



2019

ANNUAL REPORT

“OUR CUSTOMERS, OUR SUCCESS”



TOGETHER WE SUCCEED



TOGETHER WE SUCCEED



CDS 2005 LTD. / CDS NEVIS LTD. BRAND AMBASSADORS

Committed to Youth development; investing in our Nations future



**ST. KITTS · NEVIS · ANGUILLA
TRADING & DEVELOPMENT COMPANY LTD.**

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
- Human Resources Development
- Good Corporate Citizenship



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CORPORATE INFORMATION



(Photograph taken of the Board of Directors at the 2018 Annual General Meeting)

Back Row (Left to Right) - Ernie A. France, B.A.; Warren Z. Moving, B.Sc. (Company Secretary); D. Michael Morton, C.B.E., J.P.; Glenville R. Jeffers, B.B.A., O. Nicholas Brisbane, B.Sc., M.Sc., Melvin Edwards, B.A., M.Sc.

Front Row (Left to Right) - Myrna R. Walwyn, B.Sc., M.A., Dip. Law; Maritza S. Bowry, B.Sc., M.B.A., C.P.A.; Earle A. Kelly, B.A., M.B.A. (Chairman), Charles L. A. Wilkin, C.M.G., Q.C., M. A., (Cantab), Nicolas N. Menon, B.Sc., M.B.A.

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-sixth (46th) 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 Tuesday July 09, 2019, at 5:00 p.m.

Agenda

1. To receive the Report of the Directors
2. To receive and consider the Report of Auditors
3. To receive and consider the Financial Statements for year ended January 31, 2019
4. To declare a Dividend
5. To elect Directors to replace those retiring by rotation
6. To confirm the appointment of new Directors
7. To appoint Auditors and to authorize the Directors to fix their remuneration for the ensuing year

BY ORDER OF THE BOARD



Warren Z. Moving
Company Secretary

June 3, 2019

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. A form of proxy is enclosed. Proxies must reach the Company Secretary not less than 24 hours prior to the Annual General Meeting.



TOGETHER WE SUCCEED



CDS NEVIS LIMITED-COPY AND PRINT CENTRE

Mr. Dymond Parris - Architect

I am a regular customer at the City Drug Store's Copy and Print Centre. My experience each time is more than exquisite, whether it's printing, copying, or scanning my small plans or application forms, I am treated with excellent Customer Service.

DIRECTORS' REPORT 2018/2019

INTRODUCTION

The results of the TDC Group improved significantly as the Profit before Tax for the financial year, 1 February 2018 to 31 January 2019, increased to \$13,599,397 from \$226,867 for the prior year. As detailed in the Segment Reporting shown in note 7, improved performances were realized in the following sectors: General Trading, Financing, Insurance, Auto Rentals, Airline Services. There were also improvements in the Associated companies' operations. The loss reported by the OTI Group declined by 12.5 percent. Some Key Indicators are provided on Page 16 to further measure the Group's performance year over year.

SIGNIFICANT EVENTS IMPACTING FINANCIALS

Economic Overview

Real Gross Domestic Product (GDP) is reported by the Eastern Caribbean Central Bank (ECCB) to have increased by 3 percent in St Kitts and Nevis in 2018. The increase in 2017 was 1.2 percent. Economic out-turn reflected expansions in the major economic drivers of the hotel and restaurant, construction and manufacturing sectors. Growth in the hotel and restaurant sector resulted from a 7.0 percent increase in total visitor arrivals.

REVIEW OF THE CONSOLIDATED STATEMENT OF INCOME

Our financial performance for the year demonstrates our continued focus on delivering long-term value to our stakeholders and the maintenance of the company's capital strength.

Revenue for the Group grew by 9.1 percent over the prior year to \$151,938,503. Gross Profit for the Group grew by 7.4 percent over the prior year to \$43,224,908. General and Administrative Expenses increased by \$1,050,445 or 5.8 percent. Depreciation and amortization increased by \$55,635 or 0.8 percent. Employee Costs increased by \$399,901 or 1.6 percent. Finance Charges decreased by \$292,155 or 5.5 percent as initiatives to collect credit account balances and reduce bank debts were aggressively pursued.

PERFORMANCE REVIEW BY SEGMENT

GENERAL TRADING

Outstanding service is at the heart of our business. There has been an elevated focus on ensuring that our customer interactions are authentic and simple in order to create a lifelong relationship. This is the approach we intend to take to retain and attract new customers as our business continues to evolve. Service is not an abstract concept. It happens when our employees and our customers connect with each other. We will work harder to maintain and improve standards as consumers' expectations increase continuously.

The Profit before Tax for General Trading, which includes the Home and Building Depots, Automotive Divisions, Shipping Departments and Drinks Depot increased by 51.2 percent, from \$4,140,739 to \$6,261,910.

DIRECTORS' REPORT 2018/2019

Home and Building Depots (St Kitts and Nevis) - The buoyancy of the construction sector in 2018 positively impacted the profits for the Home and Building Depots. The construction sector in St. Kitts and Nevis grew by 0.8 percent in 2018, according to the ECCB Economic and Financial Review of December 2018. The Profit before Tax for the Home and Building Depots increased by 30.8 percent.

Automotive Divisions (St Kitts and Nevis) - The combined profit for both divisions increased by 36.4 percent due to an increase in revenue from garage related services and the sales of vehicles.

City Drug Store (Nevis) Ltd and TDC Business Centre (St Kitts) - The combined Profit before Tax for these companies increased in excess of 150 percent over the 2017/2018 financial year. There were increased sales of business equipment and reductions in stock write-downs in St Kitts. The results of City Drug Store (Nevis) Ltd were similar to the prior year.

Shipping Departments (St Kitts and Nevis) - The results at the Shipping Department in St Kitts improved due to an increase in the stevedoring revenue from higher cargo volume. The results for the Nevis department were largely unchanged.

INSURANCE AND FINANCE

TDC Insurance Company Ltd

TDC Insurance Company Ltd maintained its A minus (A-) rating from A M Best for the third consecutive year. The rating, which is reviewed annually, is based on the company's Financial Position, profitability over the years, underwriting and operational performance, mitigation of risks through its reinsurance programs, and its market presence in St Kitts and Nevis. The directors are pleased that A.M. Best has again signaled its continued confidence in the company.

The Profit before Tax for the company decreased by 18 percent mainly as a result of a spike in motor claims, increased reinsurance costs and premium discounting due to competitive pressures during the year.

We are conscious of the growing impact and threat of major storms in our markets. Therefore, this phenomenon has been taken into account in varying our reinsurance arrangements for the current year and in further protecting the Group's properties.

East Caribbean Reinsurance Company Ltd (ECRC) and MAICO - Both companies reported improved results during the financial year under review. During the prior financial year, significant losses were suffered from the insurance claims arising from the devastation in Anguilla and the substantial damage to St. Kitts and Nevis by two category 5 hurricanes, Irma and Maria, in September 2017. The reinsurance arrangements for these companies were also structured to reduce their risk in the future.

DIRECTORS' REPORT 2018/2019

TDC Financial Services Company Ltd - The company had another year of strong performance. Profit before Tax increased by 12.4 percent. The loan portfolio increased by 2.1 percent. The delinquency rate on loans stood at 6.71 percent at 31 January 2019. The company continues to focus on minimizing delinquency by improving its loan underwriting and collection processes. The most current data from the ECCB indicate that the average rates of delinquency for financial institutions, at the end of December 2018, were 11.28 percent across the ECCU and 24.68 percent in St Kitts and Nevis.

Ocean Terrace Inn Ltd (OTI)

During the year, the hotel was certified as “Hospitality Assured” by the Caribbean Tourism Organization (CTO). It is the only hotel in the Federation to receive that designation.

While not yet profitable, the hotel has continued to be a very important player in the tourism industry and in the community with its support of the Irishtown Primary School. The Loss before Tax reported by the OTI Group decreased by 12.5 percent.

TDC Rentals Ltd and TDC Rentals (Nevis) Ltd - The Profit before Tax for both companies increased by 11.5 percent and 9.3 percent, respectively, mainly due to reduction in expenses in the case of TDC Rentals Ltd. The combined car rental business for both companies declined. Fierce competition from a proliferation of small independent operators that utilize used Japanese vehicles continues to erode the companies' market share. The hire purchase revenue for these two companies declined as a result of a management decision to conduct new hire purchase financing directly with TDC Nevis Ltd and the Parent Company.

TDC Airline Services Ltd - The Profit before Tax for the company increased by 43.1 percent. The company provides services to most of the carriers that operate services into the RLB International Airport. In 2018, the company won the bid to provide handling services for Sun Country Airlines and was successful in negotiating increases in handling fees with the majority of the carriers.

In the aftermath of the passage of hurricanes Irma and Maria in September 2017, several of the airports served by LIAT had services curtailed due to damages sustained. As a result, LIAT reduced the number of daily flights to and from St Kitts from 5 to 2 until June 2018 when the daily flights were increased to the current number of 4.

In May 2018, the company was appointed as agent in St Kitts and Nevis for the international courier service, DHL. The results from this service so far have been very positive.

TDC Airline Services (Nevis) Ltd - The company reported a loss for the year under review. The number of flights handled decreased by 17.81 percent during the financial year due to the general reduction in airlift activity at the Vance Amory International Airport.

TDC Tours Ltd - The Profit before Tax for TDC Tours Ltd decreased by 36.2 percent, predominantly due to a reduction in transfers of guests for the Four Seasons Hotel.

St Kitts Bottling Company Ltd (SKBC) - In November 2016, the company's manufacturing business along with certain assets and liabilities were sold to Koscab (St Kitts) Ltd. The company is now inactive.

DIRECTORS' REPORT 2018/2019

TDC Real Estate and Construction Ltd - Since the inception of the Sunrise Hills development project in 2006, 37 villas have been sold. The directors are actively reviewing options to develop the remaining 8 lots targeting residential buyers and buyers under the Citizenship by Investment (CBI) program.

In October 2018, the company purchased 5.85 acres of land at Upper Dewars Estate in St Kitts. Planning is underway for a middle- income housing development.

St Kitts Masonry Products Ltd (SKMP) reported a significant increase in profit. In February 2018, a new block making machine was commissioned. The number of blocks sold by SKMP during the period 1 February 2018 to 31 January 2019 increased by 18.6 percent over the previous year. The company won the bid to provide ready-mix concrete for the construction of the second cruise pier at Port Zante and began supplying the project in September 2018.

International Financial Reporting Standards

The consolidated financial statements were prepared, for the first time, in accordance with International Financial Reporting Standard (IFRS) 9, *Financial Instruments*, and IFRS 15, *Revenue from Contracts with Customers*, that were both effective for annual periods beginning on or after 1 January, 2018. The TDC Group applied the new standards retrospectively, without restatement, and the cumulative effect of the initial application was recognized as an adjustment to the opening balance of retained earnings at 1 February, 2018. The application of these standards collectively resulted in the reduction of the Profit before Tax by \$578,190 in respect of the year under review.

SOCIAL CONTRIBUTION

Strong communities are the foundation of great business. Since its establishment in 1973, the TDC Group has consistently been at the forefront of productive community engagement. Throughout the year, the company maintained its support of various causes and organizations throughout the Federation. We sponsored National Carnival, St Kitts Music Festival, Black San Festival, Culturama, Nevis Inter Primary School Cricket Championships, Essence of Hope, Reach for Recovery and The Pink Lily Foundation. We also take pride in being the title sponsor, since 1978, of the Inter-High School Track and Field Championships. Approximately EC\$2 million dollars in cash and kind have been invested since then in the annual games.

We believe that learning is essential to the success of our business and is fundamental to a vibrant society. Assisting in the education of our children remains one of our passions, particularly partnerships with organizations that promote learning. Some of our education partnership and initiatives include our long-standing commitment to the Warren Tyson Scholarship Program that started in 1981 and which currently supports 56 secondary school students in St Kitts and Nevis. Our mentorship programme for these students provides them with books, uniforms and other school related necessities. The Michael L. King Scholarship Grant Program awarded grants of US\$5,000 each to four university students. These awardees brought the number, who have benefited under this program to forty-three (43), and the total value of the grants to EC\$580,500.

DIRECTORS' REPORT 2018/2019

HUMAN RESOURCES

Our employees are fundamental to the overall success of the TDC Group and the delivery of our strategic objectives. They are our major source of competitive advantage. Three years ago, we initiated a rebranding strategy for the Group designed to transform it into a more purpose-driven organization that aligns with our new motto "Together We Succeed".

As a result, we have re-energized our focus on customer service excellence and on strengthening leadership capacities among our employees. Employee training programs focusing on strengthening our marketing, sales, risk management and e-literacy capabilities were conducted throughout the year. The ability to attract, retain and develop the most capable people augments the competitiveness and growth of the Group; it also drives shareholder value. The BML King Scholarship program for employees is an important part of our overall talent development strategy.

Our performance evaluation system has been implemented and it is anticipated that the final Performance System Management Framework (PSMF) will assist in creating greater teamwork, enhanced productivity, accountability and a more dedicated and motivated workforce.

The employee count stood at 667 at 31 January 2019 (632 at 31 January 2018). We thank our employees for their continued commitment to the company, its mission, vision and values.

BOARD GOVERNANCE

The Board is responsible for the company's strategy, governance, controls and risk management, and ensuring that the company is able to deliver long-term success. We strive for excellence in corporate governance practice, transparency and openness. The parent company now has (at 7 of 12) the highest number and percentage of non-executive directors in its history.

The Board has collective responsibility for the oversight and success of the company – setting the strategy, holding the Executives to account and promoting ethical leadership, including setting the culture and values that make the TDC Group special. The Board will continue to adhere to the best governance practices possible to deliver excellent value, first class service and to keep your finances safe both now and in the future.

The Audit Committee provides oversight of financial reporting, internal and external audit, and the adequacy and effectiveness of internal controls and risk management systems. The Committee's report is presented on pages 17 and 18 in this Report.

DIRECTORS' REPORT 2018/2019

STATUTORY REPORT

We have pleasure in submitting our report and the Audited Accounts for the financial year ended 31 January 2019. The table below shows the profit and loss, after tax, for the past two financial years:

	31 January 2019	31 January 2018
	\$	\$
Profit (Loss) for the year, after providing for Taxation	8,370,968	(4,266,091)
The Board recommends a Dividend of 6.5 cents per share (2018 - 4 cents per share)	3,380,000	2,080,000

The Board recommends a dividend of 6.5 cents per share, totaling \$3,380,000 compared to 4 cents per share in 2018, totaling \$2,080,000. This dividend will be paid from accumulated reserves. This brings the total of distributed dividends to in excess of \$60 million dollars.

APPOINTMENT OF DIRECTORS

In accordance with Article 99 of the Articles of Association, Messrs. D. Michael Morton, Nicolas Menon and Ernie France and Ms. Maritza Bowry retire, and being eligible, offer themselves for re-election.

In accordance with Article 106 of the Articles of Association, Messrs. Kachi Armony and Wendell Lawrence were appointed to the Board of Directors of the company on 1 January 2019. Their appointments are being presented for confirmation.

Mr. Armony holds a Bachelor of Computer Science degree from Dalhousie University in Canada and is a Strategic Consulting Team Lead at Dataprise Inc, USA. Mr. Armony has considerable experience in technology operations and program management.

Mr. Lawrence holds a Master of Science degree in Financial Economics from the University of London, Master of Science degree in Accounting and a Bachelor of Science degree in Management Studies from the University of the West Indies. He is also a Certified Public Accountant and a former Financial Secretary of St Kitts and Nevis. Mr. Lawrence is a highly experienced policy adviser to institutions in the public and private sectors across the region.

APPOINTMENT OF 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.

DIRECTORS' REPORT 2018/2019

APPRECIATION

We thank our shareholders for placing confidence in us as we chart a new path for the TDC Group. We believe we are uniquely positioned to continue to deliver long-term value to you. 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 our managers and staff, past and present, as we continue to promote our motto:

Together We Succeed



Earle A. Kelly
Chairman



Maritza S. Bowry
Director

St. Kitts Nevis Anguilla Trading and Development Company Limited
Key Indicators
For the Year Ended 31 January 2019

No.	Key Indicators	2019	2018	Variance	Variance (%)
A	Absolute Performance Results				
1	Group Sales Turnover	\$151,938,503	\$139,258,088	\$12,680,415	9%
2	Group Goods Turnover	\$137,925,386	\$125,867,359	\$12,058,027	10%
3	Group Services Turnover	\$14,013,117	\$13,390,729	\$622,388	5%
4	Inventory Turnover	2.43	2.28	0.15	7%
5	Gross Profit	\$43,224,908	\$40,258,966	\$2,965,942	7%
6	Share of Results - Associated Companies	\$1,255,348	(\$1,145,736)	\$2,401,084	210%
7	Profit before Tax	\$13,599,397	\$226,867	\$13,372,530	5894%
8	Total Comprehensive Income/(Loss)	\$8,470,937	(\$3,513,662)	\$11,984,599	341%
B	Profitability Ratios				
1	Return on Average Assets	2%	-1%		
2	Return on Shareholders' Equity	4%	-2%		
C	Liquidity and Solvency Ratios				
1	Current Ratio (Liquidity)	0.87	0.80		
2	Debt to Equity Ratio (Solvency)	1.26	1.33		
3	Debt to Total Assets Ratio (Solvency)	0.56	0.57		
D	Other Performance Indicators				
1	Assets Growth Rate	-0.15%	2.69%		
2	Dividend Per Share	\$0.04	\$0.06		

AUDIT COMMITTEE REPORT TO SHAREHOLDERS

The Audit Committee hereby reports on the significant deliberations and activities undertaken during FY 2018/2019.

The Audit Committee comprises four persons who are independent from the TDC Executive Directors, namely:

- Melvin Edwards – Chairman and Director, TDC Ltd.
- Marilyn Johnson – Independent Professional
- Frank Evelyn – Director, TDC Nevis Ltd.
- Derek Ford – Director, TDC Insurance Company Ltd.

Meetings

As Recording Secretary, Charlene Stapleton, the Manager of the Internal Audit Department resourced the four Audit Committee Meetings¹. Members attended all meetings except in one instance.

Main Activities

The Audit Committee fulfilled its mandate by supporting the Board of Directors in its oversight responsibilities with respect to the integrity of financial reporting, the effectiveness of risk management and the adequacy of internal controls including related governance and compliance matters. It also oversaw the effectiveness of the internal and external audit functions and monitored the Group's relationship with the external auditor.

The Committee:

- Oversaw the transition of the executive team to the new organizational design and monitored ongoing preparations for the implementation of the Performance Management Systems (PMS) and Performance Appraisal System (PAS). Timely and seamless implementation during FY 2019/2020 will achieve a major strategic objective.
- Raised concerns with the Finance Director, the CEO and subsequently the Board in respect of the reduction of the Group revenue and other income as well as the increase in operating expenses resulting in declining profitability in 2017/2018 when compared with the previous financial year. Lower return on average assets, negative impact of some unprofitable subsidiaries, minimal asset growth, decrease in current assets, negative working capital, worsening liquidity ratios and reliance on short term financing were also highlighted.
- Recommended measures to ensure IFRS compliance coupled with effective implementation of new accounting standards that have the ability to impact the sustainability of earnings.
- Monitored the progress of and obtained senior management's commitment to ensuring the implementation of ECCB recommendations for regulatory governance.
- Encouraged acceleration in the production and implementation of the requisite Policies and Procedures Manuals with applicable Standard Operating Procedures (SOPs) per function, to be followed by training and reorientation of all managers and supervisors in Internal Controls, and a formal onboarding process of employee training before deployment.

¹02 May 2018, 31 May 2018, 03 October 2018 and 08 November 2018

AUDIT COMMITTEE REPORT TO SHAREHOLDERS

Internal Audit Function

The Committee:

- Reviewed the audit plan for the year and agreed its budget and resource requirements. It reviewed interim and year-end summary reports and management's response, and paid attention to the implementation of recommendations made.
- Reviewed the Internal Audit Department (IAD) Charter and confirmed that the Department was operating in accordance with its Charter.
- Considering the quality and frequency of reporting received and the level of impartiality displayed, the Committee was satisfied with the effectiveness of the IAD function.

External Audit Function

The Committee reviewed and discussed the Grant Thornton Report on the audit methodology which included an assessment of the financial reporting risk profile (and materiality levels) and their audit of internal controls over financial reporting as required by IFRS and ISA. The Report included audit and accounting matters, governance and control, and accounting developments. The external auditors discussed their assessment of management's treatment of significant transactions and areas of judgement during the year and confirmed their satisfaction that these had been treated appropriately in the financial statements.

The Committee also held independent meetings with the external auditors and the Finance Director and reviewed the Group's audit plan. These deliberations led to an agreed strategy that would result in earlier completion of the external audit.

Appointment of External Auditors

Shareholders approved the appointment of Grant Thornton as the Group's external auditors at the 2018 AGM. On the recommendation of the Committee, the Directors will be proposing their re-appointment at the 2019AGM.

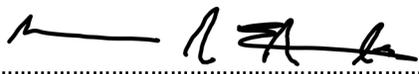
Member Training and Appointments

During the year under review, the Recording Secretary undertook Advanced Audit Committee training with the Caribbean Governance Training Institute (GTI) thereby earning the Audit Committee Certification (ACC). She also attended the Caribbean Association of Audit Committee Members (CAACM) 12th Annual Conference.

