

Butterfield International Balanced Fund

Financial Statements for the years
ended June 30, 2008 and 2007
and Independent Auditors' Report



Butterfield Bank

Butterfield International Balanced Fund Financial Statements

**For the years ended
June 30, 2008 and 2007
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Butterfield International Balanced Fund

TO THE UNITHOLDERS:

US DOLLAR CLASS AND STERLING CLASS

Performance Review

For the year 1st July 2007 to 30th June 2008, the returns based on the Net Asset Values were as follows:

USD Class 0.38%

GBP Class -2.17%

The Fund's objective remains that of achieving long term capital growth while taking the necessary diversification to reduce risk and maximise returns.

Global equity markets took on a more volatile tone during the latter part of 2007 and into 2008, as investors debated the strength of the U.S. economy and digested both the impact of the sub-prime credit crisis and soaring oil and commodity prices. After a sharp sell-off at the beginning of 2008, equity market participants started the second quarter of the year buoyed by hope that the worst of the sub-prime write downs were behind us and that the impact of the crisis on the broader economy would be less severe than many had originally anticipated. Indeed, from 31st March 2008 to 19th May 2008, global equity markets (as measured by the S&P Global 100 Index) rallied by 7.4% on a total return basis. Many commentators observed that the U.S. was likely facing a mild recession rather than a full-blown slump, and there was growing optimism that the global economy could perhaps de-couple from a U.S. slowdown.

Unfortunately, a good deal of this hope evaporated as crude oil prices continued their steady climb north of \$140 a barrel towards the end of the reporting period. This commodity price action was accompanied by a sharp sell-off in equity markets, with the S&P Global 100 Index declining by 10.3% from its 19th May intra-quarter peak. The benchmark index ended the quarter broadly flat, although still down by a fairly chunky 12.9% since the start of the year. The market was driven lower by fears that elevated oil prices would feed through into both price inflation and slower consumer spending in the broader economy. Inflation fears even prompted participants in the interest rate futures market to begin pricing in a series of Fed rate hikes later in the year.

Against this backdrop, regional equity market performance was somewhat mixed, with Emerging Markets gaining 4.6% over the reporting period while Japanese equities declined by 12%. More recently, Japanese equities have fared somewhat better against a backdrop of a sell-off in global equities, with Japan being the best performing market over the last six months (albeit still declining by 5.5%). The U.S. performed broadly in line with global equities, declining by 10.7% over 12 months. European equities proved to be something of a disappointment, slipping back by 11.3% over the last year in dollar terms despite a considerable currency tailwind from Euro appreciation.

While there is little doubt that the unhelpful combination of a U.S. economy crimped by higher oil prices coupled with the prospect of Fed action to tackle inflation had a negative impact on equity markets, at a sector level there were some pockets of strength. The most obvious beneficiary of this environment was the Energy sector, with the MSCI World Energy Index gaining 18.4% during the reporting period. The Materials sector (and more specifically metals) also benefited, with the MSCI World Materials

Index gaining 14.2% over the year. In stark contrast to this, Financials continued their slide, with the MSCI World Financials Index slipping by 33.3% over 12 months. Consumer Discretionary remained a challenging area for many investors, with the MSCI World Consumer Discretionary Index falling by 25.4%. The Fund continued to benefit from our strategy of being overweight Energy and Materials and underweight Financials and Consumer Discretionary.

As we look to the next 12 months, we believe that many of the trends we have seen over the past year for equity markets will likely remain in place. We certainly do not believe that we have seen the last of the fairly violent volatility that has characterised equity markets so far in 2008. Equity investors should choose their entry points carefully as near-term volatility could present both opportunities and increased risks (although we do believe that those with patience and a long-term time horizon will ultimately be rewarded). We believe that the sector dynamic we have seen over the last 12-18 months will remain in place, with investors focusing on those areas where there is a secular supply-demand imbalance, most notably in oil and metals. From a regional perspective, we continue to focus on equity opportunities for the Fund in non-U.S. markets, as well as on those U.S. names with an international bias.

After a fairly enjoyable ride for bond investors over the latter part of 2007 and the beginning of 2008 (at least those invested in plain vanilla government and investment grade corporate bonds) the chill winds of inflationary pressures started to make themselves felt during the latter part of the reporting period. As was the case with equity markets, fixed income market participants started to fret over the implications of higher oil and food prices both for the U.S. economy and inflation. The Federal Reserve added fuel to the fire with inflation-fighting rhetoric from a number of its board members, leading to speculation that rate hikes could perhaps begin as early as September.

At the beginning of the reporting period, the fixed income portion of the Fund was positioned with a short duration. This approach had yielded substantial excess returns over the prior 18 months as the cash market has outperformed longer dated bonds. However, during the second half of 2007, the cash market underperformed long bonds and fixed income portion of the Fund saw some underperformance as a consequence of this. This situation was driven by a classic flight to quality, as investors shied away from riskier fixed income securities tied to sub-prime mortgages. It also reflected expectations of a lower long-term inflation outlook, with investors willing to lock into longer-term investments in the expectation that the U.S. was likely to see at best a mid-cycle slowdown and at worst a full blown recession.

We took the view in the early part of the reporting period that the risks entailed in extending duration would not be adequately rewarded by the potential excess returns available from this strategy. This is something that was borne out by the activity we saw in the fixed income market, with some issues seeing downgrades and problems with pricing and liquidity. Towards the end of the year, we worked to selectively extend duration in a conservative fashion where we perceive attractive returns with a relatively low risk profile. This approach yielded good results as longer-dated issues started to outperform.

More recently, we have moved the US Dollar Fund to a below benchmark duration strategy (90% of benchmark duration) in an environment of rising interest rate expectations. We also positioned the Fund with a higher weighting than the benchmark toward corporate bonds, again something that provided a positive benefit to performance as spreads started to narrow. As we look to the remainder of the year, we expect fixed income markets to remain volatile. The focus of the debate now has moved to the likely timing of a Fed rate rise, and swings in investor sentiment of U.S. economy and inflation expectations will doubtless keep things interesting. We remain positioned

Performance Review (continued)

in a conservative way and continue to believe that there is limited reward available for taking on additional credit risk in the Fund.

In the UK, expectations for economic growth have been reduced in the face of international factors such as declining demand, most notably from the US, and rising commodity prices; while domestically the housing market is showing increasing signs of fragility. This has put the Bank of England in a situation where it would traditionally follow the course previously set by monetary authorities in US, and lower official interest rates in an effort to assist ailing businesses and households. However, with oil exceeding \$140 per barrel, and food costs escalating, the prospect of rising headline inflation is significant in an environment where CPI is already above the 1% to 3% target range. This suggests that there is little scope for lower rates, and increased potential for higher rates in the coming months.

Looking forward, while price concerns are very real, inflation is showing few signs of becoming entrenched in the economy and, unless wage pressures increase as the year progresses, current price hikes should still prove somewhat transitory. With yield curves steepening in the UK in anticipation of tighter policy beyond where we believe rates could reach, it represents a potential opportunity to increase Sterling bond duration in the Fund. However, signs of renewed strength in employment markets, either in terms of falling unemployment levels or inflation busting pay settlements would cause us to review current positioning. From a credit perspective we shall be remaining conservative, selecting only those bond issuers that are either state sponsored or have under-levered balanced sheets and strong free cash flows.

