Schedule 2
FORM ECSRC – OR

(Select One)

[X] QUARTERLY FINANCIAL REPORT for the period ended **31 October, 2018**
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)
St 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@tdcgroupltd.com; maritza.bowry@tdcgroupltd.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.

CLASS	NUMBER
Issued: 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

Si SIGNED AND CERTIFIED

Date

Name of Director:

Mr. Glenville R. Jeffers

Si SIGNED AND CERTIFIED

Date

Name of Chief Financial Officer:

Maritza S. Bowry

Si SIGNED AND CERTIFIED

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 nonfinancial indicators.

General Discussion and Analysis of Financial Condition

World growth strengthened in 2017 to 3.8 per cent, ½ percentage point higher than in 2016 and the strongest since 2011. Gross Domestic Product (GDP) in the Eastern Caribbean Currency Union (ECCU)expanded by an estimated 1.8 per cent in 2017 compared to 2.9 per cent in 2016. Based on the data available GDP is estimated to have increased by 1.7 per cent in 2017 in St Kitts and Nevis compared to an expansion of 2.2 per cent in 2016.

The IMF predicts global growth at 3.9% in 2018. Developments in the first half of 2018 indicated that the global economy is on track to achieve the projected growth rate of 3.9%. The US economy was boosted by higher consumer spending, growth in exports and an increase in investments partly due to tax cuts which took effect in the first quarter of the year. The US is one of the main trading partners of the ECCU. Consistent with the positive global forecasts, economic activity in the ECCU is expected to improve in the short to medium term. All the member territories, except Dominica, are forecasted to record positive economic growth in 2018. The economy of St Kitts and Nevis is expected to expand at an accelerated pace in 2018, compared with developments in 2017. *Source: Eastern Caribbean Central Bank December 2017 Economic and Financial Review.*

An increase in construction will reflect continued work on a number of public and private sector projects. Major infrastructural projects in St Kitts in 2018 will include the resurfacing of the island main road.

The performance of the tourism industry is estimated to strengthen. The recent opening of the 5-star Park Hyatt on 1 November 2017, the recent refurbishment of the St Kitts Marriot Resort and the planned refurbishment of the Four Seasons Resort on Nevis should complement recent investments in securing increased airlift into the Federation from United Airlines and American Airlines along with pre-existing seasonal airlift arrangements from Delta Airlines and winter service from Air Canada.

The draft unaudited financial statements for the TDC Group for the period 1 February 2018 to 31 October 2018 reflect a Profit Before Tax of $7,914,662 compared to $5,591,800 in the prior year while profit before tax at the end of the last financial year, 1 February 2017 to 31 January 2018 was $1,515,874. The profit before tax from the Financing segment of the business decreased by 8% at 31 October 2018 compared to 31 October 2017. The Insurance segment profit before tax decreased by 43% at 31 October 2018 in comparison to October 2017. Sales at the Home and Building Depot in St Kitts increased by 38% in comparison to last year, and in Nevis the sales decreased by 2%. Sales at the Automotive Division in St Kitts increased by 3% and by 42% at the Automotive Division in Nevis. The hotel segment continues to face challenges, however, the loss before tax for this segment decreased by 34% in comparison to last year.

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 $18,466,610 at 31 October 2018 compared to $17,372,819 at 31 January 2018.

Net Cash Flows from operating activities were $1,668,536 for the period under review. Net Cash Flows from financing activities were $2,444,363.

Borrowings stood at $55,554,696 at 31 October 2018 compared to $49,994,699 at January 31, 2018.

Property, plant and equipment is $133,288,775 at 31 October 2018 compared to $136,851,334 at 31 January 2018.

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 offbalance 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.

N/A

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.

Improved results were realized at the Home and Building Depot in St Kitts, TDC Automotive Division in Nevis, TDC Rentals Nevis Ltd, Business Centre in St Kitts, St Kitts Masonry Products (SKMP) and the OTI Group. There has been an increase in construction activity, particularly in St Kitts. Projects in St Kitts and Nevis that have positively impacted the sales include:

St Kitts

- Hurricane Relief Project
- T-Lofts
- Second pier at Port Zante
- NHC Homes in various areas
- Kings Pavilion Hotel, Bay Road
- Powell Apartments, New Road
- Police Training Facility, Lime Kiln
- Antioch Baptist Church, Lime Kiln
- CCCU Building, Wilkin Street
- Ross University, erecting additional building for classrooms
- Customs Building, Bird Rock
- FND Renovations, Bladens Commercial Development
- Caribbean Galaxy (Hilden Estate)– Newton Ground
- Cane Grove Development, St Peters
- Delisle Walwyn Renovation, Liverpool Row
- Windswept villas, Christophe Harbour
- Bennett Hofford projects, Christophe Habour
- Razo Construction Projects

Nevis

- Oasis Development, close to the medical school
- Bath village road project
- Homes by the Nevis Housing and Land Development Corporation
- Brown Hill Road Project
- Anne Bass, Tower Hill
- Four Seasons Resort refurbishment
- Police Station in St James
- Treasury building reconstruction
- Deon Daniel, condos at Pinneys Beach
- Brands Bakers, deli at Potworks

In May 2018 the Prime Minister announced that EC $30 million will be made available to civil servants for home renovations, additions up $30,000 per person. The first tier of $15 million was invested in the Development Bank on 1 June 2018, the rate of interest is 5% per annum. Also, activity began on the construction of the second cruise pier.

St Kitts Masonry Products – Purchase of Block Making Machine
In 2017, SKMP purchased a new block making machine that arrived in January 2018. The block making machines had been in use for over 25 years and broke down frequently in 2017. On 9 February 2018 SKMP began manufacturing blocks on the recently purchased machine. The sale of blocks increased significantly during the first half of the financial year.

Cruise Pier

- During the first quarter of the financial year TDC Insurance and TDC Financial Services each loaned US $1 million to the St Christopher Air and Sea Ports Authority. The other lenders were the SKNA National Bank US $34 million; Social Security Board US $7 million and SIDF US $5 million – total US $48 million
- Purpose – to finance the construction of a second pier at Port Zante US $40.8 million, upland developments US $ 1.5 million, purchase of a second hand tug US $3.7 million and professional fees US $2 million – total US $48 million
- Term – 15 years

ECCB Audit – TDC Financial Services

In April 2017, ECCB conducted an audit on TDC Financial Services. On 15 November 2017 the draft report was received, the report addressed corporate governance, credit risk, liquidity risk market risk, capital, earning, operational risk, compliance/anti-money laundering and the financing of terrorism. TDC Financial responded to the draft report received on 16 February 2018 that was subsequently discussed with team at ECCB. TDC Financial Services has begun to address several of the draft recommendations.

Other

Performance Evaluation System
TDC's performance evaluation system is currently being reviewed and it is anticipated that the final instrument will assist in creating greater teamwork, enhanced productivity, accountability and a more dedicated and motivated workforce. We have developed a set of Key Performance Indicators (KPIs) that will ensure that we remain tightly focused on our purpose.

Replacement of Software
The company will change the software programme utilized by the retail outlets in 2019. Training of staff members has started.

8.

N/A

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.

N/A

(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.

N/A

(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.

N/A

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

N/A

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

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.

N/A

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) 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)

  N/A

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

  N/A

- Name and address of underwriter(s)

  N/A

- Amount of expenses incurred in connection with the offer N/A

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

  N/A

- Payments to associated persons and the purpose for such payments

  N/A

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

N/A

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.

The investments held by the various subsidiaries within the TDC Group are exposed to market risk, that is risk of loss in financial instruments on the Balance Sheet due to adverse movements in market factors such as interest rates, prices, spreads, volatilities and/or correlations. For example, the TDC Group held cash and fixed deposits at the Caribbean Commercial Bank (Anguilla) Ltd and the National Bank of Anguilla. Both banks were placed in conservatorship in August 2013.