The three-year terms of Mr. Edwards and Ms. Johnson expired on June 15 and July 30, 2018, respectively. Being eligible they were reappointed.

Conclusion

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 throughout the TDC Group.



.....
Melvin R. Edwards

For and on behalf of the Audit Committee, TDC Group

Date: 25 May 2019



TOGETHER WE SUCCEED



DHL INTERNATIONAL SHIPPING

Ms. Stacey Ann Aberdeen - Attorney-At-Law

My overall experience has been quite positive, and I look forward to our continued business relationship.

Grant Thornton

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Independence Square
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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of **St. Kitts Nevis Anguilla Trading and Development Company Limited** and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at January 31, 2019, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at January 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Eastern Caribbean, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters ...continued**(a) Loans to customers***Description of the Matter*

As at January 31, 2019, loans to customers amounted to \$106,788,283, net of allowance for impairment of \$2,879,576, and represents 25% of the Group's total assets.

The allowance for impairment of loans to customers is considered to be a matter of significance, as it requires the application of critical management judgement and use of subjective estimates in determining the amount of impairment losses that are required to be recognised in the consolidated financial statements. These judgment and estimates are disclosed in the Group's accounting policies in Note 4 to the consolidated financial statements.

On February 1, 2018, the Group adopted IFRS 9, which introduced the expected credit loss ("ECL") model in determining impairment of financial assets. Accordingly, the Group used the ECL model in determining impairment of their loans to customers. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, the associated loss ratio and of default correlation between counterparties. Furthermore, the Group incorporated forward-looking information into the assessment of whether the credit risk of an instrument has increased significantly from its initial recognition to the measurement of ECL. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses.

The disclosures relating to the allowance for impairment of loans to customers, and the related credit risk are included in Notes 5 and 10 to the consolidated financial statements.

How the Matter was addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the adequacy of the allowance for impairment of loans to customers, which was considered to be a significant risk, included the following:

- Obtained an understanding of the Group's credit policy and loan impairment process;
- Tested the controls over the approval, recording and monitoring of loans to customers, loan classification into stages and calculation and recognition of the allowance for impairment;
- Verified that the loans to customers are allocated to the appropriate stage, and challenging the criteria used to categorize loans to stage 1, 2 or 3 in accordance with the impairment requirements of IFRS 9;
- Evaluated the inputs and assumptions, as well as the formulas used in the development of the ECL model for the loan portfolio. This includes assessing the appropriateness of design of the ECL impairment model and formula used in determining the expected credit losses; and

Key Audit Matters ...continued**(a) Loans to customers ...continued***How the Matter was addressed in the Audit ...continued*

- Assessed the borrowers' repayment abilities by examining payment history for selected accounts, macro-economic factors and collateral values.

(b) Valuation of insurance liabilities*Description of the Matter*

As at January 31, 2019, the insurance liabilities of the Group amounted to \$18,337,417. The valuation of insurance liabilities involves significant management judgment in the use of assumptions. The valuation also requires the assistance of an external actuary whose calculation depends on certain assumptions such as mortality, lapses, management expenses, investment income and others, which could have a material impact on the results. Thus, we considered this as a key audit matter. The disclosures related to insurance liabilities are included in Notes 4, 6 and 21 to the consolidated financial statements.

How the Matter was addressed in the Audit

We reviewed the scope, bases, methodology and results of the work performed by the Group's external actuary. We also considered the external actuary's professional qualifications, independence and objectivity. We tested the appropriateness of the data provided by the Group to the external actuary and determined its adequacy and appropriateness. We evaluated the external actuary's findings in relation to the valuation of the insurance liabilities presented in the consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements ...continued

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jefferson E. Hunte.

Grant Thornton

**Chartered Accountants
Basseterre, St. Kitts
June 12, 2019**

St. Kitts Nevis Anguilla Trading and Development Company Limited
Consolidated Statement of Financial Position
As at January 31, 2019

(expressed in Eastern Caribbean dollars)

	2019 \$	2018 \$
Assets		
Current assets		
Cash and cash equivalents (note 8)	20,459,482	17,372,819
Investment securities (note 9)	62,408,535	59,303,810
Loans to customers (note 10)	32,624,416	20,038,576
Receivables (note 11)	12,599,967	13,143,514
Reinsurance assets (note 21)	5,725,528	10,822,407
Due from related parties (note 14)	1,393,427	954,956
Inventories (note 12)	43,264,145	46,036,360
Prepayments and other current assets (note 13)	5,896,555	5,865,217
Taxation recoverable (note 24)	26,576	80,113
Assets included in disposal group (note 15)	439,790	1,623,385
Total current assets	184,838,421	175,241,157
Non-current assets		
Investment securities (note 9)	15,695,605	15,123,505
Loans to customers (note 10)	74,163,867	84,509,569
Receivables (note 11)	6,003,496	4,925,254
Investment in associates (note 16)	10,785,750	10,130,402
Property, plant and equipment (note 17)	134,383,236	136,851,334
Investment property (note 18)	1,774,304	1,811,706
Intangible assets (note 19)	396,526	82,803
Deferred tax asset (note 24)	196,732	215,096
Total non-current assets	243,399,516	253,649,669
Total assets	428,237,937	428,890,826
Liabilities		
Current liabilities		
Borrowings (note 20)	34,497,288	39,143,628
Insurance liabilities (note 21)	18,337,417	27,099,962
Customers' deposits (note 22)	109,457,287	104,641,132
Accounts payable and other liabilities (note 23)	47,955,311	46,170,709
Tax payable (note 24)	1,745,050	1,085,533
Due to related parties (note 14)	95,345	-
Liabilities included in disposal group (note 15)	80,602	1,486,635
Total current liabilities	212,168,300	219,627,599
Non-current liabilities		
Borrowings (note 20)	9,283,781	10,851,071
Customers' deposits (note 22)	10,401,375	7,865,229
Accounts payable and other liabilities (note 23)	225,268	225,041
Deferred tax liability (note 24)	6,984,717	6,396,721
Total non-current liabilities	26,895,141	25,338,062
Total liabilities	239,063,441	244,965,661

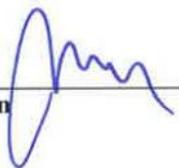
St. Kitts Nevis Anguilla Trading and Development Company Limited
Consolidated Statement of Financial Position ...continued
As at January 31, 2019

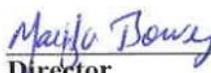
(expressed in Eastern Caribbean dollars)

	2019 \$	2018 \$
Shareholders' equity		
Share capital (note 25)	52,000,000	52,000,000
Other reserves (note 26)	63,680,985	63,579,236
Retained earnings	69,363,528	64,603,102
	<u>185,044,513</u>	<u>180,182,338</u>
Non-controlling interests	<u>4,129,983</u>	<u>3,742,827</u>
Total shareholders' equity	<u>189,174,496</u>	<u>183,925,165</u>
Total liabilities and shareholders' equity	<u>428,237,937</u>	<u>428,890,826</u>

The notes on pages 32 to 152 are an integral part of these consolidated financial statements.

Approved for issue by the Board of Directors on June 12, 2019.

Chairman 


Director

St. Kitts Nevis Anguilla Trading and Development Company Limited
 Consolidated Statement of Income
 For the year ended January 31, 2019

(expressed in Eastern Caribbean dollars)

	2019 \$	2018 \$
Revenue (note 27)	151,938,503	139,258,088
Cost of sales	(108,713,595)	(98,999,122)
Gross profit	43,224,908	40,258,966
Other income (note 29)	12,503,417	10,283,809
Net interest income (note 34)	9,257,449	8,981,709
Net underwriting income/(loss)	3,905,239	(2,818,743)
Operating income before operating expenses	68,891,013	56,705,741
Operating expenses		
Employee costs (note 30)	(25,647,936)	(25,248,035)
General and administrative (note 31)	(19,224,728)	(18,174,283)
Depreciation and amortization (note 32)	(6,607,110)	(6,551,475)
	(51,479,774)	(49,973,793)
Operating profit	17,411,239	6,731,948
Share of income/(loss) of associated companies (note 16)	1,255,348	(1,145,736)
Finance charges (note 33)	(5,067,190)	(5,359,345)
Profit before income tax	13,599,397	226,867
Profit before income tax attributable to:		
Parent company	12,951,627	1,515,874
Non-controlling interests	647,770	(1,289,007)
	13,599,397	226,867
Income tax expense (note 24)	(5,228,429)	(4,542,152)
Profit/(loss) for the year from continuing operations	8,370,968	(4,315,285)
Profit for the year from discontinued operations	-	49,194
Profit/(loss) for the year	8,370,968	(4,266,091)
Profit/(loss) for the year attributable to:		
Parent company	7,752,751	(3,000,860)
Non-controlling interests	618,217	(1,265,231)
	8,370,968	(4,266,091)
Earnings /(loss) per share		
Basic and diluted per share (note 35)	0.149	(0.058)

The notes on pages 32 to 152 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, 2019

(expressed in Eastern Caribbean dollars)

	2019 \$	2018 \$
Profit/(loss) for the year	8,370,968	(4,266,091)
Other comprehensive income:		
<i>Item that will not be reclassified subsequently to profit or loss</i>		
Fair value gains of financial assets at fair value through other comprehensive income (note 9)	99,969	–
<i>Items that may be reclassified to profit or loss</i>		
Net unrealised fair value gains on available-for-sale financial assets (note 9)	–	752,429
Total comprehensive income/(loss) for the year	8,470,937	(3,513,662)
Total comprehensive income/(loss) for the year attributable to:		
Parent company	7,839,531	(2,300,055)
Non-controlling interests	631,406	(1,213,607)
	8,470,937	(3,513,662)

The notes on pages 32 to 152 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, 2019

(expressed in Eastern Caribbean dollars)

	Parent company				Non-controlling interests \$	Total \$
	Share capital \$	Other reserves \$	Retained earnings \$	Subtotal \$		
Balance at January 31, 2017	52,000,000	62,323,178	71,279,215	185,602,393	4,956,434	190,558,827
Comprehensive loss						
Loss for the year	–	–	(3,000,860)	(3,000,860)	(1,265,231)	(4,266,091)
Transfer to reserve fund (note 26)	–	513,992	(513,992)	–	–	–
Transfer to other reserves (note 26)	–	41,261	(41,261)	–	–	–
Other comprehensive income						
Net unrealised fair value gains on available-for-sale financial assets (note 9)	–	700,805	–	700,805	51,624	752,429
Transaction with owners						
Dividends (note 25)	–	–	(3,120,000)	(3,120,000)	–	(3,120,000)
Balance at January 31, 2018	52,000,000	63,579,236	64,603,102	180,182,338	3,742,827	183,925,165
Adjustments from the adoption of IFRS 9 and 15 (note 3)	–	–	(897,356)	(897,356)	(44,250)	(941,606)
Balance at February 1, 2018, as restated	52,000,000	63,579,236	63,705,746	179,284,982	3,698,577	182,983,559
Comprehensive income						
Profit for the year	–	–	7,752,751	7,752,751	618,217	8,370,968
Transfer to reserve fund (note 26)	–	581,079	(581,079)	–	–	–
Transfer to other reserves (note 26)	–	473,890	(473,890)	–	–	–
Transfer to retained earnings (note 26)	–	(1,040,000)	1,040,000	–	–	–
Other comprehensive income						
Fair value gains on financial assets at fair value through other comprehensive income (note 9)	–	86,780	–	86,780	13,189	99,969
Transaction with owners						
Dividends (note 25)	–	–	(2,080,000)	(2,080,000)	(200,000)	(2,280,000)
Balance at January 31, 2019	52,000,000	63,680,985	69,363,528	185,044,513	4,129,983	189,174,496

The notes on pages 32 to 152 are an integral part of these consolidated financial statements.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Consolidated Statement of Cash Flows

For the year ended January 31, 2019

(expressed in Eastern Caribbean dollars)

	2019 \$	2018 \$
Cash flows from operating activities		
Profit before income tax	13,599,397	226,867
Items not affecting cash:		
Interest expense	7,733,319	7,888,149
Depreciation and amortization	7,511,761	7,699,973
Impairment loss/(recoveries) of receivables	489,614	(235,110)
Impairment losses/(recoveries) of loans to customers	83,401	(201,902)
Impairment loss of loan commitments	991	–
Write-back of internal health plan provision	(600)	(14,500)
Gains on disposals of property and equipment	(402,989)	(413,406)
Dividend income	(437,354)	(637,710)
Share of (income)/loss of associated companies	(1,255,348)	1,145,736
Interest income	(13,078,170)	(12,441,307)
Operating profit before working capital changes	14,244,022	3,016,790
Cash flows used in operating activities before changes in operating assets and liabilities		
Increase in loans to customers	(2,286,196)	(6,549,787)
(Increase)/decrease in receivables	(1,349,440)	2,862,936
Decrease/(increase) in reinsurance assets	5,096,879	(9,453,934)
Increase in due from related parties	(438,471)	(260,374)
Decrease/(increase) in inventories	2,772,215	(5,178,927)
Decrease/(increase) in prepayments and other assets	178,840	(1,504,566)
(Decrease)/increase in insurance liabilities	(8,762,545)	14,906,730
Increase in customers' deposits	7,345,303	5,149,563
Increase in accounts payable and other liabilities	1,095,236	2,488,010
Increase/(decrease) in due to related parties	95,345	(5,896)
Net cash generated from operating activities before interest receipts and payments and tax	17,991,188	5,470,545
Interest received	10,925,508	10,525,870
Taxes paid	(3,741,620)	(4,406,097)
Interest paid	(4,357,639)	(3,470,714)
Net cash from operating activities from continuing operations	20,817,437	8,119,604
Net cash (used in)/from operating activities from discontinued operations (note 15)	(658,980)	125,810
Net cash from operating activities	20,158,457	8,245,414

St. Kitts Nevis Anguilla Trading and Development Company Limited
 Consolidated Statement of Cash Flows ...*continued*
 For the year ended January 31, 2019

(expressed in Eastern Caribbean dollars)

	2019 \$	2018 \$
Cash flows from investing activities		
Interest received	2,047,379	1,978,358
Dividends received	1,087,354	637,710
Proceeds from disposals of property and equipment	871,352	1,105,724
Additions to investment property	–	(2,108,352)
Purchase of intangible assets	(359,099)	(66,656)
Purchase of property, plant and equipment	(5,429,248)	(4,877,735)
Redemption/(purchase) of investment securities, net	(4,102,206)	2,427,938
Net cash used in investing activities from continuing operations	(5,884,468)	(903,013)
Net cash from investing activities from discontinued operations (note 15)	–	–
Net cash used in investing activities	(5,884,468)	(903,013)
Cash flows from financing activities		
Dividends paid	(2,057,293)	(2,740,365)
Interest paid on borrowings	(3,368,682)	(4,429,072)
Repayments of borrowings, net	(6,213,630)	(3,926,908)
Net cash used in financing activities from continuing operations	(11,639,605)	(11,096,345)
Net cash used in financing activities from discontinued operations (note 15)	–	–
Net cash used in financing activities	(11,639,605)	(11,096,345)
Net increase/(decrease) in cash and cash equivalents	2,634,384	(3,753,944)
Cash and cash equivalents at beginning of year	18,264,888	22,018,832
Cash and cash equivalents at end of year	20,899,272	18,264,888
Represented by:		
Cash and cash equivalents (note 8)	20,459,482	17,372,819
Cash under assets included in disposal group (note 15)	439,790	892,069
Cash and cash equivalents at end of year	20,899,272	18,264,888

The notes on pages 32 to 152 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, 2019

(expressed in Eastern Caribbean dollars)

1 Nature of operations

St. Kitts Nevis Anguilla Trading and Development Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) is engaged in the business of general trading, general services, vehicle sales, auto and equipment rental, hire purchase financing, insurance, consumer and mortgage financing, travel agency, tour operations, real estate development, hotel operations and shipping.

2 General information, statement of compliance with International Financial Reporting Standards (IFRS) and going concern assumption

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 Group and have been prepared in accordance with IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations as issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared under the historical cost basis, as modified by the revaluation of land and buildings and financial assets at fair value through other comprehensive income (2018: available-for-sale (AFS) financial assets). The measurement bases are fully described in the summary of accounting policies. The consolidated financial statements have been prepared under the assumption that the Group operates on a going concern basis.

In 2019, the Group has adopted new guidance for the recognition of revenue from contracts with customers (see note 3). This guidance was applied using a modified retrospective (cumulative catch-up) approach, under which, changes having a material effect on the consolidated statement of financial position as at February 1, 2018 are presented together as a single adjustment to the opening balance of retained earnings. Accordingly, the Group is not required to present a third consolidated statement of financial position as at that date.

Further, the Group has adopted new guidance for accounting for financial instruments (see note 3). This guidance was applied using the transitional relief allowing the Group not to restate prior periods. Differences arising from the adoption of IFRS 9, in relation to classification, measurement, and impairment are recognised in retained earnings.

3 Changes in accounting policies

New standards and amendments to standards effective for the financial year beginning February 1, 2018

IFRS 15, Revenue from Contracts with Customers

IFRS 15 ‘Revenue from Contracts with Customers’ and the related ‘Clarifications to IFRS 15 Revenue from Contracts with Customers’ (hereinafter referred to as ‘IFRS 15’) replace International Accounting Standard (IAS) 18 ‘Revenue’, IAS 11 ‘Construction Contracts’, and several revenue-related Interpretations. The new standard has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at February 1, 2018. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at February 1, 2018.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2019

(expressed in Eastern Caribbean dollars)

3 Changes in accounting policies ...continued

New standards and amendments to standards effective for the financial year beginning February 1, 2018 ...continued

IFRS 15, Revenue from Contracts with Customers ...continued

This new standard establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise. The core principle in the said framework is for the Group to recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group's adoption of IFRS 15 has resulted in changes in its accounting policies (see note 4(e)) and adjustments to the amounts recognised in the Group's consolidated financial statements. The Group has applied the new standard retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings account at February 1, 2018. In accordance with the transition provisions of IFRS 15, the standard has only been applied to contracts that are not completed as of February 1, 2018.

The adoption of IFRS 15 mainly affected the following areas:

- **Accounting for returns and refunds**

The Group is giving its customers a right to return the goods within a given time period. When the customer exercises its right to return, the Group is obliged to refund the related purchase price. In 2018, the Group did not recognise a provision for customer returns amounting to \$329,033. Accordingly, a refund liability within the accounts payable and other liabilities as at February 1, 2018 was established with a corresponding adjustment to retained earnings account as at February 1, 2018 (representing revenues in 2018). Also, the Group did not recognise a right to return asset on the goods to be recovered from the customers who will most likely exercise their right with a corresponding adjustment to retained earnings account as at February 1, 2018 amounting to \$210,178 (representing cost of sales in 2018). The asset is measured by reference to the former carrying amount of the goods. The costs to recover the goods are deemed to be not material since the customers usually return the goods in saleable condition.

- **Sale and rendering of maintenance service of vehicles**

The Group sells vehicles with maintenance services for the first five visits from purchase date. The sale of vehicle and rendering of maintenance services are either sold separately, or in bundled packages. The Group accounts for the sale of vehicle and rendering of maintenance services separately. The transaction price is allocated to the sale of vehicle and rendering of maintenance services based on their relative stand-alone selling prices.

For the sale of vehicle, revenue is recognised at point in time upon delivery and acceptance of the vehicle to/by the customer while revenue is recognised overtime for rendering of maintenance services based on the standard billing for every visit.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2019

(expressed in Eastern Caribbean dollars)

3 Changes in accounting policies ...continued

New standards and amendments to standards effective for the financial year beginning February 1, 2018 ...continued

IFRS 15, Revenue from Contracts with Customers ...continued

- **Sale and rendering of maintenance service of vehicles ...continued**

Upon adoption of IFRS 15, the consolidated statement of financial position as at February 1, 2018 was restated for the unperformed maintenance services transactions bundled in the package of sale of vehicles and rendering of maintenance services, shown as part of contract liabilities within Accounts and other payable in the consolidated statement of financial position, was established with a corresponding adjustment to retained earnings as at February 1, 2018 amounting to \$135,173.

- **Sale of goods under customer loyalty programme**

The Group operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to discount on future purchases. A contract liability for the award points is recognised at the time of the sale. Revenue is recognised when the points are redeemed.

The points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. Management estimates the stand-alone selling price per point on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience. The stand-alone selling price of the product sold is estimated on the basis of the retail price. Discounts are not considered as they are only given in rare circumstances.

In 2018, the Group recognised a provision for the unredeemed points amounting to \$572,316 and is shown as part of advance deposits under accounts payable and other liabilities in the consolidated statement of financial position. Such amount was reclassified to contract liabilities within accounts and other liabilities as at February 1, 2018. The adoption of IFRS 15, did not result to an adjustment of opening retained earnings attributable to sale of goods under customer loyalty programme.

The table below shows the effects of the adoption of IFRS 15 in the consolidated statement of financial position as at February 1, 2018.