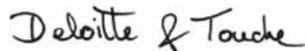
Butterfield Bank (Cayman) Limited
As Trustee of the Butterfield International Balanced Fund
June 30, 2008

Independent Auditors' Report To The Unitholders And Trustee Of Butterfield International Balanced Fund

We have audited the accompanying statements of assets and liabilities, including the schedules of investments, of Butterfield International Balanced Fund consisting of the US Dollar Class and the Sterling Class ("the Fund"), as at June 30, 2008 and 2007, and the statements of operations and changes in net assets for the years then ended (all expressed in United States Dollars and Pounds Sterling, respectively). These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance 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.

In our opinion, these financial statements present fairly, in all material respects, the financial position of each respective class constituting the Fund as at June 30, 2008 and 2007, and the results of its operations and the changes in its net assets for the years then ended, in accordance with Canadian generally accepted accounting principles.



August 22, 2008

**Butterfield International Balanced Fund
Statements of Assets and Liabilities
As at June 30, 2008 and 2007**

Expressed in United States dollars

	Notes	US Dollar Class	
		2008	2007
		\$	\$
Assets			
Investments at Market		63,455,227	60,515,126
Cash and Cash Equivalents		4,867,142	6,962,572
Dividend Income Receivable		50,787	34,119
Bond Interest Receivable		239,428	309,652
Miscellaneous Receivable		1,497	1,512
		<u>68,614,081</u>	<u>67,822,981</u>
Liabilities			
Payable for Investments Purchased		47,094	2,238,551
Payable for Capital Units Redeemed		81,607	95,888
Accrued Expenses	3	36,133	26,539
		<u>164,834</u>	<u>2,360,978</u>
Net Assets		<u>68,449,247</u>	<u>65,462,003</u>
Net Assets Consists of:			
Unit Capital	4	44,458,744	41,629,179
Retained Earnings		23,990,503	23,822,824
		<u>68,449,247</u>	<u>65,462,003</u>
Number of Units in Issue	4	3,204,804.5090	3,076,560.5645
Net Asset Value per Unit		<u>21.36</u>	<u>21.28</u>

Butterfield Bank (Cayman) Limited
As Trustee

**Butterfield International Balanced Fund
Statements of Assets and Liabilities
As at June 30, 2008 and 2007**

Expressed in Pounds Sterling

	Notes	Sterling Class	
		2008	2007
		£	£
Assets			
Investments at Market		5,361,557	5,909,839
Cash and Cash Equivalents		107,695	15,616
Bond Interest Receivable		50,507	58,411
Dividend Income Receivable		4,348	5,373
		<u>5,524,107</u>	<u>5,989,239</u>
Liabilities			
Accrued Expenses	3	10,894	15,399
Other Payable		-	240
		<u>10,894</u>	<u>15,639</u>
Net Assets		<u>5,513,213</u>	<u>5,973,600</u>
Net Assets Consists of:			
Unit Capital	4	5,415,558	5,744,953
Retained Earnings		97,655	228,647
		<u>5,513,213</u>	<u>5,973,600</u>
Number of Units in Issue	4	421,320.7396	446,548.7142
Net Asset Value per Unit		<u>13.09</u>	<u>13.38</u>

Butterfield Bank (Cayman) Limited
As Trustee

**Butterfield International Balanced Fund
Statements of Operations
For the years ended June 30, 2008 and 2007**

Expressed in United States dollars

		US Dollar Class	
		2008	2007
Notes		\$	\$
Income			
	Foreign Exchange Gain	812,403	279,676
	Bond Interest Income	1,137,757	959,391
	Net Dividend Income	805,657	658,209
	Bank Interest Income	140,885	248,943
	Miscellaneous Income	270	-
		<u>2,896,972</u>	<u>2,146,219</u>
Expenses			
3	Administration and Management Fee	687,687	614,490
3	Custodian Fee	171,922	153,623
3	Transfer Agent Fees	29,547	34,771
	Audit and Legal Fees	19,896	22,416
	Cayman Islands Government Fee	9,809	3,493
	Sundry Expenses	344	7,397
		<u>919,205</u>	<u>836,190</u>
	Net Investment Income	<u>1,977,767</u>	<u>1,310,029</u>
Realised and Unrealised (Loss)/Gain on Investments			
	Realised Gain on Investments	5,007,653	2,996,817
	Change in Unrealised Appreciation / Depreciation on Investments	<u>(6,827,741)</u>	<u>3,129,999</u>
	Net (Loss)/Gain on Investments	<u>(1,820,088)</u>	<u>6,126,816</u>
Increase in Net Assets			
	From Operations	<u>157,679</u>	<u>7,436,845</u>

**Butterfield International Balanced Fund
Statements of Operations
For the years ended June 30, 2008 and 2007**

Expressed in Pounds Sterling

		Sterling Class	
		2008	2007
Notes		£	£
Income			
	Bond Interest Income	102,414	114,144
	Net Dividend Income	87,969	73,988
	Bank Interest Income	2,695	2,449
	Foreign Exchange Loss	<u>(59,527)</u>	<u>(57,717)</u>
		<u>133,551</u>	<u>132,864</u>
Expenses			
3	Administration and Management Fee	57,447	61,266
3	Transfer Agent Fees	15,338	15,628
3	Custodian Fee	14,371	15,318
	Audit & Legal Fees	9,193	10,746
	Expense Rebate	(242)	(4,705)
	Sundry Expenses	1,301	7,496
		<u>97,408</u>	<u>105,749</u>
	Net Investment Income	<u>36,143</u>	<u>27,115</u>
Realised and Unrealised (Loss) / Gain on Investments			
	Realised Gain on Investments	216,811	259,857
	Change in Unrealised Appreciation / Depreciation on Investments	<u>(383,946)</u>	<u>93,980</u>
	Net (Loss)/Gain on Investments	<u>(167,135)</u>	<u>353,837</u>
(Decrease)/Increase in Net Assets			
	From Operations	<u>(130,992)</u>	<u>380,952</u>

**Butterfield International Balanced Fund
Schedules of Investments for
US Dollar Class and Sterling Class
As at June 30, 2008 and 2007**

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(Expressed in United States dollars and in Pounds Sterling)

Butterfield International Balanced Fund Schedule of Investments (US Dollar Class)