TDC Insurance Company Ltd – risk of loss due to catastrophe claims, pricing and underwriting.

Financial Risk Management and Management of Insurance and Financial Risk – please refer to Notes 5 and 6 in the Financial Statements attached.

DHL

On 1 May 2018 TDC was appointed as the agents for DHL for a 3-year period.

TDC Insurance – AM Best Rating

TDC Insurance Company Ltd maintained its A minus (A-) rating from A.M. Best, a leading international rating agency. The rating, which is valid for one year, is based on the company's Balance Sheet strength, profitability over the years, underwriting and operational performance, mitigation of risks through its reinsurance programmes, and its market presence in St Kitts and Nevis. On 29 August 2018 TDCIC was notified.

Deposit on 5.69 acres of land at Upper Dewars Estate

In October 2018 TDC paid a deposit on 5.69 acres of land at Upper Dewars Estate. The company is in the process of developing plans for a housing development.

Overview of Results of Operations

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.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Unaudited Consolidated Financial Statements
October 31, 2018
(expressed in Eastern Caribbean dollars)

St. Kitts Nevis Anguilla Trading and Development Company Limited

Consolidated Statement of Financial Position

As at October 31, 2018

(expressed in Eastern Caribbean dollars)

	October 31, 2018 $	January 2018 $
Assets		
Current assets		
Cash and cash equivalents (note 8)	**18,466,610**	17,372,819
Investment securities (note 9)	**72,810,233**	59,303,810
Loans to customers (note 10)	**20,544,908**	20,038,576
Receivables and prepayments (note 11)	**25,888,254**	19,008,731
Reinsurance assets (note 20)	**4,231,713**	10,822,407
Due from related parties (note 13)	**607,916**	954,956
Inventories (note 12)	**49,429,546**	46,036,360
Taxation recoverable (note 23)	**64,513**	80,113
Assets included in disposal group (note 14)	**538,259**	1,623,385
Total current assets	**192,581,952**	175,241,157
Non-current assets		
Investment securities (note 9)	**5,606,459**	15,123,505
Loans to customers (note 10)	**80,706,779**	84,509,569
Receivables (note 11)	**4,122,031**	4,925,254
Investment in associates (note 15)	**10,768,138**	10,130,402
Property, plant and equipment (note 16)	**133,288,775**	136,851,334
Investment property (note 17)	**1,783,654**	1,811,706
Intangible assets (note 18)	**211,889**	82,803
Deferred tax asset (note 23)	**286,250**	215,096
Total non-current assets	**236,773,975**	253,649,669
Total assets	**429,355,927**	428,890,826
Liabilities		
Current liabilities		
Borrowings (note 19)	**45,988,337**	39,143,628
Insurance liabilities (note 20)	**16,737,954**	27,099,962
Customers' deposits (note 21)	**105,638,406**	104,641,132
Accounts payable and other liabilities (note 22)	**45,008,892**	46,170,709
Tax payable (note 23)	**948,668**	1,085,533
Liabilities included in disposal group (note 14)	**431,076**	1,486,635
Due to related parties (note 13)	**153,950**	–
Total current liabilities	**214,907,283**	219,627,599
Non-current liabilities		
Borrowings (note 19)	**9,566,359**	10,851,071
Customers' deposits (note 21)	**10,371,923**	7,865,229
Accounts payable and other liabilities (note 22)	**266,358**	225,041
Deferred tax liability (note 23)	**6,476,537**	6,396,721
Total non-current liabilities	**26,681,177**	25,338,062

St. Kitts Nevis Anguilla Trading and Development Company Limited
Consolidated Statement of Financial Position *...continued*
As at October 31, 2018

(expressed in Eastern Caribbean dollars)

Total liabilities	**241,588,460**	244,965,661

	October 2018 $	**January 2018 $**
Shareholders' equity		
Share capital (note 24)	**52,000,000**	52,000,000
Other reserves (note 25)	**64,198,961**	63,579,236
Retained earnings	**67,321,929**	64,603,102
	183,520,890	180,182,338
Non-controlling interests	**4,246,577**	3,742,827
Total shareholders' equity	**187,767,467**	183,925,165
Total liabilities and shareholders' equity	**429,355,927**	428,890,826

The notes on pages 1 to 81 are an integral part of these consolidated financial statements.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Consolidated Statement of Income

For the period ended October 31, 2018

(expressed in Eastern Caribbean dollars)

	Oct 2018 $	Oct 2017 $
Revenue	**104,782,972**	92,541,356
Cost of sales	**(72,791,114)**	(62,922,723)
Gross profit	**31,991,858**	29,618,633
Net interest income (note 31)	**6,154,208**	6,384,063
Net underwriting (loss)/income	**1,921,092**	3,007,476
Other income (note 26)	**9,141,072**	7,797,026
Operating income before operating expenses	**49,208,230**	46,807,198
Operating expenses		
Employee costs (note 27)	**(13,703,573)**	(19,216,726)
General and administrative (note 28)	(19,801,111)	(13,127,934)
Depreciation and amortization (note 29)	(4,884,576)	(4,909,001)
	(38,389,260)	(37,253,661)
Operating profit	10,818,970	9,553,537
Share of (loss)/income of associated companies (note 15)	987,736	118,318
Finance charges (note 30)	(3,781,248)	(3,876,687)
Profit before income tax	8,025,458	5,795,168
Profit before income tax attributable to:		
Parent company	**7,914,662**	5,591,800
Non-controlling interests	**110,796**	203,368
	8,025,458	5,795,168
Income tax expense (note 23)	**3,028,108**	2,698,507
(Loss)/profit for the year from continuing operations	**4,997,350**	3,096,661
Profit/(loss) for the year from discontinued operations (note 14)	**774,637**	(74,888)
(Loss)/profit for the year	**5,771,987**	3,021,773
(Loss)/profit for the year attributable to:		
Parent company	**5,286,809**	2,903,593
Non-controlling interests	**485,178**	118,180
	5,771,987	3,021,773
(Loss)/earnings per share		
Basic and diluted per share (note 32)	**0.102**	0.056

The notes on pages 1 to 81 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 October 31, 2018

(expressed in Eastern Caribbean dollars)

	Oct 2018 $	Oct 2017 $
(Loss)/profit for the year	**5,771,987**	3,021,773
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Net unrealised fair value gains/(losses) on available-for-sale financial assets (note 9)	**92,859**	103,769
Net unrealised fair value gains/(losses) on available-for-sale financial assets (note 9)	**57,456**	92,009
Total comprehensive (loss)/income for the year	**5,922,302**	3,217,551
Total comprehensive (loss)/income for the year attributable to:		
Parent company	**5,418,552**	3,078,617
Non-controlling interests	**503,750**	138,934
	5,922,302	3,217,551

The notes on pages 1 to 81 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 October 31, 2018

(expressed in Eastern Caribbean dollars)

