

RBTT Bank (SKN) Limited

Financial Statements

31 December 2006

RBTT Bank (SKN) Limited

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Independent Auditors' Report

To the shareholders of
RBTT Bank (SKN) Limited

Report on the financial statements

We have audited the accompanying financial statements of RBTT Bank (SKN) Limited, which comprise the balance sheet as of 31 December 2006 and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of RBTT Bank (SKN) Limited as of 31 December 2006, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



PricewaterhouseCoopers
Port of Spain,
Trinidad, West Indies
2 March 2007

RBTT Bank (SKN) Limited

Balance Sheet

(Expressed in Eastern Caribbean dollars)

		31 December	
	Notes	2006	2005
		\$	Restated \$
Assets			
Statutory deposit with central bank		3,820,000	3,496,000
Cash and due from banks	4	7,236,751	6,337,826
Loans and advances to customers	5	59,954,863	44,258,873
Investment securities	6	21,537,164	24,514,293
Premises and equipment	7	2,057,887	2,001,634
Other assets		<u>902,616</u>	<u>894,191</u>
Total Assets		<u>95,509,281</u>	<u>81,502,817</u>
Liabilities			
Customers' deposits	8	61,517,166	65,195,103
Due to affiliated company		16,261,981	1,394,060
Other liabilities		<u>2,016,092</u>	<u>874,526</u>
Total Liabilities		<u>79,795,239</u>	<u>67,463,689</u>
Net Assets		<u>15,714,042</u>	<u>14,039,128</u>
Shareholders' Equity			
Share capital	9	5,001,217	5,001,217
Share premium		1,941,734	1,941,734
Statutory reserve	10	2,400,936	2,065,936
Other reserves	11	118,822	106,180
Retained earnings		<u>6,251,333</u>	<u>4,924,061</u>
Total Shareholders' Equity		<u>15,714,042</u>	<u>14,039,128</u>

The notes on pages 6 to 24 form an integral part of these financial statements.

On 2 March, 2007, the Board of Directors of RBTT Bank (SKN) Limited authorised these financial statements for issue.



Director



Director

RBTT Bank (SKN) Limited

Profit And Loss Account

(Expressed in Eastern Caribbean dollars)

		Year Ended 31 December	
	Notes	2006	2005
		\$	Restated \$
Interest income	12	6,986,568	6,276,365
Interest expense	13	<u>(2,132,968)</u>	<u>(1,894,984)</u>
Net Interest Income		4,853,600	4,381,381
Other income	14	<u>1,378,256</u>	<u>814,088</u>
Total Net Income		<u>6,231,856</u>	<u>5,195,469</u>
Impairment losses on loans and advances	5.3	(115,636)	(141,700)
Other operating expenses	15	<u>(4,441,306)</u>	<u>(3,524,900)</u>
Total Non-Interest Expenses		<u>(4,556,942)</u>	<u>(3,666,600)</u>
Net Profit For The Year		<u>1,674,914</u>	<u>1,528,869</u>
Earnings Per Share – Basic	17	<u>\$ 0.34</u>	<u>\$ 0.31</u>

The notes on pages 6 to 24 form an integral part of these financial statements.

RBTT Bank (SKN) Limited

Statement Of Changes In Equity

(Expressed in Eastern Caribbean dollars)

	Notes	Share Capital \$	Share Premium \$	Statutory Reserve \$	Other Reserves \$	Retained Earnings \$	Total Shareholders' Equity \$
Year ended 31 December 2005							
Balance at 1 January 2005							
- As previously stated		5,001,217	1,941,734	1,759,936	1,550,895	3,306,376	13,560,158
- Effect of change in accounting Policy		--	--	--	(1,458,195)	408,296	(1,049,899)
- As adjusted		5,001,217	1,941,734	1,759,936	92,700	3,714,672	12,510,259
Net profit for the year		--	--	--	--	1,528,869	1,528,869
Transfer to statutory reserve	10	--	--	306,000	--	(306,000)	--
Transfer to general banking risk reserve	11	--	--	--	13,480	(13,480)	--
Balance at 31 December 2005		<u>5,001,217</u>	<u>1,941,734</u>	<u>2,065,936</u>	<u>106,180</u>	<u>4,924,061</u>	<u>14,039,128</u>
Year ended 31 December 2006							
Balance at 1 January 2006							
- As restated		5,001,217	1,941,734	2,065,936	106,180	4,924,061	14,039,128
Net profit for the year		--	--	--	--	1,674,914	1,674,914
Transfer to statutory reserve	10	--	--	335,000	--	(335,000)	--
Transfer to general banking risk reserve	11	--	--	--	12,642	(12,642)	--
Balance at 31 December 2006		<u>5,001,217</u>	<u>1,941,734</u>	<u>2,400,936</u>	<u>118,822</u>	<u>6,251,333</u>	<u>15,714,042</u>

