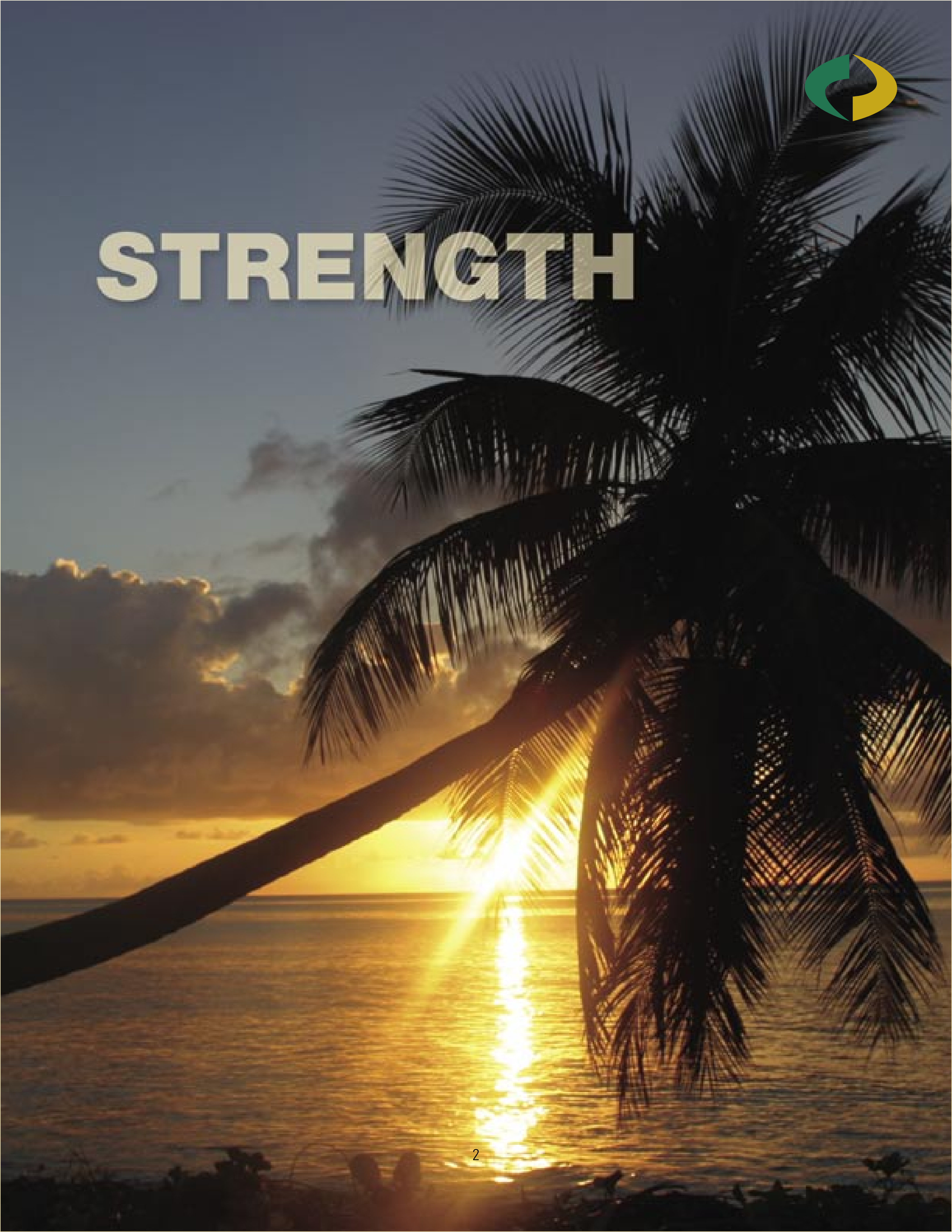
Vision

To be a world-class bank

Mission

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

STRENGTH



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Notice of Meeting

Notice is hereby given that the twentieth Annual General meeting of the Bank of Nevis Limited will be held at the Old Manor Hotel on Thursday February 15, 2007, at 5:00 p.m.

AGENDA

1. To approve the Minutes of the nineteenth Annual General Meeting held on December 15, 2005.
2. To receive the report of the directors
3. To receive and consider the accounts for the year ended June 30, 2006.
4. To elect directors: Reginald Kawaja, Kishu Chandiramani and Spencer Howell retire by rotation. Mr.Chandiramani and Mr.Howell, being eligible, offer themselves for re-election. Mr.Kawaja will not stand for re-election. Mr. Joseph Parry has indicated his intention to resign at the Annual General Meeting .
5. To elect directors to replace Mr. Parry and Mr. Kawaja.
6. To confirm the appointment to the Board of Directors of Mr. Ivan Browne and Mr. Franklyn Brand.
7. To declare a dividend of 25 cents per share.
8. To appoint auditors for the year.
9. Any other business

BY ORDER OF THE BOARD

LYRA P.S RICHARDS (MISS)
Secretary

NOTES

1. All shareholders of record as at January 25, 2007 will be entitled to receive a dividend with respect to the financial year ended June 30, 2006.
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.

Corporate Information

Directors

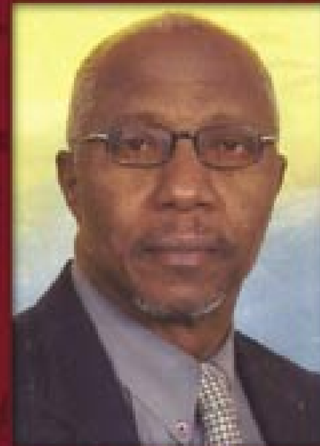
Reginald L. Kawaja	Barrister-at-Law/Chairman
Rawlinson Isaac, B.A. (Hons), MBA, AFA, Dip FS, DTEP, FCIB	General Manager
Hanzel Manners, B.A. (Hons), FCCA, ACIB	Chartered Accountant/Chief Financial Officer
Richard Lupinacci, B.A.	Hotelier
Spencer Howell, SCV. RIM	Real Estate Agent
Joseph Parry, B.A. (Hons),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

Secretary	Lyra P. S. Richards
Registered Office	Bank of Nevis Building Main Street, Charlestown Nevis, West Indies
Auditors	PricewaterhouseCoopers Cnr. Bank Street & West Independence Square Steet, P.O. Box 1038, Basseterre, St. Kitts, West Indies
Legal Counsel	R L Kawaja & Associates Barristers-at-Law & Solicitors Chambers The Courtyard, Bank of Nevis Building Nevis, West Indies
Subsidiaries	Bank of Nevis International Ltd. Bank of Nevis International Fund Ltd. Bank of Nevis International Fund Managers Ltd. Bank of Nevis Mutual Fund Ltd. Bank of Nevis Fund Managers Ltd.
Correspondent Banks	
Antigua	Antigua Commercial Bank
Barbados	Barbados National Bank
Canada	Toronto Dominion Bank
St Kitts	SKNA National Bank
St Kitts	Royal Bank of Canada
St Lucia	Bank of St Lucia
St Maarten	Windward Island Bank
St Vincent	National Commercial Bank (SVG) Ltd.
United Kingdom	ABN-AMRO N.V. (London)
United Kingdom	Lloyds TSB Bank PLC
United States	Regions Bank
Investment Brokers	Caribbean Money Market Brokers Charles Schwab
Board Committees	Audit & Compliance Loans & Advances Investment Building