as at June 30, 2008

Expressed in United States dollars

Investments	Nominal Holding/Shares	Cost \$	Market Value \$	Percentage of Portfolio %
Fixed Income Securities - Canada:				
Royal Bank Canada, 4.125%, 26/01/2010	2,150,000	2,154,260	2,163,612	3.41
		2,154,260	2,163,612	3.41
Fixed Income Securities - Europe:				
Eurohypo SA Luxembourg, 4.625%, 30/09/2010	1,000,000	998,390	1,019,380	1.61
Kommuninvest, 5.375%, 15/06/2011	2,500,000	2,591,100	2,608,098	4.11
Ned Waterschapbk, 3%, 16/06/2010	1,000,000	996,970	991,833	1.56
		4,586,460	4,619,311	7.28
Fixed Income Securities - United States:				
Bank of America, 4.25%, 01/10/2010	375,000	380,789	375,000	0.59
Berkshire Hathaway Fin, 4.625%, 15/10/2013	1,000,000	1,004,506	1,006,932	1.59
Fannie Mae, 5.25%, 01/08/2012	2,005,000	2,059,696	2,030,484	3.20
Federal Home Loan Bank, 3%, 11/06/2010	350,000	349,985	347,806	0.55
Federal Home Loan Bank, 5.25%, 24/12/2008	2,000,000	2,024,700	2,023,740	3.19
Freddie Mac, 5.875%, 21/03/2011	1,203,000	1,253,105	1,254,236	1.98
Gen Elec Cap Corp., 5.25%, 19/10/2012	30,000	31,055	30,297	0.05
Goldman Sachs Group Inc., 5.45%, 01/11/2012	2,365,000	2,402,343	2,385,836	3.76
International Lease Finance Corp., 5.30%, 01/05/2012	1,328,000	1,326,711	1,238,692	1.95
Massmutual Glob Fndg. II, 3.8%, 15/04/2009	220,000	221,760	220,854	0.35
Morgan Stanley, 2.52125% Flt, 21/11/2008	1,345,000	1,345,346	1,332,723	2.10
US Treasury, 3.625%, 31/10/2009	2,500,000	2,514,453	2,542,188	4.01
US Treasury, 4.25%, 30/09/2012	1,300,000	1,305,688	1,354,032	2.13
Wells Fargo and Company, 5.25%, 23/10/2012	1,358,000	1,373,540	1,361,320	2.15
		17,593,677	17,504,140	27.60
Total Fixed Income Securities:		24,334,397	24,287,063	38.29
Equities - Asia:				
Shangri-La Asia Limited	1,990	4,927	4,645	0.01
		4,927	4,645	0.01
Equities - Australia:				
Commonwealth Bank of Australia	6,840	340,913	263,388	0.42
Paladin Energy Limited	26,020	123,700	158,947	0.25
		464,613	422,335	0.67
Equities - Canada:				
Bank of Nova Scotia	11,670	568,088	533,176	0.84
Denison Mines Corporation	71,550	558,018	624,093	0.98
Inmet Mining Corporation	4,240	326,182	280,923	0.44
Teck Cominco Limited	18,450	731,716	884,678	1.39
Toronto-Dominion Bank	4,060	260,579	252,816	0.40
		2,444,583	2,575,686	4.05
Equities - Europe:				
Allianz SE	14,990	307,819	261,576	0.41
BASF SE	6,106	231,730	419,721	0.66
BP PLC - Sponsored ADR	27,163	1,778,803	1,889,730	2.98
Carlsberg A/S	3,060	309,706	295,757	0.47
Deutsche Postbank AG	2,900	243,053	254,353	0.40
Diageo PLC	4,360	292,628	322,073	0.51
Fiat S.p.A.	23,740	533,413	389,433	0.61
Inbev NV	6,860	627,053	476,414	0.75
ING Groep N.V.	11,130	434,557	351,152	0.55
Nestle SA	6,900	346,908	311,922	0.49
Nokia Oyj	20,820	583,354	510,090	0.80
Novartis AG	2,040	105,114	112,379	0.18
Reckitt Benckiser Group PLC	5,880	218,457	298,140	0.47
Repsol YPF, S.A.,	12,180	507,133	478,309	0.74

Butterfield International Balanced Fund Schedule of Investments (US Dollar Class)
as at June 30, 2008 (continued)

Expressed in United States dollars

Investments	Nominal Holding/Shares	Cost \$	Market Value \$	Percentage of Portfolio %
Equities - Europe (continued):				
Rio Tinto PLC	1,810	721,201	895,950	1.41
Royal Bank of Scotland Group PLC	58,600	456,190	251,010	0.40
Royal Dutch Shell PLC	11,740	803,047	959,275	1.50
Rolls-Royce Group PLC - B Shares	3,245,133	7,025	6,465	0.01
Skandinaviska Enskilda Banken AB (SEB)	12,340	356,586	229,843	0.36
Total SA	11,520	712,522	983,717	1.55
Vivendi	9,860	407,652	373,292	0.59
		9,983,951	10,070,601	15.84
Equities - Israel:				
Teva Pharmaceutical Industries Ltd - SP ADR	9,174	312,054	420,169	0.66
		312,054	420,169	0.66
Equities - United States:				
Accenture Ltd.	15,620	489,418	636,046	1.00
Adobe Systems Inc.	9,300	406,179	366,327	0.58
Aflac Inc.	8,390	385,565	526,892	0.83
American Inter Group Inc.	30,418	1,555,721	804,860	1.27
Amgen Inc.	4,875	294,631	229,905	0.36
Archer Daniels Midland Company	8,040	347,292	271,350	0.42
Biogen Idec Inc.	4,240	222,038	236,974	0.37
Bucyrus International Inc.	9,270	399,203	676,895	1.07
Bunge Limited	2,880	277,031	310,147	0.49
Caterpillar Inc.	7,120	472,151	525,598	0.83
Celgene Corporation	1,800	114,020	114,966	0.18
Checkpoint Software Technologies Ltd.	23,840	591,664	564,293	0.89
Coca-Cola Company	2,880	174,118	149,702	0.24
ConocoPhillips	22,030	2,020,896	2,079,412	3.28
Cisco Systems Inc.	22,970	521,132	534,282	0.84
Chevron Corporation	20,070	1,712,911	1,989,539	3.14
Exxon Mobil Corporation	11,127	618,783	980,623	1.55
FedEx Corp.	4,310	379,369	339,585	0.54
Fluor Corporation	3,170	380,798	589,874	0.93
Foster Wheeler Ltd.	5,250	312,848	384,038	0.61
General Dynamics Corporation	4,270	294,969	359,534	0.57
Goldman Sachs Group Inc.	4,800	1,004,739	839,520	1.32
iShares MSCI Emerging Markets Index	13,850	1,803,439	1,879,722	2.96
iShares MSCI - Japan Index Fund	307,752	3,464,079	3,837,667	6.05
iShares S&P Global Telecommunications Sector Index Fund	23,150	1,841,525	1,474,192	2.32
Joy Global Inc.	7,710	439,869	584,649	0.92
Kinetic Concepts Inc.	6,540	274,569	261,011	0.41
Microsoft Corporation	20,666	550,054	568,522	0.90
Mylan, Inc.	8,320	94,277	100,422	0.16
Netapp Inc.	24,570	670,822	532,186	0.84
Oil Service Holders Trust	2,420	375,400	537,264	0.85
PepsiCo Inc.	4,886	260,268	310,701	0.49
Proctor & Gamble Company	5,180	309,129	314,996	0.50
Shaw Group Inc.	6,670	381,929	412,139	0.65
State Street Corporation	5,900	388,774	377,541	0.59
Stryker Corporation	3,350	222,736	210,648	0.33
Time Warner Inc.	24,590	399,096	363,932	0.57
Zimmer Holdings Inc.	5,860	392,867	398,774	0.63
		24,844,309	25,674,728	40.48
Total Equities:		38,054,437	39,168,164	61.71
Total Investments:		62,388,834	63,455,227	100.00

