St. Kitts Nevis Anguilla Trading and Development Company Limited

Unaudited Consolidated Financial Statements
October 31, 2019
(expressed in Eastern Caribbean dollars)

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

(expressed in Eastern Caribbean dollars)

	Oct 2019 $	2019 $
Assets		
Current assets		
Cash and cash equivalents (note 8)	**16,068,428**	20,459,482
Investment securities (note 9)	**70,056,888**	62,408,535
Loans to customers (note 10)	**20,948,335**	32,624,416
Receivables (note 11)	**14,651,238**	12,599,967
Reinsurance assets (note 21)	**10,575,868**	5,725,528
Due from related parties (note 14)	**1,804,975**	1,302,082
Inventories (note 12)	**48,546,453**	43,264,145
Prepayments and other current assets (note 13)	**13,706,428**	5,896,555
Taxation recoverable (note 24)	**224,949**	26,576
Assets included in disposal group (note 15)	**323,900**	439,790
Total current assets	**196,907,462**	184,747,076
Non-current assets		
Investment securities (note 9)	**12,792,304**	15,695,605
Loans to customers (note 10)	**83,520,261**	74,163,867
Receivables (note 11)	**5,683,087**	6,003,496
Investment in associates (note 16)	**11,865,564**	10,785,750
Property, plant and equipment (note 17)	**131,628,010**	134,383,236
Investment property (note 18)	**2,003,342**	1,774,304
Intangible assets (note 19)	**616,035**	396,526
Deferred tax asset (note 24)	**297,011**	196,732
Total non-current assets	**248,405,613**	243,399,516
Total assets	**445,313,075**	428,146,592
Liabilities		
Current liabilities		
Borrowings (note 20)	**43,602,333**	34,497,288
Insurance liabilities (note 21)	**25,039,010**	18,337,417
Customers' deposits (note 22)	**115,475,374**	109,457,287
Accounts payable and other liabilities (note 23)	**48,516,990**	47,955,311
Tax payable (note 24)	**209,778**	1,745,050
Due to related parties (note 14)	**367,380**	4,000
Liabilities included in disposal group (note 15)	**82,527**	80,602
Total current liabilities	**233,293,392**	212,076,955
Non-current liabilities		
Borrowings (note 20)	**8,414,588**	9,283,781
Customers' deposits (note 22)	**7,798,884**	10,401,375
Accounts payable and other liabilities (note 23)	**298,983**	225,268
Deferred tax liability (note 24)	**6,932,214**	6,984,717
Total non-current liabilities	**23,444,669**	26,895,141
Total liabilities	**256,738,061**	238,972,096

(expressed in Eastern Caribbean dollars)

	Oct 2019 **$**	**2019** **$**
Shareholders' equity		
Share capital (note 25)	**52,000,000**	52,000,000
Other reserves (note 26)	**63,845,672**	63,680,985
Retained earnings	**68,779,617**	69,363,528
	184,625,289	185,044,513
Non-controlling interests	**3,949,726**	1,129,983
Total shareholders' equity	**188,575,014**	189,174,496
Total liabilities and shareholders' equity	**445,313,075**	428,146,592

The notes on pages 1 to 106 are an integral part of these consolidated financial statements.

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

Chairman **Director**

St. Kitts Nevis Anguilla Trading and Development Company Limited

Consolidated Statement of Income

For the period ending October 31, 2019

(expressed in Eastern Caribbean dollars)

	Oct 2019 $	Oct 2018 $
Revenue (note 27)	**101,029,759**	104,782,972
Cost of sales	**(67,530,877)**	(72,791,114)
Gross profit	**33,498,882**	31,991,858
Net interest income (note 34)	**6,484,234**	6,154,208
Net underwriting income/(loss)	**(1,448,853)**	1,921,092
Other income (note 29)	**9,475,385**	9,141,072
Operating income before operating expenses	**48,009,648**	49,208,230
Operating expenses		
Employee costs (note 30)	**(20,869,509)**	(13,703,573)
General and administrative (note 31)	**(15,566,488)**	(19,801,111)
Depreciation and amortization (note 32)	**(4,915,006)**	(4,884,576)
	(41,351,003)	(38,389,260)
Operating profit	**6,658,645**	10,818,970
Share of income/(loss) of associated companies (note 16)	**1,579,813**	987,736
Finance charges (note 33)	**(3,421,666)**	(3,781,248)
Profit before income tax	**4,816,792**	8,025,458
Profit before income tax attributable to:		
Parent company	**4,995,974**	7,914,662
Non-controlling interests	**(179,182)**	110,796
	4,816,792	8,025,458
Income tax expense (note 24)	**(2,399,535)**	3,028,108
Profit/(loss) for the year from continuing operations	**2,417,257**	4,997,350
Profit for the year from discontinued operations	**-**	774,637
Profit/(loss) for the year	**2,417,257**	5,771,987
Profit/(loss) for the year attributable to:		
Parent company	**2,596,439**	5,286,809
Non-controlling interests	**(179,182)**	485,178
	2,417,257	5,771,987
Earnings /(loss) per share		
Basic and diluted per share (note 35)	**0.050**	0.102

The notes on pages 1 to 106 are an integral part of these consolidated financial statements.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Consolidated Statement of Comprehensive Income

For the period ending October 31, 2019

(expressed in Eastern Caribbean dollars)

	Oct 2019 $	**Oct 2018 $**
Profit/(loss) for the year	**2,417,257**	5,771,987
Other comprehensive income:		
Item that will not be reclassified subsequently to profit or loss		
Fair value gains of financial assets at fair value through other comprehensive income (note 9)	**(147,501)**	150,315
Total comprehensive income/(loss) for the year	**2,269,756**	5,922,302
Total comprehensive income/(loss) for the year attributable to:		
Parent company	**2,450,014**	5,418,552
Non-controlling interests	**(180,258)**	503,750
	2,269,756	5,922,302

The notes on pages 1 to 106 are an integral part of these consolidated financial statements.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Consolidated Statement of Changes in Shareholders' Equity

For the period ending October 31, 2019

(expressed in Eastern Caribbean dollars)

	Parent company					
	Share capital $	**Other reserves $**	**Retained earnings $**	**Subtotal $**	**Non-controlling interests $**	**Total $**
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)	–	–	(897,316)	(897,316)	(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**
Comprehensive income						
Profit for the year	–	–	2,596,439	2,596,439	(179,182)	2,417,257
Transfer to reserve fund (note 26)	–	360,073	(360,073)	–	–	–
Transfer to other reserves (note 26)	–	(48,959)	48,959	–	–	–
Transfer to retained earnings (note 26)	–					
Other comprehensive income						
Fair value gains on financial assets at fair value through other comprehensive income (note 9)	–	–	510,762	510,762		510,762
Net revaluation loss on AFS assets	–	(146,427)	–	(146,429)	(1,075)	(147,502)
Transaction with owners						
Dividends (note 25)	–	–	(3,380,000)	(3,380,000)		(3,380,000)
Balance at October 31, 2019	**52,000,000**	**63,845,672**	**68,779,613**	**184,625,282**	**3,949,726**	**188,575,014**

The notes on pages 1 to 106 are an integral part of these consolidated financial statements.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Consolidated Statement of Cash Flows

For the period ending October 31, 2019

(expressed in Eastern Caribbean dollars)

	Oct 2019 $	Oct 2018 $
Cash flows from operating activities		
Profit before income tax	**4,816,792**	8,025,458
Items not affecting cash:		
Interest expense	**5,785,361**	4,657,860
Depreciation and amortization	**5,595,584**	5,549,503
Impairment loss/(recoveries) of receivables	**(540,399)**	(222,273)
Impairment losses/(recoveries) of loans to customers	**76,851**	11,608
Write-back of internal health plan provision		(600)
Gains on disposals of property and equipment	**(173,011)**	(317,931)
Dividend income	**(189,642)**	(210,410)
Share of (income)/loss of associated companies	**(1,579,813)**	(987,736)
Interest income	**(9,477,057)**	(8,999,695)
Operating profit before working capital changes	**4,314,666**	7,505,784
Cash flows used in operating activities before changes in operating assets and liabilities		
Increase in loans to customers	**(5,824,382)**	(4,720,833)
(Increase)/decrease in receivables and prepayments	**(9,000,336)**	(5,854,027)
Decrease/(increase) in reinsurance assets	**(4,850,340)**	6,590,694
Decrease/(increase) in due from related parties	**(411,548)**	231,477
Decrease/(increase) in inventories	**(5,282,308)**	(3,393,186)
(Decrease)/increase in insurance liabilities	**6,701,593**	(10,362,008)
Increase in customers' deposits	**5,525,377**	5,450,035
Increase in accounts payable and other liabilities	**(956,784)**	(2,582,049)
Increase/(decrease) in due to related parties	**272,035**	546,639
Net cash generated from operating activities before interest receipts and payments and tax	**(9,512,027)**	(6,587,474)
Interest received	**15,813,814**	15,502,865
Taxes paid	**(4,285,966)**	(3,140,711)
Interest paid	**(5,362,006)**	(4,106,144)
Net cash from operating activities from continuing operations	**(3,346,185)**	1,668,536
Net cash (used in)/from operating activities from discontinued operations (note 15)	**1,924**	88,762
Net cash from operating activities	**(3,344,261)**	1,757,298

St. Kitts Nevis Anguilla Trading and Development Company Limited

Consolidated Statement of Cash Flows *...continued*

For the period ending October 31, 2019

(expressed in Eastern Caribbean dollars)

