

**Schedule 2  
FORM ECSRC – OR**

(Select One)

**QUARTERLY FINANCIAL REPORT** for the period ended April 30, 2016  
Pursuant to Section 98(2) of the Securities Act, 2001

**OR**

**TRANSITION REPORT**  
for the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Pursuant to Section 98(2) of the Securities Act, 2001  
*(Applicable where there is a change in reporting issuer's financial year)*

Issuer Registration Number: TDC081098KN

St Kitts Nevis Anguilla Trading and Development Company Limited

(Exact name of reporting issuer as specified in its charter)

Saint Christopher and Nevis

(Territory or jurisdiction of incorporation)

Fort Street, Basseterre, St Kitts

(Address of principal executive Offices)

(Reporting issuer's:

Telephone number (including area code): 869-465-2511

Fax number: 869-465-1099

Email address: earle.kelly@tdcgrouppltd.com;maritza.bowry@tdcgrouppltd.com

\_\_\_\_\_  
(Former name, former address and former financial year, if changed since last report)

(Provide information stipulated in paragraphs 1 to 8 hereunder)

Indicate the number of outstanding shares of each of the reporting issuer's classes of common stock, as of the date of completion of this report. 52,000,000

CLASS	NUMBER
Ordinary Shares of EC\$1.00 each	52,000,000

**SIGNATURES**

A Director, the Chief Executive Officer and Chief Financial Officer of the company shall sign this Annual Report on behalf of the company. By so doing each certifies that he has made diligent efforts to verify the material accuracy and completeness of the information herein contained.

The Chief Financial Officer by signing this form is hereby certifying that the financial statements submitted fairly state the company's financial position and results of operations, or receipts and disbursements, as of the dates and period(s) indicated. The Chief Financial Officer further certifies that all financial statements submitted herewith are prepared in accordance with International Accounting Standards consistently applied (except as stated in the notes thereto) and (with respect to year-end figures) including all adjustments necessary for fair presentation under the circumstances.

Name of Chief Executive Officer:

Earle A. Kelly

SIGNED AND CERTIFIED

July 11, 2016

Date

Name of Director:

Nicolas N. Menon

SIGNED AND CERTIFIED

July 11, 2016

Date

Name of Chief Financial Officer:

Maritza S. Bowry

SIGNED AND CERTIFIED

July 11, 2016

Date

## INFORMATION TO BE INCLUDED IN FORM ECSRC-OR

### 1. **Financial Statements**

Provide Financial Statements for the period being reported in accordance with International Accounting Standards. The format of the financial statements should be similar to those provided with the registration statement. Include the following:

- (a) Condensed Balance Sheet as of the end of the most recent financial year and just concluded reporting period.
- (b) Condensed Statement of Income for the just concluded reporting period and the corresponding period in the previous financial year along with interim three, six and nine months of the current financial year and corresponding period in the previous financial year.
- (c) Condensed Statement of Cash Flows for the just concluded reporting period and the corresponding period in the previous financial year along with the interim three, six and nine months of the current financial year and the corresponding period in the previous financial year.
- (d) By way of *Notes to Condensed Financial Statements*, provide explanation of items in the financial statements and indicate any deviations from generally accepted accounting practices.

### 2. **Management's Discussion and Analysis of Financial Condition and Results of Operation.**

Discuss the reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations during the reporting period. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated. Discussion of material changes should be from the end of the preceding financial year to the date of the most recent interim report.

The Management's Discussion and Analysis should disclose sufficient information to enable investors to judge:

1. The quality of earnings;
2. The likelihood that past performance is indicative of future performance; and
3. The issuer's general financial condition and outlook.

It should disclose information over and above that which is provided in the management accounts and should not be merely a description of the movements in the financial statements in narrative form or an otherwise uninformative series of technical responses. It should provide management's perspective of the company that enables investors to view the business from the vantage point of management.

The discussion should focus on aspects such as liquidity; capital resources; changes in financial condition; results of operations; material trends and uncertainties and measures

taken or to be taken to address unfavourable trends; key performance indicators; and non-financial indicators.

*General Discussion and Analysis of Financial Condition*

TDC Group of Companies - The draft unaudited financial statements for the period 1 February, 2016 to 30, April, 2016 reflect a profit before tax of \$2,851,796 compared to \$5,526,826 at the end of the last financial year, 1 February 2015 to 31 January 2016. The actual results were above the budgeted results at the end of the first quarter.

Liquidity and Capital Resources

Provide a narrative explanation of the following (but not limited to):

- i) The reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations.
- ii) Any known trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of action that the reporting issuer has taken or proposes to take to remedy the deficiency.
- iii) The issuer's internal and external sources of liquidity and any material unused sources of liquid assets.
- iv) Provisions contained in financial guarantees or commitments, debt or lease agreements or other arrangements that could trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation such as adverse changes in the issuer's financial ratios, earnings, cash flows or stock price or changes in the value of underlying, linked or indexed assets.

- v) Circumstances that could impair the issuer's ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential or that could render that activity commercially impracticable such as the inability to maintain a specified level of earnings, earnings per share, financial ratios or collateral.
- vi) Factors specific to the issuer and its markets that the issuer expects will affect its ability to raise short-term and long-term financing, guarantees of debt or other commitment to third parties, and written options on non-financial assets.
- vii) The relevant maturity grouping of assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. Commentary should provide information about effective periods and the way the risks associated with different maturity and interest profiles are managed and controlled.
- viii) The issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments.
- ix) Any known material trends, favorable or unfavorable, in the issuer's capital resources, including any expected material changes in the mix and relative cost of capital resources, considering changes between debt, equity and any off-balance sheet financing arrangements.

*Discussion of Liquidity and Capital Resources*

The Cash and Short-term Investments totaled \$26,561,780 at 30 April 2016 compared to \$23,425,702 at 31 January 2016.

Net cash flows from operating activities were \$6,890,056 for the first quarter of the financial year 1 February 2016 to 30 April 2016. Net Cash flows used in financing activities were \$1,614,697.

Borrowings stood at \$63,233,318 at the end of the first quarter compared to \$64,598,154 at 31 January 2016.

Property, plant and equipment is \$146,988,318 at 30 April 2016 compared to \$146,597,090 at 31 January 2016.

### Off Balance Sheet Arrangements

Provide a narrative explanation of the following (but not limited to):

- i) Disclosures concerning transactions, arrangements and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of, or requirements for capital resources.
- ii) The extent of the issuer's reliance on off-balance sheet arrangements should be described fully and clearly where those entities provide financing, liquidity, market or credit risk support, or expose the issuer to liability that is not reflected on the face of the financial statements.
- iii) Off-balance sheet arrangements such as their business purposes and activities, their economic substance, the key terms and conditions of any commitments, the initial on-going relationship with the issuer and its affiliates and the potential risk exposures resulting from its contractual or other commitments involving the off-balance sheet arrangements.
- iv) The effects on the issuer's business and financial condition of the entity's termination if it has a finite life or it is reasonably likely that the issuer's arrangements with the entity may be discontinued in the foreseeable future.

## Results of Operations

In discussing results of operations, issuers should highlight the company's products and services, facilities and future direction. There should be a discussion of operating considerations and unusual events, which have influenced results for the reporting period. Additionally, any trends or uncertainties that might materially affect operating results in the future should be discussed.

Provide a narrative explanation of the following (but not limited to):

- i) Any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, the extent to which income was so affected.
- ii) Significant components of revenues or expenses that should, in the company's judgment, be described in order to understand the issuer's results of operations.
- iii) Known trends or uncertainties that have had or that the issuer reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- iv) Known events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), and changes in relationships should be disclosed.
- v) The extent to which material increases in net sales or revenues are attributable to increases in prices or to increases in the volume or amount of goods or services being sold or to the introduction of new products or services.
- vi) Matters that will have an impact on future operations and have not had an impact in the past.
- vii) Matters that have had an impact on reported operations and are not expected to have an impact upon future operations
- viii) Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships that have or are reasonably likely to have a current or future effect on the registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.
- ix) Performance goals, systems and, controls.

### *Overview of Results of Operations*

The reopening of the OTI, hotel operations, positively impacted the results for the TDC Group for the first quarter of the financial year. The hotel was closed in April 2014 to facilitate renovations and was reopened at the end of April 2015. The declines in sales for the Home and Building Depots translated into reduced profits for these departments. There has been a decline in construction activity in the Federation of St Kitts and Nevis which has resulted in a decrease in the sale of building materials. The Automotive Divisions, TDC Insurance Company Ltd, TDC Financial Services Company Ltd, TDC Airline Services Nevis Ltd and City Drug Store Nevis Ltd reported increases in profit before tax for the period under review compared to the first quarter in 2015.



**3. Disclosure about Risk Factors.**

Provide a discussion of the risk factors that may have an impact on the results from operations or on the financial conditions. Avoid generalised statements. Typical risk factors include untested products, cash flow and liquidity problems, dependence on a key supplier or customer, management inexperience, nature of business, absence of a trading market (specific to the securities of the reporting issuer), etc. Indicate if any risk factors have increased or decreased in the time interval between the previous and current filing.

We have not observed any risks unique to the company that may have a dramatic impact on its results of operations or financial condition.

**4. Legal Proceedings.**

A legal proceeding need only be reported in the ECSRC – OR filed for the period in which it first became a reportable event and in subsequent interim reports in which there have been material developments. Subsequent Form ECSRC – OR filings in the same financial year in which a legal proceeding or a material development is reported should reference any previous reports in that year. Where proceedings have been terminated during the period covered by the report, provide similar information, including the date of termination and a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

There were no legal proceedings that had a material effect on the Company.

**5. Changes in Securities and Use of Proceeds.**

- (a) Where the rights of the holders of any class of registered securities have been materially modified, give the title of the class of securities involved. State briefly the general effect of such modification upon the rights of holders of such securities.

There were no changes in securities or use of proceeds that occurred in this period.

(a) Where the use of proceeds of a security issue is different from that which is stated in the registration statement, provide the following:

- Offer opening date (provide explanation if different from date disclosed in the registration statement)

\_\_\_\_\_

- Offer closing date (provide explanation if different from date disclosed in the registration statement)

\_\_\_\_\_

- Name and address of underwriter(s)

\_\_\_\_\_

\_\_\_\_\_

- Amount of expenses incurred in connection with the offer \_\_\_\_\_

- Net proceeds of the issue and a schedule of its use

\_\_\_\_\_

\_\_\_\_\_

- Payments to associated persons and the purpose for such payments

\_\_\_\_\_

\_\_\_\_\_

(c) Report any working capital restrictions and other limitations upon the payment of dividends.

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**6. Defaults upon Senior Securities.**

- (a) If there has been any material default in the payment of principal, interest, a sinking or purchase fund instalment, or any other material default not satisfied within 30 days, with respect to any indebtedness of the reporting issuer or any of its significant subsidiaries exceeding 5 per cent of the total assets of the reporting issuer and its consolidated subsidiaries, identify the indebtedness. Indicate the nature of the default. In the case of default in the payment of principal, interest, or a sinking or purchase fund instalment, state the amount of the default and the total arrears on the date of filing this report.

There was no default in the payment of any security in the period.

- (b) If any material arrears in the payment of dividends have occurred or if there has been any other material delinquency not satisfied within 30 days, give the title of the class and state the amount and nature of the arrears or delinquency.

**7. Submission of Matters to a Vote of Security Holders.**

If any matter was submitted to a vote of security holders through the solicitation of proxies or otherwise during the financial year covered by this report, furnish the following information:

- (a) The date of the meeting and whether it was an annual or special meeting.

N/A

- (b) If the meeting involved the election of directors, the name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting.

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- (c) A brief description of each other matter voted upon at the meeting and a statement of the number of votes cast for or against as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.