	January 31, 2018	Adjustments/ Reclassifications	February 1, 2018
	\$	\$	\$
Receivables and prepayments	19,008,731	(19,008,731)	–
Receivables	4,925,254	13,143,514	18,068,768
Prepayments and other current assets	–	6,075,395	6,075,395
Effect on total assets		210,178	

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2019

(expressed in Eastern Caribbean dollars)

3 Changes in accounting policies ...continued

New standards and amendments to standards effective for the financial year beginning February 1, 2018 ...continued

IFRS 15, Revenue from Contracts with Customers ...continued

	January 31, 2018 \$	Adjustments/ Reclassifications \$	February 1, 2018 \$
Accounts payable and other liabilities	46,395,750	464,206	46,859,956
Tax payable (note 24)	1,085,533	(83,829)	1,001,704
Effect on total liabilities		380,377	
Net effect on opening retained earnings		(170,199)	

The effect on opening retained earnings on the adjustments from the adoption of IFRS 15 amounting to \$170,199, net of related tax, is attributable to the Parent company.

IFRS 9, Financial Instruments

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

When adopting IFRS 9, the Group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

IFRS 9 also contains new requirements on the application of hedge accounting. The new requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness. The Group has no hedge instruments, therefore hedge accounting is not applicable for the Group.

The adoption of IFRS 9 has impacted the following areas:

- **Investment securities reclassified from AFS financial assets to financial assets at fair value through other comprehensive income (FVOCI)**

The investment securities include quoted and unquoted equity investments. Under IAS 39, the quoted equity investments were carried at market value while unquoted equity investments were previously carried at cost less impairment. The treatment of unquoted equity investments is no longer permitted under IFRS 9. Management has undertaken an assessment of the fair value of the equity investments and have determined that there is no significant difference between the fair value and the cost. Therefore, no adjustment was made to the carrying value of the investment securities.



St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2019

(expressed in Eastern Caribbean dollars)

3 Changes in accounting policies ...continued

New standards and amendments to standards effective for the financial year beginning February 1, 2018
...continued

IFRS 9, Financial Instruments ...continued

- **Investment securities reclassified from AFS financial assets to financial assets at fair value through other comprehensive income (FVOCI) ...continued**

The Group elected to irrevocably designate these non-trading equity investments at FVOCI, as the assets are held by the Group with the objective of selling in the future for liquidity purposes. Further, the accumulated fair value gains as at February 1, 2018 amounting to \$1,401,725 was transferred from revaluation reserve: AFS financial assets to revaluation reserve: FVOCI account.

- **Credit losses of investment securities, loans to customers, receivables reinsurance assets and due from related parties**

The impairment of financial assets applying the expected credit loss model also affects the Group's investment securities, loans to customers, receivables, reinsurance assets and due from related parties in the consolidated statement of financial position. These assets are shown measured at amortised cost. For investment securities, loans to customers and receivables, the Group applies the lifetime expected credit losses based on the stages as identified in the impairment assessment. For due from related parties and reinsurance assets, the Group applies the 12-month loss model of recognising expected credit losses as these financial assets have low risk of default due to high credit ratings, excellent relationship with counterparties and the have strong capacity to meet its contractual cash flows obligations on time.

The application of the expected credit loss methodology of impairment assessment based on the stages of impairment assessment for investment securities, loans to customers, receivables and loan commitments resulted in the recognition of additional allowances amounting to \$468,558, \$74,732, \$325,131 and \$2,289, respectively, as at February 1, 2018. These amounts were charged against the opening balance of the retained earnings account.

a) *Classification and measurement of financial instruments*

On the date of initial application, February 1, 2018, the measurement category and the carrying amount of the financial instruments of the Group in accordance with IAS 39 and IFRS 9 are compared as follows:

St. Kitts Nevis Anguilla Trading and Development Company Limited
Notes to Consolidated Financial Statements
January 31, 2019

(expressed in Eastern Caribbean dollars)

3 Changes in accounting policies ...continued

*New standards and amendments to standards effective for the financial year beginning February 1, 2018
...continued*

IFRS 9, Financial Instruments ...continued

a) Classification and measurement of financial instruments ...continued

	Original IAS 39 Category	New IFRS 9 Category	Balance at January 31, 2018 \$	Adoption of IFRS 9 \$	Balance at February 1, 2018 \$
Cash and cash equivalents	Amortised cost (loans and receivables)	Amortised cost	17,372,819	–	17,372,819
Investment securities	Amortised cost (loans and receivables)	Amortised cost	66,564,678	(468,558)	66,096,120
Loans to customers	Amortised cost (loans and receivables)	Amortised cost	104,548,145	(74,732)	104,473,413
Receivables	Amortised cost (loans and receivables)	Amortised cost	18,068,768	(325,131)	17,743,637
Reinsurance assets	Amortised cost (loans and receivables)	Amortised cost	10,547,980	–	10,547,980
Due from related parties	Amortised cost (loans and receivables)	Amortised cost	954,956	–	954,956
Statutory deposits	Amortised cost (loans and receivables)	Amortised cost	2,830,877	–	2,830,877
Assets included in disposal group	Amortised cost (loans and receivables)	Amortised cost	1,623,385	–	1,623,385
Investment securities	AFS	FVOCI	7,862,637	–	7,862,637
			230,374,245	(868,421)	229,505,824

There have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9.

b) Reconciliation of consolidated statement of financial position from IAS 39 to IFRS 9

The Group performed a detailed analysis of its business models for managing financial assets as well as an analysis of their cash flow characteristics. The new classification requirements of IFRS 9 are outlined under the summary of accounting policies. For more details see note 4(m).

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2019

(expressed in Eastern Caribbean dollars)

3 Changes in accounting policies ...continued

New standards and amendments to standards effective for the financial year beginning February 1, 2018 ...continued

IFRS 9, Financial Instruments ...continued

b) Reconciliation of consolidated statement of financial position from IAS 39 to IFRS 9 ...continued

The following table reconciles the carrying amounts of the financial instruments, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on February 1, 2018:

	IAS 39 carrying amount January 31, 2018 \$	Reclassification \$	Remeasurement \$	IFRS 9 carrying amount February 1, 2018 \$	Retained Earnings effect \$
Financial assets					
Amortised cost					
Cash and cash equivalents	17,372,819	–	–	17,372,819	–
Investment securities	66,564,678	–	(468,558)	66,096,120	(468,558)
Loans to customers	104,548,145	–	(74,732)	104,473,413	(74,732)
Receivables	18,068,768	–	(325,131)	17,743,637	(325,131)
Reinsurance assets	10,547,980	–	–	10,547,980	–
Due from related parties	954,956	–	–	954,956	–
Statutory deposits	2,830,877	–	–	2,830,877	–
Assets included in disposal group	1,623,385	–	–	1,623,385	–
Total financial assets measured at amortised cost	222,511,608	–	(868,421)	221,643,187	(868,421)
AFS financial assets					
Investment securities	7,862,637	(7,862,637)	–	–	–
Financial assets measured at FVOCI					
Investment securities	–	7,862,637	–	7,862,637	–
Total financial assets	230,374,245	–	(868,421)	229,505,824	(868,421)

St. Kitts Nevis Anguilla Trading and Development Company Limited
Notes to Consolidated Financial Statements
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3 Changes in accounting policies ...continued

*New standards and amendments to standards effective for the financial year beginning February 1, 2018
...continued*

IFRS 9, Financial Instruments ...continued

b) Reconciliation of consolidated statement of financial position from IAS 39 to IFRS 9 ...continued

	IAS 39 carrying amount January 31, 2018 \$	Reclassification \$	Remeasurement \$	IFRS 9 carrying amount February 1, 2018 \$	Retained Earnings effect \$
Financial liabilities					
Amortised cost					
Borrowings	49,994,699	–	–	49,994,699	–
Insurance liabilities	23,369,551	–	–	23,369,551	–
Customers' deposits	112,506,361	–	–	112,506,361	–
Accounts payable and other liabilities	44,975,639	–	2,289	44,977,928	(2,289)
Liabilities included in disposal group	1,470,898	–	–	1,470,898	–
Total financial liabilities	232,317,148	–	2,289	232,319,437	(2,289)
Tax payable (note 24)	1,085,533	–	(99,303)	986,230	99,303
Net effect on opening retained earnings					<u>(771,407)</u>

The effect on opening retained earnings on the adjustments from the adoption of IFRS 9 attributable to Parent company and non-controlling interests, net of related tax, amounted to \$727,157 and \$44,250, respectively.

c) Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at February 1, 2018:

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

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3 Changes in accounting policies ...continued

New standards and amendments to standards effective for the financial year beginning February 1, 2018 ...continued

IFRS 9, Financial Instruments ...continued

c) Reconciliation of impairment allowance balance from IAS 39 to IFRS 9 ...continued

	Impairment allowance under IAS 39 \$	Remeasurement \$	Impairment allowance under IFRS 9 \$
Loans and receivables (IAS 39)/ Financial assets at amortised cost (IFRS 9)			
Investment securities	–	468,558	468,558
Loans to customers	2,908,552	74,732	2,983,284
Receivables	9,070,805	325,131	9,395,936
	11,979,357	868,421	12,847,778
Loan commitments			
Provisions (loan commitments)	–	2,289	2,289
Total	11,979,357	870,710	12,850,067

Applying IFRS 9, Financial Instruments, with IFRS 4, Insurance Contracts, (Amendments to IFRS 4)

In September 2016, the IASB published Applying IFRS 9, *Financial Instruments*, with IFRS 4, *Insurance Contracts*, which makes narrow scope amendments to IFRS 4, *Insurance Contracts*. The IASB issued the amendments to address the temporary accounting consequences of the different effective dates of IFRS 9, *Financial Instruments*, and the new insurance contracts standard, IFRS 17. The new insurance contracts standard is yet to be finalised and will have an effective date January 1, 2021. Therefore, its mandatory effective date will be after the 2018 effective date of IFRS 9. Considerable concerns were raised over the practical challenges of insurance companies implementing both new standards on different dates as a result of the significant accounting changes. Further concerns were raised over the potential for increased volatility in profit or loss if IFRS 9's new requirements for financial instruments come into force before the new insurance accounting rules. To address these concerns while still fulfilling the needs of users of financial statements, the IASB has responded by amending IFRS 4 and introducing the following alternatives:

- an overlay approach – an option for all entities that issue insurance contracts to adjust profit or loss for eligible financial assets by removing any additional accounting volatility that may arise as a result of IFRS 9; and
- a temporary exemption – an optional temporary exemption from applying IFRS 9 for entities whose activities are predominantly connected with insurance. These entities will be permitted to continue to apply the existing financial instrument requirements of IAS 39 until the application of IFRS 17 on January 1, 2021.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

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(expressed in Eastern Caribbean dollars)

3 Changes in accounting policies ...continued

New standards and amendments to standards effective for the financial year beginning February 1, 2018
...continued

Applying IFRS 9, Financial Instruments, with IFRS 4, Insurance Contracts, (Amendments to IFRS 4) ...continued

The amendments are effective as follows:

- the overlay approach is applied when entities first apply IFRS 9 from its effective date of January 1, 2018; and
- a temporary exemption from IFRS 9 is applied for accounting periods on or after January 1, 2018.

The Group did not elect to use of temporary exemption from IFRS 9 on its effective date, as the Group's activities overall are not predominantly connected with insurance related activities.

Transfer to Investment Property (Amendments to IAS 40)

The Group has adopted the amendments to IAS 40, *Investment Property*, for the first time in the current financial year. The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties). The adoption of this amendment had no material effect on the consolidated financial statements of the Group for any period presented.

Annual Improvements 2014-2016 Cycle (Amendments to IFRS 1 and IAS 28)

Among the improvements, the following amendments are relevant to the Group but had no material impact on the Group's consolidated financial statements as these amendments merely clarify existing requirements:

- IFRS 1 (Amendments), *First-time Adoption of International Financial Reporting Standards – Deletion of Short-term Exemptions*. The amendments removed short-term exemptions in IFRS 1 covering IFRS 7, *Financial Instruments: Disclosures*, IAS 19, *Employee Benefits*, and IFRS 10, *Consolidated Financial Statements*, because the reporting period to which the exemptions applied have already transpired.
- IAS 28 (Amendments), *Investment in Associates – Clarification on Fair Value Through Profit or Loss Classification*. The amendments clarify that the option for venture capital organization, mutual funds and other similar entities to elect the fair value through profit or loss classification in measuring investments in associates and joint ventures shall be made at initial recognition, separately for each associate or joint venture.

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Notes to Consolidated Financial Statements

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3 Changes in accounting policies ...continued

New standards and amendments to standards effective for the financial year beginning February 1, 2018 ...continued

Other amendments to standards

Other standards and amendments that are effective for the first time in 2019 are as follows:

- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2); and
- IFRIC 22, *Foreign Currency Transactions and Advance Consideration*.

These amendments do not have significant impact on these consolidated financial statements and therefore the disclosures have not been made.

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

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

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

- *IFRS 16, Leases (effective from January 1, 2019)*

IFRS 16 eventually replace IAS 17, Leases, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*. For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right-of-use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similar to a purchased asset subject to depreciation or amortisation. The lease liability is accounted for similar to a financial liability which is amortised using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under IAS 17 where lease payments are recognised as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to IAS 17. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as IAS 17. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

The management plans to adopt the modified retrospective application of IFRS 16 where the cumulative effect of initially applying the standard will be recognised as an adjustment to the opening balance of retained earnings account at the date of initial application. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

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Notes to Consolidated Financial Statements

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3 Changes in accounting policies ...continued

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

- *IFRS 16, Leases (effective from January 1, 2019) ...continued*

Management is currently assessing the financial impact of this new standard on the Group's consolidated financial statements.

- *IAS 28 (Amendments), Investment in Associates – Long-term Interest in Associates and Joint Venture (effective from January 1, 2019)*

The amendments clarify that the scope exclusion in IFRS 9 applies only to ownership interests accounted for using the equity method. Thus, the amendments further clarify that long-term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under IFRS 9, which shall also include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture.

- *IFRS 9 (Amendments), Financial Instruments – Prepayment Features with Negative Compensation (effective from January 1, 2019)*

The amendments clarify that prepayment features with negative compensation attached to financial instruments may still qualify under the “solely payments of principal and interests” (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortised cost or at FVOCI.

- *IFRIC 23, Uncertainty over Income Tax Treatments (effective from January 1, 2019)*

The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above.

- *IFRS 10 (Amendments), Consolidated Financial Statements, and IAS 28 (Amendments), Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture (effective from January 1, 2019)*

The amendments to IFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in IFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendments have been made to IAS 28 to reflect these changes. In addition, IAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.



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Notes to Consolidated Financial Statements

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3 Changes in accounting policies ...continued

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

- *Annual Improvements to IFRS 2015-2017 Cycle (effective from January 1, 2019)*

Among the improvements, the following amendments are relevant to the Group but had no material impact on the Group's consolidated financial statements as these amendments merely clarify existing requirements:

- *IAS 12 (Amendments), Income Taxes – Tax Consequences of Dividends.* The amendments clarify that all income tax consequence of dividend payments should be recognised in profit or loss.
- *IAS 23 (Amendments), Borrowing Costs – Eligibility for Capitalization.* The amendments clarify that any specific borrowing which remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing will then form part of the entity's general borrowings when calculating the capitalization rate for capitalization purposes.
- *IFRS 3 (Amendments), Business Combinations, and IFRS 11 (Amendments), Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation.* The amendments clarify that previously held interest in a joint operation shall be remeasured when the Group obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Group obtains joint control of the business.

- *IFRS 17, Insurance Contracts (effective from January 1, 2021)*

IFRS 17 was issued in May 2017 as replacement for IFRS 4, *Insurance Contracts*. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows;
- an explicit risk adjustment; and
- a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the entity's share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

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Notes to Consolidated Financial Statements

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(expressed in Eastern Caribbean dollars)

3 Changes in accounting policies ...continued

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

- *IFRS 17, Insurance Contracts (effective from January 1, 2021) ...continued*

The Group has commenced the review of this standard.

There are no other new or amended standards and interpretations that are issued but not yet effective, that are expected to have a significant impact on the accounting policies or financial disclosures of 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, 2019. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of January 31.

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

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

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

b) Investment in associates

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



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Notes to Consolidated Financial Statements

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(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ...continued

b) Investment in associates ...continued

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.

d) Segment reporting

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

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Notes to Consolidated Financial Statements

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(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ...continued

d) Segment reporting ...continued

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 rendering of services. It is measured at the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts. To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognising revenue when/as performance obligation(s) are satisfied.

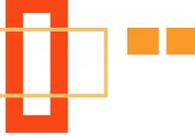
For Step 1 to be achieved, the following five criteria must be present:

- the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
- each party's rights regarding the goods or services to be transferred or performed can be identified;
- the payment terms for the goods or services to be transferred or performed can be identified;
- the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and
- collection of the consideration in exchange of the goods and services is probable.

The Group derives revenue from sale of goods and rendering of services is either at point in time or overtime, when (or as) the Group satisfies performance obligations by rendering the promised services to its customers.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.



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4 Summary of accounting policies ...continued

e) Revenue recognition ...continued

The Group often enters into transactions involving the sale of vehicles and maintenance services. The significant judgments used in determining the transaction price and the amounts allocated to the performance obligations are disclosed in Note 4(z). The transaction price allocated to performance obligations satisfied at a point in time is recognised as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognised as revenue as the performance obligation is satisfied. The Group uses the practical expedient in IFRS 15 with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance recognised as revenue as the Group's contracts with customers have original expected duration of one year or less.

The Group recognises contract liabilities, if any, for consideration received in respect of unsatisfied performance obligations and reports these amounts as contract liabilities (2018: deferred revenue) in the consolidated statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its consolidated statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Further, the Group provides warranty on its goods sold to customers. Under the terms of this warranty, customers can return the items for repair or replacement if it fails to perform in accordance with published specifications. These warranties are accounted for under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. However, if the Group is required to refund the related purchase price for returned goods, it recognises a refund liability for the expected refunds by adjusting the amount of revenues recognised during the period. Also, the Group recognises a right to return asset on the goods to be recovered from the customers with a corresponding adjustment to cost of sales account.

In 2018 and prior periods, the Group recognised revenues based on the provisions of IAS 18 which is to the extent that such revenues and the related costs incurred or to be incurred can be measured reliably and it is probable that future economic benefits will flow to the Group. Specifically, for sale of goods, revenues were recognised when the risks and rewards of ownership of the goods have passed to the buyer. For rendering of services, revenue is recognised in the accounting period in which the services are provided. Also, the Group applies the revenue recognition criteria set out below.

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.

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Notes to Consolidated Financial Statements

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4 Summary of accounting policies ...continued

e) Revenue recognition ...continued

Rendering of services

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

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 the 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.



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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.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in the consolidated statement of income on a straight-line basis over the lease term (see note 4(e)).

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. 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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(expressed in Eastern Caribbean dollars)

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

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

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

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

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

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

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

j) Investment property

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

The residual value, useful life and method of depreciation of the asset are reviewed and adjusted, if appropriate, at the end of each reporting period.

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4 Summary of accounting policies ...continued

j) Investment property ...continued

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

k) Intangible assets

Intangible assets of the Group pertain to computer software. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Subsequently, these intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. These costs are amortised over their estimated useful life of three to five years (20% - 33% annual rate). The amortization period and the amortization method used for the computer software are reviewed at each reporting period.

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

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

l) Impairment of non-financial assets

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

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

m) Financial instruments

(i) Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

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.

St. Kitts Nevis Anguilla Trading and Development Company Limited

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4 Summary of accounting policies ...continued

m) Financial instruments ...continued

(ii) Measurement methods

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in the consolidated statement of income.

(iii) Classification and measurement of financial assets

At initial recognition, the Group initially measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expenses in the consolidated statement of income. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

Financial assets are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL); and
- fair value through other comprehensive income (FVOCI).



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4 Summary of accounting policies ...continued

m) Financial instruments ...continued

(iii) Classification and measurement of financial assets ...continued

In the current and prior periods presented, the Group does not have any financial assets categorised as FVTPL. All income and expenses relating to financial assets that are recognised in the consolidated statement of income are presented within interest income, whereas the loss allowance is presented within general and administrative expenses in the consolidated statement of income.

The classification is determined by both the Group's business model for managing the financial asset and the contractual cash flow characteristics of the financial assets.

All income and expenses relating to financial assets that are recognised in the consolidated statement of income are presented within finance costs, finance income or other financial items, except for loss allowance of investment securities, loans to customers, receivables, reinsurance assets, statutory deposits and due from related parties, which is presented within operating expenses.

Business model

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets.

If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of the 'other' business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Solely payments of principal and interest (SPPI)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent the SPPI test. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Group reclassifies debt investments, if any, when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

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4 Summary of accounting policies ...continued

m) Financial instruments ...continued

(iii) Classification and measurement of financial assets ...continued

Financial assets at FVOCI

The classification requirements for equity instruments are described below.

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading or as mandatorily required to be classified as FVTPL. The Group has designated equity instruments as at FVOCI on initial application of IFRS 9.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of revaluation reserves account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the revaluation reserves account is not reclassified to profit or loss but is reclassified directly to retained earnings account, except for those debt securities classified as FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets, if any, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognised in the separate statement of income as part of interest income.

Any dividends earned on holding equity instruments are recognised in the consolidated statement of income as part of dividends under the other income account, when the Group's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and, the amount of the dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment.

