St. Kitts Nevis Anguilla Trading and Development Company Limited

Consolidated Financial Statements
July 31, 2016
(expressed in Eastern Caribbean dollars)

St. Kitts Nevis Anguilla Trading and Development Company Limited

Consolidated Statement of Financial Position

As at July 31, 2016

(expressed in Eastern Caribbean dollars)	**July 2016 $**	**Jan 2016 $**
Assets		
Current assets		
Cash and cash equivalents (note 8)	**25,771,249**	23,425,702
Investment securities (note 9)	**56,834,553**	53,348,845
Loans to customers (note 10)	**16,271,425**	19,259,942
Receivables and prepayments (note 11)	**26,150,092**	25,704,195
Reinsurance assets (note 20)	**1,724,398**	3,680,140
Due from related parties (note 13)	**166,933**	434,340
Inventories (note 12)	**42,076,328**	45,711,039
Taxation recoverable (note 23)	**409,203**	124,092
Total current assets	**169,404,181**	171,688,295
Non-current assets		
Investment securities (note 9)	**9,293,816**	11,902,591
Loans to customers (note 10)	**74,578,514**	75,202,497
Receivables (note 11)	**5,726,172**	6,665,259
Investment in associates (note 15)	**11,520,203**	11,308,099
Property, plant and equipment (note 16)	**147,265,343**	146,597,090
Investment property (note 17)	**1,867,809**	1,886,510
Intangible assets (note 18)	**114,474**	252,944
Deferred tax asset (note 23)	**245,525**	182,452
Total non-current assets	**250,611,856**	253,997,442
Total assets	**420,016,037**	425,685,737
Liabilities		
Current liabilities		
Borrowings (note 19)	**40,822,083**	44,521,673
Insurance liabilities (note 20)	**10,341,234**	13,801,232
Customers' deposits (note 21)	**92,470,489**	93,295,581
Accounts payable and other liabilities (note 22)	**49,447,696**	45,679,398
Due to related parties (note 13)	**63,884**	–
Provision for taxation (note 23)	**1,220,168**	2,059,511
Total current liabilities	**194,365,554**	199,357,395
Non-current liabilities		
Borrowings (note 19)	**18,574,681**	20,076,481
Customers' deposits (note 21)	**10,051,366**	8,309,158
Accounts payable and other liabilities (note 22)	**3,957,419**	4,025,717
Deferred tax liability (note 23)	**5,014,285**	5,279,908
Total non-current liabilities	**37,597,751**	37,691,264
Total liabilities	**231,963,305**	237,048,659

St. Kitts Nevis Anguilla Trading and Development Company Limited

Consolidated Statement of Financial Position …*continued*

As at July 31, 2016

(expressed in Eastern Caribbean dollars)

	July 2016 $	Jan 2016 $
Shareholders' equity		
Share capital (note 24)	**52,000,000**	52,000,000
Other reserves (note 25)	**63,237,274**	62,885,678
Retained earnings	**67,305,368**	68,104,560
	182,542,642	182,990,238
Non-controlling interests	**5,510,090**	5,646,840
Total shareholders' equity	**188,052,732**	188,637,078
Total liabilities and shareholders' equity	**420,016,037**	425,685,737

The notes on pages 1 to 77 are an integral part of these consolidated financial statements.

Approved for issue by the Board of Directors on [Date].

Chairman

Director

St. Kitts Nevis Anguilla Trading and Development Company Limited

Consolidated Statement of Income

For the period ended July 31, 2016

(expressed in Eastern Caribbean dollars)

	July 2016 $	Jan 2016 $
Revenue	**66,525,422**	155,057,169
Cost of sales	**(46,850,909)**	(114,232,875)
Gross profit	**19,674,513**	40,824,294
Net interest income (note 31)	**3,966,552**	8,459,691
Net underwriting income	**2,649,147**	3,874,734
Other income (note 26)	**4,679,848**	9,769,850
Income before operating expenses	**30,970,060**	62,928,569
Operating expenses		
Employee costs (note 27)	**(12,933,212)**	(24,151,067)
General and administrative (note 28)	**(8,338,630)**	(18,453,745)
Depreciation and amortization (note 29)	**(3,193,288)**	(6,038,464)
Impairment loss on property, plant and equipment (note 16)		(2,267,251)
Impairment loss on available-for-sale financial assets (note 9)	-	(202,500)
Loss on liquidation of a subsidiary (note 14)	-	(187,929)
	(24,465,130)	(51,300,956)
Operating profit	**6,504,930**	11,627,613
Share of income of associated companies (note 15)	**212,103**	335,839
Finance charges (note 30)	**(2,931,683)**	(6,437,626)
Profit before income tax	**3,785,350**	5,525,826
Income tax expense (note 23)	**(1,718,637)**	(3,994,873)
Profit for the year	**2,066,713**	1,530,953
Profit for the year attributable to:		
Parent company	**2,205,346**	3,259,570
Non-controlling interests	**(138,633)**	(1,728,617)
	2,066,713	1,530,953
Earnings per share		
Basic and diluted per share (note 32)	**0.042**	0.063

The notes on pages 1 to 77 are an integral part of these consolidated financial statements.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Consolidated Statement of Comprehensive Income

For the period ended July 31, 2016

(expressed in Eastern Caribbean dollars)

	July 2016 $	Jan 2016 $
Profit for the year	**2,066,713**	1,530,953
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Revaluation surplus (note 15 and 16)	**-**	2,591,135
Net unrealised fair value gains on available–for–sale financial assets (note 9)	**(51,059)**	220,545
Total comprehensive income for the year	**2,015,654**	4,342,633
Total comprehensive income for the year attributable to:		
Parent company	**2,152,403**	6,054,007
Non-controlling interests	**(136,749)**	(1,711,374)
	2,015,654	4,342,633

The notes on pages 1 to 77 are an integral part of these consolidated financial statements.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Consolidated Statement of Changes in Shareholders' Equity

For the period ended July 31, 2016

(expressed in Eastern Caribbean dollars)

	Parent company					
	Share capital $	**Other reserves $**	**Retained earnings $**	**Subtotal $**	**Non-controlling interests $**	**Total $**
Balance at January 31, 2015	**52,000,000**	**59,222,189**	**68,314,042**	**179,536,231**	**7,358,214**	**186,894,445**
Comprehensive income						
Profit for the year	–	–	3,259,570	3,259,570	(1,728,617)	1,530,953
Transfer to reserve fund (note 25)	–	414,503	(414,503)	–	–	–
Transfer from other reserve (note 25)	–	49,361	(49,361)	–	–	–
Transfer to claims equalisation reserve (note 25)	–	405,188	(405,188)	–	–	–
Other comprehensive income						
Revaluation (loss)/surplus – property (note 15 and 25)	–	2,591,135	–	2,591,135	–	2,591,135
Net unrealised fair value gains/(losses) on available-for-sale financial assets (note 9)	–	203,302	–	203,302	17,243	220,545
Transaction with owners						
Dividends (note 24)	–	–	(2,600,000)	(2,600,000)	–	(2,600,000)
Balance at January 31, 2016	**52,000,000**	**62,885,678**	**68,104,560**	**182,990,238**	**5,646,840**	**188,637,078**

St. Kitts Nevis Anguilla Trading and Development Company Limited

Consolidated Statement of Changes in Shareholders' Equity …*continued*

For the period ended July 31, 2016

(expressed in Eastern Caribbean dollars)

	Parent company					
	Share capital $	**Other reserves $**	**Retained earnings $**	**Subtotal $**	**Non-controlling interests $**	**Total $**
Balance at January 31, 2016	**52,000,000**	**62,885,678**	**68,104,560**	**182,990,238**	**5,646,840**	**188,637,078**
Comprehensive income						
Profit for the year	–		2,205,346	2,205,346	(138,633)	2,066,713
Transfer to reserve fund (note 25)	–	178,108	(178,108)			
Transfer to other reserve (note 25)	–	23,140	(23,140)			
Transfer to claims equalisation reserve (note 25)	–	203,291	(203,291)			
Other comprehensive income						
Revaluation surplus – property (note 15 and 25)	–					
Net unrealised fair value gains on available-for-sale financial assets (note 9)	–	(52,943)		(52,943)	1,884	(51,059)
Transaction with owners						
Dividends (note 24)	–		(2,600,000)	(2,600,000)	-	(2,600,000)
Balance at July 31, 2016	**52,000,000**	**63,237,274**	**67,305,367**	**182,542,642**	**5,510,090**	**188,052,732**

The notes on pages 1 to 76 are an integral part of these consolidated financial statements.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Consolidated Statement of Cash Flows

For the period ended July 31, 2016

(expressed in Eastern Caribbean dollars)

	July 2016 $	Jan 2016 $
Cash flows from operating activities		
Profit before income tax	**3,785,350**	5,525,826
Items not affecting cash:		
Depreciation and amortization	**4,117,219**	7,873,785
Interest expense	**2,423,959**	5,507,315
Impairment loss on property, plant and equipment	**212,696**	2,267,251
Impairment losses on receivables	**(537,544)**	674,191
Impairment loss on available-for-sale financial assets		202,500
Impairment losses/(recoveries) on loans to customers		33,334
Loss/(gain) on disposals of property and equipment	**(132,245)**	6,267
Revaluation loss		–
Share of income of associated companies	**(212,104)**	(335,839)
Dividend income	**(14,234)**	(580,281)
Net interest income	**(2,933,837)**	(8,459,691)
Operating profit before working capital changes	**6,709,260**	12,714,658
Cash flows used in operating activities before changes in operating assets and liabilities		
(Increase)/decrease in loans to customers	**3,275,743**	(2,999,374)
Decrease in receivables and prepayments	**1,030,734**	470,872
(Increase)/decrease in reinsurance assets	**1,955,742**	(2,458,882)
Decrease/(Increase) in due from related parties	**267,407**	(174,339)
Decrease/(increase) in inventories	**3,634,711**	2,145,603
(Decrease)/Increase in insurance liabilities	**(3,459,998)**	4,304,055
(Decrease)/Increase in customers' deposits	**1,133,389**	5,961,147
(Decrease)/Increase in accounts payable and other liabilities	**2,854,092**	1,465,117
(Decrease)/increase in due to related parties	**63,884**	(264,958)
Net cash generated from operating activities before interest receipts and payments and tax	**17,464,964**	21,163,899
Interest received	**4,091,442**	10,778,261
Taxes paid	**(3,171,787)**	(4,334,778)
Interest paid	**(2,998,008)**	(6,401,470)
Net cash from operating activities	**15,386,611**	21,205,912
Cash flows used in investing activities		
Interest received	**1,392,300**	2,083,388
Dividends received	**14,235**	1,180,281
Proceeds from disposals of property and equipment	**324,994**	675,132
Redemption of investment securities, net	**(1,249,684)**	269,795
Additions to investment property	**-**	(53,292)
Purchase of intangible assets	**-**	(113,107)
Purchase of property, plant and equipment	**(4,821,050)**	(14,529,109)
Net cash used in investing activities	**(4,339,206)**	(10,486,912)

St. Kitts Nevis Anguilla Trading and Development Company Limited

Consolidated Statement of Cash Flows ...*continued*

For the period ended July 31, 2016

(expressed in Eastern Caribbean dollars)

	July 2016 $	Jan 2016 $
Cash flows from financing activities		
Dividends paid	**(2,600,000)**	(2,600,000)
(Repayments of)/proceeds from borrowings, net	**(4,355,482)**	(3,342,297)
Interest paid on borrowings	**(1,746,377)**	(3,703,246)
Net cash used in financing activities	**(8,701,859)**	(9,645,543)
Net increase in cash and cash equivalents	**2,345,547**	1,073,457
Cash and cash equivalents at beginning of year	**23,425,702**	22,352,245
Cash and cash equivalents at end of year	**25,771,249**	23,425,702

The notes on pages 1 to 76 are an integral part of these consolidated financial statements.

(expressed in Eastern Caribbean dollars)

1 Nature of operations

The Group is engaged in the business of general trading, general services, vehicle sales, auto and equipment rental, hire purchase financing, insurance, consumer and mortgage financing, travel agency, tour operations, real estate development, hotel operations and shipping.

2 General information and statement of compliance with International Financial Reporting Standards (IFRS)

St. Kitts Nevis Anguilla Trading and Development Company Limited ("the Company") was incorporated on January 8, 1973 as a public limited company under the Companies Act Chapter 335 of the Laws of St. Kitts and Nevis. The registered office of the Company is situated at Fort Street, Basseterre, St. Kitts. The Company's shares are listed on the Eastern Caribbean Securities Exchange.

The accompanying consolidated financial statements are the financial statements of the Company and its subsidiaries (collectively referred to as the "Group"). These have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB), under the historical cost convention, as modified by the revaluation of land and buildings and available–for–sale financial assets. The measurement bases are fully described in the summary of accounting policies.

3 Changes in accounting policies

New standards and amendments to standards effective for the financial year beginning February 1, 2015

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Group has assessed the relevance of such new standards and amendments and has concluded that these will not be relevant. Accordingly, the Group has made no changes to its accounting policies in 2016.

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

At the date of authorisation of these consolidated financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Group. Information on those expected to be relevant to the Group's consolidated financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement.

- Amendments to International Accounting Standard (IAS) 16, 'Property, Plant and Equipment' and IAS 38, 'Intangible Assets' - Clarification of Acceptable Methods of Depreciation and Amortisation, (effective for the periods beginning on or after January 1, 2016). In these amendments, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Group does not expect any impact from the adoption of the amendments on its separate financial statements as it does not use revenue-based depreciation or amortisation methods.

(expressed in Eastern Caribbean dollars)

3 Changes in accounting policies …*continued*

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group …*continued*

- IFRS 9, *Financial Instruments, (2014)*. The IASB recently released IFRS 9, *Financial Instruments, (2014)*, representing the completion of its project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

  Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

  - the classification and measurement of the Group's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed;
  - an expected credit loss-based impairment will need to be recognised on the Group's receivables and investments in debt-type assets currently classified as AFS unless classified as at fair value through profit or loss in accordance with the new criteria;
  - it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless the Group makes an irrevocable designation to present them in other comprehensive income. This will affect the Company's investment in associates if still held on January 1, 2018; and
  - if the Group continues to elect the fair value option for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to the Group's own credit risk.

  IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018.

- IFRS 15 'Revenue from Contracts with Customers'. IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

  IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018. Management has started to assess the impact of IFRS 15 but is not yet in a position to provide quantified information.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarized below.

a) Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiaries as at January 31, 2016. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of January 31.

All transactions and balances between the Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

b) Investment in associates

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries. They are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost and subsequently adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of income. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *…continued*

b) Investment in associates *…continued*

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Impairment loss on investments' in the consolidated statement of income.

Upon loss of significant influence over an associate or a joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of comprehensive income.

c) Foreign currency translation

(i) Functional and presentation currency

The consolidated financial statements are presented in Eastern Caribbean dollars, which is also the functional currency.

(ii) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Group, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign currency gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in the consolidated statement of income.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies …*continued*

d) Segment reporting

The Group has four main operating segments: general trading and services, insurance, financing and hotel and restaurant operations. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services.

Each of these operating segments is managed separately as each requires different technologies, marketing approaches and other resources. All inter-segment transfers are carried out at cost.

For management purposes, the Group uses the same measurement policies as those used in its consolidated financial statements. Income taxes are managed and computed on a group-wide basis and are not allocated to operating segments. The Board of Directors monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

e) Revenue recognition

Revenue arises from the sale of goods and the rendering of services. It is measured at the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts. The Group applies the revenue recognition criteria set out below to each separately identifiable component of the sales transaction.

Retail sales
Sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership, generally when the customer has taken undisputed delivery of the goods.

Revenue from the sale of goods with no significant service obligation is recognized on delivery of goods and customer acceptance.

When goods are sold together with customer loyalty incentives, the consideration receivable is allocated between the sale of goods and sale of incentives based on their fair values. Revenue from sale of incentives is recognised when they are redeemed by customers in exchange for products supplied by the Group.

Rendering of services
The Group generates revenues from general services which include but not limited to tour operations, travel agency, airport handling, after-sales service and maintenance. Consideration received for these services is initially deferred, included in other liabilities and is recognised as revenue in the period when the service is performed.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies …*continued*

e) Revenue recognition …*continued*

Premium income
Premiums written are accounted for in the year in which the risks are assumed. The unearned portions of premiums and the acquisition cost relating to the period of risk extending beyond the end of the financial year are deferred to subsequent accounting periods. As long as the policy remains in force, the policy premium (revenue) is recognised over the term of the policy using the daily pro-rata method.

Commissions earned on reinsurance premiums ceded are recognised in the consolidated statement of income on the same basis as the underlying reinsurance premiums are expensed.

Interest income
Interest income is reported on an accrual basis using the effective interest method.

Hire purchase sales
Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Commission income
If the Group acts in the capacity of an agent rather than as the principal in a transaction, then the revenue recognized is the net amount of commission made by the Group and is recognized when earned.

Dividend income
Dividend income is recognised when the right to receive a dividend is established.

Rental income
The Group also earns rental income from operating leases of its buildings and construction equipment. Rental income is recognised on a straight-line basis over the term of the lease.

Other income
Revenue earned from non-routine services and miscellaneous transactions are categorised as other revenue and recognised on the accrual basis.

f) Expenses

Expenses are recognized in the consolidated statement of income upon utilisation of the service or as incurred. Expenditure for warranties is recognised when the Group incurs an obligation, which is typically when the related goods are sold or services provided.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *…continued*

g) Leases

The Group accounts for its leases as follows:

Group as a lessor
Leases wherein the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as part of accounts receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease.

Group as a lessee
Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

h) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognised in the consolidated statement of income in the period in which they are incurred using the effective interest method.

i) Property, plant and equipment

Land and buildings comprise of mainly the warehouse, offices and retail stores. Land and buildings are shown at fair value, based on periodic (every five years) valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *…continued*

i) Property, plant and equipment *…continued*

Increases in the carrying amount arising on revaluation of land and buildings are credited to revaluation reserves in equity. Decreases that offset previous increases of the same asset are charged against reserves directly in equity; all other decreases are charged to the consolidated statement of income.

Land is not depreciated. Depreciation on other assets is calculated using the reducing balance method to allocate the cost of each asset to their residual values over the estimated useful lives using the annual rates below.

Buildings	2%
Computers and equipment	20% - 40%
Construction equipment rentals	40%
Containers	20%
Plant and machinery	20%
Motor vehicles	20%
Furniture and fittings	15%

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each reporting date.

Property, plant and equipment are periodically reviewed for impairment. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other income" in the consolidated statement of income.

When revalued assets are sold, any amounts included in revaluation reserves are transferred to retained earnings.

j) Investment property

Property held for rental under an operating lease agreement, which comprises of land and buildings is classified as investment property and carried at cost net of accumulated depreciation, except for land, which is carried at cost less any impairment in value. Depreciation on buildings is calculated using the straight-line method to allocate the cost to its residual value over its estimated useful life at 2% per annum. The residual value, useful life and method of depreciation of the asset are reviewed and adjusted, if appropriate, at the end of each reporting period.

Investment property is derecognized when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains and losses on the retirement and disposal of investment property are recognized in the consolidated statement of income in the period of retirement or disposal.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies …*continued*

k) Intangible assets

Intangible assets of the Group pertain to computer software. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Subsequently, these intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. These costs are amortised over their estimated useful life of three to five years (20% - 30% annual rate). The amortization period and the amortization method used for the computer software are reviewed at each reporting period.

Computer software is assessed for impairment whenever there is an indication that they may be impaired. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

l) Impairment of non-financial assets

Non-financial assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amounts exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

m) Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables; and
- Available–for–sale (AFS) financial assets.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies …*continued*

m) Financial instruments …*continued*

Classification and subsequent measurement of financial assets …*continued*

All financial assets are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, loans to customers, receivables, due from related parties, corporate bonds, treasury bills and bonds, and fixed deposits fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

(ii) AFS financial assets

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. The Group's AFS financial assets include quoted and unquoted securities.

Unquoted equity investments are measured at cost, less any impairment charges, as their fair value cannot currently be estimated reliably. Impairment charges are recognised in the consolidated statement of income.

Quoted equity investments are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the AFS reserve within equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognised in the consolidated statement of income. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to the consolidated statement of income. Interest calculated using the effective interest method and dividends are recognised in the consolidated statement of income.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *…continued*

m) Financial instruments *…continued*

Classification and subsequent measurement of financial assets *…continued*

(ii) AFS financial assets …continued

Reversals of impairment losses for AFS securities are recognised in the consolidated statement of income if the reversal can be objectively related to an event occurring after the impairment loss was recognised. For AFS equity investments, impairment reversals are not recognised in the consolidated statement of income and any subsequent increase in fair value is recognised in other comprehensive income.

Classification and subsequent measurement of financial liabilities

The Group’s financial liabilities include borrowings, customers’ deposits, accounts payable and other liabilities (except for employee health fund and deferred revenue) and due to related parties.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies …*continued*

m) Financial instruments …*continued*

Classes of financial instruments

<table>
<tr><td rowspan="15">Financial assets</td><td rowspan="13">Loans and receivables</td><td colspan="2" rowspan="2">Cash and cash equivalents</td><td>Deposits</td></tr>
<tr><td>Treasury bills</td></tr>
<tr><td rowspan="6">Loans to customers</td><td rowspan="4">Loans to individuals</td><td>Commercial loans</td></tr>
<tr><td>Student loans</td></tr>
<tr><td>Mortgage loans</td></tr>
<tr><td>Personal loans</td></tr>
<tr><td rowspan="2">Loans to corporate entities</td><td>Mortgage loans</td></tr>
<tr><td>Commercial loans</td></tr>
<tr><td rowspan="3">Investment securities</td><td>Treasury bills and bonds</td><td>Local and regional</td></tr>
<tr><td>Corporate bonds</td><td>Local and regional</td></tr>
<tr><td>Fixed deposits</td><td>Local and regional</td></tr>
<tr><td colspan="3">Receivables</td></tr>
<tr><td colspan="3">Due from related parties</td></tr>
<tr><td rowspan="2">AFS financial assets</td><td rowspan="2">Investment securities</td><td rowspan="2">Equity securities</td><td>Quoted</td></tr>
<tr><td>Unquoted</td></tr>
<tr><td rowspan="6">Financial liabilities</td><td rowspan="6">Financial liabilities at amortised cost</td><td rowspan="3">Customers’ deposits</td><td colspan="2">Deposits from individuals</td></tr>
<tr><td colspan="2">Deposits from corporate entities</td></tr>
<tr><td colspan="2">Deposits other financial institutions</td></tr>
<tr><td colspan="3">Borrowings</td></tr>
<tr><td colspan="3">Accounts payable and other liabilities</td></tr>
<tr><td colspan="3">Due to related parties</td></tr>
<tr><td>Off-balance sheet financial instruments</td><td colspan="4">Loan commitments</td></tr>
</table>

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *…continued*

n) Impairment of assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of income. If a loan or receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument’s fair value using an observable market price.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of income.

o) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *…continued*

p) Insurance contracts

Classification

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk.

Recognition and measurement

Insurance contracts issued are classified as short-term insurance contracts and long-term insurance contracts with fixed and guaranteed payments.

Short-term insurance contracts
These contracts are property, motor, marine and liability, which are generally one year renewable contracts.

Property insurance contracts mainly compensate the Group's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Motor insurance contracts mainly protect and indemnify the vehicle owner against loss or damage of the motor vehicle and its accessories and spare parts resulting from accidental collision or overturning, fire, external explosion, self-ignition or lightning, burglary, theft and malicious acts.

Marine insurance is designed to cover cargo movements from one location to another by air or sea, usually via commercial shipping or similar conveyances. In some cases, the commodities have to be transported inland first before being carried by air or sea. Perils insured are fire, including lightning, collision, overturning of the vessel and the collapse of bridges and robbery. Marine insurance is a non-renewable contract usually covering 1 month or less.

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as the unearned premium liability. Premiums are shown before deduction of commissions and are gross of any taxes or duties levied on premiums.

Claims and loss adjustment expenses are charged to the consolidated statement of income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the reporting date even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using:

- the input of assessments for individual cases reported to the Group; and
- statistical analyses for the claims incurred but not reported.

These are used to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *…continued*

p) Insurance contracts *…continued*

Recognition and measurement *…continued*

Long-term insurance contracts with fixed and guaranteed terms
These contracts insure events associated with human life (for example, death and survival) over a long duration. Premiums are recognized as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission.

Benefits are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognized. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and the administration expenses based on the valuation assumptions used. The liability is based on the assumptions as to mortality, persistency, maintenance expenses and the investment income that are established at the time the contract is issued. A margin for adverse deviation is included in the assumptions.

Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group are classified as reinsurance contracts held.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. The reinsurance premiums incurred are deferred and expensed over the period of risk of the underlying contract. These assets consist of short-term balances due from reinsurers as well as longer-term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Group also assesses its reinsurance assets for impairment. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the consolidated statement of income. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

Deferred policy acquisition costs (DAC)

Acquisition costs comprise the direct expenses such as commissions of acquiring insurance policies written during the financial year.

Commissions and other acquisition costs that vary with and are related to securing new policies and renewing existing policies are capitalised as DAC. The DAC is subsequently amortised over the terms of the policies as premium is earned. All other costs are recognised as expenses when incurred.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *…continued*

p) Insurance contracts *…continued*

Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC assets. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities are used. Any deficiency is immediately charged to the consolidated statement of income initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that an insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the consolidated statement of income. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated under the same method used for these financial assets.

Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Group may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets until the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets until the liability is settled. The allowance is the amount of the assets that can be recovered from the action against the liable third party.

q) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

r) Income taxes

Tax expense recognised in the consolidated statement of income comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *…continued*

r) Income taxes *…continued*

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided those rates are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Income tax rate

The Group is subject to corporate income taxes of 33%.

Premium tax rate

Insurers are subject to tax on premium revenues generated in certain jurisdictions. The principal rate of premium tax is 5% for general insurance and nil for life insurance.

s) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and current accounts, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

t) Equity, reserves and dividend payments

Share capital represents the proceeds of shares that have been issued.

Revaluation reserve for property comprises unrealised gains and losses from revaluing land and buildings. Revaluation reserve for AFS financial assets comprises unrealised gains and losses relating to these types of financial instruments (see note 25).

(expressed in Eastern Caribbean dollars)

Sensual

4 Summary of accounting policies *…continued*

t) Equity, reserves and dividend payments *…continued*

Claims equalisation reserve represents cumulative amounts appropriated from the retained earnings of St. Kitts-Nevis Insurance Company Limited based on the discretion of the Group's Board of Directors as part of the Group's risk management strategies to mitigate against catastrophic events. These reserves are in addition to the catastrophe reinsurance cover.

The statutory reserve fund represents the reserve created by the finance subsidiary under Section 14 sub-section (1) of the Banking Act 1991 of Saint Christopher and Nevis, No. 6 of 1991, which states that every licensed financial institution shall maintain a reserve fund and shall, out of its net profits of each year, transfer to that fund a sum equal to not less than twenty percent of such profits whenever the amount of the reserve fund is less than a hundred percent of the paid-up or, as the case may be, assigned capital of the financial institution.

Retained earnings includes all current and prior period retained profits as reported in the consolidated statement of income, net of dividends.

All transactions with shareholders of the parent company are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

u) Employee benefits

Post–employment benefits – defined contribution plan
The Group pays a fixed percentage into the TDC Pension Savings Plan for individual employees. The Group has no legal or constructive obligations to pay contributions beyond its fixed percentage contributions, which are recognised as an expense in the period that relevant employee services are received.

