

Allowance for loan impairment

The movement in allowance for loan impairment is as follows:

	2003 $	2002 $
Balance, beginning of year	**4,463,223**	3,554,178
Provision for loan impairment	**731,568**	909,045
Loans and advances written off during the year as uncollectible	**(1,213,373)**	–
Balance, end of year	**3,981,418**	4,463,223

8 Other assets

	2003 $	2002 $
Due from merchant processor	**2,128,947**	2,767,832
Restricted funds	**1,376,447**	–
Other receivables	**133,391**	488,504
Prepayments	**30,282**	51,061
Credit card and stationery stock	**53,993**	38,704
Miscellaneous	**47,713**	22,139
	3,770,773	3,368,240
Less: Provision for amounts due from merchant processor	**(2,128,947)**	(2,075,876)
	1,641,826	1,292,364

The Bank was advised by one of its correspondent banks that a court order was issued by the US District Court, Northern District of Texas to freeze an amount of $1,376,447; this has been treated as restricted funds and has been excluded from cash and cash equivalents.

9 Property, plant and equipment

	Land $	Buildings $	Furniture & fixtures $	Equipment $	Computer equipment $	Motor vehicle $	Total $
Cost or valuation							
Balance at beginning of year	600,000	2,924,414	562,974	360,387	1,119,296	55,000	5,622,071
Additions	163,752	27,408	27,526	19,301	571,462	–	809,449
Revaluation adjustment	1,508,248	(534,122)	–	–	–	–	974,126
Balance at end of year	2,272,000	2,417,700	590,500	379,688	1,690,758	55,000	7,405,646
Accumulated depreciation							
Balance at beginning of year	–	463,755	403,591	186,511	944,948	43,999	2,042,804
Depreciation charge for year	–	73,796	55,846	58,282	225,731	11,001	424,656
Revaluation adjustment	–	(537,551)	–	–	–	–	(537,551)
Balance at end of year	–	–	459,437	244,793	1,170,679	55,000	1,929,909
Net book values							
June 30, 2003	**2,272,000**	**2,417,700**	**131,063**	**134,895**	**520,079**	**–**	**5,475,737**
June 30, 2002	600,000	2,460,659	159,384	173,876	174,348	11,001	3,579,268

9 Property, plant and equipment … *continued*

The land and buildings were revalued at open market value effective July 22, 2003 by an independent valuer. The surplus on revaluation at that date was taken to the revaluation surplus account (note 14).

The following is the historical cost carrying amount of land and buildings as of June 30, 2003:

	Land $	Buildings $	Total $
Cost	382,279	2,758,340	3,140,619
Accumulated Depreciation	–	469,832	469,832
Net book values	**382,279**	**2,288,508**	**2,670,787**

10 Customer deposits

	2003 $	2002 $
Current accounts	**163,583,550**	118,092,007
Time deposits	**57,697,823**	57,733,923
Savings accounts	**30,218,773**	26,817,874
Merchant reserve accounts	**674,194**	1,332,305
Interest payable	**1,681,321**	1,374,939
	253,855,661	205,351,048

11 Other liabilities and accrued expenses

	2003 $	2002 $
Accounts payable and accrued expenses	**2,131,997**	1,607,113
Items-in-transit	**1,343,770**	3,288,357
Pension liability (note 19)	**–**	554,106
Manager's cheques	**364,572**	189,714
Government stamp duty	**152,488**	103,731
	3,992,827	5,743,021

12 Taxation

	2003 $	2002 $
Deferred income tax		
Balance, beginning of year	**145,326**	145,326
Recovery for the year	**–**	–
Balance, at end of year	**145,326**	145,326
Income tax payable		
Income tax payable, beginning of year	**712,751**	806,512
Payments made during year	**(371,634)**	(514,793)
Current tax expense	**183,014**	421,032
Prior year tax expense	**1,978**	–
Income tax payable, end of year	**526,109**	712,751
Income tax expense		
Operating income for the year	**4,541,716**	2,301,182
Income tax expense at standard rate of 37%	**1,680,435**	851,437
Non-deductible expenses	**17,125**	17,536
Withholding tax	**13,867**	12,682
Untaxed interest income	**(264,813)**	(173,443)
Effect of lower tax rate in subsidiary company	**(1,252,248)**	(317,345)
Deferred tax effect of revaluation of depreciable assets	**1,269**	–
Prior year income tax adjustment	**1,978**	21,271
Deferred tax over (under) provided	**(12,621)**	8,894
Actual income tax expense	**184,992**	421,032

13 Share capital

	2003 $	2002 $
Authorised share capital		
10,000,000 shares of $1 each	**10,000,000**	10,000,000
Issued and fully paid		
7,478,150 shares of $1 each	**7,478,150**	**7,478,150**