	Oct 2019 $	Oct 2018 $
Cash flows from investing activities		
Interest received	**3,092,263**	2,734,871
Dividends received	**689,642**	610,410
Proceeds from disposals of property and equipment	**294,238**	692,861
Additions to investment property	**(258,382)**	–
Purchase of intangible assets	**(353,332)**	(148,885)
Purchase of property, plant and equipment	**(2,798,418)**	(2,314,023)
Redemption/(purchase) of investment securities, net	**(5,743,588)**	(5,121,420)
Net cash used in investing activities from continuing operations	**(5,077,577)**	(3,546,186)
Net cash from investing activities from discontinued operations (note 15)	**-**	–
Net cash used in investing activities	**(5,077,577)**	(3,546,186)
Cash flows from financing activities		
Dividends paid	**(1,787,822)**	(617,851)
Repayments of borrowings, net	**8,235,852**	5,559,997
Interest paid on borrowings	**(2,533,136)**	(2,497,783)
Net cash used in financing activities from continuing operations	**3,914,894**	2,444,363
Net cash used in financing activities from discontinued operations (note 15)	**-**	–
Net cash used in financing activities	**3,914,894**	2,444,363
Net increase/(decrease) in cash and cash equivalents	**(4,506,944)**	655,475
Cash and cash equivalents at beginning of year	**20,899,272**	18,264,888
Cash and cash equivalents at end of year	**16,392,328**	18,920,363
Represented by:		
Cash and cash equivalents (note 8)	**16,068,428**	18,466,610
Cash under assets included in disposal group (note 15)	**323,900**	453,753
Cash and cash equivalents at end of year	**16,392,328**	18,920,363

The notes on pages 1 to 106 are an integral part of these consolidated financial statements.

(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. 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 2020, the Group has adopted new guidance for the recognition of leases (see Note 3 below). The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adoption as at February 1, 2019 being recognised as a single adjustment to retained earnings. Accordingly, the Group is not required to present a third statement of financial position as at that date.

3 New or revised standards or interpretations

New standards adopted as at February 1, 2019

IFRS 16, Leases

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new Standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

(expressed in Eastern Caribbean dollars)

3 New or revised standards or interpretations *…continued*

New standards adopted as at February 1, 2019 *…continued*

IFRS 16, Leases …continued

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being February 1, 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

The Group has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

(expressed in Eastern Caribbean dollars)

3 New or revised standards or interpretations *…continued*

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 for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's consolidated financial statements.

- *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.

  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.

(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*

Other Standards and amendments that are not yet effective and have not been adopted early by the Group include:

- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Conceptual Framework for Financial Reporting.

These amendments are not expected to have a significant impact on the consolidated financial statements in the period of initial application and therefore the disclosures have not been made.

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, 2020. 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.

(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.

(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.

(expressed in Eastern Caribbean dollars)

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 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.

The Group applies the other revenue recognition criteria set out below.

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.

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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

e) Revenue recognition *...continued*

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.

g) Leases

As described in Note 3, the Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

(i) Accounting policy applicable from February 1, 2019

The Group as a lessee

For any new contracts entered into on or after February 1, 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;

- and the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *…continued*

g) Leases *…continued*

(ii) Accounting policy applicable from February 1, 2019 …continued

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the consolidated statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in accounts and other payables.

The Group as a lessor

The Group's accounting policy under IFRS 16 has not changed from the comparative period. As a lessor the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

g) Leases *...continued*

(iii) Accounting policy applicable before February 1, 2019

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. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

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

other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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.

(expressed in Eastern Caribbean dollars)

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.

(expressed in Eastern Caribbean dollars)

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).

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *…continued*

n) 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 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.

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 solely payments of principal and interest (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.

(expressed in Eastern Caribbean dollars)

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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *…continued*

m) Financial instruments *…continued*

(iv) Impairment of financial assets

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.

(expressed in Eastern Caribbean dollars)

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.

(expressed in Eastern Caribbean dollars)

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.

m) 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.

n) 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).

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *…continued*

o) Insurance contracts *…continued*

Recognition and measurement *…continued*

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

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

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

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

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

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

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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

o) Insurance contracts *...continued*

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.

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).

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

o) Insurance contracts *...continued*

Salvage and subrogation reimbursements *...continued*

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

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

p) Inventories

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

q) Income taxes

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

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%.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

q) Income taxes *...continued*

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 comprises unrealised gains and losses relating to these types of financial instruments (see note 26).

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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *…continued*

s) 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.

t) 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.

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.

u) 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.

v) 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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *…continued*

w) Earnings per share

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

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

x) 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.

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, 219 $18,602,063.

(expressed in Eastern Caribbean dollars)

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

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.

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%**
	$	**$**	**$**
Loans to Customers			
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			
Loans to Customers	2,977,292	2,882,856	2,788,120
Investment securities	171,335	168,844	166,487

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

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

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.

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, 2020 and 2019 is presented as part of prepayments and other current assets account and accounts payable and other liabilities, respectively, in the 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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *…continued*

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

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.

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

(expressed in Eastern Caribbean dollars)

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

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.

ix) 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 (2019: $3,030).

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

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

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

x) Determination of life insurance valuation assumptions

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

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

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

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

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *…continued*

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

xi) 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 Net Policy Liabilities Increase/(Decrease)	
	Oct 2019	Jan 2019
	$	$
Increase in mortality	(25,693)	(25,693)
Decrease in mortality	27,195	27,195
Increase in lapse margin	67,636	67,636
Increase in expenses	31,953	31,953
Parallel decrease in valuation	254,997	254,997

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.

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

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

(expressed in Eastern Caribbean dollars)

5 Financial risk management *…continued*

Financial risk factors *…continued*

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%, 6.5% - 10% and 5% - 7% respectively, which exposes the Group to fair value interest rate risk. To manage interest rate risk, the Group negotiates the best rates possible and where possible considers factors such as refinancing, reviewing options and alternative financing. 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, 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 $130,689 higher/lower, 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. 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% higher/lower with all other variables held constant, the change in equity securities would have been insignificant.

(expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

Financial risk factors *...continued*

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.

(expressed in Eastern Caribbean dollars)

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) 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:

			Rating			PD	
Country	**Type**	**Local/Foreign**	**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.

(expressed in Eastern Caribbean dollars)

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

(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 Oct 2019 Stage 1 $	Stage 2 $	Stage 3 $	Total $	2019 Total $
Mortgage loans	49,175,590	4,655,263	5,824,204	59,655,057	62,065,002
Vehicle loans	30,716,560	948,185	793,964	32,458,709	27,917,844
Promotional loans	8,833,282	185,416	212,624	9,231,322	7,547,225
Personal loans	7,033,491	686,959	602,321	8,322,771	9,926,262
Gross carrying amount	95,758,923	6,475,823	7,433,113	109,667,859	107,456,697
Loss allowance	(366,131)	(223,109)	(2,290,336)	(2,879,576)	(2,908,552)
Carrying amount	**95,392,792**	**6,252,714**	**5,142,777**	**106,788,283**	**104,548,145**

	Mortgage loans portfolio ECL Staging Oct 2019 Stage 1 $	Stage 2 $	Stage 3 $	Total $	2019 Total $
Standard monitoring	48,305,787	5,666,130	-	53,971,918	53,680,883
Default	-	-	3,333,361	3,333,361	-
Gross carrying amount	48,305,787	5,666,130	3,333,361	57,305,279	53,680,883
Loss allowance	96,625	268,745	1,423,233	1,788,603	283,614
Carrying amount	**48,209,162**	**5,397,385**	**1,910,129**	**55,516,676**	**53,397,270**

(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

	2020				2019
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Total**
	$	**$**	**$**	**$**	**$**
Standard monitoring	27,148,376	1,107,517	-	28,255,892	31,303,461
Default	-	-	494,890	494,890	-
Gross carrying amount	27,148,376	1,107,517	494,890	28,750,783	31,303,461
Loss allowance	117,312	17,891	357,489	492,692	145,422
Carrying amount	**27,031,063**	**1,089,626**	**137,401**	**28,258,090**	**31,158,038**

Personal loans portfolio
ECL Staging

	2020				2019
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Total**
	$	**$**	**$**	**$**	**$**
Standard monitoring	**7,164,802**	**343,378**		**7,508,180**	**7,602,192**
Default			**556,333**	**556,333**	**-**
Gross carrying amount	7,164,802	343,378	556,333	8,064,513	7,602,192
Loss allowance	63,200	16,843	248,374	328,418	82,323
Carrying amount	**7,101,602**	**326,535**	**307,959**	**7,736,096**	**7,519,870**

(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

	Promotional loans portfolio ECL Staging 2020				2019
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Total**
	$	**$**	**$**	**$**	**$**
Standard monitoring	**12,207,271**	**347,240**	**-**	**12,554,512**	**7,602,192**
Default	**-**	**-**	**246,171**	**246,171**	**-**
Gross carrying amount	12,207,271	347,240	246,171	12,800,682	7,602,192
Loss allowance	94,537	6,482	246,171	347,189	72,342
Carrying amount	**12,112,735**	**340,758**	**-**	**12,453,493**	**7,529,850**

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
	$
Balance at beginning of year	2,908,552
Impairment charge/(credit)during the year (note 31)	83,401
Write-offs for the year	(187,109)
Balance at end of year	2,879,576

During the year, certain loans to customers previously written-off amounting to (2019: $18,675) were recovered (note 31).

(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.

