



# 2015

ANNUAL REPORT

# City Drug Store (Nevis) Limited



“Your Health Is Always Our Business.”



## Mission Statement

TDC is fully Committed to Total Customer Satisfaction;  
Employee Excellence through Participation and  
Training to provide Maximum Benefits  
for Shareholders while Contributing meaningfully  
to the Economic, Social and  
Cultural Advancement of our Nation.

## Vision Statement

To be the leading public Company  
in the OECS as measured by:

- Customer Satisfaction
- Return on Investment (ROI)
- Human Resource Development
- Good Corporate Citizenship

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# Corporate Information



(Photograph taken at the 2014 Annual General Meeting)

**Back Row (l - r)**      **Ernie A. France**, B.A.; **Clive E. R. Ottley**, M.B.B.S., (Lond) F.R.C.O.G.;  
**Jacques A. C. Cramer**; **Glenville R. Jeffers**, B.B.A.; **Melvin R. Edwards**, B.A., M.Sc;

**Front Row (l - r)**      **Nicolas N. Menon**, B.Sc. (Hons), M.B.A.; **Myrna R. Walwyn**, B.Sc., M.A., Dip. Law;  
**Earle A. Kelly**, B.A., M.B.A. (Chairman); **Maritza S. Bowry**, B.Sc., M.B.A., C.P.A.  
(Company Secretary); **D. Michael Morton**;

**Absent**                      **Charles L. A. Wilkin**, C.M.G., Q.C., M.A. (Cantab);

Registered Office:      Fort Street, Basseterre, St. Kitts

Bankers:                      CIBC FirstCaribbean International Bank (Barbados) Limited  
St. Kitts Nevis Anguilla National Bank Limited  
Royal Bank of Canada  
The Bank of Nova Scotia

# Notice of Meeting


**Notice is hereby given that the forty-second Annual General Meeting of the St. Kitts Nevis Anguilla Trading and Development Company Limited will be held at the Conference Room, Ocean Terrace Inn, Fortlands, Basseterre, St. Kitts on Thursday, August 27, 2015, at 5:00 p.m.**

## **AGENDA**

1. To receive the Report of the Directors
2. To receive and consider the Financial Statements for year ended January 31, 2015
3. To receive and consider the Report of Auditors thereon
4. To declare a Dividend
5. To elect Directors to replace those retiring by rotation
6. To confirm the appointment of Directors
7. To appoint Auditors and to authorize the Directors to fix their remuneration for the ensuing year
8. To consider and, if thought fit, pass the following special resolution to amend Article 66 of the Company's Articles of Association:

***"Be it resolved that the Notice may be given in electronic or any other communication facility".***

## **BY ORDER OF THE BOARD**



Maritza S. Bowry  
Company Secretary

July 23, 2015

A member entitled to attend and vote is entitled to appoint one or more Proxies to attend, and on a poll, to vote instead of him/her. A Proxy need not be a member of the Company. Proxies must reach the Company Secretary not less than 24 hours prior to the Annual General Meeting.

# TDC Airline Services Limited



“We are your passport to the world.”

2015  
ANNUAL REPORT



#NoPlaceLikeTDC



# Directors' Report 2014/2015

## Introduction

The TDC Group of Companies reported a solid performance for the financial year under review, February 1, 2014 to January 31, 2015. The Net Income Before Taxation was \$8,045,878 after a Non-Cash charge (Revaluation Loss) of \$2,416,550 arising from a loss associated with the revaluation of the Group's real estate holdings. The directors remain focused on profitability, disciplined expense management and capital efficiency. We continue to strive for growth by executing an array of initiatives including a relentless pursuit of productivity and greater responsiveness to our customer needs, as embedded in our corporate culture. During the year your company intensified staff training programmes, employed aggressive selling techniques and continued our drive to be more environmentally friendly with projects including the installation of solar energy systems at several of our retail outlets.

## Leadership

On February 1, 2014, Mr. Earle Kelly, a long serving executive of the company, was promoted to the position of Chairman and Chief Executive Officer, following the retirement of Mr. D. Michael Morton who served as Chairman and Chief Executive Officer for 14 years. Mr. Kelly has brought more than 25 years of experience to the position including 12 years as Finance Director of the TDC Group of Companies. Also on February 1, 2014, Ms. Maritza Bowry, was promoted to the position of Chief Financial Officer. Ms. Bowry previously held the position of Group Chief Accountant for 12 years. The transition of leadership responsibilities has been smooth. Mr. Kelly has taken the reins of the business firmly while continuing to implement its corporate strategy. He is supported by an experienced and talented team of executives, managers and employees.

## Economic Overview

International economic developments in 2014 were positive, an indication that the world economy had stabilized. The International Monetary Fund's World Economic Outlook indicated that the global economy grew by 3.3 percent in 2014, the same level as in 2013. Growth was driven mainly by developments in two advanced economies, the United States of America and the United Kingdom. In the Eastern Caribbean Currency Union (ECCU) Gross Domestic Product (GDP) is estimated to have expanded by 1.3 percent in 2014 compared to 1.1 percent in 2013. Economic activity expanded in 6 of the 8 ECCU countries including the Federation of St Kitts and Nevis. Real GDP in St Kitts and Nevis increased by approximately 5.4 percent in 2014 compared to 3.8 percent in 2013. The growth resulted mainly from the value added by the construction, hotel and restaurant sectors. The value added in the construction sector is estimated to have risen by 7.6 percent in 2014. The directors have monitored and assessed the above economic conditions and are satisfied that the TDC Group remains well placed to take advantage of improved market conditions through its diversified product and service offerings with continued emphasis on the construction, real estate and tourism sectors.

## TDC Group of Companies Financial Results

The Group delivered another year of strong performance. This result was based on increased sales in most divisions together with improvements in operational efficiencies. Turnover and Gross Profit for the Group grew by 4.81 and 7.51 percent, respectively, over the previous year. Revenues from services fell by 11.72 percent. Operating Expenses fell by 3.9 percent. Finance Expenses remained marginally unchanged.

Net Operating Income Before Taxation, prior to the Loss Arising from the Revaluation of Properties totalled \$10,462,428 compared to \$8,427,506 (restated) in the previous financial year. In compliance with IAS 16, the Accounting Standard governing the treatment of property, the properties owned by the TDC Group were revalued in January 2015. The increase in value (Revaluation Surplus) for the properties that appreciated was \$398,475 and is reflected in Other Comprehensive Income. The decline in value (Revaluation Loss) of \$2,416,550 is shown separately on the Statement of Income as a reduction of Net Income for the year. The book value of the properties prior to the revaluation was \$120,768,072 and \$118,749,997 after the revaluation.



# Directors' Report 2014/2015 Cont'd

Effective February 1, 2014, your company paid a Cost of Living Adjustment of 7½ percent of gross salaries to all employees. Employee Costs increased by \$2,442,054 or 11.88 percent as a result.

The Board recommends a dividend of 5.00 cents per share, totaling \$2,600,000 compared to 4.00 cents per share in 2014, totaling \$2,080,000.

## PERFORMANCE REVIEW BY SECTOR

### GENERAL TRADING

It is your Company's goal to offer quality merchandise at competitive prices, to present product offerings in a distinctive manner designed to maximize customer convenience and to re-emphasize dedication to customer service and satisfaction. Customer service is at the heart of your Company's culture as we train our staff and employ technology to create an ever improving shopping experience.

The profit of the **Home and Building Depot** in St Kitts for the financial year increased by 13.61 percent even though the sales only marginally increased. In December 2014, the department recorded its highest monthly sales for the past 5 years. Operating costs have been reduced, partly as a result of significant savings in energy costs through the installation of solar energy systems.

**Home and Building Depot (Nevis)** – The profit before tax for the department increased almost four fold despite only a 5 percent increase in sales. Greater emphasis was placed on the management of the inventories through various training programmes for employees and more stringent controls. In January 2015, the company began installing solar panels to serve the department and the entire Pinneys Complex in order to reduce its energy costs.

**Automotive Divisions (St Kitts and Nevis)** - The combined profits for these departments more than doubled over those for the prior year. The management and staff at these departments attribute this performance to the relationships that they have developed and maintained with customers. We have also focused on maintaining high levels of customer satisfaction. Our personalized sales process aims to satisfy customers by providing high quality vehicles and service in a positive, customer friendly business environment. During the year, a Customer Service Desk was established at the Division in St Kitts, from which current and potential customers are contacted regularly to promote and obtain feedback about the services offered. This initiative has positively impacted the sales of the department. We are actively seeking to grow our spare parts and garage revenues by increasing the garage service capacity, investing in modern and sophisticated equipment and increased training of our technicians. The sale of vehicles also provides the opportunity to offer our customers with “a one stop” option with finance and insurance from companies within the TDC Group.

**City Drug Store (Nevis) Ltd and TDC Business Centre (St Kitts)** – We are pleased to report that both companies reported profits compared to losses in the previous year. Both companies offered a wider range of products and invested significant effort in 2014 in identifying our customers, understanding their preferences and developing strategies to meet their needs. The Business Centre in St Kitts was redesigned. We also accentuated our copy and print centre where we provide copying, scanning, graphic designs, binding, laminations and other services. We strongly believe that there is strong growth potential for these businesses.

The net results for the **Drinks Depot** on Nevis made a significant turnaround from the loss in the previous year.

# Directors' Report 2014/2015 cont'd

## SERVICES

**Both Shipping Agencies** contributed positively to the company's results. The department in St Kitts generated profits, 8.82 percent less than the previous year partly as a result of the loss of the agency for Crowley Caribbean Logistics. The net results for the Nevis department remained marginally unchanged from the previous year.

**TDC Rentals Ltd and TDC Rentals (Nevis) Ltd** reported slightly reduced results in the year under review. The number of new hire purchase contracts increased in St Kitts but declined in Nevis. Car rental business for both companies contributed significantly to the profits.

## FINANCE & INSURANCE

**St Kitts Nevis Finance Company Limited (FINCO)** – FINCO produced a stellar performance. The Profit Before Tax increased by 25.51 percent. The delinquency rate on loans declined to 8.46 percent at the end of the financial year, from 10.21 percent at January 31, 2014. Preliminary data from the ECCB indicate that the average rates of delinquency for financial institutions in the ECCU were 17.90 percent and 13.30 percent for St Kitts and Nevis at the end of December 2014. The provisions for loan losses for FINCO at the end of the financial year were significantly lower than those at the end of the previous financial year.

The growth in the loan portfolio was marginal despite the aggressive promotion of auto and consumer loans. There was low demand for mortgages. The income on investments increased by 16.67 percent. Despite the decline in the rates offered on deposits there was an increase of 4.58 percent by the end of the financial year.

The Head Office and Main Branch will be relocated from West Independence Square Street to premises at The Circus in August 2015. The new location is strategically positioned for greater visibility and will help to heighten the company's profile.

**St Kitts Nevis Insurance Company Ltd (SNIC)** - International Accounting Standards require that an insurer shall assess at the end of each reporting period whether its recognized insurance liabilities are adequate. In keeping with this requirement, SNIC contracted the services of an actuary to assess the provisions over the past two financial years for claims not reported, the unallocated loss adjustment expenses and life policyholders' benefits. This review resulted in increased provisions, by 18.45 percent year over year. Those provisions and the near doubling of motor claims contributed to a 15.75 percent decline in net profits despite increases in income from motor and property insurance premiums. The company will continue to work with the Traffic Departments in St Kitts and Nevis to educate the public on road safety. As mentioned in the Annual Report last year, SNIC continued preparations in its quest to become rated by A.M. Best, a leading international rating agency for insurance companies. The company aims to obtain the rating by the end of the current financial year. Management has been paying close attention to the implications of the draft ECCU Insurance Bill that is currently being reviewed by the various stakeholders within the sub-region. In October 2015, the General Insurance Business will be relocated to the space currently occupied by FINCO on the corner of Bank and West Independence Square Streets, Basseterre. We expect that this location will provide greater convenience and accessibility for our customers.

**SNIC (Nevis) Ltd.** – An increase in revenue did not offset the rise in operating expenses and provisions for doubtful debts. Net Income was substantially reduced.

# Directors' Report 2014/2015 cont'd

## TOURISM

### **Ocean Terrace Inn Ltd (OTI)**

The hotel was closed in May 2014 to facilitate renovations with loan funding provided, on concessionary terms, by the Sugar Industry Diversification Foundation (SIDF). The consequent reduction in revenues for the remainder of the financial year resulted in a substantial loss for the year. The hotel reopened in April 2015 with 34 rooms. The condominium block, (Pieces of Eight) comprising six 2-bedroom units and two 1-bedroom units (fourteen rooms), refurbishment of which was deferred, has been approved as a qualifying investment under the Citizenship by Investment (CBI) program. These units will be redeveloped for sale to investors in that market. A firm of architects and engineers has been contracted to prepare the plans for refurbishing the units.

## AIRLINE SERVICES AND TOURS

**TDC Airline Services Ltd.** - The profit declined as a result of increased operating costs, particularly personnel related and the reduction in scheduled flights by one of its principals.

**TDC Airline Services (Nevis) Ltd.** - The company reported a profit compared to a loss in the previous year. The major contributor was the recovery of bad debts that were included in the provisions in previous years.

**TDC Tours Ltd.** performed exceptionally well compared to the previous year. The profit before tax increased by 42.86 percent. The prospects for its future growth look positive as the tourism industry expands. We continue to pursue several initiatives to secure new business opportunities.

## MANUFACTURING

**St Kitts Bottling Company Ltd. (SKBC)** continues to experience severe challenges and reported a loss compared to a profit in the previous year. The company remained as distributor of Coca-Cola products until February 28, 2015. SKBC continues to manufacture Sparkle products and Aquavita water which are sold locally and in export markets. Co-packing arrangements with a number of regional companies are being pursued.

## REAL ESTATE DEVELOPMENT

**TDC Real Estate and Construction Ltd. and Conaree Estates Ltd.** – Two (2) residential communities are being developed by these companies: Sunrise Hills Villas at Frigate Bay and Atlantic Views Residences at Conaree. Three (3) villas were sold at the Sunrise Hills development and one home at Atlantic Views Residences during the year under review. Since the inception of the Sunrise Hills development project in 2006, 36 villas have been sold. There are 8 lots remaining. In May 2015 construction started on the final of 21 lots at Atlantic Views. As these projects near completion, the Group has identified and is in the early stages of negotiating the purchase of additional land suitable for the construction of middle income homes.

Unfortunately, there was no construction activity at **The Cable Bay Hotel Development Company's** development, Oceans Edge, during the year under review. As was reported in a previous year's report the company's investment in this venture was written off. The shareholders are in continuing discussions about the future of this project.

## ASSOCIATED COMPANIES

**St Kitts Masonry Products Ltd.** reported greatly improved sales and profits growth for the year as the construction sector remained buoyant.

**MAICO**, our associate insurance company in Anguilla, again made a small contribution to the company's results.

# Directors' Report 2014/2015 Cont'd

## SOCIAL CONTRIBUTION

**Education** - Helping to create strong communities by investing in educational opportunities for our youth is part of our character and culture. The company continued to honour its long standing commitment to the Warren Tyson Scholarship Program that started in 1981 and which currently serves 42 students in St Kitts and Nevis. Since 1981, an average of 30 students have benefited from this programme annually. The company has developed a mentorship programme for these students and provides them with books, uniforms and other school related necessities. The company continued to provide financial assistance under the Michael L. King Scholarship Grant Program as three university students each received grants of US\$5,000. These awardees brought the number, who have benefited under this program to twenty-seven (27). Since its inception in August 2008, a total of \$364,500 has been awarded in scholarships to selected students.