14 Revaluation reserves (deficit)

	2003 $	2002 $
Balance, beginning of year	**(2,513,742)**	74,955
Transitional adjustment on implementation of IAS 39	**–**	(1,380,365)
Depreciation in market value of investment securities	**2,566,081**	(1,208,332)
Revaluation of land and building	**1,511,677**	–
Balance, end of year	**1,564,016**	(2,513,742)
Represented by revaluation reserves attributable to:		
Available for sale investments	**(22,616)**	(2,588,697)
Property	**1,586,632**	74,955
	1,564,016	(2,513,742)

An independent valuation of land and buildings was conducted in July 2003 (see note 9).

15 Reserve fund

Section 14 (1) of the Saint Christopher and Nevis Banking Act No. 6 of 1991 provides that not less than 20% of each year's net earnings shall be set aside to a reserve fund whenever the fund is less than the paid-up capital of the Bank.

Section 23 (1) of the Nevis Offshore Banking Ordinance 1996 provides that the Bank is to maintain a reserve fund and shall out of its net profits of each year and before any dividend is paid, transfer to the said fund a sum equal to not less than 25% of those profits whenever the amount of the reserve fund is less than the paid-up capital of the Bank.

16 Other operating income

	2003 $	2002 $
Fees and commissions	**1,309,776**	1,665,178
Foreign exchange	**591,320**	435,030
Credit card fees	**325,798**	95,717
Rental income	**12,000**	12,000
Dividend income	**37,413**	–
Miscellaneous revenue	**27,500**	8,384
	2,303,807	2,216,309

17 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

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

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

	2003 $
Loans to Directors	
Loans outstanding at beginning of year	**4,369,999**
Loans issued during the year	**196,064**
Loans repayment during the year	**(491,442)**
Loans outstanding at end of year	**4,074,621**

Interest income earned on directors' loans and advances during the year is $373,418 (2002: $322,045).

17 Related party transactions … *continued*

	2003 $
Deposits by Directors	
Deposits at beginning of year	**3,912,147**
Deposits received during the year	**269,474**
Deposits repaid during the year	**(244,428)**
Deposits at end of year	**3,937,193**

Interest expense paid on directors' deposits during the year is $427,695 (2002: $372,387).

18 Earnings per share

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

	2003 $	2002 $
Net profit attributable to shareholders	**4,356,724**	1,880,150
Weighted average number of ordinary shares in issue	**7,478,150**	7,478,150
Basic and diluted earnings per share	**0.58**	0.25

19 Pension liability

During the year the Bank introduced a defined contribution pension scheme for its employees. Total contributions made by the company for the year amounted to $127,481 (2002: $220,676). Following the introduction of the scheme, the prior year provision for past service required adjustment based on calculations as determined by the new scheme rules. The credit of $197,041 was therefore accounted for in the income statement during the year.

	2003 $	2002 $
Pension provision, beginning of year	**554,106**	710,390
Provision during the year	**108,814**	220,675
Write back of provision	**(197,022)**	(376,959)
Amounts paid to pension scheme	**(465,898)**	–
Pension provision, end of year	**–**	554,106

20 Contingencies and commitments

Pending litigation

The Bank is a defendant in a lawsuit brought by Nevis Central Company Limited for specific performance of a contract for the purchase of real estate in the sum of US$1 million. The Bank disputes the claim on the grounds that it did not enter into any purchase agreement and the outcome is presently not determinable. No provision has therefore been made in these financial statements.

The previously reported lawsuit in the amount of US$1m against Quantum Group Ltd. (a customer) and the Bank was heard in October 2002. Judgement was entered against the Bank on July 11, 2003 and the estimated total liability, including costs, is in the region of $40,000 which has been accrued for. The claimant has subsequently filed an appeal.

In the lawsuit of First Atlantic Commerce Limited vs Martin Roy Lamb et al., the Bank was ordered to pay US$25,185.62 to the Claimant, First Atlantic Commerce Limited, along with costs of EC$2,000. The Bank is in the process of appealing the ruling in Court but in the meantime the liability has been recognised in the financial statements.

A lawsuit has been filed by the United States of America against Bank of Nevis International Limited and First Atlantic Commerce Limited. The suit is filed claiming restitution of US$1,612,162.30 that the Bank paid to First Atlantic Commerce Limited by order of the local court. Counsel does not believe that the suit has any merit and an application has been filed to strike it out. No provision has therefore been made in these financial statements.

A customer has commenced an action against the Bank to release their frozen funds (see note 7). Whilst the outcome is not presently determinable, the Bank is not expected to suffer any loss arising from this action, and no provision has therefore been made in these financial statements.