(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	3,333,361	1,423,233	1,910,129	13,321,720
Vehicle	494,890	357,489	137,401	170,768
Promotional	246,171	246,171	-	-
Personal	556,333	248,374	307,959	2,833
Total credit-impaired assets	**4,630,755**	**2,275,267**	**2,355,488**	**13,495,321**

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

	Credit-impaired (Gross carrying amount)			
LTV distribution	**Mortgage loans portfolio $**	**Vehicle loans portfolio $**	**Promotional loans portfolio $**	**Personal loans portfolio $**
Lower than 50%	1,700,160	41,735	-	30,716
50% to 60%	146,610	-	-	-
60% to 70%	139,417	-	-	75,001
70% to 80%	1,384,313	-	-	-
80% to 90%	132,426	-	-	259,320
90% to 100%	316,474	-	-	-
Higher than 100%	1,859,219	494,890	246,171	218,608
Total	**5,678,619**	**536,625**	**246,171**	**583,645**

(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 refreshing 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.

(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 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			
	Stage 1 12-month ECL $	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total $**
Loss allowance as at February 1, 2019	**102,103**	**181,510**	**-**	**283,614**
Transfers:				
Transfers from Stage 1 to Stage 2	(7,134)	169,941	-	162,807
Transfers from Stage 1 to Stage 3	(289)	-	12,021	11,732
Transfers from Stage 2 to Stage 1	3,285	(55,044)	-	(51,759)
Transfers from Stage 3 to Stage 1	-	-	-	-
Transfers from Stage 3 to Stage 2	-	-	-	-
New financial assets originated or purchased	3,703	993	1,411,212	1,415,907
Changes in loss rates/ LGDs/EADs	(1,961)	(6,001)	-	(7,962)
Financial assets derecognised during the year	(3,082)	(22,653)	-	(25,736)
Total net P&L charge during the year	**(5,478)**	**87,235**	**1,423,233**	**1,504,989**
Write-offs	-	-	-	-
Loss allowance as at October 31, 2019	**96,625**	**268,745**	**1,423,233**	**1,788,603**

(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			
	Stage 1 12-month ECL $	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total $**
Loss allowance as at February 1, 2019	**132,335**	**13,087**	**-**	**145,422**
Transfers:				
Transfers from Stage 1 to Stage 2	(3,472)	13,138	-	9,666
Transfers from Stage 1 to Stage 3	(213)	-	20,010	19,797
Transfers from Stage 2 to Stage 3	-	(82)	5,355	5,273
Transfers from Stage 2 to Stage 1	2,424	(9,463)	-	(7,039)
Transfers from Stage 3 to Stage 1	-	-	-	-
New financial assets originated or purchased	14,641	2,622	332,124	349,386
Changes in loss rates/LGDs/EADs	(20,345)	(910)	-	(21,255)
Financial assets derecognised during the year	(10,824)	(1,187)	-	(12,011)
Total net P&L charge during the year	**(6,966)**	**5,304**	**357,489**	**355,827**
Write-offs	-	-	-	-
Loss allowance as at October 31, 2019	**114,545**	**17,204**	**357,489**	**489,238**

(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			
	Stage 1 12-month ECL $	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total $**
Loss allowance as at February 1, 2019	**69,373**	**2,969**	**-**	**72,342**
Transfers:				
Transfers from Stage 1 to Stage 2	(1,603)	2,093	-	490
Transfers from Stage 1 to Stage 3	(738)	-	81,671	80,933
Transfers from Stage 2 to Stage 3	-	(370)	15,045	14,675
Transfers from Stage 2 to Stage 1	217	(819)	-	(602)
Transfers from Stage 3 to Stage 2	-	-	-	-
New financial assets originated or purchased	62,760	4,017	149,456	216,233
Changes in loss rates/LGDs/EADs	(15,097)	(435)	-	(15,532)
Financial assets derecognised during the year	(20,376)	(974)	-	(21,350)
Total net P&L charge during the year	**45,540**	**4,486**	**246,171**	**296,197**
Write-offs	-	-	-	-
Loss allowance as at October 31, 2019	**94,537**	**6,482**	**246,171**	**347,189**

(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			
	Stage 1 12-month ECL $	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total $**
Loss allowance as at February 1, 2019	**59,301**	**23,022**	**-**	**82,323**
Transfers:				
Transfers from Stage 1 to Stage 2	(1,110)	1,987	-	877
Transfers from Stage 1 to Stage 3	(332)	-	13,315	12,983
Transfers from Stage 2 to Stage 3	-	-	-	-
Transfers from Stage 2 to Stage 1	3,157	(4,869)	-	(1,712)
New financial assets originated or purchased	22,660	-	235,059	257,720
Changes in loss rates/LGDs/EADs	(4,842)	(3,176)	-	(8,018)
Financial assets derecognised during the year	(15,633)	(121)	-	(15,755)
Total net P&L charge during the year	**19,533**	**(6,058)**	**248,374**	**261,850**
Write-offs	-	-	-	-
Loss allowance as at October 31, 2019	**63,200**	**16,843**	**248,374**	**328,418**

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:

(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			
	Stage 1 12-month ECL $	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total $**
Gross carrying amount as at February 1, 2019	**54,703,085**	**4,614,512**	**-**	**59,317,597**
Transfers:				
Transfers from Stage 1 to Stage 2	(3,393,487)	3,346,777	-	(46,710)
Transfers from Stage 1 to Stage 3	(3,280,532)	-	3,333,361	52,829
Transfers from Stage 2 to Stage 1	1,562,609	(1,637,610)	-	(75,001)
Transfers from Stage 3 to Stage 1	-	-	-	-
Transfers from Stage 3 to Stage 2	-	-	-	-
New financial assets originated or purchased	1,761,186	97,696	-	1,858,882
Financial assets derecognized during the year other than write-offs	(1,567,892)	(372,054)	-	(1,939,946)
Changes in loss rates/LGDs/EADs	(1,479,181)	(383,191)	-	(1,862,371)
Write-offs	-	-	-	-
Gross carrying amount as at October 31, 2019	**48,305,787**	**5,666,130**	**3,333,361**	**57,305,279**

(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			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Gross carrying amount as at February 1, 2019	**31,372,198**	**1,063,486**	**-**	**32,435,684**
Transfers:				
Transfers from Stage 1 to Stage 2	(982,615)	807,484	-	(175,131)
Transfers from Stage 1 to Stage 3	(548,061)	-	447,079	(100,982)
Transfers from Stage 2 to Stage 1	560,094	(751,131)	-	(191,038)
Transfers from Stage 2 to Stage 3	-	(11,967)	11,422	(545)
Transfers from Stage 3 to Stage 1	-	-	-	-
New financial assets originated or purchased	3,382,911	118,253	36,389	3,537,554
Financial assets derecognized during the year other than write-offs	(2,932,064)	(127,348)	-	(3,059,412)
Changes in loss rates/LGDs/EADs	(3,704,087)	8,740	-	(3,695,348)
Write-offs				
Gross carrying amount as at October 31, 2019	**27,148,376**	**1,107,517**	**494,890**	**28,750,783**

(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			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Gross carrying amount as at February 1, 2019	**9,042,300**	**165,245**	**-**	**9,207,545**
Transfers:				
Transfers from Stage 1 to Stage 2	(229,187)	170,467	-	(58,721)
Transfers from Stage 1 to Stage 3	(265,628)	-	231,126	(34,501)
Transfers from Stage 2 to Stage 1	28,044	(48,491)	-	(20,446)
Transfers from Stage 2 to Stage 3	-	(24,708)	15,045	(9,664)
Transfers from Stage 3 to Stage 2	-	-	-	-
New financial assets originated or purchased	8,065,249	144,831	-	8,210,080
Financial assets derecognized during the year other than write-offs	(2,553,059)	(43,504)	-	(2,596,563)
Changes in loss rates/LGDs/EADs	(1,880,448)	(16,599)	-	(1,897,048)
Write-offs				
Gross carrying amount as at October 31, 2019	**12,207,271**	**347,240**	**246,171**	**12,800,682**

(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			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Gross carrying amount as at February 1, 2019	**7,626,335**	**671,004**	**-**	**8,297,338**
Transfers:				
Transfers from Stage 1 to Stage 2	(132,847)	103,983	-	(28,865)
Transfers from Stage 1 to Stage 3	(558,771)	-	556,333	(2,438)
Transfers from Stage 2 to Stage 1	356,558	(389,383)	-	(32,825)
Transfers from Stage 2 to Stage 3	-	-	-	-
New financial assets originated or purchased	2,524,055	-	-	2,524,055
Financial assets derecognized during the year other than write offs	(1,814,743)	(10,359)	-	(1,825,102)
Changes in loss rates/LGDs/EADs	(835,784)	(31,866)	-	(867,650)
Write-offs				
Gross carrying amount as at October 31, 2019	**7,164,802**	**343,378**	**556,333**	**8,064,513**

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 organic growth objective, increased the gross carrying amount of the vehicle book by 16%, with a corresponding $_______ (2019: $53,199) increase in loss allowance measured on a 12-month basis.

(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.

(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

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	B2	B	0.007990	37,971,592	150,250
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**

(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, 2020 reconciles with the investment securities loss allowance opening balance as follows:

January 31, 2019

	Parent company $	Non-controlling interests $	Total $
Balance at beginning of year	–	–	–
Loss allowance for the year (note 31)	23,896	(9,767)	14,129
Balance at end of year	**470,369**	**12,318**	**482,687**

(expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

Financial risk factors *...continued*

b) Credit risk *...continued*

Expected credit loss measurement ...continued

Receivables

		ECL staging		
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$	**$**	**$**	**$**
February 1, 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**

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

	2019
	$
Balance at beginning of year	9,070,805
Charge/(credit) of allowance for the year (note 31)	489,614
Written-off during the year	(492,504)
Balance at end of year	9,393,046

Certain receivables previously not included in the provision for impairment amounting to $9,393,046 (2019: $20,519) were written-off during the year (note 31).

(expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

Financial risk factors *...continued*

b) Credit risk *...continued*

Expected credit loss measurement ...continued

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.

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:

(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 October 31, 2019				
Financial liabilities				
Borrowings	43,602,333	6,705,410	1,709,178	52,016,921
Customers' deposits	119,037,728	1,182,318	4,819,062	125,039,108
Insurance liabilities	19,250,354	–	–	19,250,354
Accounts payable and other liabilities	48,023,870	–	–	48,023,870
Due to related parties	367,382	–	–	367,382
Liabilities included in disposal group	82,527	–	–	82,527
Total financial liabilities	**211,113,840**	**7,887,728**	**6,528,240**	**225,529,808**
Financial assets				
Cash and cash equivalents	16,068,428	–	–	16,068,428
Investment securities	70,056,888	12,792,304	–	82,849,192
Loans to customers	25,862,703	62,903,429	64,949,549	153,715,680
Receivables	13,880,140	2,785,892	397,682	17,063,714
Reinsurance assets	7,182,569	–	–	7,182,569
Statutory deposits	2,833,830	–	–	2,833,830
Due from related parties	1,804,975	–	–	1,804,975
Assets included in disposal group	323,900	–	–	323,900
Total financial assets	**138,013,433**	**78,481,625**	**65,347,230**	**281,842,288**
Net liquidity gap	**(73,100,407)**	**70,593,897**	**58,818,990**	**56,312,480**
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	13,740,780	–	–	13,740,780
Accounts payable and other liabilities	43,748,785	–	–	43,748,785
Due to related parties	4,000	–	–	4,000
Liabilities included in disposal group	80,602	–	–	80,602
Total financial liabilities	**205,258,427**	**10,657,788**	**9,385,940**	**225,302,155**
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	4,834,360	–	–	4,834,360
Statutory deposits	2,849,488	–	–	2,849,488
Due from related parties	866,304	–	–	866,304
Assets included in disposal group	439,790	–	–	439,790
Total financial assets	**131,621,104**	**76,562,870**	**78,511,275**	**286,695,249**
Net liquidity gap	**(73,637,323)**	**65,905,082**	**69,125,335**	**61,393,094**

(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risk

a) Insurance risk

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

To limit the Group's exposure 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:

	Oct 2019		**Jan 2019**	
	Gross $	**Net $**	**Gross $**	**Net $**
Type of risk				
Motor	**4,429,109**	**4,034,822**	3,659,189	3,659,189
Property	**2,867,087**	**575,000**	2,005,129	235,129
	7,296,196	**4,609,822**	5,664,318	3,894,318
Add:				
Claims incurred but not reported	**385,000**	**385,000**	385,000	385,000
Unallocated loss adjustment expenses	**303,000**	**303,000**	303,000	303,000
	7,984,196	**5,297,822**	6,352,318	4,582,318

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.

(expressed in Eastern Caribbean dollars)

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

(expressed in Eastern Caribbean dollars)

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

The nature and extent of risks arising from life insurance contracts as of January 31, 2020 and 2019 are as follows:

(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risk *…continued*

a) Insurance risk *…continued*

iv) Life insurance contracts …continued

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

Range	Oct 2019	Jan 2019
$0 - $200,000	**73%**	73%
$200,001 - $400,000	**24%**	24%
$400,001 - $800,000	**3%**	3%

The risk is concentrated in the first 2 categories.

Net individual life insurance benefit insured per policy as at October 31, 2019 is 100% (2019: 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.

	Oct 2019		Jan 2019	
Year	Actual claims $	Expected claims $	Actual claims $	Expected claims $
2009	**–**	**113,000**	–	113,000
2010	**45,000**	**106,000**	45,000	106,000
2011	**93.000**	**103,000**	93.000	103,000
2012	**8,000**	**98,000**	8,000	98,000
2013	**–**	**93,000**	–	93,000
2014	**–**	**87,000**	–	87,000
2015	**–**	**82,000**	–	82,000
2016	**–**	**78,000**	–	78,000
2017	**50,000**	**74,000**	50,000	74,000
2018	**71,000**	**54,000**	71,000	54,000
2019	**147,000**	**67,000**	147,000	67,000
2020				

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:

(expressed in Eastern Caribbean dollars)

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

a) Insurance risk *...continued*

iv) Life insurance contracts ...continued

	Up to 1 year $	1 to 5 years $	Over 5 years $	Total $
As at October 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, October 31, 2019	**388**	**6,132**	**2,359,379**	**2,365,899**
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**

v) Claims development

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.

(expressed in Eastern Caribbean dollars)

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

a) Insurance risk *...continued*

v) Claims development ...continued

Claims development – insurance *...continued*

Motor – gross

Loss year	Brought forward $	2016 $	2017 $	2018 $	2019 $	2020 $	Total $
- At end of reporting year	8,873,393	2,409,026	2,417,002	2,351,911	3,321,517	2,462,314	21,835,162
- One year later	(474,458)	(61,050)	(70,294)	(76,803)	160,737	–	(521,868)
- Two years later	240,613	(46,686)	(17,417)	(24,434)	–	–	152,076
- Three years later	(82,566)	7,044	54	–	–	–	(75,468)
- Four years later	(9,162)	5,323	–	–	–	–	(3,839)
- Five years and over	(175,737)	–	–	–	–	–	(175,737)
Current estimate of cumulative claims	8,372,083	2,313,657	2,329,345	2,250,674)	3,482,253	2,462,314	21,210,326
Cumulative payments to date	(6,222,895)	(2,359,021)	(1,932,712)	(1,939,496)	(2,627,452)	(1,699,641)	(16,781,217)
Liability recognised in the consolidated statement of financial position	**2,149,188**	**(45,364)**	**396,633**	**311,178**	**854,801**	**762,673**	**4,429,108**

Motor – net

	Brought forward $	2016 $	2017 $	2018 $	2019 $	2020 $	Total $
- At end of reporting year	8,873,393	2,409,026	2,417,002	2,351,911	3,321,517	2,068,027	21,440,875
- One year later	(474,458)	(61,050)	(70,294)	(76,803)	160,737	–	(521,868)
- Two years later	240,613	(46,686)	(17,417)	(24,434)	–	–	152,076
- Three years later	(82,566)	7,044	54	–	–	–	(75,468)
- Four years later	(9,162)	5,323	–	–	–	–	(3,839)
- Five years and over	(175,737)	–	–	–	–	–	(175,737)
Current estimate of cumulative claims	8,372,083	2,313,657	2,329,345	2,250,674)	3,482,253	2,068,027	20,816,039
Cumulative payments to date	(6,222,895)	(2,359,021)	(1,932,712)	(1,939,496)	(2,627,452)	(1,699,641)	(16,781,217)
Liability recognised in the consolidated statement of financial position	**2,149,188**	**(45,364)**	**396,633**	**311,178**	**854,801**	**368,386**	**4,034,821**

(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risk *…continued*

a) Insurance risk *…continued*

iv) Claims development ...continued

Claims development – insurance *…continued*

Property – gross

Loss year	Brought forward $	2016 $	2017 $	2018 $	2019 $	2020 $	Total $
- At end of reporting year	1,456,813	2,412,000	3,245,454	2,481,140	158,900	929,842	10,864,150
- One year later	26,007	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	1,468,956	2,597,931	3,230,972	2,273,264	152,582	929,842	10,659,866
Cumulative payments to date	(1,401,357)	(2,424,602)	(3,056,088)	(594,117)	(242,412)	(74,202)	(7,792,778)
Liability recognised in the consolidated statement of financial position	**67,599**	**173,329**	**174,884**	**1,679,147**	**(83,512)**	**(855,640)**	**(2,867,087)**

Property – net

Loss year	Brought forward $	2016 $	2017 $	2018 $	2019 $	2020 $	Total $
- At end of reporting year	1,456,813	2,412,000	3,245,454	711,140	158,900	407,755	8,392,063
- One year later	26,007	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	1,468,956	2,597,931	3,230,972	503,264	158,900	407,755	8,367,779
Cumulative payments to date	(1,401,357)	(2,424,602)	(3,056,088)	(594,117)	(242,413)	(74,202)	(7,792,778)
Liability recognised in the consolidated statement of financial position	**67,599**	**173,329**	**174,884**	**(90,853)**	**(83,512)**	**333,553**	**575,000**

(expressed in Eastern Caribbean dollars)

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

b) Fair value of financial assets and liabilities

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

Determination of fair value

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

Short-term financial assets and liabilities
The carrying value of these financial assets and liabilities is a reasonable estimate of their fair value because of the short maturity of these instruments. Short-term financial assets are comprised of cash and cash equivalents, 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
Fair value is based on quoted market prices. Where these are not available, fair value is assumed to approximate cost.