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- (d) A description of the terms of any settlement between the registrant and any other participant.

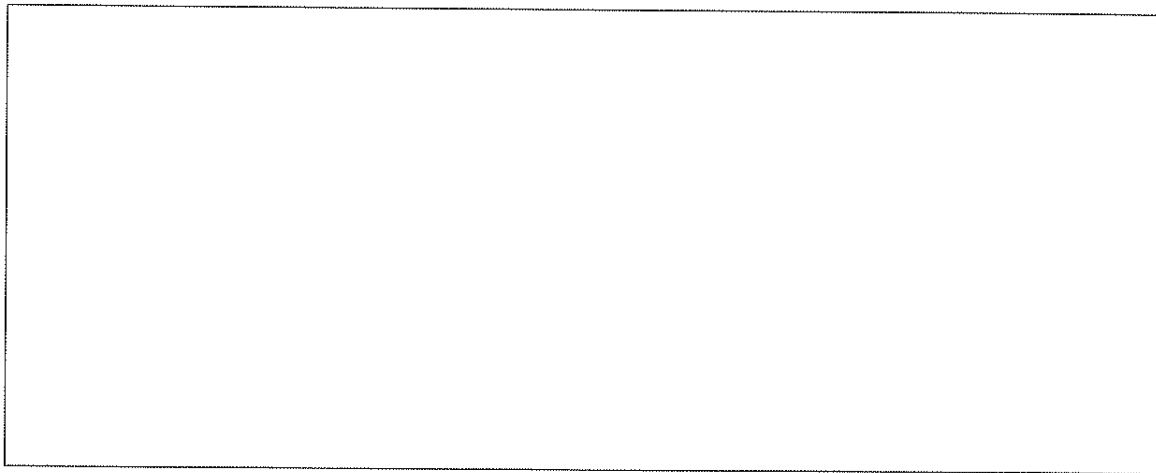
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- (e) Relevant details of any matter where a decision was taken otherwise than at a meeting of such security holders.

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**8. Other Information.**

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC – MC report (used to report material changes), with respect to which information is not otherwise called for by this form, provided that the material change occurred within seven days of the due date of the Form ECSRC-OR report. If disclosure of such information is made under this item, it need not be repeated in a Form ECSRC – MC report which would otherwise be required to be filed with respect to such information or in a subsequent Form ECSRC – OR report.

A large, empty rectangular box with a thin black border, intended for the reporting issuer to provide additional information as described in the text above. The box is currently blank.

**St. Kitts Nevis Anguilla Trading and  
Development Company Limited**

Consolidated Financial Statements

**April 30, 2016**

(expressed in Eastern Caribbean dollars)

# St. Kitts Nevis Anguilla Trading and Development Company Limited

## Consolidated Statement of Financial Position

As at April 30, 2016

(expressed in Eastern Caribbean dollars)

	Apr 2016 \$	Jan 2016 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 8)	26,561,780	23,425,702
Investment securities (note 9)	55,214,426	53,348,845
Loans to customers (note 10)	18,285,608	19,259,942
Receivables and prepayments (note 11)	27,029,545	25,704,195
Reinsurance assets (note 20)	2,235,539	3,680,140
Due from related parties (note 13)	103,398	434,340
Inventories (note 12)	42,890,125	45,711,039
Taxation recoverable (note 23)	277,395	124,092
<b>Total current assets</b>	<b>172,597,816</b>	<b>171,688,295</b>
<b>Non-current assets</b>		
Investment securities (note 9)	10,318,313	11,902,591
Loans to customers (note 10)	73,671,665	75,202,497
Receivables (note 11)	7,325,047	6,665,259
Investment in associates (note 15)	11,540,279	11,308,099
Property, plant and equipment (note 16)	146,988,318	146,597,090
Investment property (note 17)	1,877,159	1,886,510
Intangible assets (note 18)	164,142	252,944
Deferred tax asset (note 23)	219,343	182,452
<b>Total non-current assets</b>	<b>252,104,266</b>	<b>253,997,442</b>
<b>Total assets</b>	<b>424,702,082</b>	<b>425,685,737</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Borrowings (note 19)	42,499,388	44,521,673
Insurance liabilities (note 20)	11,014,627	13,801,232
Customers' deposits (note 21)	89,802,008	93,295,581
Accounts payable and other liabilities (note 22)	47,196,829	45,679,398
Due to related parties (note 13)	41,309	-
Provision for taxation (note 23)	967,569	2,059,511
<b>Total current liabilities</b>	<b>191,521,730</b>	<b>199,357,395</b>
<b>Non-current liabilities</b>		
Borrowings (note 19)	20,733,930	20,076,481
Customers' deposits (note 21)	13,003,028	8,309,158
Accounts payable and other liabilities (note 22)	3,914,618	4,025,717
Deferred tax liability (note 23)	5,175,895	5,279,908
<b>Total non-current liabilities</b>	<b>42,827,471</b>	<b>37,691,264</b>
<b>Total liabilities</b>	<b>234,349,201</b>	<b>237,048,659</b>



# St. Kitts Nevis Anguilla Trading and Development Company Limited

Consolidated Statement of Financial Position ...*continued*

As at April 30, 2016

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(expressed in Eastern Caribbean dollars)

	Apr 2016 \$	Jan 2016 \$
<b>Shareholders' equity</b>		
Share capital (note 24)	52,000,000	52,000,000
Other reserves (note 25)	63,076,926	62,885,678
Retained earnings	69,733,138	68,104,560
	<hr/>	<hr/>
	184,810,064	182,990,238
<b>Non-controlling interests</b>	5,542,817	5,646,840
	<hr/>	<hr/>
<b>Total shareholders' equity</b>	190,352,881	188,637,078
<b>Total liabilities and shareholders' equity</b>	<hr/>	<hr/>
	424,702,082	425,685,737

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

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

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Chairman

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Director

**St. Kitts Nevis Anguilla Trading and Development Company Limited**  
Consolidated Statement of Income  
For the period ended April 30, 2016

(expressed in Eastern Caribbean dollars)

	Apr 2016 \$	Jan 2016 \$
<b>Revenue</b>	33,445,211	155,057,169
<b>Cost of sales</b>	<u>23,305,574</u>	<u>(114,232,875)</u>
<b>Gross profit</b>	10,139,637	40,824,294
Net interest income (note 31)	1,923,379	8,459,691
Net underwriting income	1,542,336	3,874,734
Other income (note 26)	<u>2,478,276</u>	<u>9,769,850</u>
<b>Income before operating expenses</b>	<u>16,083,628</u>	<u>62,928,569</u>
<b>Operating expenses</b>		
Employee costs (note 27)	(6,334,942)	(24,151,067)
General and administrative (note 28)	(4,171,692)	(18,453,745)
Depreciation and amortization (note 29)	(1,549,688)	(6,038,464)
Impairment loss on property, plant and equipment (note 16)	-	(2,267,251)
Impairment loss on available-for-sale financial assets (note 9)	-	(202,500)
Loss on liquidation of a subsidiary (note 14)	-	(187,929)
	<u>(12,056,322)</u>	<u>(51,300,956)</u>
<b>Operating profit</b>	4,027,306	11,627,613
<b>Share of income of associated companies</b> (note 15)	232,179	335,839
<b>Finance charges</b> (note 30)	<u>(1,407,689)</u>	<u>(6,437,626)</u>
<b>Profit before income tax</b>	2,851,796	5,525,826
Income tax expense (note 23)	<u>(1,083,588)</u>	<u>(3,994,873)</u>
<b>Profit for the year</b>	<u>1,768,208</u>	<u>1,530,953</u>
<b>Profit for the year attributable to:</b>		
Parent company	1,873,845	3,259,570
Non-controlling interests	<u>(105,637)</u>	<u>(1,728,617)</u>
	<u>1,768,208</u>	<u>1,530,953</u>
<b>Earnings per share</b>		
Basic and diluted per share (note 32)	<u>0.036</u>	<u>0.063</u>

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

**St. Kitts Nevis Anguilla Trading and Development Company Limited**  
Consolidated Statement of Comprehensive Income  
For the period ended April 30, 2016

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(expressed in Eastern Caribbean dollars)

	Apr 2016 \$	Jan 2016 \$
<b>Profit for the year</b>	<b>1,768,208</b>	<b>1,530,953</b>
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified to profit or loss</i>		
Revaluation surplus (note 15 and 16)	-	2,591,135
Net unrealised fair value gains on available-for-sale financial assets (note 9)	<u>(52,405)</u>	<u>220,545</u>
<b>Total comprehensive income for the year</b>	<b><u>1,715,803</u></b>	<b><u>4,342,633</u></b>
<b>Total comprehensive income for the year attributable to:</b>		
Parent company	<b>1,819,825</b>	<b>6,054,007</b>
Non-controlling interests	<b><u>(104,022)</u></b>	<b><u>(1,711,374)</u></b>
	<b><u>1,715,803</u></b>	<b><u>4,342,633</u></b>

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

# St. Kitts Nevis Anguilla Trading and Development Company Limited

## Consolidated Statement of Changes in Shareholders' Equity

For the period ended April 30, 2016

(expressed in Eastern Caribbean dollars)

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

# St. Kitts Nevis Anguilla Trading and Development Company Limited

Consolidated Statement of Changes in Shareholders' Equity ...continued

For the period ended April 30, 2016

(expressed in Eastern Caribbean dollars)

	Parent company			Subtotal	Non-controlling interests	Total
	Share capital	Other reserves	Retained earnings			
	\$	\$	\$	\$	\$	\$
<b>Balance at January 31, 2016</b>	<b>52,000,000</b>	<b>62,885,678</b>	<b>68,104,560</b>	<b>182,990,238</b>	<b>5,646,840</b>	<b>188,637,078</b>
<b>Comprehensive income</b>						
Profit for the year	–	–	1,873,845	1,873,845	(105,637)	1,768,208
Transfer to reserve fund (note 25)	–	127,423	(127,423)	–	–	–
Transfer to other reserve (note 25)	–	9,007	(9,007)	–	–	–
Transfer to claims equalisation reserve (note 25)	–	108,838	(108,838)	–	–	–
<b>Other comprehensive income</b>						
Revaluation surplus – property (note 15 and 25)	–	–	–	–	–	–
Net unrealised fair value gains on available-for-sale financial assets (note 9)	–	(54,020)	–	(54,020)	1,615	(52,405)
<b>Transaction with owners</b>						
Dividends (note 24)	–	–	–	–	–	–
<b>Balance at April 30, 2016</b>	<b>52,000,000</b>	<b>63,076,926</b>	<b>69,733,138</b>	<b>184,810,064</b>	<b>5,542,817</b>	<b>190,352,881</b>

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

**St. Kitts Nevis Anguilla Trading and Development Company Limited**  
**Consolidated Statement of Cash Flows**  
**For the period ended April 30, 2016**

(expressed in Eastern Caribbean dollars)