**Sports and Culture** - The TDC Group maintained its support of various causes and organizations throughout the Federation. These included, but were not limited to, National Carnival, St Kitts Music Festival, Black San Festival, Advancement of Children Foundation and the Inter School Track and Field Championships in St Kitts, and Culturama, Inter Primary School Athletics Championships, Inter Primary School Cricket Championships and the Pink Lily Foundation in Nevis.

## HUMAN RESOURCES

During the year our Human Resources department continued to facilitate training for staff at all levels. Several training modules were delivered to management and staff on a myriad of topics and disciplines.

Through the Michael L. King Advanced Education Scholarship Programme, the company provided financial assistance to employees who were pursuing studies locally, overseas and through distance education programmes.

At the end of the year under review the staff count stood at five hundred and ninety-six (596). The directors take this opportunity to express our appreciation for their hard work and dedicated service to the company.

## BOARD GOVERNANCE

The Board of Directors is committed to conducting business ethically and in accordance with high standards of corporate governance. Your company continues to review its corporate governance practices which will result in a stronger organization. As part of this process, the Audit Committee has been actively at work ensuring that the relevant processes, procedures and systems to protect the company's assets and reputation have been implemented and are being adhered to. The committee's report is presented on page 13 in this Annual Report.

## PROJECTIONS

The ECCB Annual Economic and Financial Review 2014 predicts that the economy of St Kitts and Nevis is expected to expand in 2015 but at a decelerated pace compared to 2014. The construction sector is expected to be driven by increased investment, in both the public and private sectors. The economy of the United States of America, the Federation's largest trading partner, is estimated to expand by 3.6 percent in 2015 compared to 2.4 percent growth in 2014. The projections for the Federation will be affected by decreased Citizenship by Investment inflows due to the reorganization of that programme and to increased competition regionally. All these events are expected to impact the company's business prospects and management is already reviewing ways of mitigating against these risks and taking advantage of the opportunities.



# Directors' Report 2014/2015 Cont'd

## STATUTORY REPORT

We have pleasure in submitting our report and the Audited Accounts for the financial year ended January 31, 2015. The table below shows the profit after tax for the past two financial years:

|   | January 31, 2015 | January 31, 2014<br>(Restated) |
|---|------------------|--------------------------------|
|   | \$               | \$                             |
| Profit for the year, after providing for Taxation   | 3,697,396        | 502,135                        |
| The Board recommends a Dividend of 5 cents per share free of tax (2014 - 4 cents per share) | 2,600,000        | 2,080,000                      |

## APPOINTMENT OF DIRECTORS

In accordance with Article 99 of the Articles of Association, Mr. Melvin Edwards, Mr. Glenville Jeffers and Mrs. Myrna Walwyn retire and being eligible, offer themselves for re-election.

In accordance with Article 106 of the Articles of Association, Mr. O. Nicholas Brisbane, Principal, Brisbane O'Garro Alvaranga and Ms. Maritza S. Bowry, Chief Financial Officer, TDC Group of Companies, were appointed to the Board of Directors on November 21, 2014 and June 15, 2015 respectively. Their appointments are being presented for confirmation.

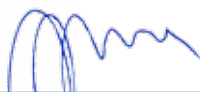
## AUDITORS

In accordance with Article 149 of the Articles of Association, the Auditors, Grant Thornton, Chartered Accountants retire, and being eligible, offer themselves for re-election.

## APPRECIATION

We express our appreciation to all of our customers for their patronage over the years. We also take this opportunity to recognize the contributions of the company's founders and former directors, the solid support of all our shareholders and the dedication, commitment and hard work of all our managers and staff, past and present, as we continue to promote our motto:

**TDC for Service**  
**TDC for Quality**  
**TDC your Company**



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Earle A. Kelly  
Chairman



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Ernie A. France  
Director

# Audit Committee Report to Shareholders

## Membership

The Audit Committee was comprised of three of the independent non-executive directors of the TDC Board of Directors and a qualified accountant, namely:

|                     |            |
|---------------------|------------|
| Mr. Melvin Edwards  | – Chairman |
| Mr. Kenneth Kelly   | – Member   |
| Dr. Clive Ottley    | – Member   |
| Ms. Marilyn Johnson | – Member   |

## Meetings

The Committee met three times during the financial year under review:

- July 29, 2014
- September 3, 2014
- November 22, 2014

Mrs. Charlene Stapleton, head of the TDC Group's Internal Audit Department, provided support at all Committee Meetings as Recording Secretary. Members recorded only two absences due to overseas commitments.

## Main activities

The Committee continued to support the Board of Directors by carrying out its responsibilities in relation to financial reporting, risk management and assessing internal controls. It also oversaw the effectiveness of the internal audit and external audit activities, and monitored the Group's relationship with the external auditor.

We reviewed the results of the Group's 2013/14 Audited Consolidated Financial Statements and the accompanying notes for consistency and accuracy. Issues from Management Letters were considered and effort was exerted to ensure that management sought to improve internal controls and implement other best practices.

During the year, the Committee undertook to draft a Whistleblower Policy for the Group, having already contributed to strengthening the Risk Management Policies and Procedures Manual. The Whistleblower Policy outlines the means by which TDC employees may, in confidence, raise concerns about possible dishonesty, corruption, breaches of business principles and improprieties in financial reporting.

The Audit Committee also approved the 2014/15 Audit Work Plan and the adequacy of resources assigned to Internal Audit, taking into account the level of risk and previous coverage. Unscheduled Audits were added where areas of concern were brought to the Internal Auditor's attention.

Progress made against this Plan was reviewed, with attention to the results from Internal Audit findings and to the implementation status of recommendations made. Considering the quality and frequency of reporting received and the level of impartiality displayed, the Committee concludes that the internal audit function was effective during the financial year 2014/2015.

The current external auditors, Grant Thornton, were appointed at last year's Annual General Meeting in keeping with the established criteria. The Committee concludes that it is appropriate to recommend the reappointment of Grant Thornton as the Group's auditors for the financial year 2015/16.

The Audit Committee will continue to ensure that high standards of compliance, consistent with internationally accepted Accounting, Audit, Good Governance and Corporate Social Responsibility standards are maintained at the company.



Melvin R. Edwards  
For and on behalf of the Audit Committee, TDC Group  
Date: July 13, 2015

# St. Kitts-Nevis Finance Company (FINCO)



“We make your dreams a reality.”

2015  
ANNUAL REPORT



#NoPlaceLikeTDC

## Independent Auditors' Report

### To the Shareholders of St. Kitts Nevis Anguilla Trading and Development Company Limited

We have audited the accompanying consolidated financial statements of **St. Kitts Nevis Anguilla Trading and Development Company Limited**, which comprise the consolidated statement of financial position as at January 31, 2015, the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

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

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

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

#### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **St. Kitts Nevis Anguilla Trading and Development Company Limited** as at January 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Chartered Accountants  
August 6, 2015  
Basseterre, St. Kitts



**St. Kitts Nevis Anguilla Trading and Development Company Limited**  
**Consolidated Statement of Financial Position**  
As at January 31, 2015 (Expressed in Eastern Caribbean Dollars)

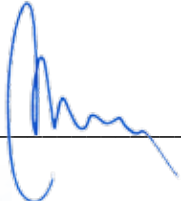
|  | 2015<br>\$         | As restated<br>2014<br>\$ | As restated<br>2013<br>\$ |
|--|--------------------|---------------------------|---------------------------|
| <b>Assets</b>                                    |                    |                           |                           |
| <b>Current assets</b>                            |                    |                           |                           |
| Cash and cash equivalents (note 8)               | 22,352,245         | 18,475,056                | 11,769,198                |
| Investment securities (note 9)                   | 53,643,036         | 45,287,874                | 32,884,050                |
| Loans to customers (note 10)                     | 15,782,416         | 15,081,033                | 16,521,612                |
| Accounts receivable and prepayments (note 11)    | 33,514,517         | 33,157,134                | 31,063,374                |
| Due from related parties (note 13)               | 260,001            | 194,068                   | 248,032                   |
| Inventories (note 12)                            | 47,856,642         | 45,942,500                | 52,522,899                |
| Taxation recoverable (note 22)                   | 228,390            | 307,492                   | 341,513                   |
| <b>Total current assets</b>                      | <b>173,637,247</b> | <b>158,445,157</b>        | <b>145,350,678</b>        |
| <b>Non-current assets</b>                        |                    |                           |                           |
| Investment securities (note 9)                   | 11,965,321         | 22,717,814                | 21,106,598                |
| Loans to customers (note 10)                     | 75,624,608         | 76,573,347                | 71,212,180                |
| Accounts receivable and prepayments (note 11)    | –                  | –                         | 981,640                   |
| Investment in associates (note 15)               | 8,981,125          | 8,133,784                 | 7,535,179                 |
| Property, plant and equipment (note 16)          | 144,383,745        | 134,001,075               | 133,301,401               |
| Intangible assets (note 17)                      | 479,726            | 619,430                   | 910,473                   |
| Deferred tax asset (note 22)                     | 315,049            | 316,882                   | 4,291,142                 |
| <b>Total non-current assets</b>                  | <b>241,749,574</b> | <b>242,362,332</b>        | <b>239,338,613</b>        |
| <b>Total assets</b>                              | <b>415,386,821</b> | <b>400,807,489</b>        | <b>384,689,291</b>        |
| <b>Liabilities</b>                               |                    |                           |                           |
| <b>Current liabilities</b>                       |                    |                           |                           |
| Borrowings (note 18)                             | 50,476,429         | 46,639,929                | 52,544,181                |
| Insurance liabilities (note 19)                  | 8,275,919          | 7,385,622                 | 6,329,138                 |
| Customers' deposits (note 20)                    | 84,957,905         | 83,846,778                | 75,412,118                |
| Accounts payable and other liabilities (note 21) | 44,450,375         | 40,027,620                | 43,900,175                |
| Due to related parties (note 13)                 | 264,958            | 36,079                    | 499,553                   |
| Provision for taxation (note 22)                 | 2,619,494          | 3,188,440                 | 1,482,143                 |
| <b>Total current liabilities</b>                 | <b>191,045,080</b> | <b>181,124,468</b>        | <b>180,167,308</b>        |
| <b>Non-current liabilities</b>                   |                    |                           |                           |
| Borrowings (note 18)                             | 17,634,159         | 18,464,399                | 4,168,990                 |
| Customers' deposits (note 20)                    | 10,726,789         | 7,646,133                 | 5,151,788                 |
| Accounts payable and other liabilities (note 21) | 3,789,623          | 3,624,906                 | 3,685,908                 |
| Deferred tax liability (note 22)                 | 5,296,725          | 5,137,338                 | 5,199,712                 |
| <b>Total non-current liabilities</b>             | <b>37,447,296</b>  | <b>34,872,776</b>         | <b>18,206,398</b>         |
| <b>Total liabilities</b>                         | <b>228,492,376</b> | <b>215,997,244</b>        | <b>198,373,706</b>        |

St. Kitts Nevis Anguilla Trading and Development Company Limited  
 Consolidated Statement of Financial Position ...*continued*  
 As at January 31, 2015 (Expressed in Eastern Caribbean Dollars)

|   | 2015<br>\$         | As restated<br>2014<br>\$ | As restated<br>2013<br>\$ |
|---|--------------------|---------------------------|---------------------------|
| <b>Shareholders' equity</b>                       |                    |                           |                           |
| Share capital (note 23)                           | 52,000,000         | 52,000,000                | 52,000,000                |
| Other reserves (note 24)                          | 59,130,440         | 58,857,815                | 58,427,864                |
| Retained earnings                                 | 68,405,791         | 67,351,026                | 69,256,808                |
|   | <b>179,536,231</b> | 178,208,841               | 179,684,672               |
| <b>Non-controlling interests</b>                  | <b>7,358,214</b>   | 6,601,404                 | 6,630,913                 |
| <b>Total shareholders' equity</b>                 | <b>186,894,445</b> | 184,810,245               | 186,315,585               |
| <b>Total liabilities and shareholders' equity</b> | <b>415,386,821</b> | 400,807,489               | 384,689,291               |

The notes on pages 23 to 90 are an integral part of these consolidated financial statements.

Approved for issue by the Board of Directors on August 6, 2015.

  
 \_\_\_\_\_ Chairman

  
 \_\_\_\_\_ Director

**St. Kitts Nevis Anguilla Trading and Development Company Limited**  
**Consolidated Statement of Income**  
For the Year Ended January 31, 2015 *(Expressed in Eastern Caribbean Dollars)*

|  | <b>2015</b><br>\$    | <b>As restated</b><br><b>2014</b><br>\$ |
|--|----------------------|---|
| <b>Revenue</b>   | <b>143,673,294</b>   | 137,085,241                             |
| <b>Cost of sales</b>                                     | <b>(106,739,428)</b> | (102,730,724)                           |
| <b>Gross profit</b>                                      | <b>36,933,866</b>    | 34,354,517                              |
| Net interest income (note 30)                            | 5,914,433            | 6,687,896                               |
| Net underwriting income                                  | 3,861,691            | 3,633,735                               |
| Other income (note 25)                                   | 10,277,464           | 12,403,640                              |
| <b>Income before operating expenses</b>                  | <b>56,987,454</b>    | 57,079,788                              |
| <b>Operating expenses</b>                                |                      |   |
| Employee costs (note 26)                                 | (22,996,155)         | (20,554,101)                            |
| General and administrative (note 27)                     | (17,123,962)         | (20,630,061)                            |
| Depreciation and amortization (note 28)                  | (4,349,866)          | (3,846,163)                             |
| Impairment loss on investments (note 9)                  | –                    | (1,244,322)                             |
|  | <b>(44,469,983)</b>  | (46,274,647)                            |
| <b>Operating profit</b>                                  | <b>12,517,471</b>    | 10,805,141                              |
| <b>Share of income of associated companies</b> (note 15) | <b>1,347,341</b>     | 998,605                                 |
| <b>Finance charges, net</b> (note 29)                    | <b>(3,402,384)</b>   | (3,376,240)                             |
| <b>Profit before revaluation loss and income tax</b>     | <b>10,462,428</b>    | 8,427,506                               |
| <b>Revaluation loss</b> (note 16)                        | <b>(2,416,550)</b>   | –                                       |
| <b>Profit before income tax</b>                          | <b>8,045,878</b>     | 8,427,506                               |
| Income tax expense (note 22)                             | (4,348,482)          | (7,925,371)                             |
| <b>Profit for the year</b>                               | <b>3,697,396</b>     | 502,135                                 |
| <b>Profit for the year attributable to:</b>              |                      |   |
| Parent company   | 3,665,095            | 372,520                                 |
| Non-controlling interests                                | 32,301               | 129,615                                 |
|  | <b>3,697,396</b>     | 502,135                                 |
| <b>Earnings per share</b>                                |                      |   |
| Basic and diluted per share (note 31)                    | <b>0.070</b>         | 0.007                                   |

The notes on pages 23 to 90 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 Year Ended January 31, 2015 *(Expressed in Eastern Caribbean Dollars)*

|  | <b>2015</b><br>\$ | <b>As restated</b><br><b>2014</b><br>\$ |
|--|-------------------|---|
| <b>Profit for the year</b>   | <b>3,697,396</b>  | 502,135                                 |
| <b>Other comprehensive income:</b>   |                   |   |
| <i>Item that may be reclassified to profit or loss</i>                                   |                   |   |
| Revaluation surplus (note 16)  | <b>398,475</b>    | –                                       |
| Net unrealised fair value gains/(losses) on available-for-sale financial assets (note 9) | <b>68,329</b>     | (315,175)                               |
| <b>Total comprehensive income for the year</b>   | <b>4,164,200</b>  | 186,960                                 |
| <b>Total comprehensive income for the year attributable to:</b>                          |                   |   |
| Parent company   | <b>3,407,390</b>  | 84,169                                  |
| Non-controlling interests  | <b>756,810</b>    | 102,791                                 |
|  | <b>4,164,200</b>  | 186,960                                 |