Short-term employee benefits
Short-term employee benefits, including holiday entitlement, are current liabilities measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

v) Provisions, contingent assets and contingent liabilities

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *…continued*

v) Provisions, contingent assets and contingent liabilities *…continued*

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the likelihood of an outflow of resources is remote.

w) Events after the reporting date

Post year-end events that provide additional information about the Group's consolidated financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

x) Customer loyalty programmes

The Group operates a loyalty programme where customers accumulate points for purchases made which entitle them to discounts on future purchases. The award points, which are calculated as 1% of the fair value of the consideration received, are initially recognised at the time of purchase within the consolidated statement of income.

y) Earnings per share

Basic earnings per share are determined by dividing profit by the weighted average number of ordinary shares outstanding during the period after giving retroactive effect to stock dividends declared, stock splits and reverse stock splits during the period, if any.

Diluted earnings per share are computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. Currently, the Group does not have dilutive potential shares outstanding, hence, the diluted earnings per share is equal to the basic earnings per share.

z) Significant management judgment in applying accounting policies and estimation uncertainty

When preparing the consolidated financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. 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. Actual results may be substantially different.

i) Estimated impairment losses on receivables

The Group maintains an allowance for impairment on receivables at a level considered adequate to provide for uncollectible receivables. The level of this allowance is evaluated by the Group on the basis

(expressed in Eastern Caribbean dollars)

of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with debtors, their payment behaviour and

4 Summary of accounting policies *…continued*

z) Significant management judgment in applying accounting policies and estimation uncertainty *…continued*

i) Estimated impairment losses on receivables …continued

known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgements or utilised different estimates. The carrying value of receivables and the analysis of allowance for impairment on such financial assets are shown in note 11.

ii) Impairment losses on loans

The Group reviews its loan portfolios to assess impairment on a periodic basis. In determining whether an impairment loss should be recorded in the consolidated statement of income, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or local economic conditions that correlate with defaults on assets in the Group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the net present value of estimated cash flows differs by +/-5 percent, the provision would be estimated $403,031 higher or $464,568 lower respectively (Jan 2016: $403,579 higher or $462,610 lower, respectively).

iii) Estimated impairment on inventories

Management recognises a provision for inventory losses when the realisable values of inventory items become lower than cost due to obsolescence or other causes. Obsolescence is based on the physical condition of inventory items. Obsolescence is also established when inventory items can no longer be utilised. Obsolete goods when identified are charged to the consolidated statement of income. The Group believes such estimates represent a fair charge of the level of inventory losses in a given year. The Group's policy is to review on an annual basis the condition of its inventory.

iv) Income taxes

The Group is subject to income taxes in St. Kitts and Nevis. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact

(expressed in Eastern Caribbean dollars)

the current and deferred income tax assets and liabilities in the period in which such determination is made.

4 Summary of accounting policies *…continued*

z) Significant management judgment in applying accounting policies and estimation uncertainty *…continued*

v) Valuation of property

The Group utilizes professional valuers to determine the value of its properties. Valuations are determined through the application of different valuation methods which are all sensitive to the underlying assumptions chosen.

vi) Impairment of non-financial assets

The Group's policy on estimating the impairment of non-financial assets is discussed in Note 4(l). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

vii) The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims incurred under property and casualty insurance contracts is subject to several sources of uncertainty that need to be considered in determining the amount that the insurer will ultimately pay for such claims. Provisions are made at the year-end for the estimated cost of claims incurred but not settled at the reporting date, including the cost of claims incurred but not yet reported to the Group. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. These are determined based upon previous claims experience, knowledge of events and the terms and conditions of the relevant policies and on interpretation of circumstances. Particularly relevant is experience with similar cases and historical payment trends. The approach also includes the consideration of the development of loss payment trends, the levels of unpaid claims, legislative changes, judicial decisions, economic conditions and changes in medical condition of claimants. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insurer until many years after the event giving rise to the claims has happened.

If the IBNR rates were adjusted by +/- 1%, the change in the consolidated statement of income would be to decrease or increase reported profits by approximately -/+$3,600 (Jan 2016: $3,600).

Management engages loss adjusters and independent actuaries, either to assist in making or to confirm the estimate of claim liabilities. The ultimate liability arising from claims incurred under property and casualty insurance contracts may be mitigated by recovery arising from reinsurance contracts held.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *…continued*

z) Significant management judgment in applying accounting policies and estimation uncertainty *…continued*

viii) Determination of life insurance valuation assumptions

At end of each reporting period, the valuation assumptions of each component policy cash flows of life insurance consists of an assumption for the expected experience and separately, a margin for adverse deviation that reflects the degree of uncertainty in the expected experience assumption. The expected experience and the margin reflect the latest current experiences. The assumptions used for the actuarial liabilities relating to life insurance contracts disclosed in the notes to the consolidated financial statements are as follows:

Mortality
For individual life insurance policies, the mortality assumptions are made based on 1986-92 Canadian Institute of Actuaries Select and Ultimate mortality tables and are adjusted to reflect the Group's experience and territory differences based on its investigation. Additional provisions for acquired immune deficiency syndrome extra mortality based on United States experience are added to the expected mortality assumptions. Additional margin was provided for uncertainty in setting the expected mortality assumptions.

Lapses
Lapse assumptions are made based on the Group's experience. The expected lapse rate assumptions are based on the results of the study, and vary by policy year over the past 12 years. Additional margin was provided for uncertainty in setting the expected mortality assumptions.

Interest rates
The Group's investment portfolio consists of short-term interest bearing deposits, cash and government bonds and their performances are used as a basis to determine the expected assumption for future gross rate of return on invested assets. Additional allowance are made for investment expense, asset default and asset/liability mismatch.

Expense
Policy administrative expense assumptions are made based on the Group's operating experience during the year of valuation.

ix) Sensitivity analysis of life insurance risk

The analyses below are based on change in an assumption while holding all other assumptions constant. The purpose is to provide a measure of sensitivity of the life insurance liabilities to each individual assumption. The major risk includes interest rate and lapses.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *…continued*

z) Significant management judgment in applying accounting policies and estimation uncertainty *…continued*

ix) Sensitivity analysis of life insurance risk …continued

	Change in Variable	Change in Net Policy Liabilities Increase/(Decrease)	
		July 2016 **$**	**Jan 2016** **$**
Increase in mortality	**10%**		(18,276)
Decrease in mortality	**10%**		19,331
Increase in lapse margin	**15%**		59,247
Increase in expenses	**10%**		27,513
Parallel decrease in valuation	**1%**		214,280

aa) Reclassifications

Where necessary, comparative figures have been adjusted to conform with the change in presentation in the current year (see note 34).

5 Financial risk management

a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group has not entered into forward contracts to reduce risk exposures. The Group's risk management focuses on actively seeking to minimise potential adverse effects on its financial performance.

The Group's risk management is coordinated with the Board of Directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

(expressed in Eastern Caribbean dollars)

5 Financial risk management …*continued*

a) Financial risk factors …*continued*

i) Market risk

a) Foreign currency risk

The Group conducts its operations primarily in Eastern Caribbean dollars; however, some transactions are executed in various other currencies, mainly United States Dollars. Foreign currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The exchange rate of the Eastern Caribbean dollar (EC$) to the United States dollar (US$) has been formally pegged at EC$2.70 = US$1.00 since July 1976, hence management considers foreign currency risk not to be significant.

b) Cash flow and fair value interest rate risk

The Group's interest rate risk arises primarily from net interest bearing liabilities held with financial institutions with respect to the credit accounts, bank overdraft, customer deposits and long–term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The credit accounts, bank overdraft and the long–term borrowings bear fixed interest rates of 3.5% - 5.0%, 6.5% - 9% and 5% – 7% respectively, which exposes the Group to fair value interest rate risk. To manage interest rate risk, the Group negotiates the best rates possible and where possible considers factors such as refinancing, reviewing options and alternative financing.

Management does not believe significant interest rate risk exists at July 31, 2016. If interest rates on the Group's financial instruments were 1% higher or 1% lower with all other variables held constant, the impact on consolidated net income for the year would have been insignificant.

c) Price risk

The Group is exposed to equity securities price risk because of equity investments held by the Group and classified in the consolidated statement of financial position as AFS financial assets. The Group's portfolio includes securities that are quoted on the Eastern Caribbean Securities Exchange, and its exposure to equity securities price risk is not material because the total of these securities is insignificant in relation to its consolidated statement of financial position and because of the limited volatility in this market. The Group does not hold equity securities that are quoted on the world's major securities markets. If market prices as at July 31, 2016 had been 10% higher/lower with all other variables held constant, the change in equity securities would have been insignificant.

ii) Credit risk

Credit risk arises from the possibility that counterparties may default on their obligations to the Group. The Group's credit risk arises from cash at banks, as well as credit exposures to customers and receivables. Cash at banks are only held with well–known reputable banks and financial institutions. If no independent rating exists for customers, management assesses the credit quality of customers on an individual basis, taking into account their financial position, credit history and other factors. The

(expressed in Eastern Caribbean dollars)

5 Financial risk management *…continued*

a) Financial risk factors *…continued*

ii) Credit risk *…continued*

utilization of credit limits is regularly monitored. Services rendered to customers are settled primarily in cash and cheques.

The Group has made adequate allowance for impairment for any potential credit losses and the amount of the Group's maximum exposure to credit risk is indicated by the carrying amount of its financial assets.

	July 2016 $	Jan 2016 $
Cash at banks and cash equivalents	**25,685,764**	23,337,424
Investment securities	**66,128,369**	65,251,436
Loans to customers	**90,849,939**	94,462,439
Receivables	**23,657,833**	26,880,155
Due from related parties	**166,933**	434,340
	206,488,838	210,365,794

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by groups of similar customers, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all of the above financial assets that are not impaired or past due for the reporting dates under review are of good credit quality.

At July 31, the Group has certain receivables that have not been settled by the contractual due date but are not considered to be impaired. The amounts at January 31, analysed by the length of time past due are disclosed in note 11.

In respect of receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates management considers the credit quality of receivables that are not past due or impaired to be good.

The credit risk for cash and cash equivalents, fixed deposits, corporate bonds and treasury bills and bonds is considered negligible, except for Caribbean Commercial Bank of Anguilla Limited and National Bank of Anguilla Limited (see note 9), since the counterparties are well-known reputable institutions.

(expressed in Eastern Caribbean dollars)

5 Financial risk management *…continued*

a) Financial risk factors *…continued*

ii) Credit risk *…continued*

No impairment loss has been recorded in relation to the Group's cash and cash equivalents, fixed deposits, corporate bonds and treasury bills and bonds, while an impairment loss on AFS financial assets amounted to $0 (2016: $202,500) was provided for.

Loans to customers

Loans to customers are summarised as follows:

	July 2016 $	Jan 2016 $
Neither past due nor impaired	**85,256,552**	88,956,311
Past due but not impaired	**2,138,364**	2,117,943
Impaired	**6,641,639**	6,331,859
Gross loans to customers	**94,036,555**	97,406,113
Interest receivable	**195,160**	319,221
Less: allowance for impairment	**(3,381,776)**	(3,262,895)
Net loans	**90,849,939**	94,462,439
Specific provision	**2,869,453**	2,749,907
Inherent risk provision	**512,323**	512,988
Allowance for impairment	**3,381,776**	3,262,895

(a) Loans to customers neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Group. Gross amounts of loans and advances by class to customers that were neither past due nor impaired were as follows:

	July 2016 $	Jan 2016 $
Home construction	**27,488,972**	32,036,247
Vehicle	**21,474,240**	21,167,738
Land and property	**14,683,828**	12,749,377
Refinanced mortgage	**8,579,677**	9,622,180
Consumer	**7,566,930**	7,367,647
Promotional	**3,171,595**	3,620,076
Education	**1,045,469**	952,594
Vacation	**742,799**	898,912
Government	**366,436**	393,934
Medical	**136,605**	147,606
	85,256,552	88,956,311

(expressed in Eastern Caribbean dollars)

5 Financial risk management *…continued*

a) Financial risk factors *…continued*

ii) Credit risk *…continued*

Loans to customers *…continued*

(b) Loans to customers past due but not impaired

Loans and advances past due are not considered impaired unless other information is available to indicate the contrary. Gross amounts of loans and advances by class to customers that were past due but not impaired were as follows:

	July 2016 $	**Jan 2016 $**
Past due up to 3 months	**937,037**	927,326
Past due 3 – 6 months	**189,185**	218,125
Past due 6 – 12 months	**162,043**	133,150
Over 12 months	**850,100**	839,342
	2,138,365	2,117,943

(c) Loans to customers individually impaired

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is $6,641,639 (Jan 2016: $6,331,859). Loans written-off for the year is $0 (Jan 2016: $267,766).

The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held as security is as follows:

	July 2016 $	**Jan 2016 $**
Land and property	**1,532,646**	1,812,245
Home construction	**1,843,945**	1,850,435
Refinanced mortgage	**2,134,937**	1,463,120
Vehicle	**391,360**	423,768
Education	**402,873**	429,438
Consumer	**226,076**	216,565
Vacation	**62,429**	91,411
Promotional	**47,373**	44,877
Total	**6,641,639**	6,331,859
Fair value of collateral	**12,605,913**	12,968,669

(expressed in Eastern Caribbean dollars)

5 Financial risk management …*continued*

a) Financial risk factors …*continued*

ii) Credit risk …*continued*

(d) Loans and advances renegotiated

Restructuring activities include extended payment arrangements, modification and deferred payments. Following restructuring, a previously overdue account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators of criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans, in particular customer finance loans.

As at July 31, 2016, renegotiated loans that would otherwise be past due or impaired totalled $551,604 (Jan 2016: $578,261).

(e) Repossessed collateral

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Repossessed collaterals of the Group amounted to $0 and $653,066 as at July 31, 2016 and January 31, 2016, respectively.

Geographic
Substantially all of the Group's counterparties are located within St. Kitts and Nevis and the Eastern Caribbean region.

iii) Liquidity risk

Liquidity risk is the risk that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecasts of cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180 - day and a 360 - day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.