The notes on pages 6 to 24 form an integral part of these financial statements.

RBTT Bank (SKN) Limited

Cash Flow Statement

(Expressed in Eastern Caribbean dollars)

	Year Ended	
	31 December	
	2006	2005
	\$	Restated
	\$	\$
Operating Activities		
Net profit for the year	1,674,914	1,528,869
Adjustments for		
Allowance for loan losses	120,072	145,000
Capitalised interest on investment securities	(379,308)	(538,911)
Depreciation	154,119	142,469
Loss on disposal of equipment	<u>654</u>	<u>2,323</u>
Operating Profit Before Changes In Operating Assets And Liabilities	1,570,451	1,279,750
(Increase)/decrease in operating assets		
Loans and advances to customers	(15,806,676)	(3,778,002)
Statutory deposit with central bank	(324,000)	105,000
Interest receivable on loans and advances	(9,386)	33,740
Other assets	(8,425)	(581,108)
Increase/(decrease) in operating liabilities		
Customers' deposits	(3,570,978)	3,642,326
Interest payable on customers' deposits	(106,959)	36,666
Due to affiliated company	14,867,921	1,013,344
Other liabilities	<u>1,141,566</u>	<u>21,536</u>
Cash (Used In)/Provided By Operating Activities	<u>(2,246,486)</u>	<u>1,773,252</u>
Investing Activities		
Purchase of investments securities	(2,708,400)	(13,320,471)
Proceeds from sale and redemption of investment securities	6,064,837	12,419,623
Additions to premises and equipment	<u>(211,026)</u>	<u>(67,183)</u>
Cash Provided By/(Used In) Investing Activities	<u>3,145,411</u>	<u>(968,031)</u>
Net Increase In Cash And Cash Equivalents	898,925	805,221
Cash And Cash Equivalents At Beginning Of Year	<u>6,337,826</u>	<u>5,532,605</u>
Cash And Cash Equivalents At End Of Year	<u>7,236,751</u>	<u>6,337,826</u>
Represented By:		
Cash and due from banks	<u>7,236,751</u>	<u>6,337,826</u>

The notes on pages 6 to 24 form an integral part of these financial statements.

RBTT Bank (SKN) Limited

Notes To The Financial Statements

31 December 2006

(Expressed in Eastern Caribbean dollars)

1 Incorporation And Business Activities

The Bank is incorporated in St Christopher and Nevis. Its principal activities are commercial and retail banking operations conducted from a sole branch situated in Charlestown, Nevis. The address of its registered office is Chapel Street, Charlestown, Nevis.

The Bank is a 95% subsidiary of RBTT Bank Caribbean Limited, a company incorporated in St. Vincent and the Grenadines, with the ultimate parent company being RBTT Financial Holdings Limited which is incorporated in Trinidad and Tobago.

The Bank is regulated under the St Christopher and Nevis Banking Act No. 6 of 1991 (the Banking Act) which is incorporated within the Eastern Caribbean Central Bank (ECCB) guidelines.

2 Accounting Policies

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

a Basis of preparation

These financial statements are prepared in Eastern Caribbean dollars and in accordance with International Financial Reporting Standards (IFRS). The financial statements are prepared under the historical cost convention modified to include the revaluation of available-for-sale investment securities and of freehold land and building.

