

**AUDITORS REPORT**  
TO THE SHAREHOLDERS OF  
ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK LIMITED

We have audited the accompanying balance sheet of the St. Kitts-Nevis-Anguilla National Bank Limited and its subsidiaries (the Group) as of June 30, 2004, and the related profit and loss account and cash flow statement of the group for the year then ended.

These financial statements set out on pages 20 to 41 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these accounts based on our audit.

We read the other information published with the financial statements and considered whether it was consistent with the audited financial statements. We considered the implications for our report if we became aware of any apparent misstatements or material inconsistencies with the financial statements.

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 from material misstatement. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentations.

In our opinion, the financial statements give a true and fair view of the financial position of the Company and the Group as at June 30, 2004 and the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.



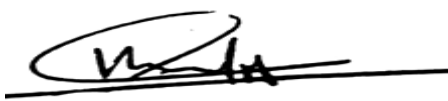
SIMMONDS AND ASSOCIATES  
Chartered Accountant

ST KITTS  
October 28, 2004

**ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK GROUP**  
**BALANCE SHEET**  
**AS AT JUNE 30, 2004**

BANK				GROUP	
<u>2003</u> \$000	<u>2004</u> \$000		Notes	<u>2004</u> \$000	<u>2003</u> \$000
<b>ASSETS</b>					
459,347	603,239	Cash and Money at call	4	602,252	458,208
416,791	517,158	Loans and Advances	5	523,802	424,402
119,064	119,179	Investments	6	121,179	121,064
-	-	Investment in Properties	7	31,463	29,559
35,550	37,550	Investment in Subsidiaries	8	-	-
		Customers' Liability under Acceptances, Guarantees and Letters of Credit	9	4,389	4,276
4,276	4,389	Premises and Equipment	10	23,050	23,842
18,317	17,712	Other Accounts	11	18,591	11,720
5,906	9,932	Deferred Tax	12	274	125
125	274				
<b><u>1,059,376</u></b>	<b><u>1,309,433</u></b>	<b>Total Assets</b>		<b><u>1,325,000</u></b>	<b><u>1,073,196</u></b>
<b>Liabilities</b>					
18,938	4,009	Due to other Banks		4,009	18,938
828,380	984,235	Customers' Deposits	13	914,691	765,270
688	-	Due to Subsidiaries		-	-
21,474	11,474	Deferred Credit	14	11,474	21,474
		Acceptances, Guarantees and Letters of Credit	9	4,389	4,276
4,276	4,389	Accumulated Provisions, Creditors And Accruals	15	217,758	104,832
40,785	147,914				
<b><u>914,541</u></b>	<b><u>1,152,021</u></b>	<b>Total Liabilities</b>		<b><u>1,152,321</u></b>	<b><u>914,790</u></b>
<b>Shareholders' Equity</b>					
81,000	81,000	Issued Share Capital	16	81,000	81,000
3,877	3,877	Share Premium		3,877	3,877
47,363	60,503	Reserves	17	74,178	59,409
12,595	12,032	Retained Earnings		13,624	14,120
<b><u>144,835</u></b>	<b><u>157,412</u></b>	<b>Total Shareholders' Equity</b>		<b><u>172,679</u></b>	<b><u>158,406</u></b>
<b><u>1,059,376</u></b>	<b><u>1,309,433</u></b>	<b>Total Liabilities and Shareholders' Equity</b>		<b><u>1,325,000</u></b>	<b><u>1,073,196</u></b>

Director   
Rublin Audain

Director   
Mitchell Gumbs

The attached notes form part of these Financial Statements.

**ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK GROUP  
PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2004**

BANK			Notes	GROUP	
2003 \$000	2004 \$000			2004 \$000	2003 \$000
24,192	19,148	NET INTEREST INCOME	18	21,159	26,870
17,631	26,059	NON-INTEREST INCOME		39,693	29,563
<b>41,823</b>	<b>45,207</b>			<b>60,852</b>	<b>56,433</b>
(15,768)	(19,542)	Non-Interest Expense		(31,666)	(26,835)
<b>26,055</b>	<b>25,665</b>	Net Operating Income Before Depreciation and Tax		<b>29,186</b>	<b>29,598</b>
(1,775)	(1,817)	Depreciation		(2,351)	(2,303)
<b>24,280</b>	<b>23,848</b>	Net Operating Income Before Tax		<b>26,835</b>	<b>27,295</b>
(6,558)	(7,161)	Provision for Income Tax		(8,424)	(7,514)
<b>17,722</b>	<b>16,687</b>	Net Profit for the year ended June 30 transferred to Statement of Changes in Equity		<b>18,411</b>	<b>19,781</b>
0.22	0.21	Diluted/Basic Earnings per share	20	0.23	0.24

The attached notes form part of these Financial Statements.

**ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK GROUP**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	Notes	Share Capital \$000	Share Premium \$000	Statutory Reserves \$000	Loan Loss Reserves \$000	General Reserves \$000	Revaluation Reserves \$000	Retained Earnings \$000	Shareholders' Equity \$000
<b>Balance at June 30, 2002</b>		81,000	3,877	19,455	-	29,480	1,908	11,358	147,078
- Group Scheme		-	-	-	-	-	-	(471)	(471)
- Income Tax		-	-	-	-	-	-	374	374
- As Restated		81,000	3,877	19,455	-	29,480	1,908	11,261	146,981
Net Income		-	-	-	-	-	-	19,781	19,781
Transfer to Reserves	17	-	-	4,000	-	4,566	-	(8,566)	-
Dividend	21	-	-	-	-	-	-	(8,356)	(8,356)
<b>Balance at June 30, 2003</b>		81,000	3,877	23,455	-	34,046	1,908	14,120	158,406
- Group Scheme		-	-	-	-	-	-	(27)	(27)
- Income Tax		-	-	-	-	-	-	(229)	(229)
- As Restated		81,000	3,877	23,455	-	34,046	1,908	13,864	158,150
Deferred Credit net of tax	14	-	-	-	-	-	-	6,500	6,500
Net Income		-	-	-	-	-	-	18,411	18,411
Effect of adopting IAS 39	17	-	-	-	-	-	553	-	553
Transfer to Reserves	17	-	-	3,500	7,500	3,216	-	(14,216)	-
Dividend	21	-	-	-	-	-	-	(10,935)	(10,935)
<b>Balance at June 30, 2004</b>		<b>81,000</b>	<b>3,877</b>	<b>26,955</b>	<b>7,500</b>	<b>37,262</b>	<b>2,461</b>	<b>13,624</b>	<b>172,679</b>

The attached notes form part of these Financial Statements.

**ST. KITTS-NEVIS-ANGUILLA NATIONAL BANK GROUP**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

BANK			Notes	GROUP	
<u>2003</u> \$000	<u>2004</u> \$000			<u>2004</u> \$000	<u>2003</u> \$000
		<b>Cash flows from operating activities</b>			
-	10,000	Deferred credit brought in		10,000	-
24,280	23,848	Operating income before taxation		26,835	27,295
		Adjustments for			
1,775	1,817	Depreciation		2,351	2,303
2,638	-	Provision for loan losses		-	2,638
(344)	(228)	Prior year adjustments		(256)	(352)
<b>28,349</b>	<b>35,437</b>	<b>Operating income before changes in operating assets and liabilities</b>		<b>38,930</b>	<b>31,884</b>
		<i>(Increase) decrease in operating assets:</i>			
79,133	(100,367)	Loans and advances		(99,400)	79,608
(1,442)	(1,182)	Other accounts		(6,871)	(3,052)
		<i>Increase (decrease) in operating liabilities:</i>			
(26,165)	(14,930)	Due to other banks		(14,929)	(26,165)
102,427	155,855	Customers' deposits		149,421	88,805
688	(688)	Due to subsidiaries		-	-
11,474	(10,000)	Deferred credit		(10,000)	11,474
8,673	103,066	Accumulated provisions, creditors, and accruals		110,904	14,192
<b>203,137</b>	<b>167,191</b>	<b>Cash generated from operations</b>		<b>168,055</b>	<b>196,746</b>
(9,142)	(9,590)	Income tax paid		(10,051)	(9,241)
<b>193,995</b>	<b>157,601</b>	<b>Net cash from operating activities</b>		<b>158,004</b>	<b>187,505</b>
		<b>Cash flow from investing activities</b>			
(3,154)	(1,212)	Purchase of fixed assets		(1,559)	(3,237)
3,032	438	Decrease in investments		438	3,029
-	-	Increase in investment properties		(1,904)	(27,109)
(213)	(39,047)	Increase in special term deposits		(39,047)	(213)
(29,400)	(2,000)	Investment in subsidiaries		-	-
<b>(29,735)</b>	<b>(41,821)</b>	<b>Net cash used in investing activities</b>		<b>(42,072)</b>	<b>(27,530)</b>
		<b>Cash flow from financing activities</b>			
(8,356)	(10,935)	Dividend paid	21	(10,935)	(8,356)
155,904	104,845	Net increase in cash and cash equivalents		104,997	151,619
232,536	388,440	Cash and cash equivalent at beginning of period		387,301	235,682
<b>388,440</b>	<b>493,285</b>		4	<b>492,298</b>	<b>387,301</b>

The attached notes form part of these Financial Statements.