The notes on pages 23 to 90 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 Year Ended January 31, 2015 (Expressed in Eastern Caribbean Dollars)

|   | Parent company   |                   |                      |             | Non-controlling interests \$ | Total \$    |
|---|------------------|-------------------|----------------------|-------------|------------------------------|-------------|
|   | Share capital \$ | Other reserves \$ | Retained earnings \$ | Subtotal \$ |                              |             |
| <b>Balance at January 31, 2013, as previously stated</b>                        | 52,000,000       | 58,427,864        | 68,571,024           | 178,998,888 | 6,630,913                    | 185,629,801 |
| Prior period adjustments (note 34)  | -                | -                 | 685,784              | 685,784     | -                            | 685,784     |
| <b>Balance at January 31, 2013, as restated</b>                                 | 52,000,000       | 58,427,864        | 69,256,808           | 179,684,672 | 6,630,913                    | 186,315,585 |
| <b>Comprehensive income</b>   |                  |                   |                      |             |                              |             |
| Profit for the year   | -                | -                 | 372,520              | 372,520     | 129,615                      | 502,135     |
| Transfer to reserve fund  | -                | 338,110           | (338,110)            | -           | -                            | -           |
| Transfer to claims equalisation reserve   | -                | 380,192           | (380,192)            | -           | -                            | -           |
| <b>Other comprehensive income</b>   |                  |                   |                      |             |                              |             |
| Net unrealised fair value losses on available-for-sale financial assets         | -                | (288,351)         | -                    | (288,351)   | (26,824)                     | (315,175)   |
| <b>Transaction with owners</b>  |                  |                   |                      |             |                              |             |
| Liquidation of a subsidiary   | -                | -                 | -                    | -           | (132,300)                    | (132,300)   |
| Dividends   | -                | -                 | (1,560,000)          | (1,560,000) | -                            | (1,560,000) |
| <b>Balance at January 31, 2014, as restated</b>                                 | 52,000,000       | 58,857,815        | 67,351,026           | 178,208,841 | 6,601,404                    | 184,810,245 |
| <b>Comprehensive income</b>   |                  |                   |                      |             |                              |             |
| Profit for the year   | -                | -                 | 3,665,095            | 3,665,095   | 32,301                       | 3,697,396   |
| Transfer to reserve fund  | -                | 429,691           | (429,691)            | -           | -                            | -           |
| Transfer to claims equalisation reserve   | -                | 427,712           | (427,712)            | -           | -                            | -           |
| Revaluation reserve transfer attributable to sale of property                   | -                | (327,073)         | 327,073              | -           | -                            | -           |
| <b>Other comprehensive income</b>   |                  |                   |                      |             |                              |             |
| Revaluation (loss)/surplus  | -                | (330,333)         | -                    | (330,333)   | 728,808                      | 398,475     |
| Net unrealised fair value gains/(losses) on available-for-sale financial assets | -                | 72,628            | -                    | 72,628      | (4,299)                      | 68,329      |
| <b>Transaction with owners</b>  |                  |                   |                      |             |                              |             |
| Dividends   | -                | -                 | (2,080,000)          | (2,080,000) | -                            | (2,080,000) |
| <b>Balance at January 31, 2015</b>  | 52,000,000       | 59,130,440        | 68,405,791           | 179,536,231 | 7,358,214                    | 186,894,445 |

**St. Kitts Nevis Anguilla Trading and Development Company Limited**  
**Consolidated Statement of Cash Flows**  
For the Year Ended January 31, 2015 *(Expressed in Eastern Caribbean Dollars)*

|   | 2015<br>\$          | As restated<br>2014<br>\$ |
|---|---------------------|---------------------------|
| <b>Cash flows from operating activities</b>   |                     |                           |
| Profit before income tax  | 8,045,878           | 8,427,506                 |
| Items not affecting cash:   |                     |                           |
| Depreciation and amortization   | 5,982,694           | 5,673,461                 |
| Interest expense  | 4,515,788           | 4,440,995                 |
| Revaluation loss  | 2,416,550           | –                         |
| Impairment loss on investments  | –                   | 1,244,322                 |
| Impairment loss on goodwill   | –                   | 200,000                   |
| Gain on sales of property and equipment   | (273,896)           | (424,814)                 |
| Impairment (recoveries)/losses on receivables   | (503,559)           | 765,908                   |
| Dividend income   | (547,306)           | (490,666)                 |
| Share of income of associated companies   | (1,347,341)         | (998,605)                 |
| Net interest income   | (5,914,433)         | (6,687,896)               |
| <b>Operating profit before working capital changes</b>  | <b>12,374,375</b>   | <b>12,150,211</b>         |
| <b>Cash flows used in operating activities before changes in operating assets and liabilities</b> |                     |                           |
| Decrease/(increase) in loans to customers   | 360,667             | (3,704,426)               |
| Decrease/(increase) in accounts receivable and prepayments  | 156,384             | (2,607,664)               |
| (Increase)/decrease in due from related parties   | (65,933)            | 53,964                    |
| (Increase)/decrease in inventories  | (2,006,812)         | 6,580,399                 |
| Increase in insurance liabilities   | 340,297             | 1,056,484                 |
| Increase in customers' deposits   | 4,507,745           | 10,620,197                |
| Increase/(decrease) in accounts payable and other liabilities                                     | 3,689,219           | (3,933,558)               |
| Increase/(decrease) in due to related parties   | 228,879             | (463,474)                 |
| <b>Net cash generated from operating activities before interest receipts and payments and tax</b> | <b>19,584,821</b>   | <b>19,752,133</b>         |
| Interest received   | 6,089,534           | 6,644,137                 |
| Interest paid   | (4,501,901)         | (4,284,745)               |
| Taxes paid  | (4,677,106)         | (2,273,167)               |
| <b>Net cash generated from operating activities</b>   | <b>16,495,348</b>   | <b>19,838,358</b>         |
| <b>Cash flows used in investing activities</b>  |                     |                           |
| Redemption/(purchase) of investment securities, net   | 2,401,078           | (15,521,901)              |
| Proceeds from sales of property and equipment   | 1,923,652           | 1,618,081                 |
| Dividends received  | 1,047,306           | 890,666                   |
| Proceeds received from liquidation of subsidiary  | –                   | (101,333)                 |
| Purchase of intangible assets   | (201,042)           | (179,385)                 |
| Purchase of property, plant and equipment   | (19,599,779)        | (7,295,974)               |
| <b>Net cash flows used in investing activities</b>  | <b>(14,428,785)</b> | <b>(20,589,846)</b>       |

St. Kitts Nevis Anguilla Trading and Development Company Limited  
**Consolidated Statement of Cash Flows ...continued**  
 For the Year Ended January 31, 2015 *(Expressed in Eastern Caribbean Dollars)*

|   | <b>2015</b><br>\$  | <b>As restated</b><br><b>2014</b><br>\$ |
|---|--------------------|---|
| <b>Cash flows used in financing activities</b>            |                    |   |
| Proceeds from borrowings, net of repayments               | <b>3,890,626</b>   | 9,017,346                               |
| Dividends paid (note 23)                                  | <b>(2,080,000)</b> | (1,560,000)                             |
| <b>Net cash flows generated from financing activities</b> | <b>1,810,626</b>   | 7,457,346                               |
| <b>Net increase in cash and cash equivalents</b>          | <b>3,877,189</b>   | 6,705,858                               |
| <b>Cash and cash equivalents at beginning of year</b>     | <b>18,475,056</b>  | 11,769,198                              |
| <b>Cash and cash equivalents at end of year</b>           | <b>22,352,245</b>  | 18,475,056                              |

The notes on pages 23 to 90 are an integral part of these consolidated financial statements.

# St. Kitts Nevis Anguilla Trading and Development Company Limited

## Notes to Consolidated Financial Statements

January 31, 2015 *(Expressed in Eastern Caribbean Dollars)*

### 1 Nature of operations

The Group is engaged in the business of general trading, vehicle sales, auto and equipment rental, hire purchase financing, insurance, consumer and mortgage financing, airline agencies, 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.

International Accounting Standard (IAS) 1, Presentation of Financial Statements, paragraph 10 (f) requires an entity to present an additional statement of financial position as at the beginning of the preceding year when an entity:

- applies an accounting policy, retrospectively, makes a retrospective restatement of items in its financial statements or when it makes reclassifications in its financial statements, and
- the retrospective application, retrospective restatement of the reclassification has a material effect on the information in the financial position at the beginning of the preceding period.

Related notes to the additional statement of financial position are not required.

The reclassifications and prior period adjustments disclosed in notes 33 and 34 have a material effect on the consolidated statement of financial position as at February 1, 2013. Therefore, the Group presents a third consolidated statement of financial position as at February 1, 2013 without related notes except for the disclosures required by IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors.



St. Kitts Nevis Anguilla Trading and Development Company Limited  
Notes to Consolidated Financial Statements  
January 31, 2015 *(Expressed in Eastern Caribbean Dollars)*

### 3 Changes in accounting policies

#### *New standards and amendments to standards effective for the financial year beginning February 1, 2014*

A number of new and revised standards are effective for annual periods beginning on or after February 1, 2014. Information on these new standards is presented below.

- IAS 32 (Amendments), Offsetting Financial Assets and Financial Liabilities, clarifies the application of certain offsetting criteria in IAS 32, including the meaning of “currently has a legal enforceable right of set-off” and “that some gross settlement mechanisms may be considered equivalent to net settlement”. The amendments have been applied retrospectively, in accordance with their transitional provisions. As the Group does not currently present any of its financial assets and financial liabilities on a net basis using the provisions of IAS 32, these amendments had no material effect on the consolidated financial statements for any period presented.
- IAS 36 (Amendments), Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets, clarifies that disclosure of information about the recoverable amount of an individual asset (including goodwill) or a cash-generating unit is required only when an impairment loss has been recognized or reversed during the reporting period. If the recoverable amount is determined based on the asset’s or cash-generating unit’s fair value less cost of disposal, additional disclosures on fair value measurement required under IFRS 13, Fair Value Measurement, such as (but not limited to) the fair value hierarchy, valuation technique used and key assumptions applied should be provided in the financial statements. This amendment did not result in additional disclosures in the financial statements since the recoverable amounts of the Group’s non-financial assets where impairment losses have been recognized were determined based on value-in-use and have been adequately disclosed in accordance with IAS 36.

#### *New standards issued but not effective for the financial year beginning February 1, 2014 and not early adopted*

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group. 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. Information on new standards, amendments and interpretations that are expected to be relevant to the Group’s consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group’s consolidated financial statements.

- 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.

The Group’s management has yet to assess the impact of IFRS 9 on these consolidated financial statements. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018.

St. Kitts Nevis Anguilla Trading and Development Company Limited  
Notes to Consolidated Financial Statements  
January 31, 2015 (Expressed in Eastern Caribbean Dollars)

**3 Summary of accounting policies ...continued**

*New standards issued but not effective for the financial year beginning February 1, 2014 and not early adopted ...continued*

- IFRS 15, Revenue from Contracts with Customers, 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 IFRS, 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 reporting periods beginning on or after January 1, 2017. The Group's management have not yet assessed the impact of IFRS 15 on these consolidated financial statements.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

**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, 2015. 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.

St. Kitts Nevis Anguilla Trading and Development Company Limited  
Notes to Consolidated Financial Statements  
January 31, 2015 (Expressed in Eastern Caribbean Dollars)

**4 Summary of accounting policies ...continued**

**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.

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.

St. Kitts Nevis Anguilla Trading and Development Company Limited  
Notes to Consolidated Financial Statements  
January 31, 2015 (*Expressed in Eastern Caribbean Dollars*)

**4 Summary of accounting policies ...continued**

**d) Segment reporting**

The Group has four main operating segments: general trading, 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 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.

In recognising after-sales service and maintenance revenues, the Group considers the nature of the services and the customer's use of the related products, based on historical experience.



St. Kitts Nevis Anguilla Trading and Development Company Limited  
Notes to Consolidated Financial Statements  
January 31, 2015 (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.

St. Kitts Nevis Anguilla Trading and Development Company Limited  
Notes to Consolidated Financial Statements  
January 31, 2015 (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.

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**4 Summary of accounting policies ...continued**

**i) Property, plant and equipment ...continued**

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.

Increases in the carrying amount arising on revaluation of 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) Intangible assets**

Intangible assets of the Group pertain to computer software and goodwill.

*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.

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**4 Summary of accounting policies ...continued**

**j) Intangible assets ...continued**

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.

*Goodwill*

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

**k) 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 exceed 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.

**l) 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.



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**4 Summary of accounting policies ...continued**

**1) Financial instruments ...continued**

***Recognition, initial measurement and derecognition ...continued***

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.

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, accounts receivable, 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.

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**4 Summary of accounting policies ...continued**

**1) Financial instruments ...continued**

*Classification and subsequent measurement of financial assets...continued*

*(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.

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.

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**4 Summary of accounting policies ...continued**

**1) Financial instruments ...continued**

*Classes of financial instruments*

|  |   |  |                                       |                    |
|--|---|--|---------------------------------------|--------------------|
| <b>Financial assets</b>                        | Loans and receivables                   | Cash and cash equivalents              |                                       | Deposits           |
|  |   |  |                                       | Treasury bills     |
|  |   | Loans to customers                     | Loans to individuals                  | Commercial loans   |
|  |   |  |                                       | Student loans      |
|  |   |  |                                       | Mortgage loans     |
|  |   |  |                                       | Personal loans     |
|  |   |  |                                       | Mortgage loans     |
|  |   |  |                                       | Commercial loans   |
|  |   | Investment securities                  | Treasury bills and bonds              | Local and regional |
|  |   |  | Corporate bonds                       | Local and regional |
|  | Fixed deposits                          |  | Fixed deposits                        |                    |
|  | Accounts receivable                     |  |                                       |                    |
|  | Due from related parties                |  |                                       |                    |
| AFS financial assets                           | Investment securities                   | Equity securities                      | Quoted<br>Unquoted                    |                    |
| <b>Financial liabilities</b>                   | Financial liabilities at amortised cost | Customers' deposits                    | Deposits from individuals             |                    |
|  |   |  | Deposits from corporate entities      |                    |
|  |   |  | Deposits other financial institutions |                    |
|  |   | Borrowings                             |                                       |                    |
|  |   | Accounts payable and other liabilities |                                       |                    |
| Due to related parties                         |   |  |                                       |                    |
| <b>Off-balance sheet financial instruments</b> | Loan commitments                        |  |                                       |                    |

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**4 Summary of accounting policies ...continued**

**m) 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.

**n) 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.

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**4 Summary of accounting policies ...continued**

**o) 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, housebreaking or 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.

For all these contracts, except marine insurance, 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).



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**4 Summary of accounting policies ...continued**

**o) 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.

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**4 Summary of accounting policies ...continued**

**o) 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.

**p) 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.

**q) 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.

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**4 Summary of accounting policies ...continued**

**q) 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.

***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.

***Income tax rate***

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

**r) 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.

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**4 Summary of accounting policies...continued**

**s) 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 24).

Claims equalisation reserve represents cumulative amounts appropriated from the retained earnings of St. Kitts-Nevis Insurance Company Limited based on the discretion of the Company's Board of Directors as part of the Company'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 St. Kitts-Nevis Finance Company Limited 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.

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.

**t) Employee benefits**

***Post – employment benefit – 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.

**u) 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.

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**4 Summary of accounting policies ...continued**

**u) Provisions, contingent assets and contingent liabilities ...continued**

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.

