Vision

To be the Preferred Financial Institution
in the Markets we serve

Mission

To be a profitable and compliant Financial Institution,
proactive in exceeding our stakeholders' expectations,
with a committed and empowered team

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NOTICE OF MEETING

Notice is hereby given that the Twenty first Annual General Meeting of The Bank of Nevis Limited will be held at the Old Manor Hotel on Thursday February 28, 2008 at 5:00 p.m.

Agenda

1. To approve the Minutes of the twentieth Annual General Meeting held on February 15, 2007
2. To receive the report of the directors
3. To receive and consider the accounts for the year ended June 30, 2007
4. To elect directors; Rawlinson Isaac, Wendell Huggins and Richard Lupinacci retire by rotation, and being eligible, offer themselves for re-election.
5. To elect two independent directors.
6. To declare a dividend of 20 cents per share.
7. To appoint auditors for the year ending June 30, 2008. PricewaterhouseCoopers, Chartered Accountants, retire and being eligible, offer themselves for reappointment.
8. Any other business.

BY ORDER OF THE BOARD

A Knights.

AIANDRA E. KNIGHTS (MISS)
Secretary

Notes

1. All shareholders of record as at February 6, 2008 will be entitled to receive a dividend with respect to the financial year ended June 30, 2007.
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, may appoint as a proxy one of its officers, or any other person though not a member of the Company.
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.
4. Article 124 b of the Bank's Articles of Association provide that at least one fifth of the number of Company's directors shall be independent directors.

CORPORATE INFORMATION

Directors

Richard Lupinacci, B.A.
Hotelier/Chairman

Rawlinson Isaac,
B.A. (Hons), MBA, AFA, Dip FS, DTEP, FCIB
Businessman

Hanzel Manners, B.A. (Hons), FCCA, ACIB
Chartered Accountant/Chief Financial Officer

Spencer Howell, SCV. RIM
Real Estate Agent

Wendell Huggins, B.A. (Hons)
Businessman

Kishu Chandiramani
Businessman

Janice Daniel-Hodge, B.Sc., M.Sc.
Businesswoman

Oral Martin
Solicitor

Secretary

Aiandra E. Knights LLB (Hons) UWI

Registered Office

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

Auditors

PricewaterhouseCoopers
Cnr. Bank Street & West Independence Square
Basseterre,
St. Kitts, West Indies

In-house Counsel

Aiandra E. Knights LLB (Hons) UWI
General Counsel

External Counsel

R L Kawaja & Associates
Barristers-at-Law
Chambers
Upper Happy Hill Drive
Nevis, West Indies

Subsidiaries

Bank of Nevis International Limited
Bank of Nevis International Fund Limited
Bank of Nevis International Fund Managers Limited
Bank of Nevis Mutual Fund Limited
Bank of Nevis Fund Managers Limited

Correspondent Banks

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

Investment Brokers

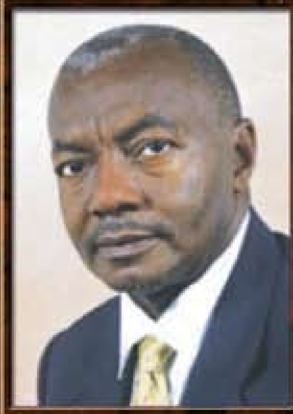
Caribbean Money Market Brokers
Charles Schwab
SunTrust Robinson Humphrey Inc.

Board Committees

Audit & Compliance
Credit
Investment
Building
Strategic Action Planning
Compensation

Board of Directors

Mr. Richard Lupinacci
Chairman



Mr. Rawlinson Isaac

Mr. Hanzel Manners

Ms. Janice Daniel-Hodge

Mr. Spencer H. Howell

Mr. Kishu Chandiramani

Mr. R. Wendell Huggins

Ms. Aiandra Knights
Secretary

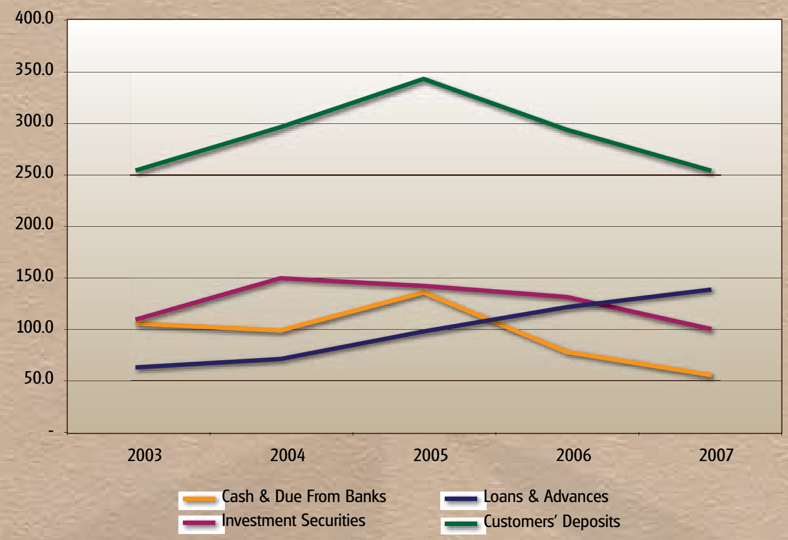
Mr. Oral Martin

GROUP FINANCIAL HIGHLIGHTS

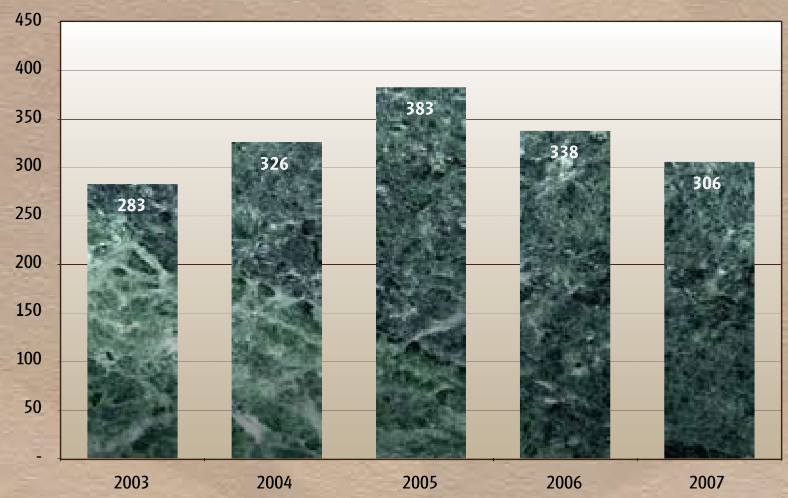
Expressed in Eastern Caribbean Dollars

	2007 (000)	2006 (000)	2005 (000)	2004 (000)	2003 (000)
TotalAssets	**305,836**	337,890	383,186	326,390	283,116
Cash & balances due from other banks	**54,994**	77,239	135,070	97,937	104,675
Investment Securities	**99,621**	130,259	141,186	148,623	108,914
Loans & Advances	**137,468**	120,537	96,896	70,157	62,087
Customers' Deposits	**253,532**	292,991	342,284	295,183	253,856
Paid-up Share Capital	**7,478**	7,478	7,478	7,478	7,478
Shareholders' Equity	**36,466**	32,521	28,498	24,134	24,273
Gross Operating Income	**25,794**	25,134	22,085	16,188	15,978
Total Expense & Provisions (excl. tax)	**20,731**	18,834	17,337	13,166	11,436
Interest Income	**19,949**	21,030	17,510	13,711	12,972
Interest Expense	**7,700**	8,033	8,551	5,913	5,135
Staff Costs	**5,591**	3,576	3,183	2,672	1,960
Operating Income before Tax	**5,063**	6,301	4,749	3,022	4,542
Provision for Income Tax	**126**	95	112	232	185
Net Income	**4,937**	6,206	4,636	2,790	4,357
Earnings per share ($)	**0.66**	0.83	0.62	0.37	0.58
Dividend per Share (cts)	**20.0**	25.0	20.0	17.5	17.5
Return on Average Assets (%)	**1.53**	1.72	1.31	0.92	1.70
Return on Average Equity (%)	**14.31**	20.34	17.62	11.53	21.23
Number of Employees	**53**	50	48	44	38

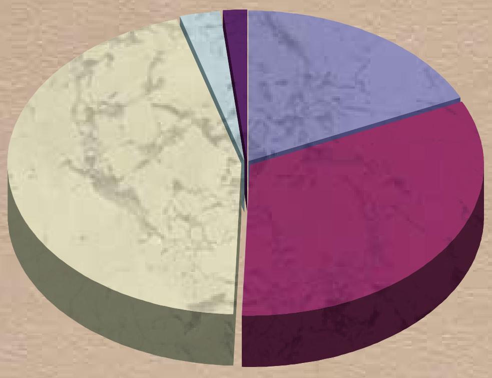
BALANCE SHEET SUMMARY (EC$M): 2003-2007



GROUP TOTAL ASSETS (EC$M): 2003-2007

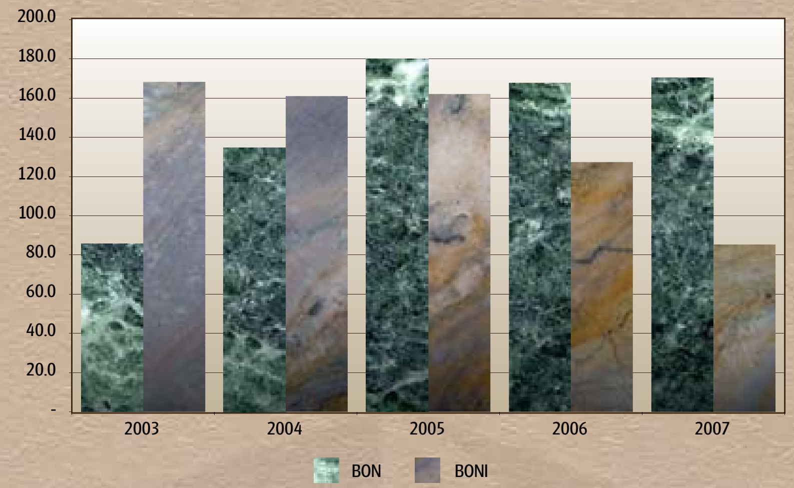


ASSETS SUMMARY



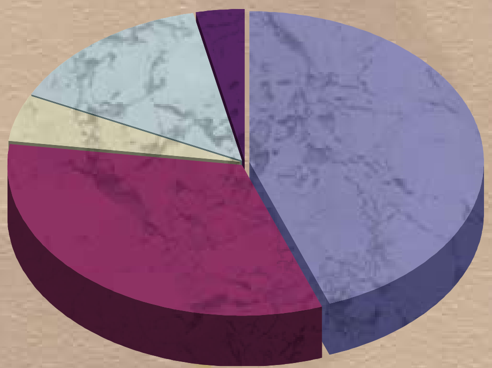
ASSET	2007 (EC$000)	%
Cash & due from banks	54,994	17.98
Investment Securities	99,621	32.57
Loans & Advances	137,468	44.95
Property, Plant, Equip. & Intangible Assets	8,581	2.81
Other Assets	5,170	1.69
TOTAL	**305,836**	**100.00**