	Apr 2016 \$	Jan 2016 \$
<b>Cash flows from operating activities</b>		
Profit before income tax	2,851,796	5,525,826
Items not affecting cash:		
Depreciation and amortization	2,031,931	7,873,785
Interest expense	1,263,863	5,507,315
Impairment loss on property, plant and equipment	–	2,267,251
Impairment losses on receivables	(58,453)	674,191
Impairment loss on available-for-sale financial assets	–	202,500
Impairment losses/(recoveries) on loans to customers	(86,141)	33,334
Loss/(gain) on disposals of property and equipment	(54,352)	6,267
Revaluation loss	–	–
Share of income of associated companies	(232,180)	(335,839)
Dividend income	(6,195)	(580,281)
Net interest income	(1,504,301)	(8,459,691)
<b>Operating profit before working capital changes</b>	<b>4,205,968</b>	<b>12,714,658</b>
<b>Cash flows used in operating activities before changes in operating assets and liabilities</b>		
(Increase)/decrease in loans to customers	2,535,635	(2,999,374)
Decrease in receivables and prepayments	(1,926,685)	470,872
Increase in reinsurance assets	1,444,601	(2,458,882)
Increase in due from related parties	330,942	(174,339)
Decrease/(increase) in inventories	2,820,914	2,145,603
Increase in insurance liabilities	(2,786,605)	4,304,055
Increase in customers' deposits	1,073,537	5,961,147
Increase in accounts payable and other liabilities	899,331	1,465,117
(Decrease)/increase in due to related parties	41,309	(264,958)
<b>Net cash generated from operating activities before interest receipts and payments and tax</b>	<b>8,638,947</b>	<b>21,163,899</b>
Interest received	2,057,976	10,778,261
Taxes paid	(2,469,737)	(4,334,778)
Interest paid	(1,337,130)	(6,401,470)
<b>Net cash from operating activities</b>	<b>6,890,056</b>	<b>21,205,912</b>
<b>Cash flows used in investing activities</b>		
Interest received	864,275	2,083,388
Dividends received	6,195	1,180,281
Proceeds from disposals of property and equipment	176,009	675,132
Redemption of investment securities, net	(739,097)	269,795
Additions to investment property		(53,292)
Purchase of intangible assets		(113,107)
Purchase of property, plant and equipment	(2,446,663)	(14,529,109)
<b>Net cash used in investing activities</b>	<b>(2,139,281)</b>	<b>(10,486,912)</b>

**St. Kitts Nevis Anguilla Trading and Development Company Limited**  
 Consolidated Statement of Cash Flows ...*continued*  
 For the period ended April 30, 2016

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(expressed in Eastern Caribbean dollars)

	<b>Apr 2016</b>	<b>Jan 2016</b>
	\$	\$
<b>Cash flows from financing activities</b>		
Dividends paid	-	(2,600,000)
(Repayments of)/proceeds from borrowings, net	<b>(857,835)</b>	<b>(3,342,297)</b>
Interest paid on borrowings	<b>(756,862)</b>	<b>(3,703,246)</b>
	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	<b>(1,614,697)</b>	<b>(9,645,543)</b>
<b>Net increase in cash and cash equivalents</b>	<b>3,136,078</b>	<b>1,073,457</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>23,425,702</b>	<b>22,352,245</b>
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	<b>26,561,780</b>	<b>23,425,702</b>
	<hr/>	<hr/>

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

# St. Kitts Nevis Anguilla Trading and Development Company Limited

## Notes to Consolidated Financial Statements

April 30, 2016

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(expressed in Eastern Caribbean dollars)

### 1 Nature of operations

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

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

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

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

### 3 Changes in accounting policies

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

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

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

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

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

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



# St. Kitts Nevis Anguilla Trading and Development Company Limited

## Notes to Consolidated Financial Statements

April 30, 2016

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(expressed in Eastern Caribbean dollars)

### 3 Changes in accounting policies ...continued

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

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

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

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

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

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

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

# St. Kitts Nevis Anguilla Trading and Development Company Limited

## Notes to Consolidated Financial Statements

April 30, 2016

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(expressed in Eastern Caribbean dollars)

### 4 Summary of accounting policies

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

#### a) Basis of consolidation

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

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

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

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

#### b) Investment in associates

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

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

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

**St. Kitts Nevis Anguilla Trading and Development Company Limited**  
Notes to Consolidated Financial Statements  
**April 30, 2016**

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(expressed in Eastern Caribbean dollars)

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

**b) Investment in associates ...continued**

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

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

**c) Foreign currency translation**

*(i) Functional and presentation currency*

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

*(ii) Foreign currency transactions and balances*

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

# St. Kitts Nevis Anguilla Trading and Development Company Limited

## Notes to Consolidated Financial Statements

April 30, 2016

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(expressed in Eastern Caribbean dollars)

### 4 Summary of accounting policies ...continued

#### d) Segment reporting

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

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

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

#### e) Revenue recognition

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

##### *Retail sales*

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

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

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

##### *Rendering of services*

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

# St. Kitts Nevis Anguilla Trading and Development Company Limited

## Notes to Consolidated Financial Statements

April 30, 2016

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(expressed in Eastern Caribbean dollars)

### 4 Summary of accounting policies ...continued

#### e) Revenue recognition ...continued

##### *Premium income*

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

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

##### *Interest income*

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

##### *Hire purchase sales*

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

##### *Commission income*

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

##### *Dividend income*

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

##### *Rental income*

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

##### *Other income*

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

#### f) Expenses

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

# St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2016

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(expressed in Eastern Caribbean dollars)

## 4 Summary of accounting policies ...continued

### g) Leases

The Group accounts for its leases as follows:

#### *Group as a lessor*

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

#### *Group as a lessee*

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

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

### h) Borrowing costs

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

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

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

### i) Property, plant and equipment

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

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

# St. Kitts Nevis Anguilla Trading and Development Company Limited

## Notes to Consolidated Financial Statements

April 30, 2016

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(expressed in Eastern Caribbean dollars)

### 4 Summary of accounting policies ...continued

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

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

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

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

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

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

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

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

#### j) Investment property

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

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

# St. Kitts Nevis Anguilla Trading and Development Company Limited

## Notes to Consolidated Financial Statements

April 30, 2016

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(expressed in Eastern Caribbean dollars)

### 4 Summary of accounting policies ...continued

#### k) Intangible assets

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

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

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

#### l) Impairment of non-financial assets

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

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

#### m) Financial instruments

##### *Recognition, initial measurement and derecognition*

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

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

##### *Classification and subsequent measurement of financial assets*

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

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



# St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2016

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(expressed in Eastern Caribbean dollars)

## 4 Summary of accounting policies ...continued

### m) Financial instruments ...continued

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

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

#### *(i) Loans and receivables*

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

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

#### *(ii) AFS financial assets*

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

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

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

**St. Kitts Nevis Anguilla Trading and Development Company Limited**  
Notes to Consolidated Financial Statements  
**April 30, 2016**

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(expressed in Eastern Caribbean dollars)

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

**m) Financial instruments ...continued**

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

*(ii) AFS financial assets ...continued*

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

*Classification and subsequent measurement of financial liabilities*

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

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

# St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2016

(expressed in Eastern Caribbean dollars)

## 4 Summary of accounting policies ...continued

### m) Financial instruments ...continued

#### Classes of financial instruments

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

# St. Kitts Nevis Anguilla Trading and Development Company Limited

## Notes to Consolidated Financial Statements

April 30, 2016

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(expressed in Eastern Caribbean dollars)

### 4 Summary of accounting policies ...continued

#### n) Impairment of assets

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

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

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

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

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

#### o) Offsetting financial instruments

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

# St. Kitts Nevis Anguilla Trading and Development Company Limited

## Notes to Consolidated Financial Statements

April 30, 2016

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(expressed in Eastern Caribbean dollars)

### 4 Summary of accounting policies ...continued

#### p) Insurance contracts

##### *Classification*

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

##### *Recognition and measurement*

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

##### *Short-term insurance contracts*

These contracts are property, motor, marine and liability, which are generally one year renewable contracts.

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

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

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

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

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

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

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

# St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2016

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(expressed in Eastern Caribbean dollars)

## 4 Summary of accounting policies ...continued

### p) Insurance contracts ...continued

#### *Recognition and measurement ...continued*

##### *Long-term insurance contracts with fixed and guaranteed terms*

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

Benefits are recorded as an expense when they are incurred.

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

#### *Reinsurance contracts held*

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

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

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

#### *Deferred policy acquisition costs (DAC)*

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

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

# St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2016

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(expressed in Eastern Caribbean dollars)

## 4 Summary of accounting policies ...continued

### p) Insurance contracts ...continued

#### *Liability adequacy test*

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

#### *Receivables and payables related to insurance contracts*

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

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

#### *Salvage and subrogation reimbursements*

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

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

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

### q) Inventories

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

### r) Income taxes

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

# St. Kitts Nevis Anguilla Trading and Development Company Limited

## Notes to Consolidated Financial Statements

April 30, 2016

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(expressed in Eastern Caribbean dollars)

### 4 Summary of accounting policies ...continued

#### r) Income taxes ...continued

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

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

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

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

#### *Income tax rate*

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

#### *Premium tax rate*

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

#### s) Cash and cash equivalents

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

#### t) Equity, reserves and dividend payments

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

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



# St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2016

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(expressed in Eastern Caribbean dollars)

Sensual

## 4 Summary of accounting policies ...continued

### t) Equity, reserves and dividend payments ...continued

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

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

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

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

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

### u) Employee benefits

#### *Post-employment benefits – defined contribution plan*

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

#### *Short-term employee benefits*

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

### v) Provisions, contingent assets and contingent liabilities

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

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

# St. Kitts Nevis Anguilla Trading and Development Company Limited

## Notes to Consolidated Financial Statements

April 30, 2016

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(expressed in Eastern Caribbean dollars)

### 4 Summary of accounting policies ...continued

#### v) Provisions, contingent assets and contingent liabilities ...continued

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

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

#### w) Events after the reporting date

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

#### x) Customer loyalty programmes

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

#### y) Earnings per share

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

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

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

When preparing the consolidated financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may be substantially different.

##### i) *Estimated impairment losses on receivables*

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

# St. Kitts Nevis Anguilla Trading and Development Company Limited

## Notes to Consolidated Financial Statements

April 30, 2016

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(expressed in Eastern Caribbean dollars)

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

#### 4 Summary of accounting policies ...continued

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

...continued

###### i) Estimated impairment losses on receivables ...continued

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

###### ii) Impairment losses on loans

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

###### iii) Estimated impairment on inventories

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

###### iv) Income taxes

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

# St. Kitts Nevis Anguilla Trading and Development Company Limited

## Notes to Consolidated Financial Statements

April 30, 2016

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(expressed in Eastern Caribbean dollars)

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

#### 4 Summary of accounting policies ...continued

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

...continued

##### v) Valuation of property

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

##### vi) Impairment of non-financial assets

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

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

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

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

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

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

# St. Kitts Nevis Anguilla Trading and Development Company Limited

## Notes to Consolidated Financial Statements

April 30, 2016

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(expressed in Eastern Caribbean dollars)

### 4 Summary of accounting policies ...continued

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

##### viii) Determination of life insurance valuation assumptions

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

##### **Mortality**

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

##### **Lapses**

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

##### **Interest rates**

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

##### **Expense**

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

##### ix) Sensitivity analysis of life insurance risk

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

# St. Kitts Nevis Anguilla Trading and Development Company Limited

## Notes to Consolidated Financial Statements

April 30, 2016

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(expressed in Eastern Caribbean dollars)

### 4 Summary of accounting policies ...continued

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

ix) *Sensitivity analysis of life insurance risk ...continued*

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

aa) **Reclassifications**

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

### 5 Financial risk management

a) **Financial risk factors**

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

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

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

# St. Kitts Nevis Anguilla Trading and Development Company Limited

## Notes to Consolidated Financial Statements

April 30, 2016

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(expressed in Eastern Caribbean dollars)

### 5 Financial risk management ...continued

#### a) Financial risk factors ...continued

##### i) Market risk

###### a) Foreign currency risk

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

###### b) Cash flow and fair value interest rate risk

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

Management does not believe significant interest rate risk exists at April 30, 2016. If interest rates on the Group's financial instruments were 1% higher or 1% lower with all other variables held constant, the impact on consolidated net income for the year would have been insignificant.