The preparation of the financial statements in conformity with IFRS makes use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Amendments to published standards and interpretations that are effective 1 January 2006

The application of the amendments and interpretations listed below did not result in a substantial change in the Company's accounting policies:

- i) IAS 19 (Amendment), Employee Benefits
- ii) IAS 39 (Amendment), The Fair Value Option
- iii) IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts
- iv) IFRS 1 (Amendment), First Time Adoption of International Financial Reporting Standards
- v) IFRIC 4, Determining whether an Arrangement Contains a Lease

RBTT Bank (SKN) Limited

Notes To The Financial Statements (Continued)

31 December 2006

(Expressed in Eastern Caribbean dollars)

2 Accounting Policies (Continued)

a Basis of preparation (continued)

Standards issued but not yet adopted

IFRS 7, Financial Instruments: Disclosures (effective 1 January 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. It is applicable to all entities that report under IAS 32. This standard will be applicable for the year ended 31 December 2007.

b Foreign currencies

Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates “the functional currency”. The financial statements are presented in Eastern Caribbean dollars, which is the Company’s functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

Changes in the fair value of monetary assets denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the profit and loss account and other changes in the carrying amount are recognised in equity.

Translation differences on non monetary items, such as equities classified as available for sale are included in equity.

RBTT Bank (SKN) Limited

Notes To The Financial Statements (Continued)

31 December 2006

(Expressed in Eastern Caribbean dollars)

2 Accounting Policies (Continued)

c Loans and advances to customers and allowance for impairment losses

Loans and advances are financial assets with fixed or determinable payments that are not quoted in an active market and are recognised when cash is advanced to borrowers. They are initially recorded at cost, which is the cash given to originate the loan, and subsequently measured at amortised cost, which is principal outstanding net of any unearned interest and of an allowance for impairment losses.

A loan is classified as impaired when there is objective evidence that the Bank will not be able to collect all amounts due according to the original contractual terms of the loan. Objective evidence of impairment includes observable data that comes to the attention of the Bank such as:

- Significant financial difficulties of the borrower
- Actual delinquencies
- Adverse change in the payment status of a borrower
- Deterioration of credit ratings assigned to the borrower
- Bankruptcy or reorganisation by the borrower

Management uses estimates based on historical loss experience and objective evidence of impairment when estimating its future cash flows of the loan or group of loans. The methodology and assumptions used for estimating both the amount and timing of cash flows are reviewed regularly to minimise differences between actual loss experience and loss estimates.

Management first assesses whether objective evidence of impairment exists individually for loans that are individually significant. Individually insignificant loans are included in a group of loans with similar credit risk characteristics and collectively assessed for impairment. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans has been incurred, the amount of the allowance for impairment is measured as the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans. The allowance also covers probable losses within the portfolio that have not been specifically identified as impaired.

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

The allowance which is made during the year, less amounts released and recoveries of bad debts previously written off, is charged against the profit and loss account. When a loan is deemed uncollectible, it is written off against the related allowance for losses.

RBTT Bank (SKN) Limited

Notes To The Financial Statements (Continued)

31 December 2006

(Expressed in Eastern Caribbean dollars)

2 Accounting Policies (Continued)

d Investment securities

Investment securities are classified as available-for-sale. Management determines the appropriate classification of its investment securities at the time of purchase.

Available-for-sale investments are those securities 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. Available-for-sale securities are initially recognised at cost (which includes transaction costs) and are subsequently remeasured at fair value based on quoted market prices where available or discounted cash flow models. Fair values for unquoted equity instruments or unlisted securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer.

Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity. When the securities are disposed of, the related accumulated fair value adjustments are included in net investment trading income. When securities become impaired, the related accumulated fair value adjustments previously recognised in equity are included in the profit and loss account as impairment expense on investment securities.

A financial asset reported as investment securities is impaired if its carrying amount is greater than its estimated recoverable amount and there is objective evidence of impairment. The recoverable amount of an investment security instrument measured at fair value is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset.

All purchases and sales of investment securities are recognised at settlement date.

e Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation.