Credit-related commitments

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

	2003 $	2002 $
Undrawn commitments to extend advances	**2,623,421**	887,084
Commercial letter of credit	**202,118**	–
	2,825,539	887,084

21 Dividends

The financial statements reflect a dividend of $934,769 for the year ended June 30, 2002 which was approved at the fifteenth Annual General Meeting held on January 30, 2003 and paid subsequently.

A dividend in respect of 2003 of EC$0.175 per share (2002 actual dividend EC$0.125 per share) amounting to a total of EC$1,308,677 (2002 actual EC$934,769) is proposed. The financial statements for the year ended June 30, 2003 do not reflect this proposed dividend which, if ratified, will be accounted for in equity as an appropriation of retained earnings in the year ending June 30, 2004.

22 Cash and cash equivalents

	2003	**2002**
	$	**$**
Cash and due from other banks (note 4)	**91,830,982**	81,533,535
Treasury bills (note 5)	**13,765,000**	12,283,727
	105,595,982	93,817,262

23 General and administrative expenses

	2003 $	2002 $
Salaries and related costs	**1,960,195**	1,622,373
Credit card processing expense	**381,807**	259,923
Professional fees	**354,811**	158,299
Legal fees	**256,622**	73,627
Stationery and supplies	**235,816**	260,503
Advertisement and promotion	**140,958**	161,529
Telephone, telex and cables	**130,669**	113,705
Provision for lawsuit	**110,773**	–
Travel and entertainment	**99,996**	67,604
Equipment repairs	**94,953**	86,569
Insurance expense	**91,348**	84,182
Utilities	**77,885**	57,192
Stamps and postage	**62,351**	56,358
Taxes and licences	**61,180**	73,300
Repairs and maintenance	**54,452**	89,667
Provision for amounts due from merchant processor	**53,071**	758,698
Printing costs	**50,723**	46,855
ECSE fees and expenses	**49,841**	36,758
Subscriptions and fees	**48,368**	33,629
Miscellaneous expenses	**35,202**	12,814
Strategic planning	**33,776**	–
Cleaning	**16,410**	10,750
Secretarial	**12,234**	12,234
Security services	**2,631**	1,477
Cash shorts	**2,415**	6,359
Operational (recoveries) losses	**(188,643)**	256,517
Investment securities write-offs	**–**	386,228
Loss on disposal of assets	**–**	11,636
General staff costs	**–**	2,950
	4,229,844	4,741,736

24 Comparative figures

Certain items in the balance sheet and statement of income have been classified differently in order to achieve clearer presentation. The comparative figures have been similarly reformatted and reclassified in order to achieve comparability with the current period. The items which have been reclassified are as follows:

- Losses from investment securities of $183,264 has been reclassified out of other operating income and shown separately on the face of the income statement;
- Provision for loan impairments of $909,045 has been combined into the operating expenses caption;
- Interest receivable of $515,607 has been reclassified to loans and advances;
- Interest payable of $1,374,939 has been reclassified to customers' deposits;
- On the statement of changes in equity, revaluation reserves have been separated into two components: available-for-sale investments and property.

THE BANK OF NEVIS LIMITED

NON-CONSOLIDATED BALANCE SHEET

As of June 30, 2003
(expressed in Eastern Caribbean Dollars)

	2003 $	2002 $
Assets		
Cash and balances with the Central Bank	**6,927,777**	7,040,846
Due from other banks	**19,359,686**	24,129,164
Treasury bills	**8,846,250**	7,371,226
Investment securities	**1,148,240**	1,148,240
Interest receivable	**213,150**	235,321
Loans and advances	**60,780,149**	57,283,028
Other assets	**172,474**	565,479
Investment in subsidiary	**1,000,000**	1,000,000
Property, plant and equipment	**5,412,701**	3,505,697
Total assets	**103,860,427**	102,279,001
Liabilities		
Customers' deposits	**85,672,395**	82,355,461
Other liabilities and accrued expenses	**2,185,840**	2,738,772
Provision for income tax	**401,928**	564,297
Deferred tax	**145,326**	145,326
Due to subsidiary	**1,111,160**	4,639,864
Total liabilities	**89,516,649**	90,443,720
Shareholders' Equity		
Share capital	**7,478,150**	7,478,150
Revaluation reserve	**1,586,632**	74,955
Reserve fund	**3,341,778**	2,955,460
Retained earnings	**1,937,218**	1,326,716
Total shareholders' equity	**14,343,778**	11,835,281
Total liabilities and shareholders' equity	**103,860,427**	102,279,001