Butterfield International Balanced Fund Schedule of Investments (US Dollar Class)

as at June 30, 2007

Expressed in United States dollars

Investments	Nominal Holding/Shares	Cost \$	Market Value \$	Percentage of Portfolio %
Fixed Income Securities - Canada:				
Toyota Credit Canada, 4.625%, 23/07/2007	1,015,000	1,011,752	1,014,536	1.68
	1,015,000	1,011,752	1,014,536	1.68
Fixed Income Securities - Europe:				
DEPFA Pfandbriefbank, 3.375%, 10/05/2007	785,000	781,023	781,045	1.29
Diageo Capital PLC, 3.5%, 19/11/2007	1,661,000	1,636,696	1,648,712	2.72
HBOS Treasury Srvc, 3.5%, 01/10/2007	721,000	717,251	717,645	1.19
Landwirtsch Rentenbank, 4.5%, 26/10/2007	1,215,000	1,211,380	1,211,182	2.00
MBNA Europe Fund Bac, Float, 07/09/2007	1,400,000	1,400,490	1,400,217	2.32
		5,746,840	5,758,801	9.52
Fixed Income Securities - United States:				
Alabama Power Co., 3.5%, 15/11/2007	754,000	744,952	749,551	1.24
Bear Stearns Co. Inc., 4%, 31/01/2008	739,000	731,255	732,815	1.21
BP Oil Company North, 6%, 09/06/2008	1,263,000	1,272,599	1,269,195	2.10
Credit Suisse FB USA, 4.625%, 15/01/2008	1,240,000	1,234,098	1,234,915	2.04
Dow Chemical, 5%, 15/11/2007	1,000,000	997,780	998,869	1.65
General Dynamics, 3%, 15/05/2008	79,000	76,567	77,370	0.13
General Elec Cap Corp., 3.45% 16/07/2007	140,000	139,583	139,927	0.23
General Elec Cap Corp., 4.125% 04/03/2008	2,000,000	1,974,280	1,983,758	3.27
Household Fin Co., 5.505%, 27/07/2007	675,000	675,088	675,088	1.12
IBM Corp., 3.8%, 01/02/2008	780,000	771,420	772,576	1.28
Met Life Glob Funding I, 3.375%, 05/10/2007	1,275,000	1,262,072	1,268,179	2.10
Morgan Stanley, 5.36%, 21/11/2008	1,310,000	1,310,352	1,310,145	2.16
PRU, 3.75%, 01/05/2008	785,000	773,709	773,595	1.28
Roche Holdings Inc., 3.25%, 02/10/2007	1,000,000	988,300	994,670	1.64
Rockwell Automation, 6.15%, 15/01/2008	1,220,000	1,229,174	1,224,221	2.02
SE, 5.25%, 15/07/2007	283,000	282,904	282,939	0.47
Staples Inc., 7.125%, 15/08/2007	153,000	153,574	153,315	0.25
Wachovia Corporation, 5.435%, 20/07/2007	200,000	200,000	199,994	0.33
		14,817,707	14,841,122	24.52
Total Fixed Income Securities:		21,576,299	21,614,459	35.72
Equities - Asia:				
Shangria-la Asia Ltd.	153,850	385,126	371,932	0.61
		385,126	371,932	0.61
Equities - Canada:				
Bank of Nova Scotia	13,400	659,126	652,643	1.07
Teck Cominco Limited	10,770	374,627	457,725	0.76
		1,033,753	1,110,368	1.83
Equities - Europe:				
3i Group PLC	27,391	361,709	641,018	1.06
Air Liquide SA	3,760	411,671	496,144	0.82
Banco Santander Central Hispano SA	17,920	329,472	329,370	0.54
BASF AG	5,207	317,481	682,638	1.13
BP PLC - Sponsored ADR	19,423	1,183,049	1,401,175	2.32
Deutsche Postbank AG	3,720	322,874	326,640	0.54
Diageo PLC	11,400	717,260	949,734	1.57
GlaxoSmithKline PLC ADR	7,980	426,469	417,913	0.69
HSBC Holdings PLC	53,450	863,056	982,439	1.63
Ing Groep N.V. - Sponsored ADR	21,920	880,425	963,822	1.59
Intercontinental Hotels Group PLC	11,304	238,047	282,489	0.47
JC Decaux SA	18,220	461,772	580,568	0.96
Novartis AG	7,550	387,445	426,484	0.70
PPR	1,700	199,223	298,265	0.49

**Butterfield International Balanced Fund Schedule of Investments (US Dollar Class)
as at June 30, 2007 (continued)**

Expressed in United States dollars

Investments	Nominal Holding/Shares	Cost \$	Market Value \$	Percentage of Portfolio %
Equities - Europe (continued):				
Praktiker Bau-und Heimwerkermaerkte Holding AG	9,710	360,582	395,662	0.65
Reckitt Benckiser PLC	17,930	598,247	985,086	1.63
Rolls-Royce Group PLC	44,450	408,096	480,833	0.79
Rolls-Royce Group PLC - B Shares	2,788,912	5,283	5,602	0.01
Royal Bank of Scotland Group PLC	25,650	309,907	326,158	0.54
Telefonica SA	10,650	672,505	710,994	1.17
Total SA	17,110	882,387	1,396,246	2.32
Veolia Environment	4,110	286,691	322,981	0.53
		10,623,651	13,402,261	22.15
Equities - Israel:				
Teva Pharmaceutical Industries Ltd.	21,022	709,120	867,158	1.43
		709,120	867,158	1.43
Equities - United States:				
3M Co.	4,108	311,851	356,533	0.59
Accenture Ltd.	15,450	459,398	662,651	1.10
Aflac Inc.	12,430	567,054	638,902	1.06
American International Group, Inc.	13,568	756,060	950,167	1.57
Amgen Inc.	7,225	478,747	399,470	0.66
Aqua America Inc.	13,910	333,829	312,836	0.52
Autodesk Inc.	13,760	518,885	647,821	1.07
Biogen Idec Inc.	8,100	362,259	433,350	0.72
Caterpillar Inc.	2,900	151,801	227,070	0.38
Chevron Corp.	16,260	1,094,609	1,369,742	2.26
Cisco Systems Inc.	23,440	487,307	652,804	1.08
EMC Corporation	35,560	468,557	643,636	1.06
Exxon Mobil Corporation	22,867	1,149,553	1,918,085	3.16
Fluor Corporation	3,330	358,723	370,862	0.61
Genentech Inc.	5,490	450,324	415,373	0.69
General Dynamics Corporation	6,010	346,468	470,102	0.78
iShares MSCI Japan Index Fund	268,852	2,898,477	3,901,043	6.46
iShares MSCI Pacific Ex - Japan Index Fund	7,902	625,132	1,157,643	1.91
Johnson & Johnson	13,390	788,335	825,092	1.36
Manpower Inc.	5,227	222,782	482,138	0.80
Microsoft Corporation	21,006	543,610	619,047	1.02
Nvidia Corporation	16,070	513,172	663,852	1.10
Oil Service HOLDERS Trust	3,760	344,882	656,985	1.09
PepsiCo Inc.	18,556	947,328	1,203,357	1.99
Procter & Gamble Company	15,810	926,598	967,414	1.60
Qualcomm Inc.	10,020	429,635	434,768	0.72
State Street Corporation	9,360	608,776	640,224	1.06
Stryker Corporation	6,340	421,389	399,991	0.66
Walgreen Co.	16,720	727,502	727,990	1.18
		17,833,645	22,486,297	37.16
Total Equities:		31,044,693	38,900,667	64.28
Total Investments:		52,620,992	60,515,126	100.00