Depreciation is calculated based on the following methods and rates:

	Method	Rates
Freehold buildings	Straight line	2%
Furniture and equipment	Reducing balance	20%
Computer equipment	Reducing balance	33 ⅓%
Motor vehicles	Straight line	25%

Gains and losses on disposal of premises and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and maintenance costs are charged to the profit and loss account when the expenditure is incurred.

RBTT Bank (SKN) Limited

Notes To The Financial Statements (Continued)

31 December 2006

(Expressed in Eastern Caribbean dollars)

2 Accounting Policies (Continued)

f Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, deposits with other banks and short term investments with maturities of less than three months.

g Revenue recognition

i. Interest income and expense

Interest income and interest expense are recognised in the profit and loss account for all interest bearing instruments on an accrual basis using the effective interest method. Interest income includes coupons earned on fixed income investments, loans and advances and accrued discounts and premiums on treasury bills and other discounted instruments.

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 and 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 where appropriate, a shorter period to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transactions costs and all other premiums or discounts.

ii. Fees and commissions

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Company has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commissions and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction.

h Provisions

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

RBTT Bank (SKN) Limited

Notes To The Financial Statements (Continued)

31 December 2006

(Expressed in Eastern Caribbean dollars)

2 Accounting Policies (Continued)

i Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The tax effects of income tax losses available for carry-forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

j Employee benefits

The Bank provides for employees' retirement benefits through a defined contribution plan that provides an employee with a lumpsum on retirement. Contributions to the plan are charged to the profit and loss account in the year to which they relate.

k Comparatives

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

RBTT Bank (SKN) Limited

Notes To The Financial Statements (Continued)

31 December 2006

(Expressed in Eastern Caribbean dollars)

3 Critical Accounting Estimates And Judgements

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 financial assets

The Bank reviews its loan and investment portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the profit and loss account, 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 loans and investment securities. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. 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.

b. Fair value of financial instruments

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates.

c. Income taxes

Estimates are 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 recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

RBTT Bank (SKN) Limited

Notes To The Financial Statements (Continued)

31 December 2006

(Expressed in Eastern Caribbean dollars)

4 Cash And Due From Banks	2006	2005
	\$	\$
Cash on hand	656,589	513,569
Deposits with affiliated banks	347,202	3,486,483
Due from other banks	6,449,950	2,588,476
Cheques and other items in transit (net)	<u>(216,990)</u>	<u>(250,702)</u>
	<u>7,236,751</u>	<u>6,337,826</u>
5 Loans And Advances To Customers		
Retail	22,508,614	15,214,612
Commercial/corporate	17,416,797	15,460,045
Mortgages	<u>25,412,915</u>	<u>16,764,658</u>
Gross loans and advances	65,338,326	47,439,315
Unearned interest	<u>(3,967,638)</u>	<u>(1,823,331)</u>
	61,370,688	45,615,984
Interest receivable	127,675	118,289
Allowance for impairment losses	<u>(1,543,500)</u>	<u>(1,475,400)</u>
	<u>59,954,863</u>	<u>44,258,873</u>
Non-performing loans and advances amounted to \$2,376,364 (2005:\$2,316,032)		
5.1 Sectoral analysis of loans and advances to customers		
Residential mortgages	25,412,915	16,764,658
Consumer	22,508,614	15,214,612
Distribution	11,732,742	10,325,928
Construction	700,000	--
Professional and other services	--	2,993,906
Transport	1,092,821	657,087
Entertainment and catering	2,436,956	653,788
Tourism	525,607	525,607
Mining and quarrying	612,214	204,394
Manufacturing	86,472	49,374
Financial institutions	--	9,725
Fisheries	<u>229,985</u>	<u>40,236</u>
	<u>65,338,326</u>	<u>47,439,315</u>

RBTT Bank (SKN) Limited

Notes To The Financial Statements (Continued)

31 December 2006

(Expressed in Eastern Caribbean dollars)