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4 Summary of accounting policies ...continued

m) Financial instruments ...continued

(iv) Impairment of financial assets

From February 1, 2018, the Group uses the IFRS 9's impairment requirement which assesses on a forward-looking basis, the expected credit losses – the 'expected credit loss model' on its financial assets carried at amortised cost and with the exposure arising from loan commitments. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included, loans to customers and other debt-type financial assets measured at amortised cost and FVOCI, receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead, the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Group makes use of the 12-month expected credit loss approach in accounting for due from related parties, reinsurance assets and statutory deposits and lifetime expected credit loss for investment securities, loans to customers and receivables. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating the expected credit losses, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

The Group assesses loss allowance of receivables and due from related parties on a collective basis as they possess shared credit risk characteristics based on the days past due. Refer to Note 5(b) for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

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4 Summary of accounting policies ...continued

m) Financial instruments ...continued

(iv) Impairment of financial assets ...continued

Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate;
- Change in the currency the loan is denominated in; and
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

(v) Classification and subsequent measurement and derecognition of financial liabilities

(i) Classification and subsequent measurement

In both the current and prior periods, financial liabilities are classified as subsequently measured at amortised cost.

St. Kitts Nevis Anguilla Trading and Development Company Limited

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4 Summary of accounting policies ...continued

m) Financial instruments ...continued

(v) Classification and subsequent measurement and derecognition of financial liabilities ...continued

(ii) Derecognition ...continued

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(vi) Accounting policies applied until January 31, 2018

Recognition, initial measurement and derecognition

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

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

Classification and subsequent measurement of financial assets

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

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

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.

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4 Summary of accounting policies ...continued

m) Financial instruments ...continued

(vi) *Accounting policies applied until January 31, 2018 ...continued*

Classification and subsequent measurement of financial assets ...continued

(i) *Loans and receivables*

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

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

(ii) *AFS financial assets*

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

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

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



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4 Summary of accounting policies ...continued

m) Financial instruments ...continued

(vi) Accounting policies applied until January 31, 2018 ...continued

(ii) AFS financial assets ...continued

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

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, customers' deposits, insurance liabilities, accounts payable and other liabilities (except for employee health fund and advance deposits) 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

m) Financial instruments ...continued

(vi) Accounting policies applied until January 31, 2018 ...continued

Classes of financial instruments

Financial assets	Loans and receivables	Cash and cash equivalents		Deposits
				Treasury bills
		Loans to customers	Loans to individuals	Commercial loans
				Student loans
				Mortgage loans
				Personal loans
			Loans to corporate entities	Commercial loans
		Investment securities and statutory deposits	Treasury bills and bonds	Local and regional
			Corporate bonds	Local and regional
			Fixed deposits	Local and regional
	Receivables			
	Reinsurance assets			
	Due from related parties			
AFS financial assets	Investment securities	Equity securities	Quoted	
			Unquoted	
Financial liabilities	Customers' deposits	Deposits from individuals		
		Deposits from corporate entities		
		Deposits other financial institutions		
	Insurance liabilities			
	Borrowings			
	Accounts payable and other liabilities			
	Due to related parties			
Off-balance sheet financial instruments	Loan commitments			

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4 Summary of accounting policies ...continued

m) Financial instruments ...continued

(vi) Accounting policies applied until January 31, 2018 ...continued

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.

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4 Summary of accounting policies ...continued

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.

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).

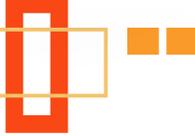
Motor insurance contracts mainly protect and indemnify the vehicle owner against loss or damage of the motor vehicle and its accessories and spare parts resulting from accidental collision or overturning, fire, external explosion, self-ignition or lightning, burglary, theft and malicious acts.

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

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

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

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



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4 Summary of accounting policies ...continued

o) Insurance contracts ...continued

Recognition and measurement ...continued

Short-term insurance contracts ...continued

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

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.

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4 Summary of accounting policies ...continued

o) Insurance contracts ...continued

Deferred policy acquisition costs (DAC) ...continued

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.

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.



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Notes to Consolidated Financial Statements

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(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ...continued

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.

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

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

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

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

Income tax rate

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

Premium tax rate

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

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.

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 financial assets at fair value through other comprehensive income (2018: AFS financial assets) comprises unrealised gains and losses relating to these types of financial instruments (see note 26).

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4 Summary of accounting policies ...continued

s) Equity, reserves and dividend payments ...continued

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

Statutory reserve fund is a reserve fund which is required under Section 45 sub-section (1) of the Banking Act 2015 of Saint Christopher and Nevis, No. 1 of 2015, which states that every licensed financial institution shall maintain a reserve fund and shall, out of its net profits of each year, transfer to that fund a sum equal to not less than twenty percent of such profits whenever the amount of the reserve fund is less than a hundred percent of the paid-up or, as the case may be, assigned capital of the financial institution.

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

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

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

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.

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.



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4 Summary of accounting policies ...continued

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

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

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

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/(loss) per share

Basic earnings/(loss) per share are determined by dividing profit/(loss) 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/(loss) 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/(loss) per share is equal to the basic earnings/(loss) per share.

y) Assets and liabilities classified as held for sale group and discontinued operations

Assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Group's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortisation.

Any profit or loss arising from the sale or remeasurement of discontinued operations is presented as part of a single line item, profit or loss from discontinued operations.

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4 Summary of accounting policies ...continued

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

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may be substantially different.

i) Provision for expected credit losses of receivables

The Group uses a provision matrix to calculate expected credit losses for receivables. The provision rates are based on days past due for groupings of customers that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed pattern default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the expected credit losses on the Group's receivables is disclosed in Note 5(b).

The carrying amount of receivables as at January 31, 2019 is \$18,602,063 (January 31, 2018: \$18,068,768 and February 1, 2018: \$17,743,637).

ii) Measurement of the expected credit loss allowance of investment securities and loans to customers

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 5(b), which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

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4 Summary of accounting policies ...continued

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

ii) Measurement of the expected credit loss allowance of investment securities and loans to customers ...continued

Detailed information about the judgements and estimates made by the Group in the above areas is set out in note 5(b).

The most significant assumptions affecting the ECL allowance are as follows:

- The determination of the estimated time to sell the underlying collateral securing the financial assets
- The determination of the fair value of the underlying collateral securing the financial assets
- The determination of the probabilities of default utilized in the assessment of 12-month and lifetime credit losses.

	+5% \$	Base Case \$	-5% \$
<i>Loans to customers</i>			
Time to sell	2,898,447	2,882,856	2,867,092
Fair value of underlying collateral	2,806,942	2,882,856	2,958,770
	+0.05% \$	Base Case \$	-0.05% \$
Determination of loss rates			
<i>Loans to customers</i>	2,977,292	2,882,856	2,788,120
<i>Investment securities</i>	482,928	482,687	482,446

iii) 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 for the level of inventory losses in a given year. The Group's policy is to review on an annual basis the condition of its inventory.

iv) 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.

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4 Summary of accounting policies ...continued

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

v) Estimation of amounts involving right of return

The Group's contract of sale has variable consideration which is the right of return given to the customers within a specified period. Given the large number of contracts of the same characteristics, the Group considered the expected value method under the provisions of IFRS 15 which better predicts the amounts of consideration it will be required to return and receive involving the customer's right of return.

The carrying amounts of the right to return assets and refund liability as at January 31, 2019 is presented as part of prepayments and other current assets account and accounts payable and other liabilities, respectively, in the 2019 consolidated statement of financial position.

vi) Fair value of financial instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

The carrying values of the Group's financial assets at FVOCI and the amounts of fair value changes recognised on those assets are disclosed in Note 9.

vii) Determination of transaction price and amounts allocated to performance obligations

The transaction price for a contract is allocated amongst the material right and other performance obligations identified in the contract based on their stand-alone selling prices, which are all observable. The transaction price for a contract excludes any amounts collected on behalf of third parties [e.g., value-added taxes (VAT)].

The transaction price is considered receivable to the extent of products sold with a right of return. Such variable consideration is estimated based on the method described on Note 3. Also, the Group uses the practical expedient in IFRS 15 with respect to non-adjustment of the promised amount of consideration for the effects of significant financing component as the Group expects, at contract inception, that the period between when the Group transfers promised goods or services to the customer and payment due date is one year or less.



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4 Summary of accounting policies ...continued

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

viii) *Evaluation of business model applied in managing financial instruments*

Upon adoption of IFRS 9, the Group developed business models which reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under IFRS 9, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Group's investment and trading strategies.

ix) *Testing of cash flow characteristics of financial assets and continuing evaluation of the business model*

In determining the classification of financial assets under IFRS 9, the Group assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortised cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Group assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Group considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

In addition, IFRS 9 emphasizes that if more than an infrequent sale is made out of a portfolio of financial assets carried at amortised cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Group considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Group can explain the reasons for those sales and why those sales do not reflect a change in the Group's objective for the business model.

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4 Summary of accounting policies ...continued

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

x) *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 the 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 -/+\$3,030 (2018: \$3,850).

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.

xi) *Determination of life insurance valuation assumptions*

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

Mortality

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

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4 Summary of accounting policies ...continued

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

xi) Determination of life insurance valuation assumptions ...continued

Lapses

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

Interest rates

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

Expense

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

xii) Sensitivity analysis of life insurance risk

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

	Change in Variable	Change in Net Policy Liabilities	
		Increase/(Decrease) 2019	2018
		\$	\$
Increase in mortality	10%	(25,693)	(31,328)
Decrease in mortality	10%	27,195	33,220
Increase in lapse margin	15%	67,636	85,669
Increase in expenses	10%	31,953	36,193
Parallel decrease in valuation	1%	254,997	308,689

5 Financial risk management

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.

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5 Financial risk management ...continued

Financial risk factors ...continued

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.

a) Market risk

i) 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.

ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises primarily from net interest-bearing liabilities held with financial institutions with respect to the credit accounts, bank overdraft, customers' deposits and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The credit accounts, bank overdraft and the long-term borrowings bear fixed interest rates of 3.0% - 4.0%, 5.75% - 10% and 5%, 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. Also, cash flow interest rate risk arises from loans and advances to customers, and other interest-bearing assets at fixed rates.

If at January 31, 2019 interest rates on borrowings, credit accounts and credit customers' deposits had been 1% higher/lower, with all other variables held constant, consolidated profit for the year would have been \$77,333 lower/higher (2018: \$78,881), mainly as a result of lower/higher interest expense. If at January 31, 2019 interest rates on loans to customers and other interest-bearing assets had been 1% higher/lower, with all other variables held constant, consolidated profit for the year would have been \$130,782 higher/lower (2018: \$124,413), mainly as a result of higher/lower interest income.

iii) 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 financial assets at FVOCI (2018: 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, 2019 had been 10%

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5 Financial risk management ...continued

Financial risk factors ...continued

a) Market risk ...continued

iii) Price risk ...continued

higher/lower with all other variables held constant, the change in equity securities would have been insignificant.

b) 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.

Credit risk management

Credit risk arises from cash, contractual cash flows of financial assets carried at amortised cost as well as credit exposure to customers, including outstanding receivables.

The credit risk in respect of cash balances with banks and deposits with banks are managed via diversification of bank deposits and are only with major reputable financial institutions.

The Group continuously monitors the credit quality of the customers based on a credit rating scorecard. Where available, external credit ratings and/or reports on customers are obtained and used. The Group's policy is to deal only with credit worthy counterparties. The credit term ranges between 30 to 60 days. The credit terms for customers as negotiated with customers are subject to an internal approval process which considers the credit rating scorecard. The ongoing credit risk is managed through regular review of aging analysis, together with credit limits per customer.

Loans to customers and receivables consist of a large number of individual customers and in various industries.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by groups of similar customers, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

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5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Credit risk management

Loans to customers including loan commitments, investment securities and receivables

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk through various approaches using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) or a loss rate approach. The approaches used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9 are outlined in note 5(b) on page 47 for more details.

Credit risk rating

The Group uses various strategies to grade and assess credit risk of its customers, borrowers and other counterparties. With respect to the counterparties with which it holds investment securities, the Group uses an internal credit risk grading system that reflect its assessment of the probability of default of individual counterparties. The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between an A and A- rating grade is lower than the difference in the PD between a B and B- rating grade.

The Group's internal rating scale and mapping of external ratings are set out below:

Country	Type	Local/Foreign	Rating			PD	
			Caricris	Moody's	S&P	1 year	10 years
St. Kitts and Nevis	Sovereign	Foreign	BBB	B2	B	2.222%	–
St. Kitts and Nevis	Sovereign	Local	BBB	B2	B	2.007%	–
St. Kitts and Nevis	Corporate	Local	BBB	B2	B	3.581%	–
St. Lucia	Sovereign	Local	BBB	B2	B	2.007%	–
St. Vincent	Sovereign	Local	–	B3	B	2.007%	–
Anguilla	Sovereign	Local	BBB+	B1	B+	–	12.938%

The rating for St. Kitts was based on the rating for St. Lucia, as St. Kitts did not have a Caricris rating at the time the model was completed.

For loans to customers and receivables, the Group assesses information collected at the time when the loans application or sale transaction is made (such as disposable income, and level of collateral for retail exposures; credit rating) to determine appropriate credit risk/staging for the financial assets. This is supplemented with external data such as credit scoring information on individual institutions, if available. In addition, the models enable expert judgement from management to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

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5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Credit risk measurement ...continued

Expected credit loss measurement

IFRS 9 outlines a ‘three-stage’ model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in ‘Stage 1’ and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk (‘SICR’) since initial recognition is identified, the financial instrument is moved to ‘Stage 2’ but it is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to ‘Stage 3’.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit impaired on initial recognition. The ECL related to these financial assets is always measured on a lifetime basis (Stage 3).

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

	Change in credit quality since initial recognition		
	Stage 1	Stage 2	Stage 3
Risk Assessment	Initial recognition or credit risk is considered low	Significant increase in credit risk since initial recognition	Credit-impaired assets
Expected credit losses	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

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Notes to Consolidated Financial Statements
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(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Expected credit loss measurement ...continued

Maximum exposure to credit risk

Loans to customers

	ECL Staging 2019				January 31, 2018	Adoption of IFRS 9	February 1, 2018
	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$	Total \$	Total \$	Total \$
Mortgage loans	49,175,590	4,655,263	5,824,204	59,655,057	62,065,002	–	62,065,002
Vehicle loans	30,716,560	948,185	793,964	32,458,709	27,917,844	–	27,917,844
Promotional loans	8,833,282	185,416	212,624	9,231,322	7,547,225	–	7,547,225
Personal loans	7,033,491	686,959	602,321	8,322,771	9,926,626	–	9,926,626
Gross carrying amount	95,758,923	6,475,823	7,433,113	109,667,859	107,456,697	–	107,456,697
Loss allowance	(366,131)	(223,109)	(2,290,336)	(2,879,576)	(2,908,552)	(74,732)	(2,983,284)
Carrying amount	95,392,792	6,252,714	5,142,777	106,788,283	104,548,145	(74,732)	104,473,413

	Mortgage loans portfolio ECL Staging 2019				2018 Total
	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$	Total \$
Standard monitoring	49,175,590	4,655,263	–	53,830,853	54,442,004
Default	–	–	5,824,204	5,824,204	7,622,998
Gross carrying amount	49,175,590	4,655,263	5,824,204	59,655,057	62,065,002
Loss allowance	(103,165)	(181,510)	(1,282,583)	(1,567,258)	(2,123,974)
Carrying amount	49,072,425	4,473,753	4,541,621	58,087,799	59,941,028

St. Kitts Nevis Anguilla Trading and Development Company Limited
Notes to Consolidated Financial Statements
January 31, 2019

(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Expected credit loss measurement ...continued

Maximum exposure to credit risk ...continued

Loans to customers ...continued

	Vehicle loans portfolio ECL Staging 2019				2018
	Stage 1	Stage 2	Stage 3	Total	Total
	\$	\$	\$	\$	\$
Standard monitoring	30,716,560	948,185	–	31,664,745	27,562,782
Default	–	–	793,964	793,964	355,062
Gross carrying amount	30,716,560	948,185	793,964	32,458,709	27,917,844
Loss allowance	(132,672)	(14,149)	(522,055)	(668,876)	(347,220)
Carrying amount	30,583,888	934,036	271,909	31,789,833	27,570,624

	Promotional loans portfolio ECL Staging 2019				2018
	Stage 1	Stage 2	Stage 3	Total	Total
	\$	\$	\$	\$	\$
Standard monitoring	8,833,282	185,416	–	9,018,698	7,483,125
Default	–	–	212,624	212,624	64,100
Gross carrying amount	8,833,282	185,416	212,624	9,231,322	7,547,225
Loss allowance	(68,171)	(2,962)	(208,510)	(279,643)	(119,822)
Carrying amount	8,765,111	182,454	4,114	8,951,679	7,427,403

St. Kitts Nevis Anguilla Trading and Development Company Limited
Notes to Consolidated Financial Statements
January 31, 2019

(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Expected credit loss measurement ...continued

Maximum exposure to credit risk ...continued

Loans to customers ...continued

	Personal loans portfolio ECL Staging 2019			Total \$	2018 Total \$
	Stage 1 \$	Stage 2 \$	Stage 3 \$		
Standard monitoring	7,033,491	686,959	–	7,720,450	9,290,658
Default	–	–	602,321	602,321	635,968
Gross carrying amount	7,033,491	686,959	602,321	8,322,771	9,926,626
Loss allowance	(62,123)	(24,488)	(277,188)	(363,799)	(392,268)
Carrying amount	6,971,368	662,471	325,133	7,958,972	9,534,358

The closing balance of the loans to customers loss allowance as at January 31, reconciles with the loans to customers loss allowance opening balance as follows:

	2019 \$	2018 \$
Balance at beginning of year calculated under IAS 39	2,908,552	3,309,172
Amounts restated through opening retained earnings	74,732	–
Balance at February 1, 2018, as restated	2,983,284	3,309,172
Impairment charge/(credit) during the year (note 31)	83,401	(201,902)
Write-offs for the year	(187,109)	(198,718)
Balance at end of year	2,879,576	2,908,552

During the year, certain loans to customers previously written-off amounting to \$18,675 were recovered (note 31).

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2019

(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Expected credit loss measurement ...continued

Maximum exposure to credit risk ...continued

Loans to customers ...continued

Collateral and other credit enhancements

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation. The Group prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are:

- Mortgages over residential properties
- Bills of sale and assignment of collateral such as motor vehicles and equipment; and
- Charges over financial instruments such as liens on fixed and other deposits.

Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period.