	Parent company					
	Share capital $	**Other reserves $**	**Retained earnings $**	**Subtotal $**	**Non-controlling interests $**	**Total $**
Balance at January 31, 2017	**52,000,000**	**62,323,178**	**71,279,215**	**185,602,393**	**4,956,434**	**190,558,827**
Comprehensive income						
Loss for the year	–	–	(3,000,860)	(3,000,860)	(1,265,231)	(4,266,091)
Transfer to reserve fund (note 25)	–	513,992	(513,992)	–	–	–
Transfer to other reserves (note 25)	–	41,261	(41,261)	–	–	–
Other comprehensive income						
Net unrealised fair value losses on available-for-sale financial assets (note 9)	–	700,805	–	700,805	51,624	752,429
Transaction with owners						
Dividends (note 24)	–	–	(3,120,000)	(3,120,000)	-	(3,120,000)
Balance at January 31, 2018	**52,000,000**	**63,579,236**	**64,603,102**	**180,182,338**	**3,742,827**	**183,925,165**
Comprehensive income						
Profit for the period			5,286,809	5,286,806	485,178	5,771,987
Transfer to reserve fund (note 25)		398,374	(398,374)	-		
Transfer to other reserves (note 25)		89,608	(89,608)	-		
Other comprehensive income						
Net unrealised fair value gains on available-for-sale financial assets (note 9)		131,743		131,743	18,572	150,315
Transaction with owners						
Dividends (note 24)			(2,080,000)	(2,080,000		(2,080,000)
Balance at October 31, 2018	**52,000,000**	**64,198,961**	**67,321,929**	**183,520,890**	**4,246,577**	**187,767,467**

The notes on pages 1 to 81 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 October 31, 2018

(expressed in Eastern Caribbean dollars)

	Oct 2018 $	Oct 2017 $
Cash flows from operating activities		
Profit before income tax	**8,025,458**	5,795,168
Items not affecting cash:		
Interest expense	**4,657,860**	5,900,787
Depreciation and amortization	**5,549,503**	5,794,309
Share of (loss)/income of associated companies	**(987,736)**	(118,319)
Write-back of internal health plan provision	**(600)**	-
Impairment losses on loans to customers	**11,608**	(127,515)
Recoveries on receivables	**(222,273)**	251,532
Gains on disposals of property and equipment	**(317,931)**	(417,628)
Dividend income	**(210,410)**	(306,703)
Interest income	**(8,999,695)**	(9,104,388)
Operating profit before working capital changes	**7,505,784**	7,667,243
Cash flows used in operating activities before changes in operating assets and liabilities		
Increase in loans to customers	**(4,720,833)**	3,001,075
Decrease in receivables and prepayments	**(5,854,027)**	(3,724,543)
(Increase)/decrease in reinsurance assets	**6,590,694**	(3,216,998)
Increase in due from related parties	**231,477**	430,337
(Increase)/decrease in inventories	**(3,393,186)**	(7,729,794)
Increase/(decrease) in insurance liabilities	**(10,362,008)**	2,121,464
Increase in customers' deposits	**5,450,035**	1,217,739
Increase in accounts payable and other liabilities	**(2,582,049)**	4,949,563
Decrease in due to related parties	**546,639**	(5,896)
Net cash generated from operating activities before interest receipts and payments and tax	**(6,587,474)**	4,710,190
Interest received	**15,502,865**	3,346,079
Taxes paid	**3,140,711**	(3,590,257)
Interest paid	**(4,106,144)**	(1,185,619)
Net cash from operating activities from continuing operations	**1,668,536**	3,953,451
Net cash from operating activities from discontinued operations	**88,762**	673,058
Net cash from operating activities	**1,757,298**	4,626,509

St. Kitts Nevis Anguilla Trading and Development Company Limited

Consolidated Statement of Cash Flows ...*continued*

For the period ended October 31, 2018

(expressed in Eastern Caribbean dollars)

	Oct 2018 $	Oct 2017 $
Cash flows from investing activities		
Interest received	**2,734,871**	608,303
Proceeds from disposals of property and equipment	**692,861**	(160,385)
Dividends received	**610,410**	306,703
Purchase of intangible assets	**(148,885)**	-
Additions to investment property	**-**	(2,034,359)
Purchase of property, plant and equipment	**(2,314,023)**	(1,878,651)
Redemption/(purchase) of investment securities, net	**(5,121,420)**	4,798,791
Net cash used in investing activities from continuing operations	**(3,546,186)**	1,640,402
Net cash from investing activities from discontinued operations		
Net cash used in investing activities	**(3,546,186)**	1,640,402
Cash flows from financing activities		
Dividends paid	**(617,851)**	(3,120,000)
Repayments of borrowings, net	**5,559,997**	128,824
Interest paid on borrowings	**(2,497,783**	(2,856,076)
Net cash used in financing activities from continuing operations	**2,444,363**	(5,847,252))
Net cash used in financing activities from discontinued operations (note 14)		
Net cash used in financing activities	**2,444,363**	(5,847,252)
Net increase/decrease in cash and cash equivalents	**655,475**	(253,399)
Cash and cash equivalents at beginning of year	**18,264,888**	21,220,592
Cash and cash equivalents at end of year	**18,920,363**	20,967,193
Represented by:		
Cash and cash equivalents (note 8)	**18,466,610**	20,075,124
Cash under assets included in disposal group (note 14)	**453,753**	892,069
Cash and cash equivalents at end of year	**18,920,363**	20,967,193

The notes on pages 1 to 81 are an integral part of these consolidated financial statements.

(expressed in Eastern Caribbean dollars)

1 Nature of operations

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

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

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

The accompanying consolidated financial statements are the financial statements of the Group and have been prepared in accordance with IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations as issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and available–for–sale (AFS) 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, 2017

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. Of the new and amendments to existing standards, the Group has assessed the relevance of all such new standards and amendments and has adopted the following which are relevant to its operations.

- Amendments to International Accounting Standard (IAS) 12, 'Income Taxes'. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets. Deferred tax assets are assessed in combination with other deferred tax assets where the tax law does not restrict the source of taxable profits against which particular types of deferred tax assets can be recovered. Where restrictions apply, deferred tax assets are assessed in combination only with other deferred tax assets of the same type. The amendment also clarifies that tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets. There was no impact from the adoption of this amendment.

- Amendments to IAS 7, 'Statement of Cash flows'. The amendment introduces an additional disclosure that will enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how consolidated financial statement disclosure can be improved. An entity is required to disclose information that will allow users to understand changes in liabilities arising from financing activities. This includes changes arising from cash flows, such as drawdowns and repayments of borrowings; and non-cash changes, such as acquisitions, disposals and unrealised exchange differences. There was no impact on implementation.

(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

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.

- IAS 40 (Amendment), 'Investment Property', – Reclassification to and from investment property (effective from January 1, 2018). The amendment states that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendment provided a non-exhaustive list of examples constituting change in use. Management has assessed that this amendment has no significant impact on the Group's consolidated financial statements.

- IFRS 9 (2014), 'Financial Instruments', (effective from January 1, 2018). This new standard on financial instruments will replace IAS 39, 'Financial Instruments: Classification and Measurement', and IFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

  - three principal classification categories for financial assets based on the business model of how an entity is managing its financial instruments;

  - an expected credit loss (ECL) model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since the initial recognition of a financial asset; and

  - a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

  In accordance with the financial asset classification principle of IFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

  In addition, IFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

(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*

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the IAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Based on an assessment of the Group's financial assets and liabilities as at January 31, 2018, which has been limited to the facts and circumstances existing at that date, management has identified the following areas that are expected to be most impacted by the application of IFRS 9 (2014):

- On classification and measurement of the Group's financial assets, management holds most financial assets to hold and collect the associated cash flows and is currently assessing the underlying types of cash flows to classify financial assets correctly. Management expects the majority of receivables to continue to be accounted for at amortised cost. However, a number of AFS financial assets are likely to be measured at fair value through profit or loss as the cash flows are not solely payments of principal and interest.

- The expected credit loss model will apply to the Group's receivables and investments currently classified as loans and receivables and AFS financial assets. For other financial assets and receivables, the Group will apply a simplified model of recognizing lifetime expected credit losses as these items do not have a significant financing component.

- The Group's equity securities, whether quoted or not, will be measured at fair value with changes in fair value presented either in profit or loss or in other comprehensive income. To present changes in other comprehensive income requires making an irrevocable designation on initial recognition or at the date of transition.