5	Loans And Advances To Customers (Continued)	2006	2005
		\$	\$
	5.2 Allowance for impairment losses		
	Balance at beginning of year	1,475,400	1,330,400
	Charge for the year	120,000	145,000
	Loans written off	<u>(51,900)</u>	<u>--</u>
	Balance at end of year	<u>1,543,500</u>	<u>1,475,400</u>
	5.3 Impairment losses on loans and advances		
	Charge for the year	120,000	145,000
	Amounts directly written off	72	--
	Recoveries	<u>(4,436)</u>	<u>(3,300)</u>
		<u>115,636</u>	<u>141,700</u>
6	Investment Securities		
	<u>Securities available-for-sale (at fair value)</u>		
	Government and state-owned enterprises	16,554,354	24,194,263
	Corporate securities	4,884,610	221,830
	Equity securities	<u>98,200</u>	<u>98,200</u>
		<u>21,537,164</u>	<u>24,514,293</u>

RBTT Bank (SKN) Limited

Notes To The Financial Statements (Continued)

31 December 2006

(Expressed in Eastern Caribbean dollars)

7 Premises And Equipment

	Freehold Land \$	Freehold Building \$	Furniture and Equipment \$	Computer Equipment \$	Motor Vehicle \$	Capital Work in Progress \$	Total \$
Year ended 31 December 2006							
Opening net book value	157,000	1,532,522	77,205	130,964	63,000	40,943	2,001,634
Additions	--	--	--	--	--	211,026	211,026
Transfers	--	63,140	9,226	153,947	--	(226,313)	--
Disposals	--	--	(167)	(487)	--	--	(654)
Depreciation charge	--	(38,299)	(16,716)	(72,104)	(27,000)	--	(154,119)
Closing net book value	<u>157,000</u>	<u>1,557,363</u>	<u>69,548</u>	<u>212,320</u>	<u>36,000</u>	<u>25,656</u>	<u>2,057,887</u>
At 31 December 2006							
Cost/revaluation	157,000	1,954,787	269,594	1,082,089	108,000	25,656	3,597,126
Accumulated depreciation	--	(397,424)	(200,046)	(869,769)	(72,000)	--	(1,539,239)
Net book value	<u>157,000</u>	<u>1,557,363</u>	<u>69,548</u>	<u>212,320</u>	<u>36,000</u>	<u>25,656</u>	<u>2,057,887</u>
Year ended 31 December 2005							
Opening net book value	157,000	1,570,356	88,813	139,851	90,000	33,223	2,079,243
Additions	--	--	--	--	--	67,183	67,183
Transfers	--	--	6,849	52,614	--	(59,463)	--
Disposals	--	--	--	(2,323)	--	--	(2,323)
Depreciation charge	--	(37,834)	(18,457)	(59,178)	(27,000)	--	(142,469)
Closing net book value	<u>157,000</u>	<u>1,532,522</u>	<u>77,205</u>	<u>130,964</u>	<u>63,000</u>	<u>40,943</u>	<u>2,001,634</u>
At 31 December 2005							
Cost/revaluation	157,000	1,891,647	261,062	941,453	108,000	40,943	3,400,105
Accumulated depreciation	--	(359,125)	(183,857)	(810,489)	(45,000)	--	(1,398,471)
Net book value	<u>157,000</u>	<u>1,532,522</u>	<u>77,205</u>	<u>130,964</u>	<u>63,000</u>	<u>40,943</u>	<u>2,001,634</u>

In 1990, the Bank's freehold land and building were revalued by independent surveyors. The revaluation resulted in a surplus of \$1,458,195 being recorded in a revaluation surplus. In the current year, a decision was taken to change the Bank's accounting policy such that freehold land and building are now carried at cost so as to be consistent with the Group's accounting policy. The previously recorded revaluation surplus was therefore reversed against the opening net book value of the earliest period presented, net of the additional depreciation charged on the revalued amount.