The Group's objective is to maintain cash and marketable securities to meet its liquidity requirements for 30-day periods at a minimum. This objective was met for the reporting periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

The table below analyses the Group's financial liabilities and assets in relevant maturity groupings based on the remaining period at the reporting date at the consolidated statement of financial position date to the contractual maturity date, and represent the contractually undiscounted cash flows:

(expressed in Eastern Caribbean dollars)

5 Financial risk management *…continued*

a) Financial risk factors *…continued*

iii) Liquidity risk *…continued*

	Within 1 year $	Between 1 and 5 years $	More than 5 years $	Total $
As at July 31, 2016				
Financial liabilities				
Borrowings	57,915,433	11,062,428	7,512,252	76,490,113
Customers' deposits	84,311,548	14,046,644	5,964,114	104,322,306
Accounts payable and other liabilities	48,394,939	-	-	48,394,939
Due to related parties	63,884	-	-	63,884
Total financial liabilities	**190,685,804**	**25,109,072**	**13,476,366**	**229,271,242**
Financial assets				
Cash and cash equivalents	25,771,249	-	-	25,771,249
Investment securities	58,969,070	7,159,299	-	66,128,369
Loans to customers	16,271,425	38,392,861	36,185,653	90,849,939
Receivables	17,931,661	5,726,172	-	23,657,833
Due from related parties	166,933	-	-	166,933
Total financial assets	**119,110,338**	**51,278,332**	**36,185,653**	**206,574,323**
Net liquidity gap	**(71,575,466)**	**26,169,260**	**22,709,287**	**(22,696,919)**
As at January 31, 2016				
Financial liabilities				
Borrowings	64,367,796	14,261,575	10,082,113	88,711,484
Customers' deposits	96,937,481	414,599	5,964,114	103,316,194
Accounts payable and other liabilities	44,625,456	–	–	44,625,456
Total financial liabilities	**205,930,733**	**14,676,174**	**16,046,227**	**236,653,134**
Financial assets				
Cash and cash equivalents	23,425,702	–	–	23,425,702
Investment securities	53,348,845	11,902,591	–	65,251,436
Loans to customers	19,259,942	38,261,231	36,941,266	94,462,439
Receivables	20,214,896	5,798,803	866,456	26,880,155
Due from related parties	434,340	–	–	434,340
Total financial assets	**116,683,725**	**55,962,625**	**37,807,722**	**210,454,072**
Net liquidity gap	**(89,247,008)**	**41,286,451**	**21,761,495**	**(26,199,062)**

(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risk

a) Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

To limit the Group's exposure of potential loss on an insurance policy, the Group cedes certain levels of risk to a reinsurer. The Group selects reinsurers which have a well-established capability to meet their contractual obligations and which generally have high credit ratings.

For its property risks, the Group uses excess of loss catastrophe reinsurance treaty to obtain reinsurance coverage. Catastrophe reinsurance is obtained for multiple claims arising from one event or occurring within a specified time period. However, treaty limits may apply and may expose the insurer to further claim exposure.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefits payments exceed the carrying amount of the insurance liabilities. This could occur because of the frequency or severity of claims and if benefits payments are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate.

The concentration of insurance risk before and after reinsurance by risk category is summarised below, with reference to the carrying amount of the insurance liabilities (gross and net of reinsurance) arising from insurance contracts:

	July 2016		**Jan 2016**	
	Gross $	**Net $**	**Gross $**	**Net $**
Type of risk				
Motor	**2,613,602**	**2,613,602**	2,467,471	2,467,471
Property	**41,494,710**	**69,710**	2,455,000	55,000
Marine	**7,000**	**7,000**	-	-
	4,115,312	**2,690,312**	4,922,471	2,522,471
Add:				
Claims incurred but not reported	**360,000**	**360,000**	360,000	360,000
Unallocated loss adjustment expenses	**178,000**	**178,000**	178,000	178,000
	4,653,312	**3,228,312**	5,460,471	3,060,471

(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risk *…continued*

a) Insurance risk *…continued*

i) Property insurance

Property insurance contracts are underwritten using the following main risk categories: fire, business interruption, weather damage and theft.

Frequency and severity of claims
For property insurance contracts, climatic changes may give rise to more frequent and severe extreme weather events (for example, flooding, hurricanes, earthquakes, etc.), and may increase the frequency and severity of claims and their consequences. The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The Group has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claim payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from fire, hurricane and earthquake damage. The Group has reinsurance cover for such damage to limit losses to $0.250 million in any one occurrence, per individual property risk.

Sources of uncertainty in the estimation of future claim payments
Claims on property contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract even if the loss is discovered after the end of the contract term. There are several variables that affect the amount and timing of cash flows from these contracts. The compensation paid on these contracts is the monetary awards granted for property damage caused by insured perils as stated in the contract of insurance.

The estimated costs of claims include direct expenses to be incurred in settling claims. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. Property claims are less sensitive as the shorter settlement period for these claims allows the Group to achieve a higher degree of certainty about the estimated cost of claims. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for incurred but not reported (IBNR) and a provision for reported claims not yet paid (outstanding claims) at the reporting date.

ii) Casualty insurance

The Group’s casualty insurance is motor, marine and liability insurance.

Frequency and severity of claims
The frequency and severity of claims can be affected by several factors. The most significant is the number of cases coming to Court that have been inactive or latent for a long period of time. Estimated inflation is also a significant factor due to the long period required to settle these cases.

The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risk *…continued*

a) Insurance risk *…continued*

ii) Casualty insurance *...continued*

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Furthermore, the Group's strategy limits the total exposure to the Group by the use of reinsurance treaty arrangements. The reinsurance arrangements include excess of loss cover. The effect of such reinsurance arrangements is that the Group should not suffer total net insurance loss of more than $0.500 million per risk for casualty insurance.

Sources of uncertainty in the estimation of future claim payments

Claims on casualty contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract even if the loss is discovered after the end of the contract term. As a result, casualty and financial risk claims are settled over a longer period of time. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted. The compensation paid on these contracts is the monetary awards granted for bodily injury suffered by employees (for employers' liability covers). Such awards are lump-sum payments that are calculated as the present value of the lost earnings and rehabilitation expenses that the injured party will incur because of the accident.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for claims incurred but not reported (IBNR) and a provision for reported claims not yet paid (outstanding claims) and a provision for unexpired risks at the reporting date. The Group's IBNR loss reserves are derived using paid loss development estimation method (triangular method). Each business classes' IBNR was calculated using claims data and loss history. The quantum of casualty claims is particularly sensitive to the level of Court awards and to the development of legal precedent on matters of contract and tort.

iii) Life insurance contracts

The Group limits its exposure of potential loss on life insurance policies, by ceding all insurance risks to a reinsurer. The Group selects reinsurers which have a well-established capability to meet their contractual obligations and which generally have high credit ratings.

The nature and extent of risks arising from life insurance contracts as of July 31, 2016 and January 31, 2016 are as follows:

(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risk *…continued*

a) Insurance risk *…continued*

iii) Life insurance contracts *…continued*

Concentration of life insurance risk
Gross individual life insurance benefit insured per life policy as at July 31, is as follows

Range	July 2016	Jan 2016
$0- $200,000	**71%**	71%
$200,001 - $400,000	**27%**	27%
$400,001 - $800,000	**2%**	2%

The risk is concentrated in the first 2 categories.

Net individual life insurance benefit insured per policy as at July 31, 2016 is 100% (2016: 100%) in the category $0-$200,000 and the risk is concentrated in the first category.

Comparison of actual and expected claims of life insurance risk
The disclosure about claims development relates to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments. As at January 31, the Group's comparison of actual and expected claims is shown below.

	July 2016		Jan 2016	
Year	Actual claims $	Expected claims $	Actual claims $	Expected claims $
2009	**–**	**113,000**	–	113,000
2010	**45,000**	**106,000**	45,000	106,000
2011	**93,000**	**103,000**	93,000	103,000
2012	**8,000**	**98,000**	8,000	98,000
2013	**–**	**93,000**	–	93,000
2014	**–**	**87,000**	–	87,000
2015	**–**	**82,000**	–	82,000
2016	**–**	**74,000**	–	74,000

(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risk *…continued*

a) Insurance risk *…continued*

iii) Life insurance contracts *…continued*

Maturity profile of life insurance risk
The estimated timing of net cash outflows resulting from recognised life insurance liabilities as at July 31, are as follows:

	Up to 1 year	1 to 5 years	Over 5 years	Total
As at July 31, 2016				
Net reserve	129	3,624	1,619,250	1,623,003
Fund balance	–	–	568,407	568,407
Supplementary benefits	229	–	–	229
Total liabilities, July 31, 2016	**358**	**3,624**	**2,187,657**	**2,191,639**
As at January 31, 2016				
Net reserve	129	3,624	1,619,250	1,623,003
Fund balance	–	–	568,407	568,407
Supplementary benefits	229	–	–	229
Total liabilities, January 31, 2016	**358**	**3,624**	**2,187,657**	**2,191,639**

iv) Claims development

The Group employs loss (claims) development tables as a means of measuring actual claims compared with previous estimates. Claims are typically resolved within one year and are assessed on a case-by-case basis. The claims that tend to extend beyond one year are normally from the Accident line of business and to a lesser extent, the motor line.

(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risk *…continued*

a) Insurance risk *…continued*

iv) Claims development *...continued*

Motor – gross

Loss year	**Brought forward $**	**2013 $**	**2014 $**	**2015 $**	**2016 $**	**2017 $**	**Total $**
- At end of reporting year	3,030,567	2,412,449	1,922,060	3,350,301	2,412,545	1,077,149	14,205,072
- One year later	(6,111)	(97,683)	(26,121)	(442,227)	(56,516)	–	(628,657)
- Two years later	(7,847)	3,444	186,724	108,236	–	–	290,557
- Three years later	(21,000)	189,480	–	–	–	–	168,480
- Four years later	6,050	–	–	–	–	–	6,050
- Five years and over	–	–	–	–	–	–	–
Current estimate of cumulative claims	3,001,660	2,507,690	2,082,663	3,016,310	2,356,030	1,077,149	14,041,501
Cumulative payments to date	(2,224,159)	(1,917,279)	(1,671,750)	(2,326,985)	(2,359,021)	(928,704)	(11,427,899)
Liability recognised in the balance sheet	**777,500**	**590,411**	**410,913**	**689,325**	**(2,991)**	**148,445**	**2,613,602**

Motor – net

- At end of reporting year	3,030,567	2,412,449	1,922,060	3,350,301	2,412,545	1,077,149	14,205,072
- One year later	(6,111)	(97,683)	(26,121)	(442,227)	(56,516)	–	(628,657)
- Two years later	(7,847)	3,444	186,724	108,236	–	–	290,557
- Three years later	(21,000)	189,480	–	–	–	–	168,480
- Four years later	6,050	–	–	–	–	–	6,050
- Five years and over	-	–	–	–	–	–	–
Current estimate of cumulative claims	3,001,660	2,507,690	2,082,663	3,016,310	2,356,030	1,077,149	14,041,501
Cumulative payments to date	(2,224,159)	(1,917,279)	(1,671,750)	(2,326,985)	(2,359,021)	(928,704)	(11,427,899)
Liability recognised in the balance sheet	**777,500**	**590,411**	**410,913**	**689,325**	**(2,991)**	**148,445**	**2,613,602**

(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risk *…continued*

a) Insurance risk *…continued*

iv) Claims development *...continued*

Property – gross

Loss year	**Brought forward $**	**2013 $**	**2014 $**	**2015 $**	**2016 $**	**2017 $**	**Total $**
- At end of reporting year	183,682	92,395	1,066,955	173,307	2,412,000	38,500	3,966,840
- One year later	–	–	42,713	(16,706)	–	–	26,008
- Two years later	(12,732)	–	(1,132)	–	–	–	(13,863)
- Three years later	–	–	–	–	–	–	–
- Four years later	–	–	–	–	–	–	–
- Five years later	–	–	–	–	–	–	–
Current estimate of cumulative claims	170,951	92,395	1,108,536	156,601	2,412,000	38,500	3,978,984
Cumulative payments to date	(41,581)	(59,526)	(222,693)	(1,137,082)	(24,601)	(975,000)	(2,460,484)
Liability recognised in the balance sheet	**129,369**	**32,869**	**885,843**	**(980,481)**	**2,387,399**	**(960,290)**	**1,494,710**

Property – net

- At end of reporting year	183,682	92,395	1,066,955	173,307	12,000	38,500	1,566,840
- One year later	–	–	42,713	(16,706)	–	–	26,008
- Two years later	(12,732)	–	(1,132)	–	–	–	(13,863)
- Three years later	–	–	–	–	–	–	–
- Four years later	–	–	–	–	–	–	–
- Five years later	–	–	–	–	–	–	–
Current estimate of cumulative claims	170,951	92,395	1,108,536	156,601	12,000	38,500	1,578,984
Cumulative payments to date	(41,581)	(59,526)	(222,693)	(1,137,082)	(24,601)	(23,790)	(1,509,274)
Liability recognised in the balance sheet	**129,369**	**32,869**	**885,843**	**(980,481)**	**(12,601)**	**14,710**	**69,710**

(expressed in Eastern Caribbean dollars)

Insurance risk … *continued*

iv) Claims development *...continued*

Marine – gross

Loss year	**Brought forward $**	**2013 $**	**2014 $**	**2015 $**	**2016 $**	**2017 $**	**Total $**
- At end of reporting year	–	–	–	–	–	18,972	18,972
- One year later	–	–	–	–	–	–	–
- Two years later	–	–	–	–	–	–	–
- Three years later	–	–	–	–	–	–	–
- Four years later	–	–	–	–	–	–	–
Current estimate of cumulative claims	–	–	–	–	–	18,972	18,972
Cumulative payments to date	–	–	–	–	–	(11,972)	(11,972)
Liability recognised in the balance sheet	–	–	–	–	–	**7,000**	**7,000**
Marine – net							
- At end of reporting year	–	–	–	–	–	18,972	18,972
- One year later	–	–	–	–	–	–	–
- Two years later	–	–	–	–	–	–	–
- Three years later	–	–	–	–	–	–	–
- Four years later	–	–	–	–	–	–	–
Current estimate of cumulative claims	–	–	–	–	–	18,972	18,972
Cumulative payments to date	–	–	–	–	–	(11,972)	(11,972)
Liability recognised in the balance sheet	–	–	–	–	–	**7,000**	**7,000**

(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risk …*continued*

b) Fair value of financial assets and liabilities

Fair value is the arm's length consideration for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties, who are under no compulsion to act and is best evidenced by a quoted market price, if one exists.