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

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

(expressed in Eastern Caribbean dollars)

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

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

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

	Carrying value		**Fair value**	
	Oct 2019	**Jan 2019**	**Oct 2019**	**Jan 2019**
	$	**$**	**$**	**$**
Financial assets				
Cash and cash equivalents	**16,068,428**	20,459,482	**16,068,428**	20,459,482
Investment securities	**77,261,740**	70,209,649	**77,261,740**	70,209,649
Loans to customers	**104,468,596**	106,788,283	**104,468,596**	106,788,283
Receivables	**20,334,325**	18,603,463	**20,334,325**	18,603,463
Reinsurance assets	**7,182,569**	4,834,360	**7,182,569**	4,834,360
Statutory deposits	**2,833,830**	2,849,488	**2,833,830**	2,849,488
Due from related parties	**1,804,975**	866,304	**1,804,975**	866,304
Assets included in disposal group	**323,900**	439,790	**323,900**	439,790
	230,278,363	225,050,819	**230,278,363**	225,050,819
Financial liabilities				
Borrowings	**52,016,921**	43,781,069	**52,016,921**	43,781,069
Customers' deposits	**123,274,258**	119,858,662	**124,377,680**	115,263,373
Insurance liabilities	**19,250,354**	13,740,780	**120,584,557**	13,740,780
Accounts payable and other liabilities	**48,023,870**	43,748,785	**48,023,870**	43,748,785
Liabilities included in disposal group	**82,527**	80,602	**82,527**	80,602
Due to related parties	**367,382**	4,000	**367,382**	4,000
	243,015,312	221,213,898	**345,452,937**	216,618,609

(expressed in Eastern Caribbean dollars)

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

c) Fair value hierarchy

Fair value measurement of financial assets

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

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

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

	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets Oct 2019				
Financial assets at FVOCI (note 9)	**4,211,792**	–	**1,375,660**	**5,587,452**
Financial assets Jan 2019				
Financial assets at FVOCI (note 9)	**475,048**	**3,884,246**	**3,535,197**	**7,894,491**

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 – Oct 31, 2019	**–**	**13,735,000**	**93,724,997**	**107,459,997**
Land and buildings – January 31, 2019	–	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.

(expressed in Eastern Caribbean dollars)

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

c) Fair value hierarchy *...continued*

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

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

d) Capital risk management

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

Total net debt includes bank loans and long-term debt less cash. The Group's capital includes total net debt and equity. As at January 31, 2020, the Group's net debt amounted to $35,948,493 (2019: $23,211,718), while its equity amounted to $188,574,788 (2019: $189,321,434).

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 $2,833,830 (2019: $4,333,829) in the form of term deposits and bonds are currently held by the insurance subsidiary to satisfy the above requirement.

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

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

(expressed in Eastern Caribbean dollars)

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

d) Capital risk management *...continued*

	Oct 2019 $	Jan 2019 $
General insurance business		
20% of net premium income of the preceding year (2020: $7,020,96; 2019: $7,551,811)	**1,404,193**	1,510,362
Long-term insurance business		
5% of life policyholders' benefits of the current year (2020: $2,365,899; 2019: $2,365,899)	**118,295**	118,295
	1,522,488	1,628,657

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

	Oct 2019 $	Jan 2019 $
Total assets	**58,058,114**	54,441,401
Total liabilities	**(16,957,767)**	(14,602,110)
Margin of solvency	**41,100,347**	39,839,291
Required minimum margin of solvency	**(1,522,488)**	(1,628,657)
Margin of solvency in excess of requirement	**39,577,859**	38,210,634

The margin of solvency was met and exceeded by the insurance subsidiary in 2020 and 2019.

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 $504,451. Term deposits held at domestic banks in Anguilla amounted to $3,102,691 as at January 31, 2020 (2019: $7,009,753) 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.

(expressed in Eastern Caribbean dollars)

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

d) Capital risk management *...continued*

	Jan 2019 $
General insurance business	
20% of net premium income (2019: $874,733)	174,497

Compliance with minimum margin of solvency is determined as follows:

	Jan 2019 $
Total assets	22,607,611
Total liabilities	(6,305,986)
Margin of solvency	16,301,625
Required minimum margin of solvency	(540,000)
Margin of solvency in excess of requirement	15,761,625

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

(expressed in Eastern Caribbean dollars)

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

	Oct 2019 $	Jan 2019 $
Tier 1 capital		
Share capital	**6,000,000**	6,000,000
Statutory reserve fund	**6,977,328**	6,617,255
Retained earnings	**17,865,867**	16,376,614
Other reserve	**668,592**	717,551
Total qualifying tier 1 capital	**31,511,787**	29,711,420
Tier 2 capital		
Accumulated expected credit losses	**2,956,902**	3,051,700
Total regulatory capital	**34,468,689**	32,763,120

7 Segment reporting

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

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

(expressed in Eastern Caribbean dollars)

7 Segment reporting *...continued*

Segment information for the reporting period is as follows:

Oct 2019	General trading $	Insurance $	Financing $	Hotel and restaurant $	Others $	Eliminations $	Total $
Revenue							
From external customers:							
Revenue	90,558,263	-	-	3,592,272	6,879,224	-	101,029,759
Net interest income	1,018,691	1,042,948	4,222,710	-	199,885	-	6,484,234
Net underwriting income	-	(1,448,853)	-	-	-	-	(1,448,853)
Other income	5,176,450	1,622,783	401,433	655,978	1,618,741	-	9,475,385
From other segments	10,833,548	3,974,446	40,051	81,274	674,499	(15,603,818)	-
	107,586,952	5,191,324	4,664,194	4,329,524	9,372,349	(15,603,818)	115,540,525
Cost of sales	(76,661,672)	-	-	(1,817,140)	(2,071,306)	13,019,241	(67,530,877)
Gross profit	30,925,280	5,191,324	4,664,194	2,512,384	7,301,043	(2,584,577)	48,009,648
Employee costs	(14,293,694)	(1,689,258)	(959,146)	(1,236,423)	(2,690,988)	-	(20,869,509)
General and administrative expenses	(10,344,751)	(2,364,940)	(1,075,635)	(1,870,209)	(2,819,419)	2,908,466	(15,566,488)
Depreciation and amortization	(2,636,377)	(245,138)	(99,781)	(1,046,109)	(887,601)	-	(4,915,006)
Finance charges, net	(2,566,802)	65,073	(11,899)	(168,766)	405,584	(1,144,856)	(3,421,666)
Share of loss of associated companies	-	-	-	-	-	1,579,813	1,579,813
	(29,841,624)	(4,234,263)	(2,146,461)	(4,321,507)	(5,992,424)	3,343,423	(43,192,856)
Segment profit/(loss) before income tax	**1,083,656**	**957,061**	**2,517,733**	**(1,809,123)**	**1,308,619**	**758,846**	**4,816,792**
Segment assets	**214,697,904**	**85,777,415**	**161,652,740**	**33,262,443**	**41,409,045**	**(91,486,683)**	**445,312,864**
Segment liabilities	**123,399,010**	**28,862,207**	**130,140,953**	**23,078,331**	**7,839,649**	**(56,582,074)**	**256,738,076**

(expressed in Eastern Caribbean dollars)

7 Segment reporting *...continued*

Jan 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
Net interest income	1,379,482	1,311,332	6,247,249	–	310,148	–	9,248,211
Net underwriting income	–	3,659,762	–	–	–	–	3,659,762
Other income	7,383,822	2,174,228	469,537	921,793	1,554,037	–	12,503,417
From other segments	17,813,860	1,731,398	39,125	47,676	706,737	(20,338,796)	–
	162,612,949	8,876,720	6,755,911	6,512,297	12,930,812	(20,338,796)	177,349,893
Cost of sales	(117,395,240)	–	–	(2,283,887)	(3,364,666)	14,330,198	(108,713,595)
Gross profit	45,217,709	8,876,720	6,755,911	4,228,410	9,566,146	(6,008,598)	68,636,298
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)	(2,657,692)	(1,396,092)	(2,503,515)	(3,854,678)	5,351,349	(19,224,726)
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 loss of associated companies	–	–	–	–	1,255,348	–	1,255,348
	(38,955,799)	(4,902,195)	(2,706,819)	(5,890,762)	(6,704,757)	3,868,718	(55,291,614)
Segment profit/(loss) before income tax	**6,261,910**	**3,974,525**	**4,049,092**	**(1,662,352)**	**2,861,389**	**(2,319,880)**	**13,344,684**
Segment assets	**208,633,683**	**77,049,012**	**156,569,632**	**34,284,539**	**41,121,790**	**(90,583,157)**	**427,075,499**
Segment liabilities	**114,694,021**	**20,908,096**	**126,858,212**	**22,270,600**	**8,399,605**	**(54,919,705)**	**238,210,829**

(expressed in Eastern Caribbean dollars)

7 Segment reporting *…continued*

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

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

8 Cash and cash equivalents

	Oct 2019 $	Jan 2019 $
Cash on hand	**56,096**	94,326
Cash at banks	**6,869,955**	11,242,678
Cash equivalents	**9,142,377**	9,122,478
	16,068,428	20,459,482

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:

	Oct 2019 $	Jan 2019 $
Two (2) 91-day treasury bills from the Government of St. Kitts and Nevis maturing on 5 Nov, '19 with an interest rate of 3.75% (2019: 3.75%)	**5,975,625**	5,975,625
Five (5) 90-day term deposits at Royal Bank of Canada maturing on 23 Dec, '19 and 10 Jan, '20 with an interest rate of 1% (2019: 1%)	**2,673,627**	2,653,728
Two (2) 91-day treasury bills from the Nevis Island Administration maturing on 7 Jan, '20 with an interest rate of 5.5% (2019: 5.5%)	**493,125**	493,125
	9,142,377	9,122,478

(expressed in Eastern Caribbean dollars)

9 Investment securities

	Oct 2019 $	Jan 2019 $
Financial assets at FVOCI		
Quoted securities	**4,211,792**	4,359,294
Unquoted securities	**1,375,660**	3,535,197
	5,587,452	7,894,491
Amortised cost		
Fixed deposits	**45,165,454**	40,793,044
Corporate bonds	**25,700,828**	19,551,469
Government treasury bills and bonds	**6,003,523**	9,591,788
	76,869,805	69,936,301
Interest receivable	**685,577**	756,035
	77,555,382	70,692,336
Allowance for impairment	**(293,642)**	(482,687)
	77,261,740	70,209,649
	82,849,192	78,104,140
Current	**70,056,888**	62,408,535
Non-current	**12,792,304**	15,695,605
	82,849,192	78,104,140

(expressed in Eastern Caribbean dollars)

9 Investment securities *...continued*

The movement in investment securities may be summarised as follows:

	Amortised cost $	Financial assets at FVOCI $	Total $
Balance at February 1, 2018	**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 are attributable to the shareholders of:

	Oct 2019 $	Jan 2019 $
Parent company (note 26)	**(146,425)**	86,780
Non-controlling interests	**(1,076)**	13,189
	(147,501)	99,969

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

(expressed in Eastern Caribbean dollars)

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 (2019: 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 (2019: 1.55% 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 6.5% per annum (2019: 4.5% to 6.5%) while interest rates on bonds range from 4.5% to 5.5% per annum (2019: 4.5% to 5.5%).