DEPOSITS BETWEEN BANKS (EC$M): 2003-2007

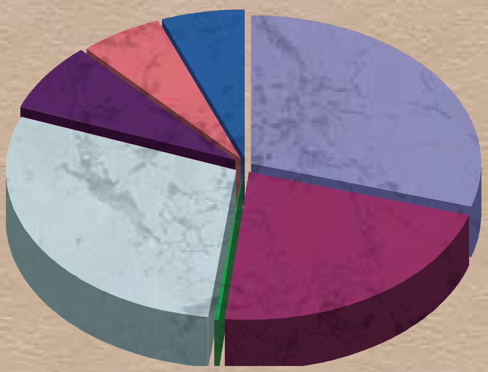


GROUP SOURCES OF INCOME: 2003-2007

	(EC$000)	%
Loans & Advances	11,431	44.3
Deposits & Investments	8,518	33.0
Fees & Commissions	1,237	4.8
Foreign Exchange	3,733	14.5
Other	875	3.4
TOTAL	**25,794**	**100.0**

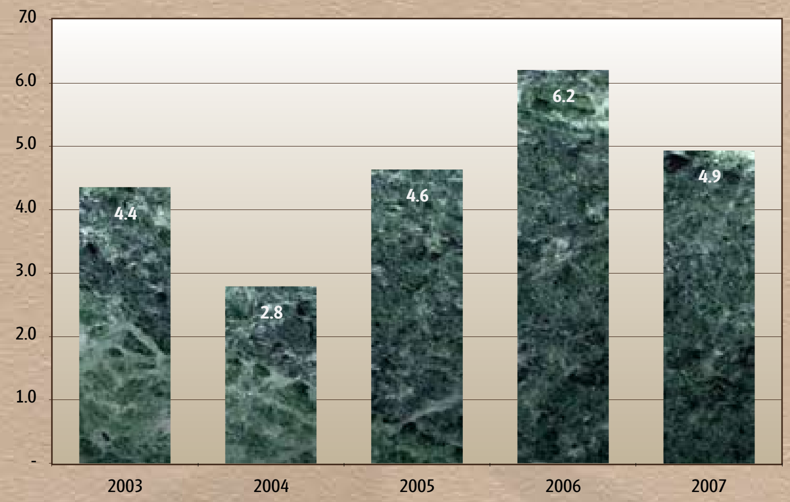


GROUP DISTRIBUTION OF INCOME: 2003-2007

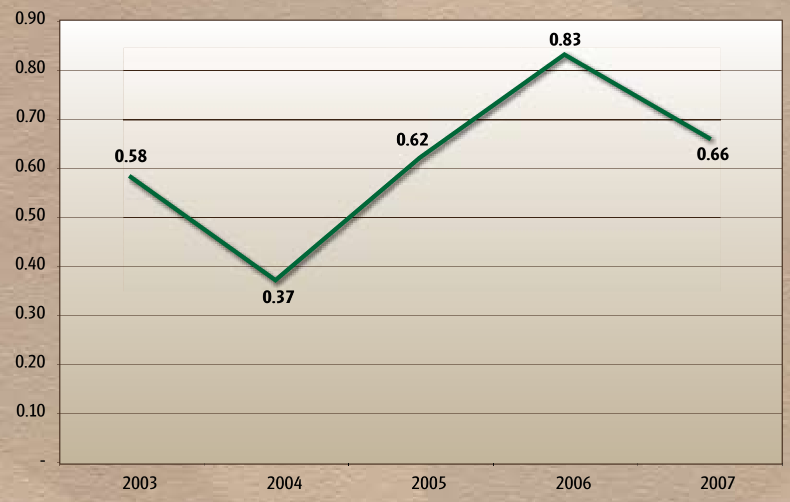


	(EC$000)	%
Interest Expense	7,700	29.9
Personnel Expenses	5,591	21.7
Taxation	127	0.5
Other Operating Expenses	7,439	28.8
Reserve Fund	1,915	7.4
Dividends (proposed)	1,496	5.8
Retained Earnings	1,526	5.9
TOTAL	**25,794**	**100.0**

GROUP NET INCOME (EC$M): 2003-2007



GROUP EARNINGS PER SHARE (EC$)



GROUP DIVIDENDS PER SHARE (EC CENTS)

SHAREHOLDINGS OF DIRECTORS & RELATED PARTIES – JUNE 30, 2007

DIRECTOR	NUMBER OF SHARES HELD
Franklyn Brand	500
Ivan Browne	500
Kishu Chandiramani	18,730
Janice Daniel-Hodge	20,000
Spencer H. Howell	20,000
Wendell Huggins	63,730
Rawlinson Isaac	10,000
Richard Lupinacci	52,930
Hanzel Manners	27,962
Oral Martin	550
TOTAL	**214,902**

SHAREHOLDINGS BY SIZE JUNE 30, 2007

SIZE OF SHAREHOLDING	NUMBER OF SHARE-HOLDERS	PERCENTAGE OF SHARE-HOLDERS	TOTAL SHARES HELD	PERCENTAGE SHARES HELD
1 - 500	220	33.0	47,369	0.6
501 - 1,000	112	16.8	89,495	1.2
1,001 - 2,500	99	14.8	166,446	2.2
2,501 - 5,000	78	11.7	283,392	3.8
5,001 - 10,000	46	6.9	336,620	4.5
10,001 - 25,000	62	9.3	1,035,705	13.8
25,001 - 50,000	21	3.1	664,847	8.9
50,001 - 100,000	15	2.2	1,059,540	14.2
100,001 - 250,000	11	1.6	1,811,890	24.2
250,001 - 500,000	2	0.3	591,800	7.9
500,001 and above	1	0.1	1,391,046	18.6
TOTAL	**667**	**100.0**	**7,478,150**	**100.0**

CHAIRMAN'S REMARKS

Dear Fellow Shareholders, Customers, Staff and Other Stakeholders,

During fiscal year 2007 your Bank and its associated companies enjoyed a period of continued growth and strengthening resulting in the directors' recommendation for a dividend of 20% on each $1.00 share. We are pleased to report that the Bank continues to act as a stimulus for growth in the local economy by giving loans geared towards improving housing, commerce and quality of life. We remain steadfastly committed to ploughing the resources we have garnered in Nevis and St Kitts back into the community.

Of particular significance in the past year has been the financing of the construction of new roads from Potworks to Gingerland and Barnes Ghaut to Jessups. This new infrastructure has already created and continues to generate considerable momentum with respect to increasing the Gross Domestic Product of our community.

We have achieved such successes while grappling with the challenges of a changing international banking environment, in which we are constantly called on to adopt practices and procedures that fall in line with new regulations and more stringent International Financial Reporting Standards, most of which do not always make allowances for the peculiarities of our community and its systems.

Given this demanding regulatory environment, and with a view to improving and diversifying the Bank's services in a competitive market place, we have had to restructure and re-engineer our Bank, and your Board has called on the services of regional and international professionals, when necessary, to assist in this process. The management and staff should be commended for their contribution to the Bank's performance and their support for the administrative adjustments that have been implemented to achieve this effort.

Your Board continues to meet monthly as a group, and in committees, ever mindful of their responsibilities and personal liability to the Bank and it's Shareholders. We have had some disappointments in the Boardroom with the early resignation of our two independent directors Ivan Browne and Franklyn Brand due to time, career and logistical conflicts, but your Board has nonetheless never waned it its dedication to carrying out the mandate that you, the Shareholders, have given to us.

As a founding director and shareholder, I remember always the enthusiastic inspiration of Premier Simeon Daniel in 1984 and the contributions of our early directors, Tim Mosely, Catherine Nicholls, Sonny Parris, Bob Griffith, now departed, as well as former directors, Joseph Parry, Daniel Arthurton and particularly Reginald Kawaja who chaired the Bank during the years of some of its greatest growth. In their memory and honor your Board will continue its best efforts to achieve marked success and growth of your Bank.

Sincerely,

Richard S Lupinacci

RICHARD S LUPINACCI
CHAIRMAN
THE BANK OF NEVIS LIMITED
"MAKING A DIFFERENCE"

DIRECTORS' REPORT

Your Board is pleased to report on the performance of the Bank for the year ended June 30, 2007.

Financial Analysis

Income before Taxation

During the year the Board concentrated on institutional strengthening of the organization, and undertook several initiatives in this regard. These included the restructuring of our management team, new appointments, strategic consultations, increase in remuneration packages to more competitive levels, and upgrading of policies and procedures. The process is still ongoing, and though there have been set backs in some of our initiatives, your Board is of the view, that this is a necessary part of our building process, which will bring long term benefit to the Bank.

The cost of these programmes have impacted profit for the year. Income before taxation of $5.0 million was approximately 20% lower than 2006 income of $6.3 million. This reduction was due mainly to increases in personnel costs, which included gratuities to retiring management and directors, and professional fees paid for upgrading policies and procedures.

Bank of Nevis International Limited experienced a 26.6% decrease in profit due mainly to a fall in interest income from US$2.9 million to US$2.5 million, and a 28% increase in operating expenses. Profit for the domestic bank, before dividend of EC$8.1 million (US$3 million) paid by Bank of Nevis International Limited, was marginally up from $1.4 million to $1.5 million.

In an effort to regularize the capital resources of the Group, Bank of Nevis International Limited paid a dividend of EC$8 million (US$3 million) to the parent company during the year. This dividend boosted pre tax income for the year for the parent company to $9.6 million. This dividend is eliminated in the consolidated financial statements, and is therefore, not reflected in the consolidated pre tax income.

Breakout of contribution to pre tax income before inter company dividend: ($millions)

	2007 EC$mill	2006 EC$mill	2005 EC$mill	2004 EC$mill	2003 EC$mill
The Bank of Nevis Limited	1.50	1.40	1.40	0.50	0.90
Bank of Nevis International Limited	3.50	4.70	3.30	2.50	3.60

Comparison Of Income And Expenses – The Bank Of Nevis Limited (BON) & Bank Of Nevis International Limited (BONI)

	BON $EC	BONI $EC
Loan interest income	10,696,074	734,667
Other interest income	3,163,005	5,892,825
Other income	12,072,553	1,934,178
Operating expenses	8,858,322	3,806,207

Credit Department

The Board recognizes the importance of good credit policies, and during the year sought to improve performance by applying additional resources to the Credit Department in the following areas:

- On site training in credit procedures and administration by an overseas consultant
- Appointment of a Recoveries Officer
- Appointment of a Manager, Credit Administration
- Appointment of a General Counsel

The Bank undertook its largest single loan to date, by providing $30 million to the Nevis Island Government for the financing of the final phase of the island main road project, and the construction of the Barnes Ghaut/Jessups road. This is a major project which will not only make life easier for all the residents of Nevis, but will have a significant impact on the economic development of the island. The Board is, therefore, pleased that the Bank has been able to partner with government in the infrastructural development of the island. Both projects are nearing completion. The Bank stands ready to work with government for the benefit of all the people of Nevis.