###### c) Price risk

The Group is exposed to equity securities price risk because of equity investments held by the Group and classified in the consolidated statement of financial position as AFS financial assets. The Group's portfolio includes securities that are quoted on the Eastern Caribbean Securities Exchange, and its exposure to equity securities price risk is not material because the total of these securities is insignificant in relation to its consolidated statement of financial position and because of the limited volatility in this market. The Group does not hold equity securities that are quoted on the world's major securities markets. If market prices as at April 30, 2016 had been 10% higher/lower with all other variables held constant, the change in equity securities would have been insignificant.

##### ii) Credit risk

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

# St. Kitts Nevis Anguilla Trading and Development Company Limited

## Notes to Consolidated Financial Statements

April 30, 2016

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(expressed in Eastern Caribbean dollars)

### 5 Financial risk management ...continued

#### a) Financial risk factors ...continued

##### ii) Credit risk ...continued

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

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

	Apr 2016 \$	Jan 2016 \$
Cash at banks and cash equivalents	26,378,957	23,337,424
Investment securities	65,532,739	65,251,436
Loans to customers	91,957,273	94,462,439
Receivables	26,706,823	26,880,155
Due from related parties	103,398	434,340
	<u>210,679,190</u>	<u>210,365,794</u>

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

At April 30, the Group has certain receivables that have not been settled by the contractual due date but are not considered to be impaired. The amounts at January 31, analysed by the length of time past due are disclosed in note 11.

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

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



# St. Kitts Nevis Anguilla Trading and Development Company Limited

## Notes to Consolidated Financial Statements

April 30, 2016

(expressed in Eastern Caribbean dollars)

### 5 Financial risk management ...continued

#### a) Financial risk factors ...continued

##### ii) Credit risk ...continued

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

#### Loans to customers

Loans to customers are summarised as follows:

	Apr 2016 \$	Jan 2016 \$
Neither past due nor impaired	86,630,674	88,956,311
Past due but not impaired	1,986,512	2,117,943
Impaired	6,253,292	6,331,859
<b>Gross loans to customers</b>	<b>94,870,478</b>	<b>97,406,113</b>
Interest receivable	263,549	319,221
Less: allowance for impairment	(3,176,754)	(3,262,895)
<b>Net loans</b>	<b>91,957,273</b>	<b>94,462,439</b>
Specific provision	2,682,385	2,749,907
Inherent risk provision	494,370	512,988
<b>Allowance for impairment</b>	<b>3,176,754</b>	<b>3,262,895</b>

##### (a) Loans to customers neither past due nor impaired

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

	Apr 2016 \$	Jan 2016 \$
Home construction	30,571,549	32,036,247
Vehicle	21,288,846	21,167,738
Land and property	12,058,862	12,749,377
Refinanced mortgage	9,811,861	9,622,180
Consumer	7,340,178	7,367,647
Promotional	3,394,088	3,620,076
Education	852,769	952,594
Vacation	771,702	898,912
Government	380,327	393,934
Medical	160,493	147,606
	<b>86,630,674</b>	<b>88,956,311</b>

# St. Kitts Nevis Anguilla Trading and Development Company Limited

## Notes to Consolidated Financial Statements

April 30, 2016

(expressed in Eastern Caribbean dollars)

### 5 Financial risk management ...continued

#### a) Financial risk factors ...continued

##### ii) Credit risk ...continued

##### Loans to customers ...continued

##### (b) Loans to customers past due but not impaired

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

	Apr 2016 \$	Jan 2016 \$
Past due up to 3 months	976,604	927,326
Past due 3 – 6 months	10,671	218,125
Past due 6 – 12 months	121,010	133,150
Over 12 months	878,227	839,342
	<b>1,986,512</b>	<b>2,117,943</b>

##### (c) Loans to customers individually impaired

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is \$6,253,292 (Jan 2016: \$6,331,859). Loans written-off for the year is \$0 (Jan 2016: \$267,766).

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

	Apr 2016 \$	Jan 2016 \$
Land and property	1,817,612	1,812,245
Home construction	1,838,655	1,850,435
Refinanced mortgage	1,462,609	1,463,120
Vehicle	397,165	423,768
Education	410,503	429,438
Consumer	201,447	216,565
Vacation	82,270	91,411
Promotional	43,031	44,877
<b>Total</b>	<b>6,253,292</b>	<b>6,331,859</b>
<b>Fair value of collateral</b>	<b>12,023,669</b>	<b>12,968,669</b>

# St. Kitts Nevis Anguilla Trading and Development Company Limited

## Notes to Consolidated Financial Statements

April 30, 2016

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(expressed in Eastern Caribbean dollars)

### 5 Financial risk management ...continued

#### a) Financial risk factors ...continued

##### ii) Credit risk ...continued

###### (d) Loans and advances renegotiated

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

As at April 30, 2016, renegotiated loans that would otherwise be past due or impaired totalled \$564,834 (Jan 2016: \$578,261).

###### (e) Repossessed collateral

Reposessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Repossessed collaterals of the Group amounted to \$0 and \$653,066 as at April 30, 2016 and January 31, 2016, respectively.

#### **Geographic**

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

##### iii) Liquidity risk

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

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

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

# St. Kitts Nevis Anguilla Trading and Development Company Limited

## Notes to Consolidated Financial Statements

April 30, 2016

(expressed in Eastern Caribbean dollars)

### 5 Financial risk management ...continued

#### a) Financial risk factors ...continued

##### iii) Liquidity risk ...continued

	Within 1 year \$	Between 1 and 5 years \$	More than 5 years \$	Total \$
<b>As at April 30, 2016</b>				
<i>Financial liabilities</i>				
Borrowings	28,799,040	23,986,298	10,447,979	63,233,317
Customers' deposits	93,246,018	5,122,906	5,964,114	104,333,038
Due to related parties	41,309			41,309
Accounts payable and other liabilities	46,038,566			46,038,566
<b>Total financial liabilities</b>	<b>168,124,933</b>	<b>29,109,204</b>	<b>16,412,093</b>	<b>213,646,230</b>
<i>Financial assets</i>				
Cash and cash equivalents	26,561,780			26,561,780
Investment securities	58,374,786	7,157,953		65,532,739
Loans to customers	18,669,657	38,078,111	35,593,554	92,341,322
Receivables	19,381,776	6,587,128	737,919	26,706,823
Due from related parties	103,398			103,398
<b>Total financial assets</b>	<b>128,115,030</b>	<b>47,537,478</b>	<b>35,593,554</b>	<b>211,246,062</b>
<b>Net liquidity gap</b>	<b>(40,009,903)</b>	<b>18,428,274</b>	<b>19,181,461</b>	<b>(2,400,168)</b>
<b>As at January 31, 2016</b>				
<i>Financial liabilities</i>				
Borrowings	64,367,796	14,261,575	10,082,113	88,711,484
Customers' deposits	96,937,481	414,599	5,964,114	103,316,194
Accounts payable and other liabilities	44,625,456	–	–	44,625,456
<b>Total financial liabilities</b>	<b>205,930,733</b>	<b>14,676,174</b>	<b>16,046,227</b>	<b>236,653,134</b>
<i>Financial assets</i>				
Cash and cash equivalents	23,425,702	–	–	23,425,702
Investment securities	53,348,845	11,902,591	–	65,251,436
Loans to customers	19,259,942	38,261,231	36,941,266	94,462,439
Receivables	20,214,896	5,798,803	866,456	26,880,155
Due from related parties	434,340	–	–	434,340
<b>Total financial assets</b>	<b>116,683,725</b>	<b>55,962,625</b>	<b>37,807,722</b>	<b>210,454,072</b>
<b>Net liquidity gap</b>	<b>(89,247,008)</b>	<b>41,286,451</b>	<b>21,761,495</b>	<b>(26,199,062)</b>

# St. Kitts Nevis Anguilla Trading and Development Company Limited

## Notes to Consolidated Financial Statements

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(expressed in Eastern Caribbean dollars)

### 6 Management of insurance and financial risk

#### a) Insurance risk

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

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

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

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

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

Type of risk	Apr 2016		Jan 2016	
	Gross \$	Net \$	Gross \$	Net \$
Motor	2,487,131	2,467,471	2,467,471	2,467,471
Property	1,480,000	55,000	2,455,000	55,000
Marine	7,000	7,000		
	<b>3,974,131</b>	<b>2,549,131</b>	<b>4,922,471</b>	<b>2,522,471</b>
Add:				
Claims incurred but not reported	360,000	360,000	360,000	360,000
Unallocated loss adjustment expenses	178,000	178,000	178,000	178,000
	<b>4,512,131</b>	<b>3,087,131</b>	<b>5,460,471</b>	<b>3,060,471</b>

# St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2016

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(expressed in Eastern Caribbean dollars)

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

### a) Insurance risk ...continued

#### i) Property insurance

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

##### *Frequency and severity of claims*

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

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

##### *Sources of uncertainty in the estimation of future claim payments*

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

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

#### ii) Casualty insurance

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

##### *Frequency and severity of claims*

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

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

# St. Kitts Nevis Anguilla Trading and Development Company Limited

## Notes to Consolidated Financial Statements

April 30, 2016

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(expressed in Eastern Caribbean dollars)

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

#### a) Insurance risk ...continued

##### ii) Casualty insurance ...continued

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

##### *Sources of uncertainty in the estimation of future claim payments*

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

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

##### iii) Life insurance contracts

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

The nature and extent of risks arising from life insurance contracts as of April 30, 2016 and January 31, 2016 are as follows:

**St. Kitts Nevis Anguilla Trading and Development Company Limited**  
Notes to Consolidated Financial Statements  
**April 30, 2016**

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(expressed in Eastern Caribbean dollars)

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

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

**iii) Life insurance contracts ...continued**

***Concentration of life insurance risk***

Gross individual life insurance benefit insured per life policy as at April 30, is as follows

<b>Range</b>	<b>Apr 2016</b>	<b>Jan 2016</b>
\$0- \$200,000	71%	71%
\$200,001 - \$400,000	27%	27%
\$400,001 - \$800,000	2%	2%

The risk is concentrated in the first 2 categories.

Net individual life insurance benefit insured per policy as at April 30, 2016 is 100% (2016: 100%) in the category \$0-\$200,000 and the risk is concentrated in the first category.