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

(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 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of consolidated financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard is effective for annual periods beginning on or after January 1, 2018. The impact of IFRS 15 is being assessed by the Group.

- IFRIC 22, 'Foreign Currency Transactions and Advance Consideration', - Interpretation on Foreign Currency Transactions and Advance Consideration (effective from January 1, 2018). The interpretation provides more detailed guidance on how to account for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary asset (arising from advance payment) or liability (arising from advance receipt). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. Management has initially assessed that this amendment has no material impact on the Group's consolidated financial statements.

- Annual Improvements to IFRS 2014-2016 Cycle. Among the improvements, IAS 28 (Amendment), 'Investment in Associates' – Clarification on Fair Value through Profit or Loss Classification (effective from January 1, 2018) is relevant to the Group. The amendments clarify that the option for venture capital organizations, mutual funds and other similar entities to elect the fair value through profit or loss classification in measuring investments in associates and joint ventures shall be made at initial recognition, separately for each associate or joint venture. Management has initially assessed that this amendment has no material impact on the Group's consolidated financial statements.

- IAS 28 (Amendment), 'Investment in Associates' – Long-term Interest in Associates and Joint Ventures (effective from January 1, 2019). The amendment clarifies that the scope exclusion in IFRS 9 (2014) applies only to ownership interests accounted for using the equity method. Thus, the amendment further clarifies that long term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under IFRS 9 (2014), which shall also include long term interests that, in substance, form part of the entity's net investment in an associate or joint venture. Management is currently assessing the impact of this new standard on its consolidated financial statements.

- IFRS 9 (Amendment), 'Financial Instruments', – Prepayment Features with Negative Compensation (effective from January 1, 2019). The amendment clarifies that prepayment features with negative compensation attached to financial instruments may still qualify under the SPPI test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVTOCI. Management is currently assessing the impact of this new standard on its consolidated financial statements.

(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 16, 'Leases', eliminates the current dual accounting model for lessees, which distinguishes between on-statement of financial position finance leases and off-statement of financial position operating leases. Instead, there is a single, on-statement of financial position accounting model that is similar to current finance lease accounting.

  Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. For lessees, the lease becomes an on-statement of financial position liability that attracts interest, together with a right to use assets also being recognized on the consolidated statement of financial position. In other words, lessees will appear to become more asset-rich but also more heavily indebted.

  The impacts are not limited to the consolidated statement of financial position. There are also changes in accounting over the life of the lease. In particular, companies will now recognise a front-loaded pattern of expense for most leases, even when they pay constant annual rentals. The standard is effective for annual periods beginning on or after January 1, 2019. The impact of IFRS 16 is being assessed by the Group.

- IFRIC 23, 'Uncertainty over Income Tax Treatments' (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. Management is currently assessing the impact of this new standard in its consolidated financial statements.

- Annual Improvements to IFRS 2015-2017 Cycle (effective from January 1, 2019). Among the improvements, the following amendments are relevant to the Group will have had no material impact on the Group's consolidated financial statements as these amendments merely clarify existing requirements:

  - IAS 12 (Amendments), 'Income Taxes – Tax Consequences of Dividends'. The amendments clarify that all income tax consequences of dividend payments should be recognized in profit or loss.

  - IAS 23 (Amendments), 'Borrowing Costs – Eligibility for Capitalization'. The amendments clarify that any specific borrowing which remains outstanding after the related qualifying asset is ready for its intended purpose, will then form part of the entity's general borrowings when calculating the capitalization rate for capitalization purposes.

  - IFRS 3 (Amendments), 'Business Combinations', and IFRS 11 (Amendments), 'Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation'. The amendments clarify that previously held interest in a joint operation shall be remeasured when the Group obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Group obtains joint control of the business.

(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, 2018. 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.

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

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

b) Investment in associates *...continued*

associate and its carrying value, then recognises the loss as 'Impairment loss on investments' in the consolidated statement of income.

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

c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Foreign currency transactions and balances

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

d) Segment reporting

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

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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

e) Revenue recognition *...continued*

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

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

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

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

e) Revenue recognition *...continued*

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

f) Expenses

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

g) Leases

The Group accounts for its leases as follows:

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

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

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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

h) Borrowing costs *...continued*

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.

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

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

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

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.

k) Intangible assets

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

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

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

l) Impairment of non-financial assets

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

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

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

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.

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.

(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

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

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

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

Classification and subsequent measurement of financial liabilities

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

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

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *…continued*

m) Financial instruments *…continued*

Classes of financial instruments

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

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

n) Impairment of assets

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

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

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

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

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

o) Offsetting financial instruments

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

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

p) Insurance contracts

Classification

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

Recognition and measurement

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

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

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

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

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

p) Insurance contracts *...continued*

Recognition and measurement *...continued*

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

Benefits are recorded as an expense when they are incurred.

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

Reinsurance contracts held

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

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

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

Deferred policy acquisition costs (DAC)

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

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

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

p) Insurance contracts *...continued*

Liability adequacy test

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

Receivables and payables related to insurance contracts

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

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

Salvage and subrogation reimbursements

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

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

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

q) Inventories

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

r) Income taxes

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

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

r) Income taxes *...continued*

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

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

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

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

Income tax rate

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

Premium tax rate

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

s) Cash and cash equivalents

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

t) Equity, reserves and dividend payments

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

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

(expressed in Eastern Caribbean dollars)

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 TDC Insurance Company Limited based on the discretion of the Group's Board of Directors as part of the Group's risk management strategies to mitigate against catastrophic events. These reserves are in addition to the catastrophe reinsurance cover.

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

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

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

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

u) Employee benefits

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

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

v) Provisions, contingent assets and contingent liabilities

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

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

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

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

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

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

w) Events after the reporting date

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

x) Customer loyalty programmes

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

y) (Loss)/earnings per share

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

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

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

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

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

aa) 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 of receivables at a level considered adequate to provide for uncollectible receivables. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with debtors, their payment behaviour and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgements or utilised different estimates. 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 $431,257 higher or $432,319 lower, respectively (2017: $429,382 higher or $484,302 lower, respectively).

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

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

iii) Estimated impairment of inventories

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

iv) Valuation of property

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

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

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

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

If the IBNR rates were adjusted by +/- 1%, the change in the consolidated statement of income would be to decrease or increase reported profits by approximately -/+$3,650 (2017: $3,650).

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

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

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

vi) Determination of life insurance valuation assumptions

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

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

vii) Sensitivity analysis of life insurance risk

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

	Change in Variable	Change in Net Policy Liabilities Increase/(Decrease)	
		Oct 2018	Jan 2018
		$	$
Increase in mortality	**10%**	**(31,328)**	**(31,328)**
Decrease in mortality	**10%**	**33,220**	**33,220**
Increase in lapse margin	**15%**	**85,669**	**85,669**
Increase in expenses	**10%**	**36,193**	**36,193**
Parallel decrease in valuation	**1%**	**308,689**	**308,689**

5 Financial risk management

Financial risk factors

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

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.

(expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

Financial risk factors *...continued*

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

a) Market risk

i) Foreign currency risk

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

ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises primarily from net interest bearing liabilities held with financial institutions with respect to the credit accounts, bank overdraft, 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 3.0% - 4.0%, 6.5% - 10% and 5% - 7% respectively, which exposes the Group to fair value interest rate risk. To manage interest rate risk, the Group negotiates the best rates possible and where possible considers factors such as refinancing, reviewing options and alternative financing.