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.

**v) 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.

**w) 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.

**x) 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.



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4 Summary of accounting policies...*continued*

y) 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.

a) *Estimated impairment losses on accounts receivable*

The Group maintains an allowance for impairment on accounts receivable at a level considered adequate to provide for uncollectible accounts receivable. The level of this allowance is evaluated by the Group on the basis 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 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. An increase in the Group's allowance for impairment loss on accounts receivable would increase the Group's recorded operating expenses and decrease current assets.

b) *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 \$404,621 higher or \$447,500 lower respectively (2014: \$546,407 higher and \$620,434 lower, respectively).

c) *Estimated impairment of 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.

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4 Summary of accounting policies...continued

y) Significant management judgment in applying accounting policies and estimation uncertainty  
...continued

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

e) *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.

f) *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 +/- \$3,100.

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.

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**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.

**i) Market risk**

*1) 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.

*2) 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 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 bank overdraft and the long-term borrowings bear fixed interest rates of 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 January 31, 2015. 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.

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**5 Financial risk management ...continued**

**a) Financial risk factors ...continued**

**i) Market risk ...continued**

**3) 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 January 31, 2015 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 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.

|                                    | 2015<br>\$         | As restated<br>2014<br>\$ |
|------------------------------------|--------------------|---------------------------|
| Cash at banks and cash equivalents | 22,280,700         | 18,397,554                |
| Investment securities              | 65,608,357         | 68,005,688                |
| Loans to customers                 | 91,407,024         | 91,654,380                |
| Accounts receivable                | 29,408,830         | 28,363,994                |
| Due from related parties           | 260,001            | 194,068                   |
|                                    | <b>208,964,912</b> | <b>206,615,684</b>        |

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

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**5 Financial risk management ...continued**

**a) Financial risk factors ...continued**

**ii) Credit risk ...continued**

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 each of the January 31 reporting dates under review are of good credit quality.

At January 31, the Group has certain accounts receivable 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 accounts receivable, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Accounts receivable 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 accounts receivable 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, since the counterparties are well-known reputable institutions.

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.

**Loans to customers**

Loans to customers are summarised as follows:

|  | 2015<br>\$        | 2014<br>\$        |
|--|-------------------|-------------------|
| Neither past due nor impaired          | 85,304,626        | 85,287,672        |
| Past due but not impaired              | 2,198,452         | 3,064,418         |
| Impaired                               | 7,171,427         | 6,954,995         |
| <b>Gross loans to customers</b>        | <b>94,674,505</b> | <b>95,307,085</b> |
| Interest receivable                    | 229,846           | 664,468           |
| Unearned interest                      | -                 | (8,141)           |
| Less: allowance for impairment losses  | (3,497,327)       | (4,309,032)       |
| <b>Net loans</b>                       | <b>91,407,024</b> | <b>91,654,380</b> |
| Specific provision                     | 2,738,240         | 2,604,445         |
| Inherent risk provision                | 759,087           | 1,704,587         |
| <b>Allowance for impairment losses</b> | <b>3,497,327</b>  | <b>4,309,032</b>  |



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**5 Financial risk management ...continued**

**a) Financial risk factors ...continued**

**ii) Credit risk ...continued**

**Loans to customers ...continued**

*(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:

|                     | 2015<br>\$        | 2014<br>\$        |
|---------------------|-------------------|-------------------|
| Home construction   | 32,987,375        | 34,889,978        |
| Vehicle             | 14,664,858        | 12,668,077        |
| Land and property   | 12,646,545        | 13,059,018        |
| Refinanced mortgage | 10,624,041        | 13,326,651        |
| Consumer            | 8,293,476         | 6,726,774         |
| Promotional         | 2,993,905         | 1,418,382         |
| Education           | 1,236,784         | 1,330,972         |
| Vacation            | 1,215,924         | 1,406,349         |
| Government          | 445,572           | 160,271           |
| Medical             | 196,146           | 301,200           |
|                     | <b>85,304,626</b> | <b>85,287,672</b> |

*(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:

|                         | 2015<br>\$       | 2014<br>\$       |
|-------------------------|------------------|------------------|
| Past due up to 3 months | 919,863          | 34,774           |
| Past due 3 – 6 months   | 292,688          | 807,693          |
| Past due 6 – 12 months  | 92,582           | 254,762          |
| Over 12 months          | 893,319          | 1,967,189        |
|                         | <b>2,198,452</b> | <b>3,064,418</b> |

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**5 Financial risk management ...continued**

**a) Financial risk factors ...continued**

**ii) Credit risk ...continued**

**Loans to customers ...continued**

*(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 \$7,171,427 (2014: \$6,954,995). Loans written-off for the year is \$271,913 (2014: Nil).

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:

|                                 | 2015<br>\$        | 2014<br>\$        |
|---------------------------------|-------------------|-------------------|
| Land and property               | 2,616,843         | 2,994,097         |
| Home construction               | 1,856,260         | 1,763,316         |
| Refinanced mortgage             | 1,608,888         | 1,155,125         |
| Vehicle                         | 388,572           | 333,738           |
| Education                       | 323,141           | 292,849           |
| Consumer                        | 258,422           | 287,213           |
| Vacation                        | 88,379            | 113,012           |
| Promotional                     | 30,922            | 15,645            |
| <b>Total</b>                    | <b>7,171,427</b>  | <b>6,954,995</b>  |
| <b>Fair value of collateral</b> | <b>13,482,870</b> | <b>18,506,418</b> |

*(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 January 31, 2015, renegotiated loans that would otherwise be past due or impaired totalled \$619,887 (2014: \$739,527).

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**5 Financial risk management ...continued**

**a) Financial risk factors ...continued**

**ii) Credit risk ...continued**

**Loans to customers ...continued**

*(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 \$1,024,364 and \$626,948 as at January 31, 2015 and 2014, 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:

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5 Financial risk management ...continued

a) Financial risk factors ...continued

iii) Liquidity risk ...continued

|  | Within 1<br>year<br>\$ | Between 1<br>and 5 years<br>\$ | More than<br>5 years<br>\$ | Total<br>\$        |
|--|------------------------|--------------------------------|----------------------------|--------------------|
| <b>As at January 31, 2015</b>          |                        |                                |                            |                    |
| <i>Financial liabilities</i>           |                        |                                |                            |                    |
| Borrowings                             | 50,993,872             | 5,481,644                      | 16,987,460                 | 73,462,976         |
| Customers' deposits                    | 86,614,177             | 5,502,982                      | 5,537,946                  | 97,655,105         |
| Accounts payable and other liabilities | 42,419,123             | –                              | –                          | 42,419,123         |
| Due to related parties                 | 264,958                | –                              | –                          | 264,958            |
| <b>Total financial liabilities</b>     | <b>180,292,130</b>     | <b>10,984,626</b>              | <b>22,525,406</b>          | <b>213,802,162</b> |
| <i>Financial assets</i>                |                        |                                |                            |                    |
| Cash and cash equivalents              | 22,352,245             | –                              | –                          | 22,352,245         |
| Investment securities                  | 53,643,036             | 11,965,321                     | –                          | 65,608,357         |
| Loans to customers                     | 15,782,416             | 36,455,388                     | 39,169,220                 | 91,407,024         |
| Accounts receivable                    | 29,408,830             | –                              | –                          | 29,408,830         |
| Due from related parties               | 260,001                | –                              | –                          | 260,001            |
| <b>Total financial assets</b>          | <b>121,446,528</b>     | <b>48,420,709</b>              | <b>39,169,220</b>          | <b>209,036,457</b> |
| <b>Net liquidity gap</b>               | <b>(58,845,602)</b>    | <b>37,436,083</b>              | <b>16,643,814</b>          | <b>(4,765,705)</b> |
| <br>                                   |                        |                                |                            |                    |
|  | Within 1<br>year<br>\$ | Between 1<br>and 5 years<br>\$ | More than<br>5 years<br>\$ | Total<br>\$        |
| <b>As at January 31, 2014</b>          |                        |                                |                            |                    |
| <i>Financial liabilities</i>           |                        |                                |                            |                    |
| Borrowings                             | 52,432,516             | 11,840,300                     | 13,500,000                 | 77,772,816         |
| Customers' deposits                    | 87,995,240             | 2,630,227                      | 5,357,946                  | 95,983,413         |
| Accounts payable and other liabilities | 37,676,001             | –                              | –                          | 37,676,001         |
| Due to related parties                 | 36,079                 | –                              | –                          | 36,079             |
| <b>Total financial liabilities</b>     | <b>178,139,836</b>     | <b>14,470,527</b>              | <b>18,857,946</b>          | <b>211,468,309</b> |
| <i>Financial assets</i>                |                        |                                |                            |                    |
| Cash and cash equivalents              | 18,475,056             | –                              | –                          | 18,475,056         |
| Investment securities                  | 45,287,874             | 22,717,814                     | –                          | 68,005,688         |
| Loans to customers                     | 15,081,033             | 34,489,782                     | 42,083,565                 | 91,654,380         |
| Accounts receivable                    | 28,363,994             | –                              | –                          | 28,363,994         |
| Due from related parties               | 194,068                | –                              | –                          | 194,068            |
| <b>Total financial assets</b>          | <b>107,402,025</b>     | <b>57,207,596</b>              | <b>42,083,565</b>          | <b>206,693,186</b> |
| <b>Net liquidity gap</b>               | <b>(70,737,811)</b>    | <b>42,737,069</b>              | <b>23,225,619</b>          | <b>(4,775,123)</b> |

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**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:

| Type of risk                         | 2015             |                  | 2014        |           |
|--------------------------------------|------------------|------------------|-------------|-----------|
|                                      | Gross<br>\$      | Net<br>\$        | Gross<br>\$ | Net<br>\$ |
| Motor                                | 2,412,168        | 2,412,168        | 1,523,291   | 1,523,291 |
| Property                             | 85,439           | 85,439           | 1,012,501   | 462,501   |
|                                      | <b>2,497,607</b> | <b>2,497,607</b> | 2,535,792   | 1,985,792 |
| Add:                                 |                  |                  |             |           |
| Claims incurred but not reported     | 310,000          | 310,000          | 160,000     | 160,000   |
| Unallocated loss adjustment expenses | 156,000          | 156,000          | 157,000     | 157,000   |
|                                      | <b>2,963,607</b> | <b>2,963,607</b> | 2,852,792   | 2,302,792 |

**i) Property insurance**

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



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**6 Management of insurance and financial risk ... continued**

**a) Insurance risk ...continued**

**i) Property insurance ...continued**

***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.

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**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 policy, 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.

**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.

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**6 Management of insurance and financial risk ...continued**

**a) Insurance risk ...continued**

**iv) Claims development ...continued**

**Motor – gross**

| Loss year                  | Brought forward \$ | 2011 \$   | 2012 \$   | 2013 \$   | 2014 \$   | 2015 \$   | Total \$   |
|----------------------------|--------------------|-----------|-----------|-----------|-----------|-----------|------------|
| - At end of reporting year | 4,112,826          | 2,466,213 | 2,194,045 | 2,412,449 | 1,922,060 | 3,350,301 | 16,457,894 |
| - One year later           | (116,252)          | 21,027    | (6,111)   | (97,683)  | (26,121)  | -         | (225,140)  |
| - Two years later          | (81,167)           | (883)     | (7,846)   | 3,444     | -         | -         | (86,452)   |
| - Three years later        | 13,490             | 28,769    | (21,000)  | 4,000     | -         | -         | 25,259     |
| - Four years later         | 33,172             | -         | -         | -         | -         | -         | 33,172     |
| - Five years and over      | -                  | (120,310) | -         | -         | -         | -         | (120,310)  |

**Current estimate of cumulative claims**

|  |           |           |           |           |           |           |            |
|--|-----------|-----------|-----------|-----------|-----------|-----------|------------|
|  | 3,962,069 | 2,394,816 | 2,159,088 | 2,322,210 | 1,895,939 | 3,350,301 | 16,084,423 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|------------|

**Cumulative payments to date**

|  |             |             |             |             |             |             |              |
|--|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
|  | (2,919,122) | (2,612,959) | (2,224,160) | (1,917,279) | (1,671,750) | (2,326,985) | (13,672,255) |
|--|-------------|-------------|-------------|-------------|-------------|-------------|--------------|

**Liability recognised in the balance sheet**

|  |                  |                  |                 |                |                |                  |                  |
|--|------------------|------------------|-----------------|----------------|----------------|------------------|------------------|
|  | <b>1,042,947</b> | <b>(218,143)</b> | <b>(65,072)</b> | <b>404,931</b> | <b>224,189</b> | <b>1,023,316</b> | <b>2,412,168</b> |
|--|------------------|------------------|-----------------|----------------|----------------|------------------|------------------|

**Motor – net**

|                            |           |           |           |           |           |           |            |
|----------------------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| - At end of reporting year | 4,112,826 | 2,466,213 | 2,194,045 | 2,412,449 | 1,922,060 | 3,350,301 | 16,457,894 |
| - One year later           | (116,252) | 21,027    | (6,111)   | (97,683)  | (26,121)  | -         | (225,140)  |
| - Two years later          | (81,167)  | (883)     | (7,846)   | 3,444     | -         | -         | (86,452)   |
| - Three years later        | 13,490    | 28,769    | (21,000)  | 4,000     | -         | -         | 25,259     |
| - Four years later         | 33,172    | -         | -         | -         | -         | -         | 33,172     |
| - Five years and over      | -         | (120,310) | -         | -         | -         | -         | (120,310)  |

**Current estimate of cumulative claims**

|  |           |           |           |           |           |           |            |
|--|-----------|-----------|-----------|-----------|-----------|-----------|------------|
|  | 3,962,069 | 2,394,816 | 2,159,088 | 2,322,210 | 1,895,939 | 3,350,301 | 16,084,423 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|------------|

**Cumulative payments to date**

|  |             |             |             |             |             |             |              |
|--|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
|  | (2,919,122) | (2,612,959) | (2,224,160) | (1,917,279) | (1,671,750) | (2,326,985) | (13,672,255) |
|--|-------------|-------------|-------------|-------------|-------------|-------------|--------------|

**Liability recognised in the balance sheet**

|  |                  |                  |                 |                |                |                  |                  |
|--|------------------|------------------|-----------------|----------------|----------------|------------------|------------------|
|  | <b>1,042,947</b> | <b>(218,143)</b> | <b>(65,072)</b> | <b>404,931</b> | <b>224,189</b> | <b>1,023,316</b> | <b>2,412,168</b> |
|--|------------------|------------------|-----------------|----------------|----------------|------------------|------------------|

## Notes to Consolidated Financial Statements

January 31, 2015 (Expressed in Eastern Caribbean Dollars)