***Comparison of actual and expected claims of life insurance risk***

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

<b>Year</b>	<b>Apr 2016</b>		<b>Jan 2016</b>	
	<b>Actual claims</b>	<b>Expected claims</b>	<b>Actual claims</b>	<b>Expected claims</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
2009	–	113,000	–	113,000
2010	45,000	106,000	45,000	106,000
2011	93,000	103,000	93,000	103,000
2012	8,000	98,000	8,000	98,000
2013	–	93,000	–	93,000
2014	–	87,000	–	87,000
2015	–	82,000	–	82,000
2016	–	74,000	–	74,000



**St. Kitts Nevis Anguilla Trading and Development Company Limited**  
Notes to Consolidated Financial Statements  
**April 30, 2016**

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(expressed in Eastern Caribbean dollars)

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

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

**iii) Life insurance contracts ...continued**

***Maturity profile of life insurance risk***

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

	Up to 1 year	1 to 5 years	Over 5 years	Total
<b>As at April 30, 2016</b>				
Net reserve	129	3,624	1,619,250	1,623,003
Fund balance	–	–	568,407	568,407
Supplementary benefits	229	–	–	229
<b>Total liabilities, April 30, 2016</b>	<b>358</b>	<b>3,624</b>	<b>2,187,657</b>	<b>2,191,639</b>
<b>As at January 31, 2016</b>				
Net reserve	129	3,624	1,619,250	1,623,003
Fund balance	–	–	568,407	568,407
Supplementary benefits	229	–	–	229
<b>Total liabilities, January 31, 2016</b>	<b>358</b>	<b>3,624</b>	<b>2,187,657</b>	<b>2,191,639</b>

**iv) Claims development**

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

# St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2016

(expressed in Eastern Caribbean dollars)

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

### a) Insurance risk ...continued

#### iv) Claims development ...continued

##### Motor – gross

Loss year	Brought forward \$	2013 \$	2014 \$	2015 \$	2016 \$	2017 \$	Total \$
- At end of reporting year	3,030,567	2,412,449	1,922,060	3,350,301	2,458,051	520,093	13,693,522
- One year later	(6,111)	(97,683)	(26,121)	(433,699)	(36,015)	–	(599,628)
- Two years later	(7,847)	3,444	186,724	(28,489)	–	–	153,833
- Three years later	(21,000)	189,480	–	–	–	–	168,480
- Four years later	6,050	–	–	–	–	–	6,050
- Five years and over	–	–	–	–	–	–	–
Current estimate of cumulative claims	3,001,660	2,507,690	2,082,663	2,888,114	2,422,037	520,093	13,422,257
Cumulative payments to date	(2,224,159)	(1,917,279)	(1,671,750)	(2,326,985)	(2,359,021)	(435,931)	(10,935,126)
<b>Liability recognised in the balance sheet</b>	<b>777,500</b>	<b>590,411</b>	<b>410,913</b>	<b>561,129</b>	<b>63,016</b>	<b>84,162</b>	<b>2,487,131</b>

##### Motor – net

- At end of reporting year	3,030,567	2,412,449	1,922,060	3,350,301	2,458,051	520,093	13,693,522
- One year later	(6,111)	(97,683)	(26,121)	(433,699)	(36,015)	–	(599,628)
- Two years later	(7,847)	3,444	186,724	(28,489)	–	–	153,833
- Three years later	(21,000)	189,480	–	–	–	–	168,480
- Four years later	6,050	–	–	–	–	–	6,050
- Five years and over	–	–	–	–	–	–	–
Current estimate of cumulative claims	3,001,660	2,507,690	2,082,663	2,888,114	2,422,037	520,093	13,422,257
Cumulative payments to date	(2,224,159)	(1,917,279)	(1,671,750)	(2,326,985)	(2,359,021)	(435,931)	(10,935,126)
<b>Liability recognised in the balance sheet</b>	<b>777,500</b>	<b>590,411</b>	<b>410,913</b>	<b>561,129</b>	<b>63,016</b>	<b>84,162</b>	<b>2,487,131</b>

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# St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2016

(expressed in Eastern Caribbean dollars)

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

### a) Insurance risk ...continued

#### iv) Claims development ...continued

##### Property – gross

Loss year	Brought forward \$	2013 \$	2014 \$	2015 \$	2016 \$	2017 \$	Total \$
- At end of reporting year	183,682	92,395	1,066,955	173,307	2,412,000	–	3,928,430
- One year later	–	–	42,713	(16,706)	–	–	26,008
- Two years later	(12,732)	–	(1,132)	–	–	–	(13,863)
- Three years later	–	–	–	–	–	–	–
- Four years later	–	–	–	–	–	–	–
- Five years later	–	–	–	–	–	–	–
Current estimate of cumulative claims	170,951	92,395	1,108,536	156,601	2,412,000	–	3,940,484
Cumulative payments to date	(41,581)	(59,526)	(222,693)	(1,137,082)	(24,601)	(975,000)	(2,460,484)
<b>Liability recognised in the balance sheet</b>	<b>129,369</b>	<b>32,869</b>	<b>885,843</b>	<b>(980,481)</b>	<b>2,387,399</b>	<b>(975,000)</b>	<b>1,480,000</b>

##### Property – net

- At end of reporting year	183,682	92,395	1,066,955	173,307	12,000	–	1,428,340
- One year later	–	–	42,713	(16,706)	–	–	26,008
- Two years later	(12,732)	–	(1,132)	–	–	–	(13,863)
- Three years later	–	–	–	–	–	–	–
- Four years later	–	–	–	–	–	–	–
- Five years later	–	–	–	–	–	–	–
Current estimate of cumulative claims	170,951	92,395	1,108,536	156,601	12,000	–	1,540,484
Cumulative payments to date	(41,581)	(59,526)	(222,693)	(1,137,082)	(24,601)	–	(1,485,484)
<b>Liability recognised in the balance sheet</b>	<b>129,369</b>	<b>32,869</b>	<b>885,843</b>	<b>(980,481)</b>	<b>(12,601)</b>	<b>–</b>	<b>55,000</b>

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# St. Kitts Nevis Anguilla Trading and Development Company Limited

## Notes to Consolidated Financial Statements

### April 30, 2016

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(expressed in Eastern Caribbean dollars)

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

##### b) Fair value of financial assets and liabilities

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

##### **Determination of fair value:**

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

##### *Short-term financial assets and liabilities*

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

##### *Long-term financial assets*

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

##### *AFS – financial assets*

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

##### *Borrowings and deposits*

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

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

# Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2016

(Expressed in Eastern Caribbean dollars)

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

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

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

	Carrying value		Fair value	
	Apr 2016	Jan 2016	Apr 2016	Jan 2016
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents	26,561,780	23,425,702	26,561,780	23,425,702
Investment securities	65,532,739	65,251,436	65,532,739	65,251,436
Loans to customers	91,957,273	94,462,439	91,957,273	94,462,439
Receivables	26,706,823	26,880,155	26,706,823	26,880,155
Due from related parties	103,398	434,340	103,398	434,340
	<b>210,862,013</b>	<b>210,454,072</b>	<b>210,862,013</b>	<b>210,454,072</b>
<b>Financial liabilities</b>				
Borrowings	63,233,318	64,598,154	63,233,318	64,598,154
Customers' deposits	102,805,036	101,604,739	98,205,250	97,005,005
Accounts payable and other liabilities	46,038,566	44,625,456	46,038,566	44,625,456
Due to related parties	41,309	–	41,309	–
	<b>212,118,229</b>	<b>210,828,349</b>	<b>207,518,443</b>	<b>206,228,615</b>

**St. Kitts Nevis Anguilla Trading and Development Company Limited**  
Notes to Consolidated Financial Statements  
**April 30, 2016**

(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 \$
<b>Financial assets April 30, 2016</b>			
AFS financial assets	<u>3,572,756</u>		<u>3,585,197</u>
<b>Financial assets January 31, 2016</b>			
AFS financial assets	<u>3,625,161</u>	–	<u>3,585,197</u>

*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 – April 30, 2016		<u>17,930,102</u>	<u>104,111,457</u>	<u>122,041,559</u>
Land and buildings – January 31, 2016	–	<u>17,930,102</u>	<u>103,545,188</u>	<u>121,475,290</u>

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

# St. Kitts Nevis Anguilla Trading and Development Company Limited

## Notes to Consolidated Financial Statements

### April 30, 2016

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(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 debt and equity. As at April 30, 201 the Group's net debt amounted to \$36,671,538 (Jan 2016: \$41,172,452), while its equity amounted to \$184,810,064 (2016: \$182,990,238).

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

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

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

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

**St. Kitts Nevis Anguilla Trading and Development Company Limited**  
Notes to Consolidated Financial Statements  
**April 30, 2016**

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(expressed in Eastern Caribbean dollars)

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

**d) Capital risk management ...continued**

	<b>Apr 2016</b>	<b>Jan 2016</b>
	\$	\$
<i>General insurance business</i>		
20% of net premium income of the preceding year (Apr 2016: \$7,897,958; 2014: \$8,581,675)	<b>1,579,591</b>	1,716,335
<i>Long-term insurance business</i>		
5% of life policyholders' benefits of the current year (2015: \$2,066,840)	<b>109,582</b>	109,582
	<b><u>1,689,173</u></b>	<u>1,825,917</u>

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

	<b>Apr 2016</b>	<b>Jan 2016</b>
	\$	\$
Total assets	<b>49,206,171</b>	51,887,846
Total liabilities	<b>(13,683,119)</b>	(17,283,793)
Margin of solvency	<b>35,523,052</b>	34,604,053
Required minimum margin of solvency	<b>(1,689,173)</b>	(1,825,917)
Margin of solvency in excess of requirement	<b><u>33,833,879</u></b>	<u>32,778,136</u>

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

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

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



**St. Kitts Nevis Anguilla Trading and Development Company Limited**  
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**6 Management of insurance and financial risk ...continued**

**d) Capital risk management ...continued**

	<b>Apr 2016</b>	<b>Jan 2016</b>
	\$	\$
<b>Tier 1 capital</b>		
Share capital	6,000,000	6,000,000
Statutory reserve fund	5,098,405	5,098,405
Retained earnings	13,620,120	13,620,120
Other reserve	141,110	141,110
	<hr/>	<hr/>
Total qualifying tier 1 capital	24,859,635	24,859,635
	<hr/>	<hr/>
<b>Tier 2 capital</b>		
Accumulated impairment	3,262,895	3,262,895
	<hr/>	<hr/>
Total regulatory capital	28,122,530	28,122,530
	<hr/>	<hr/>

**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.

# St. Kitts Nevis Anguilla Trading and Development Company Limited

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

Segment information for the reporting period is as follows:

April 30, 2016	General trading \$	Insurance \$	Financing \$	Hotel and restaurant \$	Others \$	Eliminations \$	Total \$
<b>Revenue</b>							
From external customers:							
Revenue	28,732,735	(7,580)	-	1,626,002	3,094,054	-	33,445,211
Net interest income	191,888	228,677	1,267,609	-	235,205	-	1,923,379
Net underwriting income	-	1,542,336	-	-	-	-	1,542,336
Other income	1,511,243	300,148	80,840	237,651	348,394	-	2,478,276
From other segments	5,225,877	525,874	19,403	38,684	202,903	(6,012,741)	-
	<u>35,661,743</u>	<u>2,589,455</u>	<u>1,367,852</u>	<u>1,902,337</u>	<u>3,880,556</u>	<u>(6,012,741)</u>	<u>39,389,202</u>
<b>Cost of sales</b>	<u>25,852,124</u>	<u>-</u>	<u>-</u>	<u>685,911</u>	<u>1,207,912</u>	<u>(4,440,373)</u>	<u>23,305,574</u>
<b>Gross profit</b>	<u>9,809,619</u>	<u>2,589,455</u>	<u>1,367,852</u>	<u>1,216,426</u>	<u>2,672,644</u>	<u>(1,572,368)</u>	<u>16,083,628</u>
Employee costs	4,384,438	443,623	266,359	342,002	898,520	-	6,334,942
General and administrative expenses	3,014,957	676,231	187,966	617,698	949,255	(1,274,415)	4,171,692
Depreciation and amortization	900,109	98,126	51,507	387,028	112,918	-	1,549,688
Finance charges, net	1,594,478	14,139	3,762	25,397	67,865	(297,952)	1,407,689
Share of income of associated companies	-	-	-	-	-	(232,179)	(232,179)
	<u>9,893,982</u>	<u>1,232,119</u>	<u>509,594</u>	<u>1,372,125</u>	<u>2,028,558</u>	<u>(1,804,546)</u>	<u>13,231,832</u>
<b>Segment profit/(loss) before tax</b>	<u>(84,363)</u>	<u>1,357,336</u>	<u>858,258</u>	<u>(155,699)</u>	<u>644,087</u>	<u>232,178</u>	<u>2,851,796</u>
<b>Segment assets</b>	<u>228,810,717</u>	<u>73,685,698</u>	<u>135,978,020</u>	<u>38,245,622</u>	<u>39,427,635</u>	<u>(91,445,610)</u>	<u>424,702,082</u>
<b>Segment liabilities</b>	<u>135,777,270</u>	<u>15,573,548</u>	<u>110,481,268</u>	<u>21,102,080</u>	<u>7,787,916</u>	<u>(56,372,881)</u>	<u>234,349,201</u>

# St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements  
April 30, 2016

(Expressed in Eastern Caribbean dollars)