Butterfield International Balanced Fund Schedule of Investments (Sterling Class)

as at June 30, 2008

Expressed in Pounds Sterling

Investments	Nominal Holding/Shares	Cost £	Market Value £	Percentage of Portfolio %
Fixed Income Securities - Europe:				
ASIF II, 5.125%, 28/01/2013	200,000	203,025	178,797	3.33
Bank Nederlandse Gemeenten, 4.375%, 15/09/2009	200,000	110,510	101,889	1.90
Bank Nederlandse Gemeenten, 4.625%, 07/12/2008	260,000	259,766	258,405	4.82
CIE Financement Foncier, 5.125%, 16/05/2011	100,000	100,915	97,658	1.82
DEPFA ACS Bank, 4.875%, 30/12/2008	275,000	275,448	273,083	5.09
ENI Corporation Center, 4.875%, 09/12/2010	300,000	298,839	290,937	5.43
GE Capital UK Funding, 4.75%, 15/12/2010	300,000	297,150	288,905	5.39
HBOS Treasury Service, 3.75%, 30/09/2008	80,000	43,312	40,046	0.75
Kingdom of Sweden, 3.875%, 15/06/2010	225,000	123,002	114,740	2.14
L-Bank BW Forderbank, 4.25%, 15/09/2010	250,000	138,407	127,419	2.38
Rabobank Nederland, 4.75%, 30/09/2009	250,000	250,036	245,728	4.58
Total Capital SA, 4.625%, 07/03/2012	100,000	99,415	95,056	1.77
		2,199,825	2,112,663	39.40
Total Fixed Income Securities:		2,199,825	2,112,663	39.40
Equities - Canada:				
Global Uranium Fund Inc.	21,200	58,542	53,127	0.99
Teck Cominco Limited	2,360	43,885	57,019	1.06
		102,427	110,146	2.05
Equities - Europe:				
3i Group PLC	2,040	18,091	16,830	0.31
Adidas AG	780	12,624	24,751	0.46
Air Liquide SA	1,398	75,382	92,714	1.73
Allianz SE	735	77,433	65,117	1.21
Aviva PLC	3,250	24,169	16,283	0.30
Barclays PLC	8,000	55,362	23,320	0.43
Barclays PLC - Rights	1,714	0	0	0.00
BASF SE	2,200	32,789	75,900	1.42
BP PLC	30,000	162,768	174,975	3.26
Diageo PLC	6,790	73,365	62,740	1.17
Essilor International	1,230	34,694	37,776	0.70
GlaxoSmithKline PLC	3,400	56,679	37,842	0.71
HBOS PLC	4,750	49,365	13,110	0.24
HBOS PLC - Rights	1,900	0	0	0.00
HSBC Holdings PLC	8,340	72,285	64,698	1.21
ING Groep NV	5,830	80,553	93,376	1.74
JC Decaux SA	1,410	20,879	18,051	0.34
Lafarge SA	690	59,908	53,137	0.99
Nestle SA	4,400	72,351	99,835	1.86
Novartis AG	1,400	32,163	38,709	0.72
PPR	485	26,922	27,114	0.51
Prudential PLC	2,750	18,544	14,658	0.27
Reckitt Benckiser Group PLC	2,470	49,550	62,862	1.17
Rio Tinto PLC	1,450	53,958	87,131	1.63
Rolls-Royce Group PLC	14,000	57,360	47,810	0.89
Rolls-Royce Group PLC - B Shares	1,254,400	1,218	1,254	0.02
Royal Bank of Scotland Group PLC	30,853	106,181	66,334	1.24
Royal Dutch Shell PLC	6,235	122,665	125,947	2.35
Siemens AG	800	51,616	44,357	0.83
Smith & Nephew PLC	6,860	41,001	38,004	0.71
Smiths Group PLC	4,867	22,552	52,852	0.99
Telefonica SA	2,850	31,671	38,041	0.71
Tesco PLC	11,380	53,733	42,026	0.78
Total SA	3,625	109,618	155,361	2.90
Vodafone Group PLC	24,375	39,523	36,355	0.68
WPP Group PLC	6,800	37,318	32,928	0.62
Xstrata PLC	1,980	42,879	79,674	1.50
		1,877,169	1,961,872	36.60

**Butterfield International Balanced Fund Schedule of Investments (Sterling Class)
as at June 30, 2008 (continued)**

Expressed in Pounds Sterling

Investments	Nominal Holding/Shares	Cost £	Market Value £	Percentage of Portfolio %
Equities - Israel:				
Teva Pharmaceutical Industries Ltd.	1,625	27,865	37,356	0.70
		27,865	37,356	0.70
Equities - United States:				
Accenture Ltd.	1,880	37,710	38,425	0.72
American International Group Inc.	2,875	96,679	38,183	0.71
Caterpillar, Inc.	1,050	26,380	38,905	0.73
Cisco Systems, Inc.	4,000	42,579	46,700	0.87
Citrix Systems, Inc.	2,250	29,708	33,214	0.62
EMC Corporation	1,800	15,560	13,272	0.25
Exxon Mobil Corporation	2,360	64,703	104,395	1.95
Fluor Corporation	550	31,184	51,370	0.96
General Dynamics Corporation	1,300	23,691	54,942	1.02
iShares MSCI Japan Index Fund	34,500	219,223	215,939	4.03
iShares MSCI Pacific Ex - Japan Index Fund	1,745	79,490	119,197	2.22
Joy Global, Inc.	1,880	44,398	71,556	1.33
Microsoft Corporation	3,500	74,171	48,329	0.90
Oil Service HOLDRs Trust	1,600	92,810	178,294	3.33
PepsiCo, Inc.	1,210	40,631	38,621	0.72
State Street Corporation	1,500	61,057	48,178	0.89
		979,974	1,139,520	21.25
Total Equities:		2,987,435	3,248,894	60.60
Total Investments:		5,187,260	5,361,557	100.00

Butterfield International Balanced Fund Schedule of Investments (Sterling Class)