## 6 Management of insurance and financial risk ... continued

## a) Insurance risk ... continued

## iv) Claims development ... continued

## Property – gross

|  | Brought forward | 2011             | 2012          | 2013          | 2014           | 2015             | Total         |
|--|-----------------|------------------|---------------|---------------|----------------|------------------|---------------|
|  | \$              | \$               | \$            | \$            | \$             | \$               | \$            |
| <b>Loss year</b>                                 |                 |                  |               |               |                |                  |               |
| - At end of reporting year                       | 264,477         | 70,567           | 64,994        | 92,395        | 1,066,955      | 173,307          | 1,732,695     |
| - One year later                                 | -               | -                | -             | -             | 42,713         | -                | 42,713        |
| - Two years later                                | -               | -                | (12,732)      | -             | -              | -                | (12,732)      |
| - Three years later                              | -               | -                | -             | -             | -              | -                | -             |
| - Four years later                               | -               | -                | -             | -             | -              | (6,000)          | (6,000)       |
| Current estimate of cumulative claims            | 264,477         | 70,567           | 52,262        | 92,395        | 1,109,668      | 167,307          | 1,756,676     |
| Cumulative payments to date                      | (16,165)        | (194,189)        | (41,582)      | (59,526)      | (222,693)      | (1,137,082)      | (1,671,237)   |
| <b>Liability recognised in the balance sheet</b> | <b>248,312</b>  | <b>(123,622)</b> | <b>10,680</b> | <b>32,869</b> | <b>886,975</b> | <b>(969,775)</b> | <b>85,439</b> |
| <b>Property – net</b>                            |                 |                  |               |               |                |                  |               |
| - At end of reporting year                       | 264,477         | 70,567           | 64,994        | 92,395        | 1,066,955      | 173,307          | 1,732,695     |
| - One year later                                 | -               | -                | -             | -             | 42,713         | -                | 42,713        |
| - Two years later                                | -               | -                | (12,732)      | -             | -              | -                | (12,732)      |
| - Three years later                              | -               | -                | -             | -             | -              | -                | -             |
| - Four years later                               | -               | -                | -             | -             | -              | (6,000)          | (6,000)       |
| Current estimate of cumulative claims            | 264,477         | 70,567           | 52,262        | 92,395        | 1,109,668      | 167,307          | 1,756,676     |
| Cumulative payments to date                      | (16,165)        | (194,189)        | (41,582)      | (59,526)      | (222,693)      | (1,137,082)      | (1,671,237)   |
| <b>Liability recognised in the balance sheet</b> | <b>248,312</b>  | <b>(123,622)</b> | <b>10,680</b> | <b>32,869</b> | <b>886,975</b> | <b>(969,775)</b> | <b>85,439</b> |

Notes to Consolidated Financial Statements

January 31, 2015 (Expressed in Eastern Caribbean Dollars)

6 Management of insurance and financial risk ...continued

a) Insurance risk ... continued

iv) Claims development ...continued

Marine – gross

|  | Brought forward | 2009 | 2010 | 2013 | 2014          | 2015            | Total    |
|--|-----------------|------|------|------|---------------|-----------------|----------|
|  | \$              | \$   | \$   | \$   | \$            | \$              | \$       |
| Loss year  |                 |      |      |      |               |                 |          |
| - At end of reporting year                       | -               | -    | -    | -    | -             | (5,000)         | (5,000)  |
| - One year later                                 | -               | -    | -    | -    | 17,319        | -               | 17,319   |
| - Two years later                                | -               | -    | -    | -    | -             | -               | -        |
| - Three years later                              | -               | -    | -    | -    | -             | -               | -        |
| - Four years later                               | -               | -    | -    | -    | -             | -               | -        |
| Current estimate of cumulative claims            | -               | -    | -    | -    | 17,319        | (5,000)         | 12,319   |
| Cumulative payments to date                      | -               | -    | -    | -    | -             | (12,319)        | (12,319) |
| <b>Liability recognised in the balance sheet</b> | -               | -    | -    | -    | <b>17,319</b> | <b>(17,319)</b> | -        |

Marine – net

|  |   |   |   |   |               |                 |          |
|--|---|---|---|---|---------------|-----------------|----------|
| - At end of reporting year                       | - | - | - | - | -             | (5,000)         | (5,000)  |
| - One year later                                 | - | - | - | - | 17,319        | -               | 17,319   |
| - Two years later                                | - | - | - | - | -             | -               | -        |
| - Three years later                              | - | - | - | - | -             | -               | -        |
| - Four years later                               | - | - | - | - | -             | -               | -        |
| Current estimate of cumulative claims            | - | - | - | - | 17,319        | (5,000)         | 12,319   |
| Cumulative payments to date                      | - | - | - | - | -             | (12,319)        | (12,319) |
| <b>Liability recognised in the balance sheet</b> | - | - | - | - | <b>17,319</b> | <b>(17,319)</b> | -        |



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**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, accounts receivable and due from related parties. Short-term financial liabilities are comprised of customers' deposits, accounts payable and other liabilities and due to related parties.

*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.

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**6 Management of insurance and financial risk ....continued**  
**b) Fair value of financial assets and liabilities ....continued**

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

|  | Carrying value     |                     | Fair value         |                     |
|--|--------------------|---------------------|--------------------|---------------------|
|  | 2015               | As restated<br>2014 | 2015               | As restated<br>2014 |
|  | \$                 | \$                  | \$                 | \$                  |
| <b>Financial assets</b>                |                    |                     |                    |                     |
| Cash and cash equivalents              | 22,352,245         | 18,475,056          | 22,352,245         | 18,475,056          |
| Investment securities                  | 65,608,357         | 68,005,688          | 65,608,357         | 68,005,688          |
| Loans to customers                     | 91,407,024         | 91,654,380          | 91,407,024         | 91,654,380          |
| Accounts receivable                    | 29,408,830         | 28,363,994          | 29,408,830         | 28,363,994          |
| Due from related parties               | 260,001            | 194,068             | 260,001            | 194,068             |
|  | <b>209,036,457</b> | <b>206,693,186</b>  | <b>209,036,457</b> | <b>206,693,186</b>  |
| <b>Financial liabilities</b>           |                    |                     |                    |                     |
| Borrowings                             | 68,110,588         | 65,104,328          | 68,110,588         | 65,104,328          |
| Customers' deposits                    | 95,684,694         | 91,492,911          | 91,561,692         | 87,807,456          |
| Accounts payable and other liabilities | 42,419,123         | 37,676,001          | 42,419,123         | 37,676,001          |
| Due to related parties                 | 264,958            | 36,079              | 264,958            | 36,079              |
|  | <b>206,479,363</b> | <b>194,309,319</b>  | <b>202,356,361</b> | <b>190,623,864</b>  |

St. Kitts Nevis Anguilla Trading and Development Company Limited  
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**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<br>\$    | Level 2<br>\$ | Level 3<br>\$    |
|------------------------------|------------------|---------------|------------------|
| <b>Financial assets 2015</b> |                  |               |                  |
| AFS financial assets         | <b>3,404,616</b> | –             | <b>3,787,697</b> |
| <b>Financial assets 2014</b> |                  |               |                  |
| AFS financial assets         | 3,357,887        | –             | 3,766,097        |

*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<br>\$ | Level 2<br>\$     | Level 3<br>\$     | Total<br>\$        |
|---------------------------------------|---------------|-------------------|-------------------|--------------------|
| Land and buildings – January 31, 2015 | –             | <b>19,725,000</b> | <b>99,024,997</b> | <b>118,749,997</b> |
| Land and buildings – January 31, 2014 | –             | –                 | 111,834,248       | 111,834,248        |

Fair value of the Group's main property assets is estimated based on appraisals performed by independent, professionally-qualified property valuers or the Group's Board of Directors. 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.

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**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.

**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 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 January 31, 2015, the Group's net debt amounted to \$45,758,343 (2014: \$46,629,272), while its equity amounted to \$179,536,231 (2014: \$178,208,841).

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.

**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). 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.

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**7 Segment reporting ... continued**

Segment information for the reporting period is as follows:

| 2015                                    | General trading \$ | Insurance \$      | Financing \$       | Hotel and restaurant \$ | Others \$         | Eliminations \$      | Total \$           |
|---|--------------------|-------------------|--------------------|-------------------------|-------------------|----------------------|--------------------|
| <b>Revenue</b>                          |                    |                   |                    |                         |                   |                      |                    |
| From external customers:                |                    |                   |                    |                         |                   |                      |                    |
| Revenue                                 | 121,903,176        | 400,000           | –                  | 2,559,988               | 18,810,130        | –                    | 143,673,294        |
| Net interest income                     | (2,932)            | 1,574,210         | 4,374,987          | –                       | (31,832)          | –                    | 5,914,433          |
| Net underwriting income                 | –                  | 3,861,691         | –                  | –                       | –                 | –                    | 3,861,691          |
| Other income                            | 7,723,587          | 1,171,756         | 355,275            | 608,522                 | 418,324           | –                    | 10,277,464         |
| From other segments                     | 49,404,677         | 2,165,222         | 33,895             | 72,973                  | 739,332           | (52,416,099)         | –                  |
| <b>Cost of sales</b>                    | 179,028,508        | 9,172,879         | 4,764,157          | 3,241,483               | 19,935,954        | (52,416,099)         | 163,726,882        |
|   | (120,227,758)      | –                 | –                  | (1,592,472)             | (10,504,260)      | 25,585,062           | (106,739,428)      |
| <b>Gross profit</b>                     | 58,800,750         | 9,172,879         | 4,764,157          | 1,649,011               | 9,431,694         | (26,831,037)         | 56,987,454         |
| Employee costs                          | (16,267,615)       | (1,827,704)       | (990,497)          | (512,811)               | (3,421,030)       | 23,502               | (22,996,155)       |
| General and administrative expenses     | (14,925,211)       | (2,365,449)       | (376,326)          | (2,505,717)             | (3,783,078)       | 6,831,819            | (17,123,962)       |
| Depreciation and amortization           | (2,689,964)        | (347,533)         | (121,453)          | (662,606)               | (528,310)         | –                    | (4,349,866)        |
| Finance charges, net                    | (5,291,425)        | (33,879)          | (17,791)           | (109,341)               | 1,074,336         | 975,716              | (3,402,384)        |
| Revaluation loss                        | (347,179)          | –                 | –                  | –                       | (2,069,371)       | –                    | (2,416,550)        |
| Share of income of associated companies | –                  | –                 | –                  | –                       | –                 | 1,347,341            | 1,347,341          |
|   | (39,521,394)       | (4,574,565)       | (1,506,067)        | (3,790,475)             | (8,727,453)       | 9,178,378            | (48,941,576)       |
| <b>Segment profit/(loss) before tax</b> | <b>19,279,356</b>  | <b>4,598,314</b>  | <b>3,258,090</b>   | <b>(2,141,464)</b>      | <b>704,241</b>    | <b>(17,652,659)</b>  | <b>8,045,878</b>   |
| <b>Segment assets</b>                   | <b>242,771,705</b> | <b>68,797,344</b> | <b>127,718,531</b> | <b>34,102,015</b>       | <b>50,688,662</b> | <b>(108,691,436)</b> | <b>415,386,821</b> |
| <b>Segment liabilities</b>              | <b>148,925,431</b> | <b>12,291,497</b> | <b>102,931,413</b> | <b>12,928,237</b>       | <b>20,441,728</b> | <b>(69,025,930)</b>  | <b>228,492,376</b> |



St. Kitts Nevis Anguilla Trading and Development Company Limited  
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7 Segment reporting ... continued

| 2014                                    | General trading \$  | Insurance \$      | Financing \$       | Hotel and restaurant \$ | Others \$         | Eliminations \$     | Total \$           |
|---|---------------------|-------------------|--------------------|-------------------------|-------------------|---------------------|--------------------|
| <b>Revenue</b>                          |                     |                   |                    |                         |                   |                     |                    |
| From external customers:                |                     |                   |                    |                         |                   |                     |                    |
| Revenue                                 | 110,542,532         | —                 | —                  | 5,041,884               | 21,500,825        | —                   | 137,085,241        |
| Net underwriting income                 | —                   | 3,633,735         | —                  | —                       | —                 | —                   | 3,633,735          |
| Net interest income                     | 427,085             | 1,630,278         | 4,630,533          | —                       | —                 | —                   | 6,687,896          |
| Other income                            | 9,227,170           | 890,482           | 254,244            | 572,345                 | 1,459,399         | —                   | 12,403,640         |
| From other segments                     | 32,945,317          | 2,444,674         | 49,014             | 313,023                 | 1,405,907         | (37,157,935)        | —                  |
| <b>Cost of sales</b>                    | 153,142,104         | 8,599,169         | 4,933,791          | 5,927,252               | 24,366,131        | (37,157,935)        | 159,810,512        |
|   | (114,890,477)       | —                 | —                  | (2,508,537)             | (15,000,155)      | 29,668,445          | (102,730,724)      |
| <b>Gross profit</b>                     | 38,251,627          | 8,599,169         | 4,933,791          | 3,418,715               | 9,365,976         | (7,489,490)         | 57,079,788         |
| Employee costs                          | (14,332,830)        | (1,418,084)       | (857,211)          | (900,245)               | (3,045,731)       | —                   | (20,554,101)       |
| General and administrative expenses     | (24,771,488)        | (1,956,278)       | (1,402,156)        | (3,801,663)             | (4,200,771)       | 15,502,295          | (20,630,061)       |
| Depreciation and amortization           | (2,259,933)         | (347,202)         | (63,509)           | (660,595)               | (514,924)         | —                   | (3,846,163)        |
| Finance charges, net                    | (5,487,809)         | 4,431             | (15,037)           | (117,996)               | 1,321,992         | 918,179             | (3,376,240)        |
| Impairment loss on investments          | (30,506,276)        | —                 | —                  | —                       | —                 | 29,261,954          | (1,244,322)        |
| Share of income of associated companies | —                   | —                 | —                  | —                       | —                 | 998,605             | 998,605            |
|   | (77,358,336)        | (3,717,133)       | (2,337,913)        | (5,480,499)             | (6,439,434)       | 46,681,033          | (48,652,282)       |
| <b>Segment profit/(loss) before tax</b> | <b>(39,106,709)</b> | <b>4,882,036</b>  | <b>2,595,878</b>   | <b>(2,061,784)</b>      | <b>2,926,542</b>  | <b>39,191,543</b>   | <b>8,427,506</b>   |
| <b>Segment assets</b>                   | <b>213,878,907</b>  | <b>65,573,438</b> | <b>121,340,164</b> | <b>28,856,203</b>       | <b>44,307,993</b> | <b>(73,149,216)</b> | <b>400,807,489</b> |
| <b>Segment liabilities</b>              | <b>124,908,487</b>  | <b>10,824,036</b> | <b>98,701,499</b>  | <b>11,967,355</b>       | <b>13,374,046</b> | <b>(43,778,179)</b> | <b>215,997,244</b> |

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**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**

|                  | 2015<br>\$        | 2014<br>\$        |
|------------------|-------------------|-------------------|
| Cash on hand     | 71,545            | 77,502            |
| Cash at banks    | 13,215,174        | 10,818,396        |
| Cash equivalents | 9,065,526         | 7,579,158         |
|                  | <b>22,352,245</b> | <b>18,475,056</b> |

Cash at banks is held with several local commercial banks 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:

|   | 2015<br>\$       | 2014<br>\$       |
|---|------------------|------------------|
| 91-day Treasury bills held with the Government of St. Kitts and Nevis maturing on February 10, 2015 at an interest rate of 4.75% (2014: 6.5%)   | 5,960,417        | 5,945,833        |
| Four 90 day term deposits held with Royal Bank of Canada maturing on April 08, 2015 bearing an interest of rate of 3.0%   | 2,017,111        | -                |
| 3 month fixed deposit held with The Caribbean Commercial Bank (Anguilla) Limited maturing on February 23, 2015 at an interest rate of 3.125% (2014: maturing on February 24, 2014 at interest rate of 3.0%) | 596,123          | 574,783          |
| 91-day Treasury bills held with Nevis Island Administration maturing on April 14, 2015 at an interest rate of 6.5% (2014: 6.5%)   | 491,875          | 491,875          |
| Three month deposit held with St. Kitts-Nevis-Anguilla National Bank Limited at an interest rate of 3%  | -                | 566,667          |
|   | <b>9,065,526</b> | <b>7,579,158</b> |