Management does not believe significant interest rate risk exists at January 31, 2018. 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.

iii) Price risk

The Group is exposed to equity securities price risk because of equity investments held by the Group and classified in the consolidated statement of financial position as AFS financial assets. The Group's portfolio includes securities that are quoted on the Eastern Caribbean Securities Exchange, and its exposure to equity securities price risk is not material because the total of these securities is insignificant in relation to its consolidated statement of financial position and because of the limited volatility in this market. The Group does not hold equity securities that are quoted on the world's major securities markets. If market prices as at January 31, 2018 had been 10% higher/lower with all other variables held constant, the change in equity securities would have been insignificant.

(expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

Financial risk factors *...continued*

b) Credit risk

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

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

	Oct 2018 $	Jan 2018 $
Cash at banks and cash equivalents	**18,367,371**	17,280,444
Investment securities	**78,416,692**	74,427,315
Loans to customers	**101,251,687**	104,548,145
Receivables	**19,511,110**	18,068,768
Due from related parties	**607,916**	954,956
Assets included in disposal group	**538,259**	1,623,385
	218,693,035	216,903,013

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

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

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

(expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

Financial risk factors *...continued*

b) Credit risk *...continued*

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

No impairment loss has been recorded in relation to the Group's cash and cash equivalents, fixed deposits, corporate bonds and treasury bills and bonds and AFS financial assets.

Loans to customers

Loans to customers are summarised as follows:

	Oct 2018 $	Jan 2018 $
Neither past due nor impaired	**72,799,449**	79,452,074
Past due but not impaired	**22,450,246**	19,063,065
Impaired	**8,792,057**	8,633,938
Gross loans to customers	**104,041,753**	107,149,077
Interest receivable	**543,237**	307,620
Unearned Interest	(588,459)	-
Less: allowance for impairment	(2,744,844)	(2,908,552)
Net loans	**101,251,687**	104,548,145
Specific provision	**2,364,480**	2,512,789
Inherent risk provision	**380,364**	395,763
Allowance for impairment	**2,744,844**	2,908,552

(expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

Financial risk factors *...continued*

b) Credit risk *...continued*

Loans to customers *...continued*

(i) Loans to customers neither past due nor impaired

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

	Oct 2018	**Jan 2018**
	$	**$**
Home construction	**19,375,003**	22,778,060
Vehicle	**20,803,421**	22,543,014
Land and property	**11,231,985**	10,853,861
Refinanced mortgage	**6,478,304**	8,211,368
Consumer	**7,420,393**	7,242,143
Promotional	**6,069,915**	6,170,243
Vacation	**691,690**	829,962
Education	**439,924**	431,367
Government	**227,598**	277,027
Medical	**61,217**	115,029
	72,799,449	75,161,763

(ii) Loans to customers past due but not impaired

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

	Oct 2018	**Jan 2018**
	$	**$**
Past due up to 30 days	**17,133,492**	15,402,097
Past due 31 - 60 days	**3,983,268**	2,671,811
Past due 61 - 90 days	**1,333,487**	989,157
	22,450,246	19,063,065

(iii) Loans to customers individually impaired

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is $8,792,057 (Jan 2018: $8,633,938). Loans written-off for the year is $187,109 (Jan 2018: 245,680).

(expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

Financial risk factors *...continued*

b) Credit risk *...continued*

Loans to customers *...continued*

(iii) Loans to customers individually impaired ...continued

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:

	Oct 2018 **$**	**Jan 2018** **$**
Home construction	**2,966,205**	2,701,867
Land and property	**2,413,882**	2,594,564
Refinanced mortgage	**2,258,229**	2,234,630
Education	**394,818**	394,512
Vehicle	**448,812**	355,062
Consumer	**171,043**	227,017
Promotional	**114,267**	111,847
Vacation	**14,141**	14,439
Medical	**10,661**	–
Total	**8,792,057**	8,633,938
Fair value of collateral	**14,773,812**	14,264,234

(iv) Loans and advances renegotiated

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

As at October 31, 2018, renegotiated loans that would otherwise be past due or impaired totalled $406,830 (Jan 2018: $400,507).

(v) Repossessed collateral

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Repossessed collateral of the Group amounted to $0 for the period ended October 31, 2018 (Jan 2018: $146,500).

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

(expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

Financial risk factors *...continued*

c) Liquidity risk

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

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

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

	Within 1 year $	Between 1 and 5 years $	More than 5 years $	Total $
As at October 31, 2018				
Financial liabilities				
Borrowings	45,988,337	3,635,106	5,931,253	55,554,696
Customers' deposits	108,733,266	4,242,064	4,819,062	117,794,392
Accounts payable and other liabilities	43,970,799	-	-	43,970,799
Liabilities included in disposal group	153,950	-	-	153,950
Total financial liabilities	**198,846,352**	**7,877,170**	**10,750,315**	**217,473,837**
Financial assets				
Cash and cash equivalents	18,466,610	-	-	18,466,610
Investment securities	65,173,117	13,243,575	-	78,416,692
Loans to customers	24,586,591	59,403,196	69,944,956	153,934,743
Receivables	16,622,639	5,694,561	371,485	22,688,685
Due from related parties	607,916	-	-	607,916
Assets included in disposal group	538,259	-	-	538,259
Total financial assets	**125,995,132**	**78,341,332**	**70,316,441**	**274,652,905**
Net liquidity gap	**(72,851,220)**	**70,464,162**	**59,566,126**	**57,179,068**

(expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

Financial risk factors *...continued*

c) Liquidity risk *...continued*

	Within 1 year $	Between 1 and 5 years $	More than 5 years $	Total $
As at January 31, 2018				
Financial liabilities				
Borrowings	39,624,997	6,879,860	6,170,810	52,675,667
Customers' deposits	107,841,073	1,535,661	4,819,062	114,195,796
Accounts payable and other liabilities	44,975,639	–	–	44,975,639
Liabilities included in disposal group	1,470,898	–	–	1,470,898
Total financial liabilities	**193,912,607**	**8,415,521**	**10,989,872**	**213,318,000**
Financial assets				
Cash and cash equivalents	17,372,819	–	–	17,372,819
Investment securities	59,303,810	15,123,505	–	74,427,315
Loans to customers	25,028,343	62,747,245	74,208,903	161,984,491
Receivables	14,584,228	7,089,890	325,615	21,999,733
Due from related parties	954,956	–	–	954,956
Assets included in disposal group	1,623,385	–	–	1,623,385
Total financial assets	**118,867,541**	**84,960,640**	**74,534,518**	**278,362,699**
Net liquidity gap As at January 31, 2018	**(75,045,066)**	**76,545,119**	**63,544,646**	**65,044,699**

6 Management of insurance and financial risk

a) Insurance risk

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

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

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

(expressed in Eastern Caribbean dollars)

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

a) Insurance risk *...continued*

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:

	Oct 2018		**Jan 2018**	
	Gross $	**Net $**	**Gross $**	**Net $**
Type of risk				
Motor	**4,038,459**	**4,038,459**	3,080,929	3,080,929
Property	**2,074,000**	**169,000**	2,314,835	409,835
	6,112,459	**4,207,459**	5,395,764	3,490,764
Add:				
Claims incurred but not reported	**385,000**	**385,000**	385,000	385,000
Unallocated loss adjustment expenses	**277,000**	**277,000**	277,000	277,000
	6,774,459	**4,869,459**	6,057,764	4,152,764

i) Property insurance

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

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

The Group has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claim payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from fire, hurricane and earthquake damage. The Group has reinsurance cover for such damage to limit losses to $250,000 in any one occurrence, per individual property risk.

(expressed in Eastern Caribbean dollars)

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

a) Insurance risk *...continued*

i) Property insurance ...continued

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

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

ii) Casualty insurance

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

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

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

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Furthermore, the Group's strategy limits the total exposure to the Group by the use of reinsurance treaty arrangements. The reinsurance arrangements include excess of loss cover. The effect of such reinsurance arrangements is that the Group should not suffer total net insurance loss of more than $250,000 per risk for casualty insurance.