The Bank still faces a major challenge in reducing its portfolio of non performing loans which at year end stood at 9.8% of total loans. The new prudential guidelines issued by the Eastern Caribbean Central Bank require this to be reduced to 5%. The Board expects the appointment of the Recoveries Officer and General Counsel to have a significant impact on the reduction of this ratio.

Credit card department

In an effort to reduce costs and improve profitability of this department, the Board took a decision to cancel the Bank's primary membership of Visa and Mastercard International, in favour of Associate Membership. Card processing is now being done by the Caribbean Credit Card Corporation (4C's). This change, which is more appropriate for the Bank's volumes, will result in significant reductions in processing costs, and the release of security deposits previously required. Profitability hangs on volumes, and the department has continued its efforts to build its portfolio of customers in credit cards, debit cards and merchant acquiring.

Breakout of changes in loans & advances

	2007 EC$mill	2006 $ECmill	Change $ECmill
The Bank of Nevis Limited			
Loans and advances (gross)	129.79	109.20	20.59
Less: Provision for loan impairment	(3.12)	(2.90)	(0.22)
Loans and advances (net)	126.67	106.30	20.37
Bank of Nevis International Limited			
Loans and advances (gross)	10.81	14.35	(3.54)
Less: Provision for loan impairment	—	(0.04)	0.04
Loans and advances (net)	10.81	14.31	(3.50)

Deposits

In accordance with a policy established by the Board, the Bank continued to review the customer portfolio of Bank of Nevis International Limited in an effort to remove any accounts that could possibly be in breach of our very clear and stringent guidelines. As a result of this exercise, accounts totalling approximately EC$ 40.4 million (approximately US$15 million) were closed during the year, on the recommendation of our Compliance Department.

This is reflected in the reduction in deposits of Bank of Nevis International Limited from US$47.2 million in 2006 to US$31.7 million in 2007. This decision, along with other group initiatives undertaken during the year had a minor negative impact on liquidity, but management was able to adopt strategies to manage the situation. Liquidity has now improved. Deposits of the domestic bank remained stable during the year, showing a net growth of EC$2.7 million.

Breakout of changes in deposits

	2007 EC$mill	2006 EC$mill	Change EC$mill
The Bank of Nevis Limited			
Current	19.57	18.90	0.67
Savings	68.30	59.00	9.30
Time	80.43	88.10	(7.67)
Interest payable	2.10	1.70	0.40
Total	**170.40**	**167.70**	**2.70**

Breakout of changes in deposits

	2007 EC$mill	2006 EC$mill	Change EC$mill
Bank of Nevis International Limited			
Current	64.62	96.36	(31.74)
Savings	14.82	23.27	8.45
Time/Interest Payable	5.84	7.58	(1.74)
Total	**85.28**	**127.21**	**(41.93)**

Mutual Funds

Bank of Nevis International Mutual Fund Limited has not shown the growth anticipated by the Board, and after careful consideration, a decision has been taken to cease operations as soon as all necessary legal, accounting and procedural arrangements have been put in place. We have, however, decided to retain and maintain the operating licence for future use. The Bank of Nevis Mutual Fund has not yet commenced trading.

Operational Changes

During the year Management made the following operational changes:

- In order to further segregate the operations of our domestic and offshore operations, the operations of Bank of Nevis International Limited were relocated to rented premises on the other side of Main Street, and our credit card department relocated to the main bank premises. The change has brought benefits to both operations. Miss Lyra Richards, who previously held the position of Operations Manager, was appointed Acting Manager of Bank of Nevis International Limited.
- A Human Resources Department was created and a Human Resources Manager appointed.
- A Verification and Processing Unit was created to take on the role of reviewing and verifying all daily transactions, and undertaking certain processing functions. This unit continues to contribute significantly to the reduction in posting and other transactional errors by identifying and correcting them by the following day.
- An Asset and Liability Committee was established to assist in the management of the Bank's assets and liabilities. This committee has so far operated only as a management committee, but the Board intends to co-opt it into a full board committee during the current year.
- Management and staff continued to avail themselves of training opportunities locally and overseas in various areas including, credit, accounting, human resource management, and information technology.

- The domestic bank conducted a survey of the views of customers during the year, and gained valuable insights into their needs and preferences. Some of the suggestions made have already been implemented, and others are under review.
- A two day retreat was organized for directors and management to devise a strategic plan for the next five years. Among many other things, the group agreed on the following new vision and mission statements:

Vision Statement:

To be the Preferred Financial Institution in the Markets we serve

Mission Statement:

To be a profitable and compliant Financial Institution, proactive in exceeding our stakeholders' expectations, with a committed and empowered team.

Changes to the Board of Directors

The following changes were made to the Board during the year:

- Mr Ivan Brown and Mr Franklyn Brand were confirmed as independent directors at the Annual General Meeting held on February 15, 2007. Mr Brown was, therefore, confirmed as chairman of the Board, an appointment which had been made by the Board, effective September 1, 2006.
- Mr Brand resigned on August 1, 2007, because of pressing commitments in St Kitts where he resides, and his difficulty in attending Board and committee meetings as required.
- Mr Brown resigned on September, 30, 2007 after he took up an appointment that would have conflicted with his position as a director of the Bank.
- Mr Oral Martin and Mrs Janice Daniel Hodge were appointed as directors of the Bank at the Annual General Meeting on February 15, 2007.

Changes in Management

The following changes were made to Management during the year:

- Mr Rawlinson Isaac, General Manager of the Bank since 1990, proceeded on retirement leave on September 1, 2006, and retired on December 31, 2006. Mr Hanzel Manners, executive director and Chief Financial Officer was appointed as Acting General Manager until a replacement was found. A new General Manager was recruited, and took up office on January 8, 2007.
- The manager of the Loans Department resigned during the year to take up a new offer. A replacement has been appointed.
- As noted above, a Human Resources Manager was appointed to service the needs of a growing staff complement which had grown to fifty-three (53) at year end.
- The Bank's management team was properly formulated and structured. The team meets bi-weekly.
- Unfortunately, the Bank lost the services of its Compliance Officer and Internal Auditor during the year. The former has already been replaced, and the latter should be replaced shortly.

In order to fill certain critical positions on our management team, the Bank found it necessary to access overseas markets, until the resources could be groomed from our local resources. Your Board recognizes the need to utilize local staff in so far as they are qualified and available, but in a rapidly changing Caribbean environment, considers the regional pool of qualified professionals as an appropriate source for filling available positions at the Bank.

Installation of New Software and Upgrade of Existing Systems

The Bank continued to upgrade and improve its technological resources, and during the year installed or upgraded the following:

Installed:

- iMonitor: an anti money laundering software.
- An electronic hot site for Core Director, our main banking platform, with NDCS in Anguilla. This is an offsite back up storage facility for the Bank's records.
- Cheque imaging software so that cleared cheques can now be stored electronically.
- iSign: an online signature verification software. Customers' signatures can now be verified via the computer screen, instead of by physical examination of paper records.

Upgraded:

- Its ATM system to make it Triple-Des compliant, i.e. to allow it to accept cards other than Bank of Nevis cards.
- Its main banking software, Core Director.

Significant Events Occurring After Year End

Your Board has reviewed the challenges posed by the operation of our offshore subsidiary, Bank of Nevis International Limited, and the resources required to elevate its product and service offerings to a more competitive level. As a result of this review we have decided to consider new strategic directions that could bring additional resources to the table. These initiatives could involve the disposal in whole or in part of the shareholding of the company, which is a wholly owned subsidiary of The Bank of Nevis Limited.

We have commissioned a valuation of the company, and are currently having discussions with interested parties. All actions to date have been exploratory, and no firm decisions on this important matter had been taken at the time of the preparation of this report.

The Bank appointed a Compliance Officer and a General Counsel who took up their appointments on August 1, 2007.

Miss Aiandra Knights, General Counsel, was appointed as Company Secretary on August 30, 2007. The Board would like to thank Miss Lyra Richards for her invaluable service in that position over the past nine years.

Due to unfortunate and unforeseen circumstances, the General Manager who was appointed in January 2007, was relieved of his duties in December 2007.

Constructing of New Banking Premises

We are still having discussions with our architects in an effort to finalise plans. Costs for the initial designs exceeded our budget, and our Building Committee has had to review the scope of work and designs to lower costs and allow for possible changes in requirements.

Conclusion

Your Board would again like to record its sincere thanks and appreciation to our staff, customers, partners and shareholders for making this another successful year, and extends our best wishes to all of the Bank's stakeholders for a successful 2008.

By order of the Board

A Knights.

AIANDRA KNIGHTS
SECRETARY

JANUARY 2008

PricewaterhouseCoopers
Cnr. Bank Street & W. Independence Sq.
P.O. Box 1038
Basseterre
St. Kitts, West Indies
Telephone (869) 466-8200
Facsimile (869) 466-9822

December 28, 2007

Independent Auditors' Report

To the Shareholders of
The Bank of Nevis Limited

We have audited the accompanying consolidated financial statements of **The Bank of Nevis Limited**, which comprise the balance sheet as of June 30, 2007, and the statement of income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PRICEWATERHOUSECOOPERS

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **The Bank of Nevis Limited** as of June 30, 2007 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

CHARTERED ACCOUNTANTS

The Bank of Nevis Limited

CONSOLIDATED BALANCE SHEET

AS OF JUNE 30, 2007

(expressed in Eastern Caribbean dollars)

	2007 $	2006 $
Assets		
Cash and balances due from other banks (note 6)	**54,994,414**	77,239,238
Investment securities (note 7)	**99,621,344**	130,258,954
Income tax receivable (note 14)	–	73,956
Loans and advances (note 8)	**137,468,229**	120,536,805
Other assets (note 9)	**5,170,449**	1,244,190
Property, plant and equipment (note 10)	**8,304,506**	8,080,128
Intangible assets (note 11)	**276,650**	456,382
Total assets	**305,835,592**	337,889,653
Liabilities		
Customers' deposits (note 12)	**253,532,214**	292,990,983
Other liabilities and accrued expenses (note 13)	**14,883,999**	11,570,485
Provision for income tax (note 14)	**161,399**	111,694
Deferred tax (note 14)	**571,881**	485,947
Redeemable shares (note 15)	**220,346**	209,359
Total liabilities	**269,369,839**	305,368,468
Shareholders' Equity		
Share capital (note 16)	**7,478,150**	7,478,150
Revaluation reserves (note 17)	**1,179,317**	301,963
Other reserves (note 18)	**10,162,765**	6,296,788
Retained earnings	**17,645,521**	18,444,284
Total shareholders' equity	**36,465,753**	32,521,185
Total liabilities and shareholders' equity	**305,835,592**	337,889,653

The notes on pages 25 to 69 are an integral part of these consolidated financial statements.