**St. Kitts Nevis Anguilla Trading and Development Company Limited**  
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**9 Investment securities**

|   | 2015<br>\$        | 2014<br>\$        |
|---|-------------------|-------------------|
| <b>AFS</b>                              |                   |                   |
| Quoted securities                       | 3,404,616         | 3,357,887         |
| Unquoted securities                     | 3,787,697         | 3,766,097         |
|   | <b>7,192,313</b>  | <b>7,123,984</b>  |
| <b>Loans and receivables</b>            |                   |                   |
| Fixed deposits                          | 38,464,842        | 39,692,506        |
| Corporate bonds                         | 13,500,000        | 14,500,000        |
| Government treasury bills and bonds     | 5,307,455         | 5,480,869         |
|   | <b>57,272,297</b> | <b>59,673,375</b> |
| Total investment securities – principal | <b>64,464,610</b> | <b>66,797,359</b> |
| Interest receivable                     | 1,143,747         | 1,208,329         |
|   | <b>65,608,357</b> | <b>68,005,688</b> |
| Current                                 | <b>53,643,036</b> | 45,287,874        |
| Non-current                             | <b>11,965,321</b> | 22,717,814        |
|   | <b>65,608,357</b> | <b>68,005,688</b> |

The movement in investment securities may be summarised as follows:

|   | Loans and<br>receivables<br>\$ | AFS<br>\$        | Total<br>\$       |
|---|--------------------------------|------------------|-------------------|
| <b>Balance at January 31, 2013</b>                          | <b>44,151,474</b>              | <b>8,683,481</b> | <b>52,834,955</b> |
| Additions   | 15,521,901                     | –                | 15,521,901        |
| Impairment of investment                                    | –                              | (1,244,322)      | (1,244,322)       |
| Net unrealised fair value losses on AFS<br>financial assets | –                              | (315,175)        | (315,175)         |
| <b>Balance at January 31, 2014</b>                          | <b>59,673,375</b>              | <b>7,123,984</b> | <b>66,797,359</b> |
| Additions   | 11,598,922                     | –                | 11,598,922        |
| Redemption  | (14,000,000)                   | –                | (14,000,000)      |
| Net unrealised fair value gains on AFS<br>financial assets  | –                              | 68,329           | 68,329            |
| <b>Balance at January 31, 2015</b>                          | <b>57,272,297</b>              | <b>7,192,313</b> | <b>64,464,610</b> |

St. Kitts Nevis Anguilla Trading and Development Company Limited  
Notes to Consolidated Financial Statements  
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**10 Loans to customers**

|                                 | 2015<br>\$        | 2014<br>\$        |
|---------------------------------|-------------------|-------------------|
| Performing loans and advances   | 87,503,078        | 88,352,090        |
| Classified loans                | 7,171,427         | 6,954,995         |
| Gross loans                     | 94,674,505        | 95,307,085        |
| Allowance for loan impairment   | (3,497,327)       | (4,309,032)       |
| Net loans                       | 91,177,178        | 90,998,053        |
| Interest receivable             | 229,846           | 656,327           |
| <b>Total loans to customers</b> | <b>91,407,024</b> | <b>91,654,380</b> |
| Current                         | 15,782,416        | 15,081,033        |
| Non-current                     | 75,624,608        | 76,573,347        |
|                                 | <b>91,407,024</b> | <b>91,654,380</b> |

Movement in the loan loss provision:

|                                   | 2015<br>\$       | 2014<br>\$ |
|-----------------------------------|------------------|------------|
| Balance at beginning of year      | 4,309,032        | 4,585,364  |
| Provision for the year            | –                | 83,769     |
| Write-offs for the year           | (271,913)        | –          |
| Amounts recovered during the year | (539,792)        | (360,101)  |
| Balance at end of year            | <b>3,497,327</b> | 4,309,032  |

According to the Eastern Caribbean Central Bank (ECCB) loan provisioning guidelines, the calculated allowance for loan impairment amounts to \$3,217,034 (2014: \$2,251,015). 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 January 31, 2015, 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 year end was \$7,171,427 (2014: \$6,954,995).

Accrued interest on loans that would not be recognised under ECCB guidelines amounted to \$91,749, and is included in other reserves in equity.

St. Kitts Nevis Anguilla Trading and Development Company Limited  
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**11 Accounts receivable and prepayments**

|   | 2015<br>\$        | As restated<br>2014<br>\$ |
|---|-------------------|---------------------------|
| Accounts receivable                                   | 39,048,490        | 38,049,986                |
| Less: provision for impairment on accounts receivable | (9,639,660)       | (9,685,992)               |
| Net accounts receivable                               | <b>29,408,830</b> | 28,363,994                |
| Statutory deposits                                    | <b>2,836,394</b>  | 2,784,617                 |
| Prepayments   | <b>1,098,867</b>  | 1,845,318                 |
| Deferred costs  | <b>170,426</b>    | 163,205                   |
|   | <b>33,514,517</b> | 33,157,134                |

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 January 31, 2015 and 2014, 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 business.

**Classification of accounts receivable**

Accounts receivable are summarized as follows:

|                               | 2015<br>\$        | As restated<br>2014<br>\$ |
|-------------------------------|-------------------|---------------------------|
| Neither past due nor impaired | 22,363,142        | 20,842,681                |
| Past due but not impaired     | 7,045,688         | 7,521,313                 |
| Individually impaired         | 9,639,660         | 9,685,992                 |
|                               | <b>39,048,490</b> | 38,049,986                |



St. Kitts Nevis Anguilla Trading and Development Company Limited  
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January 31, 2015 (Expressed in Eastern Caribbean Dollars)

**11 Accounts receivable and prepayments ...continued**

Movement in the allowance for impairment on accounts receivable is:

|  | <b>2015</b><br>\$ | <b>As restated</b><br><b>2014</b><br>\$ |
|--|-------------------|---|
| Balance at beginning of year                   | 9,685,992         | 9,194,789                               |
| Impairment loss net of recoveries for the year | 36,233            | 885,334                                 |
| Written-off during the year as uncollectible   | (82,565)          | (394,131)                               |
| Balance at end of year                         | <b>9,639,660</b>  | 9,685,992                               |

*Accounts receivable neither past due nor impaired*

The credit quality of accounts receivable 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.

|                | <b>2015</b><br>\$ | <b>As restated</b><br><b>2014</b><br>\$ |
|----------------|-------------------|---|
| Under 3 months | <b>22,363,142</b> | 20,842,681                              |

*Accounts receivable past due but not impaired*

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

As at January 31, 2015, accounts receivable of \$7,045,688 (2014: \$7,521,313) were past due but not impaired. The aging of these accounts receivable is as follows:

|               | <b>2015</b><br>\$ | <b>2014</b><br>\$ |
|---------------|-------------------|-------------------|
| Over 3 months | <b>7,045,688</b>  | 7,521,313         |

St. Kitts Nevis Anguilla Trading and Development Company Limited  
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**11 Accounts receivable and prepayments ...continued**

*Accounts receivable individually impaired*

As at January 31, 2015, accounts receivable of \$9,639,660 (2014: \$9,685,992) were impaired and a related provision established. The aging of these accounts receivable is as follows:

|                                  | 2015<br>\$        | As restated<br>2014<br>\$ |
|----------------------------------|-------------------|---------------------------|
| Over 3 months                    | 9,639,660         | 9,685,992                 |
| <b>Total accounts receivable</b> | <b>39,048,490</b> | <b>38,049,986</b>         |

**12 Inventories**

|                                  | 2015<br>\$        | 2014<br>\$        |
|----------------------------------|-------------------|-------------------|
| Goods on hand                    | 30,724,278        | 29,332,685        |
| Land held for future development | 11,654,566        | 11,964,690        |
| Sunrise Hills Villas             | 3,391,651         | 3,518,162         |
| Goods in transit                 | 1,404,019         | 456,519           |
| Work-in-progress                 | 682,128           | 670,444           |
|                                  | <b>47,856,642</b> | <b>45,942,500</b> |

**13 Related party balances and transactions**

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:

|   |                     | 2015<br>\$ | 2014<br>\$ |
|---|---------------------|------------|------------|
| <b>Due from related parties</b>             | <b>Relationship</b> |            |            |
| Malliouhana-Anico Insurance Company Limited | Associate company   | 260,001    | 194,068    |
| <b>Due to related parties</b>               | <b>Relationship</b> |            |            |
| St. Kitts Masonry Products Limited          | Associate company   | 264,958    | 36,079     |

St. Kitts Nevis Anguilla Trading and Development Company Limited  
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January 31, 2015 (Expressed in Eastern Caribbean Dollars)

**13 Related party balances and transactions ...continued**

The following transactions were carried out with related parties:

|   |                     | 2015<br>\$     | 2014<br>\$     |
|---|---------------------|----------------|----------------|
| <b>Sales</b>                                |                     |                |                |
| <b>Name of related party</b>                | <b>Relationship</b> |                |                |
| St. Kitts Masonry Products Limited          | Associate company   | 3,319,222      | 3,641,561      |
| <b>Management fees</b>                      |                     |                |                |
| <b>Name of related party</b>                | <b>Relationship</b> |                |                |
| St. Kitts Masonry Products Limited          | Associate company   | 127,000        | 102,300        |
| Malliouhana-Anico Insurance Company Limited | Associate company   | 60,000         | 60,000         |
|   |                     | <b>187,000</b> | <b>162,300</b> |
| <b>Commission</b>                           |                     |                |                |
| <b>Name of related party</b>                | <b>Relationship</b> |                |                |
| Malliouhana-Anico Insurance Company Limited | Associate company   | 20,829         | 24,110         |
| <b>Reinsurance premium</b>                  |                     |                |                |
| <b>Name of related party</b>                | <b>Relationship</b> |                |                |
| Malliouhana-Anico Insurance Company Limited | Associate company   | 2,291,155      | 1,965,132      |
| <b>Expenses</b>                             |                     |                |                |
| <b>Name of related party</b>                | <b>Relationship</b> |                |                |
| St. Kitts Masonry Products Limited          | Associate company   | 7,345,402      | 7,637,414      |

**Key management compensation**

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

|                 | 2015<br>\$       | 2014<br>\$       |
|-----------------|------------------|------------------|
| Salaries        | 1,574,708        | 1,391,414        |
| Directors' fees | 544,300          | 370,400          |
| Gratuity        | 263,236          | 305,844          |
| Pension         | 101,412          | 97,650           |
| Social security | 81,756           | 31,152           |
| Allowances      | 72,885           | 217,857          |
|                 | <b>2,638,297</b> | <b>2,414,317</b> |

# St. Kitts Nevis Anguilla Trading and Development Company Limited

## Notes to Consolidated Financial Statements

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### 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 |        |
|---|--|--|---|--------|
|   |  |  | 2015  | 2014   |
| 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  | the manufacturing, wholesaling and retailing of garments (operations ceased on February 1, 1985)   | 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% |
| St. Kitts-Nevis Finance Company Limited   | St. Kitts  | accepting deposits from customers, providing loans to customers and investing in debt and equity securities  | 100%  | 100%   |
| St. Kitts-Nevis 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%   |

St. Kitts Nevis Anguilla Trading and Development Company Limited  
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 January 31, 2015 (Expressed in Eastern Caribbean Dollars)

**14 Interest in subsidiaries ...continued**

*Composition of the Group ...continued*

| <b>Name of subsidiary</b>                                | <b>Country of incorporation and principal place of business</b> | <b>Principal activity</b>  | <b>2015</b> | <b>2014</b> | <b>Proportion of ownership interests held by the Group</b> |
|--|---|--|-------------|-------------|--|
| TDC Real Estate and Construction Company Limited         | St. Kitts   | real estate development and construction of residential villas   | 100%        | 100%        | 100%   |
| TDC Rentals Limited                                      | St. Kitts   | car rental services and financing service to consumers   | 100%        | 100%        | 100%   |
| TDC Tours Limited  | St. Kitts   | organisation of tours, weddings and shore excursions   | 100%        | 100%        | 100%   |
| City Drug Store (Nevis) Limited                          | Nevis   | retailing of customer products   | 100%        | 100%        | 100%   |
| SNIC (Nevis) Limited                                     | Nevis   | the business of insurance agent for all classes of general insurance, including property and motor risks | 100%        | 100%        | 100%   |
| TDC Airline Services (Nevis) Limited                     | Nevis   | travel agents, tour operators, shipping and forwarding agents  | 100%        | 100%        | 100%   |
| TDC Nevis Limited  | Nevis   | trading as general merchants, manufacturers' representatives and commission agents                       | 100%        | 100%        | 100%   |
| TDC Real Estate and Construction Company (Nevis) Limited | Nevis   | real estate development and construction   | 100%        | 100%        | 100%   |
| TDC Rentals (Nevis) Limited                              | Nevis   | car rental services and financing service to consumers   | 100%        | 100%        | 100%   |
| East Caribbean Reinsurance Company Limited               | Anguilla  | the business of reinsurance for all classes of general insurance   | 80%         | 80%         | 80%  |



St. Kitts Nevis Anguilla Trading and Development Company Limited  
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**14 Interest in subsidiaries...continued**

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

The Group has issued guarantees to certain banks in respect of the credit facilities granted to certain subsidiaries (see note 32).

The Group has no interests in unconsolidated structured entities.

*Losing control over a subsidiary during the reporting period*

On January 31, 2014, the Group liquidated its 51% equity interest in its subsidiary, Mercator Caribbean Trust Company (Mercator). At the date of liquidation, the carrying amounts of the net assets of Mercator were as follows:

|  |         | \$ |  |
|--|---------|----|--|
| Cash and cash equivalents              | 156,430 |    |  |
| Receivables                            | 113,570 |    |  |
|  |         |    |  |
| Net assets                             | 270,000 |    |  |
| Percentage ownership                   | 51%     |    |  |
|  |         |    |  |
| Less: amount receivable from the Group | 137,700 |    |  |
|  | 36,367  |    |  |
|  |         |    |  |
| Cash received on liquidation           | 101,333 |    |  |
|  |         |    |  |

There was no loss or gain on the liquidation of the Company's interest in Mercator.