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.

(expressed in Eastern Caribbean dollars)

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

a) Insurance risk *...continued*

ii) Casualty insurance ...continued

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

iii) Life insurance contracts

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

The nature and extent of risks arising from life insurance contracts as of January 31, 2018 and 2017 are as follows:

Concentration of life insurance risk
Gross individual life insurance benefit insured per life policy as at April 30, is as follows:

Range	**Oct 2018**	**Jan 2018**
$0 - $200,000	**73%**	73%
$200,001 - $400,000	**23%**	23%
$400,001 - $800,000	**4%**	4%

The risk is concentrated in the first 2 categories.

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

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

(expressed in Eastern Caribbean dollars)

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

a) Insurance risk *...continued*

iii) Life insurance contracts ...continued

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

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

	Up to 1 year $	1 to 5 years $	Over 5 years $	Total $
As at October 31, 2018				
Net reserve	447	4,373	2,354,275	2,359,095
Fund balance	-	-	535,676	535,676
Supplementary benefits	222	-	-	222
Total liabilities, October 31, 2018	**669**	**4,373**	**2,889,951**	**2,894,993**
As at January 31, 2018				
Net reserve	447	4,373	2,354,275	2,359,095
Fund balance	–	–	535,676	535,676
Supplementary benefits	222	–	–	222
Total liabilities, January 31, 2018	**669**	**4,373**	**2,889,951**	**2,894,993**

iv) Claims development

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

(expressed in Eastern Caribbean dollars)

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

a) Insurance risk *...continued*

iv) Claims development ...continued

Motor – gross

Loss year	Brought forward $	2015 $	2016 $	2017 $	2018 $	2019 $	Total $
- At end of reporting year	5,523,092	3,350,301	2,409,026	2,417,002	2,351,911	2,529,250	**17,344,089**
- One year later	(32,231)	(442,227)	(61,050)	(70,294)	86,902	-	**(518,900)**
- Two years later	178,877	61,736	(46,686)	(25,161)	-	-	**219,088**
- Three years later	(45,450)	(37,116)	14,294	-	-	-	**(68,272)**
- Four years later	6,050	(15,212)	-	-	-	-	**(9,162)**
- Five years and over	2,714	(4,461)	-	-	-	-	**(1,747)**
Current estimate of cumulative claims	5,633,052	2,913,021	2,315,584	2,371,869	2,438,813	2,529,250	**18,201,589**
Cumulative payments to date	(3,895,910)	(2,326,985)	(2,359,021)	(1,932,712)	(1,939,496)	(1,709,006)	**(14,163,130)**
Liability recognised in the consolidated statement of financial position	**1,737,142**	**586,036**	**(43,437)**	**439,157**	**499,317**	**820,243**	**4,038,459**

Motor – net

- At end of reporting year	5,523,092	3,350,301	2,409,026	2,417,002	2,351,911	2,529,250	**17,344,089**
- One year later	(32,231)	(442,227)	(61,050)	(70,294)	86,902		**(518,900)**
- Two years later	178,877	61,736	(46,686)	(25,161)			**219,088**
- Three years later	(45,450)	(37,116)	14,294				**(68,272)**
- Four years later	6,050	(15,212)					**(9,162)**
- Five years and over	2,714	(4,461)					**(1,747)**
Current estimate of cumulative claims	5,633,052	2,913,021	2,315,584	2,371,869	2,438,813	2,529,250	**18,201,589**
Cumulative payments to date	(3,895,910)	(2,326,985)	(2,359,021)	(1,932,712)	(1,939,496)	(1,709,006)	**(14,163,130)**
Liability recognised in the consolidated statement of financial position	**1,737,142**	**586,036**	**(43,437)**	**439,157**	**499,317**	**820,243**	**4,038,459**

(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 $	2015 $	2016 $	2017 $	2018 $	2019 $	Total $
- At end of reporting year	1,283,506	173,307	2,412,000	3,245,454	2,481,1480	82,454	**9,677,861**
- One year later	42,713	(16,706)	197,931	(14,482)	(72,876)	-	**136,580**
- Two years later	(13,864)	-	-	-	-	-	**(13,864)**
- Three years later	-	-	(8,000)	-	-	-	**(8,000)**
- Four years later	-	-	-	-	-	-	-
- Five years later	-	-	-	-	-	-	-
Current estimate of cumulative claims	1,312,355	156,601	2,601,931	3,230,972	2,408,264	32,454	**9,792,576**
Cumulative payments to date	(264,275)	(1,137,082)	(2,424,602)	(3,056,088)	(594,117)	(242,412)	**(7,718,576)**
Liability recognised in the consolidated statement of financial position	**1,048,080**	**(980,481)**	**177,329**	**174,884**	**1,814,147**	**(159,959)**	**2,074,000**

Property – net

- At end of reporting year	1,283,506	173,307	2,412,000	3,245,454	576,140	81,186	**7,771,593**
- One year later	42,713	(16,706)	197,931	(14,482)	(71,608)	-	**137,848**
- Two years later	(13,864)	-	-	-	-	-	**(13,864)**
- Three years later	-	-	(8,000)	-	-	-	**(8,000)**
- Four years later	-	-	-	-	-	-	-
- Five years later	-	-	-	-	-	-	-
Current estimate of cumulative claims	1,312,355	156,601	2,601,931	3,230,972	504,532	31,186	**7,887,577**
Cumulative payments to date	(264,275)	(1,137,082)	(2,424,602)	(3,056,088)	(594,117)	(242,412)	**(7,718,576)**
Liability recognised in the consolidated statement of financial position	**1,048,080**	**(980,481)**	**177,329**	**174,884**	**(89,585)**	**(161,226)**	**169,000**

(expressed in Eastern Caribbean dollars)

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

b) Fair value of financial assets and liabilities

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

Determination of fair value

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

Short-term financial assets and liabilities
The carrying value of these financial assets and liabilities is a reasonable estimate of their fair value because of the short maturity of these instruments. Short-term financial assets are comprised of cash and cash equivalents, loans to customers, receivables 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.

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

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

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

	Carrying value		Fair value	
	Oct 2018	Jan 2018	Oct 2018	Jan 2018
	$	$	$	$
Financial assets				
Cash and cash equivalents	**18,466,610**	17,372,819	**18,466,610**	17,372,819
Investment securities	**78,416,692**	74,427,315	**78,416,692**	74,427,315
Loans to customers	**101,251,687**	104,548,145	**101,251,687**	106,705,028
Receivables	**19,511,110**	18,068,768	**19,511,110**	18,068,768
Due from related parties	**607,916**	954,956	**607,916**	954,956
Assets included in disposal group	**538,259**	1,623,385	**538,259**	1,623,385
	218,792,274	216,995,388	**218,792,274**	219,152,271
Financial liabilities				
Borrowings	**55,554,696**	49,994,699	**55,554,696**	49,994,699
Customers' deposits	**116,010,329**	112,506,361	**111,415,040**	107,910,003
Accounts payable and other liabilities	**43,970,799**	44,975,639	**43,970,799**	44,975,639
Liabilities included in disposal group	**138,213**	1,470,898	**138,213**	1,470,898
Due to related parties	**431,076**	–	**431,076**	–
	216,105,113	208,947,597	**211,509,824**	204,351,239

(expressed in Eastern Caribbean dollars)

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

c) Fair value hierarchy

Fair value measurement of financial assets

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

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

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

	Level 1 $	Level 2 $	Level 3 $
Financial assets Oct 2018			
AFS financial assets (note 9)	**4,409,640**	**-**	**3,535,197**
Financial assets Jan 2018			
AFS financial assets (note 9)	4,277,440	–	3,585,197

Fair value measurement of non-financial assets

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

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

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

(expressed in Eastern Caribbean dollars)

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

c) Fair value hierarchy *...continued*

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

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

d) Capital risk management

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

Total net debt includes bank loans and long-term debt less cash. The Group's capital includes total net debt and equity. As at October 31, 2018, the Group's net debt amounted to $37,088,086 (Jan 2018: $32,621,880), while its equity amounted to $187,767,467 (Jan 2018: $183,925,165).