A portion of the Group's financial assets originated by the mortgage business has sufficiently low 'loan to value' (LTV) ratios, which results in no loss allowance being recognised in accordance with the Group's expected credit loss model. The carrying amount of such financial assets is \$2,580,603 as at January 31, 2019.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2019

(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Expected credit loss measurement ...continued

Maximum exposure to credit risk ...continued

Loans to customers ...continued

Collateral and other credit enhancements ...continued

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

	Gross exposure \$	Impairment allowance \$	Carrying amount \$	Fair value of collateral held \$
Credit-impaired assets				
Loans to customers				
Mortgage	5,824,204	(1,282,583)	4,541,621	12,162,801
Vehicle	793,964	(522,055)	271,909	269,133
Promotional	212,624	(208,510)	4,114	4,114
Personal	602,321	(277,188)	325,133	5,711
Total credit-impaired assets	7,433,113	(2,290,336)	5,142,777	12,441,759

The following table shows the distribution of LTV ratios for the Group's credit-impaired loans to customers:

LTV distribution	Credit-impaired (Gross carrying amount)			
	Mortgage loans portfolio \$	Vehicle loans portfolio \$	Promotional loans portfolio \$	Personal loans portfolio \$
Lower than 50%	2,316,598	22,293	-	-
50% to 60%	241,712	-	-	-
60% to 70%	107,829	-	-	-
70% to 80%	797,764	-	-	-
80% to 90%	730,758	-	-	-
90% to 100%	-	-	-	-
Higher than 100%	1,629,543	771,671	212,624	602,321
Total	5,824,204	793,964	212,624	602,321



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Notes to Consolidated Financial Statements
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(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Expected credit loss measurement ...continued

Maximum exposure to credit risk ...continued

Loans to customers ...continued

Collateral and other credit enhancements ...continued

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stages 1, 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent “step up” (or “step down”) between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular updating of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

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Notes to Consolidated Financial Statements
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5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Expected credit loss measurement ...continued

Maximum exposure to credit risk ...continued

Loans to customers ...continued

Collateral and other credit enhancements ...continued

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

	Mortgage loans portfolio			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
	\$	\$	\$	\$
Loss allowance as at February 1, 2018	130,424	63,326	1,930,224	2,123,974
Transfers:				
Transfers from Stage 1 to Stage 2	(5,314)	74,258	–	68,944
Transfers from Stage 1 to Stage 3	(182)	–	30,430	30,248
Transfers from Stage 2 to Stage 1	467	(5,124)	–	(4,657)
Transfers from Stage 3 to Stage 1	998	–	(125,958)	(124,960)
Transfers from Stage 3 to Stage 2	–	61,522	(520,858)	(459,336)
New financial assets originated or purchased	9,719	–	–	9,719
Changes in loss rates/LGDs/EADs	(23,991)	(9,062)	160,243	127,190
Financial assets derecognised during the year	(8,956)	(3,410)	(52,010)	(64,376)
Total net P&L charge during the year	(27,259)	118,184	(508,153)	(417,228)
Write-offs	–	–	(139,488)	(139,488)
Loss allowance as at January 31, 2019	103,165	181,510	1,282,583	1,567,258

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2019

(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Expected credit loss measurement ...continued

Maximum exposure to credit risk ...continued

Loans to customers ...continued

Collateral and other credit enhancements ...continued

	Vehicle loans portfolio			Total \$
	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	
Loss allowance as at February 1, 2018	93,763	16,293	237,164	347,220
Transfers:				
Transfers from Stage 1 to Stage 2	(3,235)	11,681	–	8,446
Transfers from Stage 1 to Stage 3	(1,479)	–	208,442	206,963
Transfers from Stage 2 to Stage 3	–	(3,974)	165,455	161,481
Transfers from Stage 2 to Stage 1	1,155	(7,211)	–	(6,056)
Transfers from Stage 3 to Stage 1	150	–	(18,981)	(18,831)
New financial assets originated or purchased	53,198	–	–	53,198
Changes in loss rates/LGDs/EADs	(2,898)	(1,355)	(4,152)	(8,405)
Financial assets derecognised during the year	(7,982)	(1,285)	(33,545)	(42,812)
Total net P&L charge during the year	38,909	(2,144)	317,219	353,984
Write-offs	–	–	(32,328)	(32,328)
Loss allowance as at January 31, 2019	132,672	14,149	522,055	668,876

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2019

(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Expected credit loss measurement ...continued

Maximum exposure to credit risk ...continued

Loans to customers ...continued

Collateral and other credit enhancements ...continued

	Promotional loans portfolio			Total \$
	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	
Loss allowance as at February 1, 2018	53,370	3,415	63,037	119,822
Transfers:				
Transfers from Stage 1 to Stage 2	(763)	1,131	–	368
Transfers from Stage 1 to Stage 3	(1,265)	–	142,234	140,969
Transfers from Stage 2 to Stage 3	–	(467)	31,903	31,436
Transfers from Stage 2 to Stage 1	468	(1,914)	–	(1,446)
Transfers from Stage 3 to Stage 2	–	10	(4,366)	(4,356)
New financial assets originated or purchased	46,617	1,491	–	48,108
Changes in loss rates/LGDs/EADs	(11,021)	(394)	(2,723)	(14,138)
Financial assets derecognised during the year	(19,235)	(310)	(11,332)	(30,877)
Total net P&L charge during the year	14,801	(453)	155,716	170,064
Write-offs	–	–	(10,243)	(10,243)
Loss allowance as at January 31, 2019	68,171	2,962	208,510	279,643

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Notes to Consolidated Financial Statements

January 31, 2019

(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Expected credit loss measurement ...continued

Maximum exposure to credit risk ...continued

Loans to customers ...continued

Collateral and other credit enhancements ...continued

	Personal loans portfolio			Total \$
	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	
Loss allowance as at February 1, 2018	96,354	14,655	281,259	392,268
Transfers:				
Transfers from Stage 1 to Stage 2	(2,206)	6,087	–	3,881
Transfers from Stage 1 to Stage 3	(485)	–	25,498	25,013
Transfers from Stage 2 to Stage 3	–	(326)	13,786	13,460
Transfers from Stage 2 to Stage 1	899	(14,313)	–	(13,414)
New financial assets originated or purchased	28,520	21,525	–	50,045
Changes in loss rates/LGDs/EADs	(25,104)	(1,970)	(28,941)	(56,015)
Financial assets derecognised during the year	(35,855)	(1,099)	(9,435)	(46,389)
Total net P&L charge during the year	(34,231)	9,904	908	(23,419)
Write-offs	–	(71)	(4,979)	(5,050)
Loss allowance as at January 31, 2019	62,123	24,488	277,188	363,799

The following table further explains changes in the gross carrying amount of the mortgage portfolio to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above:

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(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Expected credit loss measurement ...continued

Maximum exposure to credit risk ...continued

Loans to customers ...continued

Collateral and other credit enhancements ...continued

	Mortgage loans portfolio			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
	\$	\$	\$	\$
Gross carrying amount as at February 1, 2018	52,602,912	1,839,092	7,622,998	62,065,002
Transfers:				
Transfers from Stage 1 to Stage 2	(2,144,883)	2,144,883	–	–
Transfers from Stage 1 to Stage 3	(73,419)	–	73,419	–
Transfers from Stage 2 to Stage 1	263,879	(263,879)	–	–
Transfers from Stage 3 to Stage 1	504,142	–	(504,142)	–
Transfers from Stage 3 to Stage 2	–	1,624,188	(1,624,188)	–
New financial assets originated or purchased	5,231,558	–	–	5,231,558
Financial assets derecognized during the year other than write-offs	(7,192,177)	(706,509)	342,036	(7,556,650)
Changes in interest receivable	(16,422)	17,488	105,581	106,647
Write-offs	–	–	(191,500)	(191,500)
Gross carrying amount as at January 31, 2019	49,175,590	4,655,263	5,824,204	59,655,057

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(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Expected credit loss measurement ...continued

Maximum exposure to credit risk ...continued

Loans to customers ...continued

Collateral and other credit enhancements ...continued

	Vehicle loans portfolio			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Gross carrying amount as at February 1, 2018	26,407,174	1,155,608	355,062	27,917,844
Transfers:				
Transfers from Stage 1 to Stage 2	(909,234)	909,234	–	–
Transfers from Stage 1 to Stage 3	(415,753)	–	415,753	–
Transfers from Stage 2 to Stage 1	400,980	(400,980)	–	–
Transfers from Stage 2 to Stage 3	–	(290,565)	290,565	–
Transfers from Stage 3 to Stage 1	57,068	–	(57,068)	–
New financial assets originated or purchased	11,733,679	–	–	11,733,679
Financial assets derecognized during the year other than write-offs	(6,563,272)	(423,189)	(178,020)	(7,164,481)
Changes in interest receivable	5,918	(1,923)	–	3,995
Write-offs	–	–	(32,328)	(32,328)
Gross carrying amount as at January 31, 2019	30,716,560	948,185	793,964	32,458,709

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Notes to Consolidated Financial Statements
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(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Expected credit loss measurement ...continued

Maximum exposure to credit risk ...continued

Loans to customers ...continued

Collateral and other credit enhancements ...continued

	Promotional loans portfolio			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Gross carrying amount as at February 1, 2018	7,289,190	193,935	64,100	7,547,225
Transfers:				
Transfers from Stage 1 to Stage 2	(103,874)	103,874	–	–
Transfers from Stage 1 to Stage 3	(172,227)	–	172,227	–
Transfers from Stage 2 to Stage 1	102,486	(102,486)	–	–
Transfers from Stage 2 to Stage 3	–	(20,059)	20,059	–
Transfers from Stage 3 to Stage 2	–	5,429	(5,429)	–
New financial assets originated or purchased	6,019,411	78,747	13,175	6,111,333
Financial assets derecognized during the year other than write-offs	(4,307,100)	(74,151)	(41,265)	(4,422,516)
Changes in interest receivable	5,396	127	–	5,523
Write-offs	–	–	(10,243)	(10,243)
Gross carrying amount as at January 31, 2019	8,833,282	185,416	212,624	9,231,322

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

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(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Expected credit loss measurement ...continued

Maximum exposure to credit risk ...continued

Loans to customers ...continued

Collateral and other credit enhancements ...continued

	Personal loans portfolio			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Gross carrying amount as at February 1, 2018	8,776,736	513,922	635,968	9,926,626
Transfers:				
Transfers from Stage 1 to Stage 2	(187,683)	187,683	–	–
Transfers from Stage 1 to Stage 3	(41,204)	–	41,204	–
Transfers from Stage 2 to Stage 1	123,386	(123,386)	–	–
Transfers from Stage 2 to Stage 3	–	(14,490)	14,490	–
New financial assets originated or purchased	3,220,944	226,721	–	3,447,665
Financial assets derecognized during the year other than write offs	(4,855,537)	(96,003)	(84,362)	(5,035,902)
Changes in interest receivable	(3,151)	(937)	–	(4,088)
Write-offs	–	(6,551)	(4,979)	(11,530)
Gross carrying amount as at January 31, 2019	7,033,491	686,959	602,321	8,322,771

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance were as follows:

- The high volume of new vehicle loans originated during the period, aligned with the Group's growth objective, increased the gross carrying amount of the vehicle book by 16%, with a corresponding \$53,199 increase in loss allowance measured on a 12-month basis.

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Notes to Consolidated Financial Statements

January 31, 2019

(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Expected credit loss measurement ...continued

Maximum exposure to credit risk ...continued

Loans to customers ...continued

Collateral and other credit enhancements ...continued

- The write-off of mortgage loans with a total gross carrying amount of \$191,500 resulted in the reduction of the Stage 3 loss allowance by \$139,488.

Write-off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended January 31, 2019 was \$245,601.

The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

Modification of financial assets

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery. Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or 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.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset (see notes 5(b) above). The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for twelve consecutive months or more. The gross carrying amount of such assets held as at January 31, 2019 was \$2,190,827.

The Group continues to monitor if there is a subsequent significant increase in credit risk in relation to such assets through the use of specific models for modified assets.

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 Notes to Consolidated Financial Statements
January 31, 2019

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5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Expected credit loss measurement ...continued

Maximum exposure to credit risk ...continued

Investment securities

January 31, 2019

Type of investment	Group internal credit rating	External credit rating			Average ECL rate %	Estimated gross carrying amount at default \$	Loss allowance \$
		Caricris	Moody's	S&P			
		Fixed deposits	Stage 1	BBB			
Fixed deposits	Stage 2	BBB+	B1	B+	0.045283	3,382,180	153,155
Corporate bonds	Stage 1	BBB	B2	B	0.005587	19,657,219	109,833
Treasury bills and bonds	Stage 1	BBB	B2	B	0.007174	9,681,345	69,449
						70,692,336	482,687

February 1, 2018

Type of investment	Group internal credit rating	External credit rating			Average ECL rate %	Estimated gross carrying amount at default \$	Loss allowance \$
		Caricris	Moody's	S&P			
		Fixed deposits	Stage 1	BBB			
Fixed deposits	Stage 2	BBB+	B1	B+	0.045283	3,780,078	171,173
Corporate bonds	Stage 1	BBB	B2	B	0.005131	18,661,940	95,754
Treasury bills and bonds	Stage 1	BBB	B2	B	0.008294	9,634,595	55,408
						66,564,678	468,558

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January 31, 2019

(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Expected credit loss measurement ...continued

Maximum exposure to credit risk ...continued

Investment securities ...continued

The closing balance of the investment securities loss allowance as at January 31, 2019 reconciles with the investment securities loss allowance opening balance as follows:

	Parent company \$	Non- controlling interests \$	Total \$
Balance at beginning of year calculated under IAS 39	–	–	–
Amounts restated through opening retained earnings (note 3)	446,473	22,085	468,558
Balance at February 1, 2018, as restated	446,473	22,085	468,558
Loss allowance for the year (note 31)	23,896	(9,767)	14,129
Balance at end of year	470,369	12,318	482,687

Receivables

	Stage 1 \$	ECL staging Stage 2 \$	Stage 3 \$	Total \$
January 31, 2019				
Expected credit loss rate	0.15%	0.27%	100%	
Gross carrying amount	15,873,126	2,761,257	9,362,126	27,996,509
Lifetime expected credit loss	23,482	7,438	9,362,126	9,393,046
February 1, 2018				
Expected credit loss rate	0.20%	0.23%	100%	
Gross carrying amount	14,304,720	3,475,603	9,359,250	27,139,573
Lifetime expected credit loss	28,590	8,096	9,359,250	9,395,936

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Notes to Consolidated Financial Statements

January 31, 2019

(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Expected credit loss measurement ...continued

Maximum exposure to credit risk ...continued

Receivables ...continued

The closing balance of the receivables loss allowance as at January 31, 2019 reconciles with the receivables loss allowance opening balance as follows:

	2019 \$	2018 \$
Balance at beginning of year calculated under IAS 39	9,070,805	9,306,190
Amounts restated through opening retained earnings (note 3)	<u>325,131</u>	–
Balance at February 1, 2018, as restated	9,395,936	9,306,190
Charge/(credit) of allowance for the year (note 31)	489,614	(235,110)
Written-off during the year	<u>(492,504)</u>	(275)
Balance at end of year	<u>9,393,046</u>	9,070,805

Certain receivables previously not included in the provision for impairment amounting to \$20,519 (2018: \$83,537) were written-off during the year (note 31).

Due from related parties, reinsurance assets and statutory deposits

Due from related parties, reinsurance assets and statutory deposits are financial are measured at amortised cost and considered to have low credit risk.

The restatement of transition to IFRS 9 as result of applying the expected credit risk model for due from related parties was immaterial. Also, during the year, no loss allowance is recognised as management believes that there is no risk of collecting those financial assets due to their short-term duration and excellent relationship with counterparties.

See note 4(m)(vi) for the previous accounting policy on impairment of due from related parties, reinsurance assets and statutory deposits.

Credit risk management policies applied until January 31, 2018

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.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2019

(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Expected credit loss measurement ...continued

Maximum exposure to credit risk ...continued

Credit risk management policies applied until January 31, 2018 ...continued

	2018 \$
Cash at banks and cash equivalents	17,280,444
Investment securities	74,427,315
Loans to customers	104,548,145
Receivables	18,068,768
Reinsurance assets	10,547,980
Statutory deposits	2,830,877
Due from related parties	954,956
Assets included in disposal group	1,623,385
	<u>230,281,870</u>

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by groups of similar customers, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all of the above financial assets that are not impaired or past due for each of the January 31, 2018 reporting dates under review are of good credit quality.

At January 31, 2018, the Group has certain receivables that have not been settled by the contractual due date but are not considered to be impaired. The amounts at January 31, analysed by the length of time past due are disclosed in note 11.

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

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

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 and AFS financial assets.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2019

(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Expected credit loss measurement ...continued

Maximum exposure to credit risk ...continued

Credit risk management policies applied until January 31, 2018 ...continued

Loans to customers

Loans to customers are summarised as follows:

	2018 \$
Neither past due nor impaired	79,452,074
Past due but not impaired	19,063,065
Impaired	<u>8,633,938</u>
Gross loans to customers	107,149,077
Interest receivable	307,620
Less: allowance for impairment	<u>(2,908,552)</u>
Net loans	<u>104,548,145</u>
Current	20,038,576
Non-Current	<u>84,509,569</u>
	<u>104,548,145</u>

(i) 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:

	2018 \$
Home construction	22,778,060
Vehicle	22,543,014
Land and property	10,853,861
Refinanced mortgage	8,211,368
Consumer	7,242,143
Promotional	6,170,243
Vacation	829,962
Education	431,367
Government	277,027
Medical	<u>115,029</u>
	<u>79,452,074</u>

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2019

(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Expected credit loss measurement ...continued

Maximum exposure to credit risk ...continued

Credit risk management policies applied until January 31, 2018 ...continued

Loans to customers ...continued

(ii) 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:

	2018 \$
Past due up to 30 days	15,402,097
Past due 31 - 60 days	2,671,811
Past due 61 - 90 days	989,157
	<u>19,063,065</u>

(iii) Loans to customers individually impaired

The individually impaired loans before taking into consideration the cash flows from collateral held is \$8,633,938 as at January 31, 2018. Loans written-off for the year 2018 is \$245,680.

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:

	2018 \$
Home construction	2,701,867
Land and property	2,594,564
Refinanced mortgage	2,234,630
Education	394,512
Vehicle	355,062
Consumer	227,017
Promotional	111,847
Vacation	14,439
Total	<u>8,633,938</u>
Fair value of collateral	<u>14,264,234</u>



St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2019

(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Loans to customers ...continued

(iv) 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, 2018, renegotiated loans that would otherwise be past due or impaired totalled \$400,507.

(v) Repossessed collateral

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Repossessed collateral of the Group amounted to nil for the year ended January 31, 2018.

Geographic

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

c) 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 to the contractual maturity date, and represent the contractually undiscounted cash flows:

St. Kitts Nevis Anguilla Trading and Development Company Limited
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(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

c) Liquidity risk ...continued

	Within 1 year \$	Between 1 and 5 years \$	More than 5 years \$	Total \$
As at January 31, 2019				
Financial liabilities				
Borrowings	34,991,754	6,415,724	4,566,878	45,974,356
Customers' deposits	112,692,506	4,242,064	4,819,062	121,753,632
Insurance liabilities	13,247,981	–	–	13,247,981
Accounts payable and other liabilities	43,748,785	–	–	43,748,785
Due to related parties	95,345	–	–	95,345
Liabilities included in disposal group	80,602	–	–	80,602
Total financial liabilities	204,856,973	10,657,788	9,385,940	224,900,701
Financial assets				
Cash and cash equivalents	20,459,482	–	–	20,459,482
Investment securities	62,408,535	7,801,114	7,894,491	78,104,140
Loans to customers	25,963,369	63,021,145	68,397,596	157,382,110
Receivables	13,799,776	5,740,611	2,219,188	21,759,575
Reinsurance assets	4,232,927	–	–	4,232,927
Statutory deposits	2,849,488	–	–	2,849,488
Due from related parties	1,393,427	–	–	1,393,427
Assets included in disposal group	439,790	–	–	439,790
Total financial assets	131,546,794	76,562,870	78,511,275	286,620,939
Net liquidity gap	(73,310,179)	65,905,082	69,125,335	61,720,238
As at January 31, 2018				
Financial liabilities				
Borrowings	39,624,997	6,879,860	6,170,810	52,675,667
Customers' deposits	107,841,073	1,535,661	4,819,062	114,195,796
Insurance liabilities	23,369,551	–	–	23,369,551
Accounts payable and other liabilities	44,975,639	–	–	44,975,639
Liabilities included in disposal group	1,470,898	–	–	1,470,898
Total financial liabilities	217,282,158	8,415,521	10,989,872	236,687,551
Financial assets				
Cash and cash equivalents	17,372,819	–	–	17,372,819
Investment securities	59,303,810	15,123,505	–	74,427,315
Loans to customers	25,028,343	62,747,245	74,208,903	161,984,491
Receivables	14,584,228	7,089,890	325,615	21,999,733
Reinsurance assets	10,547,980	–	–	10,547,980
Due from related parties	954,956	–	–	954,956
Statutory deposits	2,830,877	–	–	2,830,877
Assets included in disposal group	1,623,385	–	–	1,623,385
Total financial assets	132,246,398	84,960,640	74,534,518	291,741,556
Net liquidity gap	(85,035,760)	76,545,119	63,544,646	55,054,005

St. Kitts Nevis Anguilla Trading and Development Company Limited

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January 31, 2019

(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risks

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 to 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 treaties 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 claims 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 for insurance company 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	2019		2018	
	Gross \$	Net \$	Gross \$	Net \$
Motor	3,659,189	3,659,189	3,080,929	3,080,929
Property	2,005,129	235,129	2,314,835	409,835
	5,664,318	3,894,318	5,395,764	3,490,764
Add:				
Claims incurred but not reported	385,000	385,000	385,000	385,000
Unallocated loss adjustment expenses	303,000	303,000	277,000	277,000
	6,352,318	4,582,318	6,057,764	4,152,764

i) Property insurance

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

Frequency and severity of claims

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2019

(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risks ...continued

a) Insurance risk ...continued

i) Property insurance ...continued

Frequency and severity of claims ...continued

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 \$250,000 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.

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 \$250,000 per risk for casualty insurance.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2019

(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risks ...continued

a) Insurance risk ...continued

ii) Casualty insurance ...continued

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 the 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) Reinsurance contracts

Sources of uncertainty in the estimation of future claim payments

Claims on reinsurance 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. The provision for outstanding claims is subject to the risk that actual claims settlement may be less than or exceed the amount reserved. Particular attention is given to those situations where the funds dedicated to future claims payments may be inadequate. 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. 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. The Group engages an actuary to ensure that its loss reserves for claims incurred but not reported are adequate. The Actuary uses a range of well-established actuarial methods for this purpose and determines the minimum required provision using a weighted average.

iv) Life insurance contracts

The Group's life insurance liabilities are calculated using the net premium valuation method. The Group limits its exposure of potential loss on life insurance policies, by ceding all insurance risks to a reinsurer. The Group selects reinsurers which have a well-established capability to meet their contractual obligations and which generally have high credit ratings.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2019

(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risks ...continued

a) Insurance risk ...continued

iv) Life insurance contracts ...continued

The nature and extent of risks arising from life insurance contracts as of January 31, 2019 and 2018 are as follows:

Concentration of life insurance risk

Gross individual life insurance benefit insured per life policy as at January 31, is as follows:

Range	2019	2018
\$0 - \$200,000	73%	73%
\$200,001 - \$400,000	24%	23%
\$400,001 - \$800,000	3%	4%

The risk is concentrated in the first 2 categories.

Net individual life insurance benefit insured per policy as at January 31, 2019 is 100% (2018: 100%) in the category \$0 - \$200,000 and the risk is concentrated in the first category.

