June 30, 2002

(Expressed in Eastern Caribbean Dollars)

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 36 persons during the year (2001: 32 employees). The registered office of the Bank is located on Main Street, Charlestown, Nevis.

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 financial statements are prepared in accordance with International Accounting 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 Accounting 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. Actual results could 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 in the Statement of Changes in Equity.

b) Basis of consolidation

The consolidated financial statements include the accounts of the company and its wholly owned subsidiary, Bank of Nevis International Limited.

2. Significant accounting policies ... *continued*

c) Cash and cash equivalents

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

d) Interest income and expense

Interest income and expense are recognised in the income statement for all interest bearing instruments on the accrual basis using the effective interest rates. Interest income includes coupons earned on fixed income investments and discounts or premiums on treasury bills.

e) Fees and commissions income

Fees and commissions are generally recognised on an accrual basis, reflecting the period in which the services are performed.

f) Loans and advances

Loans originated by the Bank by providing money directly to the borrower at draw down are categorised as loans originated by the Bank and are carried at cost. 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 the loan is past due by 90 days and there is objective evidence that the Bank will not be able to collect all amounts due. 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 based on the interest rate at inception of the loan.

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 allowance for impairment. Subsequent recoveries are credited to the allowance for loan losses in the income statement.

2 Significant accounting policies *... continued*

g) Investment securities

Investment securities are classified into the following three 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. Unquoted equity investments are measured at cost less impairment allowance, as fair value is not readily available.

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.

A 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 instruments 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.

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.

Interest earned on securities is reported as interest income. Dividends are included separately in dividend income when a dividend is declared.

h) 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*

i) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation, less accumulated depreciation. Depreciable assets are depreciated on the straight line method at rates estimated to write off the cost or valuation of these assets over their expected 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.

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.

j) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Eastern Caribbean dollars at the mid-market rate of exchange prevailing at the balance sheet date. Foreign exchange transactions during the year are converted at the rates prevailing on the transaction dates. Gains or losses arising from foreign currency transactions are included in the income statement.

k) Deferred income tax

The company has adopted the liability method of accounting for deferred tax, whereby provision is made at the current income tax rate for the future tax liability resulting from temporary differences between the tax bases of assets and liabilities and their carrying values in the financial statements.

June 30, 2002

(Expressed in Eastern Caribbean Dollars)

3. Cash and due from other banks

	2002 $	2001 $
Cash	**638,512**	915,298
Current accounts with Eastern Caribbean Central Bank	**6,402,333**	4,188,932
Cash and current accounts with other banks	**66,442,907**	34,323,473
Cheques in the course of collection	**1,034,508**	1,059,336
Short-term fixed deposits	**28,305,823**	40,327,268
Fixed deposits at cost	**1,500,000**	40,423,500
	104,324,083	**121,237,807**

4. Treasury bills

	Nominal Value 2002 $	Cost 2002 $	Nominal Value 2001 $	Cost 2001 $
Treasury bill – Government of St Christopher and Nevis, maturing August 28, 2002 with interest rate of 7%	**6,000,000**	**5,895,000**	3,000,000	2,947,500
Treasury bill – Government of St Lucia maturing August 9, 2002 with interest rate of 6%	**1,500,000**	**1,476,226**	–	–
Treasury bill – Government of St Christopher and Nevis, maturing August 28, 2002 with interest rate of 7%	**5,000,000**	**4,912,501**	–	–
	12,500,000	**12,283,727**	3,000,000	2,947,500

June 30, 2002

(Expressed in Eastern Caribbean Dollars)

5. Investment securities

	2002	2001
	$	**$**
Held to maturity		
Statutory deposit with Nevis Island Administration	**1,000,000**	1,000,000
Available for sale – quoted		
Debt securities at fair value (2001: at amortised cost)	**34,955,976**	1,991,220
Equity securities at fair value (2001: at cost)	**3,435,685**	14,932,665
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**	25,000
St. Kitts-Nevis-Anguilla National Bank		
370,400 ordinary shares at cost of $1.35 each	**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 bonds bearing interest at 10.125%	**5,511,073**	–
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
	46,050,974	18,522,085

The statutory deposit with the Nevis Island Administration is non-interest bearing and is not available to finance the bank's day-to-day operations.