Appoved by the Board of Directors on November 14, 2003

Chairman
Reginald L. Kawaja

Director
Rawlinson Isaac

Director
Hanzel Manners

THE BANK OF NEVIS LIMITED

NON-CONSOLIDATED STATEMENT OF INCOME

As of June 30, 2003
(expressed in Eastern Caribbean Dollars)

	2003 $	2002 $
Interest income		
Income from loans and advances	**6,311,497**	5,751,954
Income from deposits with other banks and investments	**1,173,164**	1,540,549
	7,484,661	7,292,503
Interest expense		
Savings accounts	**877,696**	823,748
Time deposits and current accounts	**3,122,179**	3,239,584
	3,999,875	4,063,332
Net interest income	**3,484,786**	3,229,171
Other operating income	**2,627,026**	1,447,610
Operating income	**6,111,812**	4,676,781
Operating expenses		
General and administrative expenses	**2,767,250**	1,929,456
Depreciation	**392,309**	299,933
Provision for loan impairment	**544,604**	300,000
Correspondent bank charges	**130,367**	50,805
Directors' fees and expenses	**130,784**	124,473
Audit fees and expenses	**112,747**	90,771
	4,078,061	2,795,438
Operating income for the year	**2,033,751**	1,881,343
Taxation		
Current tax expense	**100,184**	367,134
Prior year tax expense	**1,978**	–
	102,162	367,134
Net income for the year	**1,931,589**	1,514,209
Earnings per share	**0.26**	0.20

THE BANK OF NEVIS LIMITED

NON-CONSOLIDATED STATEMENT OF CASH FLOWS

As of June 30, 2003

(expressed in Eastern Caribbean Dollars)S

	2003 $	2002 $
Cash flows from operating activities		
Operating income for the year	**2,033,751**	1,881,343
Items not affecting cash		
Provision for loan losses	**544,604**	300,000
Depreciation	**392,309**	299,933
Loss on disposal of property, plant and equipment	**–**	11,636
Interest income	**(7,484,661)**	(7,292,503)
Interest expense	**3,999,875**	4,063,332
Operating losses before changes in operating assets and liabilities	**(514,122)**	(736,259)
Changes in operating assets and liabilities		
Decrease (increase) in other assets	**393,005**	(469,567)
Decrease (increase) in mandatory deposits held with Central Bank	**98,270**	(2,350,951)
Increase in loans and advances, net of repayments received	**(4,175,189)**	(9,932,435)
Increase in customers' deposits	**3,013,902**	20,370,546
(Decrease) increase in other liabilities and accrued expenses	**(552,932)**	525,656
(Increase) decrease in restricted deposits	**(1,985,232)**	169,364
Cash generated from operations	**(3,722,298)**	7,576,354
Interest paid	**(3,696,843)**	(3,671,414)
Interest received	**7,640,296**	7,218,798
Income tax paid	**(264,531)**	(329,766)
Net cash (used in) from operating activities	**(43,376)**	10,793,972
Cash flows from investing activities		
Purchase of property, plant and equipment	**(787,636)**	(300,796)
Purchase of investment securities	**–**	(550,040)
Net cash (used in) from investing activities	**(787,636)**	(850,836)
Cash flows from financing activities		
Dividends paid	**(934,769)**	(2,243,445)
Repayments to subsidiary company	**(3,528,704)**	(2,318,010)
Net cash used in financing activities	**(4,463,473)**	(4,561,455)
(Decrease) increase in cash and cash equivalents	**(5,294,485)**	5,381,681
Cash and cash equivalents, beginning of year	**32,072,638**	26,690,957
Cash and cash equivalents, end of year	**26,778,153**	32,072,638

THE BANK OF NEVIS LIMITED

NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As of June 30, 2003
(expressed in Eastern Caribbean Dollars)

	Share capital $	Revaluation surplus $	Reserve fund $	Retained earnings $	Total $
Balance, June 30, 2001	7,478,150	74,955	2,652,618	2,358,794	12,564,517
Net income for the year	–	–	–	1,514,209	1,514,209
Dividends	–	–	–	(2,243,445)	(2,243,445)
Transfer to reserve fund	–	–	302,842	(302,842)	–
Balance, June 30, 2002	7,478,150	74,955	2,955,460	1,326,716	11,835,281
Net income for the year	–	–	–	1,931,589	1,931,589
Dividends	–	–	–	(934,769)	(934,769)
Increase in revaluation surplus	–	1,511,677	–	–	1,511,677
Transfer to reserve fund	–	–	386,318	(386,318)	–
Balance, June 30, 2003	**7,478,150**	**1,586,632**	**3,341,778**	**1,937,218**	**14,343,778**

NOTES