RBTT Bank (SKN) Limited

Notes To The Financial Statements (Continued)

31 December 2006

(Expressed in Eastern Caribbean dollars)

8	Customers' Deposits	2006	2005
		\$	\$
	Deposit balances	61,346,119	64,917,097
	Accrued interest	<u>171,047</u>	<u>278,006</u>
		<u>61,517,166</u>	<u>65,195,103</u>
	Sectoral analysis of customers' deposits		
	Consumers	57,788,363	61,397,453
	Private sector	3,464,649	651,963
	State sector	<u>93,107</u>	<u>2,867,681</u>
		<u>61,346,119</u>	<u>64,917,097</u>
	Product type		
	Savings	45,571,553	41,070,472
	Term deposits	10,104,897	20,060,755
	Current accounts	<u>5,669,669</u>	<u>3,785,870</u>
		<u>61,346,119</u>	<u>64,917,097</u>
9	Share Capital		
	Authorised		
	An unlimited number of ordinary shares of no par value		
	Issued and fully paid		
	5,001,217 ordinary shares of no par value	<u>5,001,217</u>	<u>5,001,217</u>
10	Statutory Reserve		
	Under the St. Christopher and Nevis Banking Act No. 6 of 1991, the Bank is required to transfer at least 20% of the net profit after deductions of taxes in each year to a statutory reserve account until the reserve is equal to the paid up capital of the Bank.		
11	Other Reserves		
	General banking risk reserve	118,822	106,180
	Property revaluation surplus	<u>--</u>	<u>--</u>
		<u>118,822</u>	<u>106,180</u>

Due to a change in accounting policy for premises and equipment, the previously recorded property revaluation surplus was reversed. See Note 7.

RBTT Bank (SKN) Limited

Notes To The Financial Statements (Continued)

31 December 2006

(Expressed in Eastern Caribbean dollars)

12	Interest Income	2006	2005
		\$	\$
	Loans and advances to customers	5,485,056	4,550,524
	Investment securities	1,482,278	1,625,626
	Deposits with affiliated companies	<u>19,234</u>	<u>100,215</u>
		<u>6,986,568</u>	<u>6,276,365</u>
13	Interest Expense		
	Customers' deposits	<u>2,132,968</u>	<u>1,894,984</u>
14	Other Income		
	Fee and commission income	866,243	563,218
	Foreign exchange earnings	502,409	237,287
	Dividend income	4,820	4,820
	Rental income	<u>4,784</u>	<u>8,763</u>
		<u>1,378,256</u>	<u>814,088</u>
15	Other Operating Expenses		
	Staff costs	1,742,314	1,375,664
	Premises and equipment costs, excluding depreciation	392,448	239,074
	Advertising	506,915	168,512
	Depreciation	154,119	142,469
	Retirement benefit expense	132,891	153,000
	Directors' fees	19,000	18,000
	Auditors' remuneration	40,563	27,084
	Other operating expenses	<u>1,453,056</u>	<u>1,401,097</u>
		<u>4,441,306</u>	<u>3,524,900</u>

The average number of employees in 2006 was 18 (2005: 17)

RBTT Bank (SKN) Limited

Notes To The Financial Statements (Continued)

31 December 2006

(Expressed in Eastern Caribbean dollars)

16 Taxation

At 31 December 2006 there were tax losses amounting to \$1,964,035 (2005 - \$2,860,868) available for utilisation against future profits. These losses have not yet been agreed by the tax authorities. The losses are due to expire as follows:

	\$
2007 -	465,462
2008 -	1,050,688
2009 -	447,885

The benefit of these tax losses has not been recognised in these financial statements due to the uncertainty of their recoverability.

17 Earnings Per Share

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
	\$	\$
Profit attributable to shareholders of the company	<u>\$ 1,674,914</u>	<u>\$ 1,528,869</u>
Weighted average number of ordinary shares in issue	<u>5,001,217</u>	<u>5,001,217</u>
Basic earnings per share	<u>\$ 0.34</u>	<u>\$ 0.31</u>

RBTT Bank (SKN) Limited

Notes To The Financial Statements (Continued)

31 December 2006

(Expressed in Eastern Caribbean dollars)

18 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. The ultimate parent of the Bank is RBTT Financial Holdings Limited.

A number of banking transactions are entered into with related parties in the normal course of business. These transactions are carried out on commercial terms and conditions and at market rates.

- a) The outstanding balances at the end of the year and amounts for the year resulting from related party transactions are shown below.