as at June 30, 2007

Expressed in Pounds Sterling

Investments	Nominal Holding/Shares	Cost £	Market Value £	Percentage of Portfolio %
Fixed Income Securities - Europe:				
ASIF II, 5.125%, 28/01/2013	200,000	203,025	188,902	3.20
Bank Nederlandse Gemeenten, 4.375%, 15/09/2009	200,000	110,510	97,789	1.65
Bank Nederlandse Gemeenten, 4.625%, 07/12/2008	350,000	349,685	343,434	5.81
Caisse D'Amort Dette, 6.25%, 05/03/2008	200,000	208,024	200,292	3.39
DEPFA ACS Bank, 4.875%, 30/12/2008	350,000	350,570	344,197	5.82
ENICC, 4.875%, 09/12/2010	300,000	298,839	286,993	4.86
GE Capital UK, 4.75%, 12/15/2010	300,000	297,150	286,910	4.85
HBOS Treasury Service, 3.75%, 30/09/2008	80,000	43,312	39,057	0.66
Kingdom of Sweden, 3.875%, 15/06/2010	225,000	123,002	108,218	1.83
L-Bank BW Fordebrk, 4.25%, 15/09/2010	250,000	138,407	120,880	2.05
Rabobank, 4.75%, 30/09/2009	300,000	300,043	291,112	4.93
		2,422,567	2,307,784	39.05
Total Fixed Income Securities:		2,422,567	2,307,784	39.05
Equities - Canada:				
Teck Cominco Limited	900	19,609	19,254	0.33
		19,609	19,254	0.33
Equities - Europe:				
3i Group PLC	2,400	21,246	27,957	0.47
Adidas-Salomon AG	1,400	22,659	43,882	0.74
Allianz AG	735	77,433	85,906	1.45
Aviva PLC	3,250	24,169	24,164	0.41
Barclays PLC	8,000	55,362	55,680	0.94
L'Air Liquide SA	500	19,226	32,841	0.56
Arm Holdings	53,000	63,975	77,645	1.31
BASF AG	1,100	32,789	71,782	1.21
BP Amoco PLC	36,250	196,678	218,588	3.70
Essilor International	1,000	56,413	59,568	1.01
GlaxoSmithKline PLC	10,000	166,702	130,500	2.21
HBOS PLC	4,750	49,365	46,811	0.79
HSBC Holdings PLC	8,340	72,284	76,311	1.29
ING Groep NV	6,600	91,192	145,878	2.47
JC Decaux	2,650	39,241	42,031	0.71
Nestle SA Reg	400	60,532	75,958	1.29
Novartis AG-Bearer	2,500	57,433	70,293	1.19
Pinault-Printemps-Redoute SA	485	26,922	42,356	0.72
Prudential PLC	2,750	18,544	19,635	0.33
Reckitt Benckiser	4,230	80,046	115,691	1.96
Rio Tinto PLC	2,000	54,847	76,540	1.30
Rolls-Royce Group	14,000	59,013	75,390	1.28
Rolls-Royce Group - B Shares	828,800	723	829	0.01
Royal Bank of Scotland Group	9,150	49,833	57,920	0.98
Royal Dutch Shell	1,875	33,736	38,138	0.65
Smiths Group PLC	4,866	22,552	57,670	0.98
Smiths Group PLC - B	7,300	26,645	25,185	0.43
Telefonica SA	5,800	66,137	64,665	1.09
Total Fina SA	2,875	81,114	116,781	1.98
Vodafone Group PLC	39,375	63,845	66,071	1.12
WPP Group PLC	6,800	37,317	50,898	0.86
Xstrata PLC	2,500	54,139	74,675	1.25
		1,782,112	2,168,239	36.69

**Butterfield International Balanced Fund Schedule of Investments (Sterling Class)
as at June 30, 2007 (continued)**

Expressed in Pounds Sterling

Investments	Nominal Holding/Shares	Cost £	Market Value £	Percentage of Portfolio %
Equities - Israel:				
Teva Pharmaceutical Industries Limited	2,500	42,869	51,337	0.86
		42,869	51,337	0.86
Equities - United States:				
American International Group Inc.	2,875	96,678	100,227	1.70
Caterpillar Inc.	1,050	26,381	40,927	0.69
Cisco Systems Inc.	4,000	42,580	55,456	0.94
Citrix Systems Inc.	2,250	29,708	37,713	0.64
Exxon Mobil Corp.	2,600	71,283	108,566	1.84
Fedex Corp.	450	15,983	24,859	0.42
Fluor Corp.	400	21,331	22,176	0.38
General Dynamics Corp.	1,300	23,691	50,620	0.86
iShares MSCI Japan Index Fund	27,100	168,410	195,749	3.31
iShares MSCI Pacific Ex - Japan Index Fund	1,600	64,649	116,687	1.97
Johnson & Johnson	1,700	53,021	52,148	0.88
Joy Global Inc.	2,200	51,955	63,882	1.08
Microsoft Corp.	3,500	74,171	51,347	0.87
Oil Service Holders	1,500	78,733	130,473	2.21
PepsiCo Inc.	2,490	83,612	80,385	1.36
Proctor & Gamble Company	2,420	67,854	73,716	1.25
Suncor Energy	2,050	52,558	91,764	1.55
Wells Fargo & Company	3,800	61,841	66,530	1.12
		1,084,439	1,363,225	23.07
Total Equities:		2,929,029	3,602,055	60.95
Total Investments:		5,351,596	5,909,839	100.00

Butterfield International Balanced Fund
Notes to the Financial Statements
For the years ended
June 30, 2008 and 2007

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Expressed in United States dollars & Pounds Sterling

Butterfield International Balanced Fund
Notes to the Financial Statements
For the years ended June 30, 2008 and 2007

1. ORGANISATION AND OPERATIONS

Butterfield International Balanced Fund (the "Fund") was established as an open-ended multi class Unit Trust under the laws of the Cayman Islands by a Trust Deed dated June 18, 1996 (the "Trust Deed") executed by Butterfield Bank (Cayman) Limited as trustee (the "Trustee") and Butterfield Fund Services (Cayman) Limited as Administrator (the "Administrator"). The Fund is registered as a Mutual Fund under the Mutual Funds Law of the Cayman Islands. On October 31, 1997, the Trustee and the Administrator executed a Supplemental Trust Deed changing the name of the Fund from Buttress International Balanced Fund to Butterfield International Balanced Fund.

On January 2, 1998, the Trustee and the Administrator executed a Supplemental Trust Deed creating the Sterling Class Units of the Fund.

The US Dollar Class and Sterling Class of the Fund commenced operations on July 17, 1996 and January 21, 1998, respectively, and are managed by the Administrator, a Cayman Islands licensed Mutual Fund Administrator and a wholly owned subsidiary of the Trustee.

On January 30, 1998 the Fund listed the US Dollar Class and the Sterling Class of the Fund on the Cayman Islands Stock Exchange.

The Fund's objective is to achieve long-term capital growth by investing in a global portfolio of money market instruments, eurobonds, government bonds and equities.

2. PRINCIPAL ACCOUNTING POLICIES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported period. Actual results could differ from the estimates.

The principal accounting policies are as follows:

a) Investments

Securities listed on a recognised exchange are valued at the last reported bid price on the day of valuation.

Securities not listed on a recognised exchange are valued at the amounts considered by the Manager to best reflect the fair value.

The computation of the cost of sales of securities is made on the basis of average cost. Purchases and sales of securities are accounted for on the transaction date, and the difference between the sale price and the cost of the security is included in realised gain/(loss) on investment in the statements of operations.

The difference between the fair value and the cost of securities is recorded as unrealised appreciation/(depreciation) on investments.

Butterfield International Balanced Fund
Notes to the Financial Statements
For the years ended June 30, 2008 and 2007

b) Interest and dividend income

Interest and dividend income are accrued as earned.

c) Foreign currency translation

The functional currency of the US Dollar Class is USD. The functional currency of the Sterling Class is GBP.

Foreign currency transactions are translated into the functional currency of each Class at the rates of exchange in effect on the transaction dates. Foreign assets and liabilities of the Fund have been translated to the base currency of each Class at the rates of exchange prevailing on each year end date. The resultant gain or loss on exchange is recorded in the statements of operations.

d) Fair value of financial instruments

The fair value of securities is considered to be the market value, which is based principally on quoted market prices. The carrying value of other financial instruments approximates their fair value principally because of the short-term maturities of these instruments.

e) Accounting policy changes

On April 1, 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3855, "Financial Instruments - Recognition and Measurement" of the CICA Handbook - Accounting ("Section 3855"), which establishes Generally Accepted Accounting Principles ("GAAP") for financial reporting purposes. Section 3855 requires that the fair value of financial instruments which are traded in active markets be measured based on the bid or asking price for the asset or liability held, respectively, and requires that transaction costs, such as brokerage commissions, incurred in the purchases and sale of securities by the Fund be charged to net income in the period incurred. Section 3855 applies to fiscal years beginning on or after October 1, 2006. As a result, Section 3855 has been applied prospectively, beginning July 1st 2007.