Determination of fair value:

The following methods and assumptions have been used to estimate the fair value of each class of financial instruments for which it is practical to estimate a value:

Short–term financial assets and liabilities
The carrying value of these financial assets and liabilities is a reasonable estimate of their fair value because of the short maturity of these instruments. Short–term financial assets are comprised of cash and cash equivalents, receivables and due from related parties. Short–term financial liabilities are comprised of customers' deposits, accounts payable and other liabilities and due to related parties.

Long-term financial assets
The fair value of long-term financial assets which are not quoted in an active market is based on discounted cash flows using the interest rate for new financial assets with the same characteristics an maturities.

AFS – financial assets
Fair value is based on quoted market prices. Where these are not available, fair value is assumed to approximate cost.

Borrowings and deposits
The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed-interest bearing deposits and other borrowings not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risk *…continued*

b) Fair value of financial assets and liabilities *…continued*

The table below summaries the carrying amounts and fair values of the Group’s financial assets and liabilities:

	Carrying value		Fair value	
	July 2016	**Jan 2016**	**July 2016**	**Jan 2016**
	$	**$**	**$**	**$**
Financial assets				
Cash and cash equivalents	**25,771,249**	23,425,702	**25,771,249**	23,425,702
Investment securities	**66,128,369**	65,251,436	**66,128,369**	65,251,436
Loans to customers	**90,849,939**	94,462,439	**90,849,939**	94,462,439
Receivables	**23,657,833**	26,880,155	**23,657,833**	26,880,155
Due from related parties	**166,933**	434,340	**166,933**	434,340
	206,574,323	210,454,072	**206,574,323**	210,454,072
Financial liabilities				
Borrowings	**74,625,078**	64,598,154	**74,625,078**	64,598,154
Customers’ deposits	**104,322,306**	101,604,739	**104,322,306**	97,005,005
Accounts payable and other liabilities	**48,394,939**	44,625,456	**48,394,939**	44,625,456
Due to related parties	**63,884**	–	**63,884**	–
	227,406,207	210,828,349	**227,406,207**	206,228,615

(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risk …*continued*

c) Fair value hierarchy

Fair value measurement of financial assets

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1: Quoted prices in active markets for identical assets and liabilities. This level includes equity securities and debt instruments listed on exchanges.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the assets or liabilities that are not based on observable market data. This level includes equity investments and debt instruments with significant unobservable components.

The hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in valuations where possible.

	Level 1 $	Level 2 $	Level 3 $
Financial assets July 31, 2016			
AFS financial assets	**3,574,102**	–	**3,585,197**
Financial assets January 31, 2016			
AFS financial assets	3,625,161	–	3,585,197

Fair value measurement of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis:

	Level 1 $	Level 2 $	Level 3 $	Total $
Land and buildings – July 31, 2016	–	**17,930,102**	**104,374,523**	**122,304,625**
Land and buildings – January 31, 2016	–	17,930,102	103,545,188	121,475,290

Fair value of the Group's main property assets is estimated based on appraisals performed by independent, professionally-qualified property valuers. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the Board of Directors and audit committee at each reporting date.

(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risk …*continued*

c) Fair value hierarchy …*continued*

The appraisal was carried out using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location and current use.

Land and buildings were revalued in January 2015 and were not revalued at the reporting date. Management determined that the effect of changes in fair values between the last revaluation date and the reporting date is immaterial.

d) Capital risk management

The Group maintains a level of capital that is sufficient to meet several objectives, including its ability to continue as a going concern in order to provide returns and benefits for shareholders and to maintain an acceptable total debt-to-capital ratio to provide access to adequate funding sources to support current operations and the fulfillment of its strategic plan.

Total net debt includes bank loans and long-term debt less cash. The Group's capital includes total net debt and equity. As at July 31, 2016 the Group's net debt amounted to $33,625,515 (Jan 2016: $41,172,452), while its equity amounted to $182,542,642 (2016: $182,990,238).

The Group manages its capital structure and makes adjustments in light of changes in activities, economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Group may issue new shares, repurchase shares for cancellation, adjust the amount of dividends paid to shareholders or sell assets to reduce debt.

In accordance with Section 3 of the Insurance Act of 2009 (the "Act"), the Group is required to have a minimum share capital of $2,000,000 fully paid up in cash. Further, Section 23 of the Act requires the insurance subsidiary to deposit an amount of $1,000,000 for long term insurance and no less than $500,000 for motor vehicle insurance with the Registrar or that the interest of the Registrar in respect of any prescribed asset be duly registered with the Eastern Caribbean Central Securities Registry. The statutory deposits in the amount of $4,709,018 (2016: $3,209,018) in the form of term deposits and bonds are currently held by the insurance subsidiary to satisfy the above requirement.

In St. Kitts and Nevis, the solvency criteria prescribed by Section 54 (c) of the Act states that a registered insurance company carrying on both long-term insurance and general insurance business, shall be deemed to be insolvent, if the excess of its total assets over its total liabilities is less than the greater of the following amounts:

i) $500,000; or
ii) 20% of its premium income in respect of the general insurance business in its last preceding financial year and 5% of the long-term life insurance liabilities as at the end of the reporting period.

(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risk *…continued*

d) Capital risk management *…continued*

	July 2016 $	Jan 2016 $
General insurance business		
20% of net premium income of the preceding year (2016: $7,897,958; 2015: $8,521,557)	**1,579,592**	1,716,335
Long-term insurance business		
5% of life policyholders' benefits of the current year (2015: $2,066,840)	**109,582**	109,582
	1,689,174	1,825,917

Compliance with the minimum margin of solvency is determined as follows:

	July 2016 $	Jan 2016 $
Total assets	**48,672,409**	51,887,846
Total liabilities	**(12,542,847)**	(17,283,793)
Margin of solvency	**36,129,562**	34,604,053
Required minimum margin of solvency	**(1,689,174)**	(1,825,917)
Margin of solvency in excess of requirement	**34,440,388**	32,778,136

The margin of solvency was met and exceeded by the insurance subsidiary in 2016 and 2015.

Capital adequacy and the use of regulatory capital are constantly monitored by the finance subsidiary's Board of Directors. The ECCB requires all financial institutions under its jurisdiction to hold the minimum level of regulatory capital of $5,000,000.

The table below summarises the composition of regulatory capital of the finance subsidiary for the two-year presentation. During those two years, the finance subsidiary complied with all of the externally imposed capital requirements to which it must comply.

(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risk *…continued*

d) Capital risk management *…continued*

	July 2016 $	Jan 2016 $
Tier 1 capital		
Share capital	**6,000,000**	6,000,000
Statutory reserve fund	**5,276,517**	5,098,405
Retained earnings	**14,309,427**	13,620,120
Other reserve	**164,250**	141,110
Total qualifying tier 1 capital	**25,750,194**	24,859,635
Tier 2 capital		
Accumulated impairment	**3,381,777**	3,262,895
Total regulatory capital	**29,131,971**	28,122,530

7 Segment reporting

Management currently identifies the Group’s product and service lines as its operating segments. These operating segments are monitored by the Group’s Chief Executive Officer (the chief operating decision maker) and strategic decisions are made on the basis of adjusted segment operating results.

Minor operating segments are combined below under other segments. These are rentals and hire purchase, airline agents and tour operations, real estate development and shipping.

(expressed in Eastern Caribbean dollars)

7 Segment reporting *…continued*

Segment information for the reporting period is as follows:

July 31, 2016	General trading $	Insurance $	Financing $	Hotel and restaurant $	Others $	Eliminations $	Total $
Revenue							
From external customers:							
Revenue	57,577,380	263,379	-	3,045,876	5,638,787	-	66,525,422
Net interest income	392,459	513,418	2,486,618	-	574,057	-	3,966,552
Net underwriting income	-	2,649,147	-	-	-	-	2,649,147
Other income	2,609,469	644,300	196,959	439,659	789,461	-	4,679,848
From other segments	10,114,706	1,129,077	25,120	69,279	327,328	(11,665,510)	-
	70,694,014	5,199,321	2,708,697	3,554,814	7,329,633	(11,665,510)	77,820,969
Cost of sales	(51,418,609)	-	-	(1,365,827)	(2,134,991)	8,068,518	(46,850,909)
Gross profit	19,275,405	5,199,321	2,708,697	2,188,987	5,194,642	(3,596,992)	30,970,060
Employee costs	(8,931,492)	(987,748)	(565,201)	(704,113)	(1,768,235)	23,577	(12,933,212)
General and administrative expenses	(6,230,562)	(1,362,424)	(735,131)	(1,210,303)	(1,869,836)	3,069,626	(8,338,630)
Depreciation and amortization	(1,836,937)	(161,897)	(103,255)	(773,072)	(318,127)	–	(3,193,288)
Finance charges, net	(3,216,033)	(29,538)	(7,323)	(52,161)	(130,418)	503,790	(2,931,683)
Share of income of associated companies	–	–	–	–	–	212,103	212,103
	(20,215,024)	(2,541,607)	(1,410,910)	(2,739,649)	(4,086,616)	3,809,096	(27,184,710)
Segment profit/(loss) before tax	**(939,619)**	**2,657,714**	**1,297,787**	**(550,662)**	**1,108,027**	**212,104**	**3,785,350**
Segment assets	**227,875,074**	**73,409,676**	**135,392,424**	**37,788,593**	**40,147,712**	**(94,597,442)**	**420,016,037**
Segment liabilities	**138,226,519**	**14,256,936**	**109,642,246**	**21,046,847**	**8,295,394**	**(59,504,637)**	**231,963,305**

(expressed in Eastern Caribbean dollars)

7 Segment reporting …*continued*

January 31, 2016	General trading $	Insurance $	Financing $	Hotel and restaurant $	Others $	Eliminations $	Total $
Revenue							
From external customers:							
Revenue	136,269,645	378,914	–	4,674,903	13,733,707	–	155,057,169
Net interest income	2,384,381	918,406	5,156,904	–	–	–	8,459,691
Net underwriting income	–	3,874,734	–	–	–	–	3,874,734
Other income	6,128,161	1,250,546	357,587	637,526	1,396,030	–	9,769,850
From other segments	31,519,528	2,292,247	76,454	240,701	901,481	(35,030,411)	–
	176,301,715	8,714,847	5,590,945	5,553,130	16,031,218	(35,030,411)	177,161,444
Cost of sales	(125,733,438)	–	–	(3,275,926)	(6,269,378)	21,045,867	(114,232,875)
Gross profit	50,568,277	8,714,847	5,590,945	2,277,204	9,761,840	(13,984,544)	62,928,569
Employee costs	(16,713,201)	(1,781,329)	(1,069,336)	(1,135,968)	(3,471,151)	19,918	(24,151,067)
General and administrative expenses	(14,547,905)	(2,307,288)	(1,069,410)	(3,320,074)	(4,173,328)	6,964,260	(18,453,745)
Depreciation and amortization	(3,411,051)	(347,311)	(172,746)	(1,532,700)	(574,656)	–	(6,038,464)
Finance charges, net	(5,938,749)	264,071	322,255	(115,661)	1,062,817	(2,032,359)	(6,437,626)
Loss on liquidation of subsidiary	(187,929)	–	–	–	–	–	(187,929)
Impairment loss on investment securities	–	(202,500)	–	–	–	–	(202,500)
Impairment loss on property, plant and equipment	(2,267,251)	–	–	–	–	–	(2,267,251)
Share of income of associated companies	–	–	–	–	–	335,839	335,839
	(43,066,086)	(4,374,357)	(1,989,237)	(6,104,403)	(7,156,318)	5,287,658	(57,402,743)
Segment profit/(loss) before tax	**7,502,191**	**4,340,490**	**3,601,708**	**(3,827,199)**	**2,605,522**	**(8,696,886)**	**5,525,826**
Segment assets	**231,876,811**	**75,829,469**	**134,622,825**	**38,386,835**	**39,467,056**	**(94,497,259)**	**425,685,737**
Segment liabilities	**138,561,765**	**18,626,829**	**109,763,190**	**21,079,012**	**8,210,214**	**(59,192,351)**	**237,048,659**

(expressed in Eastern Caribbean dollars)

7 Segment reporting *…continued*

The totals presented above for the Group's operating segments reconcile to the key financial figures as presented in the consolidated statement of financial position and consolidated statement of income.

Major customers
The Group does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenue of the Group.

8 Cash and cash equivalents

	July 2016 $	Jan 2016 $
Cash on hand	**85,485**	88,278
Cash at banks	**11,997,065**	9,118,899
Cash equivalents	**13,688,699**	14,218,525
	25,771,249	23,425,702

Cash at banks is held with several local commercial banks in non-interest bearing accounts and the amounts held in these accounts facilitate the short-term commitments and day-to-day operations of the Group.