Approved by the Board of Directors on December 28, 2007

Richard S Lupinacci ______ Chairman ______ Director

The Bank of Nevis Limited

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED JUNE 30, 2007

(expressed in Eastern Caribbean dollars)

	2007 $	2006 $
Interest income		
Income from loans and advances	**11,430,740**	10,515,356
Income from deposits with other banks and investment securities	**8,517,781**	10,514,427
	19,948,521	21,029,783
Interest expense		
Savings accounts	**3,124,012**	2,082,929
Time deposits and current accounts	**4,575,761**	5,949,959
	7,699,773	8,032,888
Net interest income	**12,248,748**	12,996,895
Gains less losses from investment securities (note 7)	**(286,740)**	(257,923)
Unrealized loss on fair value through profit or loss investments	–	(167,410)
Realized loss on fair value through profit or loss investments	**(57,480)**	–
Impairment loss on available-for-sale investment securities	–	(113,530)
Other operating income (note 19)	**5,845,439**	4,105,074
Operating income	**17,749,967**	16,563,106
Operating expenses		
General and administrative expenses (note 26)	**10,573,976**	7,291,196
Provision for loan impairment, net of recoveries (note 8)	**361,918**	1,310,674
Directors' fees and expenses	**893,330**	745,847
Depreciation (note 10)	**344,465**	286,115
Amortisation (note 11)	**249,720**	236,952
Correspondent bank charges	**263,328**	391,479
	12,686,737	10,262,263
Operating income for the year before taxation	**5,063,230**	6,300,843
Taxation (note 14)		
Current tax expense	**127,346**	143,326
Witholding tax	–	599
Prior year tax (credit) expense	–	(60,655)
Deferred tax expense	**(869)**	11,858
	126,477	95,128
Net income for the year	**4,936,753**	6,205,715
Earnings per share (note 21)	**0.66**	0.83

The notes on pages 25 to 69 are an integral part of these consolidated financial statements.

The Bank of Nevis Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2007

(expressed in Eastern Caribbean dollars)

	Share capital $	Revaluation reserve – available for sale investments $	Revaluation reserve – property $	Other reserves $	Retained earnings $	Total $
Balance, June 30, 2005	7,478,150	(597,481)	1,586,632	5,866,333	14,164,655	28,498,289
Net income for the year	–	–	–	–	6,205,715	6,205,715
Dividends (note 24)	–	–	–	–	(1,495,631)	(1,495,631)
Reserve for loan impairment (note 18)	–	–	–	(431,505)	431,505	–
Transfer of net losses to income (net of tax)	–	362,565	–	–	–	362,565
Depreciation in market value of investment securities, net of tax	–	(1,049,753)	–	–	–	(1,049,753)
Transfer to reserve fund (note 18)	–	–	–	861,960	(861,960)	–
Balance, June 30, 2006	7,478,150	(1,284,669)	1,586,632	6,296,788	18,444,284	32,521,185
Net income for the year	–	–	–	–	4,936,753	4,936,753
Dividends (note 24)	–	–	–	–	(1,869,539)	(1,869,539)
Reserve for loan impairment (note 18)	–	–	–	1,950,996	(1,950,996)	–
Transfer of net losses (net of tax)	–	286,740	–	–	–	286,740
Appreciation in market value of investment securities (net of tax)	–	590,614	–	–	–	590,614
Transfer to reserve fund (note 18)	–	–	–	1,914,981	(1,914,981)	–
Balance, June 30, 2007	**7,478,150**	**(407,315)**	**1,586,632**	**10,162,765**	**17,645,521**	**36,465,753**

The notes on pages 25 to 69 are an integral part of these consolidated financial statements.

The Bank of Nevis Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2007

(expressed in Eastern Caribbean dollars)

	2007 $	2006 $
Cash flows from operating activities		
Operating income for the year before taxation	**5,063,230**	6,300,843
Items not affecting cash:		
Unrealised loss on fair value through profit or loss investments	–	167,410
Realised loss on fair value through profit or loss investments	**57,480**	–
Realised loss on available for sale investments	**286,740**	257,923
Provision for loan impairment, net of recoveries	**361,918**	1,310,674
Depreciation	**344,465**	286,115
Amortisation	**249,720**	236,952
Loss on disposal of property, plant and equipment	**38,371**	7,252
Interest income	**(19,948,521)**	(21,029,783)
Interest expense	**7,699,773**	8,032,888
Impairment loss on available-for-sale investment securities	–	113,530
Cash flows from operating income before changes in operating assets and liabilities	**(5,846,824)**	(4,316,196)
Changes in operating assets and liabilities		
Increase in restricted fixed deposits	**(1,347,453)**	–
(Increase) decrease in deposits held for regulatory purposes	**3,011,214**	(1,648,503)
Increase in loans and advances	**(17,104,383)**	(24,753,750)
Decrease (increase) in other assets	**(3,926,258)**	92,149
(Decrease) increase in customer deposits	**(39,856,748)**	(48,329,768)
Increase in other liabilities and accrued expenses	**3,313,514**	1,733,724
Cash used in from operations	**(61,756,938)**	(77,222,344)
Interest paid	**(7,301,794)**	(8,996,070)
Interest received	**20,186,204**	20,985,129
Income tax paid, net of refunds	**(3,685)**	(75,433)
Net cash used in from operating activities	**(48,876,213)**	(65,308,718)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(607,214)**	(343,200)
Purchase of intangible assets	**(69,988)**	(56,512)
Proceeds from sale of property, plant and equipment	–	548
Decrease in investment securities	**19,195,102**	9,532,516
Increase in fixed deposits	**4,042,350**	1,820,071
Net cash from investing activities	**22,560,250**	10,953,423

The notes on pages 25 to 69 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS ... CONTINUED

FOR THE YEAR ENDED JUNE 30, 2007

(expressed in Eastern Caribbean dollars)

	2007 $	2006 $
Cash flows used in financing activities		
Issue (Redemption) of redeemable shares	**10,987**	(1,856,926)
Dividends paid	**(1,869,539)**	(1,495,631)
Net cash used in from financing activities	**(1,858,552)**	(3,352,557)
Decrease in cash and cash equivalents	**(28,174,515)**	(57,707,852)
Cash and cash equivalents, beginning of year	**107,997,617**	165,705,469
Cash and cash equivalents, end of year (note 25)	**79,823,102**	107,997,617

The notes on pages 25 to 69 are an integral part of these consolidated financial statements.

(expressed in Eastern Caribbean dollars)

1 Incorporation and principal activity

The Bank of Nevis Limited (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.

On July 29, 2004 the Bank of Nevis International Fund Limited was incorporated. The Fund is an open-ended public mutual fund approved to be registered under the Nevis International Mutual Fund Ordinance, 2004. It commenced operations on February 9, 2005. (See note 28)

On July 29, 2004, the Bank of Nevis International Fund Managers Limited was incorporated in Nevis in accordance with the Nevis Business Corporation Ordinance, 1984 as amended and is a licensed and regulated investment manager under the Nevis International Mutual Fund Ordinance, 2004. The company is the investment manager for its related Fund – Bank of Nevis International Fund Limited, and manages the investment activities of the Fund. (See note 28)

On February 3, 2005, the Bank of Nevis Mutual Fund Limited was incorporated. The Fund is an open-ended public investment fund approved to be registered under the Securities Act 2001 of St. Kitts and Nevis. The Fund has not yet commenced its mutual fund activities.

On April 25, 2005, the Bank of Nevis Fund Managers Limited was incorporated under the laws of the Federation of St. Christopher and Nevis, through the Companies Ordinance 1999 of St. Kitts and Nevis. The company will be engaged to provide investment management service to its related Fund – Bank of Nevis Mutual Fund Limited – when the Fund commences its mutual fund activities.

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

2 Significant accounting policies

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

a) Basis of preparation

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies ... continued

a) Basis of preparation ... continued

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and under the historical cost convention as modified by the revaluation of land and buildings and available-for-sale investment securities.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

Standards, amendments and interpretations effective in 2007

IAS 39 (Amendment), The Fair Value Option (effective from 1 January 2006), changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. This amendment does not have a significant impact on the Bank's financial statements.

IFRIC 8, 'Scope of IFRS 2' (effective May 1, 2006), requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This interpretation does not have any impact on the Bank's financial statements.

Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations to published standards are mandatory during the current financial year, but they are not relevant to the Bank's operations:

- IAS 19 Amendment, Actuarial Gains and Losses, Bank Plans and Disclosures (effective January 1, 2006)
- IFRIC 4, Determining whether an arrangement contains a lease (effective January 1, 2006)
- IFRS 4, 'Insurance contracts' (effective January 1, 2006)
- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies' (effective March 1, 2006)
- IFRIC 9, 'Re-assessment of embedded derivatives' (effective June 1, 2006)

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies ... continued

a) Basis of preparation ... continued

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Bank's accounting periods beginning on or after 1 July, 2007 or later periods, but the Bank has not early adopted them:

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Bank's financial instruments, or the disclosures relating to taxation and trade and other payables.

IFRIC 11, 'IFRS 2 – Bank and treasury share transactions', provides guidance on whether share-based transactions involving treasury shares or involving Bank entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the separate accounts of the parent Bank. This interpretation does not have an impact on the Bank's financial statements.

IFRS 8, 'Operating segments ' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Bank will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

Standards and interpretations to existing standards that are not yet effective and not relevant for the Bank's operations

The following interpretations to existing standards have been published and are mandatory for the Bank's accounting periods beginning on or after July 1, 2007 or later periods but are not relevant for the Bank's operations:

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009)
- IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008).
- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008)
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008)

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies ... continued

b) Basis of consolidation

The consolidated financial statements include the accounts of the Bank and its subsidiaries: Bank of Nevis International Limited and subsidiaries, Bank of Nevis Mutual Fund Limited and Bank of Nevis Fund Managers Limited. Subsidiaries are all entities over which the Bank has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between related entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

c) Segment reporting

A business segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

d) 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, unrestricted treasury bills, short-term funds and investments with original maturities of less than or equal to 90 days.

e) Investment securities

The Bank classifies its investment securities in the following categories: loans and receivables, financial assets at fair value through profit or loss and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets classified in this category if required principally for the purpose of selling in the short term or if so designated by management.

2 Significant accounting policies ... continued

e) Investment securities ... continued

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money, goods or services directly to a debtor with no intention of trading the receivable.

(c) Available-for-sale

Available-for-sale investments are those 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.

Purchases and sales of financial assets at fair value through profit or loss and available for sale are recognised on trade-date (the date on which the Bank commits to purchase or sell the asset). Loans are recognised when cash is advanced to the borrower. Financial assets are initially recognised at purchase price plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently carried at fair value. However, investments in unimpaired equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost. Loans and receivables are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

However, interest calculated using the effective interest method is recognised in the statement of income. Dividends on available-for-sale equity instruments are recognised in the statement of income when the entity's right to receive payment is established. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the statement of income in the period in which they arise.

The fair values of quoted investments in active markets are based on current bid prices.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies ... continued

f) Impairment of financial assets

(a) Assets carried at amortised cost

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

(i) significant financial difficulty of the issuer or obligor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

(iii) the Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

(iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) the disappearance of an active market for that financial asset because of financial difficulties; or

(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

- adverse changes in the payment status of borrowers in the group; or
- national or local economic conditions that correlate with defaults on the assets in the group.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies ... continued

f) Impairment of financial assets ...continued

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (ie, on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude).