(expressed in Eastern Caribbean dollars)

10 Loans to customers

	Oct 2019 $	Jan 2019 $
Performing	**99,876,198**	95,545,343
Under performing		6,419,478
Non-performing	**7,045,060**	7,283,343
Interest receivable	**504,241**	419,695
Gross loans	**107,425,498**	109,667,859
Allowance for loan impairment	**(2,956,902)**	(2,879,576)
Total loans to customers	**104,468,596**	106,788,283
Current	**20,948,335**	32,624,416
Non-current	**83,520,261**	74,163,867
	104,468,596	106,788,283

The weighted average effective interest rate on performing loans and advances at amortised cost at January 31, 2020 was 8.47% (2019: 8.47%).

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. 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, 2020, 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 and interest taken to income on credit-impaired loans during the year amounted to $473,890. The interest receivable on loans that would not be recognised under ECCB guidelines as at January 31, 2019 amounted to $717,551 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 financial statements at the end of the year amounted to $2,351,534.

(expressed in Eastern Caribbean dollars)

11 Receivables

	Oct 2019 $	Jan 2019 $
Current:		
Accounts receivable	**18,420,332**	17,416,906
Finance lease receivables	**4,357,834**	4,206,717
Other receivables	**589,751**	362,469
Loan receivable	**97,622**	6,921
	23,465,539	21,993,013
Less: provision for impairment	**(8,814,301)**	(9,393,046)
	14,651,238	12,599,967

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).

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:

(expressed in Eastern Caribbean dollars)

11 Receivables *...continued*

Finance lease receivables *...continued*

	Oct 2019		Jan 2019	
	Future MLPR $	**PV of NMLPR $**	**Future MLPR $**	**PV of NMLPR $**
Within one year	**4,357,834**	**4,357,834**	5,406,526	4,206,717
After one year but not more than five years	**2,785,892**	**2,785,892**	5,740,611	3,898,854
More than five years	**397,682**	**397,682**	330,908	216,362
Total MLPR	**7,541,408**	**7,541,408**	11,478,045	8,321,933
Amounts representing finance income	**-**	**-**	(3,156,112)	–
PV of MLPR	**7,541,408**	**7,541,408**	8,321,933	8,321,933

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.

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 loan receivable balance including accrued interest as at January 31, 2020 amounted to US$925,746 or EC$2,499,513 (2019: US$701,926 or EC$1,895,201).

(expressed in Eastern Caribbean dollars)

12 Inventories

	Oct 2019 $	Jan 2019 $
General trading stock on hand	**28,128,199**	28,031,670
Land held for future development	**11,647,503**	11,647,503
Sunrise Hills Villas – land	**2,658,607**	2,658,607
Stock in transit	**6,038,994**	827,392
Work-in-progress	**73,150**	98,973
	48,546,453	43,264,145

13 Prepayments and other current assets

	Oct 2019 $	Jan 2019 $
Statutory deposits	**2,833,830**	2,849,488
Prepayments	**10,613,960**	2,772,692
Right of return assets	**248,393**	248,393
VAT recoverable	**10,245**	25,982
	13,706,428	5,896,555

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, 2020 and 2019, 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:

(expressed in Eastern Caribbean dollars)

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

Due from related parties	Relationship	Oct 2019 $	Jan 2019 $
Malliouhana-Anico Insurance Company Limited	Associate company	**1,804,975**	866,304
St. Kitts Masonry Products Limited	Associate company	**-**	–
		1,804,975	866,304

Due to related parties	Relationship	Oct 2019 $	Jan 2019 $
Port Services Limited	Associate company	**367,382**	4,000

The following transactions were carried out with related parties:

Sales Name of related party	Relationship	Oct 2019 $	Jan 2019 $
St. Kitts Masonry Products Limited	Associate company	**4,640,074**	3,846,598
Port Services Limited	Associate company	**16,550**	26,086
		4,656,624	3,872,684

Management fees Name of related party	Relationship		
St. Kitts Masonry Products Limited	Associate company	**108,000**	144,000
Malliouhana-Anico Insurance Company Limited	Associate company	**45,000**	60,000
		153,000	204,000

Reinsurance premium expense Name of related party	Relationship		
Malliouhana-Anico Insurance Company Limited	Associate company	**2,296,211**	1,799,127

Expenses Name of related party	Relationship		
St. Kitts Masonry Products Limited	Associate company	**6,979,883**	8,880,839
Port Services Limited	Associate company	**170,260**	256,480
		7,150,143	9,137,319

(expressed in Eastern Caribbean dollars)

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

Shares owned by Group directors

	Oct 2019 $	Jan 2019 $
4,420,722 shares at $1 per share (2019: 4,420,722 shares at $1 per share)	4,420,722	4,420,722

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.

	Oct 2019 $	Jan 2019 $
Loans to directors	**500,856**	791,041
Deposits from directors	**1,951,509**	1,899,129

Advances from directors are repayable on demand and bear interest ranging from 3% to 4% per annum (2019: 3% to 4%) and are included in accounts payable and other liabilities on the consolidated statement of financial position.

	Oct 2019 $	Jan 2019 $
Advances from directors	**1,973,398**	1,949,954

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:

	Oct 2019 $	Jan 2019 $
Salaries		1,634,240
Directors' fees		600,600
Gratuity		295,821
Allowances		107,220
Pension		105,453
Social security		93,634
		2,836,968

(expressed in Eastern Caribbean dollars)

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	Proportion of ownership interests held by the Group 2019	2019
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%

(expressed in Eastern Caribbean dollars)

15 Interest in subsidiaries *...continued*

Composition of the Group ...continued

Name of subsidiary	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interests held by the Group Oct 2019	2019
TDC Real Estate and Construction Company Limited	St. Kitts	real estate development and construction of residential villas	**100%**	100%
TDC Rentals Limited	St. Kitts	car rental services and financing service to consumers	**100%**	100%
TDC Tours Limited	St. Kitts	organisation of tours, weddings and shore excursions	**100%**	100%
City Drug Store (Nevis) Limited	Nevis	retailing of customer products	**100%**	100%
TDC Airline Services (Nevis) Limited	Nevis	travel agents, tour operators, shipping and forwarding agents	**100%**	100%
TDC Nevis Limited	Nevis	trading as general merchants, manufacturers' representatives and commission agents	**100%**	100%
TDC Real Estate and Construction Company (Nevis) Limited	Nevis	real estate development and construction	**100%**	100%
TDC Rentals (Nevis) Limited	Nevis	car rental services and financing service to consumers	**100%**	100%
East Caribbean Reinsurance Company Limited	Anguilla	the business of reinsurance for all classes of general insurance	**80%**	80%

(expressed in Eastern Caribbean dollars)

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:

	Oct 2019 $	Jan 2019 $
Current assets		
Cash	**323,900**	439,790
Receivables, net		–
Assets included in disposal group	**323,900**	439,790
Current liabilities		
Accounts payable and other liabilities	**82,527**	80,602
Income tax payable		–
Liabilities included in disposal group	**82,527**	80,602

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

	Oct 2019 $	Jan 2019 $
Cash flows (used in)/from operating activities	**(115,890)**	(674,717)
Cash flows from investing activities	-	–
Cash flows sued in financing activities	-	–
Cash flows from discontinued operations	**(115,890)**	(674,717)

(expressed in Eastern Caribbean dollars)

16 Investment in associates

The Group's associates include the following:

Name of Associate	Country of incorporation/ Principal place of business	Percentage of ownership 2019 %	2019 %	Carrying value Oct 2019 $	Jan 2019 $
St. Kitts Masonry Products Limited	St. Kitts	**50%**	50%	**8,869,494**	7,884,928
Malliouhana-Anico Insurance Company Limited	Anguilla	**25%**	25%	**2,854,490**	2,782,387
Port Services Limited	St. Kitts	**33%**	33%	**141,581**	118,435
				11,865,565	10,785,750

Movements in the investment in associates account are as follows:

	Oct 2019 $	Jan 2019 $
Balance at beginning of year	**10,785,750**	10,130,402
Additions (note 9)	**-**	50,000
Share of income/(losses) of associated companies	**1,579,815**	1,255,348
Dividends received	**(500,000)**	(650,000)
Balance at end of year	**11,865,565**	10,785,750

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:

	Oct 2019 $	Jan 2019 $
Current assets	**8,459,210**	6,220,754
Non-current assets	**15,721,016**	16,185,018
Current liabilities	**(4,589,315)**	(3,916,854)
Non-current liabilities	**(1,931,844)**	(2,801,762)
Net assets	**17,659,067**	15,687,156
Revenue	**22,871,625**	25,783,323
Costs and expenses	**(19,902,492)**	(23,518,686)
Net income	**2,969,133**	2,264,637

(expressed in Eastern Caribbean dollars)

16 Investment in associates *...continued*

St. Kitts Masonry Products Limited ...continued

In 2019, dividends received from St. Kitts Masonry Products Limited amounted to $500,000 (2019: $650,000).