Comparison of actual and expected claims of life insurance risk

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

Year	2019		2018	
	Actual claims \$	Expected claims \$	Actual claims \$	Expected claims \$
2009	–	113,000	–	113,000
2010	45,000	106,000	45,000	106,000
2011	93,000	103,000	93,000	103,000
2012	8,000	98,000	8,000	98,000
2013	–	93,000	–	93,000
2014	–	87,000	–	87,000
2015	–	82,000	–	82,000
2016	–	78,000	–	74,000
2017	50,000	74,000	50,000	54,000
2018	71,000	54,000	71,000	54,000
2019	147,000	67,000	–	–

Maturity profile of life insurance risk

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

St. Kitts Nevis Anguilla Trading and Development Company Limited
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(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risks ...continued

a) Insurance risk ...continued

iv) Life insurance contracts ...continued

	Up to 1 year \$	1 to 5 years \$	Over 5 years \$	Total \$
As at January 31, 2019				
Net reserve	205	6,132	1,999,772	2,006,109
Fund balance	–	–	359,607	359,607
Supplementary benefits	183	–	–	183
Total liabilities, January 31, 2019	388	6,132	2,359,379	2,365,899
As at January 31, 2018				
Net reserve	447	4,373	2,354,275	2,359,095
Fund balance	–	–	535,676	535,676
Supplementary benefits	222	–	–	222
Total liabilities, January 31, 2018	669	4,373	2,889,951	2,894,993

v) Claims development

Claims development – reinsurance

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.

Loss year	Reported number of claims	Open Number of claims	Paid losses \$	Case reserves \$	Reported incurred losses \$
2013	1	1	524,000	–	–
2014	–	–	–	–	–
2015	–	–	–	–	–
2016	1	1	5,250,000	–	–
2017	–	–	–	–	–
2018	–	–	1,750,000	–	–
2019	–	–	–	3,798,164	–
Total	2	2	7,524,000	3,798,164	–

Claims development – insurance

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.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements
January 31, 2019

(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risks ...continued

a) Insurance risk ...continued

v) *Claims development ...continued*

Claims development – insurance ...continued

Motor – gross

Loss year	Brought forward \$	2015 \$	2016 \$	2017 \$	2018 \$	2019 \$	Total \$
- At end of reporting year	5,523,092	3,350,301	2,409,026	2,417,002	2,351,911	3,321,517	19,372,849
- One year later	(32,231)	(442,227)	(61,050)	(70,294)	(76,803)	–	(682,605)
- Two years later	178,877	61,736	(46,686)	(17,417)	–	–	176,510
- Three years later	(45,450)	(37,116)	7,044	–	–	–	(75,522)
- Four years later	6,050	(15,212)	–	–	–	–	(9,162)
- Five years and over	2,714	(44,019)	–	–	–	–	(41,305)
Current estimate of cumulative claims	5,633,052	2,873,463	2,308,334	2,329,291	2,275,108	3,321,517	18,740,765
Cumulative payments to date	(3,895,910)	(2,326,985)	(2,359,021)	(1,932,712)	(1,939,496)	(2,627,452)	(15,081,576)
Liability recognised in the consolidated statement of financial position	1,737,142	546,478	(50,687)	396,579	335,612	694,065	3,659,189

Motor – net

- At end of reporting year	5,523,092	3,350,301	2,409,026	2,417,002	2,351,911	3,321,517	19,372,849
- One year later	(32,231)	(442,227)	(61,050)	(70,294)	(76,803)	–	(682,605)
- Two years later	178,877	61,736	(46,686)	(17,417)	–	–	176,510
- Three years later	(45,450)	(37,116)	7,044	–	–	–	(75,522)
- Four years later	6,050	(15,212)	–	–	–	–	(9,162)
- Five years and over	2,714	(44,019)	–	–	–	–	(41,305)
Current estimate of cumulative claims	5,633,052	2,873,463	2,308,334	2,329,291	2,275,108	3,321,517	18,740,765
Cumulative payments to date	(3,895,910)	(2,326,985)	(2,359,021)	(1,932,712)	(1,939,496)	(2,627,452)	(15,081,576)
Liability recognised in the consolidated statement of financial position	1,737,142	546,478	(50,687)	396,579	335,612	694,065	3,659,189

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements
January 31, 2019

(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risks ...continued

a) Insurance risk ...continued

iv) Claims development ...continued

Claims development – insurance ...continued

Property – gross

Loss year	Brought forward \$	2015 \$	2016 \$	2017 \$	2018 \$	2019 \$	Total \$
- At end of reporting year	1,283,506	173,307	2,412,000	3,245,454	2,481,140	152,582	9,747,989
- One year later	42,713	(16,706)	197,931	(14,482)	(207,876)	–	1,580
- Two years later	(13,864)	–	–	–	–	–	(13,864)
- Three years later	–	–	(12,000)	–	–	–	(12,000)
- Four years later	–	–	–	–	–	–	–
- Five years later	–	–	–	–	–	–	–
Current estimate of cumulative claims	1,312,355	156,601	2,597,931	3,230,972	2,273,264	152,582	9,723,705
Cumulative payments to date	(264,275)	(1,137,082)	(2,424,602)	(3,056,088)	(594,117)	(242,412)	(7,718,576)
	1,048,080	(980,481)	173,329	174,884	1,679,147	(89,830)	2,005,129

Liability recognised in the consolidated statement of financial position

Property – net

- At end of reporting year	1,283,506	173,307	2,412,000	3,245,454	576,140	286,315	7,976,722
- One year later	42,713	(16,706)	197,931	(14,482)	(206,608)	–	2,848
- Two years later	(13,864)	–	–	–	–	–	(13,864)
- Three years later	–	–	(12,000)	–	–	–	(12,000)
- Four years later	–	–	–	–	–	–	–
- Five years later	–	–	–	–	–	–	–
Current estimate of cumulative claims	1,312,355	156,601	2,597,931	3,230,972	369,532	286,315	7,953,706
Cumulative payments to date	(264,275)	(1,137,082)	(2,424,602)	(3,056,088)	(594,117)	(242,413)	(7,718,577)
	1,048,080	(980,481)	173,329	174,884	(224,585)	43,902	235,129

Liability recognised in the consolidated statement of financial position

St. Kitts Nevis Anguilla Trading and Development Company Limited
Notes to Consolidated Financial Statements
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(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risks ...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, loans to customers, receivables reinsurance assets and due from related parties. Short-term financial liabilities are comprised of customers' deposits, insurance liabilities, accounts payable and other liabilities and due to related parties.

Long-term financial assets

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

Financial assets at FVOCI (2018: 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.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements
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(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risks ...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	
	2019	2018	2019	2018
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	20,459,482	17,372,819	20,459,482	17,372,819
Investment securities	70,209,649	66,614,678	70,209,649	66,614,678
Loans to customers	106,788,283	104,548,145	106,788,283	106,705,028
Receivables	18,603,463	18,068,768	18,603,463	18,068,768
Reinsurance assets	4,232,927	10,547,980	4,232,927	10,547,980
Statutory deposits	2,849,488	2,830,877	2,849,488	2,830,877
Due from related parties	1,393,427	954,956	1,393,427	954,956
Assets included in disposal group	439,790	1,623,385	439,790	1,623,385
	224,976,509	222,561,608	224,976,509	224,718,491
Financial liabilities				
Borrowings	43,781,069	49,994,699	43,781,069	49,994,699
Customers' deposits	119,858,662	112,506,361	115,263,373	107,910,003
Insurance liabilities	13,247,981	23,369,551	13,247,981	23,369,551
Accounts payable and other liabilities	43,748,785	44,975,639	43,748,785	44,975,639
Liabilities included in disposal group	80,602	1,470,898	80,602	1,470,898
Due to related parties	95,345	—	95,345	—
	220,812,444	232,317,148	216,217,155	227,720,790

St. Kitts Nevis Anguilla Trading and Development Company Limited
 Notes to Consolidated Financial Statements
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6 Management of insurance and financial risks ...continued

c) Fair value hierarchy

Fair value measurement of financial assets

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

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

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

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets 2019				
Financial assets at FVOCI (note 9)	475,048	3,884,246	3,535,197	7,894,491
Financial assets 2018				
AFS financial assets (note 9)	428,563	3,848,877	3,585,197	7,862,637

Fair value measurement of non-financial assets

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

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Land and buildings – January 31, 2019	–	13,735,000	93,724,997	107,459,997
Land and buildings – January 31, 2018	–	13,735,000	93,724,997	107,459,997

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

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(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risks ...continued

c) Fair value hierarchy ...continued

Fair value measurement of non-financial assets ...continued

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

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

d) Capital risk management

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

Total net debt includes bank loans and long-term debt less cash. The Group's capital includes total net debt and equity. As at January 31, 2019, the Group's net debt amounted to \$23,321,587 (2018: \$32,621,880), while its equity amounted to \$189,174,496 (2018: \$183,925,165).

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

In accordance with Section 3 of the Insurance Act of 2009 of St. Kitts and Nevis (the "Act"), the insurance subsidiary, TDC Insurance Company Limited, is required to have a minimum share capital of \$2,000,000 fully paid up in cash. Further, Section 23 of the Act requires the insurance subsidiary to deposit an amount of \$1,000,000 for long term insurance and no less than \$500,000 for motor vehicle insurance with the Registrar or that the interest of the Registrar in respect of any prescribed asset be duly registered with the Eastern Caribbean Central Securities Registry. The statutory deposits prior to elimination in the amount of \$4,333,829 (2018: \$4,330,877) in the form of term deposits and bonds are currently held by the insurance subsidiary to satisfy the above requirement.

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

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

St. Kitts Nevis Anguilla Trading and Development Company Limited
Notes to Consolidated Financial Statements
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6 Management of insurance and financial risks ...continued

d) Capital risk management ...continued

	2019	2018
	\$	\$
<i>General insurance business</i>		
20% of net premium income of the preceding year (2019: \$7,551,811; 2018: \$7,409,132)	1,510,362	1,481,826
<i>Long-term insurance business</i>		
5% of life policyholders' benefits of the current year (2019: \$2,365,899; 2018: \$2,894,993)	118,295	144,750
	<u>1,628,657</u>	<u>1,626,576</u>

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

	2019	2018
	\$	\$
Total assets	54,441,401	51,957,196
Total liabilities	<u>(14,546,997)</u>	<u>(13,905,872)</u>
Margin of solvency	39,894,404	38,051,324
Required minimum margin of solvency	<u>(1,628,657)</u>	<u>(1,626,576)</u>
Margin of solvency in excess of requirement	<u>38,265,747</u>	<u>36,424,748</u>

The margin of solvency was met and exceeded by the insurance subsidiary in 2019 and 2018.

In accordance with Section 3 of the Insurance Act of 2014 of Anguilla (the "Act"), the insurance subsidiary, East Caribbean Reinsurance Company Limited, is required to have a minimum share capital of \$200,000 fully paid up in cash. Further, Section 8 of the Act requires the insurance company to deposit an amount at least equal to the total of its unearned premium reserves and outstanding claims reserves at a domestic bank in Anguilla. As at January 31, 2019, unearned premiums amounted to \$1,813,630 (2018: \$515,622). Term deposits held at domestic banks in Anguilla amounted to \$7,009,753 as at January 31, 2019 (2018: \$10,131,239) to satisfy the above requirement.

In Anguilla, the solvency criteria prescribed by Section 48 of the Financial Services Act states that a registered insurance company other than one carrying on long-term business, shall be deemed to be insolvent, if the excess of its total assets over its total liabilities is less than the greater of the following amounts:

- i) the minimum amount of paid up capital; and
- ii) where the Net Retained Annual Premium (NRAP) of the insurance subsidiary does not exceed US\$5,000,000, 20% of Net Retained Annual Premium.

St. Kitts Nevis Anguilla Trading and Development Company Limited
Notes to Consolidated Financial Statements
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(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risks ...continued

d) Capital risk management ...continued

	2019	2018
	\$	\$
<i>General insurance business</i>		
20% of net premium income		
(2019: \$1,330,082; 2018: \$nil)	266,016	–

Compliance with minimum margin of solvency is determined as follows:

	2019	2018
	\$	\$
Total assets	23,678,704	31,306,987
Total liabilities	(7,122,366)	(15,042,117)
Margin of solvency	16,556,338	16,264,870
Required minimum margin of solvency	(540,000)	(540,000)
Margin of solvency in excess of requirement	16,016,338	15,724,870

The margin of solvency was met and exceeded by the insurance subsidiary in 2019 and 2018.

St. Kitts Nevis Anguilla Trading and Development Company Limited
Notes to Consolidated Financial Statements
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6 Management of insurance and financial risks ...continued

d) Capital risk management ...continued

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

	2019 \$	2018 \$
Tier 1 capital		
Share capital	6,000,000	6,000,000
Statutory reserve fund	6,617,255	6,036,176
Retained earnings	16,376,614	14,768,656
Other reserve	717,551	243,661
	<hr/>	<hr/>
Total qualifying tier 1 capital	29,711,420	27,048,493
Tier 2 capital		
Accumulated expected credit losses	3,051,700	2,908,552
	<hr/>	<hr/>
Total regulatory capital	32,763,120	29,957,045

7 Segment reporting

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

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

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7 Segment reporting ...continued

Segment information for the reporting period is as follows:

2019	General trading \$	Insurance \$	Financing \$	Hotel and restaurant \$	Others \$	Eliminations \$	Total \$
Revenue							
From external customers:							
Revenue	136,035,785	—	—	5,542,828	10,359,890	—	151,938,503
Other income	7,383,822	2,174,228	469,537	921,793	1,554,037	—	12,503,417
Net interest income	1,379,482	1,320,570	6,247,249	—	310,148	—	9,257,449
Net underwriting income	—	3,905,239	—	—	—	—	3,905,239
From other segments	17,813,860	1,731,398	39,125	47,676	706,737	(20,338,796)	—
Cost of sales	162,612,949 (117,395,240)	9,131,435	6,755,911	6,512,297 (2,283,887)	12,930,812 (3,364,666)	(20,338,796) 14,330,198	177,604,608 (108,713,595)
Gross profit	45,217,709	9,131,435	6,755,911	4,228,410	9,566,146	(6,008,598)	68,891,013
Employee costs	(17,361,125)	(2,026,087)	(1,150,573)	(1,715,084)	(3,483,642)	88,575	(25,647,936)
General and administrative expenses	(14,164,098)	(2,657,694)	(1,396,092)	(2,503,515)	(3,854,678)	5,351,349	(19,224,728)
Depreciation and amortization	(3,413,322)	(307,376)	(183,082)	(1,432,999)	(1,270,331)	—	(6,607,110)
Finance charges, net	(4,017,254)	88,960	22,928	(239,164)	648,546	(1,571,206)	(5,067,190)
Share of income of associated companies	—	—	—	—	1,255,348	—	1,255,348
	(38,955,799)	(4,902,197)	(2,706,819)	(5,890,762)	(6,704,757)	3,868,718	(55,291,616)
Segment profit/(loss) before income tax	6,261,910	4,229,238	4,049,092	(1,662,352)	2,861,389	(2,319,880)	13,599,397
Segment assets	208,633,683	78,120,105	156,569,632	34,284,539	41,121,790	(90,491,812)	428,237,937
Segment liabilities	114,694,021	21,669,363	126,858,212	22,270,600	8,399,605	(54,828,360)	239,063,441

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements
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7 Segment reporting ...continued

2018	General trading \$	Insurance \$	Financing \$	Hotel and restaurant \$	Others \$	Eliminations \$	Total \$
Revenue							
From external customers:							
Revenue	123,026,477	—	—	5,345,929	10,885,682	—	139,258,088
Other income	5,553,758	1,727,527	492,486	887,415	1,622,623	—	10,283,809
Net interest income	1,243,893	1,384,195	5,922,857	—	430,764	—	8,981,709
Net underwriting loss	—	(2,818,743)	—	—	—	—	(2,818,743)
From other segments	19,683,489	1,640,529	71,832	127,572	925,115	(22,448,537)	—
Cost of sales	149,507,617 (106,117,320)	1,933,508	6,487,175	6,360,916 (2,293,858)	13,864,184 (4,227,097)	(22,448,537) 13,639,153	155,704,863 (98,999,122)
Gross profit	43,390,297	1,933,508	6,487,175	4,067,058	9,637,087	(8,809,384)	56,705,741
Employee costs	(16,683,708)	(1,990,725)	(1,240,432)	(1,776,708)	(3,606,117)	49,655	(25,248,035)
General and administrative expenses	(14,695,854)	(2,934,284)	(1,303,410)	(2,441,240)	(3,692,643)	6,893,148	(18,174,283)
Depreciation and amortization	(3,447,723)	(224,280)	(205,169)	(1,568,789)	(1,105,514)	—	(6,551,475)
Finance charges, net	(4,422,273)	160,902	(137,173)	(180,913)	757,072	(1,536,960)	(5,359,345)
Share of loss of associated companies	—	—	—	—	(1,145,736)	—	(1,145,736)
	(39,249,558)	(4,988,387)	(2,886,184)	(5,967,650)	(8,792,938)	5,405,843	(56,478,874)
Segment profit/(loss) before income tax	4,140,739	(3,054,879)	3,600,991	(1,900,592)	844,149	(3,403,541)	226,867
Segment assets	213,183,078	83,264,183	147,658,864	35,856,160	41,784,962	(92,856,421)	428,890,826
Segment liabilities	120,597,665	28,947,989	120,610,371	22,135,256	9,914,135	(57,239,755)	244,965,661

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

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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

	2019	2018
	\$	\$
Cash on hand	94,326	92,375
Cash at banks	11,242,678	8,191,212
Cash equivalents	9,122,478	9,089,232
	20,459,482	17,372,819

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

Cash equivalents are comprised as follows:

	2019	2018
	\$	\$
Two (2) 91-day treasury bills from the Government of St. Kitts and Nevis maturing on February 5, 2019 with an interest rate of 3.75% (2018: 3.75%)	5,975,625	5,968,750
Five (5) 90-day term deposits at Royal Bank of Canada maturing on April 10, 2019 and March 24, 2019 with an interest rate of 1% (2018: 1%)	2,653,728	2,627,357
Two (2) 91-day treasury bills from the Nevis Island Administration maturing on April 9, 2019 with an interest rate of 5.5% (2018: 5.5%)	493,125	493,125
	9,122,478	9,089,232

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9 Investment securities

	2019 \$	2018 \$
Financial assets at FVOCI		
Quoted securities	4,359,294	–
Unquoted securities	3,535,197	–
Available-for-sale		
Quoted securities	–	4,277,440
Unquoted securities	–	3,585,197
	<u>7,894,491</u>	<u>7,862,637</u>
Amortised cost		
Fixed deposits	40,793,044	–
Corporate bonds	19,551,469	–
Treasury bills and bonds	9,591,788	–
Loans and receivables		
Fixed deposits	–	37,712,726
Corporate bonds	–	18,550,000
Treasury bills and bonds	–	9,539,125
	<u>69,936,301</u>	<u>65,801,851</u>
Interest receivable	756,035	762,827
	<u>70,692,336</u>	<u>66,564,678</u>
Allowance for impairment	(482,687)	–
	<u>70,209,649</u>	<u>66,564,678</u>
	<u>78,104,140</u>	<u>74,427,315</u>
Current	62,408,535	59,303,810
Non-current	15,695,605	15,123,505
	<u>78,104,140</u>	<u>74,427,315</u>

St. Kitts Nevis Anguilla Trading and Development Company Limited
Notes to Consolidated Financial Statements
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(expressed in Eastern Caribbean dollars)

9 Investment securities ...continued

The movement in investment securities may be summarised as follows:

	Loans and receivables \$	Amortised cost \$	Available-for- sale \$	Financial assets at FVOCI \$	Total \$
Balance at January 31, 2017	69,182,931	–	7,063,346	–	76,246,277
Additions	3,082,013	–	46,862	–	3,128,875
Redemption	(5,556,813)	–	–	–	(5,556,813)
Net unrealized fair value gains on AFS financial assets	–	–	752,429	–	752,429
Movement of interest receivable	(143,453)	–	–	–	(143,453)
Balance at January 31, 2018	66,564,678	–	7,862,637	–	74,427,315
Effects of adoption of IFRS 9					
Reclassifications (note 3)	(66,564,678)	66,564,678	(7,862,637)	7,862,637	–
Remeasurement (note 3)	–	(468,558)	–	–	(468,558)
Balance at February 1, 2018, as restated	–	66,096,120	–	7,862,637	73,958,757
Additions	–	13,246,933	–	–	13,246,933
Reclassifications of investments (note 16)	–	–	–	(50,000)	(50,000)
Redemptions	–	(9,454,436)	–	(18,115)	(9,472,551)
Movement in interest receivable	–	335,161	–	–	335,161
Fair value gains	–	–	–	99,969	99,969
Impairment loss (note 31)	–	(14,129)	–	–	(14,129)
Balance at January 31, 2019	–	70,209,649	–	7,894,491	78,104,140

The fair value gains for the year on financial assets at FVOCI (2018: AFS financial assets) are attributable to the shareholders of:

	2019 \$	2018 \$
Parent company (note 26)	86,780	700,805
Non-controlling interests	13,189	51,624
	99,969	752,429

The movement in the impairment losses of investment securities during the year is shown in Note 5(b).

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

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9 Investment securities ...continued

Fixed deposits

Fixed deposits consist of one to two years term deposits at local and regional financial institutions and bear interest at rates ranging from 1.5% to 3.5% per annum (2018: 1.5% to 3.5%).

At January 31, 2016, the Group held \$7,426,146 and \$2,747,376 in cash and fixed deposits at Caribbean Commercial Bank (Anguilla) Limited and National Bank of Anguilla Limited, respectively.