6. Loans and advances

	2002	2001
	$	$
Reducing balance loans	**45,507,401**	37,433,255
Non-performing loans and advances	**8,689,074**	7,709,245
Overdrafts	**7,392,478**	6,747,595
Discount loans	**1,548,009**	1,440,171
	63,136,962	53,330,266
Less: Allowance for loan losses	**(4,463,223)**	(3,554,178)
	58,673,739	49,776,088

The relative liquidity of loans and advances is as follows based on contractual maturities:

	2002	2001
Within 1 year	**17,213,807**	10,979,909
Over 1 year to 3 years	**15,479,136**	14,591,117
Over 3 years to 5 years	**22,144,730**	17,368,938
Over 5 years	**8,299,289**	10,390,302
	63,136,962	53,330,266

Allowance for loan losses

	2002	2001
Balance, beginning of year	**3,554,178**	2,817,300
Provision for the year	**909,045**	742,598
Loans written off	–	(5,720)
Balance, end of year	**4,463,223**	3,554,178

7. Other assets

	2002	2001
	$	$
Due from merchant processor	**2,767,832**	2,767,832
Other receivables	**488,504**	27,647
Prepayments	**51,061**	50,814
Stationery stock	**38,704**	56,127
Miscellaneous	**22,139**	1,583
	3,368,240	2,904,003
Less: Provision for amounts due from merchant processor	**(2,075,876)**	(1,317,178)
	1,292,364	1,586,825

8. Property, plant and equipment

	Land	Buildings	Furniture & fixtures	Equipment	Computer equipment	Motor vehicle	Total
	$	$	$	$	$	$	$
Cost or valuation							
Balance at beginning of year	600,000	2,764,584	537,926	292,324	1,078,727	55,000	5,328,561
Additions	–	159,830	45,776	68,063	40,569	–	314,238
Disposals	–	–	(20,727)	–	–	–	(20,727)
Balance at end of year	600,000	2,924,414	562,975	360,387	1,119,296	55,000	5,622,072
Accumulated depreciation							
Balance at beginning of year	–	390,645	360,020	147,872	792,117	32,998	1,723,652
Depreciation charge for year	–	73,110	52,662	38,639	152,831	11,001	328,243
Disposals	–	–	(9,091)	–	–	–	(9,091)
Balance at end of year	–	463,755	403,591	186,511	944,948	43,999	2,042,804
Net book values							
June 30, 2002	**600,000**	**2,460,659**	**159,384**	**173,876**	**174,348**	**11,001**	**3,579,268**
June 30, 2001	600,000	2,373,939	177,906	144,452	286,610	22,002	3,604,909

9. Customer deposits

	2002	2001
	$	$
Current accounts	**118,092,007**	101,825,337
Time deposits	**57,733,923**	51,373,568
Savings accounts	**26,817,874**	21,052,508
Merchant reserve accounts	**1,332,305**	1,662,163
	203,976,109	175,913,576

The relative liquidity of deposits is as follows based on contractual maturities.

	2002	2001
	$	$
Within 1 year	**201,251,538**	173,691,079
Over 1 year to 3 years	**2,259,032**	2,122,497
Over 3 years to 5 years	**465,539**	100,000
	203,976,109	175,913,576

10. Other liabilities and accrued expenses

	2002	2001
	$	$
Accounts payable and accruals	**1,607,113**	761,122
Items-in-transit	**3,288,357**	1,565,839
Pension provision (note 18)	**554,106**	710,390
Manager's cheques	**189,714**	309,729
Government stamp duty	**103,731**	94,231
	5,743,021	3,441,311

11. Taxation

Deferred income tax

	2002 $	2001 $
Balance, beginning of year	**145,326**	163,042
Recovery for the year	**–**	(17,716)
Balance, at end of year	**145,326**	145,326