BOARD OF DIRECTORS

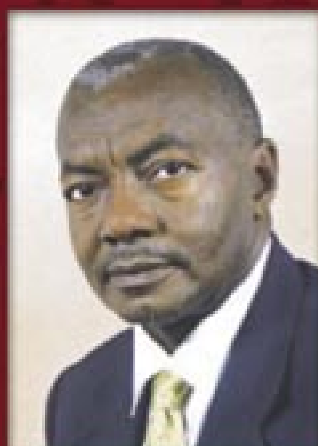
Mr. Reginald Kawaja
Chairman

Mr. Kishu Chandiramani



Mr. Hanzel Manners

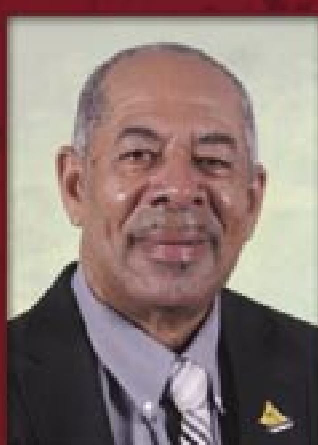
Miss Lyra P.S. Richards
Secretary



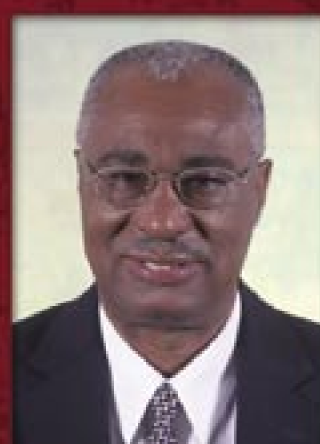
Mr. Rawlinson Isaac

Mr. Richard S. Lupinacci

Mr. R. Wendell Huggins



Mr. Spencer H. Howell



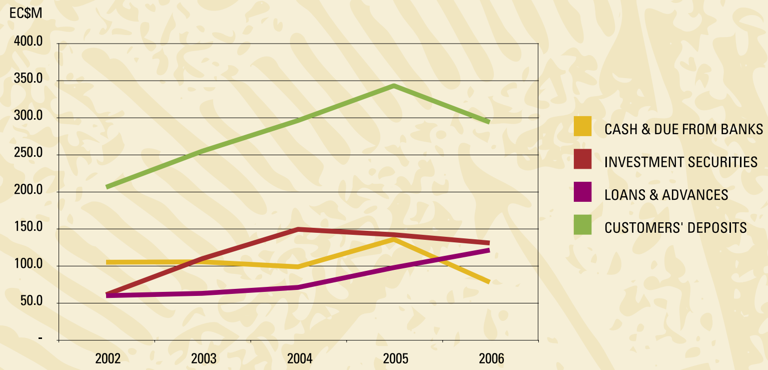
Mr. Joseph Parry

Group Financial Highlights

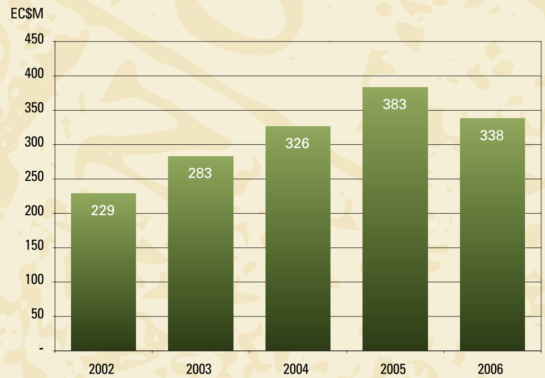
Expressed in Eastern Caribbean Dollars

	2006 (000)	2005 (000)	2004 (000)	2003 (000)	2002 (000)
Total Assets	337,890	383,186	326,390	283,116	228,726
Cash & balances due from other banks	77,239	135,070	97,937	104,675	104,324
Investment Securities	130,259	141,186	148,623	108,914	60,340
Loans & Advances	120,537	96,896	70,157	62,087	59,189
Customers' Deposits	292,991	342,284	295,183	253,856	205,351
Paid-up Share Capital	7,478	7,478	7,478	7,478	7,478
Shareholders' Equity	32,521	28,498	24,134	24,273	16,774
Gross Operating Income	25,134	22,085	16,188	15,978	14,092
Total Expense & Provisions	18,834	17,337	13,166	11,436	11,790
Interest Income	21,030	17,510	13,711	12,972	11,876
Interest Expense	8,033	8,551	5,913	5,135	4,748
Staff Costs	3,576	3,183	2,672	1,960	1,622
Operating Income before Tax	6,301	4,749	3,022	4,542	2,301
Provision for Income Tax	95	112	232	185	421
Net Income	6,206	4,636	2,790	4,357	1,880
Earnings per share ($)	0.83	0.62	0.37	0.58	0.25
Dividend per Share (cents)	25.0	20.0	17.5	17.5	12.5
Return on Average Assets (%)	1.72	1.31	0.92	1.70	0.87
Return on Average Equity (%)	20.34	17.62	11.53	21.23	10.30
Number of Employees	50	48	44	38	36

Select Group Balance Sheet Data: 2002-2006

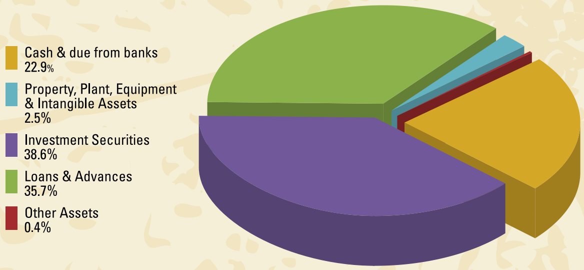


Group Total Assets: 2002-2006

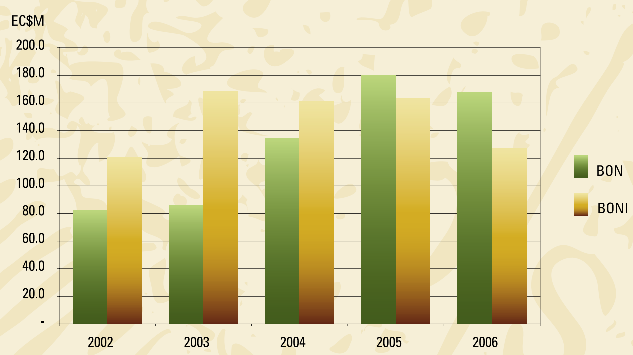


Group Asset Summary

ASSET	2006 (000)	2006 %
Cash & due from banks	77,239	22.9
Investment Securities	130,259	38.6
Loans & Advances	120,537	35.7
Property, Plant, Equip. & Intangible Assets	8,536	2.5
Other Assets	1,319	0.4
Total	**337,890**	**100.0**

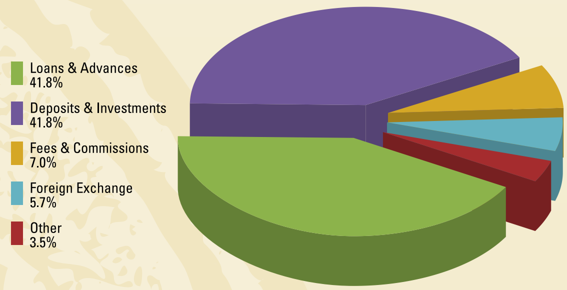


Deposits by Bank: 2002-2006

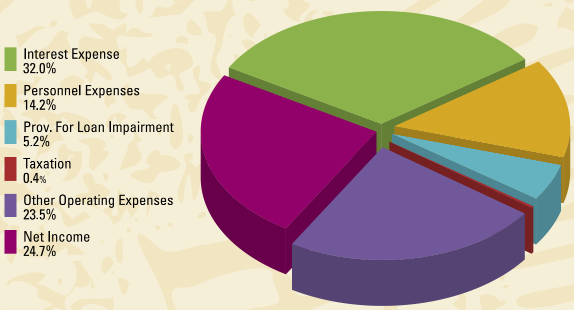


Group Sources of Income: 2006

	(EC$000)	%
Loans & Advances	10,515	41.8
Deposits & Investments	10,514	41.8
Fees & Commissions	1,771	7.0
Foreign Exchange	1,443	5.7
Other	890	3.5
Total	**25,134**	**100.0**

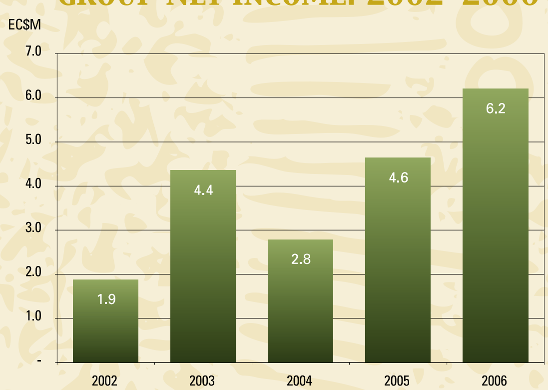


Group Distribution of Income: 2006

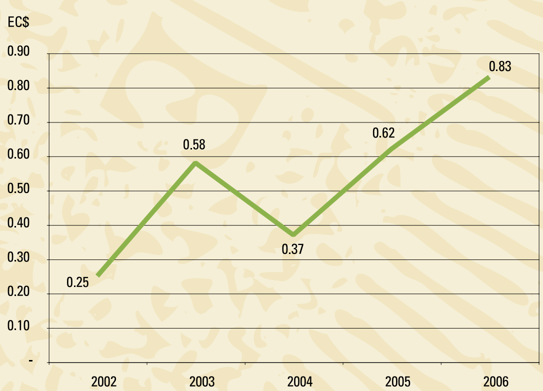


	(EC$000)	%
Interest Expense	8,033	32.0
Personnel Expenses	3,576	14.2
Prov. For Loan Impairment	1,311	5.2
Taxation	95	0.4
Other Operating Expenses	5,913	23.5
Net Income	6,206	24.7
Total	**25,134**	**100.0**

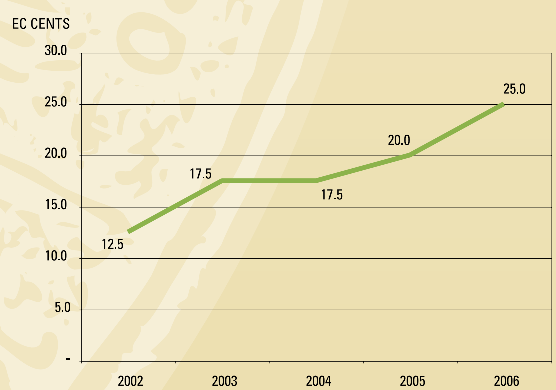
Group Net Income: 2002-2006



Group Earnings Per Share



Group Dividends Per Share



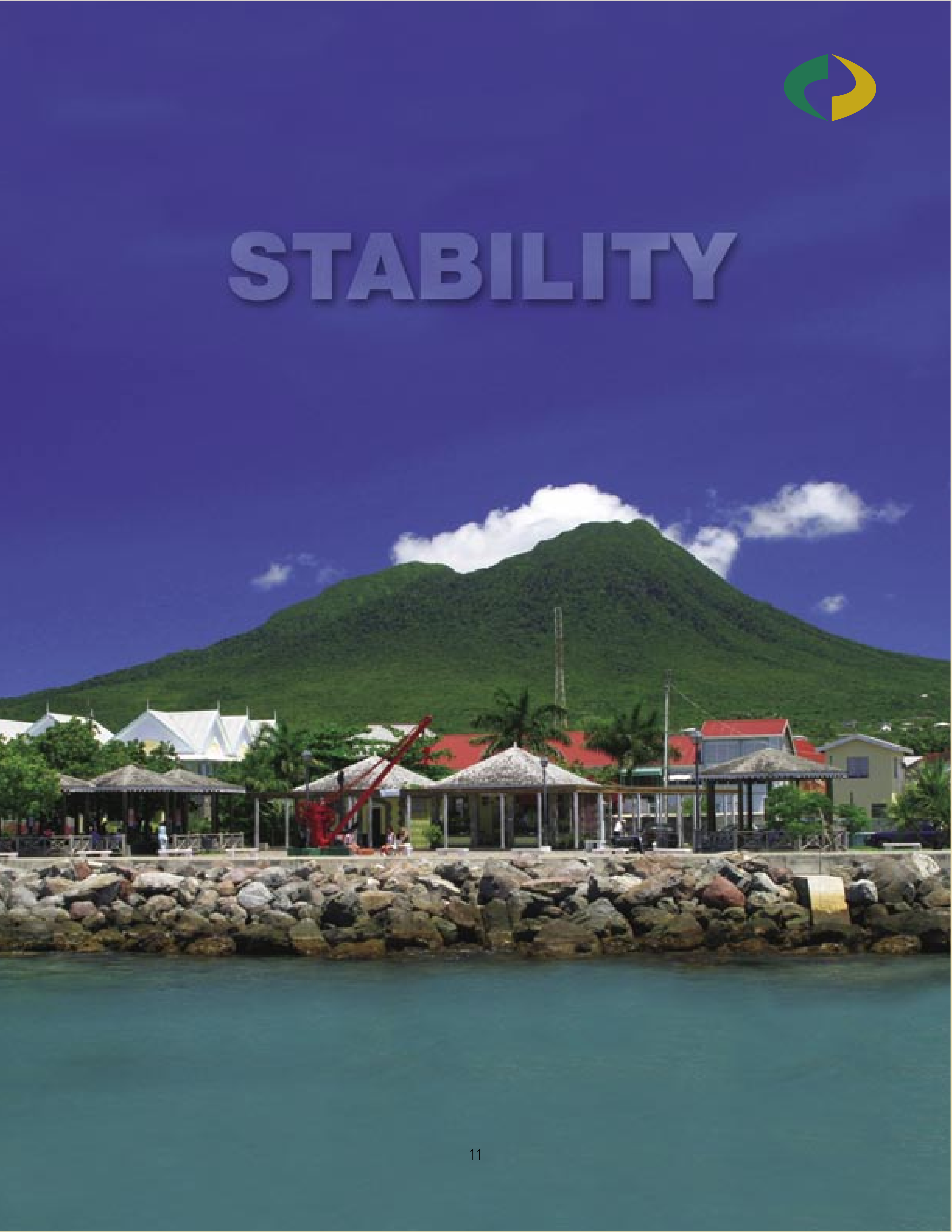
Shareholdings of Directors & Related Parties June 30, 2006