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:

	Oct 2019 $	Jan 2019 $
Assets	**24,597,685**	24,508,281
Liabilities	**(10,021,299)**	(9,975,460)
Net assets	**14,576,386**	14,532,821
Net underwriting income/(loss)	**2,433,567**	2,662,077
Other income	**644,544**	724,263
Costs and expenses	**(2,789,704)**	(3,087,963)
Net income/(loss)	**288,408**	298,377

Port Services Limited

Port Services Limited's principal activity is stevedoring services.

Condensed financial information of Port Services Limited is as follows:

	Oct 2019 $	Jan 2019 $
Current assets	**639,012**	604,008
Non-current asset	**54,604**	75,518
Other assets	**-**	3,396
Current liabilities	**(171,330)**	(327,592)
Net assets	**522,285**	355,330
Revenue	**1,405,334**	1,594,216
Costs and expenses	**(1,335,890)**	(1,609,586)
Net loss	**69,443**	(15,370)

(expressed in Eastern Caribbean dollars)

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, 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**
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**

(expressed in Eastern Caribbean dollars)

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 $
Period ended October 31, 2019								
Opening 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**
Additions	253,729	368,731	73,947	747,799	6,793	896,693	450,732	2,798,424
Disposals	(5,604)	(30,246)	(17,837)	(8,341)	(26,393)	(825,971)	(12,270)	(926,662)
Writeback on disposals		16,336	17,393	5,832	24,890	735,130	5,850	805,431
Depreciation charge (note 32)	(1,501,037)	(336,360)	(15,737)	(1,334,235)	(33,820)	(1,878,058)	(333,172)	(5,432,419)
Closing net book amount	**114,784,764**	**2,032,094**	**91,270**	**6,233,961**	**200,807**	**7,008,915**	**1,276,199**	**131,628,010**
At October 31, 2019								
Cost or valuation	124,211,420	7,177,791	460,146	18,197,320	670,745	23,921,449	8,201,729	182,840,600
Accumulated depreciation	(9,426,656)	(5,145,697)	(368,876)	(11,963,359)	(469,938)	(16,912,534)	(6,925,530)	(51,212,590)
Net book amount	**114,784,764**	**2,032,094**	**91,270**	**6,233,961**	**200,807**	**7,008,915**	**1,276,199**	**131,628,010**

(expressed in Eastern Caribbean dollars)

17 Property, plant and equipment *...continued*

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

	Oct 2019 **$**	**Jan 2019** **$**
Proceeds from disposals of property and equipment	**294,242**	857,655
Carrying amount of property and equipment	**(121,231)**	(454,666)
Gains on disposals of property and equipment	**173,011**	402,989

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

(expressed in Eastern Caribbean dollars)

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, 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**
Period ended October 31, 2019				
Opening net book value	1,459,304	315,000	–	1,774,304
Addition	258,382	–	–	258,382
Depreciation charge (note 32)	(29,344)	–	–	(29,344)
Closing net book value	**1,688,342**	**315,000**	**–**	**2,003,342**
At October 31, 2019				
Cost	1,866,674	315,000	–	2,181,674
Accumulated depreciation	(178,332)	–	–	(178,332)
	1,688,342	**315,000**	**–**	**2,003,342**

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.

(expressed in Eastern Caribbean dollars)

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, 2018	
Cost	1,576,814
Accumulated amortisation	(1,494,011)
Net book amount	**82,803**
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)	(31,679)
Closing net book amount	**396,526**
At January 31, 2019	
Cost	1,861,205
Accumulated amortisation	(1,464,679)
Net book amount	**396,526**
Period ended October 31, 2019	
Opening net book amount	396,526
Additions	353,332
Disposals	-
Write-back of accumulated amortisation	-
Amortisation (note 32)	(133,822)
Closing net book amount	**616,034**
At October 31, 2019	
Cost	2,214,534
Accumulated amortisation	(1,598,500)
Net book amount	**616,034**

(expressed in Eastern Caribbean dollars)

20 Borrowings

	Oct 2019 $	Jan 2019 $
Bank term loans	**20,009,670**	18,739,805
Bank overdrafts	**22,440,893**	14,648,018
Other	**9,566,358**	10,393,246
Total borrowings	**52,016,921**	43,781,069
Current	**41,323,777**	34,497,288
Non-current	**10,693,144**	9,283,781
	52,016,921	43,781,069

Bank term loans carry interest rates between 5% and 7% (2019: 5% and 7%) and are repayable in regular instalments of principal and interest, maturing at various intervals from one to fifteen years through 2021 to 2026 (2019: through 2020 to 2026).

Bank overdrafts carry interest rates varying from 6.5% to 10% (2019: 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.

(expressed in Eastern Caribbean dollars)

21 Insurance liabilities

	Oct 2019 $	Jan 2019 $
Claims reported and outstanding		
Insurance	**7,296,196**	5,664,318
Reinsurance	**3,768,005**	4,399,596
Unearned premiums	**5,788,656**	3,780,257
Life policyholders' benefits	**2,365,899**	2,365,899
Due to reinsurers	**5,132,254**	622,967
Claims incurred but not reported	**385,000**	385,000
Unallocated loss adjustment expenses	**303,000**	303,000
	25,039,010	17,521,037
Reinsurance assets		
Claims reported and outstanding		
Insurance	**2,686,374**	1,770,000
Reinsurance	**3,015,193**	2,922,849
Unearned reinsurance premiums	**3,393,299**	255,853
Due to reinsurers	**1,481,002**	-
Life reinsurance assets	**-**	141,511
Total reinsurance assets (gross)	**10,575,868**	5,090,213
Claims reported and outstanding		
Insurance	**4,609,822**	3,894,318
Reinsurance	**752,812**	1,476,747
Unearned premiums	**2,395,357**	3,524,404
Life policyholders' benefits	**2,365,899**	2,365,899
Due to reinsurers	**3,651,252**	622,967
Claims incurred but not reported	**385,000**	385,000
Unallocated loss adjustment expenses	**303,000**	303,000
Life reinsurance assets	**-**	(141,511)
Total insurance liabilities (net)	**14,463,142**	12,430,824

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

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

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

(expressed in Eastern Caribbean dollars)

21 Insurance liabilities *...continued*

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

	Jan 2019 $
Life policyholders' benefits	
Balance at beginning of year	2,894,993
Inforce reserve change (deaths, lapses and actives)	(507,344)
Change of assumption impact	
Lapse	–
Interest	(36,942)
Expense	15,192
Total life policyholders' benefits (net)	2,365,899

22 Customers' deposits

	Oct 2019 $	Jan 2019 $
Fixed deposits	**111,206,791**	109,097,166
Savings deposits	**10,363,525**	9,206,876
	121,570,316	118,304,042
Interest payable	**1,703,942**	1,554,620
Total customers' deposits	**123,274,258**	119,858,662
Current	**115,475,374**	109,457,287
Non-current	**7,798,884**	10,401,375
	123,274,258	119,858,662

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 $2,992,824 (2019: $3,820,721). The average effective rate of interest paid on customers' deposits was 3.5% (2019: 3.35%).

(expressed in Eastern Caribbean dollars)

23 Accounts payable and other liabilities

	Oct 2019 $	Jan 2019 $
Credit accounts	**23,796,048**	23,884,408
Accounts payable	**10,531,420**	8,528,687
Accrued expenses	**6,763,806**	8,249,258
Advance deposits	**769,603**	3,242,817
Dividend payable	**1,592,178**	1,462,149
Contract liabilities (note 28)	**1,189,729**	1,185,697
Other liabilities	**3,252,867**	657,962
Gratuity reserve	**594,092**	515,475
Warranty liability	**248,719**	248,719
Statutory payables	**77,511**	202,127
Provision for expected losses on undrawn commitments	**-**	3,280
Total accounts payable and other liabilities	**48,815,973**	48,180,579
Current	**48,516,990**	47,955,311
Non-current	**298,983**	225,268
	48,793,473	48,180,579

Credit accounts represent interest-bearing liabilities to individuals and companies payable on demand and bear interest ranging from 3.0% to 4.0% per annum (2019: 3.0% to 4.0% per annum).