Income tax expense

	2002 $	2001 $
Income before taxation	**2,301,182**	5,390,220
Income tax expense at standard rate of 37%	**851,437**	1,994,381
Non-deductible expenses	**17,827**	6,290
Withholding tax	**12,682**	18,997
Untaxed interest income	**(173,443)**	(101,527)
Effect of lower tax rate in subsidiary company	**(317,345)**	(1,521,206)
Income tax under accrual	**21,271**	80,893
Deferred tax over (under) provided	**8,603**	(2,785)
Actual income tax expense	**421,032**	475,043

12. Share capital

	2002 $	2001 $
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

13. Revaluation (deficit) surplus

	2002 $	2001 $
Revaluation (deficit) surplus consists of the following:		
Land revaluation	**74,955**	74,955
Transitional adjustment on implementation of IAS 39 (note 2a)	**(1,380,365)**	–
Depreciation in market value of investment securities	**(1,208,332)**	–
	(2,513,742)	74,955

Land revaluation

In 1998 the Bank's land was revalued by Bentley Associates, an independent valuer, at $1,000,000. The directors considered the valuation and decided that it would be prudent to recognise only $600,000 at that time. The current balance, which is also reflective of the prior year position, is the balance of the surplus after accounting for a stock dividend issued in 1998.

14. Reserve fund

Section 14 (1) of the St 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.

15. Other operating income

	2002 $	2001 $
Fees and commissions	**1,665,178**	1,419,673
Foreign exchange	**435,030**	169,394
Credit card fees	**95,717**	–
Rental income	**12,000**	12,000
Miscellaneous revenue	**8,384**	86,267
(Loss) gain on sale of investment securities, net	**(183,264)**	162,451
	2,033,045	1,849,785

16. Related party transactions

In the normal course of business, the company periodically makes advances to its directors. These loans are extended under the same commercial terms as offered to third parties.

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

The advances outstanding from directors as at June 30, 2002 amounted to $4,369,999 (2001 - $3,562,149). Deposits placed by directors at June 30, 2002 amounted to $3,912,147 (2001 - $3,848,586).

17. 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.

	2002 $	2001 $
Net profit attributable to shareholders	**1,880,150**	4,915,177
Weighted average number of ordinary shares in issue	**7,478,150**	7,478,150
Basic earnings per share	**$ 0.25**	$0.66

18. Pension provision

The company plans to introduce a pension scheme for its employees which is presently in the process of being formalised. It is likely that the plan will be a defined contribution plan. Total pension cost for the year is $220,676 and is included in salaries and related costs (2001: $220,877). The amount set aside to date is $554,106 (2001: $710,390) and this provision will be carried forward until such time as the pension arrangements are formalised. In September 2002, the provision required adjustment based on external valuations received from independent third parties. The credit of $376,959 was therefore accounted for in the income statement during the year and the provision adjusted at the year end.

19. Dividends

The financial statements reflect a dividend of $2,243,445 for the year ended June 30, 2001 which was approved at the fifteenth Annual General Meeting held on January 3, 2002 and paid subsequently.

A dividend in respect of 2002 of EC$0.125 per share (2001 actual dividend EC$0.30 per share) amounting to a total of EC$934,769 (2001 actual EC$2,243,445) is proposed. The financial statements for the year ended June 30, 2002 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, 2003.

20. Financial instruments

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.

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.

	2002	2001
	$	$
Loan and advances		
Demand loans	**11-13%**	11-13%
Discount loans	**17-18%**	17-18%
Mortgage loans	**11-13%**	9-13%
Overdrafts	**11-15%**	13-15%
Investments		
Government treasury bills	**7%**	7%
Investment securities, fixed deposits and other investments	**4.7%-10%**	4.7% - 10.0%
Fixed rate bonds	**10.125 %**	–
Deposit liabilities		
Demand deposits	**1.0%-3.0%**	1.5%-3.0%
Savings deposits	**5%**	5%
Time deposits	**1.5-%-7.5%**	1.5%-8.5%

20. Financial instruments ... *continued*

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. Credit risk on loans and advances is limited as these are shown net of a provision for loan losses, and a majority of the loans and advances are adequately secured by legal charges over property and other assets.

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 manages its credit risk by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers.

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/or guarantees.

The credit risk exposure in relation to contingent liabilities is further outlined in note 21. Geographical concentrations of risk are illustrated in note 24.