DIRECTOR	NUMBER OF SHARES HELD
Kishu Chandiramani	18,730
Hensley Daniel	2,420
Spencer H. Howell	20,000
Wendell Huggins	63,730
Rawlinson Isaac	10,000
Reginald Kawaja	308,900
Richard Lupinacci	52,930
Hanzel Manners	27,962
Joseph Parry	99,850
TOTAL	**604,522**

Shareholdings by Size - June 30, 2006

SIZE OF SHAREHOLDING	NUMBER OF SHARE-HOLDERS	PERCENTAGE OF SHARE-HOLDERS	TOTAL SHARES HELD	PERCENTAGE SHARES HELD
1 - 500	204	31.6	44,610	0.6
501 - 1,000	108	16.7	85,925	1.1
1,001 - 2,500	95	14.7	159,925	2.1
2,501 - 5,000	76	11.8	274,252	3.7
5,001 - 10,000	45	7.0	330,290	4.4
10,001 - 25,000	67	10.4	1,138,265	15.2
25,001 - 50,000	20	3.1	634,207	8.5
50,001 - 100,000	15	2.3	1,067,970	14.3
100,001 - 250,000	11	1.7	1,796,420	24.0
250,001 - 500,000	3	0.5	891,800	11.9
500,001 and above	1	0.2	1,054,486	14.1
TOTAL	**645**	**100.0**	**7,478,150**	**100.0**

STABILITY



Chairman's Remarks - December 2006

I am pleased to greet you and to add some remarks to the 2006 report as follows:

- The Bank's net income for the year (to June 30, 2006) increased to $6.2 Million with a $4.0 Million increase (14%) in share holder equity (from $28.4 - $32.5 Million) and an increase in earnings per share from 62 cents to 83 cents;
- That we came close to achieving our target of 22% return on equity;
- That this was achieved in spite of a significant increase (on technical grounds) in the loan impairment provision to $1.3 Million (from $25.K in 2005) and a decrease of some $45. Million in gross assets;
- Net interest income saw a significant increase of approximately $4.0 Million over 2005;
- Expenses generally including Directors fees and expenses and professional fees and costs (non-legal) continue to rise and should be monitored for timely intervention and control;
- There is a positive indication that the principle of building "stable" and quality assets is being adhered to;
- A proposal exists for a shareholder dividend of 25 cents per share.

I recall when our assets were in the area of $15 Million and our shares almost unmarketable onwards to our group's present position in the industry with our subsidiary BONI and our Mutual Fund Company and a meaningful participation in E.C.I.C and its subsidiaries and ambitions and substantial and relevant property in Charlestown to enable construction of your Nevis Flagship and Head Office in 2007.

Mr. Rawlinson Isaac while still a Director will be moving from the General Manager position to pursue a career in private business and Mr. Joseph Parry moves on to his responsibilities as Premier of the Nevis Island Administration. Mr. Hensley Daniel, Director of our subsidiary, Bank of Nevis International Limited retired to become a Minister in the Nevis Island Administration.

The former two gentlemen as members of the Board of the Bank of Nevis Limited contributed much to making the Bank what it is today. We extend our thanks and very best wishes to all three of them.

These events also coincide with my retirement (June 30, 2006) from the Chairmanship of your Board. I thank you and my Colleagues for all your support and encouragement in the past.

Yours sincerely,

REGINALD KAWAJA
Chairman

Directors' Report

Your Board is pleased to report on the performance of the Bank for the year ended June 30, 2006. The International Financial Reporting Standards have been significantly revised during the year under review. This is reflected in the increase in detail in the presentation of the Financial Statements, and the late delivery of the accounts.

Financial Analysis

INCOME STATEMENT

Despite the many challenges faced in 2006, the Bank experienced another year of encouraging results, with pre tax income of $6.3 million. This was due to an improvement in performance in both of the Group's two main companies, the parent company, Bank of Nevis (**BON**), and subsidiary, Bank of Nevis International (**BONI**). The main components of their income statements are reflected in the following table.

	BON $	BONI $
Loan interest income	9,492,752	952,364
Other interest income	3,254,500	6,965,430
Other income	2,997,337	1,212,737
Operating expenses	7,167,509	2,978,452

Total income included $528,000 earned by Bank of Nevis International from its investment in the Bank of Nevis International Fund, and of $71,000 from Bank of Nevis International Fund Managers Limited.

Our offshore subsidiary has always been the major contributor to Group income, but the Board recognizes that with the impact on the offshore sector of the new overseas legislation and regulation, this may change in the future. It has, therefore, become necessary to create strategies to replace income that may be lost.

Breakout of contribution to pre tax income over last five years: ($millions)

	2006 $	2005 $	2004 $	2003 $	2002 $
Bank of Nevis	1.30	1.40	0.50	0.90	1.40
Bank of Nevis International	4.70	3.30	2.50	3.60	0.90

Operating expenses increased by $2.2 million due mainly to increases in the following:

Line items. ($millions)

Salaries and related costs	0.39
Credit card and debit card expenses	0.25
Professional fees	0.37
Provision for loan impairment	1.29

There was a significant reduction of $168,000 in Advertisement and Promotion costs due mainly to promotional costs for the Bank of Nevis International Mutual Fund, not repeated in 2006.

BALANCE SHEET

DEPOSITS

As a direct result of the recent focus by U.S correspondent banks on activities now classified as illegal in the United States, particularly online gaming, the Bank has undertaken a comprehensive review of the customer base of its offshore subsidiary, **BONI**. This has resulted in several account closures, which have accounted for a net decrease in the deposits of **BONI** of US$15 million (EC$40 million) during the year. The exercise is continuing, and this may result in further closures. We are of the view, however, that this improved scrutiny, pruning of our customer portfolio would put the bank in a stronger position to face the challenges of the offshore sector.

Deposits at **BON** also decreased by $12.8 million as a result of the reduction in interest rates offered on fixed deposits, introduced in 2005. This has, however, resulted in a lower cost of funds, and a better return on our deposits. Management continues to monitor the competitive landscape, and will adjust rates as appropriate.

Breakout of changes in deposits ($millions)

	2006 **$**	**2005** **$**	**Change** **$**
Bank of Nevis			
Current	88.10	98.90	(10.80)
Savings	59.00	57.60	1.40
Time	18.90	21.30	(2.40)
Interest payable	1.70	2.70	(1.00)
Total	**$167.70**	**$180.50**	**(12.80)**

Bank of Nevis International			
Current	96.40	145.60	(49.20)
Savings	23.30	8. 50	14.80
Time/Interest Payable	7.50	9.60	(2.10)
	127.20	163.70	(36.50)

For the second year running, the deposits of BON (2006-$167.7 million) have outstripped the deposits of BONI (2006-$127.2 million).

The reduction in group deposits is reflected in the reduction in total assets of $45 million.

LOANS & ADVANCES

The Bank continues to be a significant player in the market for the provision of financing for local development. During the year, loans and advances increased by $24 million, approximately $10 million of which is accounted for by the purchase of a portfolio of loans (with recourse) from another local financial institution. This institution remains responsible for collection of all outstanding balances.

The Bank conducted a comprehensive review of its loan portfolio, and increased its provision for loan impairment by $1.3 million. Recoveries and loans written off during the year of $571,855, were deducted from provisions brought forward, at the beginning of the year.

Break out of changes in loans & advances ($millions)

	2006	2005	Change
	$	$	$
Bank of Nevis			
Loans and advances (gross)	109.20	90.90	18.30
Less: Provision for loan impairment	(2.90)	(2.20)	(0.70)
Loans and advances (net)	106.30	88.70	17.60
Bank of Nevis International			
Loans and advances (gross)	14.35	8.28	6.07
Less: Provision for loan impairment	(.04)	(.08)	.04
Loans and advances (net)	14.31	8.20	6.11

TAXATION

Due to its investment in Federal Government and Nevis Island Government treasury bills and bonds, income from which is tax free, the Bank continues to enjoy a low effective tax rate of 1.5%. Tax free income for the year amounted to $2.36 million. The Parent Company stands to benefit in the future from tax losses of $1.4 million, and unutilized capital allowances of $1.67 million as at June 30, 2006.

GROUP STRUCTURE/OTHER GROUP COMPANIES

The Bank of Nevis group consists of the following six companies:

The Bank of Nevis Limited (Parent company)
Bank of Nevis International Limited (wholly owned subsidiary)
Bank of Nevis International Fund Limited (mutual fund company)
Bank of Nevis International Fund Managers Limited (management company)
Bank of Nevis Mutual Fund Limited (mutual fund company)
Bank of Nevis Mutual Fund Managers Limited (management company)

The Bank of Nevis International Fund made very limited progress during the year, and subsequent to year end management decided to suspend operations for a three month period ending January 31, 2007 to allow the Board to assess the situation and determine the way forward. The Bank of Nevis Mutual Fund had not commenced trading at year end.

Bank Policy on Governance

The Board of Directors and Management have committed themselves to the highest standards of corporate governance, and have decided to adopt the Guidelines on Corporate Governance for Institutions licensed to Conduct Business under the Banking Act, issued by the Eastern Caribbean Central Bank in 2006. We have started a programme to ensure that all of the aspects of these guidelines are fully implemented.