On April 1st 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3861, "Financial Instruments - Disclosure and Presentation" of the CICA Handbook - Accounting ("Section 3861"). Section 3861 applies to publicly accountable entities for fiscal years beginning on or after October 1, 2006. As a result, Section 3861 has been applied prospectively, beginning July 1st, 2007.

f) Recent accounting pronouncements

In December 2006, the Canadian Institute of Chartered Accountants ("CICA") issued Section 1535, "Capital Disclosures", Section 3862, "Financial Instruments - Disclosures", and Section 3863, "Financial Instruments - Presentation". Section 1535 requires disclosure of information about an entity's objectives, policies and processes for managing capital. Section 3862 replaces the disclosure requirements of Section 3861, but increases the emphasis on disclosures regarding risks associated with both recognised and unrecognised financial instruments and

Butterfield International Balanced Fund
Notes to the Financial Statements continued
For the years ended June 30, 2008 and 2007

how these risks are managed, including a requirement to disclose sensitivity analysis, while Section 3863 carries forward unchanged the presentation requirements of Section 3861. These Sections are effective for fiscal years beginning on or after October 1st 2007. The Fund has evaluated the impact of Sections 1535, 3862 and 3863 and does not believe this adoption will have a material impact on the Fund's financial statements, apart from enhanced disclosures.

3. RELATED PARTY TRANSACTIONS

The Administrator, a related party, is entitled to receive a monthly fee which is calculated at the rate of no more than one percent per annum of the net asset value of the entire Fund calculated and accrued weekly. During the year, fees earned by the Administrator were calculated at the following rates:

US Dollar Class - 1.00% per annum of the Net Asset Value
Sterling Class - 1.00% per annum of the Net Asset Value

In addition, the Administrator is entitled to receive a sales commission on subscriptions of up to 2% for the US Dollar Class and 4% for the Sterling Class (2007: 2% for the US Dollar Class and 4% for the Sterling Class). No sales commission was charged in 2008 and 2007.

As of June 30, 2008, the Fund owed the Administrator \$26,290 (2007: \$7,175) for the US Dollar Class and £1,707 (2007: £5,232) for the Sterling Class.

On January 28, 1998, Butterfield Bank (Cayman) Limited (the "Custodian") appointed Butterfield Bank (Guernsey) Limited as sub-custodian and principal banker for the Sterling Class (the "Sub-Custodian").

The Custodian and Sub-Custodian, both related parties, are entitled to receive a monthly fee, calculated at a rate of 0.25% per annum of the net asset value of each Class of Units, calculated and accrued weekly.

As of June 30, 2008, the Fund owed the Custodian \$6,572 (2007: \$1,794) for the US Dollar Class and £493 (2007: £1,310) for the Sterling Class.

The Sub-Administrator, Transfer Agent, Butterfield Fund Services (Bermuda) Limited, a related party, is entitled to receive a fee for providing shareholder services including maintaining a Branch register in Bermuda. The fee is based on time spent and is invoiced monthly by the Sub-Administrator to the Fund.

Butterfield Bank (Cayman) Limited (the "Investment Advisor") and Butterfield Bank (Guernsey) Limited (the "Sub-Investment Advisor") provide investment advice to the Fund. The fees and expenses of the Trustee, Investment Advisor and Sub-Investment Advisor are paid by the Administrator and are not the responsibility of the Fund.

Butterfield International Balanced Fund
Notes to the Financial Statements continued
For the years ended June 30, 2008 and 2007

Employees of the Investment Advisor, its parent company and other affiliated companies, and their immediate family members hold units of the Fund. These investments are not significant.

4. CAPITAL UNITS

The Fund may issue an unlimited number of units of each Class, which are redeemable at the option of the unitholders.

Details of units issued, redeemed and outstanding during the year are as follows:

	US Dollar Class		
	2008 No. of Units	2008 £	2007 £
Balance - beg. of year	3,076,560.5645	41,629,179	41,815,005
Issue of Units	458,376.8302	9,938,591	7,217,902
Redemption of units	(330,132.8857)	(7,109,026)	(7,403,728)
Balance - end of year	3,204,804.5090	44,458,744	41,629,179

	Sterling Class		
	2008 No. of Units	2008 £	2007 £
Balance - beg. of year	446,548.7142	5,744,953	6,290,955
Issue of units	27,526.3966	369,263	599,965
Redemption of Units	(52,754.3712)	(698,658)	(1,145,967)
Balance - end of year	421,320.7396	5,415,558	5,744,953

5. FINANCIAL HIGHLIGHTS

US Dollar Class

Per unit operating performance
(for a unit outstanding throughout the year)

	2008	2007	2006	2005	2004
Net asset value, beginning of year	\$21.28	\$18.85	\$16.86	\$16.48	\$15.19
Income from investment operations					
Net investment income	0.63	0.43	0.26	0.50	0.19
Net realised and unrealised gain (loss) on investments	(0.55)	2.00	1.73	(0.12)	1.10
Total from investment operations	0.08	2.43	1.99	0.38	1.29
Net asset value, end of year	\$21.36	\$21.28	\$18.85	\$16.86	\$16.48
Total return	0.38%	12.89%	11.80%	2.31%	8.49%
Ratios/supplemental data					
Net assets, end of year	\$68,449,247	\$65,462,003	\$58,210,984	\$55,972,599	\$63,256,134
Ratio of expenses to weighted average net assets	1.37%	1.35%	1.32%	1.34%	1.37%
Ratio of investment gain to weighted average net assets	1.61%	13.33%	12.08%	3.74%	9.36%
Portfolio turnover	96.72%	87.35%	17.58%	102.40%	92.61%

Butterfield International Balanced Fund
Notes to the Financial Statements continued
For the years ended June 30, 2008 and 2007

An individual investor's return and ratios may vary from the above returns and ratios based on the timing of capital transactions.

Sterling Class

Per unit operating performance
(for a unit outstanding throughout the year)

	2008	2007	2006	2005	2004
Net asset value, beginning of year	£13.38	£12.57	£11.79	£10.78	£10.29
Income from investment operations					
Net investment income	0.08	0.06	0.10	0.16	0.17
Net realised and unrealised gain (loss) on investments	(0.37)	0.75	0.68	0.85	0.32
Total from investment operations	(0.29)	0.81	0.78	1.01	0.49
Net asset value, end of year	£13.09	£13.38	£12.57	£11.79	£10.78
Total return	(2.17%)	6.44%	6.62%	9.37%	4.76%
Ratios/supplemental data					
Net assets, end of year	£5,513,213	£5,973,600	£6,138,650	£9,886,884	£9,768,174
Ratio of expenses to weighted average net assets	1.69%	1.75%	1.66%	1.52%	1.46%
Ratio of investment gain (loss) to weighted average net assets	(0.58%)	8.04%	10.69%	10.28%	6.16%
Portfolio turnover	27.24%	9.99%	14.62%	27.59%	38.05%

An individual investor's return and ratios may vary from the above returns and ratios based on the timing of capital transactions.