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies ... continued

f) Impairment of financial assets ...continued

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment 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 in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating) the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of income.

b) Assets carried at fair value

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of income. Impairment losses recognised in the statement of income on equity instruments are not reversed through the statement of income. If in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of income.

g) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

2 Significant accounting policies … continued

g) Provisions … continued

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value for money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an expense.

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 account in determining operating profit. 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.

i) Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of five years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies ... continued

j) Deferred income taxes

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.

k) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by shareholders. Dividends for the year which are approved after the balance sheet date, are noted as a subsequent event (note 24).

l) Interest income and expense and revenue recognition

Interest income and expenses are recognised in the statement of income for all instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest to discount the future cash flows for the purpose of measuring the impairment loss.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies ... continued

m) Fees and commissions income and revenue recognition

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.

n) Foreign currency translation

Items included in the financial statements of Bank of Nevis International Limited are measured using United States dollars, 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.

(a) Functional and presentation currency

Items included in the financial statements of each of the Bank's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Eastern Caribbean dollars which is the parent Bank's functional and presentation currency.

(b) Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into Eastern Caribbean dollars at the closing rates of exchange prevailing at the balance sheet date. Foreign currency transactions are translated at the rates prevailing on the transaction dates. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

Proceeds from subscription and amounts paid on redemption of shares are translated at prevailing dates of the transaction. Translation differences on non-monetary items, such as equities held at fair value through income, are reported as part of the fair value gain or loss.

o) Pension costs

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

(expressed in Eastern Caribbean dollars)

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 and loans and advances. Financial liabilities of the Bank include customers' deposits and certain other liabilities.

b) Credit risk

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 are 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. Cash deposits with other banks and short-term investments are placed with reputable regional and international financial institutions and Governments.

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.

Credit related commitments

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, overdraft facilities or letters of credit. 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.

(expressed in Eastern Caribbean dollars)

3 Financial risk management

b) Credit risk … continued

Credit related commitments … continued

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 authorized 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.

The bank monitors the term to maturity of credit commitments because long-term commitments generally have a greater degree of credit risk than shorter term commitments.

Commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorizing 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.

(expressed in Eastern Caribbean dollars)

3 FINANCIAL RISK MANAGEMENT...CONTINUED

Geographical concentration of assets, liabilities, income, capital expenditure and off balance sheet items

	Total assets $	%	Total liabilities $	%	Interest and other operating income $	%	Credit commitments $	%	Capital expenditure $	%
As of June 30, 2007										
St. Christopher and Nevis	201,206,513	66	146,017,246	53	17,120,813	66	41,917,836	100	677,202	100
United States of America and Canada	73,260,645	24	110,012,066	41	4,539,402	18	–	–	–	–
Other Caribbean states	19,815,973	6	5,679,904	2	1,132,759	4	–	–	–	–
Europe	11,552,461	4	7,660,623	4	3,000,986	12	–	–	–	–
	305,835,592	**100**	**269,369,839**	**100**	**25,793,960**	**100**	**41,917,836**	**100**	**677,202**	**100**
As of June 30, 2006										
St. Christopher and Nevis	163,960,808	49	148,554,668	48	15,075,037	60	20,270,268	88	343,200	100
United States of America and Canada	92,424,109	27	140,930,187	46	6,039,045	24	2,792,626	12	–	–
Other Caribbean states	63,156,262	19	5,189,295	2	3,315,567	13	–	–	–	–
Europe	18,348,474	5	10,694,318	4	705,208	3	–	–	–	–
	337,889,653	100	305,368,468	100	25,134,857	100	23,062,894	100	343,200	100

(expressed in Eastern Caribbean dollars)

3 Financial risk management…continued

Geographical concentration of assets, liabilities, income, capital expenditure and off balance sheet items…cont'd

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 a major bank 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.

The geographic sector risk concentration within the customer loan portfolio is in St. Christopher and Nevis.

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

	2007 $	2007 %	2006 $	2006 %
Personal	**34,728,210**	**25**	39,697,770	32
Commercial	**46,986,904**	**33**	42,300,085	34
Public Sector	**28,730,963**	**20**	18,674,244	15
Investments	**11,207,465**	**9**	–	–
Development Bank of St. Kitts and Nevis	**6,857,575**	**5**	9,087,912	7
Land	**4,667,519**	**3**	5,875,011	5
Agricultural/Manufacturing	**2,137,811**	**2**	826,755	1
Credit card advances	**2,105,492**	**1**	2,331,544	2
Educational	**1,862,060**	**1**	2,013,217	2
Professional	**1,305,196**	**1**	2,734,976	2
	140,589,195	**100**	123,541,514	100

(expressed in Eastern Caribbean dollars)

3 Financial risk management...continued

c) Interest rate risk

The Bank invests in securities, advances loans and receives deposits as a 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 Bank mitigates its interest rate risk by matching the maturity periods of its assets and liabilities. The table below analyses the effective interest rates for each class of financial asset and financial liability.

	2007	2006
Loans and advances		
Loans	**8.70%**	9.45%
Advances	**8.72%**	9.64%
Credit card advances	**18.24%**	16.83%
Investment Securities		
Government treasury bills	**6.75%**	6.67%
Investment securities, fixed deposits and other investments	**4.15%**	4.67%
Fixed rate bonds	**5.80%**	3.49%
Customer deposits		
Demand deposits	**0.49%**	0.64%
Savings deposits	**2.92%**	2.95%
Time deposits	**5.04%**	5.18%

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.

The following table summarises the Bank's foreign currency exposure.

(expressed in Eastern Caribbean dollars)

3 FINANCIAL RISK MANAGEMENT…CONTINUED

(d) Currency risk … continued

Analysis of assets, liabilities and credit commitments by currency

	XCD $	USD $	EURO $	GBP $	CAD $	Other $	Total $
Assets							
Cash and balances due from other banks	21,901,933	25,684,630	2,725,157	4,105,824	489,694	87,176	54,994,414
Investments	47,043,870	52,577,474	–	–	–	–	99,621,344
Loans and advances	121,504,168	15,964,061	–	–	–	–	137,468,229
Other assets	1,089,956	4,080,493	–	–	–	–	5,170,449
Intangible assets	276,650	–	–	–	–	–	276,650
Property, plant and equipment	8,304,506	–	–	–	–	–	8,304,506
Total assets	**200,121,083**	**98,306,658**	**2,725,157**	**4,105,824**	**489,694**	**87,176**	**305,835,592**
Liabilities							
Customers' deposits	137,609,634	114,871,623	517,841	435,299	97,817	–	253,532,214
Other liabilities	3,140,883	11,743,116	–	–	–	–	14,883,999
Provision for income tax	161,399	–	–	–	–	–	161,399
Deferred tax	571,881	–	–	–	–	–	571,881
Redeemable shares	–	220,346	–	–	–	–	220,346
Total liabilities	**141,483,797**	**126,835,085**	**517,841**	**435,299**	**97,817**	**–**	**269,369,839**

(expressed in Eastern Caribbean dollars)

3 FINANCIAL RISK MANAGEMENT…CONTINUED

d) Currency risk … continued

	XCD $	USD $	EURO $	GBP $	CAD $	Other $	Total $
Net balance sheet position	**58,637,286**	**(28,528,427)**	**2,207,316**	**3,670,525**	**391,877**	**87,176**	**36,465,753**
Credit commitments	**28,436,942**	**13,480,894**	**–**	**–**	**–**	**–**	**41,917,836**
As of June 30, 2006							
Total assets	193,442,123	121,726,211	11,630,257	8,713,065	610,595	1,767,402	337,889,653
Total liabilities	142,540,301	158,535,045	2,555,148	1,644,361	93,613	–	305,368,468
Net balance sheet position	50,901,822	(36,808,834)	9,075,109	7,068,704	516,982	–	32,521,185
Credit commitments	14,068,665	8,994,229	–	–	–	–	23,062,894

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 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.

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management...continued

e) Liquidity risk ... continued

Maturities of assets and liabilities, June 30, 2007

	Up to 1 year $	1-5 years $	Over 5 years $	Total $
Assets				
Cash and due from other banks	45,609,714	–	9,384,700	54,994,414
Investment securities	77,482,070	2,694,900	19,444,374	99,621,344
Loans and advances	35,074,895	93,275,702	9,117,632	137,468,229
Other assets	1,971,659	3,198,790	–	5,170,449
Property, plant and equipment	–	–	8,304,506	8,304,506
Intangible assets	45,153	–	231,497	276,650
Total Assets	**160,183,491**	**99,169,392**	**46,482,709**	**305,835,592**
Liabilities				
Customer deposits	250,811,025	2,721,190	–	253,532,215
Other liabilities and accrued expenses	5,798,720	9,085,278	–	14,883,998
Provision for income tax	161,399	–	–	161,399
Deferred tax	–	571,881	–	571,881
Redeemable shares	220,346	–	–	220,346
Total liabilities	**256,991,490**	**12,378,349**	**–**	**269,369,839**
Net liquidity gap, June 30, 2007	**(96,807,999)**	**86,791,043**	**46,482,709**	**36,465,753**

(expressed in Eastern Caribbean dollars)

3 Financial risk management...continued

e) Liquidity risk … continued

Maturities of assets and liabilities, June 30, 2006

	Up to 1 year $	1-5 years $	Over 5 years $	Total $
Total assets	158,269,376	122,660,942	56,959,335	337,889,653
Total liabilities	292,137,714	13,230,754	–	305,368,468
Net liquidity gap, June 30, 2006	(133,868,338)	109,430,188	56,959,335	32,521,185

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 terms 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.

(expressed in Eastern Caribbean dollars)

3 FINANCIAL RISK MANAGEMENT...CONTINUED

f) Fair value

	Carrying Value		Fair Value	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Financial assets				
Cash and due from other banks	**54,994,414**	77,239,238	**54,994,414**	77,239,238
Loans and advances to customers	**137,468,229**	120,536,805	**137,468,229**	120,536,805
Investment securities	**99,621,344**	130,258,954	**99,621,344**	130,258,954
Other assets	**5,170,449**	1,244,190	**5,170,449**	1,244,190
	297,254,436	329,279,187	**297,254,436**	329,279,187
Financial liabilities				
Customers' deposits	**253,532,214**	292,990,983	**253,532,214**	292,990,983
Other liabilities and accrued expenses	**14,883,999**	11,570,485	**14,883,999**	11,570,485
Redeemable shares	**220,346**	209,359	**220,346**	209,359
	268,636,559	304,770,827	**268,636,559**	304,770,827

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 are comprised of 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.

3 Financial risk management … continued

f) Fair value … continued

- Investment securities

  Fair value is based on quoted market values. The fair value of investments in equity investments that do not have a quoted market price in an active market is determined by management using cost (where there is no assessed impairment) or using an appropriate valuation method.

- 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 Critical accounting estimates, and judgements in applying accounting policies and key sources of estimation uncertainty

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or local economic conditions that correlate with defaults on assets in the Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

4 Critical accounting estimates, and judgements in applying accounting policies and key sources of estimation uncertainty ... continued

(a) Impairment losses on loans and advances ... continued

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the net present value of estimated cash flows differs by +/-5 percent, the provision would be estimated $128,925 lower or $180,589 higher respectively.