Currency risk

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.

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.

Fair value

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 investment, fixed deposits, interest receivable and other assets. Short-term financial liabilities comprise interest payable and certain other liabilities.

20. Financial instruments *... continued*

Fair Value *... continued*

- 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.

- Customer 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.

21. Contingent liabilities

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 tends to result in such, in the case of loans.

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

	2002	2001
	$	$
Undrawn commitments to extend advances	**887,084**	5,369,367

21. Contingent liabilities *... continued*

Pending litigation

There is a lawsuit in the amount of US$1.0 million against Quantum Group Ltd (a customer) and the Bank of Nevis International Limited by a former customer.

The Bank is defending the claim on the basis that it never had any dealings whatsoever with the plaintiff and that it acted properly and in good faith and accordingly that it denies any liability whatsoever to the plaintiff.

The lawsuit is in progress. No provision has been made as professional legal advice indicates that it is unlikely that any significant loss will arise.

22. Subsequent event

In September 2002, a lawsuit was filed by the United States of America in the amount of US$1.6m against First Atlantic Commerce Limited and the Bank of Nevis International Limited.

The Bank is defending the claim and denies any liability whatsoever to the United States of America.

No provision has been made as professional legal advice indicates that the Bank is unlikely to suffer significant loss.

23. Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in the presentation adopted in the current year.

24. Geographical concentrations

	Total assets $	%	Total liabilities $	%	Interest & other operating income $	%	Credit commitments $	%	Capital expenditure $	%
As at June 30, 2002										
St. Christopher and Nevis	100,621,027	44	87,885,903	41	7,929,112	57	887,084	100	314,238	10
North America	120,837,306	53	124,066,243	59	5,562,564	40	–	–	–	–
Other Eastern Caribbean states	2,877,140	1	–		417,268	3	–	–	–	–
Europe	4,390,400	2	–		–	–	–	–	–	–
	228,725,873	**100**	**211,952,146**	**100**	**13,908,944**	**100**	**887,084**	**100**	**314,238**	**100**
As at June 30, 2001										
St. Christopher and Nevis	51,943,117	26	72,943,952	40	6,798,413	45	4,830,387	90	134,215	100
North America	111,488,428	55	108,357,349	60	7,944,117	52	538,980	10	–	–
Other Eastern Caribbean states	35,884,417	18	–		363,197	2	–		–	–
Europe	1,711,058	1	–		43,937	1	–		–	
	201,027,020	**100**	**181,301,301**	**100**	**15,149,664**	**100**	**5,369,367**	**100**	**134,215**	**100**

Non-Consolidated Balance Sheet

2002 Annual Report

As of June 30, 2002

(Expressed in Eastern Caribbean Dollars)

	2002 $	2001 $
Assets		
Cash and due from other banks	**31,170,010**	28,030,468
Treasury bills	**7,371,226**	2,947,500
Investment securities	**1,148,240**	598,200
Interest receivable	**700,582**	626,877
Loans and advances	**56,817,767**	47,185,332
Other assets	**565,479**	95,912
Investment in subsidiary	**1,000,000**	1,000,000
Property, plant and equipment	**3,505,697**	3,516,470
Total assets	**102,279,001**	84,000,759
Liabilities		
Customer deposits	**80,992,652**	60,622,106
Interest payable	**1,362,809**	970,891
Other liabilities and accrued expenses	**2,738,772**	2,213,116
Provision for income tax	**564,297**	526,929
Deferred income tax	**145,326**	145,326
Due to subsidiary	**4,639,864**	6,957,874
Total liabilities	**90,443,720**	71,436,242
Shareholders' Equity		
Share capital	**7,478,150**	7,478,150
Revaluation surplus	**74,955**	74,955
Reserve fund	**2,955,460**	2,652,618
Retained earnings	**1,326,716**	2,358,794
Total shareholders' equity	**11,835,281**	12,564,517
Total liabilities and shareholders' equity	**102,279,001**	84,000,759

Approved by the Board of Directors on October 30, 2002

Director — Richard S. Lupinacci

Director — Rawlinson Isaac

Non-Consolidated Statement of Income

2002 Annual Report

For the year ended June 30, 2002
(Expressed in Eastern Caribbean Dollars)