The Board consists of directors who are appointed by the Bank at its Annual General Meetings, and who retire by rotation according to the Bank's Articles of Association. Directors can be appointed by the directors to fill a vacancy, in accordance with the Articles, but such appointment must be ratified by the Bank at the Annual General Meeting following such appointment by the Board. The Board governs the affairs of the Group, sets strategies, policies and financial objectives, and ensures that prudent and effective controls are in place. The Board also ensures that management satisfies the legitimate interests of its shareholders and other stakeholders.

All Directors are expected to act independently in the interest of the Bank. Directors have to qualify as fit and proper persons by virtue of their education, skills and expertise, character and experience, and to comply with all of the provisions of the Banking Act, 2004.

Subsequent to year end the Bank agreed to amend its Articles to make the following changes to the Board:

- The Board shall now consist of ten (10) members, instead of eight (8).
- Twenty percent (20%) of the directors must be 'independent' directors.

The Board operates through the following four committees:

Audit and Compliance Committee (meets quarterly)

Responsible for providing oversight of the following:

- Quality and integrity of the Group's financial statements
- Effectiveness of the Group's internal control environment
- Compliance with relevant laws, regulations and guidelines
- The internal and external audit process

Credit (Loans & Advances) Committee (meets monthly)

Responsible for oversight of the Group's credit portfolio, and approval of credit applications above of management limit, but below Board limit.

Investment Committee (meets monthly)

Responsible for oversight of the Group's investment portfolio, and Group liquidity.

Building Committee (meets as required)

Responsible for managing Group building projects.

Institutional Strengthening

During the year the Bank undertook a comprehensive review of its policies and procedures, in an attempt to improve the way in which it conducts its business. This involved a detailed analysis of weaknesses affecting the organization, and the identification and implementation of identifiable strategies and actions designed to effect a change in culture, and an improvement in the control environment. Staff have been made aware of the new focus on accountability for actions, and penalties for non performance.

In line with this approach, the Bank appointed a human resources consultant during the year to assist staff in understanding the new culture, and to co-ordinate relevant training. Staff appraisals are now conducted twice per year. A peer review of members of the Board was also conducted during the year. It gave valuable insights into areas for improvement.

To this end the Bank appointed a consultant to review the operation of the Loans Department, and to make recommendations for improvement. We have already followed up on recommendations received, and have begun to see the benefits of this exercise. All departments benefited from various training courses locally and overseas.

Our Audit and Compliance Department now has a fully qualified internal auditor who was appointed in 2005. During the year the Bank appointed a Compliance Manager who comes with a wealth of experience in this aspect of the Bank's operations. The Bank expects this appointment to improve significantly, the Bank's ability to monitor and control its accounts, particularly those involved in the offshore sector.

A Senior Manager for **BON** was also appointed to have oversight over the operational departments of the parent company, viz. Loans, Operations and Credit Card. The Board expects this appointment to enhance the performance and the control environment of these departments.

The Board recognizes that a critical component for success is a strong commitment to an ethos of strong corporate governance, and accordingly has recommitted itself to making this a guiding principle for carrying out its mandate.

SOCIAL RESPONSIBILITY

The Bank continued during the year to demonstrate its support for the social and educational development of our Federation, by making donations to various needy and deserving institutions and initiatives.

PROPOSED DIVIDEND

The Board is pleased to propose a dividend for the year of 25 cents per share, up from 20 cents in 2005. This amounts to $1,869,538 and represents a pay out ratio of 30.1% compared to 32.3% last year.

Board and Management Changes

There have been several recent changes to the Board of Directors, some subsequent to the year end of June 30, 2006:

BOARD RESIGNATIONS

Mr Reginald Kawaja, chairman of the Board since 1999, resigned as chairman because prolonged absences from Nevis prevented him from devoting the necessary time to this role. He retires by rotation at the upcoming Annual General Meeting, and has indicated that, regrettably, he would not be in a position to stand for re-election. The Board would like to record its sincere thanks and appreciation to Mr Kawaja for his invaluable contribution to the Group through his role as a director from inception of the Bank, and his guidance as chairman over the past eight years.

Mr Joseph Parry, a director of the Parent Company and other Group companies was appointed as Premier of Nevis in July 2006, following the success of the Nevis Reformation Party in the local elections held on July 10, 2006. He resigned as a Director of two Group companies, on July 31, 2006, and has notified the Bank of his intention to retire as a director of the **BON** and **BONI** at the upcoming Annual General Meeting. The Board wishes to thank Mr Parry for the major contribution he has made to the growth and development of the Group over the years, both in his role as director and chairman. We congratulate him on his elevation to high office, and offer our sincere best wishes for success in his new role.

Mr Hensley Daniel resigned as a director of **BONI** on July 31, 2006, after his election to the Nevis Island Assembly in the local election of July 10, 2006, and his appointment as a minister in the Nevis Island Government. The Board would also like to express its appreciation to Mr Daniel for his contribution over the past few years, and to wish him well in his new role. His stint as a director was short but meaningful.

BOARD APPOINTMENTS

Mr Ivan Browne, banking consultant, and Mr Franklyn Brand, businessman, were appointed by the Board as **independent** directors, pending confirmation by the Bank at the upcoming Annual General Meeting. Mr. Browne has been appointed as Chairman of the Board of Directors.

MANAGEMENT CHANGES

Mr Rawlinson Isaac, General Manager since 1990, went on retirement leave on August 31, 2006 pending retirement on December 31, 2006 to pursue other interests. He remains a member of the Board of Directors and several Board committees. The Board would like to express its profound thanks and appreciation to Mr. Isaac for his many years of sterling service, and the pivotal role he has played in building the institution, and to wish him success in his new endeavours.

The Board has appointed Mr Andral (Jack) Shirley to fill the position of General Manager. He took up office on Monday, January 8, 2007. The Board has also appointed a Manager for BONI, to take up office in February 2007.

CONCLUSION

The Board would like to express its sincere thanks and appreciation to the staff, customers, partners and shareholders for making this another successful year, and extends best wishes to all its stakeholders for a successful 2007.

By order of the Board

LYRA RICHARDS
Secretary

January, 2007

GROWTH

AUDITORS' REPORT

PricewaterhouseCoopers
Cnr. Bank Street &
West Indepence Square Street,
P.O. Box 1038,
Basseterre, St. Kitts
West Indies
Telephone: 869-466-8200
Fax: 869-466-9822

December 19, 2006

To the Shareholders of The Bank of Nevis Limited

We have audited the accompanying consolidated balance sheet of The Bank of Nevis Limited as of June 30, 2006 and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of June 30, 2006 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Chartered Accountants

Consolidated Balance Sheet

AS OF JUNE 30, 2006

(expressed in Eastern Caribbean dollars)

	2006 $	2005 $
Assets		
Cash and balances due from other banks (note 6)	**77,239,238**	135,069,854
Investment securities (note 7)	**130,258,954**	141,186,298
Income tax receivable (note 14)	**73,956**	30,381
Loans and advances (note 8)	**120,536,805**	96,895,684
Other assets (note 9)	**1,244,190**	1,336,339
Property, plant and equipment (note 10)	**8,080,128**	8,030,843
Intangible assets (note 11)	**456,382**	636,822
Total assets	**337,889,653**	383,186,221
Liabilities		
Customers' deposits (note 12)	**292,990,983**	342,283,932
Other liabilities and accrued expenses (note 13)	**11,570,485**	9,836,762
Provision for income tax (note 14)	**111,694**	60,282
Deferred tax (note 14)	**485,947**	440,671
Redeemable shares (note 15)	**209,359**	2,066,285
Total liabilities	**305,368,468**	354,687,932
Shareholders' Equity		
Share capital (note 16)	**7,478,150**	7,478,150
Revaluation reserves (note 17)	**301,963**	989,151
Other reserves (note 18)	**6,296,788**	5,866,333
Retained earnings	**18,444,284**	14,164,655
Total shareholders' equity	**32,521,185**	28,498,289
Total liabilities and shareholders' equity	**337,889,653**	383,186,221

Approved by the Board of Directors on December 19, 2006

Chairman Director Director

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Income

FOR THE YEAR ENDED JUNE 30, 2006
(expressed in Eastern Caribbean dollars)

	2006 $	2005 $
Interest income		
Income from loans and advances	**10,515,356**	7,928,280
Income from deposits with other banks and investment securities	**10,514,427**	9,582,163
	21,029,783	17,510,443
Interest expense		
Savings accounts	**2,082,929**	1,785,346
Time deposits and current accounts	**5,949,959**	6,766,071
	8,032,888	8,551,417
Net interest income	**12,996,895**	8,959,026
Gains less losses from investment securities (note 7)	**(257,923)**	(22,913)
Unrealized loss on fair value through profit or loss investments	**(167,410)**	–
Impairment loss on available-for-sale investment securities	**(113,530)**	(735,387)
Other operating income (note 19)	**4,105,074**	4,575,323
Operating income	**16,563,106**	12,776,049
Operating expenses		
General and administrative expenses (note 26)	**7,291,196**	6,549,052
Provision for loan impairment (note 8)	**1,310,674**	24,965
Directors' fees and expenses	**745,847**	693,992
Depreciation (note 10)	**286,115**	283,720
Amortisation (note 11)	**236,952**	225,649
Correspondent bank charges	**391,479**	250,144
	10,262,263	8,027,522
Operating income for the year before taxation	**6,300,843**	4,748,527
Taxation (note 14)		
Current tax expense	**143,326**	95,745
Witholding tax	**599**	–
Prior year tax (credit) expense	**(60,655)**	5,463
Deferred tax expense	**11,858**	11,217
	95,128	112,425
Net income for the year	**6,205,715**	4,636,102
Earnings per share (note 21)	**0.83**	0.62

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED JUNE 30, 2006
(expressed in Eastern Caribbean dollars)

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	Share capital $	Revaluation reserve - available for sale investments $	Revaluation reserve - property $	Other reserves $	Retained earnings $	Total $
Balance, June 30, 2004	7,478,150	(1,643,662)	1,586,632	4,877,869	11,834,698	24,133,687
Net income for the year	–	–	–	–	4,636,102	4,636,102
Dividends (note 24)	–	–	–	–	(1,317,681)	(1,317,681)
Reserve for statutory loan impairment	–	–	–	431,505	(431,505)	–
Transfer of net losses to income (net of tax)	–	686,083	–	–	–	686,083
Appreciation in market value of investment securities, net of tax	–	360,098	–	–	–	360,098
Transfer to reserve fund (note 18)	–	–	–	556,959	(556,959)	–
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 statutory 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**