(b) Impairment of available for-sale equity investments

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Had all the declines in fair value below cost been considered significant or prolonged, the Bank would suffer an increase in the impairment loss of $970,962 in its 2007 financial statements, being included in the transfer of the accumulated fair value declines recognised in equity on the impaired available-for-sale financial assets to the income statement.

For available for sale equity investments, which are not traded in an active market and for which there is evidence of impairment, the fair value is estimated using the net present value of the estimated future cash flows and other internal valuation methods. To the extent that the net present value of estimated cash flows differs by +/-5 percent, the impact on the fair values of these investments would be insignificant.

(c) Income taxes

The Bank is subject to income taxes in St. Christopher and Nevis. Judgment is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such determination is made. Were the actual final outcome to differ by +/-10% from management's estimates: the impact on the losses carried forward and the current income tax provision would not be significant.

5 Business segments

At June 30, 2007, the Group is organised into three main business segments:

(1) Retail and Corporate banking – incorporating private banking services, customer current accounts, savings, deposits, consumer loans and mortgages and other credit facilities, overdrafts, debit cards;

(2) Offshore Banking – incorporating private banking services, customer current accounts, savings, deposits, consumer loans and mortgages and other credit facilities, overdrafts to non-residents of Nevis; and

(3) Mutual Funds – Open-ended public mutual funds comprising US dollar Money Market investments.

Transactions between the business segments are on normal commercial terms and conditions.

(expressed in Eastern Caribbean dollars)

5 Business segments ... continued

	Retail and corporate banking $	Offshore banking $	Mutual fund $	Eliminating entries $	Group $
As of June 30, 2007					
External revenues	17,786,932	7,436,041	570,987		25,793,960
Revenues from other segments	8,144,700	1,125,629	116,482	(9,386,811)	–
Total revenues	**25,931,632**	**8,561,670**	**687,469**	**(9,386,811)**	**25,793,960**
Segment result and profit before tax	2,209,421	2,554,155	299,654	–	5,063,230
Income tax (expense) credit	(34,104)	(69,590)	(22,783)	–	(126,477)
Profit (loss) for the year	**2,175,317**	**2,484,565**	**276,871**	**–**	**4,936,753**
Segment assets	**209,005,452**	**91,109,877**	**5,720,263**	**–**	**305,835,592**
Segment liabilities	**180,873,696**	**88,149,508**	**346,635**	**–**	**269,369,839**
Other segment items					
Impairment provision – loans	371,485	(9,567)	–	–	361,918
Depreciation	311,474	32,991	–	–	344,465
Amortisation	219,313	30,407	–	–	249,720
Capital expenditure	631,422	45,780	–	–	677,202

(expressed in Eastern Caribbean dollars)

5 Business segments … continued

	Retail and corporate banking $	Offshore banking $	Mutual fund $	Eliminating entries $	Group $
As of June 30, 2006					
External revenues	15,583,935	8,587,757	963,165	–	25,134,857
Revenues from other segments	2,160,654	542,774	34,185	(2,737,613)	–
Total revenues	17,744,589	9,130,531	997,350	(2,737,613)	25,134,857
Segment result and profit before tax	1,340,709	4,401,547	558,587	–	6,300,843
Income tax (expense) credit	31,716	(87,624)	(39,220)	–	(95,128)
Profit for the year	1,372,425	4,313,923	519,367	–	6,205,715
Segment assets	198,028,959	127,109,179	12,751,515	–	337,889,653
Segment liabilities	174,793,743	130,238,435	336,290	–	303,368,468
Other segment items					
Impairment provision - investments	113,530	–	–	–	113,530
Impairment provision – loans	1,309,318	1,356	–	–	1,310,674
Depreciation	234,278	51,837	–	–	286,115
Amortisation	206,557	30,395	–	–	236,952
Capital expenditure	293,973	49,227	–	–	343,200

(expressed in Eastern Caribbean dollars)

6 Cash and balances due from other banks

	2007	2006
	$	$
Cash on hand	**1,858,079**	2,394,357
Balances with Eastern Caribbean Central Bank (ECCB) other than mandatory deposits	**410,845**	95,632
Cash and current accounts with other banks	**24,900,239**	26,101,163
Cheques in the course of collection	**3,316,339**	1,701,270
Short-term marketable securities	**7,911,930**	24,467,089
Included in cash and cash equivalents (note 25)	**38,397,432**	54,759,511
Mandatory reserve deposits with the ECCB	**9,418,716**	12,429,930
Restricted fixed deposits	**7,006,743**	5,659,290
Fixed deposits	–	4,042,350
	54,822,891	76,891,081
Interest receivable	**171,523**	348,157
Total cash and balances due from other banks	**54,994,414**	77,239,238

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 inter-bank 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 in 2006 represented a deposit held at CLICO (Trinidad) Limited and it accrued interest at a rate of 7.5% per annum.

The restricted fixed deposits comprise deposits held with Regions Bank of $5,389,800 (2006; $2,694,900) bearing interest of 5.25% (2006: 5.37%) and a deposit held with British American Insurance of $1,646,943 (2006: nil) bearing interest at a rate of 8.65% per annum. These deposits are not available for use in the Bank's day-to-day operations. They are used as security deposits primarily for the credit card operations and custodial services.

(expressed in Eastern Caribbean dollars)

7 Investment securities

	2007 $	2006 $
Loan and receivables		
Treasury bills		
Treasury bills – Government of Saint Christopher and Nevis, maturing August 21, 2007 with interest rate of 6.5%	**30,374,755**	42,524,067
Treasury bill – Government of Grenada, maturing on July 6, 2007 with interest rate of 6.44%	**2,854,039**	2,854,039
Treasury bills – Nevis Island Administration maturing July 23, 2007 with interest rate of 7%	**8,196,876**	7,860,000
Included in cash and cash equivalents (note 25)	**41,425,670**	53,238,106
Treasury bill – Nevis Island Administration maturing July 23, 2007 with interest rate of 7%	**1,035,942**	1,000,000
	42,461,612	54,238,106
Bonds and other debt instruments		
Government of Antigua and Barbuda Fixed rate bond bearing interest at 9%	**2,226,963**	2,426,712
Caribbean Credit Card Corporation Limited Unsecured loan bearing interest at a rate of 10%, with no specific terms of repayment	**150,000**	150,000
British American Insurance executive premium annuity plan, maturing on May 31, 2009 with interest rate of 8.25%	**2,694,900**	–
ECIC Holdings Limited 6% preference shares	**2,004,332**	2,004,332
	7,076,195	4,581,044
Total loans and receivables	**49,537,807**	58,819,150
Financial assets at fair value through profit or loss		
Citigroup Funding Inc. principal protected notes with variable interest rates	–	4,487,103

7 Investment securities... continued

	2007 $	2006 $
Available for sale		
Debt securities quoted, at market value	**44,481,413**	61,348,577
Equity securities at market value	**1,222,320**	1,074,160
Equity securities – unquoted	**3,369,349**	3,269,501
Total available for sale	**49,073,082**	65,692,238
Total investment securities before interest receivable	**98,610,889**	128,998,491
Interest receivable	**1,010,455**	1,260,463
Total investment securities	**99,621,344**	130,258,954

The treasury bill with a cost of $1,035,942 acts as a statutory deposit with the Nevis Island Administration and is not available to finance the Bank's day to day operations.

The movement in investment securities may be summarised as follows:

	Loans and receivables $	Available for sale $	Fair value through profit or loss $	Total $
Balance as of June 30, 2006	58,819,150	65,692,238	4,487,103	128,998,491
Additions	2,730,839	41,152,352	–	43,883,191
Disposals (sale and redemption)	(12,012,182)	(58,181,730)	(4,487,103)	(74,681,015)
Loss from change in fair value, net	–	410,222	–	410,222
Balance as of June 30, 2007	**49,537,807**	**49,073,082**	–	**98,610,889**

Net losses from investment securities comprise:

	2007 $	2006 $
Net realised losses from disposal of available-for-sale financial assets	**(286,740)**	(257,923)

(expressed in Eastern Caribbean dollars)

8 LOANS AND ADVANCES

	2007 $	2006 $
Reducing balance loans	**121,864,094**	109,356,776
Overdrafts	**15,459,238**	10,863,568
Credit card advances	**2,087,278**	2,331,544
	139,410,610	122,551,888
Interest receivable	**1,178,585**	989,626
	140,589,195	123,541,514
Less: Allowance for loan impairment	**(3,120,966)**	(3,004,709)
Total loans and advances	**137,468,229**	120,536,805

Allowance for loan impairment

	2007 $	2006 $
The movement in allowance for loan impairment is as follows:		
Balance, beginning of year	**3,004,709**	2,265,890
Provision for the year	**371,485**	1,310,674
Recoveries during the year	**(9,567)**	(184,570)
Adjustment for increase in provision for other asset	**(137,558)**	–
Loans and advances written off during the year as uncollectible	**(108,103)**	(387,285)
Balance, end of year	**3,120,966**	3,004,709

According to the Eastern Caribbean Central Bank loan provisioning guidelines, the calculated allowance for loan impairment amounts to $5,071,962 (2006: $2,672,982).

Included in interest income is an amount for interest on non-productive loans of $275,034 (2006: $439,602). The total value of non-productive loans at the end of the year amounted to $16,333,348 (2006: $10,748,159).

The interest receivable on non-productive loans and advances but not recognised in the financial statements at the end of the year amounted to $2,002,779 (2006: $1,206,075).

Included in loans and advances is an amount due from another financial institution of $6,798,253 (2006: $9,087,913).