Both the Caribbean Commercial Bank (Anguilla) Limited and National Bank of Anguilla Limited were placed in Conservatorship in August 2013. The Conservator of these two banks advised that all depositors' balances up to \$2,800,000 are accessible to the depositors and any excess amounts will be transferred to a Depositors Protection Trust. The Bank Resolution Obligation Act, 2016 of Anguilla provides for the Government of Anguilla to fund the Depositors Protection Trust in support of the resolution of the Caribbean Commercial Bank (Anguilla) Limited and National Bank of Anguilla Limited.

On April 22, 2016, Caribbean Commercial Bank (Anguilla) Limited and National Bank of Anguilla Limited were placed in Receivership. Funds in the amount of \$975,921 and \$2,747,376 held at Caribbean Commercial Bank (Anguilla) Limited and National Bank of Anguilla Limited, respectively, that were not transferred to the Depositors Protection Trust, were transferred to a newly formed Bank, National Commercial Bank of Anguilla Limited.

Deposits held with the Depositors Protection Trust will be for a term of 10 years commencing on June 30, 2016, at an interest rate of 2% per annum and with a maximum annual allowed withdrawal of 10% of the principal balance. Accordingly, the amount of \$3,650,255 representing the Group's remaining deposit at Caribbean Commercial Bank (Anguilla) Limited in excess of \$2,800,000 will be held in the Depositors Protection Trust. The Trust Deeds in respect of these amounts were signed on June 30, 2017, with the first quarterly payment of principal and interest due on December 30, 2017. The first interest payment totalling \$141,750 was received on April 25, 2018. In 2019, the Group received payments totalling \$345,403 including interest amounting to \$71,637.

Corporate bonds

Corporate bonds are held with Eastern Caribbean Home Mortgage Bank and Property Holding & Development Co. Ltd. for periods ranging from 1 to 2 years at interest rates of 1.55% to 8% per annum (2018: 1.75% to 8%).

Treasury bills and bonds

Treasury bills and bonds are held with Eastern Caribbean Governments with maturities ranging from three months to one year for treasury bills and one to twenty years for bonds. Interest rate on treasury bills ranges from 4.5% to 5.5% per annum (2018: 4.5% to 6.5%) while interest rates on bonds range from 3.0% to 5.5% per annum (2018: 3.0% to 6.0%).

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10 Loans to customers

	2019 \$	2018 \$
Performing	95,545,343	–
Under performing	6,419,478	–
Non-performing	7,283,343	–
Loans not impaired	–	98,515,139
Impaired loans	–	8,633,938
Interest receivable	419,695	307,620
	<hr/>	<hr/>
Gross loans	109,667,859	107,456,697
Allowance for loan impairment	(2,879,576)	(2,908,552)
	<hr/>	<hr/>
Total loans to customers	106,788,283	104,548,145
	<hr/>	<hr/>
Current	32,624,416	20,038,576
Non-current	74,163,867	84,509,569
	<hr/>	<hr/>
	106,788,283	104,548,145

The weighted average effective interest rate on performing loans and advances at amortised cost at January 31, 2019 was 8.47% (2018: 9.08%).

The movement in the impairment losses of loans to customers during the year is shown in Note 5(b).

According to the ECCB loan provisioning guidelines, the calculated allowance for loan impairment amounts to \$1,939,532 (2018: \$2,240,936). Where the ECCB loan loss provision is greater than the loan loss provision calculated under IFRS, the difference is set aside as a specific reserve in equity. As at January 31, 2019, the loan loss provision calculated under IFRS was greater than the ECCB provision. Therefore, a specific reserve through equity was not required at the reporting date.

Non-performing loans as at January 31, 2019 amounted to \$7,283,343 (2018: impaired loans of \$8,633,938) and interest taken to income on credit-impaired loans during the year amounted to \$473,890 (2018: \$41,261). The interest receivable on loans that would not be recognised under ECCB guidelines as at January 31, 2019 amounted to \$717,551 (2018: \$243,661) and is included in other reserves in equity (see Note 26). The interest receivable on non-performing loans to customers but not recognized in the consolidated financial statements at the end of the year amounted to \$2,351,534 (2018: \$2,107,873).

St. Kitts Nevis Anguilla Trading and Development Company Limited
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11 Receivables

	2019 \$	2018 \$
Current:		
Accounts receivable	17,416,906	17,053,439
Finance lease receivables	4,206,717	5,147,590
Other receivables	362,469	13,290
Loan receivable	6,921	–
	<u>21,993,013</u>	<u>22,214,319</u>
Less: provision for impairment	<u>(9,393,046)</u>	<u>(9,070,805)</u>
	<u>12,599,967</u>	<u>13,143,514</u>
Non-current:		
Finance lease receivables	4,115,216	4,925,254
Loan receivable	1,888,280	–
	<u>6,003,496</u>	<u>4,925,254</u>

Accounts receivable

The Group's accounts receivable are amounts due from customers for the goods sold and services rendered in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Accounts receivable are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the accounts receivable with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are disclosed in Note 5(b).

Due to the short-term nature of the Group's accounts receivable, their carrying amount is considered to be the same as their fair value.

Movement in the allowance for impairment of receivables is shown in Note 5(b).

Classification of receivables as at January 31, 2018

Receivables are summarized as follows:

	2018 \$
Neither past due nor impaired	13,206,936
Past due but not impaired	4,861,832
Individually impaired	<u>9,070,805</u>
	<u>27,139,573</u>

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

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11 Receivables ...continued

Classification of receivables as at January 31, 2018 ...continued

Receivables neither past due nor impaired

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

	2018
	\$
Under 3 months	<u>13,206,936</u>

Receivables past due but not impaired

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

As at January 31, 2018, receivables of \$4,861,832 were past due but not impaired. The aging of these receivables is as follows:

	2018
	\$
Over 3 months	<u>4,861,832</u>

Receivables individually impaired

As at January 31, 2018, receivables of \$9,070,805 were impaired and a related provision established. The aging of these receivables is as follows:

	2018
	\$
Over 3 months	<u>9,070,805</u>
Total receivables	<u>27,139,573</u>

Finance lease receivables

The Group entered into finance leases covering motor vehicles and 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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11 Receivables ...continued

Finance lease receivables ...continued

	2019		2018	
	Future MLPR \$	PV of NMLPR \$	Future MLPR \$	PV of NMLPR \$
Within one year	5,406,526	4,206,717	6,588,304	5,147,590
After one year but not more than five years	5,740,611	3,898,854	7,089,890	4,675,548
More than five years	330,908	216,362	325,615	249,706
Total MLPR	11,478,045	8,321,933	14,003,809	10,072,844
Amounts representing finance income	(3,156,112)	–	(3,930,965)	–
PV of MLPR	8,321,933	8,321,933	10,072,844	10,072,844

The net investment relating to these finance leases is presented as finance lease receivables under receivables in the consolidated statement of financial position.

As at January 31, 2019, the provision for impairment of finance lease receivables included a provision for uncollectible minimum lease payment receivables amounting to \$1,740,515 (2018: \$1,703,156).

Loan receivable

On February 26, 2018, TDC Insurance Company Limited, St. Kitts-Nevis-Anguilla National Bank Limited, TDC Financial Services Company Limited, Social Security Board and St. Kitts and Nevis Sugar Industry Diversification Foundation (the “lenders”) entered into a credit agreement with St. Christopher Air and Sea Ports Authority (SCASPA). Under the credit agreement, the lenders granted a loan to SCASPA to assist in the construction of second cruise pier. Further, National Bank Trust Company (St. Kitts and Nevis) Limited acted as the security trustee while St. Kitts-Nevis-Anguilla National Bank limited as the administrative agent. The loan bears interest at the rate of 4.5% per annum and repayable beginning October 2019, matures in 2033 and is secured by the parcels of land situated at Port Zante, Basseterre, St. Kitts.

The interest income recognised for the year amounted to US\$17,564 or EC\$47,423 is shown as part of interest income in the consolidated statement of income.

The loan receivable balance including accrued interest as at January 31, 2019 amounted to US\$701,926 or EC\$1,895,201.

St. Kitts Nevis Anguilla Trading and Development Company Limited

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12 Inventories

	2019 \$	2018 \$
General trading stock on hand	28,031,670	30,370,241
Land held for future development	11,647,503	11,647,503
Sunrise Hills Villas	2,658,607	2,658,607
Stock in transit	827,392	1,217,458
Work-in-progress	98,973	142,551
	43,264,145	46,036,360

13 Prepayments and other current assets

	2019 \$	2018 \$
Statutory deposits	2,849,488	2,830,877
Prepayments	2,772,692	3,034,340
Right of return assets	248,393	–
VAT recoverable	25,982	–
	5,896,555	5,865,217

Statutory deposits

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, 2019 and 2018, statutory deposits were held in the form of term deposits with local commercial banks and funds held on deposit with the Financial Services Regulatory Commission – St. Christopher Branch. Statutory deposits are restricted and hence are not available for use in the day-to-day operations of the Group.

14 Related party balances and transactions

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

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

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14 Related party balances and transactions ...continued

		2019 \$	2018 \$
Due from related parties	Relationship		
Malliouhana-Anico Insurance Company Limited	Associate company	1,393,427	750,211
St. Kitts Masonry Products Limited	Associate company	–	204,745
		1,393,427	954,956

		2019 \$	2018 \$
Due to related parties	Relationship		
St. Kitts Masonry Products Limited	Associate company	91,345	–
Port Services Limited	Associate company	4,000	–
		95,345	–

The following transactions were carried out with related parties:

		2019 \$	2018 \$
Sales			
Name of related party	Relationship		
St. Kitts Masonry Products Limited	Associate company	3,846,598	2,699,996
Port Services Limited	Associate company	26,086	–
		3,872,684	2,699,996

		2019 \$	2018 \$
Management fees			
Name of related party	Relationship		
St. Kitts Masonry Products Limited	Associate company	144,000	144,000
Malliouhana-Anico Insurance Company Limited	Associate company	60,000	60,000
		204,000	204,000

		2019 \$	2018 \$
Reinsurance premium expense			
Name of related party	Relationship		
Malliouhana-Anico Insurance Company Limited	Associate company	1,799,127	1,418,617

		2019 \$	2018 \$
Expenses			
Name of related party	Relationship		
St. Kitts Masonry Products Limited	Associate company	8,880,839	5,715,247
Port Services Limited	Associate company	256,480	–
		9,137,319	5,715,247

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

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14 Related party balances and transactions ...continued

Shares owned by Group directors

	2019 \$	2018 \$
4,420,722 shares at \$1 per share (2018: 9,447,590 shares at \$1 per share)	<u>4,420,722</u>	<u>9,447,590</u>

The following transactions were carried out with related parties:

Balances with the Group directors

Loans to and deposits from directors bear interest ranging from 5.6% to 7.0% and 3% to 3.5%, respectively, are included in loans to customers and customers' deposits, respectively, on the consolidated statement of financial position.

	2019 \$	2018 \$
Loans to directors	<u>791,041</u>	813,880
Deposits from directors	<u>1,899,129</u>	<u>2,132,390</u>

Advances from directors are repayable on demand and bear interest ranging from 3% to 4% per annum (2018: 3.5% to 5.0%) and are included in accounts payable and other liabilities on the consolidated statement of financial position.

	2019 \$	2018 \$
Advances from directors	<u>1,949,954</u>	<u>5,112,731</u>

Key management compensation

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

	2019 \$	2018 \$
Salaries	1,634,240	1,736,915
Directors' fees	600,600	612,850
Gratuity	295,821	295,821
Allowances	107,220	121,800
Pension	105,453	105,453
Social security	93,634	93,634
	<u>2,836,968</u>	<u>2,966,473</u>

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15 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	2019	2018
City Drug Store (2005) Limited	St. Kitts	the retailing of consumer products	100%	100%
Conaree Estates Limited	St. Kitts	land and property development	100%	100%
Dan Dan Garments Limited	St. Kitts	leasing of land and building	100%	100%
Ocean Terrace Inn Limited	St. Kitts	operation of Ocean Terrace Inn hotel, Fisherman's Wharf Restaurant and apartments ownership and rentals	100%	100%
Sakara Shipping Inc.	Tortola	the provision of freight and other shipping services	100%	100%
St. Kitts Bottling Company Limited	St. Kitts	the trade or business of aerated beverages and purified water manufacturers and bottlers	51.67%	51.67%
TDC Financial Services Company Limited	St. Kitts	accepting deposits from customers, providing loans to customers and investing in debt and equity securities	100%	100%
TDC Insurance Company Limited	St. Kitts	the business of underwriting all classes of general insurance	100%	100%
TDC Airline Services Limited	St. Kitts	airline, shipping, chartering, forwarding and travel agents	100%	100%

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15 Interest in subsidiaries ...continued

Composition of the Group ...continued

Name of subsidiary	Country of incorporation and principal place of business	Principal activity	2019	2018	Proportion of ownership interests held by the Group
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 consumer products	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

Notes to Consolidated Financial Statements

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15 Interest in subsidiaries ...continued

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

The Company has issued guarantees to certain banks in respect of the credit facilities granted to certain subsidiaries (see note 36).

The Group has no interests in unconsolidated structured entities.

Disposal group and discontinued operations

In 2017, St. Kitts Bottling Company Limited ceased its operations through sale of its manufacturing of aerated beverages and water along with certain assets and liabilities to a third party purchaser. Accordingly, revenues and expenses, gains and losses relating to the cessation of this business have been eliminated from profit or loss from the Group's continuing operations and are shown as single line item on the face of the consolidated statement of income.

The carrying amounts of assets and liabilities in this disposal group are summarized as follows:

	2019	2018
	\$	\$
Current assets		
Cash	439,790	892,069
Receivables, net	–	731,316
Assets included in disposal group	439,790	1,623,385
Current liabilities		
Accounts payable and other liabilities	80,602	1,470,898
Income tax payable	–	15,737
Liabilities included in disposal group	80,602	1,486,635

Cash flows from discontinued operations for the reporting period are as follows:

	2019	2018
	\$	\$
Cash flows (used in)/from operating activities	(658,980)	125,810
Cash flows from investing activities	–	–
Cash flows used in financing activities	–	–
Cash flows from discontinued operations	(658,980)	125,810

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16 Investment in associates

The Group's associates include the following:

Name of Associate	Country of incorporation/ Principal place of business	Percentage of ownership		Carrying value	
		2019 %	2018 %	2019 \$	2018 \$
St. Kitts Masonry Products Limited	St. Kitts	50%	50%	7,884,928	7,402,609
Malliouhana-Anico Insurance Company Limited	Anguilla	25%	25%	2,782,387	2,727,793
Port Services Limited	St. Kitts	33%	—	118,435	—
				10,785,750	10,130,402

Movements in the investment in associates account are as follows:

	2019 \$	2018 \$
Balance at beginning of year	10,130,402	11,276,138
Additions (note 9)	50,000	—
Share of income/(losses) of associated companies	1,255,348	(1,145,736)
Dividends received	(650,000)	—
Balance at end of year	10,785,750	10,130,402

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:

	2019 \$	2018 \$
Current assets	6,220,754	6,696,982
Non-current assets	16,185,018	13,793,445
Current liabilities	(3,916,854)	(3,362,144)
Non-current liabilities	(2,801,762)	(2,396,344)
Net assets	15,687,156	14,731,939
Revenue	25,783,323	18,605,770
Costs and expenses	(23,518,686)	(18,522,396)
Net income	2,264,637	83,374

St. Kitts Nevis Anguilla Trading and Development Company Limited

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16 Investment in associates ...continued

St. Kitts Masonry Products Limited ...continued

In 2019, dividends received from St. Kitts Masonry Products Limited amounted to \$650,000 (2018: \$nil).

Malliouhana-Anico Insurance Company Limited

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

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

	2019 \$	2018 \$
Assets	24,508,281	38,224,756
Liabilities	<u>(9,975,460)</u>	<u>(22,975,600)</u>
Net assets	14,532,821	15,249,156
Net underwriting income/(loss)	2,662,077	(2,729,377)
Other income	724,263	863,765
Costs and expenses	<u>(3,087,963)</u>	<u>(3,099,165)</u>
Net income/(loss)	298,377	(4,964,777)

Port Services Limited

Port Services Limited's principal activity is stevedoring services.

Condensed financial information of Port Services Limited is as follows:

	2019 \$
Current assets	604,008
Non-current asset	75,518
Other assets	3,396
Current liabilities	<u>(327,592)</u>
Net assets	355,330
Revenue	1,594,216
Costs and expenses	<u>(1,609,586)</u>
Net loss	(15,370)

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17 Property, plant and equipment

	Land and buildings	Furniture and fittings	Construction equipment rentals	Plant and machinery	Containers	Motor vehicles	Computers and equipment	Total
	\$	\$	\$	\$	\$	\$	\$	\$
At January 31, 2017								
Cost or valuation	117,789,418	6,645,957	448,657	14,948,316	605,716	22,475,757	7,008,246	169,922,067
Accumulated depreciation	(3,883,539)	(3,892,801)	(369,445)	(7,297,543)	(359,485)	(13,976,852)	(5,762,050)	(35,541,715)
Net book amount	113,905,879	2,753,156	79,212	7,650,773	246,231	8,498,905	1,246,196	134,380,352
Year ended January 31, 2018								
Opening net book amount	113,905,879	2,753,156	79,212	7,650,773	246,231	8,498,905	1,246,196	134,380,352
Additions	273,775	332,384	22,046	1,259,373	77,886	2,477,687	434,584	4,877,735
Disposals	—	(9,949)	(54,537)	(167,983)	—	(2,397,196)	(269,788)	(2,899,453)
Writeback on disposals	—	6,298	50,793	23,875	—	1,878,454	247,715	2,207,135
Depreciation charge (note 32)	(2,005,632)	(528,765)	(30,923)	(1,562,577)	(57,035)	(2,767,504)	(660,096)	(7,612,532)
Transfers								
Cost	5,598,513	(292,796)	—	603,380	—	—	—	5,909,097
Accumulated depreciation	(11,000)	—	—	—	—	—	—	(11,000)
Closing net book amount	117,761,535	2,260,328	66,591	7,806,841	267,082	7,690,346	998,611	136,851,334
At January 31, 2018								
Cost or valuation	123,661,706	6,675,596	416,166	16,643,086	683,602	22,556,248	7,173,042	177,809,446
Accumulated depreciation	(5,900,171)	(4,415,268)	(349,575)	(8,836,245)	(416,520)	(14,865,902)	(6,174,431)	(40,958,112)
Net book amount	117,761,535	2,260,328	66,591	7,806,841	267,082	7,690,346	998,611	136,851,334

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17 Property, plant and equipment ... continued

	Land and buildings	Furniture and fittings	Construction equipment rentals	Plant and machinery	Containers	Motor vehicles	Computers and equipment	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Year ended January 31, 2019								
Opening net book amount	117,761,535	2,260,328	66,591	7,806,841	267,082	7,690,346	998,611	136,851,334
Additions	301,588	251,984	–	814,779	16,408	3,438,290	606,199	5,429,248
Disposals	–	(88,274)	(12,130)	(114,104)	(9,665)	(2,294,621)	(15,974)	(2,534,768)
Writeback on disposals	–	72,199	1,418	56,488	8,796	1,926,723	14,478	2,080,102
Depreciation charge (note 32)	(2,025,447)	(482,604)	(22,375)	(1,741,098)	(53,284)	(2,679,617)	(438,255)	(7,442,680)
Closing net book amount	116,037,676	2,013,633	33,504	6,822,906	229,337	8,081,121	1,165,059	134,383,236
At January 31, 2019								
Cost or valuation	123,963,294	6,839,306	404,036	17,343,761	690,345	23,699,917	7,763,267	180,703,926
Accumulated depreciation	(7,925,618)	(4,825,673)	(370,532)	(10,520,855)	(461,008)	(15,618,796)	(6,598,208)	(46,320,690)
Net book amount	116,037,676	2,013,633	33,504	6,822,906	229,337	8,081,121	1,165,059	134,383,236

In 2018, certain land and buildings and equipment were transferred to property, plant and equipment due to change of intention of use upon completion of the construction of the building.

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17 Property, plant and equipment ...continued

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

	2019	2018
	\$	\$
Proceeds from disposals of property and equipment	857,655	1,105,724
Carrying amount of property and equipment	(454,666)	(692,318)
Gains on disposals of property and equipment	402,989	413,406

Gains on disposals of property and equipment are recognised as part of other income in the consolidated statement of income (note 29).