6. FINANCIAL RISK MANAGEMENT

The Fund maintains positions in a variety of non-derivative financial instruments as dictated by its investment management strategy. The Fund's investment portfolio comprises of quoted equity instruments, index funds and fixed income securities.

Asset allocation is determined by the Fund's Investment Manager with reference to the target asset allocation set out in the Fund's prospectus. The Fund's Investment Manager manages the distribution of the assets to achieve its investment objective. Divergence from target asset allocations and the composition of the portfolio is monitored by the Fund's Investment Manager. In instances where the portfolio has diverged from target asset allocations, the Fund's Investment Manager will rebalance the portfolio to fall in line with the target asset allocations.

The nature and extent of the financial instruments outstanding at the statements of assets and liabilities date and the risk management policies employed by the Fund are discussed below:

a) Market risk

Mark risk embodies the potential for both loss and gains and includes currency risk, interest rate risk and other price risk.

Market risk is the risk that changes in interest rates, foreign exchange rates or equity and commodity prices will affect the positions held by

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the Fund making them less valuable or more onerous. The Fund is exposed to market risk on financial instruments that are valued at market prices.

In the normal course of its business, the Fund purchases various financial instruments which may result in market risk, the amount of which may not be apparent from the financial statements.

The Fund's strategy for the management of market risk is driven by the Fund's investment objective. The Fund's market risk is managed on a daily basis by the Investment Manager in accordance with the policies and procedures in place. The Fund's Trustee reviews the performance of the Investment Manager on a continuous basis.

CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency. Consequently, each class of the Fund is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of the portion of the Fund's assets or liabilities denominated in currencies other than US Dollars (US Dollar Class) or British Pounds Sterling (Sterling Class). The Fund policy is not to enter into any currency hedging transactions.

As at June 30, 2008, the US Dollar Class has the following currency exposure in US Dollar equivalent:

	2008 USD	2008 %of Net Assets	2007 USD	2007 %of Net Assets
AUD	263,388	0.4%	-	-
CAD	1,597,139	2.3%	652,643	1.0%
CHF	424,301	0.6%	426,484	0.6%
DKK	295,757	0.4%	-	-
EUR	2,896,931	4.2%	4,499,144	6.9%
GBP	555,615	0.8%	3,703,626	5.7%
HKD	4,645	0.0%	371,932	0.6%
SEK	229,843	0.3%	-	-
Total	6,267,619	9.0%	9,653,829	14.8%

As at June 30, 2008, the Sterling Class has the following currency exposure in GBP equivalent:

	2008 GBP	2008 %of Net Assets	2007 GBP	2007 %of Net Assets
CAD	110,146	2.0%	19,030	0.3%
CHF	138,544	2.5%	146,251	2.5%
EUR	725,696	13.2%	711,964	11.9%
USD	1,636,889	29.7%	1,784,724	29.9%
Total	2,611,275	47.4%	2,661,969	44.6%

Butterfield International Balanced Fund
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INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's exposure to changes in interest rates relates primarily to the Fund's investments in fixed income securities. All of the Fund's investments are highly liquid securities which are actively traded on various stock exchanges. Fixed income securities account for 35.5% of the US Dollar Class's Net Asset Value (2007:33.0%), and 38.3% of the Sterling Class's Net Asset Value (2007:38.6%). As a result, the Fund is subject to fair value interest rate risk due to possible fluctuations in the prevailing levels of market interest rates.

Consequently, the Fund's exposure to cash flow interest rate risk is limited to its floating rate securities (1.95% of the US Dollar Class's Net Asset Value (2007:2.14%)) and cash at bank (7.11% of the US Dollar Class's Net Asset Value (2007:10.6%), 1.95% of the Sterling Class's Net Asset Value (2007:0.26%)). The Fund does not have any other significant interest-bearing assets and liabilities.

OTHER PRICE RISK

Other price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to a particular instrument, its issuer or all factors affecting all instruments traded in the market. As all of the Fund's financial instruments are carried at fair value with fair value changes recognised in the statements of operations, all changes in market conditions will directly affect the profit attributable to unitholders.

Other price risk is managed by the Fund's Investment Manager by constructing a diversified portfolio of investments traded on various markets. All of the Fund's investments at June 30, 2008 and 2007 are listed on stock exchanges.

a) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk related to unsettled transactions, including dividends and interest accrued, is considered to be low due to the short settlement period involved and the high credit quality of the brokers used. The Fund monitors the credit rating of its brokers to mitigate this risk.

At the reporting date, the US Dollar Class's financial assets exposed to credit risk were as follows in USD:

	<u>Carrying Amounts</u>
Investments at Market (Fixed Income Securities)	24,287,063
Cash and Cash equivalents	4,867,142

Butterfield International Balanced Fund
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At the reporting date, the USD values of the fixed income securities exposed to credit risk stratified by credit rating are as follows:

<u>Credit Rating</u>	<u>2008</u>		<u>2007</u>	
	<u>Market Value</u>	<u>Percentage</u>	<u>Market Value</u>	<u>Percentage</u>
BBB+	-	-	436,254	2.0%
A-	-	-	2,647,581	12.2%
A	-	-	2,051,143	9.5%
A+	2,571,415	10.6%	3,589,131	16.6%
AA-	7,834,167	32.3%	2,109,997	9.8%
AA	375,000	1.5%	2,980,494	13.8%
AA+	1,361,320	5.6%	2,669,412	12.4%
AAA	8,248,939	34.0%	5,130,447	23.7%
Not Rated*	3,896,222	16.0%	-	-
	<u>24,287,063</u>	<u>100.0%</u>	<u>21,614,459</u>	<u>100.0%</u>

*US Government Treasury Bills

At the reporting date, the GBP Class's financial assets exposed to credit risk were as follows in GBP:

	<u>Carrying Amounts</u>
Investments at Market (Fixed Income Securities)	2,112,663
Cash and Cash Equivalents	107,695

At the reporting date, the GBP values of the fixed income securities exposed to credit risk stratified by credit rating are as follows:

<u>Credit Rating</u>	<u>2008</u>		<u>2007</u>	
	<u>Market Value</u>	<u>Percentage</u>	<u>Market Value</u>	<u>Percentage</u>
AA-	290,937	13.8%	-	-
AA	135,101	6.4%	326,050	14.1%
AA+	306,217	14.5%	309,782	13.4%
AAA	1,380,408	65.3%	1,671,952	72.5%
	<u>2,112,663</u>	<u>100.0%</u>	<u>2,307,784</u>	<u>100.0%</u>

b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Fund's constitution provides for the weekly subscription and redemption of units and it is therefore exposed to the liquidity risk of meeting unitholders redemptions. However, all of the Fund's investments at June 30, 2008 and 2007 are listed securities actively traded on major stock exchanges. As such, they are considered to be highly realisable mitigating the liquidity risk of the Fund as at June 30, 2008 and 2007.

The Fund's liquidity risk is managed on a daily basis by the Investment Manager in accordance with the policies and procedures in place.

7. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform to the current year's presentation.

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Butterfield Bank (Cayman) Limited is licensed and
regulated by the Cayman Islands Monetary Authority.

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Butterfield Bank

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