(expressed in Eastern Caribbean dollars)

9 Other assets

	2007 $	2006 $
Other receivables	**3,974,802**	215,415
Items in-transit	**918,661**	771,344
Prepayments	**358,464**	217,278
Credit card and stationery stock	**74,038**	83,779
Miscellaneous	**54,786**	29,118
	5,380,751	1,316,934
Provision for other receivables	**(210,302)**	(72,744)
Total other assets	**5,170,449**	1,244,190

(expressed in Eastern Caribbean dollars)

10 PROPERTY, PLANT AND EQUIPMENT

	Land $	Buildings $	Furniture & fixtures $	Equipment $	Computer equipment $	Motor vehicle $	Total $
At June 30, 2005							
Cost or valuation	4,033,705	3,656,866	656,263	605,929	552,077	83,000	9,587,840
Accumulated depreciation	–	(160,099)	(569,641)	(375,493)	(418,564)	(33,200)	(1,556,997)
Net book amount	4,033,705	3,496,767	86,622	230,436	133,513	49,800	8,030,843
Year ended June 30, 2006							
Opening net book amount	4,033,705	3,496,767	86,622	230,436	133,513	49,800	8,030,843
Additions	–	27,925	67,191	151,979	96,105	–	343,200
Disposals at cost	–	–	(9,478)	(141,706)	(150,558)	–	(301,742)
Depreciation charge	–	(91,422)	(33,174)	(81,609)	(63,310)	(16,600)	(286,115)
Writeback of depreciation on disposals	–	–	9,478	140,110	144,354	–	293,942
Closing net book amount	4,033,705	3,433,270	120,639	299,210	160,104	33,200	8,080,128
At June 30, 2006							
Cost or valuation	4,033,705	3,684,791	713,976	616,202	497,624	83,000	9,629,298
Accumulated depreciation	–	(251,521)	(593,337)	(316,992)	(337,520)	(49,800)	(1,549,170)
Net book amount	4,033,705	3,433,270	120,639	299,210	160,104	33,200	8,080,128

(expressed in Eastern Caribbean dollars)

10 Property, plant and equipment...continued

	Land $	Buildings $	Furniture & fixtures $	Equipment $	Computer equipment $	Motor vehicle $	Total $
Year ended June 30, 2007							
Opening net book amount	4,033,705	3,433,270	120,639	299,210	160,104	33,200	8,080,128
Additions	–	136,443	44,072	144,172	104,527	178,000	607,214
Disposals at cost	–	–	–	–	(27,827)	(83,000)	(110,827)
Depreciation charge	–	(95,531)	(38,057)	(98,134)	(77,143)	(35,600)	(344,465)
Writeback of depreciation on disposals	–	–	–	–	22,654	49,802	72,456
Closing net book amount	**4,033,705**	**3,474,182**	**126,654**	**345,248**	**182,315**	**142,402**	**8,304,506**
At June 30, 2007							
Cost or valuation	4,033,705	3,821,234	758,048	760,374	574,324	178,000	10,125,685
Accumulated depreciation	–	(347,052)	(631,394)	(415,126)	(392,009)	(35,598)	(1,821,179)
Net book amount	**4,033,705**	**3,474,182**	**126,654**	**345,248**	**182,315**	**142,402**	**8,304,506**

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 17).

The following is the historical cost carrying amount of land and buildings carried at revalued amounts as of June 30, 2007:

	Land $	Buildings $	Total $
Cost	382,279	2,758,340	3,140,619
Accumulated Depreciation	–	(745,668)	(745,668)
Net book values	**382,279**	**2,012,672**	**2,394,951**

(expressed in Eastern Caribbean dollars)

11 Intangible assets

	Computer software $
At June 30, 2005	
Cost	1,887,235
Accumulated Amortisation	(1,250,413)
Net book amount	636,822
Year ended June 30, 2006	
Opening net book amount	636,822
Additions	56,512
Amortisation charge	(236,952)
Closing net book amount	456,382
At June 30, 2006	
Cost	1,943,747
Accumulated Amortisation	(1,487,365)
Net book amount	456,382
Year ended June 30, 2007	
Opening net book amount	456,382
Additions	69,988
Amortisation charge	(249,720)
Closing net book amount	**276,650**
At June 30, 2007	
Cost	2,013,735
Accumulated Amortisation	(1,737,085)
Net book amount	**276,650**

12 Customers' deposits

	2007 $	2006 $
Current accounts	**81,638,171**	184,017,401
Time deposits	**86,267,656**	66,511,503
Savings accounts	**81,405,102**	40,454,470
Merchant reserve accounts	**228,382**	258,260
Custodial accounts	**1,845,575**	–
	251,384,886	291,241,634
Interest payable	**2,147,328**	1,749,349
Total customers' deposits	**253,532,214**	292,990,983

Included in the customers deposits at year end are balances for other financial institutions amounting to $11,342,295 (2006: $7,889,622).

13 Other liabilities and accrued expenses

	2007 $	2006 $
Items-in-transit	**9,772,224**	6,936,837
Accounts payable and accrued expenses	**3,884,182**	3,610,983
Manager's cheques	**633,624**	499,559
Staff bonus payable	**549,627**	294,547
Government stamp duty	**44,342**	228,559
Total other liabilities and accrued expenses	**14,883,999**	11,570,485

(expressed in Eastern Caribbean dollars)

14 Provision for income tax

	2007 $	2006 $
Deferred income tax		
Balance, beginning of year	**485,947**	440,671
Current tax expense	**(869)**	11,858
Deferred tax on revaluation of available for sale investment securities	**86,803**	33,418
Balance, at end of year	**571,881**	485,947
Income tax payable		
Income tax payable net, beginning of year	**37,738**	29,901
Payments made during year, net of refunds	**(3,685)**	(75,433)
Current tax expense	**127,346**	143,925
Prior year tax (credit) expense	–	(60,655)
Income tax payable net, end of year	**161,399**	37,738

The income tax payable (net) is comprised of:

	2007 $	2006 $
Income tax payable	**161,399**	111,694
Income tax receivable	–	(73,956)
	161,399	37,738
Income tax expense		
Operating income for the year	**5,063,230**	6,300,843
Income tax expense at standard rate of 35% (2007: 35%)	**1,772,131**	2,205,295
Non-deductible expenses	**387,223**	319,893
Income from tax exempted entity	**(15,468)**	(7,876)
Untaxed interest income	**(849,134)**	(881,815)
Effect of lower tax rate in subsidiary bank	**(1,144,420)**	(1,564,046)
Prior year income tax adjustment	–	(60,655)
Deferred tax under provided	**709**	652
Effect of losses (utilized) carried forward (net)	**(24,564)**	83,680
Actual income tax expense	**126,477**	95,128

14 PROVISION FOR INCOME TAX ... CONTINUED

The Bank has carry forward income tax losses of $917,171 at June 30, 2007 (2006: $1,434,092) which have all been confirmed by the Comptroller of Inland Revenue except for the loss during the current year. The losses were incurred as follows:

Year of loss	$
2004	14,827
2005	517,008
2006	355,864
2007	29,472
Total losses carried forward	**917,171**

The deferred tax asset of $301,694 (2006: $501,932) associated with these losses has not been recognized in the financial statements because of the uncertainty of its recovery.

Capital cost allowances

The Bank has carry forward capital cost allowances totalling $2,212,982 (2006: $1,697,018). The additions during the current year have not been confirmed with the Comptroller of Inland Revenue. These unclaimed capital cost allowances may be carried forward indefinitely and deducted against future taxable income. The amount claimed is restricted to 50% of the taxable income in any one year.

	2007 $	2006 $
Balance at beginning of year	**1,697,018**	1,276,216
Additions during the year	**515,964**	420,802
Balance end of year	**2,212,982**	1,697,018

The related deferred tax asset of $774,544 (2006: $593,956), has not been recognised in these financial statements because of the uncertainty of its recovery.

(expressed in Eastern Caribbean dollars)

15 Redeemable shares

	2007 $	2006 $
Bank of Nevis International Mutual Fund Limited		
7,245 (2006: 7,265) Class ‘B’ shares at cost of US$10 each	**195,244**	195,780
931 (2006: 504) Class ‘A’ shares at cost of US$10 each	**25,102**	13,579
	220,346	209,359

16 Share capital

	2007 $	2006 $
Authorised share capital		
50,000,000 shares at $1 each (2006: 10,000,000 shares of $1 each)	**50,000,000**	10,000,000
Issued and fully paid		
7,478,150 shares of $1 each	**7,478,150**	7,478,150

17 Revaluation reserves

	2007 $	2006 $
Balance, beginning of year	**301,963**	989,151
Transfer net losses on investment securities to income (net of tax)	**286,740**	362,565
Appreciation (depreciation) in market value of investment securities, net of tax	**590,614**	(1,049,753)
Balance, end of year	**1,179,317**	301,963
Represented by revaluation reserves attributable to:		
Available for sale investment securities	**(407,315)**	(1,284,669)
Property	**1,586,632**	1,586,632
	1,179,317	301,963

An independent valuation of land and buildings was conducted in July 2003 (note 10).

18 Other reserves

	2007 $	2006 $
Other reserves:		
Balance at beginning of year	**6,296,788**	5,866,333
Transfer from retained earnings for the year	**1,914,981**	861,960
Reserve for loan impairment	**1,950,996**	(431,505)
Total other reserves	**10,162,765**	6,296,788
Other reserves is represented by:		
Reserve fund	**8,211,769**	6,296,788
Reserve for loan impairment	**1,950,996**	–
	10,162,765	6,296,788

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.

Reserve for loan impairment

This reserve is created to set aside the amount by which the loan loss provision calculated under the Prudential Guidelines of the Eastern Caribbean Central Bank exceeds the loan loss provision calculated in accordance with IAS 39.

(expressed in Eastern Caribbean dollars)

19 Other operating income

	2007 $	2006 $
Fees and commissions	**1,237,148**	1,771,128
Foreign exchange	**3,733,213**	1,443,254
Credit card fees	**786,311**	724,198
Rental income	**24,000**	24,000
Dividend income	**60,625**	54,823
Miscellaneous revenue	**4,142**	87,671
Total other operating income	**5,845,439**	4,105,074

20 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:

	2007 $	2006 $
Loans to Directors and key members of management		
Loans outstanding at beginning of year	**6,553,113**	7,953,974
Loans issued during the year	**7,177,192**	11,627,066
Loan repayment during the year	**(8,767,911)**	(13,027,927)
Loans outstanding at end of year	**4,962,394**	6,553,113

(expressed in Eastern Caribbean dollars)

20 Related party transactions ... continued

Interest income earned on loans and advances to directors and key members of management during the year is $440,009 (2006: $841,555). Interest rates on directors' loans range from 5% to 12%. The Bank's commitment to extend credit to directors in the future, amounted to $102,263 (2006: $131,101) at the year end.

	2007 $	2006 $
Deposits by Directors and key members of management		
Deposits at beginning of year	**19,015,794**	20,050,375
Deposits received during the year	**16,795,339**	22,714,266
Deposits repaid during the year	**(34,183,219)**	(23,748,847)
Deposits at end of year	**1,627,914**	19,015,794

Interest expense on deposits to directors and key members of management during the year is $821,700 (2006: $1,184,444). Interest rates on deposits to directors and key members of management range from 2% to 6.5%.

Legal fees paid on normal commercial terms to R. L. Kawaja and Associates, a law firm controlled by a director amounted to $50,070 (2006: $64,366). Rental income was also earned from R.L. Kawaja and Associates of $24,000 (2006: $24,000).

At the end of 2006 there was a non-productive loan due from a company whose principal shareholder was a director of the Bank. The balance on the facility at the end of 2006 amounted to $330,237. The provision recorded in respect of the non-productive loan was $108,186 in 2006.

During the year, salaries and related benefits of $2,334,632 (2006: $1,499,651) were paid to key members of management allocated as follows:

	2007 $	2006 $
Salaries and wages	**1,462,644**	1,343,927
Gratuity	**601,651**	–
Other staff costs	**116,245**	24,436
Social security costs	**104,919**	91,044
Pension costs	**49,173**	40,244
	2,334,632	1,499,651

(expressed in Eastern Caribbean dollars)

21 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.

	2007 $	**2006** $
Net profit attributable to shareholders	**4,936,753**	6,205,715
Weighted average number of ordinary shares in issue	**7,478,150**	7,478,150
Basic and diluted earnings per share	**0.66**	0.83

22 Pension scheme

In 2003 the Bank introduced a defined contribution pension scheme for its employees. Contributions to the pension scheme for the year ended June 30, 2007 amounted to $130,124 (2006: $102,113).