## Segment reporting ...continued

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

**St. Kitts Nevis Anguilla Trading and Development Company Limited**  
Notes to Consolidated Financial Statements  
**April 30, 2016**

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(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**

	Apr 2016 \$	Jan 2016 \$
Cash on hand	182,823	88,278
Cash at banks	12,120,512	9,118,899
Cash equivalents	14,258,445	14,218,525
	<u>26,561,780</u>	<u>23,425,702</u>

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

Cash equivalents are as follows:

	Apr 2016 \$	Jan 2016 \$
Two (2) 91-day Treasury bills from the Government of St. Kitts and Nevis maturing on May 10, 2016 with an interest rate of 4.75% (Jan 2016: 4.75%)	5,960,417	5,960,417
Four (4) 90-day term deposits held with St. Kitts-Nevis-Anguilla National Bank Limited maturing on July 12, 2016 bearing an interest rate of 2%	4,099,048	4,078,876
Six (6) 90-day term deposits held with Royal Bank of Canada maturing on July 7, 2016 bearing an interest of rate of 2% (Jan 2016: 2.0%)	3,091,188	3,073,454
Three month fixed deposit held with The Caribbean Commercial Bank (Anguilla) Limited maturing on May 23, 2016 bearing an interest rate of 3.125% (Jan 2016: 3.125%)	614,651	613,903
Ninety-one (91)-day Treasury bills from the Nevis Island Administration maturing on June 24, 2016 with an interest rate of 5.5% (Jan 2016: 5.5%)	493,142	491,875
	<u>14,258,445</u>	<u>14,218,525</u>

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

**9 Investment securities**

	Apr 2016 \$	Jan 2016 \$
<b>AFS</b>		
Quoted securities	3,572,756	3,625,161
Unquoted securities	3,585,197	3,585,197
	<u>7,157,953</u>	<u>7,210,358</u>
<b>Loans and receivables</b>		
Fixed deposits	39,237,118	38,667,396
Corporate bonds	13,466,668	13,250,000
Government treasury bills and bonds	5,037,813	5,085,106
	<u>57,741,599</u>	<u>57,002,502</u>
<b>Total investment securities – principal</b>	<b>64,899,552</b>	<b>64,212,860</b>
Interest receivable	633,187	1,038,576
	<u>65,532,739</u>	<u>65,251,436</u>
<b>Current</b>		
Non-current	55,214,426	53,348,845
	<u>10,318,313</u>	<u>11,902,591</u>
	<u>65,532,739</u>	<u>65,251,436</u>

The movement in investment securities may be summarised as follows:

	Loans and receivables \$	AFS \$	Total \$
<b>Balance at January 31, 2015</b>	<b>57,272,297</b>	<b>7,192,313</b>	<b>64,464,610</b>
Additions	6,993,411	–	6,993,411
Redemption	(7,263,206)	–	(7,263,206)
Impairment loss on AFS financial assets	–	(202,500)	(202,500)
Net unrealised fair value gains on AFS financial assets	–	220,545	220,545
	<u>57,002,502</u>	<u>7,210,358</u>	<u>64,212,860</u>
<b>Balance at January 31, 2016</b>	<b>57,002,502</b>	<b>7,210,358</b>	<b>64,212,860</b>
Additions	769,722		769,722
Redemption	(30,625)		(30,625)
Impairment loss on AFS financial assets			
Net unrealised fair value gains on AFS financial assets		(52,405)	(52,405)
	<u>57,741,599</u>	<u>7,157,953</u>	<u>64,899,552</u>

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**9 Investment securities ...continued**

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

	<b>Apr 2016</b>	<b>Jan 2016</b>
	\$	\$
Parent company (note 25)	<b>(54,020)</b>	203,302
Non-controlling interests	<b>1,615</b>	17,243
	<b>(52,405)</b>	220,545

**Fixed deposits**

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

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

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

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

**Corporate bonds**

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

**Treasury bills and bonds**

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

**St. Kitts Nevis Anguilla Trading and Development Company Limited**  
Notes to Consolidated Financial Statements  
**April 30, 2016**

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(expressed in Eastern Caribbean dollars)

**10 Loans to customers**

	Apr 2016 \$	Jan 2016 \$
Performing loans and advances	88,617,186	91,074,254
Impaired loans	<u>6,253,292</u>	<u>6,331,859</u>
Gross loans	94,870,478	97,406,113
Allowance for loan impairment	<u>(3,176,754)</u>	<u>(3,262,895)</u>
Net loans	91,693,724	94,143,218
Interest receivable	<u>263,549</u>	319,221
<b>Total loans to customers</b>	<b><u>91,957,273</u></b>	<b><u>94,462,439</u></b>
Current	18,285,608	19,259,942
Non-current	<u>73,671,665</u>	<u>75,202,497</u>
	<b><u>91,957,273</u></b>	<b><u>94,462,439</u></b>

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

Movement in the loan loss provision:

	2016 \$	2016 \$
Balance at beginning of year	3,262,895	3,497,327
Impairment losses/(recoveries) during the year	(86,141)	33,334
Write-offs for the year		<u>(267,766)</u>
Balance at end of year	<b><u>3,176,754</u></b>	<b><u>3,262,895</u></b>

According to the Eastern Caribbean Central Bank (ECCB) loan provisioning guidelines, the calculated allowance for loan impairment amounts to \$2,029,203 (Jan 2016: \$1,620,516). Where the ECCB loan loss provision is greater than the loan loss provision calculated under IAS 39, the difference is set aside as an appropriation of retained earnings to a non-distributable reserve. As at April 30, 2016, the loan loss provision calculated under IAS 39, was greater than the ECCB provision. Therefore, an appropriation of retained earnings was not required at the reporting date. The gross carrying value of impaired loans at the end of the period was \$6,253,292 (January 31, 2016: \$6,331,859).

Accrued interest on loans that would not be recognised under ECCB guidelines amounted to \$150,117 (Jan 2016: \$141,110), and is included in other reserves in equity (note 25).

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

**11 Receivables and prepayments**

	Apr 2016 \$	Jan 2016 \$
Current:		
Accounts receivable	22,410,854	25,209,438
Finance lease receivables	5,655,299	5,122,362
Other receivables	1,457,942	38,455
	<u>29,524,095</u>	<u>30,370,255</u>
Less: provision for impairment	(10,142,319)	(10,155,359)
Net receivables	19,381,776	20,214,896
Statutory deposits	3,209,018	3,209,018
Prepayments	4,438,751	2,280,281
Deferred costs	-	-
	<u>27,029,545</u>	<u>25,704,195</u>
Non-current:		
Finance lease receivables	<u>7,325,047</u>	<u>6,665,259</u>

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 April 30, 2016 and January 31, 2016, statutory deposits were held in the form of term deposits with local commercial banks and funds held on deposits with St. Kitts Financial Services Regulatory Commission. Statutory deposits are restricted and hence are not available for use in the day-to-day operations of the Group.

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

**Classification of receivables**

Receivables are summarized as follows:

	Apr 2016 \$	Jan 2016 \$
Neither past due nor impaired	17,730,929	17,159,978
Past due but not impaired	8,975,894	9,720,177
Individually impaired	10,142,319	10,155,359
	<u>36,849,142</u>	<u>37,035,514</u>



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(expressed in Eastern Caribbean dollars)

**11 Receivables and prepayments ...continued**

Movement in the allowance for impairment on receivables is:

	<b>Apr 2016</b>	<b>Jan 2016</b>
	\$	\$
Balance at beginning of year	<b>10,155,359</b>	9,639,660
Impairment losses net of recoveries for the year (note 28)	<b>(12,740)</b>	665,861
Written-off during the year as uncollectible	<b>(300)</b>	(150,162)
Balance at end of year	<b>10,142,319</b>	10,155,359

*Receivables neither past due nor impaired*

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

	<b>Apr 2016</b>	<b>Jan 2016</b>
	\$	\$
Under 3 months	<b>17,730,929</b>	17,159,978

*Receivables past due but not impaired*

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

As at April 30, 2016, receivables of \$8,975,894 (Jan 2016: \$9,720,177) were past due but not impaired. The aging of these receivables is as follows:

	<b>Apr 2016</b>	<b>Jan 2016</b>
	\$	\$
Over 3 months	<b>8,975,894</b>	9,720,177

**St. Kitts Nevis Anguilla Trading and Development Company Limited**  
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**April 30, 2016**

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(expressed in Eastern Caribbean dollars)

**11 Receivables and prepayments ...continued**

*Receivables individually impaired*

As at April 30, 2016, receivables of \$10,142,319 (January 31, 2016: \$10,155,359) were impaired and a related provision established. The aging of these receivables is as follows:

	Apr 2016 \$	Jan 2016 \$
Over 3 months	<u>10,142,319</u>	10,155,359
<b>Total receivables</b>	<u><b>36,849,142</b></u>	<u>37,035,514</u>

**12 Inventories**

	Apr 2016 \$	Jan 2016 \$
Goods on hand	26,164,834	29,097,743
Land held for future development	11,647,503	11,647,503
Sunrise Hills Villas	2,658,607	2,658,207
Goods in transit	1,998,850	1,883,616
Work-in-progress	420,331	423,970
	<u><b>42,890,125</b></u>	<u>45,711,039</u>

**13 Related party balances and transactions**

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

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

		Apr 2016 \$	Jan 2016 \$
<b>Due from related parties</b>	<b>Relationship</b>		
Malliouhana-Anico Insurance Company Limited	Associate company	103,398	7,718
St. Kitts Masonry Products Limited	Associate company	-	426,622
		<u><b>103,398</b></u>	<u>434,340</u>
<b>Due to related parties</b>			
St. Kitts Masonry Products Limited	Associate company	41,309	-

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

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

The following transactions were carried out with related parties:

		<b>Apr 2016 \$</b>	<b>Jan 2016 \$</b>
<i>Sales</i>			
<b>Name of related party</b>	<b>Relationship</b>		
St. Kitts Masonry Products Limited	Associate company	<u>536,616</u>	3,901,551
<i>Management fees</i>			
<b>Name of related party</b>	<b>Relationship</b>		
St. Kitts Masonry Products Limited	Associate company	36,000	150,000
Malliouhana-Anico Insurance Company Limited	Associate company	<u>15,000</u>	<u>65,000</u>
		<u>51,000</u>	215,000
<i>Commission</i>			
<b>Name of related party</b>	<b>Relationship</b>		
Malliouhana-Anico Insurance Company Limited	Associate company	<u>-</u>	<u>36,009</u>
<i>Reinsurance premium</i>			
<b>Name of related party</b>	<b>Relationship</b>		
Malliouhana-Anico Insurance Company Limited	Associate company	<u>357,594</u>	2,156,610
<i>Expenses</i>			
<b>Name of related party</b>	<b>Relationship</b>		
St. Kitts Masonry Products Limited	Associate company	<u>2,211,638</u>	<u>8,365,544</u>

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

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

**Balances with the Group directors**

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

	<b>Apr 2016</b>	<b>Jan 2016</b>
	\$	\$
Loans to directors	<u>1,629,137</u>	1,894,617
Deposits from directors	<u>3,160,294</u>	<u>2,957,022</u>

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

	<b>Apr 2016</b>	<b>Jan 2016</b>
	\$	\$
Advances from directors	<u>2,843,844</u>	<u>3,568,705</u>

**Key management compensation**

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

	<b>Apr 2016</b>	<b>Jan 2016</b>
	\$	\$
Salaries	411,291	1,537,880
Directors' fees	158,656	570,000
Gratuity	82,536	272,250
Allowances	18,435	150,781
Pension	28,894	101,804
Social security	21,566	82,462
	<u>721,378</u>	<u>2,715,177</u>

# St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

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(Expressed in Eastern Caribbean dollars)

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

# St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

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(Expressed in Eastern Caribbean dollars)

## 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	
			Apr 2016	Jan 2016
TDC Real Estate and Construction Company Limited	St. Kitts	real estate development and construction of residential villas	100%	100%
TDC Rentals Limited	St. Kitts	car rental services and financing service to consumers	100%	100%
TDC Tours Limited	St. Kitts	organisation of tours, weddings and shore excursions	100%	100%
City Drug Store (Nevis) Limited	Nevis	retailing of customer products	100%	100%
TDC Airline Services (Nevis) Limited	Nevis	travel agents, tour operators, shipping and forwarding agents	100%	100%
TDC Nevis Limited	Nevis	trading as general merchants, manufacturers' representatives and commission agents	100%	100%
TDC Real Estate and Construction Company (Nevis) Limited	Nevis	real estate development and construction	100%	100%
TDC Rentals (Nevis) Limited	Nevis	car rental services and financing service to consumers	100%	100%
East Caribbean Reinsurance Company Limited	Anguilla	the business of reinsurance for all classes of general insurance	80%	80%

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

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

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

The Group has no interests in unconsolidated structured entities.