Cash equivalents are as follows:

	July 2016 $	Jan 2016 $
Two (2) 91-day Treasury bills from the Government of St. Kitts and Nevis maturing on May 10, 2016 with an interest rate of 4.75% (Jan 2016: 4.75%)	**5,968,750**	5,960,417
Four (4) 90-day term deposits held with St. Kitts-Nevis-Anguilla National Bank Limited maturing on July 12, 2016 bearing an interest rate of 2%	**4,117,458**	4,078,876
Six (6) 90-day term deposits held with Royal Bank of Canada maturing on July 7, 2016 bearing an interest of rate of 2% (Jan 2016: 2.0%)	**3,109,348**	3,073,454
Three month fixed deposit held with The Caribbean Commercial Bank (Anguilla) Limited maturing on May 23, 2016 bearing an interest rate of 3.125% (Jan 2016: 3.125%)	**-**	613,903
Ninety-one (91)-day Treasury bills from the Nevis Island Administration maturing on June 24, 2016 with an interest rate of 5.5% (Jan 2016: 5.5%)	**493,142**	491,875
	13,688,699	14,218,525

(expressed in Eastern Caribbean dollars)

9 Investment securities

	July 2016 $	Jan 2016 $
AFS		
Quoted securities	**3,574,102**	3,625,161
Unquoted securities	**3,585,197**	3,585,197
	7,159,299	7,210,358
Loans and receivables		
Fixed deposits	**39,880,894**	38,667,396
Corporate bonds	**13,425,000**	13,250,000
Government treasury bills and bonds	**4,946,291**	5,085,106
	58,252,185	57,002,502
Total investment securities – principal	**65,411,484**	64,212,860
Interest receivable	**716,885**	1,038,576
	66,128,369	65,251,436
Current		
Non-current	**56,834,553**	53,348,845
	9,293,816	11,902,591
	66,128,369	65,251,436

The movement in investment securities may be summarised as follows:

	Loans and receivables $	AFS $	Total $
Balance at January 31, 2015	**57,272,297**	**7,192,313**	**64,464,610**
Additions	6,993,411	–	6,993,411
Redemption	(7,263,206)	–	(7,263,206)
Impairment loss on AFS financial assets	–	(202,500)	(202,500)
Net unrealised fair value gains on AFS financial assets	–	220,545	220,545
Balance at January 31, 2016	**57,002,502**	**7,210,358**	**64,212,860**
Additions	5,983,509	–	5,983,509
Redemption	(4,733,826)	–	(4,733,826)
Impairment loss on AFS financial assets	–	–	–
Net unrealised fair value gains on AFS financial assets	–	(51,059)	(51,059)
Balance at July 31, 2016	**58,252,185**	**7,159,299**	**65,411,484**

(expressed in Eastern Caribbean dollars)

9 Investment securities …*continued*

The net unrealised fair value gains\losses on AFS financial assets are attributable to the shareholders of:

	July 2016	**Jan 2016**
	$	**$**
Parent company (note 25)	**(52,943)**	203,302
Non-controlling interests	**1,884**	17,243
	(51,059)	220,545

Fixed deposits

Fixed deposits consist of one to two years term deposits at local and regional financial institutions and bear interest ranging from 2.0% to 4.75% per annum (2015: 2.0% to 4.75%).

At January 31, 2016, the Group held $7,426,146 and $2,747,376 in cash and fixed deposits at Caribbean Commercial Bank (Anguilla) Limited and National Bank of Anguilla Limited, respectively. Both banks were placed in Conservatorship in August 2013. Further, the appointed Conservator of these two banks has advised that all depositors' balances up to $2,800,000 are accessible to the depositors and any excess amounts will be transferred to the Depositor Protection Trusts.

The Bank Resolution Obligation Act, 2016 of Anguilla provides for the Government of Anguilla to fund the Depositor Protection Trusts in support of the resolution of the Caribbean Commercial Bank (Anguilla) Limited and National Bank of Anguilla Limited.

Deposits held with the Depositor Protection Trusts will be for a term of 10 years commencing June 30, 2016, at an interest rate of 2% per annum and with a maximum annual allowed withdrawal of 10% of the principal balance. Accordingly, the amount of $4,626,146 representing the Group's deposit at Caribbean Commercial Bank (Anguilla) Limited in excess of $2,800,000 will be held in the Depositor Protection Trusts. Subsequent to January 31, 2016 an amount of $975,921 was withdrawn by the Group for its deposits held with Caribbean Commercial Bank (Anguilla) Limited. Accordingly the amount of $3,650,225 representing the Group's remaining deposit with Caribbean Commercial Bank (Anguilla) Limited in excess of $2,800,000 was placed in a Depositors Protection Trust.

Corporate bonds

Corporate bonds are held with Eastern Caribbean Home Mortgage Bank and Property Holding & Development Co. Ltd. for periods ranging from 9 months to 4 years at interest rates of 1.5% to 8.0% per annum (2016: 1.5% to 8.0%).

Treasury bills and bonds

Treasury bills and bonds are held with Eastern Caribbean Governments with maturities ranging from three months to one year for treasury bills and one to twenty years for bonds. Interest rate on treasury bills is 6.5% per annum (2016: 6.5) while interest rates on bonds ranges from 2.5% to 7.0% per annum (2016: 2.5% to 7.0%).

(expressed in Eastern Caribbean dollars)

10 Loans to customers

	July 2016 $	Jan 2016 $
Performing loans and advances	**87,394,916**	91,074,254
Impaired loans	**6,641,639**	6,331,859
Gross loans	**94,036,555**	97,406,113
Allowance for loan impairment	**(3,381,776)**	(3,262,895)
Net loans	**90,654,779**	94,143,218
Interest receivable	**195,160**	319,221
Total loans to customers	**90,849,939**	94,462,439
Current	**16,271,425**	19,259,942
Non-current	**74,578,514**	75,202,497
	90,849,939	94,462,439

The loans to customers carry interest rates ranging from 5% to 20% per annum (2016: 5% to 20%) with maturities ranging from 1 to 33 years.

Movement in the loan loss provision:

	2016 $	2016 $
Balance at beginning of year	**3,262,895**	3,497,327
Impairment losses/(recoveries) during the year	**212,695**	33,334
Write-offs for the year	**(93,815)**	(267,766)
Balance at end of year	**3,381,776**	3,262,895

According to the Eastern Caribbean Central Bank (ECCB) loan provisioning guidelines, the calculated allowance for loan impairment amounts to $2,029,203 (Jan 2016: $1,620,516). Where the ECCB loan loss provision is greater than the loan loss provision calculated under IAS 39, the difference is set aside as an appropriation of retained earnings to a non-distributable reserve. As at July 31, 2016, the loan loss provision calculated under IAS 39, was greater than the ECCB provision. Therefore, an appropriation of retained earnings was not required at the reporting date. The gross carrying value of impaired loans at the end of the period was $6,641,639 (January 31, 2016: $6,331,859).

Accrued interest on loans that would not be recognised under ECCB guidelines amounted to $164,250 (Jan 2016: $141,110), and is included in other reserves in equity (note 25).

(expressed in Eastern Caribbean dollars)

11 Receivables and prepayments

	July 2016 $	Jan 2016 $
Current:		
Accounts receivable	**21,567,706**	25,209,438
Finance lease receivables	**4,899,356**	5,122,362
Other receivables	**1,425,000**	38,455
	27,892,062	30,370,255
Less: provision for impairment	**(9,960,401)**	(10,155,359)
Net receivables	**17,931,661**	20,214,896
Statutory deposits	**3,209,019**	3,209,018
Prepayments	**5,009,412**	2,280,281
Deferred costs	**-**	–
	26,150,092	25,704,195
Non-current:		
Finance lease receivables	**5,726,172**	6,665,259

In accordance with the Insurance Act 2009 Section 23, all registered insurance companies are required to maintain a statutory deposit in certain prescribed forms acceptable to the Registrar of Insurance. As at July 31, 2016 and January 31, 2016, statutory deposits were held in the form of term deposits with local commercial banks and funds held on deposits with St. Kitts Financial Services Regulatory Commission. Statutory deposits are restricted and hence are not available for use in the day-to-day operations of the Group.

Deferred costs relate primarily to commissions payable to brokers for acquiring insurance business.

Classification of receivables

Receivables are summarized as follows:

	July 2016 $	Jan 2016 $
Neither past due nor impaired	**15,500,336**	17,159,978
Past due but not impaired	**8,157,497**	9,720,177
Individually impaired	**9,960,401**	10,155,359
	33,618,234	37,035,514

(expressed in Eastern Caribbean dollars)

11 Receivables and prepayments …*continued*

Movement in the allowance for impairment on receivables is:

	July 2016 $	Jan 2016 $
Balance at beginning of year	**10,155,359**	9,639,660
Impairment losses net of recoveries for the year (note 28)	**(190,776)**	665,861
Written-off during the year as uncollectible	**(4,182)**	(150,162)
Balance at end of year	**9,960,401**	10,155,359

Receivables neither past due nor impaired

The credit quality of receivables neither past due nor impaired is assessed based on management's internal assessment of the counterparties or entities. These balances are performing satisfactorily and there are no accounts which require special monitoring.

	July 2016 $	Jan 2016 $
Under 3 months	**15,500,336**	17,159,978

Receivables past due but not impaired

Based on historical information and customer relationships some receivables which are greater than three months past due but not greater than twelve months are not considered impaired.

As at July 31, 2016, receivables of $8,157,497 (Jan 2016: $9,720,177) were past due but not impaired. The aging of these receivables is as follows:

	July 2016 $	Jan 2016 $
Over 3 months	**8,157,497**	9,720,177

(expressed in Eastern Caribbean dollars)

11 Receivables and prepayments …*continued*

Receivables individually impaired

As at July 31, 2016, receivables of $9,960,401 (January 31, 2016: $10,155,359) were impaired and a related provision established. The aging of these receivables is as follows:

	July 2016	**Jan 2016**
	$	**$**
Over 3 months	**9,960,401**	10,155,359
Total receivables	**33,618,234**	37,035,514

12 Inventories

	July 2016	**Jan 2016**
	$	**$**
Goods on hand	**24,412,338**	29,097,743
Land held for future development	**11,647,503**	11,647,503
Sunrise Hills Villas	**2,658,607**	2,658,207
Goods in transit	**2,895,545**	1,883,616
Work-in-progress	**462,335**	423,970
	42,076,328	45,711,039

13 Related party balances and transactions

A related party relationship exists when one party has the ability to control directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between or among entities under common control, with the reporting enterprise and its key management personnel, directors and shareholders.

Amounts due from/(to) related parties are interest-free, unsecured and have no fixed terms of repayment and comprise the following:

		July 2016	**Jan 2016**
		$	**$**
Due from related parties	**Relationship**		
Malliouhana-Anico Insurance Company Limited	Associate company	**166,933**	7,718
St. Kitts Masonry Products Limited	Associate company	**-**	426,622
		166,933	434,340
Due to related parties			
St. Kitts Masonry Products Limited	Associate company	**41,309**	–

(expressed in Eastern Caribbean dollars)

13 Related party balances and transactions …*continued*

The following transactions were carried out with related parties:

		July 2016 $	Jan 2016 $
Sales			
Name of related party	**Relationship**		
St. Kitts Masonry Products Limited	Associate company	**3,831,457**	3,901,551
Management fees			
Name of related party	**Relationship**		
St. Kitts Masonry Products Limited	Associate company	**72,000**	150,000
Malliouhana-Anico Insurance Company Limited	Associate company	**30,000**	65,000
		102,000	215,000
Commission			
Name of related party	**Relationship**		
Malliouhana-Anico Insurance Company Limited	Associate company	**-**	36,009
Reinsurance premium			
Name of related party	**Relationship**		
Malliouhana-Anico Insurance Company Limited	Associate company	**798,369**	2,156,610
Expenses			
Name of related party	**Relationship**		
St. Kitts Masonry Products Limited	Associate company	**1,313,252**	8,365,544

(expressed in Eastern Caribbean dollars)

13 Related party balances and transactions …*continued*

Balances with the Group directors

Loans to and deposits from directors are included in loans to customers and customers' deposits, respectively, on the consolidated statement of financial position.

	July 2016 $	Jan 2016 $
Loans to directors	**1,685,649**	1,894,617
Deposits from directors	**3,180,209**	2,957,022

Advances from directors are repayable on demand and bear interest ranging from 3.5% to 5.0% per annum (2015: 3.5% to 5.0%) and is included in accounts payable and other liabilities on the consolidated statement of financial position.

	July 2016 $	Jan 2016 $
Advances from directors	**3,483,068**	3,568,705

Key management compensation

Key management includes the Group's executive and non-executive directors. The compensation incurred in respect of key management is as follows:

	July 2016 $	Jan 2016 $
Salaries	**780,185**	1,537,880
Directors' fees	**355,469**	570,000
Gratuity	**165,072**	272,250
Allowances	**46,486**	150,781
Pension	**47,234**	101,804
Social security	**39,470**	82,462
	1,433,916	2,715,177

(expressed in Eastern Caribbean dollars)

14 Interest in subsidiaries

Composition of the Group

Set out below are details of the subsidiaries held directly by the Group:

Name of subsidiary	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interests held by the Group Jul 2016	Jan 2016
City Drug Store (2005) Limited	St. Kitts	the retailing of consumer products	**100%**	100%
Conaree Estates Limited	St. Kitts	land and property development	**100%**	100%
Dan Dan Garments Limited	St. Kitts	leasing of land and building	**100%**	100%
Ocean Terrace Inn Limited	St. Kitts	operation of Ocean Terrace Inn hotel, Fisherman’s Wharf Restaurant and apartments ownership and rentals	**100%**	100%
Sakara Shipping Inc.	Tortola	the provision of freight and other shipping services	**100%**	100%
St. Kitts Bottling Company Limited	St. Kitts	the trade or business of aerated beverages and purified water manufacturers and bottlers, brewers, distillers, canners, preservers and processors distributors	**51.67%**	51.67%
TDC Financial Services Limited	St. Kitts	accepting deposits from customers, providing loans to customers and investing in debt and equity securities	**100%**	100%
TDC Insurance Company Limited	St. Kitts	the business of underwriting all classes of general insurance	**100%**	100%
TDC Airline Services Limited	St. Kitts	airline, shipping, chartering, forwarding and transport agents	**100%**	100%

(expressed in Eastern Caribbean dollars)

14 Interest in subsidiaries *...continued*

Composition of the Group ...continued

Name of subsidiary	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interests held by the Group Jul 2016	Jan 2016
TDC Real Estate and Construction Company Limited	St. Kitts	real estate development and construction of residential villas	100%	100%
TDC Rentals Limited	St. Kitts	car rental services and financing service to consumers	100%	100%
TDC Tours Limited	St. Kitts	organisation of tours, weddings and shore excursions	100%	100%
City Drug Store (Nevis) Limited	Nevis	retailing of customer products	100%	100%
TDC Airline Services (Nevis) Limited	Nevis	travel agents, tour operators, shipping and forwarding agents	100%	100%
TDC Nevis Limited	Nevis	trading as general merchants, manufacturers’ representatives and commission agents	100%	100%
TDC Real Estate and Construction Company (Nevis) Limited	Nevis	real estate development and construction	100%	100%
TDC Rentals (Nevis) Limited	Nevis	car rental services and financing service to consumers	100%	100%
East Caribbean Reinsurance Company Limited	Anguilla	the business of reinsurance for all classes of general insurance	80%	80%

(expressed in Eastern Caribbean dollars)

14 Interest in subsidiaries *...continued*

There are no subsidiaries with a non-controlling interest that are material to the Group.