**15 Investment in associates**

The Group's associates include the following:

| Name of Associate                           | Country of incorporation/<br>Principal place of business | Percentage of ownership |      | Carrying value |           |
|---|--|-------------------------|------|----------------|-----------|
|   |  | 2015                    | 2014 | 2015           | 2014      |
|   |  | %                       | %    | \$             | \$        |
| St. Kitts Masonry Products Limited          | St. Kitts  | 50                      | 50   | 5,358,044      | 4,523,265 |
| Malliouhana-Anico Insurance Company Limited | Anguilla   | 25                      | 25   | 3,623,081      | 3,610,519 |
|   |  |                         |      | 8,981,125      | 8,133,784 |

St. Kitts Nevis Anguilla Trading and Development Company Limited  
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**15 Investment in associates ...continued**

Movements in the investment in associates account are as follows:

|   | 2015<br>\$       | 2014<br>\$ |
|---|------------------|------------|
| Balance at beginning of year            | 8,133,784        | 7,535,179  |
| Share of income of associated companies | 1,347,341        | 998,605    |
| Dividends received                      | (500,000)        | (400,000)  |
|   | <hr/>            | <hr/>      |
| Balance at end of year                  | <b>8,981,125</b> | 8,133,784  |

*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:

|                     | 2015<br>\$        | 2014<br>\$   |
|---------------------|-------------------|--------------|
| Current assets      | 4,707,392         | 3,954,275    |
| Non-current assets  | 8,819,527         | 8,178,299    |
| Current liabilities | (2,800,725)       | (2,924,915)  |
|                     | <hr/>             | <hr/>        |
| <b>Net assets</b>   | <b>10,726,194</b> | 9,207,659    |
| Revenue             | 21,413,293        | 17,329,928   |
| Costs and expenses  | (18,301,301)      | (15,849,719) |
|                     | <hr/>             | <hr/>        |
| <b>Net income</b>   | <b>3,111,992</b>  | 1,480,209    |

*Malliouhana-Anico Insurance Company Limited*

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

St. Kitts Nevis Anguilla Trading and Development Company Limited  
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**15 Investment in associates ...continued**

*Malliouhana-Anico Insurance Company Limited ...continued*

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

|                         | 2015<br>\$        | 2014<br>\$   |
|-------------------------|-------------------|--------------|
| Assets                  | 27,521,377        | 27,983,637   |
| Liabilities             | (13,218,911)      | (13,334,131) |
| <b>Net assets</b>       | <b>14,302,466</b> | 14,649,506   |
| Net underwriting income | 2,972,717         | 2,568,600    |
| Other income            | 501,254           | 438,377      |
| Costs and expenses      | (3,309,415)       | (2,664,937)  |
| <b>Net income</b>       | <b>164,556</b>    | 342,040      |

## Notes to Consolidated Financial Statements

January 31, 2015 (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              |
|------------------------------------|--------------------|------------------------|--------------------------------|---------------------|---------------|------------------|-------------------------|--------------------|
|                                    | \$                 | \$                     | \$                             | \$                  | \$            | \$               | \$                      | \$                 |
| <b>Year ended January 31, 2014</b> |                    |                        |                                |                     |               |                  |                         |                    |
| Opening net book amount            | 112,529,937        | 1,777,749              | 60,532                         | 11,405,892          | 144,827       | 6,825,405        | 557,059                 | 133,301,401        |
| Additions                          | 1,130,399          | 523,475                | 62,210                         | 714,609             | –             | 4,417,014        | 448,267                 | 7,295,974          |
| Disposals                          | (293,966)          | (93,192)               | (50,853)                       | (531,152)           | (421,457)     | (2,368,099)      | (397,559)               | (4,156,278)        |
| Writeback on disposals             | –                  | 65,103                 | 47,933                         | 450,757             | 390,371       | 1,634,091        | 374,756                 | 2,963,011          |
| Depreciation charge                | (1,532,122)        | (392,238)              | (30,205)                       | (880,097)           | (21,964)      | (2,298,010)      | (248,397)               | (5,403,033)        |
| <b>Closing net book amount</b>     | <b>111,834,248</b> | <b>1,880,897</b>       | <b>89,617</b>                  | <b>11,160,009</b>   | <b>91,777</b> | <b>8,210,401</b> | <b>734,126</b>          | <b>134,001,075</b> |
| <b>At January 31, 2014</b>         |                    |                        |                                |                     |               |                  |                         |                    |
| Cost or valuation                  | 117,947,964        | 13,405,862             | 338,443                        | 26,224,369          | 546,298       | 21,847,364       | 5,656,173               | 185,966,473        |
| Accumulated depreciation           | (6,113,716)        | (11,524,965)           | (248,826)                      | (15,064,360)        | (454,521)     | (13,636,963)     | (4,922,047)             | (51,965,398)       |
| <b>Net book amount</b>             | <b>111,834,248</b> | <b>1,880,897</b>       | <b>89,617</b>                  | <b>11,160,009</b>   | <b>91,777</b> | <b>8,210,401</b> | <b>734,126</b>          | <b>134,001,075</b> |

# St. Kitts Nevis Anguilla Trading and Development Company Limited

## Notes to Consolidated Financial Statements

January 31, 2015 (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              |
|---|--------------------|------------------------|--------------------------------|---------------------|---------------|------------------|-------------------------|--------------------|
|   | \$                 | \$                     | \$                             | \$                  | \$            | \$               | \$                      | \$                 |
| <b>Year ended January 31, 2015</b>                                  |                    |                        |                                |                     |               |                  |                         |                    |
| Opening net book amount   | 111,834,248        | 1,880,897              | 89,617                         | 11,160,009          | 91,777        | 8,210,401        | 734,126                 | 134,001,075        |
| Additions   | 9,711,691          | 914,557                | 81,360                         | 4,429,217           | –             | 3,019,771        | 1,443,183               | 19,599,779         |
| Disposals   | (1,350,000)        | (784,920)              | (3,879)                        | (727,864)           | (14,673)      | (1,807,096)      | (154,790)               | (4,843,222)        |
| Writeback on disposals  | 61,645             | 782,766                | 3,490                          | 699,342             | 13,665        | 1,508,866        | 123,692                 | 3,193,466          |
| Depreciation charge   | (1,569,684)        | (381,964)              | (52,840)                       | (1,078,403)         | (23,149)      | (2,294,767)      | (241,141)               | (5,641,948)        |
| Transfers/reclassifications   |                    |                        |                                |                     |               |                  |                         |                    |
| Cost  | 2,174,177          | (73,471)               | –                              | (2,012,066)         | 8,066         | 187,035          | (187,199)               | 96,542             |
| Accumulated depreciation  | (94,005)           | 12,043                 | –                              | 78,090              | –             | –                | –                       | (3,872)            |
| Revaluation loss  | (2,416,550)        | –                      | –                              | –                   | –             | –                | –                       | (2,416,550)        |
| Revaluation surplus   | 398,475            | –                      | –                              | –                   | –             | –                | –                       | 398,475            |
| Effect of elimination of accumulated depreciation against valuation |                    |                        |                                |                     |               |                  |                         |                    |
| Valuation   | (7,715,760)        | –                      | –                              | –                   | –             | –                | –                       | (7,715,760)        |
| Accumulated depreciation  | 7,715,760          | –                      | –                              | –                   | –             | –                | –                       | 7,715,760          |
| <b>Closing net book amount</b>                                      | <b>118,749,997</b> | <b>2,349,908</b>       | <b>117,748</b>                 | <b>12,548,325</b>   | <b>75,686</b> | <b>8,824,210</b> | <b>1,717,871</b>        | <b>144,383,745</b> |
| <b>At January 31, 2015</b>  |                    |                        |                                |                     |               |                  |                         |                    |
| Cost or valuation   | 118,749,997        | 13,462,028             | 415,924                        | 27,913,656          | 539,691       | 23,247,074       | 6,757,367               | 191,085,737        |
| Accumulated depreciation  | –                  | (11,112,120)           | (298,176)                      | (15,365,331)        | (464,005)     | (14,422,864)     | (5,039,496)             | (46,701,992)       |
| <b>Net book amount</b>  | <b>118,749,997</b> | <b>2,349,908</b>       | <b>117,748</b>                 | <b>12,548,325</b>   | <b>75,686</b> | <b>8,824,210</b> | <b>1,717,871</b>        | <b>144,383,745</b> |



St. Kitts Nevis Anguilla Trading and Development Company Limited  
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**16 Property, plant and equipment ...continued**

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

|  | 2015<br>\$     | 2014<br>\$     |
|--|----------------|----------------|
| Proceeds from sales of property and equipment  | 1,923,652      | 1,618,081      |
| Carrying amount of property and equipment      | (1,649,756)    | (1,193,267)    |
| <b>Gain on sales of property and equipment</b> | <b>273,896</b> | <b>424,814</b> |

Gain on sales of property and equipment is recognized as part of other income in the consolidated statement of income (note 25).

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

|                               | Land<br>\$        | Buildings<br>\$   | Total<br>\$       |
|-------------------------------|-------------------|-------------------|-------------------|
| <b>At January 31, 2014</b>    |                   |                   |                   |
| Cost                          | 27,528,017        | 56,675,757        | 84,203,774        |
| Additions/(disposals)         | (3,229,999)       | 1,061,432         | (2,168,567)       |
| Accumulated depreciation      | –                 | (6,194,357)       | (6,194,357)       |
| <b>Closing net book value</b> | <b>24,298,018</b> | <b>51,542,832</b> | <b>75,840,850</b> |
| <b>At January 31, 2015</b>    |                   |                   |                   |
| Cost                          | 24,298,018        | 51,542,832        | 75,840,850        |
| Additions/(disposals)         | 349,192           | 7,982,906         | 8,332,098         |
| Reclassifications             | (446,600)         | 7,425,689         | 6,979,089         |
| Accumulated depreciation      | –                 | (3,123,974)       | (3,123,974)       |
| <b>Closing net book value</b> | <b>24,200,610</b> | <b>63,827,453</b> | <b>88,028,063</b> |

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**17 Intangible assets**

|                                       | <b>Computer<br/>software</b> | <b>Goodwill</b> | <b>Total</b>   |
|---------------------------------------|------------------------------|-----------------|----------------|
|                                       | \$                           | \$              | \$             |
| <b>Year ended January 31, 2014</b>    |                              |                 |                |
| Opening net book amount               | 710,473                      | 200,000         | 910,473        |
| Additions                             | 179,385                      | –               | 179,385        |
| Disposals                             | (84,892)                     | –               | (84,892)       |
| Writeback of accumulated amortisation | 84,892                       | –               | 84,892         |
| Write-off                             | –                            | (200,000)       | (200,000)      |
| Amortisation                          | (270,428)                    | –               | (270,428)      |
| <b>Closing net book amount</b>        | <b>619,430</b>               | <b>–</b>        | <b>619,430</b> |
| <b>At January 31, 2014</b>            |                              |                 |                |
| Cost                                  | 981,182                      | –               | 981,182        |
| Accumulated amortisation              | (361,752)                    | –               | (361,752)      |
| <b>Net book amount</b>                | <b>619,430</b>               | <b>–</b>        | <b>619,430</b> |
| <b>Year ended January 31, 2015</b>    |                              |                 |                |
| Opening net book amount               | <b>619,430</b>               | –               | <b>619,430</b> |
| Additions                             | 201,042                      | –               | 201,042        |
| Disposals                             | (4,071)                      | –               | (4,071)        |
| Writeback of accumulated amortisation | 4,071                        | –               | 4,071          |
| Amortisation                          | (340,746)                    | –               | (340,746)      |
| <b>Closing net book amount</b>        | <b>479,726</b>               | <b>–</b>        | <b>479,726</b> |
| <b>At January 31, 2015</b>            |                              |                 |                |
| Cost                                  | 1,178,153                    | –               | 1,178,153      |
| Accumulated amortisation              | (698,427)                    | –               | (698,427)      |
| <b>Net book amount</b>                | <b>479,726</b>               | <b>–</b>        | <b>479,726</b> |

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**18 Borrowings**

|   | 2015<br>\$        | 2014<br>\$ |
|---|-------------------|------------|
| Bank term loans                           | 31,153,670        | 30,497,885 |
| Bank overdrafts                           | 23,286,781        | 20,950,193 |
| Sugar Industry Diversification Foundation | <b>13,500,000</b> | 13,500,000 |
|   | <b>67,940,451</b> | 64,948,078 |
| Interest payable                          | <b>170,137</b>    | 156,250    |
| <b>Total borrowings</b>                   | <b>68,110,588</b> | 65,104,328 |
|   | <b>50,476,429</b> | 46,639,929 |
| Current                                   | <b>17,634,159</b> | 18,464,399 |
| Non-current                               | <b>68,110,588</b> | 65,104,328 |

Bank term loans carry interest rates between 5% and 7% (2014: 5% and 7%) and are repayable in regular instalments of principal and interest, maturing at various intervals from one to fifteen years through to 2026 (2014: through to 2026).

Bank overdrafts carry interest rates varying from 6.5% to 9.0% (2014: 6.5% to 10%).

The Sugar Industry Diversification Foundation loan carries an interest rate of 5%, is repayable in semi-annual instalments of principal and interest of \$337,500 and matures in 2025.

*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 including the investments held by the Company in certain wholly-owned subsidiaries and other investments.

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**19 Insurance liabilities**

|  | <b>2015</b>      | <b>As restated</b> |
|--|------------------|--------------------|
|  | \$               | 2014               |
|  |                  | \$                 |
| Unearned premiums                        | 3,207,281        | 3,166,955          |
| Claims reported and outstanding          | 2,497,607        | 2,535,741          |
| Life policyholders' benefits             | 2,066,840        | 1,821,285          |
| Claims incurred but not reported         | 310,000          | 160,000            |
| Unallocated loss adjustment expenses     | 156,000          | 157,000            |
| Due to reinsurers                        | 38,191           | 94,641             |
|  | <b>8,275,919</b> | <b>7,935,622</b>   |
| <b>Reinsurance assets</b>                |                  |                    |
| Claims reported and outstanding          | –                | 550,000            |
| <b>Total reinsurance assets (gross)</b>  | –                | <b>550,000</b>     |
| Unearned premiums                        | 3,207,281        | 3,166,955          |
| Claims reported and outstanding          | 2,497,607        | 1,985,741          |
| Life policyholders' benefits             | 2,066,840        | 1,821,285          |
| Claims incurred but not reported         | 310,000          | 160,000            |
| Unallocated loss adjustment expenses     | 156,000          | 157,000            |
| Due to reinsurers                        | 38,191           | 94,641             |
| <b>Total insurance liabilities (net)</b> | <b>8,275,919</b> | <b>7,385,622</b>   |

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**20 Customers' deposits**

|                                  | 2015<br>\$        | 2014<br>\$ |
|----------------------------------|-------------------|------------|
| Savings deposits                 | 4,856,238         | 3,137,864  |
| Fixed deposits                   | 88,807,597        | 86,018,226 |
|                                  | <b>93,663,835</b> | 89,156,090 |
| Interest payable                 | 2,020,859         | 2,336,821  |
| <b>Total customers' deposits</b> | <b>95,684,694</b> | 91,492,911 |
| Current                          | 84,957,905        | 83,846,778 |
| Non-current                      | 10,726,789        | 7,646,133  |
|                                  | <b>95,684,694</b> | 91,492,911 |

**21 Accounts payable and other liabilities**

|   | 2015<br>\$        | As restated<br>2014<br>\$ |
|---|-------------------|---------------------------|
| Credit accounts                                     | 24,743,512        | 20,805,408                |
| Accounts payable                                    | 11,329,630        | 10,185,675                |
| Accrued expenses                                    | 4,623,410         | 5,273,533                 |
| Employee health fund                                | 3,651,036         | 3,550,218                 |
| Deferred revenue                                    | 2,155,454         | 2,401,767                 |
| Dividend payable                                    | 859,807           | 860,748                   |
| Other liabilities                                   | 411,522           | 261,044                   |
| Gratuity reserve                                    | 233,200           | 169,995                   |
| Statutory payables                                  | 125,185           | 44,456                    |
| Warranty liability                                  | 107,242           | 99,682                    |
| <b>Total accounts payable and other liabilities</b> | <b>48,239,998</b> | 43,652,526                |
| Current   | 44,450,375        | 40,027,620                |
| Non-current   | 3,789,623         | 3,624,906                 |
|   | <b>48,239,998</b> | 43,652,526                |

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



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## 22 Taxation

### Income tax expense

|  | 2015<br>\$       | As restated<br>2014<br>\$ |
|--|------------------|---------------------------|
| Current income tax expense for the year      | 4,187,262        | 4,013,485                 |
| Net deferred tax expense for the year        | 161,220          | 3,911,886                 |
| <b>Total income tax expense for the year</b> | <b>4,348,482</b> | <b>7,925,371</b>          |

### Current income tax expense

|  | 2015<br>\$       | As restated<br>2014<br>\$ |
|--|------------------|---------------------------|
| Profit before taxation                                 | 8,045,878        | 8,427,506                 |
| Income tax expense at rate of 33%                      | 2,655,140        | 2,781,077                 |
| Effect of permanent differences                        | 698,998          | 256,347                   |
| Effect of losses carried forward                       | 634,354          | 194,792                   |
| Effect of capital allowances carried forward           | 569,383          | 1,421,873                 |
| Prior year under provision                             | 251,080          | 257,664                   |
| Movement of deferred tax not recognised                | (106,649)        | 305,846                   |
| Effect of losses utilised from prior years             | (106,729)        | (16,892)                  |
| 5% claims equalization allowed                         | (141,145)        | (125,463)                 |
| Effect of capital allowances utilised from prior years | (267,170)        | (1,061,759)               |
| <b>Total current income tax expense</b>                | <b>4,187,262</b> | <b>4,013,485</b>          |