(expressed in Eastern Caribbean dollars)

23 Accounts payable and other liabilities *...continued*

Leases *...continued*

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over land and office premises, the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

(expressed in Eastern Caribbean dollars)

23 Accounts payable and other liabilities *…continued*

Leases *…continued*

Lease payments not recognised as a liability

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

(expressed in Eastern Caribbean dollars)

24 Taxation

	Oct 2019 $	Oct 2018 $
Income tax expense		
Profit before income tax	**4,816,792**	8,025,459
Income tax expense at rate of 33%	**1,589,542**	2,648,401
Unrecognised deferred tax assets	**(719,532)**	430,278
Effect of permanent differences	**1,503,840**	40,537
Effect of income not assessable for taxation	**29,449**	92,016
Prior period adjustment	**-**	908
Over provision in prior year	**(3,764)**	-
Recognition of previously unrecognised deferred tax	**-**	-
	2,399,535	3,028,108

	Oct 2019 $	Oct 2018 $
Current income tax expense for the year	**2,552,318**	3,019,450
Net deferred tax expense for the year	**(152,784)**	8,658
Total income tax expense for the year	**2,399,534**	3,028,108

Deferred tax expense

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

	Oct 2019 $	Jan 2019 $
Increase/(Decrease) in deferred in deferred tax liability	**(52,504)**	587,996
Decrease/(increase) in deferred tax asset	**(100,278)**	18,364
	(152,782)	606,360

The details of deferred tax expense are as follows:

	Oct 2019 $	Jan 2019 $
Deferred tax on depreciation of property, plant and equipment	**(59,450)**	534,957
Deferred tax on unrecognised deferred tax asset	**(406,137)**	386,713
Deferred tax on unutilised tax losses	**659,871**	273,449
Deferred tax on unutilised capital allowances	**(347,066)**	(588,759)
	(152,782)	606,360

(expressed in Eastern Caribbean dollars)

24 Taxation *...continued*

Deferred tax asset

The movement in the deferred tax asset is as follows:

	Oct 2019 $	Jan 2019 $
Balance at beginning of year	**(196,733)**	(215,096)
Deferred tax credit for the year	**(105,019)**	(137,422)
Adjustment of deferred tax asset recognised in prior years	**-**	127,140
Unrecognised deferred tax written off	**4,741**	28,646
Balance at end of year	**(297,011)**	(196,732)

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:

	Oct 2019 $	Jan 2019 $
Balance at beginning of year	**6,984,718**	6,396,721
Deferred tax expense for the year	**(52,504)**	587,996
Balance at end of year	**6,693,214**	6,984,717

The deferred tax liability arises from accelerated depreciation.

Current tax payable

The movement in the current tax payable is as follows:

	Oct 2019 $	Jan 2019 $
Balance beginning of year	**1,745,050**	1,085,533
Effect of adoption of IFRS 9 and 15 (note 3)	**-**	(183,132)
Balance beginning of year, as restated	**1,745,050**	902,401
Current tax expense for the year	**2,547,124**	4,622,069
Transferred from liabilities included in disposal group	**-**	15,737
Prior year provision	**2,848**	-
Transferred to income tax recoverable	**-**	17,220
Utilization of taxation recoverable during the year	**(4,007)**	(70,757)
Income tax paid during the year	**(4,081,237)**	(3,741,620)
Balance at end of year	**209,778**	1,745,050

(expressed in Eastern Caribbean dollars)

24 Taxation *...continued*

Taxation recoverable

The movement in the taxation recoverable is as follows:

	Oct 2019 $	Jan 2019 $
Balance at beginning of year	**26,576**	80,113
Transferred from income tax payable	**207,574**	17,220
Utilization during the year	**(9,201)**	(70,757)
Balance at end of year	**224,949**	26,576

25 Shareholders' equity

Share capital

	Oct 2019 $	Jan 2019 $
Authorised:		
500,000,000 ordinary shares at $1 per share	**500,000,000**	500,000,000
Issued and fully paid:		
52,000,000 ordinary shares at $1 per share	**52,000,000**	52,000,000

26 Other reserves

	Oct 2019 $	Jan 2019 $
Revaluation reserve – property	**34,094,435**	34,094,437
Claims equalization reserve	**20,763,237**	20,763,237
Statutory reserve fund	**6,643,995**	6,617,255
Revaluation reserve – financial assets at FVOCI	**1,342,080**	1,488,505
Non-distributable reserve (note 10)	**1,001,925**	717,551
	63,845,672	63,680,985

(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. The movement of revaluation reserve - property is as follows:

	Oct 2019 $	Jan 2019 $
Balance at beginning of year	**34,094,437**	34,094,437
Fair value increase	–	–
Balance at end of year	**34,094,437**	34,094,437

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

	Oct 2019 $	Jan 2019 $
Balance at beginning of year	**20,763,237**	21,803,237
Transfer to retained earnings during the year	**-**	(1,040,000)
Balance at end of year	**20,763,237**	20,763,237

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.

	Oct 2019 $	Jan 2019 $
Balance at beginning of year	**6,617,255**	6,036,176
Appropriations during the year	**360,073**	581,079
Balance at end of year	**6,977,328**	6,617,255

(expressed in Eastern Caribbean dollars)

26 Other reserves *…continued*

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

	Oct 2019 $	Jan 2019 $
Balance at beginning of year	**1,488,505**	1,401,725
Fair value gains during the year (see note 9)	**(146,427)**	86,780
Balance at end of year	**1,342,078**	1,488,505

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:

	Oct 2019 $	Jan 2019 $
Balance at beginning of year	**717,551**	243,661
Transfer from retained earnings	**(48,959)**	473,890
Balance at end of year	**668,592**	717,551

27 Revenue

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

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

(expressed in Eastern Caribbean dollars)

27 Revenue *...continued*

	Sale of goods $	Rendering of services $	Total $
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
	137,925,386	**14,013,117**	**151,938,503**

28 Contract liabilities

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

	Oct 2019 $	Jan 2019 $
Customer loyalty programme	631,687	652,024
Refund liability	400,352	400,352
Maintenance services	157,690	133,321
	1,189,729	1,185,697

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, is as follows:

(expressed in Eastern Caribbean dollars)

28 Contract liabilities *...continued*

January 31, 2019

	Customer loyalty programme $	Refund liability $	Maintenance services $	Total $
Balance at beginning of year	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	**652,024**	**400,352**	**133,321**	**1,185,697**

29 Other income

	Oct 2019 $	Oct 2018 $
Rent	**2,904,289**	2,500,057
Commission income	**1,978,942**	2,251,149
Damage insurance income	**413,562**	452,046
Miscellaneous income	**855,467**	507,099
Equipment rental and repairs	**550,318**	765,062
Management and administration fees	**169,224**	193,271
Handling charges	**174,756**	121,142
Photocopier income	**391,574**	358,704
Dividend income	**189,642**	210,410
Vehicle servicing	**456,195**	411,177
Facility income	**270,450**	263,900
Gains on disposals of property and equipment (note 16)	**173,011**	317,931
Truck operating income	**174,462**	459,375
Write-back of internal health plan provision (note 22)		600
Shipping loss, net	**850,256**	329,149
	9,552,148	9,141,072

(expressed in Eastern Caribbean dollars)

30 Employee costs

	Oct 2019 $	Oct 2018 $
Salaries and wages	**15,744,614**	14,705,218
Statutory contributions	**1,621,837**	1,486,335
Other staff costs	**661,738**	841,975
Pension savings plan	**742,948**	699,720
Bonus and gratuity	**1,079,344**	1,054,620
Directors' fees	**453,395**	448,183
Staff scholarship and training	**378,490**	376,200
Health insurance	**187,143**	188,860
	20,869,509	19,801,111

31 General and administrative expenses

	Oct 2019 $	Oct 2018 $
Advertising and sales promotion	**2,195,400**	1,800,411
Repairs and maintenance	**2,092,169**	1,798,810
Professional fees	**1,658,806**	1,490,115
General	**2,334,166**	1,518,717
Utilities	**1,497,584**	1,472,242
Motor vehicle	**828,040**	802,440
Communications	**777,545**	765,701
Taxes and licenses	**649,070**	524,191
Computer installation and consultancy	**480,350**	609,576
Warranty	**231,663**	298,201
Security	**375,299**	389,469
Impairment charge/(credit) of receivables, net (note 5)	**(540,399)**	(219,748)
Management fees	**289,395**	347,466
Supplies	**456,331**	332,152
Rent	**190,421**	452,171
Travel	**355,384**	301,979
Entertainment	**160,376**	151,644
Sewage, waste and landscaping	**158,439**	172,870
Freight, handling and truckage	**464,990**	229,170
Subscriptions	**218,552**	125,277
Printing and stationery	**243,543**	261,134
Impairment charge/(credit) of loans to customers, net (note 5)	**76,851**	11,608
Annual general meeting	**151,731**	67,977
Write-off of receivables (note 5)	**297,545**	
Credit impairment losses of investment securities (notes 5 and 9)		
	15,643,251	13,703,573

(expressed in Eastern Caribbean dollars)

32 Depreciation and amortization

	Oct 2019 $	Oct 2018 $
Depreciation		
Property, plant and equipment (note 17)	**4,751,841**	4,850,420
Investment property (note 18)	**29,343**	28,052
	4,781,184	4,878,472
Amortization (note 19)	**133,822**	6,104
	4,915,006	4,884,576

Depreciation of certain motor vehicles totaling $680,577 (2019: $904,651) was recorded under cost of sales (note 17).

33 Finance charges, net

	Oct 2019 $	Oct 2018 $
Interest expense		
Borrowings	**2,533,136**	2,497,783
Credit accounts	**259,402**	160,498
	2,792,538	2,658,281
Bank charges	**629,128**	1,122,967
	3,421,666	3,781,248

34 Net interest income

	Oct 2019 $	Oct 2018 $
Interest income		
Loans to customers	**6,369,395**	6,531,066
Investments	**1,730,461**	1,502,513
Receivables	**1,377,201**	966,116
	9,477,057	8,999,695
Interest expense		
Savings account interest expense	**(216,485)**	(196,550)
Time deposits interest expense	**(2,776,338)**	(2,648,937)
	(2,992,823)	(2,845,487)
	6,484,234	6,154,208

(expressed in Eastern Caribbean dollars)

35 Earnings per share

Basic and diluted earnings per share were computed as follows:

	Oct 2019 **$**	**Jan 2019** **$**
Profit attributable to shareholders of parent company	**2,596,213**	5,286,809
Divided by weighted average number of outstanding ordinary shares	**52,000,000**	52,000,000
Basic and diluted earnings per share	**0.050**	0.102

The Group has no dilutive potential ordinary shares as of October 31, 2029.

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 October 31, 2019				
Loan commitments	**785,461**	–	–	**785,461**
As at January 31, 2019				
Loan commitments	1,977,056	–	–	1,977,056

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.