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED JUNE 30, 2006
(expressed in Eastern Caribbean dollars)

	2006 $	2005 $
Cash flows from operating activities		
Operating income for the year before taxation	**6,300,843**	4,748,527
Items not affecting cash:		
Unrealised loss on fair value through profit or loss investments	**167,410**	–
Provision for loan impairment, net	**1,310,674**	24,965
Provision for doubtful receivables	–	80,847
Depreciation	**286,115**	283,720
Amortisation	**236,952**	225,649
Loss on disposal of property, plant and equipment	**7,252**	–
Interest income	**(21,029,783)**	(17,510,443)
Interest expense	**8,032,888**	8,551,417
Impairment loss on available-for-sale investment securities	**113,530**	735,387
Operating losses before changes in operating assets and liabilities	**(4,574,119)**	(2,859,931)
Changes in operating assets and liabilities		
Decrease in restricted fixed deposits	–	2,462,705
Increase in deposits held for regulatory purposes	**(1,648,503)**	(2,535,010)
Increase in loans and advances	**(24,753,750)**	(26,364,514)
Decrease (increase) in other assets	**92,149**	(164,455)
(Decrease) increase in customer deposits	**(48,329,768)**	46,282,120
Increase in other liabilities and accrued expenses	**1,733,724**	3,502,886
Cash (used in) generated from operations	**(77,480,267)**	20,323,801
Interest paid	**(8,996,070)**	(7,732,943)
Interest received	**20,985,129**	17,133,961
Income tax paid	**(75,433)**	(324,132)
Net cash (used in) generated from operating activities	**(65,566,641)**	29,400,687
Cash flows from investing activities		
Purchase of property, plant and equipment	**(343,200)**	(429,556)
Purchase of intangible assets	**(56,512)**	(327,317)
Proceeds from sale of property, plant and equipment	**548**	–
Decrease in investment securities	**9,790,439**	29,819,860
Increase in fixed deposits	**1,820,071**	(4,129,021)
Net cash from investing activities	**11,211,346**	24,933,966
Cash flows used in financing activities		
(Redemption) issue of redeemable shares	**(1,856,926)**	2,066,285
Dividends paid	**(1,495,631)**	(1,317,681)
Net cash (used in) from financing activities	**(3,352,557)**	748,604
(Decrease) increase in cash and cash equivalents	**(57,707,852)**	55,083,257
Cash and cash equivalents, beginning of year	**165,705,469**	110,622,212
Cash and cash equivalents, end of year (note 25)	**107,997,617**	165,705,469

The accompanying notes form an integral part of these financial statements.

1 INCORPORATION AND PRINCIPAL ACTIVITY

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

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

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.

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.

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 the financial statements are set out below:

a) Basis of preparation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and under the historical cost convention, as modified by the revaluation of property 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.

2 SIGNIFICANT ACCOUNTING POLICIES ... CONTINUED

a) Basis of preparation ... cont'd

Standards, interpretations and amendments to published standards effective in financial year 2006

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Bank has assessed the relevance of all such new standards, interpretations and amendments and has adopted the following IFRSs, which are relevant to its operations. The 2005 comparative figures have been amended as required, in accordance with the relevant requirements.

IAS 1 (revised 2003)	Presentation of Financial Statements
IAS 8 (revised 2003)	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 (revised 2003)	Events after the Balance Sheet Date
IAS 16 (revised 2003)	Property, Plant and Equipment
IAS 17 (revised 2003)	Leases
IAS 21 (revised 2003)	The Effects of Changes in Foreign Exchange Rates
IAS 24 (revised 2003)	Related Party Disclosures
IAS 27 (revised 2003)	Consolidated and Separate Financial Statements
IAS 32 (revised 2003)	Financial Instruments: Disclosure and Presentation
IAS 38 (revised 2003)	Intangible Assets
IAS 39 (revised 2003)	Financial Instruments: Recognition and Measurement

The adoption of IAS 1, 8, 10, 16, 17, 21, 24, 27, 32, 38 and 39 (all revised 2003) did not result in substantial changes to the Bank's accounting policies. In summary:

- IAS 1 (revised 2003) has affected the presentation of certain disclosures.
- IAS 8, 10, 16, 17, 21, 24, 27, 32, 38 and 39 (all revised 2003) had no material effect on the Bank's policies.
- IAS 24 (revised 2003) has affected the identification of related parties and some other related-party disclosures, specifically the disclosure of key management compensation.

There was no impact on opening retained earnings at July 1, 2005 from the adoption of any of the above-mentioned standards.

Standards, interpretations and amendments to published standards that are not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which were not yet effective at the balance sheet date, and which the Bank has not early adopted. The Bank has assessed the relevance of all such new standards, interpretations and amendments, and has determined that the following may be relevant to its operations, and has concluded as follows:

2 SIGNIFICANT ACCOUNTING POLICIES ... CONTINUED

a) Basis of preparation ... cont'd

- **IAS 39 (Amendment), The Fair Value Option** (effective from January 1, 2006). This amendment changes the definition of financial instruments classified as fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Bank believes that this amendment should not have a significant impact on the classification of financial instruments, as the Bank should be able to comply with the amended criteria for the designation of financial instruments as fair value through profit or loss.
- **IFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to IAS 1, Presentation of Financial Statements - Capital Disclosures** (effective from January 1, 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Bank assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The Bank will apply IFRS 7 and the amendment to IAS 1 for the period beginning July 1, 2007.

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.

2 Significant accounting policies ... continued

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) Financial assets

The Bank classifies its financial assets 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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES ... CONTINUED

e) Financial assets ... cont'd

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently carried at fair value. 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. If the market for a financial asset is not active (and for unlisted securities), the Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, and other valuation techniques commonly used by market participants.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably determined are measured at cost, once the instrument is not impaired.

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;

2 SIGNIFICANT ACCOUNTING POLICIES ... CONTINUED

f) Impairment of financial assets ... cont'd

(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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES ... CONTINUED

f) Impairment of financial assets ...cont'd

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). 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.

2 Significant accounting policies ... continued

g) Provisions

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

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.

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 (for example, prepayment options) 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.

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 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.

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.

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. 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.

3 Financial risk management ... continued

b) Credit risk ... cont'd

The total outstanding contractual amount of commitments to extend credit may not necessarily represent future cash requirements specifically in the case of advances, but usually tend to result in such, in the case of loans.

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

Notes to Consolidated Financial Statements

JUNE 30, 2006
(expressed in Eastern Caribbean dollars)

3 Financial risk management ... continued

Geographical concentration of assets, liabilities and off balance sheet items

	Total assets $	%	Total liabilities $	%	Interest and other operating income $	%	Credit commit-ments $	%	Capital expenditure $	%
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 & 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**
As of June 30, 2005										
St. Christopher and Nevis	171,813,062	45	159,809,055	45	14,885,014	67	25,435,641	82	429,556	100
United States of America & Canada	151,855,181	40	183,341,521	52	3,936,699	18	5,464,480	18	–	–
Other Caribbean states	46,816,803	12	3,060,131	1	2,269,038	10	–	–	–	–
Europe	12,701,175	3	8,477,225	2	995,015	5	–	–	–	–
	383,186,221	**100**	**354,687,932**	**100**	**22,085,766**	**100**	**30,900,121**	**100**	**429,556**	**100**

THE BANK OF NEVIS LIMITED

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3 Financial risk management ... continued

Geographical concentration of assets, liabilities 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:

	2006 $	2006 %	2005 $	2005 %
Personal	**39,697,770**	**32**	34,765,858	35
Commercial	**42,300,085**	**34**	32,512,730	33
Public Sector	**18,674,244**	**15**	16,551,357	17
Development Bank of St. Kitts and Nevis	**9,087,912**	**7**	–	–
Land	**5,875,011**	**5**	4,546,159	5
Professional	**2,734,976**	**2**	4,961,003	5
Credit card advances	**2,331,544**	**2**	2,398,004	2
Educational	**2,013,217**	**2**	1,998,997	2
Agricultural/Manufacturing	**826,755**	**1**	1,427,466	1
	123,541,514	**100**	99,161,574	100

c) Interest rate risk

The Bank 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.

3 Financial risk management … continued

c) Interest rate risk … cont'd

The table below analyses the effective interest rates for each class of financial asset and financial liability.

	2006	2005
Loans and advances		
Loans	**9.45%**	10.00%
Advances	**9.64%**	8.57%
Credit card advances	**16.83%**	17.50%
Investment securities		
Government treasury bills	**6.67%**	6.70%
Investment securities, fixed deposits and other investments	**4.67%**	5.35%
Fixed rate bonds	**3.49%**	4.13%
Customer deposits		
Demand deposits	**0.64%**	0.69%
Savings deposits	**2.95%**	3.10%
Time deposits	**5.18%**	5.57%

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.

Notes to Consolidated Financial Statements

JUNE 30, 2006
(expressed in Eastern Caribbean dollars)

3 Financial risk management … continued

d) Currency risk … cont'd

	XCD $	USD $	EURO $	GBP $	CAD $	Other $	Total $
Concentrations of assets, liabilities and credit commitments							
Cash and balances due from other banks	15,787,375	38,730,544	11,630,257	8,713,065	610,595	1,767,402	77,239,238
Investment securities	60,801,326	69,457,628	–	–	–	–	130,258,954
Income tax receivable	73,956	–	–	–	–	–	73,956
Loans and advances	107,816,034	12,720,771	–	–	–	–	120,536,805
Other assets	426,922	817,268	–	–	–	–	1,244,190
Property, plant and equipment	8,080,128	–	–	–	–	–	8,080,128
Intangible assets	456,382	–	–	–	–	–	456,382
Total assets	**193,442,123**	**121,726,211**	**11,630,257**	**8,713,065**	**610,595**	**1,767,402**	**337,889,653**
Liabilities							
Customers' deposits	139,515,594	149,182,267	2,555,148	1,644,361	93,613	–	292,990,983
Other liabilities and accrued expenses	2,427,066	9,143,419	–	–	–	–	11,570,485
Provision for income tax	111,694	–	–	–	–	–	111,694
Deferred tax	485,947	–	–	–	–	–	485,947
Redeemable shares	–	209,359	–	–	–	–	209,359
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**	**1,767,402**	**32,521,185**
Credit commitments	**14,068,665**	**8,994,229**	**–**	**–**	**–**	**–**	**23,062,894**

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3 FINANCIAL RISK MANAGEMENT ... CONTINUED

d) Currency risk ... cont'd

	XCD $	USD $	EURO $	GBP $	CAD $	Other $	Total $
As of June 30, 2005							
Total assets	170,078,803	205,379,038	5,211,661	2,176,461	256,112	84,146	383,186,221
Total liabilities	151,919,377	196,886,842	5,170,586	630,593	80,534	–	354,687,932
Net balance sheet position	18,159,426	8,492,196	41,075	1,545,868	175,578	84,146	28,498,289
Credit commitments	20,310,816	10,589,305	–	–	–	–	30,900,121

3 Financial risk management ... continued

e) Liquidity risk

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

The table below 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.