23 Contingencies and commitments

Pending litigation

In 2002, the High Court in St. Kitts imposed a freezing order against a customer of Bank of Nevis International Limited. In June 2006, the order was discharged and a request was made on behalf of the customer to pay out the funds in its account. In August 2006, a United States Receiver, claiming that the funds should be paid to him instead, obtained ex parte orders in New York which resulted in the payment to him of US$1,165,000.00 out of a Bank of Nevis Limited account held at a New York Bank. The Receiver claimed that this sum represents the balance in the customer's account at Bank of Nevis International Limited.

The Bank's Counsel in New York have challenged this action. The Receiver is holding the funds pending the outcome of this litigation in New York. To date no funds have been paid out directly from the customer's account and it is possible that a legal claim would be made against Bank of Nevis International Limited in the St. Kitts and Nevis jurisdiction for such a payment to be made. The Bank has already sought legal advice in this regard. This represents a contingent liability for the Bank, the ultimate outcome of which is not presently determinable.

(expressed in Eastern Caribbean dollars)

23 Contingencies and commitments ...continued

Credit related commitments

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

	2007 $	2006 $
Undrawn commitments to extend advances	**41,917,836**	23,062,894

24 Dividends

The financial statements reflect a dividend of $1,869,539 for the year ended June 30, 2007 which was approved at the twentieth (20th) Annual General Meeting held on February 15, 2007 and paid subsequently.

Subsequent to the year end, a dividend of EC$1,495,630 or EC$0.20 per share was proposed by the board of directors on August 30, 2007. The financial statements for the year ended June 30, 2007 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, 2008.

25 Cash and cash equivalents

	2007 $	2006 $
Cash and balances due from other banks (note 6)	**38,397,432**	54,759,511
Investment securities (note 7)	**41,425,670**	53,238,106
Total cash and cash equivalents	**79,823,102**	107,997,617

(expressed in Eastern Caribbean dollars)

26 General and administrative expenses

	2007 $	2006 $
Salaries and related costs (note 27)	**5,591,404**	3,576,417
Professional fees	**1,192,354**	785,570
Credit card processing expense	**746,608**	526,038
Legal fees	**317,250**	81,126
Debit card expenses	**313,423**	322,945
Telephone, telex and cables	**289,677**	230,700
Repairs and maintenance	**282,542**	138,339
Insurance expense	**271,215**	264,290
Stationery and supplies	**259,344**	268,329
Advertisement and promotion	**201,003**	178,293
Utilities	**167,108**	136,720
Miscellaneous expenses	**143,539**	9,239
Travel and entertainment	**121,663**	131,293
Equipment repairs	**99,609**	73,363
Taxes and licences	**97,261**	85,716
Annual report	**82,698**	101,323
Administrative fees	**80,514**	35,115
Subscriptions and fees	**63,102**	70,199
Rent	**57,602**	55,202
Stamps and postage	**57,110**	53,582
Security services	**42,182**	14,395
ECSE fees and expenses	**39,063**	40,788
Loss on disposal of plant and equipment	**38,371**	7,252
Online banking expenses	**36,801**	38,029
Credit card chargeback losses	**36,492**	8,434
Cleaning	**27,499**	20,905
Secretarial	**16,984**	12,234
Custody fees	**11,060**	12,127
Cash shorts	**5,031**	4,807
Other credit card (income)/expenses	**(114,533)**	8,426
Total general and administrative expenses	**10,573,976**	7,291,196

27 Salaries and related costs

	2007 $	2006 $
Salaries and wages	**3,947,250**	2,961,360
Other staff costs	**637,405**	264,356
Gratuity	**601,651**	–
Social security costs	**274,974**	248,588
Pension costs	**130,124**	102,113
Total salaries and related costs	**5,591,404**	3,576,417

28 Subsequent event

Subsequent to the year end, on October 25, 2007 the Board of Directors of the ultimate parent company - Bank of Nevis Limited (BON) resolved that the Bank of Nevis International Limited (BONI) be advised that it shall take all necessary steps to suspend the operations of the Bank of Nevis International Fund Limited (BONIF), and by extension, the Bank of Nevis International Fund Managers Limited (BONIFM). BONI is the owner of the 96% of redeemable shares in BONIF in addition to being the fund's sponsor and, the fund's provider of financial, administrative and other resources.

The implication of this decision is that the Fund and the Fund Manager are no longer going concerns and as such, their separate financial statements have been prepared under the Liquidation basis.

The Bank of Nevis Limited

SEPARATE BALANCE SHEET

FOR THE YEAR ENDED JUNE 30, 2007

(expressed in Eastern Caribbean dollars)

	2007 $	2006 $
Assets		
Cash and balances with the Central Bank	**11,687,640**	14,919,922
Due from other banks	**29,096,949**	24,476,361
Investment securities	**31,446,028**	43,071,350
Loans and advances	**126,657,093**	106,219,968
Other assets	**1,672,543**	917,780
Income tax receivable	–	73,956
Investment in subsidiaries	**2,350,000**	2,350,000
Property, plant and equipment	**8,213,701**	7,968,799
Intangible assets	**231,497**	380,822
Due from subsidiaries	**8,000**	30,000
Total assets	**211,363,451**	200,408,958
Liabilities		
Customers' deposits	**170,398,929**	167,721,381
Other liabilities and accrued expenses	**11,601,553**	8,374,474
Income tax payable	**17,446**	–
Deferred tax	**571,881**	485,947
Due to subsidiary	**2,362,451**	5,282,537
Total liabilities	**184,952,260**	181,864,339
Shareholders' Equity		
Share capital	**7,478,150**	7,478,150
Revaluation reserve	**2,150,279**	1,989,073
Other reserves	**8,697,912**	5,096,788
Retained earnings	**8,084,850**	3,980,608
Total shareholders' equity	**26,411,191**	18,544,619
Total liabilities and shareholders' equity	**211,363,451**	200,408,958

The Bank of Nevis Limited

SEPARATE STATEMENT OF INCOME

FOR THE YEAR ENDED JUNE 30, 2007

(expressed in Eastern Caribbean dollars)

	2007 $	2006 $
Interest income		
Income from loans and advances	**10,696,074**	9,492,752
Income from deposits with other banks and investments	**3,163,005**	3,254,500
	13,859,079	12,747,252
Interest expense		
Savings accounts	**2,741,106**	1,879,755
Time deposits and current accounts	**4,723,197**	5,232,579
	7,464,303	7,112,334
Net interest income	**6,394,776**	5,634,918
Other operating income	**12,072,553**	4,997,337
Gain on sale of investment securities	**–**	64,907
Impairment losses from investment securities	**–**	(113,530)
	18,467,329	10,583,632
Operating expenses		
General and administrative expenses (note 26)	**7,402,550**	4,978,117
Depreciation	**311,474**	234,278
Amortisation	**219,313**	206,557
Directors' fees and expenses	**391,240**	231,221
Provision for loan impairment	**371,485**	1,309,318
Correspondent bank charges	**162,260**	208,018
	8,858,322	7,167,509
Income before tax for the year	**9,609,007**	3,416,123
Taxation		
Current tax expense	**34,973**	–
Prior years' tax credit	**–**	(43,575)
Deferred tax (credit) expense	**(869)**	11,859
	34,104	(31,716)
Net income for the year	**9,574,903**	3,447,839
Earnings per share	**1.28**	0.46

SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2007

(expressed in Eastern Caribbean dollars)

	Share capital $	Revaluation reserve: property $	Revaluation reserve: available for sale investments $	Other reserves $	Retained earnings $	Total $
Balance, June 30, 2005	7,478,150	1,586,632	340,379	4,666,333	2,458,854	16,530,348
Net income for the year	–	–	–	–	3,447,839	3,447,839
Dividends	–	–	–	–	(1,495,630)	(1,495,630)
Transfer of net losses to income, net of tax	–	–	39,736	–	–	39,736
Appreciation in market values of investment securities, net of tax	–	–	22,326	–	–	22,326
Reserve for loan impairment	–	–	–	(431,505)	431,505	–
Transfer to reserve fund	–	–	–	861,960	(861,960)	–
Balance June 30, 2006	7,478,150	1,586,632	402,441	5,096,788	3,980,608	18,544,619
Net income for the year	–	–	–	–	9,574,903	9,574,903
Dividends	–	–	–	–	(1,869,537)	(1,869,537)
Appreciation in market values of investment securities, net of tax	–	–	161,206	–	–	161,206
Reserve for loan impairment	–	–	–	1,686,143	(1,686,143)	–
Transfer to reserve fund	–	–	–	1,914,981	(1,914,981)	–
Balance June 30, 2007	**7,478,150**	**1,586,632**	**563,647**	**8,697,912**	**8,084,850**	**26,411,191**

The Bank of Nevis Limited

SEPARATE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2007

(expressed in Eastern Caribbean dollars)

	2007 $	2006 $
Cash flows from operating activities		
Income before tax for the year	**9,609,007**	3,416,123
Items not affecting cash		
Provision for loan impairment	**371,485**	1,309,318
Impairment loss on investment securities	**–**	113,530
Depreciation	**311,474**	234,278
Amortisation	**219,313**	206,557
Loss on disposal of plant and equipment	**5,058**	7,252
Interest income	**(13,859,079)**	(12,747,252)
Interest expense	**7,464,303**	7,112,334
Cash flows from operating income before changes in operating assets and liabilities	**4,121,561**	(347,860)
Changes in operating assets and liabilities		
Increase in restricted deposits with other banks	**(2,425,410)**	–
Decrease (increase) in mandatory deposits held with Central Bank	**3,011,214**	(1,648,503)
(Increase) decrease in other assets	**(754,763)**	233,006
Increase in loans and advances, net of repayments received	**(20,553,278)**	(18,597,353)
Increase (decrease) in customers' deposits	**2,280,741**	(11,804,979)
Increase in other liabilities and accrued expenses	**3,227,079**	4,175,917
Cash used in from operations before interest and tax	**(11,092,856)**	(27,989,772)
Interest paid	**(7,067,496)**	(8,078,345)
Interest received	**13,522,930**	12,531,882
Income tax refunded	**56,429**	–
Net cash used in operating activities	**(4,580,993)**	(23,536,235)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(561,434)**	(293,973)
Purchase of intangible assets	**(69,988)**	(31,101)
Proceeds from sale of plant and equipment	**–**	548
Purchase of investment securities	**–**	(3,050,916)
Net cash used in investing activities	**(631,422)**	(3,375,442)
Cash flows from financing activities		
Dividends paid	**(1,869,537)**	(1,495,630)
(Repayments to)/advances from subsidiary companies	**(2,898,086)**	7,542,999
Net cash used in financing activities	**(4,767,623)**	6,047,369
Decrease in cash and cash equivalents	**(9,980,038)**	(20,864,308)
Cash and cash equivalents, beginning of year	**59,615,097**	80,479,405
Cash and cash equivalents, end of year	**49,635,059**	59,615,097

NOTES