The Parent Company has issued guarantees to certain banks in respect of the credit facilities granted to certain subsidiaries (see note 33).

The Group has no interests in unconsolidated structured entities.

In January 2016, the Group liquidated its 100% interest in its wholly-owned subsidiary, SNIC (Nevis) Limited. The loss on liquidation of SNIC (Nevis) limited amounted to $187,929 and is shown in the consolidated statement of income.

Effective February 1, 2016, the insurance and financial institution subsidiaries changed their names from St. Kitts-Nevis Insurance Company Limited and St. Kitts-Nevis Finance Company Limited to TDC Insurance Company Limited and TDC Financial Services Limited, respectively.

15 Investment in associates

The Group's associates include the following:

Name of Associate	**Country of incorporation/ Principal place of business**	**Percentage of ownership**		**Carrying value**	
		July 2016 %	**Jan 2016 %**	**July 2016 $**	**Jan 2016 $**
St. Kitts Masonry Products Limited	St. Kitts	50	50	**7,908,403**	7,707,587
Malliouhana-Anico Insurance Company Limited	Anguilla	25	25	**3,611,800**	3,600,512
				11,520,203	11,308,099

Movements in the investment in associates account are as follows:

	July 2016 $	**Jan 2016 $**
Balance at beginning of year	**11,308,099**	8,981,125
Share in net earnings of associated companies		
Profit and loss	**212,103**	335,839
Other comprehensive income	**-**	2,591,135
Dividends received	**-**	(600,000)
Balance at end of year	**11,520,203**	11,308,099

(expressed in Eastern Caribbean dollars)

15 Investment in associates *...continued*

St. Kitts Masonry Products Limited

St. Kitts Masonry Products Limited manufactures and sells ready-mix concrete and concrete blocks for the construction industry.

Condensed financial information of St. Kitts Masonry Products Limited is as follows:

	July 2016 **$**	**Jan 2016** **$**
Current assets	**4,974,352**	4,895,671
Non-current assets	**14,877,739**	15,276,956
Current liabilities	**(3,624,392)**	(4,089,044)
Non-current liabilities	**(400,671)**	(658,187)
Net assets	**15,827,027**	15,425,396
Revenue	**10,119,179**	23,118,902
Costs and expenses	**(9,717,548)**	(22,402,086)
Net income	**401,630**	716,816

During the year, St. Kitts Masonry Products Limited revalued its property and the difference between the carrying amounts of property and the fair value amounted to $5,182,270 is shown as part of its net assets. Accordingly, the Group recognised its share in the revaluation surplus of $2,591,135 which is shown as part of other reserves – property in the consolidated statement of financial position (note 25).

Dividends received from St. Kitts Masonry Products Limited amounted to $0 (Jan 2016: $600,000).

(expressed in Eastern Caribbean dollars)

15 Investment in associates *...continued*

Malliouhana-Anico Insurance Company Limited

Malliouhana-Anico Insurance Company Limited's principal activity is the underwriting of all classes of general insurance.

Condensed financial information of Malliouhana-Anico Insurance Company Limited is as follows:

	July 2016 **$**	**Jan 2016** **$**
Assets	**26,105,966**	27,027,314
Liabilities	**(11,494,157)**	(12,676,984)
Net assets	**14,611,809**	14,350,330
Net underwriting income	**1,261,707**	2,629,609
Other income	**470,980**	542,912
Costs and expenses	**(1,687,536)**	(3,124,657)
Net income	**45,150**	47,864

As at January 31, 2016, Malliouhana-Anico Insurance Company Limited held $2,902,981 and $5,481,629 in cash and deposits at Caribbean Commercial Bank (Anguilla) Limited and National Bank of Anguilla Limited, respectively. Both banks were placed in Conservatorship in August 2013. Further, the appointed conservator of these two banks has advised that all deposit balances up to $2,800,000 are accessible to the depositors and any excess amounts will be transferred to Depositors Protection Trusts. The Bank Resolutions Act, 2016 of Anguilla provides for the Government of Anguilla to fund the Depositors Protection Trust in support of the resolution of the Caribbean Commercial Bank (Anguilla) Limited and National Bank of Anguilla Limited. Deposits held by depositors in the Depositors Protection Trust will be for period of 10 years commencing on June 30, 2016 at an interest rate of 2.0% per annum and with a maximum allowed annual withdrawal of 10% of the principal balance. At the reporting date, Malliouhana-Anico Insurance Company Limited's deposit in these banks in excess of $2,800,000 amounted to $102,981 and $2,681,629, respectively.

(expressed in Eastern Caribbean dollars)

16 Property, plant and equipment

	Land and buildings $	Furniture and fittings $	Construction equipment rentals $	Plant and machinery $	Containers $	Motor vehicles $	Computers and equipment $	Total $
Year ended January 31, 2016								
Opening net book amount	118,749,997	2,349,908	117,748	12,548,325	75,686	8,824,210	1,717,871	144,383,745
Additions	7,651,351	954,723	78,299	2,267,504	180,402	2,579,382	817,448	14,529,109
Disposals	–	(6,501,272)	(36,700)	(3,147,201)	(81,091)	(1,804,039)	(919,802)	(12,490,105)
Writeback on disposals	–	6,284,495	31,925	3,080,309	78,685	1,565,302	767,990	11,808,706
Depreciation charge	(2,033,453)	(472,859)	(63,635)	(1,696,131)	(21,971)	(2,503,319)	(697,314)	(7,488,682)
Transfers/reclassifications	(1,870,000)	–	–	69,930	–	(69,930)	(8,432)	(1,878,432)
Impairment loss	(1,022,605)	(59,753)	–	(1,151,647)	(3,386)	(29,860)	–	(2,267,251)
Closing net book amount	**121,475,290**	**2,555,242**	**127,637**	**11,971,089**	**228,325**	**8,561,746**	**1,677,761**	**146,597,090**
At January 31, 2016								
Cost or valuation	124,531,348	7,915,479	457,523	27,103,889	639,002	23,952,487	6,646,581	191,246,309
Accumulated depreciation	(2,033,453)	(5,300,484)	(329,886)	(13,981,153)	(407,291)	(15,360,881)	(4,968,820)	(42,381,968)
Allowance for impairment	(1,022,605)	(59,753)	–	(1,151,647)	(3,386)	(29,860)	–	(2,267,251)
Net book amount	**121,475,290**	**2,555,242**	**127,637**	**11,971,089**	**228,325**	**8,561,746**	**1,677,761**	**146,597,090**

(expressed in Eastern Caribbean dollars)

16 Property, plant and equipment …*continued*

	Land and buildings $	Furniture and fittings $	Construction equipment rentals $	Plant and machinery $	Containers $	Motor vehicles $	Computers and equipment $	Total $
Period ended July 31, 2016								
Opening net book amount	**121,475,290**	**2,555,242**	**127,637**	**11,971,089**	**228,325**	**8,561,746**	**1,677,761**	**146,597,090**
Additions	1,867,162	146,189	4,698	508,299	96,475	1,943,294	254,933	4,821,050
Disposals	–	(5,743)	–	–	(23,046)	(1,133,858)	(60,165)	(1,222,812)
Writeback on disposals	–	2,688	–	–	19,918	949,688	57,769	1,030,063
Depreciation charge	(1,037,829)	(238,057)	(25,581)	(825,098)	(825,098)	(1,369,982)	(390,187)	(3,960,048)
Transfers/reclassifications	–	(1,152)	–	–	–	–	1,152	–
Impairment loss	–	–	–	–	–	–	–	–
Closing net book amount	**122,304,625**	**2,459,165**	**106,754**	**11,654,288**	**292,667**	**8,950,888**	**1,496,954**	**147,265,343**
At July 31, 2016								
Cost or valuation	128,268,512	8,043,305	462,221	27,612,185	712,431	24,761,923	6,842,501	196,703,078
Accumulated depreciation	(4,941,282)	(5,524,387)	(355,467)	(14,806,250)	(416,378)	(15,781,175)	(5,345,547)	(47,170,486)
Allowance for impairment	(1,022,605)	(59,753)	–	(1,151,647)	(3,386)	(29,860)	–	(2,267,251)
Net book amount	**122,304,625**	**2,459,165**	**106,754**	**11,654,288**	**292,667**	**8,950,888**	**1,496,954**	**147,265,343**

(expressed in Eastern Caribbean dollars)

16 Property, plant and equipment *…continued*

The details of gain on sales of property and equipment were as follows:

	July 2016 $	Jan 2016 $
Proceeds from sales of property and equipment	**324,994**	675,132
Carrying amount of property and equipment	**(192,749)**	(681,399)
(Loss)/gain on disposals of property and equipment	**132,245**	(6,267)

(Loss)/gain on disposals of property and equipment is recognized as part of other income in the consolidated statement of income (note 26).

If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	Land $	Buildings $	Total $
At January 31, 2016			
Opening net book value	24,200,610	63,827,453	88,028,063
Additions	241,897	7,409,454	7,651,351
Depreciation	–	(5,160,845)	(5,160,845)
Closing net book value	**24,442,507**	**66,076,062**	**90,518,569**
At July 31, 2016			
Opening net book value	24,442,507	66,076,062	90,518,569
Additions	–	1,185,241	1,185,241
Depreciation	–	(598,518)	(598,518)
Closing net book value	**24,442,507**	**66,662,784**	**91,105,291**

(expressed in Eastern Caribbean dollars)

17 Investment property

Investment property relates to land and building intended for leasing and reflects a change in use of the property in 2016. The gross and accumulated depreciation at the beginning and end of the reporting period are shown below.

	Building $	**Land $**	**Total $**
Period ended July 31, 2016			
Opening net book value	1,571,510	315,000	1,886,510
Additions	-	-	-
Transfer from property and equipment	-	-	-
Depreciation charge	(18,701)	-	(18,701)
Closing net book value	**1,552,809**	**315,000**	**1,867,809**
At July 31, 2016			
Cost	1,608,292	315,000	1,923,292
Accumulated depreciation	(55,483)	-	(55,483)
	1,552,809	**315,000**	**1,867,809**

Total rental income earned from the investment property is presented as other income in the consolidated statement of income.

The depreciation charge relating to investment property is shown as part of depreciation and amortization in the consolidated statement of income.

As at July 31, 2016, the carrying amount of the Group's investment property approximates its market value based on the latest market valuation report of the property obtained in 2015 prior to its change in use.

(expressed in Eastern Caribbean dollars)

18 Intangible assets

	Computer software $
Year ended January 31, 2016	
Opening net book amount	479,726
Additions	113,107
Transfer from property, plant and equipment	8,432
Amortisation	(348,321)
Closing net book amount	**252,944**
At January 31, 2016	
Cost	1,299,692
Accumulated amortisation	(1,046,748)
Net book amount	**252,944**
Period ended July 31, 2016	
Opening net book amount	252,944
Additions	-
Transfer from property, plant and equipment	-
Amortisation	(138,470)
Closing net book amount	**114,474**
At July 31, 2016	
Cost	1,299,691
Accumulated amortisation	(1,185,217)
Net book amount	**114,474**

(expressed in Eastern Caribbean dollars)

19 Borrowings

	July 2016 $	Jan 2016 $
Bank term loans	**24,878,720**	27,798,464
Bank overdrafts	**21,581,669**	23,391,661
Sugar Industry Diversification Foundation	**12,936,375**	13,408,029
	59,396,764	64,598,154
Interest payable	–	–
Total borrowings	**59,396,764**	64,598,154
Current	**40,822,083**	44,521,673
Non–current	**18,574,681**	20,076,481
	59,396,764	64,598,154

Bank term loans carry interest rates between 5% and 7% (2016: 5% and 7%) and are repayable in regular instalments of principal and interest, maturing at various intervals from one to fifteen years through 2017 to 2026 (2016: through 2017 to 2026).

Bank overdrafts carry interest rates varying from 6.5% to 9.0% (2016: 6.5% to 9.0%).

The Sugar Industry Diversification Foundation loan carries an interest rate of 5%, is repayable in semi-annual instalments of principal and interest of $133,661 and matures at the end of 2026.

Collateral security for indebtedness

The Group’s bankers and other lenders hold as collateral security, mortgage debentures creating fixed and floating charges and an equitable mortgage on the Group’s assets.

(expressed in Eastern Caribbean dollars)

20 Insurance liabilities

	July 2016 $	Jan 2016 $
Unearned premiums	**3,467,769**	4,894,315
Claims reported and outstanding	**4,115,312**	4,922,471
Life policyholders’ benefits	**2,191,639**	2,191,639
Claims incurred but not reported	**360,000**	360,000
Unallocated loss adjustment expenses	**178,000**	178,000
Due to reinsurers	**28,514**	1,254,807
	10,341,234	13,801,232
Reinsurance assets		
Unearned reinsurance premiums	**1,425,000**	1,280,140
Claims reported and outstanding	**299,397**	2,400,000
Total reinsurance assets (gross)	**1,724,397**	3,680,140
Unearned premiums	**3,168,372**	3,614,175
Claims reported and outstanding	**2,690,312**	2,522,471
Life policyholders’ benefits	**2,191,639**	2,191,639
Claims incurred but not reported	**360,000**	360,000
Unallocated loss adjustment expenses	**178,000**	178,000
Due to reinsurers	**28,514**	1,254,807
Total insurance liabilities (net)	**8,616,837**	10,121,092

The unallocated loss adjustment expenses have been actuarially derived and represent the amounts accrued for unallocated claims handling costs for existing reported losses that were still being processed and accrued for claims incurred but not yet reported as at the financial year-end.