	2002 $	2001 $
Interest income		
Income from loans and advances	**5,751,954**	4,827,676
Income from deposits with other banks and investments	**1,540,549**	2,508,957
	7,292,503	7,336,633
Interest expense		
Savings accounts	**823,748**	671,996
Time deposits and current accounts	**3,239,584**	3,777,660
	4,063,332	4,449,656
Net interest income before loan loss provision	**3,229,171**	2,886,977
Provision for loan losses	**(300,000)**	(280,000)
	2,929,171	2,606,977
Other operating income	**1,447,610**	2,963,375
	4,376,781	5,570,352
Operating expenses		
General and administrative expenses	**1,929,456**	1,833,014
Depreciation	**299,933**	286,576
Directors' fees and expenses	**124,473**	112,737
Audit fees and expenses	**90,771**	78,928
Correspondent bank charges	**50,805**	83,653
	2,495,438	2,394,908
Income before taxation	**1,881,343**	3,175,444
Taxation		
Current tax expense	**367,134**	358,057
Deferred taxes	**–**	(17,716)
	367,134	340,341
Net income for the year	**1,514,209**	2,835,103
Earnings per share	**0.20**	0.38

Non-Consolidated Statement of Changes in Equity

For the year ended June 30, 2002
(Expressed in Eastern Caribbean Dollars)

	Share capital $	Revaluation surplus $	Reserve fund $	Retained earnings $	Total $
Balance, June 30, 2000	7,478,150	74,955	2,085,598	90,711	9,729,414
Net income for the year	–	–	–	2,835,103	2,835,103
Transfer to reserve fund	–	–	567,020	(567,020)	–
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**

Non-Consolidated Statement of Cash Flows

2002 Annual Report

For the year ended June 30, 2002
(Expressed in Eastern Caribbean Dollars)

	2002	2001
	$	$
Cash flows from operating activities		
Income before taxation	**1,881,343**	3,175,444
Items not affecting cash		
Provision for loan losses	**300,000**	280,000
Depreciation	**299,933**	286,576
Loss on disposal of property, plant and equipment	**11,636**	–
Interest income	**(6,841,169)**	(5,822,728)
Interest expense	**3,611,998**	2,935,751
Operating (losses) profits before changes in operating assets and liabilities	**(736,259)**	855,043
Changes in operating assets and liabilities		
(Increase) decrease in other assets	**(469,567)**	2,002
Increase in loans and advances, net of repayments received	**(9,932,435)**	(4,771,026)
Increase in customer deposits	**20,370,546**	5,200,641
Increase in other liabilities and accrued expenses	**525,656**	287,474
Cash generated from operations	**9,757,941**	1,574,134
Interest paid	**(3,220,080)**	(2,832,281)
Interest received	**6,767,464**	5,736,111
Income tax paid	**(329,766)**	(30,000)
Net cash from operating activities	**12,975,559**	4,447,964

... continued

Non-Consolidated Statement of Cash Flows

For the year ended June 30, 2002

(Expressed in Eastern Caribbean Dollars)

... continued

	2002	2001
	$	$
Cash flows from investing activities		
Purchase of property, plant and equipment	**(300,796)**	(125,434)
Purchase of investment securities	**(550,040)**	(25,000)
Proceeds from sale of shares in subsidiary company	**–**	200,000
Net cash (used in) from investing activities	**(850,836)**	49,566
Cash flows from financing activities		
Dividends paid	**(2,243,445)**	(2,243,445)
Repayments to subsidiary company	**(2,318,010)**	(14,071,804)
Net cash used in financing activities	**(4,561,455)**	(16,315,249)
Increase (decrease) in cash and cash equivalents	**7,563,268**	(11,817,719)
Cash and cash equivalents, beginning of year	**30,977,968**	42,795,687
Cash and cash equivalents, end of year	**38,541,236**	30,977,968
Represented by:		
Cash and due from other banks	**31,170,010**	28,030,468
Treasury bills	**7,371,226**	2,947,500
	38,541,236	30,977,968

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