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

	Land	Buildings	Total
	\$	\$	\$
At January 31, 2018			
Opening net book value	20,329,404	62,969,469	83,298,873
Additions	–	273,775	273,775
Transfer from property and equipment	1,100,000	4,487,513	5,587,513
Depreciation	–	(722,324)	(722,324)
Closing net book value	21,429,404	67,008,433	88,437,837
At January 31, 2019			
Opening net book value	21,429,404	67,008,433	88,437,837
Additions	–	301,588	301,588
Depreciation	–	(1,007,226)	(1,007,226)
Closing net book value	21,429,404	66,302,795	87,732,199

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18 Investment property

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

	Buildings \$	Land \$	Equipment \$	Total \$
At January 31, 2017				
Cost	4,309,037	1,415,000	–	5,724,037
Accumulated depreciation	(85,184)	–	–	(85,184)
	4,223,853	1,415,000	–	5,638,853
Year ended January 31, 2018				
Opening net book value	4,223,853	1,415,000	–	5,638,853
Additions	1,797,768	–	310,584	2,108,352
Transfers to property and equipment				
Cost	(4,498,513)	(1,100,000)	(310,584)	(5,909,097)
Accumulated depreciation	11,000	–	–	11,000
Depreciation charge (note 32)	(37,402)	–	–	(37,402)
Closing net book value	1,496,706	315,000	–	1,811,706
At January 31, 2018				
Cost	1,608,292	315,000	–	1,923,292
Accumulated depreciation	(111,586)	–	–	(111,586)
	1,496,706	315,000	–	1,811,706
Year ended January 31, 2019				
Opening net book value	1,496,706	315,000	–	1,811,706
Depreciation charge (note 32)	(37,402)	–	–	(37,402)
Closing net book value	1,459,304	315,000	–	1,774,304
At January 31, 2019				
Cost	1,608,292	315,000	–	1,923,292
Accumulated depreciation	(148,988)	–	–	(148,988)
	1,459,304	315,000	–	1,774,304

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

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

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18 Investment property ...continued

As at January 31, 2019, the carrying amount of the Group's investment property approximates its market value based on the latest market valuation report of the property obtained in 2015.

19 Intangible assets

	Computer software \$
At January 31, 2017	
Cost	1,510,158
Accumulated amortisation	<u>(1,443,972)</u>
Net book amount	<u>66,186</u>
Year ended January 31, 2018	
Opening net book amount	66,186
Additions	66,656
Amortisation (note 32)	<u>(50,039)</u>
Closing net book amount	<u>82,803</u>
At January 31, 2018	
Cost	1,576,814
Accumulated amortisation	<u>(1,494,011)</u>
Net book amount	<u>82,803</u>
Year ended January 31, 2019	
Opening net book amount	82,803
Additions	359,099
Disposals	(74,708)
Write-back of accumulated amortisation	61,011
Amortisation (note 32)	<u>(31,679)</u>
Closing net book amount	<u>396,526</u>
At January 31, 2019	
Cost	1,861,205
Accumulated amortisation	<u>(1,464,679)</u>
Net book amount	<u>396,526</u>

St. Kitts Nevis Anguilla Trading and Development Company Limited
 Notes to Consolidated Financial Statements
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(expressed in Eastern Caribbean dollars)

20 Borrowings

	2019	2018
	\$	\$
Bank term loans	18,739,805	17,154,436
Bank overdrafts	14,648,018	21,391,551
Other	10,393,246	11,448,712
Total borrowings	43,781,069	49,994,699
Current	34,497,288	39,143,628
Non-current	9,283,781	10,851,071
	43,781,069	49,994,699

Bank term loans carry interest rate of 5% (2018: 5% and 7%) and are repayable in regular instalments of principal and interest, maturing at various intervals from one to fifteen years through 2020 to 2026 (2018: through 2019 to 2026).

Bank overdrafts carry interest rates varying from 5.75% to 10.0% (2018: 6.5% to 10.0%).

Other borrowing carries an interest rate of 5%, is repayable in monthly instalments of principal and interest of \$133,661 and matures at the end of 2026.

Collateral security for indebtedness

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

St. Kitts Nevis Anguilla Trading and Development Company Limited
Notes to Consolidated Financial Statements
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(expressed in Eastern Caribbean dollars)

21 Insurance liabilities

	2019 \$	2018 \$
Claims reported and outstanding		
Insurance	5,664,318	5,395,764
Reinsurance	3,798,164	13,987,502
Unearned premiums		
Insurance	3,275,806	3,214,789
Reinsurance	1,813,630	515,622
Life policyholders' benefits	2,365,899	2,894,993
Due to reinsurers	731,600	376,292
Claims incurred but not reported	385,000	385,000
Unallocated loss adjustment expenses	303,000	330,000
	18,337,417	27,099,962
Reinsurance assets		
Claims reported and outstanding		
Insurance	1,770,000	1,905,000
Reinsurance	2,321,416	8,642,980
Unearned reinsurance premiums		
Insurance	255,853	274,427
Reinsurance	1,236,748	–
Life reinsurance assets	141,511	–
	5,725,528	10,822,407
Total reinsurance assets (gross)		
Claims reported and outstanding		
Insurance	3,894,318	3,490,764
Reinsurance	1,476,748	5,344,522
Unearned premiums		
Insurance	3,019,953	2,940,362
Reinsurance	576,882	515,622
Life policyholders' benefits	2,365,899	2,894,993
Due to reinsurers	731,600	376,292
Claims incurred but not reported	385,000	385,000
Unallocated loss adjustment expenses	303,000	330,000
Life reinsurance assets	(141,511)	–
	12,611,889	16,277,555
Total insurance liabilities (net)		

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2019

(expressed in Eastern Caribbean dollars)

21 Insurance liabilities ...continued

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

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

The reconciliation of life policyholders' benefits as at January 31 is as follows:

	2019 \$	2018 \$
Life policyholders' benefits		
Balance at beginning of year	2,894,993	2,738,895
Inforce reserve change (deaths, lapses and actives)	(507,344)	76,941
Change of assumption impact		
Lapse	–	(12,377)
Interest	(36,942)	50,229
Expense	15,192	41,305
Total life policyholders' benefits	2,365,899	2,894,993

22 Customers' deposits

	2019 \$	2018 \$
Fixed deposits	109,097,166	102,437,104
Savings deposits	9,206,876	8,521,635
	118,304,042	110,958,739
Interest payable	1,554,620	1,547,622
Total customers' deposits	119,858,662	112,506,361
Current	109,457,287	104,641,132
Non-current	10,401,375	7,865,229
	119,858,662	112,506,361

Customers' deposits represent all types of deposit accounts held by the Group on behalf of customers. Deposits include savings account and fixed deposits. The Group pays interest on all categories of customers' deposits. As at the reporting date, total interest expense on deposit accounts for the year amounted to \$3,820,721 (2018: \$3,652,466). The average effective rate of interest paid on customers' deposits was 3.35% (2018: 3.37%).

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2019

(expressed in Eastern Caribbean dollars)

23 Accounts payable and other liabilities

	2019 \$	2018 \$
Credit accounts	23,884,408	26,068,106
Accounts payable	8,528,687	10,520,376
Accrued expenses	8,249,258	5,530,919
Advance deposits	3,242,817	1,420,111
Dividend payable	1,462,149	1,239,442
Contract liabilities (note 28)	1,185,697	–
Other liabilities	657,962	562,732
Gratuity reserve	515,475	566,465
Warranty liability	248,719	147,176
Statutory payables	202,127	340,423
Provision for expected losses on undrawn commitments	3,280	–
Total accounts payable and other liabilities	48,180,579	46,395,750
Current	47,955,311	46,170,709
Non-current	225,268	225,041
	48,180,579	46,395,750

Credit accounts represent interest-bearing liabilities to individuals and companies payable on demand and bear interest ranging from 3% to 4% per annum (2018: 3% to 4% per annum).

24 Taxation

	2019 \$	2018 \$
Income tax expense		
Profit before income tax	13,599,397	226,867
Income tax expense at rate of 33%	4,487,801	74,866
Unrecognised deferred tax assets	508,629	3,376,015
Effect of permanent differences	340,187	1,493,304
Effect of income not assessable for taxation	94,773	(402,033)
Over provision in prior year	(19,515)	–
Recognition of previously unrecognised deferred tax	(183,446)	–
	5,228,429	4,542,152

St. Kitts Nevis Anguilla Trading and Development Company Limited
Notes to Consolidated Financial Statements
January 31, 2019

(expressed in Eastern Caribbean dollars)

24 Taxation ...continued

Income tax expense ...continued

	2019 \$	2018 \$
Current income tax expense for the year	4,622,069	4,052,399
Net deferred tax expense for the year	<u>606,360</u>	<u>489,753</u>
Total income tax expense for the year	<u>5,228,429</u>	<u>4,542,152</u>

Deferred tax expense

The deferred tax expense recognised under deferred tax asset and deferred tax liability accounts is shown below.

	2019 \$	2018 \$
Increase in deferred in deferred tax liability	587,996	504,630
Decrease/(increase) in deferred tax asset	<u>18,364</u>	<u>(14,877)</u>
	<u>606,360</u>	<u>489,753</u>

The details of deferred tax expense are as follows:

	2019 \$	2018 \$
Deferred tax on depreciation of property, plant and equipment	534,957	295,944
Deferred tax on unrecognised deferred tax asset	386,713	122,347
Deferred tax on unutilised tax losses	273,449	380,237
Deferred tax on unutilised capital allowances	<u>(588,759)</u>	<u>(308,775)</u>
	<u>606,360</u>	<u>489,753</u>

Deferred tax asset

The movement in the deferred tax asset is as follows:

	2019 \$	2018 \$
Balance at beginning of year	(215,096)	(200,219)
Deferred tax credit for the year	(137,422)	(14,877)
Adjustment of deferred tax asset recognised in prior years	127,140	–
Unrecognised deferred tax written off	<u>28,646</u>	<u>–</u>
Balance at end of year	<u>(196,732)</u>	<u>(215,096)</u>

St. Kitts Nevis Anguilla Trading and Development Company Limited
Notes to Consolidated Financial Statements
January 31, 2019

(expressed in Eastern Caribbean dollars)

24 Taxation ...continued

Deferred tax asset ...continued

The deferred tax asset arises from unutilised capital allowances and unutilised losses.

Deferred tax liability

The movement in the deferred tax liability is as follows:

	2019 \$	2018 \$
Balance at beginning of year	6,396,721	5,892,091
Deferred tax expense for the year	587,996	504,630
Balance at end of year	<u>6,984,717</u>	<u>6,396,721</u>

The deferred tax liability arises from accelerated depreciation.

Current tax payable

The movement in the current tax payable is as follows:

	2019 \$	2018 \$
Balance beginning of year	1,085,533	1,480,032
Effect of adoption of IFRS 9 and 15 (note 3)	(183,132)	–
Balance beginning of year, as restated	902,401	1,480,032
Current tax expense for the year	4,622,069	4,052,399
Transferred to income tax recoverable	17,220	65,102
Transferred from liabilities included in disposal group	15,737	–
Utilization of taxation recoverable during the year	(70,757)	(105,903)
Income tax paid during the year	(3,741,620)	(4,406,097)
Balance at end of year	<u>1,745,050</u>	<u>1,085,533</u>

St. Kitts Nevis Anguilla Trading and Development Company Limited
Notes to Consolidated Financial Statements
January 31, 2019

(expressed in Eastern Caribbean dollars)

24 Taxation ...continued

Taxation recoverable

The movement in the taxation recoverable is as follows:

	2019 \$	2018 \$
Balance at beginning of year	80,113	120,914
Transferred from income tax payable	17,220	65,102
Utilization during the year	<u>(70,757)</u>	<u>(105,903)</u>
Balance at end of year	<u>26,576</u>	<u>80,113</u>

25 Shareholders' equity

Share capital

	2019 \$	2018 \$
Authorised:		
500,000,000 ordinary shares at \$1 per share	<u>500,000,000</u>	<u>500,000,000</u>
Issued and fully paid:		
52,000,000 ordinary shares at \$1 per share	<u>52,000,000</u>	<u>52,000,000</u>

Dividends

On June 26, 2018, the Company's Board of Directors approved the declaration of cash dividends amounting to \$2,080,000 (2018: \$3,120,000).

26 Other reserves

	2019 \$	2018 \$
Revaluation reserve – property	34,094,437	34,094,437
Claims equalisation reserve	20,763,237	21,803,237
Statutory reserve fund	6,617,255	6,036,176
Revaluation reserve – financial assets at FVOCI	1,488,505	–
Non-distributable reserve (note 10)	717,551	243,661
Revaluation reserve – AFS financial assets	–	1,401,725
	<u>63,680,985</u>	<u>63,579,236</u>

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2019

(expressed in Eastern Caribbean dollars)

26 Other reserves ...continued

Revaluation reserve – property

The revaluation reserve – property relates to the net appreciation of land and freehold buildings based on revaluations performed by an independent property appraiser. As at January 31, 2019 and 2018, the revaluation reserve – property amounted to \$34,094,437.

Claims equalisation reserve

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

	2019 \$	2018 \$
Balance at beginning of year	21,803,237	21,803,237
Transfer to retained earnings during the year	<u>(1,040,000)</u>	–
Balance at end of year	<u>20,763,237</u>	21,803,237

Statutory reserve fund

In accordance with Section 45 (1) of Saint Christopher and Nevis Banking Act, 2015, TDC Financial Services Company Limited is required to maintain a reserve fund into which it shall transfer not less than 20% of its net income of each year whenever the reserve fund is less than the finance subsidiary's paid-up capital.

	2019 \$	2018 \$
Balance at beginning of year	6,036,176	5,522,184
Appropriations during the year	<u>581,079</u>	513,992
Balance at end of year	<u>6,617,255</u>	6,036,176

Revaluation reserve – financial assets at FVOCI (2018: Revaluation reserve – AFS financial assets)

The revaluation reserve arises as a result of the net appreciation in the market value of financial assets at FVOCI (2018: AFS financial assets).

	2019 \$	2018 \$
Balance at beginning of year	1,401,725	700,920
Fair value gains during the year (see note 9)	86,780	–
Net unrealised fair value gains on AFS financial assets (see note 9)	–	700,805
Balance at end of year	<u>1,488,505</u>	1,401,725

St. Kitts Nevis Anguilla Trading and Development Company Limited
 Notes to Consolidated Financial Statements
January 31, 2019

(expressed in Eastern Caribbean dollars)

26 Other reserves ...continued

Non-distributable reserve

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

The movement of non-distributable reserve account is as follows:

	2019	2018
	\$	\$
Balance at beginning of year	243,661	202,400
Transfer from retained earnings	473,890	41,261
	<hr/>	<hr/>
Balance at end of year	717,551	243,661

27 Revenue

All revenue of the Group in 2019 and 2018 are recognised within St. Kitts and Nevis.

The Group's revenue disaggregated by pattern of revenue recognition is as follows:

	Sale of goods	Rendering of	Total
	\$	services	\$
		\$	
For the year ended January 31, 2019			
Transferred at point in time	137,925,386	2,114,079	140,039,465
Transferred over time	–	11,899,038	11,899,038
	<hr/>	<hr/>	<hr/>
	137,925,386	14,013,117	151,938,503
	<hr/>	<hr/>	<hr/>
	Sale of goods	Rendering of	Total
	\$	services	\$
		\$	
For the year ended January 31, 2018			
Transferred at point in time	125,867,359	2,750,585	128,617,944
Transferred over time	–	10,640,144	10,640,144
	<hr/>	<hr/>	<hr/>
	125,867,359	13,390,729	139,258,088

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2019

(expressed in Eastern Caribbean dollars)

28 Contract liabilities

The breakdown of contract liabilities as at January 31, 2019 are as follows (note 23):

	2019
	\$
Customer loyalty programme	652,024
Refund liability	400,352
Maintenance services	133,321
	<u>1,185,697</u>

The Group satisfies its performance obligation when services are rendered to the customers.

Changes in the contract liabilities are recognised by the Group when a right to receive payment is already established and upon performance of unsatisfied performance obligation.

A reconciliation of the movement of contract liabilities as at January 31, 2019 is as follows:

	Customer loyalty programme	Refund liability	Maintenance services	Total
	\$	\$	\$	\$
Balance at beginning of year	572,316	–	–	572,316
Effect of IFRS 15 (note 3)	–	328,493	135,174	463,667
Balance at beginning of year, as restated	572,316	328,493	135,174	1,035,983
Revenue recognised that was included in contract liabilities at beginning of year	(447,282)	(328,493)	(135,174)	(910,949)
Increase due to cash received excluding amount recognised as revenue during the year	526,990	400,352	133,321	1,060,663
Balance at end of year	<u>652,024</u>	<u>400,352</u>	<u>133,321</u>	<u>1,185,697</u>

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2019

(expressed in Eastern Caribbean dollars)

29 Other income

	2019 \$	2018 \$
Rent	3,157,665	3,157,091
Commission income	2,566,068	2,191,892
Miscellaneous income	1,374,803	681,302
Equipment rental and repairs	1,013,082	996,666
Vehicle servicing	660,546	260,075
Damage insurance income	611,257	612,438
Photocopier income	471,980	512,275
Handling charges	462,586	384,080
Dividend income	437,354	637,710
Gains on disposals of property and equipment (note 17)	402,989	413,406
Facility income	359,838	343,050
Shipping income/(loss), net	359,563	(428,836)
Truck operating income	357,842	251,801
Management and administration fees	267,244	256,359
Write-back of internal health plan provision	600	14,500
	<u>12,503,417</u>	<u>10,283,809</u>

30 Employee costs

	2019 \$	2018 \$
Salaries and wages	19,752,029	19,199,568
Statutory contributions	2,004,768	1,940,091
Other staff costs	993,889	930,253
Pension savings plan	974,393	897,583
Bonus and gratuity	648,540	893,106
Directors' fees	602,600	612,850
Staff scholarship and training	410,323	526,280
Health insurance	261,394	248,304
	<u>25,647,936</u>	<u>25,248,035</u>

St. Kitts Nevis Anguilla Trading and Development Company Limited
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January 31, 2019

(expressed in Eastern Caribbean dollars)

31 General and administrative expenses

	2019	2018
	\$	\$
Advertising and sales promotion	2,403,019	2,975,056
Repairs and maintenance	2,342,826	2,316,325
Professional fees	2,301,567	1,887,205
General	2,294,269	1,849,393
Utilities	1,966,500	1,988,576
Motor vehicle	1,118,569	989,900
Communications	991,540	988,545
Taxes and licenses	740,526	977,069
Computer installation and consultancy	670,909	693,998
Warranty	586,835	477,094
Security	520,064	475,902
Management fees	505,233	463,861
Impairment charge/(credit) of receivables, net (note 5)	489,614	(235,110)
Supplies	389,724	273,717
Rent	375,020	433,642
Travel	367,975	369,686
Entertainment	252,389	304,969
Sewage, waste and landscaping	235,041	314,215
Freight, handling and truckage	211,167	314,915
Subscriptions	167,282	101,905
Printing and stationery	145,427	181,357
Impairment charge/(credit) of loans to customers, net (note 5)	64,726	(201,902)
Annual general meeting	49,858	150,428
Write-off of receivables (note 5)	20,519	83,537
Credit impairment losses of investment securities (notes 5 and 9)	14,129	–
	<u>19,224,728</u>	<u>18,174,283</u>

32 Depreciation and amortization

	2019	2018
	\$	\$
Depreciation		
Property, plant and equipment (note 17)	6,538,029	6,464,034
Investment property (note 18)	37,402	37,402
	<u>6,575,431</u>	6,501,436
Amortization (note 19)	31,679	50,039
	<u>6,607,110</u>	<u>6,551,475</u>

Depreciation of certain motor vehicles totaling \$904,651 (2018: \$1,148,498) was recorded under cost of sales (note 17).

St. Kitts Nevis Anguilla Trading and Development Company Limited
Notes to Consolidated Financial Statements
January 31, 2019

(expressed in Eastern Caribbean dollars)

33 Finance charges, net

	2019 \$	2018 \$
Interest expense		
Borrowings	3,368,682	3,393,559
Credit accounts	543,916	1,034,992
	<u>3,912,598</u>	<u>4,428,551</u>
Bank charges	1,154,592	930,794
	<u>5,067,190</u>	<u>5,359,345</u>

34 Net interest income

	2019 \$	2018 \$
Interest income		
Loans to customers	9,058,945	8,629,452
Investments	2,040,587	1,834,905
Receivables	1,978,638	1,976,950
	<u>13,078,170</u>	<u>12,441,307</u>
Interest expense		
Savings account interest expense	(265,241)	(243,867)
Time deposits interest expense	(3,555,480)	(3,215,731)
	<u>(3,820,721)</u>	<u>(3,459,598)</u>
	<u>9,257,449</u>	<u>8,981,709</u>

35 Earnings/(loss) per share

Basic and diluted earnings/(loss) per share were computed as follows:

	2019 \$	2018 \$
Profit/(loss) attributable to shareholders of parent company	7,752,751	(3,000,860)
Divided by weighted average number of outstanding ordinary shares	<u>52,000,000</u>	<u>52,000,000</u>
Basic and diluted earnings/(loss) per share	<u>0.149</u>	<u>(0.058)</u>

The Group has no dilutive potential ordinary shares as of January 31, 2019 and 2018.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

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(expressed in Eastern Caribbean dollars)

36 Commitments and contingencies

Guarantees

The Group's parent company provides guarantees to various financial institutions in connection with credit facilities extended to subsidiaries in the range of \$150,000 to \$1,500,000.

Loan commitments

The dates of the contractual amounts of the Group's off-balance sheet financial instruments that commit to extend to customers and other facilities are summarised in the table below.

	1 year \$	1 to 5 years \$	Over 5 years \$	Total \$
As at January 31, 2019				
Loan commitments	<u>1,977,056</u>	–	–	<u>1,977,056</u>
As at January 31, 2018				
Loan commitments	<u>587,719</u>	–	–	<u>587,719</u>

37 Comparatives

The classification of certain items in the consolidated financial statements has been changed from the prior period to achieve a clearer or more appropriate presentation. The comparative figures have been similarly reformatted and reclassified in order to achieve comparability with the current period.

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