Reinsurance assets are in respect of net outstanding claims payments that are recoverable from reinsurers.

Amounts due to reinsurers represent reinsurance premiums due and payable to the Group’s reinsurers at the reporting date.

(expressed in Eastern Caribbean dollars)

21 Customers' deposits

	July 2016 $	Jan 2016 $
Savings deposits	**7,110,914**	6,220,956
Fixed deposits	**93,647,457**	93,404,026
	100,758,371	99,624,982
Interest payable	**1,763,484**	1,979,757
Total customers' deposits	**102,521,855**	101,604,739
Current	**92,470,489**	93,295,581
Non–current	**10,051,366**	8,309,158
	102,521,855	101,604,739

(expressed in Eastern Caribbean dollars)

21 Customers' deposits …*continued*

Customers deposits represent all types of deposit accounts held by the Group on behalf of customers. Deposits include savings account and fixed deposits. The Group pays interest on all categories of customers' deposits. As at the reporting date, total interest expense on deposit accounts for the year amounted to $1,935,828 (Jan 2016: $4,386,162). The average effective rate of interest paid on customers' deposits was 4.40% (Jan 2016: 4.40%).

22 Accounts payable and other liabilities

	July 2016 $	Jan 2016 $
Credit accounts	**28,825,896**	25,707,999
Accounts payable	**11,483,346**	10,834,966
Accrued expenses	**5,825,679**	5,852,184
Employee health fund	**3,957,419**	3,849,019
Deferred revenue	**1,052,757**	1,230,640
Dividend payable	**859,807**	862,464
Other liabilities	**386,252**	294,201
Gratuity reserve	**537,422**	505,450
Statutory payables	**251,266**	342,921
Warranty liability	**225,271**	225,271
Total accounts payable and other liabilities	**53,405,115**	49,705,115
Current	**49,447,696**	45,679,398
Non–current	**3,957,419**	4,025,717
	53,405,115	49,705,115

Credit accounts represent interest-bearing liabilities to individual and companies payable on demand and bear interest ranging from 3.5% to 5.0% per annum (Jan 2016: 3.5% to 5.0% per annum).

Employee health fund represents amounts accrued monthly per employee in respect of a constructive obligation established by the Group to cover certain medical costs of employees and their dependents.

(expressed in Eastern Caribbean dollars)

23 Taxation

Income tax expense

	July 2016 $	Jan 2016 $
Current income tax expense for the year	**2,047,333**	3,879,093
Net deferred tax expense for the year	**(328,696)**	115,780
Total income tax expense for the year	**1,718,637**	3,994,873

	July 2016 $	Jan 2016 $
Current income tax expense		
Profit before taxation	**3,785,349**	5,525,826
Income tax expense at rate of 33%	**1,179,171**	1,823,523
Effect of permanent differences	**590,688**	3,274,809
Unrecognised deferred tax asset	**119,695**	1,186,833
Prior year under provision	**-**	115,885
5% claims equalization allowed	**(67,086)**	(133,712)
Effect of income not assessable for taxation	**(103,831)**	(2,272,465)
	1,718,637	3,994,873

Deferred tax expense

The deferred tax expense is comprised of the following

	July 2016 $	Jan 2016 $
Unrecognised deferred tax	**63,825**	1,186,833
Deferred tax on property, plant and equipment	**(527,886)**	(387,799)
Deferred tax on unutilised tax losses	**560,234**	(285,221)
Deferred tax on unutilised capital allowances	**(424,870)**	(398,033)
	(328,697)	115,780

(expressed in Eastern Caribbean dollars)

23 Taxation *…continued*

Deferred tax asset

The movement in the deferred tax asset is as follows:

	July 2016 $	Jan 2016 $
Balance at beginning of year	**(182,452)**	(315,049)
Deferred tax expense/(credit) for the year	**(63,073)**	93,354
Unrecognised deferred tax written off	**-**	39,243
Balance at end of year	**(245,525)**	(182,452)

Deferred tax liability

The movement in the deferred tax liability is as follows:

	July 2016 $	Jan 2016 $
Balance at beginning of year	**5,279,908**	5,296,725
Deferred tax (credit)/expense for the year	**(265,623)**	(16,817)
Balance at end of year	**5,014,286**	5,279,908

Provision for taxation

The movement in the provision for taxation is as follows:

	July 2016 $	Jan 2016 $
Balance at beginning of year	**2,059,511**	2,619,494
Current tax expense for the year	**2,047,333**	3,879,093
Utilization of taxation recoverable during the year	**(20,127)**	(104,298)
Income tax paid during the year	**(2,853,479)**	(4,334,778)
Balance at end of year	**1,220,168**	2,059,511

(expressed in Eastern Caribbean dollars)

23 Taxation *…continued*

Taxation recoverable

The movement in the taxation recoverable is as follows:

	July 2016 $	Jan 2016 $
Balance at beginning of year	**124,092**	228,390
Utilization/Incurred during the year	**285,112**	(104,298)
Balance at end of year	**409,204**	124,092

24 Shareholders' equity

Share capital

	July 2016 $	Jan 2016 $
Authorised:		
500,000,000 ordinary shares at $1 per share	**500,000,000**	500,000,000
Issued and fully paid:		
52,000,000 ordinary shares at $1 per share	**52,000,000**	52,000,000

Dividends

On July 26, 2016, the Company's Board of Directors approved the declaration of cash dividends amounting to $2,600,000 (Aug 2015: $2,600,000), which was also paid during the current financial year.

25 Other reserves

	July 2016 $	Jan 2016 $
Revaluation reserve – property	**35,002,787**	35,002,787
Claims equalization reserve	**22,006,528**	21,803,237
Statutory reserve fund	**5,276,513**	5,098,405
Revaluation reserve – AFS financial assets	**787,196**	840,139
Other reserve (note 10)	**164,250**	141,110
	63,251,407	62,885,678

(expressed in Eastern Caribbean dollars)

25 Other reserves …*continued*

Revaluation reserve – property
The revaluation reserve – property relates to the net appreciation of land and freehold buildings based on revaluations performed by an independent property appraiser.

The movement of revaluation reserve relating to property and equipment as at January 31, are as follows:

	July 2016 $	Jan 2016 $
Balance at beginning of year	**35,002,787**	32,411,652
Revaluation surplus (note 15 and 16)	–	2,591,135
Revaluation transfer attributable to sale	–	–
Balance at end of year	**35,002,787**	35,002,787

Claims equalization reserve
Claims equalisation reserve represents cumulative amounts appropriated from retained earnings based on the discretion of the Group's Board of Directors as part of the Group's risk management strategies to mitigate against catastrophic events. These reserves are in addition to the catastrophe reinsurance cover. The movement of claims equalisation reserve is as follows:

	July 2016 $	Jan 2016 $
Balance at beginning of year	**21,803,237**	21,398,049
Appropriations during the year	**203,291**	405,188
Balance at end of year	**22,006,528**	21,803,237

Statutory reserve fund
In accordance with Section 14 (1) of the Saint Christopher and Nevis Banking Act No. 6 of 1991, the finance subsidiary is required to maintain a reserve fund into which it shall transfer not less than 20% of its net income of each year whenever the reserve fund is less than the finance subsidiary's paid-up capital.

	July 2016 $	Jan 2016 $
Balance at beginning of year	**5,098,405**	4,683,902
Appropriations during the year	**178,108**	414,503
Balance at end of year	**5,276,513**	5,098,405

(expressed in Eastern Caribbean dollars)

25 Other reserves *…continued*

Revaluation reserve – AFS financial assets
The revaluation reserve arises as a result of the net appreciation in the market value of AFS financial assets.

	July 2016 $	Jan 2016 $
Balance at beginning of year	**840,139**	636,837
Net unrealised fair value gains on AFS financial assets (see note 9)	**(52,943)**	203,302
Balance at end of year	**787,196**	840,139

Other reserve
Other reserve is a reserve established for interest accrued on impaired loans. This reserve is created to set aside interest accrued on non-performing loans where certain conditions are met in accordance with paragraph AG93 of IAS 39. The prudential guidelines of the ECCB do not allow for the accrual of such interest. As a result the interest is set aside in a reserve and it is not available for distribution to shareholders until received.

The movement of other reserve account is as follows:

	July 2016 $	Jan 2016 $
Balance at beginning of year	**141,110**	91,749
Transfer from/(to) retained earnings	**23,140**	49,361
Balance at end of year	**164,250**	141,110

(expressed in Eastern Caribbean dollars)

26 Other income

	July 2016 $	Jan 2016 $
Rent	**1,463,625**	2,923,622
Commission income	**1,015,985**	1,385,769
Damage insurance income	**385,724**	790,697
Equipment rental and repairs	**312,594**	718,140
Photocopier income	**288,280**	641,131
Management and administration fees	**302,977**	611,936
Dividend income	**14,234**	580,281
Truck operating income	**(4,767)**	335,400
Facility income	**166,400**	301,800
Handling charges	**214,749**	247,250
Shipping	**(138,790)**	245,783
MV Puerto Real/Triumph	**-**	185,012
Sale of wreck	**-**	88,000
E-top up	**28,901**	49,896
Vehicle servicing	**30,206**	26,642
Villa income	**15,480**	19,042
Amortization of grant	**-**	14,385
(Loss)/gain on disposals of property and equipment (note 16)	**132,245**	(6,267)
Miscellaneous income	**452,005**	611,331
	4,679,848	9,769,850

27 Employee costs

	July 2016 $	Jan 2016 $
Salaries and wages	**9,526,457**	18,202,002
Statutory contributions	**999,891**	1,937,660
Pension savings plan	**482,865**	987,687
Bonus and gratuity	**692,647**	955,192
Directors' fees	**344,670**	655,705
Staff scholarship and training	**289,801**	421,884
Health insurance	**70,606**	139,226
Other staff costs	**526,275**	851,711
	12,933,212	24,151,067

(expressed in Eastern Caribbean dollars)

28 General and administrative expenses

	July 2016 $	Jan 2016 $
Legal and professional fees	**820,780**	2,808,711
Advertising and sales promotion	**1,186,314**	2,562,572
Utilities	**1,056,502**	2,071,169
General	**1,126,704**	1,613,009
Repairs and maintenance	**905,122**	1,450,724
Motor vehicle	**518,485**	995,943
Management fees	**470,283**	984,219
Communications	**442,888**	939,086
Taxes and licenses	**18,122**	882,493
Sewage, waste and landscaping	**181,988**	680,259
Impairment losses on receivables, net (note 11)	**(324,848)**	674,191
Computer installation and consultancy	**381,572**	488,197
Travel	**158,813**	398,600
Security	**197,094**	387,427
Warranty	**125,294**	355,324
Entertainment	**138,319**	284,893
Supplies	**138,360**	261,011
Rent	**285,081**	172,467
Printing and stationery	**73,249**	152,735
Annual general meeting	**155,521**	144,891
Subscriptions	**68,958**	83,972
Impairment losses/(recoveries) on loans to customers (note 10)	**212,696**	33,334
Freight, handling and truckage	**1,333**	28,518
	8,338,630	18,453,745

29 Depreciation and amortization

	July 2016 $	Jan 2016 $
Depreciation		
Property, plant and equipment (note 16)	**3,036,117**	5,653,361
Investment property (note 17)	**18,701**	36,782
	3,054,818	5,690,143
Amortization (note 18)	**138,470**	348,321
	3,193,288	6,038,464

Depreciation of plant and machinery and certain motor vehicles totaling $888,695 (Jan 2016: $1,835,321) was recorded under cost of sales.

(expressed in Eastern Caribbean dollars)

30 Finance charges, net

	July 2016 $	Jan 2016 $
Interest expense		
Borrowings	**1,746,377**	3,533,109
Credit accounts	**845,908**	1,974,206
	2,592,285	5,507,315
Bank charges	**339,398**	930,311
	2,931,683	6,437,626

31 Net interest income

	July 2016 $	Jan 2016 $
Loans to customers	**3,967,381**	8,483,255
Receivables	**864,389**	2,384,381
Investments	**1,070,609**	1,978,217
Savings account interest expense	**(103,455)**	(199,268)
Time deposits interest expense	**(1,832,372)**	(4,186,894)
	3,966,552	8,459,691

32 Earnings per share

Basic and diluted earnings per share were computed as follows:

	July 2016 $	Jan 2016 $
Profit attributable to shareholders of parent company	**2,205,346**	3,259,570
Divided by weighted average number of outstanding ordinary shares	**52,000,000**	52,000,000
Basic and diluted earnings per share	**0.042**	0.063

The Group has no dilutive potential ordinary shares as of July 31, 2016 and January 31, 2016.

(expressed in Eastern Caribbean dollars)

33 Commitments and contingencies

Bank guarantees

- The Company has guaranteed a bank overdraft facility on behalf of its subsidiary company, TDC Rentals Limited in the amount of $500,000.
- The Company has guaranteed a bank overdraft facility on behalf of its subsidiary company, TDC Airline Services Limited in the amount of $500,000.
- The Company has guaranteed a bank overdraft facility on behalf of its subsidiary company TDC Nevis Limited in the amount of $1,500,000.
- The Company has guaranteed a bank overdraft facility on behalf of its subsidiary company TDC Airline Services (Nevis) Limited in the amount of $300,000.
- The Company has guaranteed a bank overdraft facility on behalf of its subsidiary company City Drug Store (2005) Limited in the amount of $100,000.
- The Company has guaranteed a bank overdraft facility on behalf of its subsidiary company TDC Tours Limited in the amount of $150,000.
- The Company has guaranteed a loan on behalf of its subsidiary company TDC Airline Services Limited in the amount of $618,000.
- The Company has guaranteed a bank overdraft facility on behalf of its subsidiary company Ocean Terrace Inn Limited in the amount of $1,000,000.