### Deferred tax expense

The deferred tax expense is comprised of the following

|   | 2015<br>\$     | 2014<br>\$       |
|---|----------------|------------------|
| Deferred tax on property, plant and equipment | 402,937        | (187,814)        |
| Adjustment to deferred tax                    | –              | (585)            |
| Deferred tax written off                      | –              | 3,849,456        |
| Deferred tax on unutilised tax losses         | (28,038)       | 1,277            |
| Deferred tax on unutilised capital allowances | (213,679)      | 249,552          |
| <b>Total deferred tax expense</b>             | <b>161,220</b> | <b>3,911,886</b> |

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**22 Taxation ...continued**

**Deferred tax asset**

The movement in the deferred tax asset is as follows:

|                                   | 2015<br>\$       | 2014<br>\$  |
|-----------------------------------|------------------|-------------|
| Balance at beginning of year      | (316,882)        | (4,291,142) |
| Deferred tax expense for the year | 1,833            | 3,974,260   |
| Balance at end of year            | <b>(315,049)</b> | (316,882)   |

**Deferred tax liability**

The movement in the deferred tax liability is as follows:

|  | 2015<br>\$       | 2014<br>\$ |
|--|------------------|------------|
| Balance at beginning of year               | 5,137,338        | 5,199,712  |
| Deferred tax expense/(credit) for the year | 159,387          | (62,374)   |
| Balance at end of year                     | <b>5,296,725</b> | 5,137,338  |

**Provision for taxation**

The movement in the provision for taxation is as follows:

|   | 2015<br>\$       | As restated<br>2014<br>\$ |
|---|------------------|---------------------------|
| Balance at beginning of year                        | 3,188,440        | 1,482,143                 |
| Current tax expense for the year                    | 4,187,262        | 4,013,485                 |
| Utilization of taxation recoverable during the year | (79,102)         | (34,021)                  |
| Income tax paid during the year                     | (4,677,106)      | (2,273,167)               |
| Balance at end of year                              | <b>2,619,494</b> | 3,188,440                 |

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**22 Taxation ...continued**

**Taxation recoverable**

The movement in the taxation recoverable is as follows:

|                              | 2015<br>\$     | 2014<br>\$ |
|------------------------------|----------------|------------|
| Balance at beginning of year | 307,492        | 341,513    |
| Utilization during the year  | (79,102)       | (34,021)   |
| Balance at end of year       | <b>228,390</b> | 307,492    |

**23 Shareholders' equity**

*Share capital*

|   | 2015<br>\$         | 2014<br>\$  |
|---|--------------------|-------------|
| Authorised:<br>500,000,000 ordinary shares at \$1 per share           | <b>500,000,000</b> | 500,000,000 |
| Issued and fully paid:<br>52,000,000 ordinary shares at \$1 per share | <b>52,000,000</b>  | 52,000,000  |

*Dividends*

On September 4, 2014, the Company's Board of Directors approved the declaration of cash dividends amounting to \$2,080,000 (2014: \$1,560,000), which was paid in the 2015 financial year.

**24 Other reserves**

|   | 2015<br>\$        | 2014<br>\$ |
|---|-------------------|------------|
| Revaluation reserve: property             | 32,411,652        | 32,738,725 |
| Claims equalization reserve               | 21,398,049        | 20,970,337 |
| Statutory reserve fund                    | 4,683,902         | 4,254,211  |
| Revaluation reserve: AFS financial assets | 636,837           | 894,542    |
|   | <b>59,130,440</b> | 58,857,815 |

# St. Kitts Nevis Anguilla Trading and Development Company Limited

## Notes to Consolidated Financial Statements

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### 25 Other income

|   | 2015<br>\$        | 2014<br>\$        |
|---|-------------------|-------------------|
| Rent  | 2,490,249         | 2,930,902         |
| Commission income                                 | 1,736,198         | 1,345,831         |
| Equipment rental and repairs                      | 1,244,817         | 1,250,686         |
| Rebates and claims                                | 732,655           | 1,095,724         |
| Management and administration fees                | 636,172           | 540,250           |
| Shipping  | 556,961           | 1,665,868         |
| Dividend income                                   | 547,306           | 490,666           |
| Gain on sales of property and equipment (note 16) | 273,896           | 424,814           |
| E-top up  | 228,178           | 254,949           |
| Electrical repairs                                | 213,219           | 35,414            |
| Truck operating income                            | 187,815           | 294,611           |
| Vehicle servicing                                 | 139,089           | 42,276            |
| Handling charges                                  | 110,470           | (41,925)          |
| Villa income                                      | 48,141            | 80,994            |
| Grant   | 10,155            | 477,155           |
| Miscellaneous income                              | 1,122,143         | 1,515,425         |
|   | <b>10,277,464</b> | <b>12,403,640</b> |

### 26 Employee costs

|                                | 2015<br>\$        | 2014<br>\$        |
|--------------------------------|-------------------|-------------------|
| Salaries and wages             | 17,636,709        | 15,840,909        |
| Statutory contributions        | 1,710,968         | 1,606,452         |
| Pension savings plan           | 934,603           | 899,115           |
| Bonus and gratuity             | 855,671           | 633,910           |
| Directors' fees                | 544,300           | 370,400           |
| Staff scholarship and training | 407,799           | 501,701           |
| Health insurance               | 221,954           | 190,493           |
| Other staff costs              | 684,151           | 511,121           |
|                                | <b>22,996,155</b> | <b>20,554,101</b> |

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**27 General and administrative expenses**

|   | 2015<br>\$        | As restated<br>2014<br>\$ |
|---|-------------------|---------------------------|
| Legal and professional fees                   | 2,955,430         | 2,609,443                 |
| Advertising and sales promotion               | 2,646,168         | 2,885,837                 |
| Utilities                                     | 2,357,805         | 3,294,933                 |
| Repairs and maintenance                       | 2,018,706         | 1,987,796                 |
| General                                       | 1,809,185         | 1,396,479                 |
| Taxes and licenses                            | 928,287           | 776,023                   |
| Communications                                | 810,415           | 842,835                   |
| Management fees                               | 767,699           | 686,647                   |
| Motor vehicle                                 | 539,802           | 1,619,222                 |
| Security                                      | 403,025           | 513,384                   |
| Computer installation and consultancy         | 387,088           | 247,641                   |
| Rent  | 366,065           | 413,436                   |
| Supplies                                      | 311,705           | 488,977                   |
| Travel  | 304,153           | 652,120                   |
| Entertainment                                 | 292,357           | 342,978                   |
| Sewage, waste and landscaping                 | 292,200           | 15,077                    |
| Warranty                                      | 154,000           | 80,864                    |
| Annual general meeting                        | 125,085           | 188,491                   |
| Printing and stationery                       | 79,959            | 437,554                   |
| Subscriptions                                 | 75,037            | 86,927                    |
| Freight, handling and truckerage              | 3,350             | 97,489                    |
| Impairment of goodwill                        | -                 | 200,000                   |
| Impairment (recoveries)/losses of receivables | (503,559)         | 765,908                   |
|   | <b>17,123,962</b> | <b>20,630,061</b>         |

**28 Depreciation and amortization**

|              | 2015<br>\$       | As restated<br>2014<br>\$ |
|--------------|------------------|---------------------------|
| Depreciation | 4,009,120        | 3,575,735                 |
| Amortization | 340,746          | 270,428                   |
|              | <b>4,349,866</b> | <b>3,846,163</b>          |

Depreciation of plant and machinery and certain motor vehicles totaling \$1,632,828 (2014: \$1,827,298) was recorded under cost of sales.



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**29 Finance charges, net**

|                          | 2015<br>\$       | As restated<br>2014<br>\$ |
|--------------------------|------------------|---------------------------|
| Interest expense         | 4,515,788        | 4,440,995                 |
| Bank charges             | 1,021,333        | 870,250                   |
| Short-term bank deposits | (2,134,737)      | (1,935,005)               |
|                          | <b>3,402,384</b> | <b>3,376,240</b>          |

**30 Net interest income**

|                                  | 2015<br>\$       | 2014<br>\$       |
|----------------------------------|------------------|------------------|
| Loans to customers               | 7,837,790        | 8,345,732        |
| Investments                      | 2,715,184        | 3,094,160        |
| Savings account interest expense | (151,776)        | (133,571)        |
| Time deposits interest expense   | (4,486,765)      | (4,618,425)      |
|                                  | <b>5,914,433</b> | <b>6,687,896</b> |

**31 Earnings per share**

Basic and diluted earnings per share were computed as follows:

|   | 2015<br>\$        | As restated<br>2014<br>\$ |
|---|-------------------|---------------------------|
| Profit attributable to shareholders of parent company             | 3,665,095         | 372,520                   |
| Divided by weighted average number of outstanding ordinary shares | <b>52,000,000</b> | <b>52,000,000</b>         |
| <b>Basic and diluted earnings per share</b>                       | <b>0.070</b>      | <b>0.007</b>              |

The Group has no dilutive potential ordinary shares as of January 31, 2015 and 2014.

**32 Commitments and contingencies**

The following are the significant commitments and contingencies involving the Group:

**Finance lease commitments**

The Group entered into finance leases covering motor vehicles, household furniture and appliances with lease terms ranging from two to eight years. Future Minimum Lease Payments Receivables (MLPR) under these finance leases together with the Present Value (PV) of Net Minimum Lease Payments Receivables (NMLPR) follow:

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**32 Commitments and contingencies ...continued**

**Finance lease commitments ...continued**

|   | <b>2015</b>                   |                               | <b>2014</b>                   |                               |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|   | <b>Future<br/>MLPR<br/>\$</b> | <b>PV of<br/>NMLPR<br/>\$</b> | <b>Future<br/>MLPR<br/>\$</b> | <b>PV of<br/>NMLPR<br/>\$</b> |
| Within one year                             | <b>11,389,112</b>             | <b>8,159,324</b>              | 10,297,272                    | 7,406,720                     |
| After one year but not more than five years | <b>5,855,480</b>              | <b>4,188,817</b>              | 4,567,119                     | 3,310,421                     |
| More than five years                        | <b>667,475</b>                | <b>479,000</b>                | 490,147                       | 354,401                       |
| <b>Total MLP</b>                            | <b>17,912,067</b>             | <b>12,827,141</b>             | 15,354,538                    | 11,071,542                    |
| Amounts represents finance income           | <b>(5,084,926)</b>            | –                             | (4,282,996)                   | –                             |
| <b>PV of MLPR</b>                           | <b>12,827,141</b>             | <b>12,827,141</b>             | 11,071,542                    | 11,071,542                    |

The net investment relating to this finance lease is presented as Finance lease receivables under Accounts Receivable and Prepayments account in the consolidated statement of financial position.

As at January 31, 2015, the Group's accumulated allowance for uncollectible minimum lease payments accounts receivable amounted to \$2,045,143 (2014: \$1,790,621).

**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 in the amount of \$1,000,000.

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### 33 Reclassifications

Several items in the financial statements have been reclassified to achieve a clearer or more appropriate presentation. The comparative figures have been similarly formatted and reclassified in order to achieve comparability with the current period. The items reclassified are as follows:

- a) Reinsurance assets previously shown as part of accounts receivable and prepayments was deducted from insurance liabilities.
- b) Deferred interest income presented under deferred revenue in the consolidated financial statements has been reclassified to accounts receivable.
- c) Interest income relating to hire purchase transactions was reclassified from revenue to finance charges, net.
- d) Depreciation charges of motor vehicles used in vehicle rentals were reclassified from general and administrative expenses to cost of sales.
- e) Vehicle repairs and maintenance of motor vehicles used in vehicle rentals were reclassified from general and administrative expenses to cost of sales.
- f) Hire purchase payment protection previously deducted from revenue was reclassified to cost of sales.

The summary of reclassifications before the effect of the prior period adjustments is shown below.

|   | As previously<br>classified<br>2014<br>\$ | Reclassifications<br>2014<br>\$ | As restated<br>2014<br>\$ |
|---|---|---------------------------------|---------------------------|
| <b>Effect on consolidated statement of financial position</b> |   |                                 |                           |
| <b>Assets</b>   |   |                                 |                           |
| Accounts receivable and prepayments                           | 37,903,116                                | (4,579,572)                     | 33,323,544                |
| <b>Liabilities</b>  |   |                                 |                           |
| Insurance liabilities   | 7,935,622                                 | (550,000)                       | 7,385,622                 |
| Accounts payable and other liabilities                        | 49,157,741                                | (4,029,572)                     | 45,128,169                |
| <b>Effect on consolidated statement of income</b>             |   |                                 |                           |
| Revenue   | 133,141,388                               | (1,332,256)                     | 131,809,132               |
| Cost of sales   | (96,021,869)                              | (1,738,282)                     | (97,760,151)              |
| General and administrative expenses                           | (21,015,423)                              | 405,223                         | (20,610,200)              |
| Depreciation and amortization                                 | (5,148,756)                               | 1,302,593                       | (3,846,163)               |
| Finance charges, net  | (4,738,962)                               | 1,362,722                       | (3,376,240)               |

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January 31, 2015 (Expressed in Eastern Caribbean Dollars)

**34 Prior period adjustments**

The Group's revenue recognition in 2014 and prior years relating to hire purchase transactions was not in accordance with IAS 18, Revenue and IAS 17, Leases. As a result, the revenues, cost of sales, income tax payable and retained earnings were understated. Also, the allowance for impairment on accounts receivable in 2014 and prior years arising from hire purchase transactions was understated. The correction of the prior period amounts have been accounted for retrospectively, and the comparative financial information has also been restated. Opening retained earnings in 2014 and 2013 has been increased by \$877,186 and \$685,784, respectively, net of allowance for impairment on accounts receivable.

The effect of the prior period adjustments and reclassifications discussed above in 2014 in the Group's consolidated statements of financial position and income are outlined below. There was no cash flow impact as a result of the restatement other than the consequential adjustments arising as a result of restatement of the comparative balances at January 31, 2014.

|   | As previously<br>stated<br>2014<br>\$ | Restatements<br>2014<br>\$ | As restated<br>2014<br>\$ |
|---|---------------------------------------|----------------------------|---------------------------|
| <b>Effect on consolidated statement of financial position</b> |                                       |                            |                           |
| Accounts receivable and prepayments                           | 33,323,544                            | (166,410)                  | 33,157,134                |
| Accounts payable and other liabilities                        | 45,128,169                            | (1,475,643)                | 43,652,526                |
| Provision for taxation  | 2,756,393                             | 432,047                    | 3,188,440                 |
| Retained earnings   | 66,473,840                            | 877,186                    | 67,351,026                |
| <b>Effect on consolidated statement of income</b>             |                                       |                            |                           |
| Revenue   | 131,809,132                           | 5,276,109                  | 137,085,241               |
| Cost of sales   | (97,760,151)                          | (4,970,573)                | (102,730,724)             |
| General and administrative expenses                           | (20,610,200)                          | (19,861)                   | (20,630,061)              |
| Income tax expense  | (7,831,098)                           | (94,273)                   | (7,925,371)               |

The above adjustments increased income tax payable and retained earnings by \$337,774 and \$685,784, respectively, as at January 31, 2013.

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P. O. Box 142, Fort Street, Basseterre, St. Kitts, West Indies

Phone: (869) 465 2511 • Fax: (869) 465 1099

website: [www.tdclimited.com](http://www.tdclimited.com) • E-mail: [headoffice@tdcltd.com](mailto:headoffice@tdcltd.com)