3 FINANCIAL RISK MANAGEMENT ... CONTINUED

e) Liquidity risk

Maturities of assets and liabilities, June 30, 2006

	Up to 1 year $	1-5 years $	Over 5 years $	Total $
Assets				
Cash and due from other banks	71,579,948	–	5,659,290	77,239,238
Investment securities	59,985,672	53,748,579	16,524,703	130,258,954
Loans and advances	25,385,610	68,912,363	26,238,832	120,536,805
Other assets	1,244,190	–	–	1,244,190
Income tax receivable	73,956	–	–	73,956
Property, plant and equipment	–	–	8,080,128	8,080,128
Intangible assets	–	–	456,382	456,382
	158,269,376	122,660,942	56,959,335	337,889,653
Liabilities				
Customer deposits	280,246,176	12,744,807	–	292,990,983
Other liabilities and accrued expenses	11,570,485	–	–	11,570,485
Provision for income tax	111,694	–	–	111,694
Deferred tax	–	485,947	–	485,947
Redeemable shares	209,359	–	–	209,359
	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**

Maturities of assets and liabilities, June 30, 2005

Total assets	237,238,792	90,508,710	55,438,719	383,186,221
Total liabilities	339,227,151	15,460,781	–	354,687,932
Net liquidity gap, June 30, 2005	(101,988,359)	75,047,929	55,438,719	28,498,289

3 Financial risk management ... continued

e) Liquidity risk ... cont'd

Maturities of assets and liabilities, June 30, 2006

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.

f) Fair value

	Carrying value		Fair value	
	2006 $	**2005 $**	**2006 $**	**2005 $**
Financial assets				
Cash and due from other banks	**77,239,238**	135,069,854	**77,239,238**	135,069,854
Loans and advances to customers	**120,536,805**	96,895,684	**120,536,805**	96,895,684
Investment securities	**130,258,954**	141,186,298	**130,258,954**	141,186,298
Other assets	**1,244,190**	1,336,339	**1,244,190**	1,336,339
	329,279,187	374,488,175	**329,279,187**	374,488,175
Financial liabilities				
Customers' deposits	**292,990,983**	342,283,932	**292,990,983**	342,283,932
Other liabilities and accrued expenses	**11,570,485**	9,836,762	**11,570,485**	9,836,762
Redeemable shares	**209,359**	2,066,285	**209,359**	2,066,285
	304,770,827	354,186,979	**304,770,827**	354,186,979

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 ... cont'd

- 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

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 $331,374 lower or $246,766 higher.

(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 $1,687,110 in its 2006 financial statements, being the transfer of the accumulated fair value adjustments 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. 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, 2006, 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.

Notes to Consolidated Financial Statements

JUNE 30, 2006
(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 (loss) 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**	**–**	**305,368,468**
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

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Notes to Consolidated Financial Statements

JUNE 30, 2006
(expressed in Eastern Caribbean dollars)

5 Business segments ... continued

	Retail and corporate banking $	Offshore banking $	Mutual fund $	Eliminating entries $	Group $
As of June 30, 2005					
External revenue	13,089,648	8,611,057	385,061	–	22,085,766
Revenue from other segments	1,599,490	197,959	–	(1,797,449)	–
Total revenues	**14,689,138**	**8,809,016**	**385,061**	**(1,797,449)**	**22,085,766**
Segment result and profit before tax	1,204,519	3,312,396	231,612	–	4,748,527
Income tax expense	(22,310)	(90,115)	–	–	(112,425)
Profit for the year	**1,182,209**	**3,222,281**	**231,612**	–	**4,636,102**
Segment assets	**197,021,486**	**161,360,490**	**24,804,245**	–	**383,186,221**
Segment liabilities	**183,383,402**	**169,193,715**	**2,110,815**	–	**354,687,932**
Other segment items					
Impairment provision – investments	–	735,387	–	–	735,387
Impairment provision – loans	24,965	–	–	–	24,965
Depreciation	235,003	48,717	–	–	283,720
Amortisation	200,337	25,312	–	–	225,649
Capital expenditure	415,386	14,170	–	–	429,556

6 Cash and balances due from other banks

	2006 $	2005 $
Cash on hand	**2,394,357**	1,643,128
Balances with Eastern Caribbean Central Bank (ECCB) other than mandatory deposits	**95,632**	1,695,505
Cash and current accounts with other banks	**26,101,163**	51,582,404
Cheques in the course of collection	**1,701,270**	503,787
Short-term marketable securities	**24,467,089**	57,040,013
Included in cash and cash equivalents (note 25)	**54,759,511**	112,464,837
Mandatory reserve deposits with the ECCB	**12,429,930**	10,781,427
Restricted fixed deposits	**5,659,290**	5,659,290
Fixed deposits	**4,042,350**	5,862,421
	76,891,081	134,767,975
Interest receivable	**348,157**	301,879
Total cash and balances due from other banks	**77,239,238**	135,069,854

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 represents a deposit held at CLICO (Trinidad) Ltd. and it accrued interest at a rate of 7.5% per annum. The fixed deposit of $4,042,350 (2005: $5,862,421) represents certificates of deposit held at the Grenada Co-operative Bank and accrued interest at rates ranging from 4.5% to 5% per annum.

The restricted fixed deposits comprise deposits held with Bank of America of $269,490 and $2,694,900 bearing interest of 4.19% (2005: 1.05% and 2% per annum respectively); and with Regions Bank of $2,694,900 (2005; $2,694,900) bearing interest of 5.37%. 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.

7 INVESTMENT SECURITIES

	2006 $	2005 $
Loan and receivables		
Treasury bills		
Treasury bills – Government of Saint Christopher and Nevis, maturing August 22, 2006 with interest rate of 6.5%	**42,524,067**	42,524,070
Treasury bill – Government of Grenada, maturing on July 8, 2006 with interest rate of 6.44%	**2,854,039**	2,856,562
Treasury bills – Nevis Island Administration maturing July 26, 2006 with interest rate of 7%	**7,860,000**	7,860,000
Included in cash and cash equivalents (note 25)	**53,238,106**	53,240,632
Treasury bill – Nevis Island Administration maturing July 26, 2006 with interest rate of 7%	**1,000,000**	1,000,000
	54,238,106	54,240,632
Bonds and other debt instruments		
Government of Antigua and Barbuda		
Fixed rate bond bearing interest at 9%	**2,426,712**	2,609,452
Caribbean Credit Card Corporation Limited		
Unsecured loan bearing interest at a rate of 10%, with no specific terms of repayment	**150,000**	150,000
ECIC Holdings Limited		
6% preference shares	**2,004,332**	–
	4,581,044	2,759,452
Total loans and receivables	**58,819,150**	57,000,084
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

	2006 $	2005 $
Available for sale		
Debt securities: quoted at market value	**61,348,577**	80,823,389
Equity securities at market value	**1,074,160**	1,703,097
Equity securities – unquoted	**3,269,501**	199,596
Total available for sale	**65,692,238**	82,726,082
Total investment securities before interest receivable	**128,998,491**	139,726,166
Interest receivable	**1,260,463**	1,460,132
Total investment securities	**130,258,954**	141,186,298

The treasury bill with nominal value $1,017,813 and cost $1,000,000 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, 2005	57,000,084	82,726,082	–	139,726,166
Additions	2,004,332	14,082,818	4,654,621	20,741,771
Disposals (sale and redemption)	(185,266)	(29,153,578)	–	(29,338,844)
Loss from change in fair value, net	–	(1,705,161)	(167,518)	(1,872,679)
Net realised losses on investment securities	–	(257,923)	–	(257,923)
Balance as of June 30, 2006	**58,819,150**	**65,692,238**	**4,487,103**	**128,998,491**

Net losses from investment securities comprise:

	2006 $	2005 $
Net realised losses from disposal of available-for-sale financial assets	**(257,923)**	(22,913)

8 Loans and advances

	2006 $	2005 $
Reducing balance loans	**109,356,776**	88,381,708
Overdrafts	**10,863,568**	7,619,327
Credit card advances	**2,331,544**	2,368,958
	122,551,888	98,369,993
Interest receivable	**989,626**	791,581
	123,541,514	99,161,574
Less: Allowance for loan impairment	**(3,004,709)**	(2,265,890)
Total loans and advances	**120,536,805**	96,895,684

Allowance for loan impairment

The movement in allowance for loan impairment is as follows:

	2006 $	2005 $
Balance, beginning of year	**2,265,890**	2,418,361
Provision for loan impairment	**1,310,674**	24,965
Recoveries during the year	**(184,570)**	–
Loans and advances written off during the year as uncollectible	**(387,285)**	(177,436)
Balance, end of year	**3,004,709**	2,265,890

According to the Eastern Caribbean Central Bank loan provisioning guidelines, the calculated allowance for loan impairment amounts to $2,672,982 (2005: $2,619,415).

Included in interest income is an amount for interest on non-productive loans of $439,602 (2005: $354,475). The total value of non-productive loans at the end of the year amounted to $10,748,159 (2005: $9,726,735).

The interest receivable on non-productive loans and advances but not recognised in the financial statements at the end of the year amounted to $1,206,075 (2005: $1,734,846).