	2006	2005
	\$'000	\$'000
Loans and investments		
Associates	--	3,961
Directors and key management personnel	<u>504</u>	<u>605</u>
Cash and due from banks		
Associates	<u>347</u>	<u>3,486</u>
Deposits and other liabilities		
Associates	16,262	1,394
Directors and key management personnel	<u>95</u>	<u>14</u>
	<u>16,537</u>	<u>1,408</u>
Interest income		
Associates	19	100
Directors and key management personnel	<u>47</u>	<u>52</u>
	<u>66</u>	<u>152</u>
Interest expense		
Associates	291	--
Directors and key management personnel	<u>1</u>	<u>1</u>
	<u>292</u>	<u>1</u>
Other		
Management fees	<u>840</u>	<u>622</u>

RBTT Bank (SKN) Limited

Notes To The Financial Statements (Continued)

31 December 2006

(Expressed in Eastern Caribbean dollars)

19 Contingent Liabilities

- (i) As at 31 December 2006, there was a legal proceeding outstanding against the Bank. No provision has been made as professional advice indicates that it is unlikely that any significant loss will eventuate.
- (ii) The Bank has received assessments from the Inland Revenue Department totalling \$859,672 for years of income 1997, 1998, 1999 and 2001. However, the Bank has objected to these assessments by way of letters dated 16 December 1999 and 2 September 2002. No provision has been made as professional advice indicates that the matter will be resolved in the Bank's favour.

20 Credit commitments

2006

2005

\$

\$

Sectoral analysis of credit commitments are as follows:

Residential mortgages	1,213,186	580,667
Distribution	1,564,530	782,288
Consumer	27,500	48,784
Other	<u>1,769,908</u>	<u>669,868</u>
	<u>4,575,124</u>	<u>2,081,607</u>

21 Pensions

By deed of adherence dated 28 May 2003, the employees of the Bank became members of its parent company (RBTT Bank Caribbean Limited) pension fund plan. The liability in respect of employees' service costs for this year of \$132,891 (2005 - \$153,000) has been charged to the profit and loss account.

RBTT Bank (SKN) Limited

Notes To The Financial Statements (Continued)

31 December 2006

(Expressed in Eastern Caribbean dollars)

22 Interest Rate Risk

Interest sensitivity of assets and liabilities

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The table below summarises the Bank's exposure to interest rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

As at 31 December 2006	Up to one year (\$'000)	One to five years (\$'000)	Over five years (\$'000)	Non- interest bearing (\$'000)	Total (\$'000)
Assets					
Cash and due from banks	347	--	--	6,890	7,237
Statutory deposit with central bank	--	--	--	3,820	3,820
Loans and advances to customers	37,678	18,258	1,643	2,376	59,955
Investment securities	13,343	3,567	4,627	--	21,537
Other assets	--	--	--	2,960	2,960
Total assets	51,368	21,825	6,270	16,046	95,509
Liabilities					
Customers' deposits	56,575	--	--	4,942	61,517
Other liabilities	16,262	--	--	2,016	18,278
Total liabilities	72,837	--	--	6,958	79,795
Interest Sensitivity Gap	(21,469)	21,825	6,270		
As at 31 December 2005					
Assets					
Cash and due from banks	3,486	--	--	2,852	6,338
Statutory deposit with central bank	--	--	--	3,496	3,496
Loans and advances to customers	8,409	25,204	8,330	2,316	44,259
Investment securities	13,773	7,222	3,421	98	24,514
Other assets	--	--	--	2,896	2,896
Total assets	25,668	32,426	11,751	11,658	81,503
Liabilities					
Customers' deposits	61,874	--	--	3,321	65,195
Other liabilities	1,233	--	--	1,036	2,269
Total liabilities	63,107	--	--	4,357	67,464
Interest Sensitivity Gap	(37,439)	32,426	11,751		

RBTT Bank (SKN) Limited

Notes To The Financial Statements (Continued)

31 December 2006

(Expressed in Eastern Caribbean dollars)

23 Currency Risk

The Bank has no significant foreign exchange exposure since assets are funded by liabilities in the same currency. Foreign currency transactions have not required the use of any derivative instruments.