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

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

**15 Investment in associates**

The Group's associates include the following:

Name of Associate	Country of incorporation/ Principal place of business	Percentage of ownership		Carrying value	
		Apr 2016	Jan 2016	Apr 2016	Jan 2016
		%	%	\$	\$
St. Kitts Masonry Products Limited	St. Kitts	50	50	7,955,592	7,707,587
Malliouhana-Anico Insurance Company Limited	Anguilla	25	25	3,584,686	3,600,512
				<b>11,540,279</b>	<b>11,308,099</b>

Movements in the investment in associates account are as follows:

	Apr 2016	Jan 2016
	\$	\$
Balance at beginning of year	11,308,099	8,981,125
Share in net earnings of associated companies		
Profit and loss	232,179	335,839
Other comprehensive income	-	2,591,135
Dividends received	-	(600,000)
Balance at end of year	<b>11,540,279</b>	<b>11,308,099</b>

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

**15 Investment in associates ...continued**

*St. Kitts Masonry Products Limited*

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

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

	<b>Apr 2016</b>	<b>Jan 2016</b>
	\$	\$
Current assets	<b>5,539,416</b>	4,895,671
Non-current assets	<b>14,999,455</b>	15,276,956
Current liabilities	<b>(4,087,224)</b>	(4,089,044)
Non-current liabilities	<b>(530,241)</b>	(658,187)
<b>Net assets</b>	<b>15,921,405</b>	15,425,396
Revenue	<b>5,809,837</b>	23,118,902
Costs and expenses	<b>(5,313,829)</b>	(22,402,086)
<b>Net income</b>	<b>496,009</b>	716,816

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

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



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

**15 Investment in associates ...continued**

*Malliouhana-Anico Insurance Company Limited*

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

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

	<b>Apr 2016</b>	<b>Jan 2016</b>
	\$	\$
Assets	<b>26,134,613</b>	27,027,314
Liabilities	<b>(11,847,583)</b>	(12,676,984)
<b>Net assets</b>	<b>14,287,030</b>	14,350,330
Net underwriting income	<b>632,264</b>	2,629,609
Other income	<b>274,830</b>	542,912
Costs and expenses	<b>(970,398)</b>	(3,124,657)
<b>Net income</b>	<b>(63,304)</b>	47,864

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

# St. Kitts Nevis Anguilla Trading and Development Company Limited

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## Property, plant and equipment

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

# St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

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(Expressed in Eastern Caribbean dollars)

## Property, plant and equipment ...continued

	Land and buildings \$	Furniture and fittings \$	Construction equipment rentals \$	Plant and machinery \$	Containers \$	Motor vehicles \$	Computers and equipment \$	Total \$
<b>Period ended April 30, 2016</b>								
Opening net book amount	121,475,290	2,555,242	127,637	11,971,089	228,325	8,561,746	1,677,761	146,597,090
Additions	1,084,852	138,731		306,534	96,475	702,524	117,547	2,446,663
Disposals		(2,547)			(18,746)	(784,172)	(24,659)	(830,127)
Writeback on disposals		457			17,338	666,562	24,113	708,470
Depreciation charge	(518,585)	(118,338)	(12,712)	(407,535)	(13,055)	(656,475)	(207,078)	(1,933,778)
Transfers/reclassifications		(1,152)					1,152	-
Impairment loss								
<b>Closing net book amount</b>	<b>122,041,559</b>	<b>2,572,391</b>	<b>114,295</b>	<b>11,870,086</b>	<b>310,337</b>	<b>8,490,182</b>	<b>1,588,836</b>	<b>146,988,316</b>
<b>At April 30, 2016</b>								
Cost or valuation	127,486,202	8,039,043	457,523	27,410,420	716,731	23,870,836	6,740,621	194,721,376
Accumulated depreciation	(4,422,038)	(5,406,899)	(342,598)	(14,388,687)	(403,008)	(15,350,794)	(5,151,785)	(45,465,809)
Allowance for impairment	(1,022,605)	(59,753)	-	(1,151,647)	(3,386)	(29,860)	-	(2,267,251)
<b>Net book amount</b>	<b>122,041,559</b>	<b>2,572,391</b>	<b>114,295</b>	<b>11,870,086</b>	<b>310,337</b>	<b>8,490,182</b>	<b>1,588,836</b>	<b>146,988,316</b>

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

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

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

	<b>Apr 2016</b>	<b>Jan 2016</b>
	\$	\$
Proceeds from sales of property and equipment	<b>176,009</b>	675,132
Carrying amount of property and equipment	<b>(121,657)</b>	(681,399)
	<hr/>	<hr/>
(Loss)/gain on disposals of property and equipment	<b>54,352</b>	(6,267)
	<hr/>	<hr/>

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

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

	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
	\$	\$	\$
<b>At January 31, 2016</b>			
Opening net book value	24,200,610	63,827,453	88,028,063
Additions	241,897	7,409,454	7,651,351
Depreciation	–	(5,160,845)	(5,160,845)
	<hr/>	<hr/>	<hr/>
<b>Closing net book value</b>	<b>24,442,507</b>	<b>66,076,062</b>	<b>90,518,569</b>
<hr/>			
<b>At April 30, 2016</b>			
Opening net book value	24,442,507	66,076,062	90,518,569
Additions		1,084,852	1,084,852
Depreciation		(298,757)	(298,757)
	<hr/>	<hr/>	<hr/>
<b>Closing net book value</b>	<b>24,442,507</b>	<b>66,862,157</b>	<b>91,304,664</b>
	<hr/>	<hr/>	<hr/>

**St. Kitts Nevis Anguilla Trading and Development Company Limited**  
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**17 Investment property**

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

	<b>Building</b> \$	<b>Land</b> \$	<b>Total</b> \$
<b>Period ended April 30, 2016</b>			
Opening net book value	1,571,510	315,000	1,886,510
Additions	-	-	-
Transfer from property and equipment	-	-	-
Depreciation charge	(9,351)	-	(9,351)
<b>Closing net book value</b>	<b>1,562,159</b>	<b>315,000</b>	<b>1,877,159</b>
<b>At April 30, 2016</b>			
Cost	1,608,292	315,000	1,923,292
Accumulated depreciation	(46,133)	-	(46,133)
	<b>1,562,159</b>	<b>315,000</b>	<b>1,877,159</b>

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

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

As at April 30, 2016, the carrying amount of the Group's investment property approximates its market value based on the latest market valuation report of the property obtained in 2015 prior to its change in use.

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

**18 Intangible assets**

	<b>Computer software \$</b>
<b>Year ended January 31, 2016</b>	
Opening net book amount	479,726
Additions	113,107
Transfer from property, plant and equipment	8,432
Amortisation	<u>(348,321)</u>
<b>Closing net book amount</b>	<b><u>252,944</u></b>
<b>At January 31, 2016</b>	
Cost	1,299,692
Accumulated amortisation	<u>(1,046,748)</u>
<b>Net book amount</b>	<b><u>252,944</u></b>
<b>Period ended April 30, 2016</b>	
Opening net book amount	252,944
Additions	-
Transfer from property, plant and equipment	-
Amortisation	<u>(88,804)</u>
<b>Closing net book amount</b>	<b><u>164,142</u></b>
<b>At April 30, 2016</b>	
Cost	1,299,691
Accumulated amortisation	<u>(1,135,551)</u>
<b>Net book amount</b>	<b><u>164,142</u></b>

**St. Kitts Nevis Anguilla Trading and Development Company Limited**  
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**19 Borrowings**

	2016 \$	2016 \$
Bank term loans	28,646,210	27,798,464
Bank overdrafts	21,413,435	23,391,661
Sugar Industry Diversification Foundation	13,173,673	13,408,029
	<b>63,233,318</b>	<b>64,598,154</b>
Interest payable	-	-
<b>Total borrowings</b>	<b>63,233,318</b>	<b>64,598,154</b>
Current	42,499,388	44,521,673
Non-current	20,733,930	20,076,481
	<b>63,233,318</b>	<b>64,598,154</b>

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

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

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

*Collateral security for indebtedness*

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

**St. Kitts Nevis Anguilla Trading and Development Company Limited**  
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**20 Insurance liabilities**

	2016 \$	2016 \$
Unearned premiums	4,282,343	4,894,315
Claims reported and outstanding	3,974,131	4,922,471
Life policyholders' benefits	2,191,639	2,191,639
Claims incurred but not reported	360,000	360,000
Unallocated loss adjustment expenses	178,000	178,000
Due to reinsurers	28,514	1,254,807
	<b>11,014,627</b>	<b>13,801,232</b>
<b>Reinsurance assets</b>		
Unearned reinsurance premiums	810,539	1,280,140
Claims reported and outstanding	1,425,000	2,400,000
<b>Total reinsurance assets (gross)</b>	<b>2,235,539</b>	<b>3,680,140</b>
Unearned premiums	3,471,804	3,614,175
Claims reported and outstanding	2,549,131	2,522,471
Life policyholders' benefits	2,191,639	2,191,639
Claims incurred but not reported	360,000	360,000
Unallocated loss adjustment expenses	178,000	178,000
Due to reinsurers	28,514	1,254,807
<b>Total insurance liabilities (net)</b>	<b>8,779,088</b>	<b>10,121,092</b>

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.