Notes to Consolidated Financial Statements

JUNE 30, 2006
(expressed in Eastern Caribbean dollars)

9 Other assets

	2006 $	2005 $
Items in-transit	**771,344**	987,345
Prepayments	**217,278**	188,768
Other receivables	**142,671**	134,452
Credit card and stationery stock	**83,779**	83,779
Miscellaneous	**29,118**	22,842
	1,244,190	1,417,186
Provision for other receivables	–	(80,847)
Total other assets	**1,244,190**	1,336,339

Notes to Consolidated Financial Statements

JUNE 30, 2006
(expressed in Eastern Caribbean dollars)

10 Property, plant and equipment

	Land $	Buildings $	Furniture & fixtures $	Equipment $	Computer equipment $	Motor vehicle $	Total $
At July 1, 2004							
Cost	3,759,086	3,656,866	638,228	556,416	464,688	83,000	9,158,284
Accumulated depreciation	–	(68,677)	(519,827)	(308,022)	(360,151)	(16,600)	(1,273,277)
Net book amount	3,759,086	3,588,189	118,401	248,394	104,537	66,400	7,885,007
Year ended June 30, 2005							
Opening net book amount	3,759,086	3,588,189	118,401	248,394	104,537	66,400	7,885,007
Additions	274,619	–	18,035	49,513	87,389	–	429,556
Depreciation charge	–	(91,422)	(49,814)	(67,471)	(58,413)	(16,600)	(283,720)
Closing net book amount	4,033,705	3,496,767	86,622	230,436	133,513	49,800	8,030,843
At June 30, 2005							
Cost	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

Notes to Consolidated Financial Statements

JUNE 30, 2006
(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, 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	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**

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, 2006:

	Land $	Buildings $	Total $
Cost	382,279	2,758,340	3,140,619
Accumulated Depreciation	–	(676,709)	(676,709)
Net book values	**382,279**	**2,081,631**	**2,463,910**

11 INTANGIBLE ASSETS

	Computer software $
At July 1, 2004	
Cost	1,559,918
Accumulated Amortisation	(1,024,764)
Net book amount	535,154
Year ended June 30, 2005	
Opening net book amount	535,154
Additions	327,317
Amortisation charge	(225,649)
Closing net book amount	636,822
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**

Notes to Consolidated Financial Statements

JUNE 30, 2006

(expressed in Eastern Caribbean dollars)

12 Customers' deposits

	2006 $	2005 $
Current accounts	**184,017,401**	166,105,731
Time deposits	**66,511,503**	108,353,322
Savings accounts	**40,454,470**	64,236,693
Merchant reserve accounts	**258,260**	875,656
	291,241,634	339,571,402
Interest payable	**1,749,349**	2,712,530
Total customers' deposits	**292,990,983**	342,283,932

Included in the customers deposits at year end are balances for other financial institutions amounting to $7,889,622 (2005: $9,200,713).

13 Other liabilities and accrued expenses

	2006 $	2005 $
Items-in-transit	**6,936,837**	1,302,864
Accounts payable and accrued expenses	**3,610,983**	6,685,472
Manager's cheques	**499,559**	744,288
Staff bonus payable	**294,547**	873,478
Government stamp duty	**228,559**	230,660
Total other liabilities and accrued expenses	**11,570,485**	9,836,762

Notes to Consolidated Financial Statements

JUNE 30, 2006

(expressed in Eastern Caribbean dollars)

14 Provision for income tax

	2006 $	2005 $
Deferred income tax		
Balance, beginning of year	**440,671**	486,007
Current tax expense	**11,858**	11,217
Deferred tax on revaluation of available for sale investment securities	**33,418**	(56,553)
Balance, at end of year	**485,947**	440,671
Income tax payable		
Income tax payable net, beginning of year	**29,901**	252,825
Payments made during year	**(75,433)**	(324,132)
Current tax expense	**143,925**	95,745
Prior year tax (credit) expense	**(60,655)**	5,463
Income tax payable net, end of year	**37,738**	29,901

The income tax payable (net) is comprised of:

	2006 $	2005 $
Income tax payable	**111,694**	60,282
Income tax receivable	**(73,956)**	(30,381)
	37,738	29,901

	2006	2005
Income tax expense		
Operating income for the year	**6,300,843**	4,748,527
Income tax expense at standard rate of 35% (2005: 35%)	**2,205,295**	1,661,984
Non-deductible expenses	**319,893**	196,871
Income from tax exempted entity	**(7,876)**	(2,550)
Withholding tax	–	19,323
Untaxed interest income	**(881,815)**	(884,447)
Effect of lower tax rate in subsidiary bank	**(1,564,046)**	(1,076,529)
Prior year income tax adjustment	**(60,655)**	5,463
Deferred tax under provided	**652**	11,883
Effect of losses carried forward	**83,680**	180,427
Actual income tax expense	**95,128**	112,425

14 Provision for income tax ... continued

The Bank has carry forward income tax losses of $1,434,092 at June 30, 2006 (2005: $1,195,006) which have not been confirmed by the Comptroller of Inland Revenue. The losses were incurred as follows:

Year of loss	**$**
2004	679,500
2005	515,506
2006	239,086
Total losses carried forward	1,434,092

The deferred tax asset of $501,932 (2005: $418,252) associated with these losses have not been recognized in the financial statements because of the uncertainty of its recovery.

15 Redeemable shares

	2006 $	**2005 $**
Bank of Nevis International Mutual Fund Limited		
7,265 (2005: 76,674) Class 'B' shares at cost of US$10 each	**195,780**	2,066,285
504 (2005: NIL) Class 'A' shares at cost of US$10 each	**13,579**	–
	209,359	2,066,285

16 Share capital

	2006 $	**2005 $**
Authorised share capital		
10,000,000 shares of $1 each	**10,000,000**	10,000,000
Issued and fully paid		
7,478,150 shares of $1 each	**7,478,150**	7,478,150

17 Revaluation reserves

	2006 $	2005 $
Balance, beginning of year	**989,151**	(57,030)
Transfer net loses on investment securities to income (net of tax)	**362,565**	686,083
(Depreciation) appreciation in market value of investment securities, net of tax	**(1,049,753)**	360,098
Balance, end of year	**301,963**	989,151
Represented by revaluation reserves attributable to:		
Available for sale investment securities	**(1,284,669)**	(597,481)
Property	**1,586,632**	1,586,632
	301,963	989,151

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

18 Other reserves

	2006 $	2005 $
Other reserves:		
Balance at beginning of year	**5,866,333**	4,877,869
Transfer from retained earnings for the year	**861,960**	556,959
Reserve for loan impairment	**(431,505)**	431,505
Total other reserves	**6,296,788**	5,866,333
Other reserves is represented by:		
Reserve fund	**6,296,788**	5,434,828
Reserve for loan impairment	**–**	431,505
	6,296,788	5,866,333

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.

18 Other reserves ... Continued

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.

19 Other operating income

	2006 $	2005 $
Fees and commissions	**1,771,128**	2,094,803
Foreign exchange	**1,443,254**	1,947,231
Credit card fees	**724,198**	445,411
Rental income	**24,000**	33,000
Dividend income	**54,823**	54,878
Miscellaneous revenue	**87,671**	–
Total other operating income	**4,105,074**	4,575,323

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:

20 Related party transactions ... Continued

	2006 $	2005 $
Loans to Directors and key members of management		
Loans outstanding at beginning of year	**7,953,974**	4,595,257
Loans issued during the year	**11,627,066**	7,360,372
Loans repayment during the year	**(13,027,927)**	(4,001,655)
Loans outstanding at end of year	**6,553,113**	7,953,974

Interest income earned on loans and advances to directors and key members of management during the year is $841,555 (2005: $628,166). Interest rates on directors' loans range from 5% to 11%. The Bank's commitment to extend credit to directors in the future, amounted to $131,101 (2005: $176,306) at the year end.

	2006 $	2005 $
Deposits by Directors and key members of management		
Deposits at beginning of year	**20,050,375**	14,200,003
Deposits received during the year	**22,714,266**	42,797,339
Deposits repaid during the year	**(23,748,847)**	(36,946,967)
Deposits at end of year	**19,015,794**	20,050,375

Interest expense on deposits to directors and key members of management during the year is $1,184,444 (2005: $1,008,321). Interest rates on directors' deposits 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 $64,366 (2005: $102,666). Rental income was also earned from R.L. Kawaja and Associates of $24,000 (2005: $33,000).

At the year end there was a non-productive loan due from a company whose principal shareholder is a director of the Bank. The balance on the facility at the year end amounted to $330,237 (2005:$343,459). The provision recorded in respect of the non-productive loan is $108,186 (2005: $167,727).

During the year, salaries and related benefits of $1,499,651 (2005: $1,362,116) were paid to key members of management allocated as follows:

20 Related party transactions ... Continued

	2006 $	2005 $
Salaries and wages	**1,343,927**	1,229,996
Social security costs	**91,044**	81,816
Pension costs	**40,244**	35,802
Other staff costs	**24,436**	14,502
	1,499,651	1,362,116

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.

	2006 $	2005 $
Net profit attributable to shareholders	**6,205,715**	4,636,102
Weighted average number of ordinary shares in issue	**7,478,150**	7,478,150
Basic and diluted earnings per share	**0.83**	0.62

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, 2006 amounted to $102,111 (2005: $93,244).

23 Contingencies and commitments

Pending litigation

In 2006, the St. Kitts and Nevis High Court refused to grant an order sought by a United States Receiver for the funds of a customer of Bank of Nevis International Limited to be paid over to him. The Receiver then obtained an ex parte order in the United States District Court, Southern District of New York for US$1,165,000 to be paid from the account of Bank of Nevis Limited at Bank of America, N.A. Bank of Nevis International Limited has filed an application to have the order vacated. Meantime a party claiming to represent the customer has made certain applications in the St. Kitts and Nevis Court seeking payment to him of the funds in the customer's account. Bank of Nevis International Limited is the Respondent in this matter.

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:

	2006 $	2005 $
Undrawn commitments to extend advances	**23,062,894**	30,900,121

24 DIVIDENDS

The financial statements reflect a dividend of $1,495,631 for the year ended June 30, 2005 which was approved at the nineteenth Annual General Meeting held on December 15, 2005 and paid subsequently.

A dividend in respect of 2006 of EC$0.25 per share (2005 actual dividend EC$0.20 per share) amounting to a total of EC$1,869,538 (2005 actual EC$1,495,631) is proposed. The financial statements for the year ended June 30, 2006 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, 2007.