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

In accordance with Section 3 of the Insurance Act of 2009 of St. Kitts and Nevis (the "Act"), the insurance subsidiary, TDC Insurance Company Limited, is required to have a minimum share capital of $2,000,000 fully paid up in cash. Further, Section 23 of the Act requires the insurance subsidiary to deposit an amount of $1,000,000 for long term insurance and no less than $500,000 for motor vehicle insurance with the Registrar or that the interest of the Registrar in respect of any prescribed asset be duly registered with the Eastern Caribbean Central Securities Registry. The statutory deposits prior to elimination in the amount of $4,249,354 (Jan 2018: $4,330,877) in the form of term deposits and bonds are currently held by the insurance subsidiary to satisfy the above requirement.

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

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

(expressed in Eastern Caribbean dollars)

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

d) Capital risk management *...continued*

	Oct 2018 $	Jan 2018 $
General insurance business		
20% of net premium income of the preceding year (2018: $7,,551,811; 2017: $7,409,132)	**1,510,362**	1,481,826
Long-term insurance business		
5% of life policyholders' benefits of the current year (2018: $2,894,993; 2017: $2,894,993)	**144,750**	144,750
	1,665,112	1,626,576

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

	Oct 2018 $	Jan 2018 $
Total assets	**54,044,967**	51,957,196
Total liabilities	**(14,633,304)**	(13,905,872)
Margin of solvency	**39,411,663**	38,051,324
Required minimum margin of solvency	**(1,655,112)**	(1,626,576)
Margin of solvency in excess of requirement	**37,756,551**	36,424,748

The margin of solvency was met and exceeded by the Company in October 2018 and January 2018.

In accordance with Section 3 of the Insurance Act of 2014 of Anguilla (the "Act"), the insurance subsidiary, East Caribbean Reinsurance Company Limited, is required to have a minimum share capital of $200,000 fully paid up in cash. Further, Section 8 of the Act requires the insurance company to deposit an amount at least equal to the total of its unearned premium reserves and outstanding claims reserves at a domestic bank in Anguilla.

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

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

(expressed in Eastern Caribbean dollars)

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

d) Capital risk management *...continued*

	Oct 2018 $	Jan 2018 $
General insurance business		
20% of net premium income		
(2018: $199,762; 2017: $576,353)	39,952	39,952

Compliance with minimum margin of solvency is determined as follows:

	Oct 2018 $	Jan 2018 $
Total assets	31,306,987	31,306,987
Total liabilities	(15,042,117)	(15,042,117)
Margin of solvency	16,264,870	16,264,870
Required minimum margin of solvency	(540,000)	(540,000)
Margin of solvency in excess of requirement	15,724,870	15,724,870

The margin of solvency was met and exceeded by the insurance subsidiary in 2018 and 2017.

(expressed in Eastern Caribbean dollars)

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

d) Capital risk management *...continued*

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

	Oct 2018 $	Jan 2018 $
Tier 1 capital		
Share capital	**6,000,000**	6,000,000
Statutory reserve fund	**6,434,550**	6,036,176
Retained earnings	**16,272,544**	14,768,656
Other reserve	**333,268**	243,661
Total qualifying tier 1 capital	**29,040,363**	27,048,493
Tier 2 capital		
Accumulated impairment	**2,744,844**	2,908,552
Total regulatory capital	**31,785,207**	29,957,045

7 Segment reporting

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

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

pressed in Eastern Caribbean dollars)

Segment reporting *...continued*

Segment information for the reporting period is as follows:

October 2018	**General trading** **$**	**Insurance** **$**	**Financing** **$**	**Hotel and restaurant** **$**	**Others** **$**	**Eliminations** **$**	**Total** **$**
Revenue							
From external customers:							
Revenue	93,001,792	496,658	-	4,069,209	7,215,313		104,782,972
Net interest income	534,895	1,035,604	4,382,329	-	201,380		6,154,208
Net underwriting income	-	1,921,092	-	-	-		1,921,092
Other income	5,424,455	1,538,143	328,097	678,831	1,171,546		9,141,072
From other segments	11,739,248	1,173,241	30,989	65,022	559,488	(13,567,988)	-
	110,700,390	6,164,738	4,741,415	4,813,062	9,147,727	(13,567,988)	121,999,344
Cost of sales	78,644,869	-	-	1,665,338	2,154,639	(9,673,732)	72,791,114
Gross profit	32,055,521	6,164,738	4,741,415	3,147,724	6,993,088	(3,894,256)	49,208,230
Employee costs	13,421,374	1,566,741	897,026	1,250,858	2,665,112	-	19,801,111
General and administrative expenses	9,797,491	1,960,733	913,553	1,758,362	2,900,484	(3,627,050)	13,703,573
Depreciation and amortization	2,496,782	231,024	143,395	1,082,175	931,200	-	4,884,576
Finance charges, net	3,518,469	69,840	19,612	175,876	486,679	663,034	3,781,248
Share of loss of associated companies	-	-	-	-	-	(987,736)	(987,736)
	29,234,116	3,688,658	1,934,362	4,267,271	6,010,117	(3,951,752)	41,182,772
Segment profit/(loss) before income tax	**2,821,405**	**2,476,080**	**2,807,053**	**(1,119,547)**	**982,971**	**57,496**	**8,025,458**
Segment assets	**219,649,803**	**75,429,973**	**151,774,607**	**34,746,918**	**40,730,893**	**(92,976,267**	**429,355,927**
Segment liabilities	**126,746,960**	**19,106,602**	**122,734,245**	**22,172,280**	**8,245,470**	**(57,417,097**	**241,588,460**

pressed in Eastern Caribbean dollars)

Segment reporting *...continued*

October 2017	**General trading** **$**	**Insurance** **$**	**Financing** **$**	**Hotel and restaurant** **$**	**Others** **$**	**Eliminations** **$**	**Total** **$**
Revenue							
From external customers:							
Revenue	80,242,111	775,023		3,667,438	7,856,784		92,541,356
Net interest income	499,328	1,099,181	4,455,083		330,471		6,384,063
Net underwriting income		3,007,476					3,007,476
Other income	4,298,992	1,225,282	336,545	639,651	1,296,556		7,797,026
From other segments	10,269,318	1,595,537	51,672	168,113	331,308	(12,415,948)	
	95,309,749	7,702,499	4,843,300	4,475,202	9,815,119	(12,415,948)	109,729,921
Cost of sales	67,103,329			1,730,043	2,973,323	(8,883,972)	62,922,723
Gross profit	28,206,420	7,702,499	4,843,300	2,745,159	6,841,796	(3,531,975)	46,807,198
Employee costs	12,774,805	1,420,001	911,085	1,375,208	2,735,627		19,216,726
General and administrative expenses	9,861,282	2,051,407	632,107	1,752,159	2,597,782	(3,766,803)	13,127,934
Depreciation and amortization	2,620,868	122,645	152,627	1,186,944	825,917		4,909,001
Finance charges, net	3,635,016	(243,885)	103,826	123,500	(556,240)	814,425	3,876,687
Share of income of associated companies						(118,318)	(118,318)
	28,892,016	3,350,168	1,799,645	4,437,811	5,603,086	(3,070,696)	41,012,030
Segment profit/(loss) before income tax from continuing operations	(685,596)	4,352,331	3,043,655	(1,692,652)	1,238,711	(461,279)	5,795,168
Segment loss from before income tax from discontinued operations	74,888						74,888
Segment profit/(loss) before income tax	(760,484)	4,352,331	3,043,655	(1,692,652)	1,238,711	(461,279)	5,720,280
Segment assets	217,960,294	77,407,198	144,948,826	35,715,504	41,852,618	(91,216,979)	426,667,461
Segment liabilities	128,358,746	16,409,275	117,314,143	21,754,357	9,242,478	(57,067,910)	236,011,089