**St. Kitts Nevis Anguilla Trading and Development Company Limited**  
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**20 Insurance liabilities ...continued**

The reconciliation of life policyholders' benefits as at April 30 is as follows:

	<b>Apr 2016</b>	<b>Jan 2016</b>
	\$	\$
<b>Life policyholders' benefits (gross)</b>		
Balance at beginning of year	2,254,050	2,254,050
Inforce reserve change (deaths, lapses and actives)	(66,087)	(66,087)
Change of assumption impact		
Interest	179,427	179,427
Expense	75,544	75,544
<b>Total life policyholders' benefits (gross)</b>	<b>2,442,934</b>	<b>2,442,934</b>

	<b>Apr 2016</b>	<b>Jan 2016</b>
	\$	\$
<b>Life policyholders' benefits (net)</b>		
Balance at beginning of year	2,066,840	2,066,840
Inforce reserve change (deaths, lapses and actives)	(60,541)	(60,541)
Change of assumption impact		
Interest	122,727	122,727
Expense	62,613	62,613
<b>Total life policyholders' benefits (net)</b>	<b>2,191,639</b>	<b>2,191,639</b>

**21 Customers' deposits**

	<b>Apr 2016</b>	<b>Jan 2016</b>
	\$	\$
Savings deposits	7,105,072	6,220,956
Fixed deposits	93,593,447	93,404,026
	<b>100,698,519</b>	99,624,982
Interest payable	2,106,517	1,979,757
<b>Total customers' deposits</b>	<b>102,805,036</b>	101,604,739
Current	89,802,008	93,295,581
Non-current	13,003,028	8,309,158
	<b>102,805,036</b>	101,604,739

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

**21 Customers' deposits ...continued**

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

**22 Accounts payable and other liabilities**

	<b>Apr 2016</b>	<b>Jan 2016</b>
	\$	\$
Credit accounts	<b>28,138,138</b>	25,707,999
Accounts payable	<b>10,269,289</b>	10,834,966
Accrued expenses	<b>5,630,836</b>	5,852,184
Employee health fund	<b>3,914,618</b>	3,849,019
Deferred revenue	<b>1,158,263</b>	1,230,640
Dividend payable	<b>862,464</b>	862,464
Other liabilities	<b>281,561</b>	294,201
Gratuity reserve	<b>454,886</b>	505,450
Statutory payables	<b>176,121</b>	342,921
Warranty liability	<b>225,271</b>	225,271
<b>Total accounts payable and other liabilities</b>	<b>51,111,447</b>	49,705,115
Current	<b>47,196,829</b>	45,679,398
Non-current	<b>3,914,618</b>	4,025,717
	<b>51,111,447</b>	49,705,115

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

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

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

**23 Taxation**

**Income tax expense**

	<b>Apr 2016</b>	<b>Jan 2016</b>
	\$	\$
Current income tax expense for the year	<b>1,224,493</b>	3,879,093
Net deferred tax expense for the year	<b>(140,905)</b>	115,780
<b>Total income tax expense for the year</b>	<b>1,083,588</b>	<b>3,994,873</b>

	<b>Apr 2016</b>	<b>Jan 2016</b>
	\$	\$
<b>Current income tax expense</b>		
Profit before taxation	<b>2,851,796</b>	5,525,826
Income tax expense at rate of 33%	<b>864,474</b>	1,823,523
Effect of permanent differences	<b>305,745</b>	3,274,809
Unrecognised deferred tax asset	-	1,186,833
Prior year under provision	-	115,885
5% claims equalization allowed	<b>(35,917)</b>	(133,712)
Effect of income not assessable for taxation	<b>(50,714)</b>	(2,272,465)
<b>Total</b>	<b>1,083,588</b>	<b>3,994,873</b>

**Deferred tax expense**

The deferred tax expense is comprised of the following

	<b>Apr 2016</b>	<b>Jan 2016</b>
	\$	\$
Unrecognised deferred tax	-	1,186,833
Deferred tax on property, plant and equipment	<b>(103,042)</b>	(387,799)
Deferred tax on unutilised tax losses	<b>(3,093)</b>	(285,221)
Deferred tax on unutilised capital allowances	<b>(34,770)</b>	(398,033)
<b>Total</b>	<b>(140,905)</b>	<b>115,780</b>

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

**23 Taxation ...continued**

**Deferred tax asset**

The movement in the deferred tax asset is as follows:

	Apr 2016 \$	Jan 2016 \$
Balance at beginning of year	(182,452)	(315,049)
Deferred tax expense for the year	(36,891)	93,354
Unrecognised deferred tax written off	-	39,243
	<hr/>	<hr/>
Balance at end of year	<b>(219,343)</b>	<b>(182,452)</b>

**Deferred tax liability**

The movement in the deferred tax liability is as follows:

	Apr 2016 \$	Jan 2016 \$
Balance at beginning of year	5,279,908	5,296,725
Deferred tax (credit)/expense for the year	(104,014)	(16,817)
	<hr/>	<hr/>
Balance at end of year	<b>5,175,894</b>	<b>5,279,908</b>

**Provision for taxation**

The movement in the provision for taxation is as follows:

	Apr 2016 \$	Jan 2016 \$
Balance at beginning of year	2,059,511	2,619,494
Current tax expense for the year	1,224,493	3,879,093
Utilization of taxation recoverable during the year	-	(104,298)
Income tax paid during the year	(2,316,435)	(4,334,778)
	<hr/>	<hr/>
Balance at end of year	<b>967,569</b>	<b>2,059,511</b>

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

**23 Taxation ...continued**

**Taxation recoverable**

The movement in the taxation recoverable is as follows:

	<b>Apr 2016</b>	<b>Jan 2016</b>
	\$	\$
Balance at beginning of year	124,092	228,390
Utilization/Incurred during the year	<u>153,303</u>	<u>(104,298)</u>
Balance at end of year	<u>277,395</u>	<u>124,092</u>

**24 Shareholders' equity**

*Share capital*

	<b>Apr 2016</b>	<b>Jan 2016</b>
	\$	\$
Authorised:		
500,000,000 ordinary shares at \$1 per share	<u>500,000,000</u>	<u>500,000,000</u>
Issued and fully paid:		
52,000,000 ordinary shares at \$1 per share	<u>52,000,000</u>	<u>52,000,000</u>

*Dividends*

On August 31, 2015, the Company's Board of Directors approved the declaration of cash dividends amounting to \$ (Aug 2015: \$2,600,000), which was also paid during the current financial year.

**25 Other reserves**

	<b>Apr 2016</b>	<b>Jan 2016</b>
	\$	\$
Revaluation reserve – property	35,002,787	35,002,787
Claims equalization reserve	21,912,075	21,803,237
Statutory reserve fund	5,225,828	5,098,405
Revaluation reserve – AFS financial assets	786,119	840,139
Other reserve (note 10)	<u>150,117</u>	<u>141,110</u>
	<u>63,076,926</u>	<u>62,885,678</u>

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

**25 Other reserves ...continued**

*Revaluation reserve – property*

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

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

	<b>Apr 2016</b>	<b>Jan 2016</b>
	\$	\$
Balance at beginning of year	<b>35,002,787</b>	32,411,652
Revaluation surplus (note 15 and 16)	-	2,591,135
Revaluation transfer attributable to sale	-	-
Balance at end of year	<b><u>35,002,787</u></b>	<b><u>35,002,787</u></b>

*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:

	<b>Apr 2016</b>	<b>Jan 2016</b>
	\$	\$
Balance at beginning of year	<b>21,803,237</b>	21,398,049
Appropriations during the year	<b>108,838</b>	405,188
Balance at end of year	<b><u>21,912,075</u></b>	<b><u>21,803,237</u></b>

*Statutory reserve fund*

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

	<b>Apr 2016</b>	<b>Jan 2016</b>
	\$	\$
Balance at beginning of year	<b>5,098,405</b>	4,683,902
Appropriations during the year	<b>127,423</b>	414,503
Balance at end of year	<b><u>5,225,828</u></b>	<b><u>5,098,405</u></b>

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

**25 Other reserves ...continued**

*Revaluation reserve – AFS financial assets*

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

	<b>Apr 2016</b>	<b>Jan 2016</b>
	\$	\$
Balance at beginning of year	<b>840,139</b>	636,837
Net unrealised fair value gains on AFS financial assets (see note 9)	<b>(54,020)</b>	203,302
Balance at end of year	<b><u>786,119</u></b>	<b><u>840,139</u></b>

*Other reserve*

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

The movement of other reserve account is as follows:

	<b>Apr 2016</b>	<b>Jan 2016</b>
	\$	\$
Balance at beginning of year	<b>141,110</b>	91,749
Transfer from/(to) retained earnings	<b>9,007</b>	49,361
Balance at end of year	<b><u>150,117</u></b>	<b><u>141,110</u></b>

# St. Kitts Nevis Anguilla Trading and Development Company Limited

## Notes to Consolidated Financial Statements

April 30, 2016

(expressed in Eastern Caribbean dollars)

### 26 Other income

	Apr 2016 \$	Jan 2016 \$
Rent	755,359	2,923,622
Commission income	456,521	1,385,769
Damage insurance income	174,353	790,697
Equipment rental and repairs	203,473	718,140
Photocopier income	179,195	641,131
Management and administration fees	163,341	611,936
Dividend income	6,195	580,281
Truck operating income	(39,297)	335,400
Facility income	81,650	301,800
Handling charges	39,496	247,250
Shipping	7,422	245,783
MV Puerto Real/Triumph	64,450	185,012
Sale of wreck	-	88,000
E-top up	16,974	49,896
Vehicle servicing	61,476	26,642
Villa income	10,349	19,042
Amortization of grant	-	14,385
(Loss)/gain on disposals of property and equipment (note 16)	54,352	(6,267)
Miscellaneous income	242,967	611,331
	<u>2,478,276</u>	<u>9,769,850</u>

### 27 Employee costs

	Apr 2016 \$	Jan 2016 \$
Salaries and wages	4,760,233	18,202,002
Statutory contributions	509,957	1,937,660
Pension savings plan	241,194	987,687
Bonus and gratuity	313,426	955,192
Directors' fees	149,556	655,705
Staff scholarship and training	110,773	421,884
Health insurance	36,000	139,226
Other staff costs	213,803	851,711
	<u>6,334,942</u>	<u>24,151,067</u>



**St. Kitts Nevis Anguilla Trading and Development Company Limited**  
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**28 General and administrative expenses**

	Apr 2016 \$	Jan 2016 \$
Legal and professional fees	391,149	2,808,711
Advertising and sales promotion	695,885	2,562,572
Utilities	504,305	2,071,169
General	553,301	1,613,009
Repairs and maintenance	464,646	1,450,724
Motor vehicle	258,222	995,943
Management fees	285,893	984,219
Communications	215,144	939,086
Taxes and licenses	67,632	882,493
Sewage, waste and landscaping	104,123	680,259
Impairment losses on receivables, net (note 11)	(144,594)	674,191
Computer installation and consultancy	180,208	488,197
Travel	75,295	398,600
Security	94,079	387,427
Warranty	69,217	355,324
Entertainment	83,903	284,893
Supplies	112,597	261,011
Rent	73,205	172,467
Printing and stationery	77,075	152,735
Annual general meeting	1,489	144,891
Subscriptions	54,633	83,972
Impairment losses/(recoveries) on loans to customers (note 10)	(86,141)	33,334
Freight, handling and truckage	40,426	28,518
	<b>4,171,692</b>	<b>18,453,745</b>

**29 Depreciation and amortization**

	Apr 2016 \$	Jan 2016 \$
Depreciation		
Property, plant and equipment (note 16)	1,451,535	5,653,361
Investment property (note 17)	9,351	36,782
	<b>1,460,886</b>	<b>5,690,143</b>
Amortization (note 18)	88,802	348,321
	<b>1,549,688</b>	<b>6,038,464</b>

Depreciation of plant and machinery and certain motor vehicles totaling \$482,243 (Jan 2016: \$1,835,321) was recorded under cost of sales.

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

**30 Finance charges, net**

	Apr 2016 \$	Jan 2016 \$
Interest expense		
Borrowings	756,862	3,533,109
Credit accounts	507,001	1,974,206
		<u>5,507,315</u>
Bank charges	143,826	930,311
	<u>1,407,689</u>	<u>6,437,626</u>

**31 Net interest income**

	Apr 2016 \$	Jan 2016 \$
Loans to customers	2,002,304	8,483,255
Receivables	419,078	2,384,381
Investments	458,886	1,978,217
Savings account interest expense	(49,775)	(199,268)
Time deposits interest expense	(907,114)	(4,186,894)
	<u>1,923,379</u>	<u>8,459,691</u>

**32 Earnings per share**

Basic and diluted earnings per share were computed as follows:

	Apr 2016 \$	Jan 2016 \$
Profit attributable to shareholders of parent company	1,873,845	3,259,570
Divided by weighted average number of outstanding ordinary shares	52,000,000	52,000,000
<b>Basic and diluted earnings per share</b>	<u>0.036</u>	<u>0.063</u>

The Group has no dilutive potential ordinary shares as of April 30, 2016 and January 31, 2016.

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

**33 Commitments and contingencies**

**Bank guarantees**

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