25 CASH AND CASH EQUIVALENTS

	2006 $	2005 $
Cash and balances due from other banks (note 6)	**54,759,511**	112,464,837
Investment securities (note 7)	**53,238,106**	53,240,632
Total cash and cash equivalents	**107,997,617**	165,705,469

Notes to Consolidated Financial Statements

JUNE 30, 2006

(expressed in Eastern Caribbean dollars)

26 General and administrative expenses

	2006 $	2005 $
Salaries and related costs (note 27)	**3,576,417**	3,182,784
Credit card processing expense	**526,038**	426,557
Professional fees	**785,570**	418,356
Debit card expenses	**322,945**	179,390
Stationery and supplies	**268,329**	271,796
Insurance expense	**264,290**	245,755
Telephone, telex and cables	**230,700**	215,147
Advertisement and promotion	**178,293**	345,620
Repairs and maintenance	**138,339**	138,171
Utilities	**136,720**	107,580
Travel and entertainment	**131,293**	99,988
Annual report	**101,323**	89,901
Taxes and licences	**85,716**	75,075
Legal fees	**81,126**	140,853
Equipment repairs	**73,363**	97,157
Subscriptions and fees	**70,199**	54,047
Rent	**55,202**	57,601
Stamps and postage	**53,582**	58,053
ECSE fees and expenses	**40,788**	31,873
Online banking expenses	**38,029**	15,941
Administrative fees	**35,115**	–
Cleaning	**20,905**	18,016
Security services	**14,395**	4,861
Secretarial	**12,234**	12,228
Custody fees	**12,127**	–
Credit card chargeback loss	**8,434**	97,415
Credit card start up expense	**8,426**	122,833
Miscellaneous expenses	**9,239**	30,914
Loss on disposal of assets	**7,252**	–
Cash shorts	**4,807**	3,055
Provision for doubtful receivables	–	80,847
Provision for lawsuit	–	(72,762)
Total general and administrative expenses	**7,291,196**	6,549,052

Notes to Consolidated Financial Statements

JUNE 30, 2006

(expressed in Eastern Caribbean dollars)

27 Salaries and related costs

	2006 $	2005 $
Salaries and wages	**2,961,360**	2,610,843
Social security costs	**248,588**	208,057
Pension costs	**102,113**	93,244
Other staff costs	**264,356**	270,640
Total salaries and related costs	**3,576,417**	3,182,784

28 Events after the balance sheet date

Subsequent to the year end, the General Manager retired from the Bank effective December 31, 2006. His total retirement benefit amounted to $639,909.

Going concern disclosure

Subsequent to the year end, on October 26, 2006, the Board of Directors of the shareholder of the Bank of Nevis International Fund Limited – Bank of Nevis International Limited – made the decision to temporarily suspend the operations of the Fund. Bank of Nevis International Limited is the sponsor for the Fund and they also provide all the financial, administrative and other resources to the Fund. In addition, Bank of Nevis International Limited is the holder of 98% or US$4,649,405 of the redeemable shares. The Fund's ability to continue as a going concern is dependent on the continued support of Bank of Nevis International Limited, on their not redeeming the shares held in the Fund and on the Fund's ability to attract third party investors.

29 Comparative figures

Certain items in the notes to the consolidated financial statements have been classified differently in order to achieve a clearer or more appropriate presentation. The comparative figures have been similarly reformatted and reclassified in order to achieve comparability with the current period. The items which have been reclassified are as follows

a) Financial risk management (note 3) – The amounts included in the economic sector risk concentration note for tourism, manufacturing, agricultural, professional, business services, land, housing, other loans and loans to government bodies for $99,161,574 have been reclassified as shown in note 3.

b) Treasury bills of $54,240,632 have been reclassified to investment securities on the balance sheet.

c) Audit fees and expenses of $235,462 have been reclassified to the professional fees included in general and administrative expenses (note 26).

d) Computer software of $636,822 has been reclassified from property, plant and equipment to intangible assets on the balance sheet. The related amortisation expense of $225,649 has been reclassified from the depreciation expense on the statement of income.

Non-Consolidated Balance Sheet

AS OF JUNE 30, 2006

(expressed in Eastern Caribbean dollars)

	2006 $	2005 $
Assets		
Cash and balances with the Central Bank	**14,919,922**	14,120,060
Due from other banks	**24,476,361**	44,509,395
Investment securities	**43,071,350**	40,044,486
Loans and advances	**106,219,968**	88,693,195
Other assets	**917,780**	1,150,786
Income tax receivable	**73,956**	30,381
Investment in subsidiaries	**2,350,000**	2,350,000
Property, plant and equipment	**7,968,799**	7,916,904
Intangible assets	**380,822**	556,278
Due from subsidiaries	**30,000**	2,290,462
Total assets	**200,408,958**	201,661,947
Liabilities		
Customers' deposits	**167,721,381**	180,492,371
Other liabilities and accrued expenses	**8,374,474**	4,198,557
Deferred tax	**485,947**	440,671
Due to subsidiary	**5,282,537**	–
Total liabilities	**181,864,339**	185,131,599
Shareholders' Equity		
Share capital	**7,478,150**	7,478,150
Revaluation reserve	**1,989,073**	1,927,011
Other reserves	**5,096,788**	4,666,333
Retained earnings	**3,980,608**	2,458,854
Total shareholders' equity	**18,544,619**	16,530,348
Total liabilities and shareholders' equity	**200,408,958**	201,661,947

Approved by the Board of Directors on December 19, 2006

Chairman   Director   Director

Non-Consolidated Statement of Income

FOR THE YEAR ENDED JUNE 30, 2006
(expressed in Eastern Caribbean dollars)

	2006 $	2005 $
Interest income		
Income from loans and advances	**9,492,752**	7,633,827
Income from deposits with other banks and investments	**3,254,500**	3,037,272
	12,747,252	10,671,099
Interest expense		
Savings accounts	**1,879,755**	1,639,264
Time deposits and current accounts	**5,232,579**	5,508,547
	7,112,334	7,147,811
Net interest income	**5,634,918**	3,523,288
Other operating income	**4,997,337**	4,167,625
Gain on sale of investment securities	**64,907**	–
Impairment losses from investment securities	**(113,530)**	(111,104)
	10,583,632	7,579,809
Operating expenses		
General and administrative expenses	**4,978,117**	3,969,735
Depreciation	**234,278**	235,003
Amortisation	**206,557**	200,337
Directors' fees and expenses	**231,221**	242,111
Provision for loan impairment	**1,309,318**	(14,591)
Correspondent bank charges	**208,018**	141,814
	7,167,509	4,774,409
Income before tax for the year	**3,416,123**	2,805,400
Taxation		
Current tax expense	–	11,093
Prior years' tax (credit) expense	**(43,575)**	–
Deferred tax expense	**11,859**	11,217
	(31,716)	22,310
Net income for the year	**3,447,839**	2,783,090
Earnings per share	**0.46**	0.37

Non-Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED JUNE 30, 2006
(expressed in Eastern Caribbean dollars)

	Share capital $	Revaluation reserve: property $	Revaluation reserve: available for sale investments $	Other reserves $	Retained earnings $	Total $
Balance, June 30, 2004	7,478,150	1,586,632	445,406	3,677,869	1,972,905	15,160,962
Net income for the year	–	–	–	–	2,783,090	2,783,090
Dividends	–	–	–	–	(1,308,677)	(1,308,677)
Transfer of net losses to income on investment securities, net of tax	–	–	38,886	–	–	38,886
Depreciation in market value of investment securities, net of tax	–	–	(143,913)	–	–	(143,913)
Reserve for loan impairment	–	–	–	431,505	(431,505)	–
Transfer to reserve fund	–	–	–	556,959	(556,959)	–
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**

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Non-Consolidated Statement of Cash Flows

FOR THE YEAR ENDED JUNE 30, 2006
(expressed in Eastern Caribbean dollars)

	2006 $	2005 $
Cash flows from operating activities		
Income before tax for the year	**3,416,123**	2,805,400
Items not affecting cash		
Provision for loan impairment	**1,309,318**	(14,591)
Impairment loss on investment securities	**113,530**	111,104
Depreciation	**234,278**	235,003
Amortisation	**206,557**	200,337
Loss on disposal of plant and equipment	**7,252**	–
Interest income	**(12,747,252)**	(10,671,099)
Interest expense	**7,112,334**	7,147,811
Operating losses before changes in operating assets and liabilities	**(347,860)**	(186,035)
Changes in operating assets and liabilities		
Decrease in restricted deposits with other banks	–	2,462,705
Increase in mandatory deposits held with Central Bank	**(1,648,503)**	(2,535,010)
Decrease (increase) in other assets	**233,006**	(322,493)
Increase in loans and advances, net of repayments received	**(18,597,353)**	(19,681,488)
(Decrease) Increase in customers' deposits	**(11,804,979)**	45,520,655
Increase (Decrease) in other liabilities and accrued expenses	**4,175,917**	(244,192)
Cash generated from operations before interest and tax	**(27,989,772)**	25,014,142
Interest paid	**(8,078,345)**	(6,346,754)
Interest received	**12,531,882**	10,238,365
Income tax paid	–	(127,294)
Net cash from operating activities	**(23,536,235)**	28,778,459
Cash flows from investing activities		
Purchase of property, plant and equipment	**(293,973)**	(415,386)
Purchase of intangible assets	**(31,101)**	(304,276)
Proceeds from sale of plant and equipment	**548**	–
Purchase of investment securities	**(3,050,916)**	(2,499,999)
Investments in subsidiaries	–	(1,350,000)
Net cash used in investing activities	**(3,375,442)**	(4,569,661)
Cash flows from financing activities		
Dividends paid	**(1,495,630)**	(1,308,677)
Advances from (Repayments to) subsidiary companies	**7,542,999**	(1,343,102)
Net cash used in financing activities	**6,047,369**	(2,651,779)
(Decrease) Increase in cash and cash equivalents	**(20,864,308)**	21,557,019
Cash and cash equivalents, beginning of year	**80,479,405**	58,922,386
Cash and cash equivalents, end of year (note 25)	**59,615,097**	80,479,405

Loans Department

Investment Department

Operations Department

Bank of Nevis International

Accounts Department

Internal Audit & Compliance Department

Credit Card Department

Island Mouldings

LEFCO Equipment Rental and Construction Co. Ltd.

Bargain House Retail Outlet

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