Concentrations of assets and liabilities

The Bank had the following significant currency positions (all amounts are shown in Eastern Caribbean dollars):

	EC	US	Other	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
As at 31 December 2006				
Assets				
Cash and due from banks	5,624	1,311	302	7,237
Statutory deposit with central bank	3,820	--	--	3,820
Loans and advances to customers	59,672	283	--	59,955
Investment securities	7,705	13,832	--	21,537
Other assets	2,960	--	--	2,960
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	79,781	15,426	302	95,509
	<hr/>	<hr/>	<hr/>	<hr/>
Liabilities				
Customers' deposits	53,901	7,616	--	61,517
Other liabilities	12,861	5,417	--	18,278
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	66,762	13,033	--	79,795
	<hr/>	<hr/>	<hr/>	<hr/>
Net balance sheet position	13,019	2,393	302	15,714
	<hr/>	<hr/>	<hr/>	<hr/>
Credit commitments	4,575	--	--	4,575
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 December 2005				
Total assets	64,555	16,756	192	81,503
Total liabilities	60,262	7,202	--	67,464
	<hr/>	<hr/>	<hr/>	<hr/>
Net balance sheet position	4,293	9,554	192	14,039
	<hr/>	<hr/>	<hr/>	<hr/>
Credit commitments	2,082	--	--	2,082
	<hr/>	<hr/>	<hr/>	<hr/>

RBTT Bank (SKN) Limited

Notes To The Financial Statements (Continued)

31 December 2006

(Expressed in Eastern Caribbean dollars)

24 Liquidity Risk

Maturities of assets and liabilities

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

	Up to one year (\$'000)	One to five years (\$'000)	Over five years (\$'000)	Total (\$'000)
As at 31 December 2006				
Assets				
Cash and due from banks	7,237	--	--	7,237
Statutory deposit with central banks	3,820	--	--	3,820
Loans and advances to customers	1,016	22,911	36,028	59,955
Investment securities	13,343	3,567	4,627	21,537
Other assets	902	--	2,058	2,960
Total assets	26,318	26,478	42,713	95,509
Liabilities				
Customers deposits	61,517	--	--	61,517
Other liabilities	18,278	--	--	18,278
Total liabilities	79,795	--	--	79,795
Net liquidity gap	(53,477)	26,478	42,713	15,714
As at 31 December 2005				
Assets				
Cash and due from banks	6,338	--	--	6,338
Statutory deposit with central banks	3,496	--	--	3,496
Loans and advances to customers	2,716	13,023	28,520	44,259
Investment securities	13,773	7,222	3,519	24,514
Other assets	894	--	2,002	2,896
Total assets	27,217	20,245	34,041	81,503
Liabilities				
Customers deposits	65,195	--	--	65,195
Other liabilities	2,269	--	--	2,269
Total liabilities	67,464	--	--	67,464
Net liquidity gap	(40,247)	20,245	34,041	14,039

RBTT Bank (SKN) Limited

Notes To The Financial Statements (Continued)

31 December 2006

(Expressed in Eastern Caribbean dollars)

25 Liquidity Risk (Continued)

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and other calls on cash settled items. A broad range of funds is managed to ensure that liquidity requirements are met. The Bank's liquidity strategy relies on sufficient cash and marketable instruments such as treasury bills and government securities to meet short term requirements. Fall back techniques include access to local interbank and institutional markets, call features on selected advances, stand-by lines of credit with external parties, and the ability to close out or liquidate market positions. Daily float, liquid assets, funding concentration and diversification are all prudently managed to ensure that the Bank has sufficient funds to meet its obligations.

26 Fair Value Of Financial Assets And Liabilities

Financial assets and liabilities not carried at fair value include cash and due from banks, loans and advances to customers, due to other banks and customers' deposits. The following comments are relevant to their fair value.

Assets

Cash and due from banks

Since these assets are short-term in nature, the values are taken as indicative of realisable fair value.

Loans and advances to customers

Loans and advances to customers are net of specific provision for losses. These assets result from transactions conducted under typical market conditions 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.

Liabilities

Customers' deposits

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.