(expressed in Eastern Caribbean dollars)

7 Segment reporting *...continued*

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

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

8 Cash and cash equivalents

	Oct 2018 $	Jan 2018 $
Cash on hand	**99,239**	92,375
Cash at banks	**9,251,564**	8,191,212
Cash equivalents	**9,115,807**	9,089,232
	18,466,610	17,372,819

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:

	Oct 2018 $	Jan 2018 $
Two (2) 91-day Treasury bills from the Government of St. Kitts and Nevis maturing on August 8, 2018 with an interest rate of 3.75% (Jan 2018: 3.75%)	**5,968,750**	5,968,750
Five (5) 90-day term deposits held at Royal Bank of Canada maturing on 09 October 2018 and 24 September 2018 at interest rate of 1%, respectively (Jan 2017: 1%)	**2,647,057**	2,627,357
Ninety-one (91)-day Treasury bills from the Nevis Island Administration matured on October 09, 2018 with an interest rate of 5.5%	**500,000**	493,125
	9,115,807	9,089,232

(expressed in Eastern Caribbean dollars)

9 Investment securities

	Oct 2018 $	Jan 2018 $
Available-for-sale		
Quoted securities	**4,409,640**	4,277,440
Unquoted securities	**3,535,197**	3,585,197
	7,944,837	7,862,637
Loans and receivables		
Fixed deposits	**41,559,076**	37,712,726
Corporate bonds	**18,550,000**	18,550,000
Government treasury bills and bonds	**9,616,779**	9,539,125
	69,725,855	65,801,851
Total investment securities – principal	**77,670,692**	73,664,488
Interest receivable	**746,000**	762,827
	78,416,692	74,427,315
Current		
Non-current	**65,173,117**	59,303,810
	13,243,575	15,123,505
	78,416,692	74,427,315

The movement in investment securities may be summarised as follows:

	Loans and receivables $	Available-for-sale $	Total $
Balance at January 31, 2017	**68,276,651**	**7,063,346**	**75,339,997**
Additions	3,082,013	46,862	3,128,875
Redemption	(5,556,813)	–	(5,556,813)
Net unrealised fair value losses on AFS financial assets	–	752,429	752,429
Balance at January 31, 2018	**65,801,851**	**7,862,637**	**73,664,488**
Additions	9,876,341	-	9,876,341
Redemption	(5,952,337)	(18,115)	(5,970,452)
Net unrealised fair value gains on AFS financial assets	-	150,315	150,315
Transfer to Investments in Associates	-	(50,000)	(50,000)
Balance at October 31, 2018	**69,725,855**	**7,944,837**	**77,670,692**

(expressed in Eastern Caribbean dollars)

9 Investment securities *...continued*

The net unrealised fair value gains/(losses) for the year on AFS financial assets are attributable to the shareholders of:

	Oct 2018	**Jan 2018**
	$	**$**
Parent company (note 25)	**131,743**	700,805
Non-controlling interests	**18,572**	51,624
	150,315	752,429

Fixed deposits

Fixed deposits consist of one to two years term deposits at local and regional financial institutions and bear interest ranging from 1.5% to 3.5% per annum (2017: 1.5% to 3.5%).

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

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

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

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

(expressed in Eastern Caribbean dollars)

9 Investment securities *...continued*

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 1.75%% to 8% per annum (2017: 1.998% to 8%).

Treasury bills and bonds

Treasury bills and bonds are held with Eastern Caribbean Governments with maturities ranging from three months to one year for treasury bills and one to twenty years for bonds. Interest rate on treasury bills ranges from 4.5% to 6.5% per annum (2017: 4.5% to 6.5%) while interest rates on bonds range from 1.99% to 6% per annum (2017: 1.99% to 6.0%).

10 Loans to customers

	Oct 2018 **$**	**Jan 2018** **$**
Performing loans and advances	**95,249,695**	98,515,139
Impaired loans	**8,792,058**	8,633,938
Gross loans	**104,041,753**	107,149,077
Allowance for loan impairment	**(2,744,844)**	(2,908,552)
Net loans	**101,296,909**	104,240,525
	(588,459)	
Unearned Interest		
Interest receivable	**543,237**	307,620
Total loans to customers	**101,251,687**	104,548,145
Current	**20,544,908**	20,038,576
Non-current	**80,706,779**	84,509,569
	101,251,687	104,548,145

The weighted average effective interest rate on performing loans and advances at amortised cost at October 31, 2018 was % (2018: 8.53%).

Movement in the loan loss provision:

	Oct 2018 **$**	**Jan 2018** **$**
Balance at beginning of year	**2,908,552**	3,309,172
Impairment (credit)/charge during the year (note 28)	**(187,109)**	(201,902)
Write-offs for the year	**23,401**	(198,718)
Balance at end of year	**2,744,844**	2,908,552

(expressed in Eastern Caribbean dollars)

10 Loans to customers *...continued*

In 2017, certain loans to customers previously written-off amounting to $10,113 were recovered (note 28).

In accordance with ECCB loan provisioning guidelines, the calculated allowance for loan impairment amounts to $2,240,936 (2017: $2,240,936). Where the ECCB loan loss provision is greater than the loan loss provision calculated under IAS 39, the difference is transferred as a non-distributable reserve in equity. As at July 31, 2018, the loan loss provision calculated under IAS 39 was greater than the ECCB provision. Therefore, a transfer to non-distributable reserve in equity was not required at the reporting date.

Impaired loans as at October 31, 2018 amounted to $8,792,057 (Jan 2018: $8,633,938) and interest taken to income on impaired loans during the year amounted to $41,261 (2017: $61,290). The interest receivable on loans that would not be recognised under ECCB guidelines as at January 31, 2018 amounted to $243,661 (2017: $202,400), and is included in non-distributable reserves in equity (note 25). The interest receivable on non-productive loans to customers but not recognized in the financial statements at the end of the year amounted to $2,107,873 (2017: $1,903,054).

11 Receivables and prepayments

	Oct 2018 $	**Jan 2018 $**
Current:		
Accounts receivable	**18,529,266**	17,053,439
Finance lease receivables	**4,233,623**	5,147,590
Other receivables	**1,479,639**	13,290
	24,242,528	22,214,319
Less: provision for impairment	**(8,853,449)**	(9,070,805)
Net receivables	**15,389,079**	13,143,514
Statutory deposits	**2,830,878**	2,830,877
Prepayments	**7,668,297**	3,034,340
	25,888,254	19,008,731
Non-current:		
Finance lease receivables	**4,122,031**	4,925,254

In accordance with the Insurance Act 2009 Section 23, all registered insurance companies are required to maintain a statutory deposit in certain prescribed forms acceptable to the Registrar of Insurance. As at January 31, 2018 and 2017, statutory deposits were held in the form of term deposits with local commercial banks and funds held on deposit with the Financial Services Regulatory Commission – St. Christopher Branch. Statutory deposits are restricted and hence are not available for use in the day-to-day operations of the Group.

(expressed in Eastern Caribbean dollars)

11 Receivables and prepayments *...continued*

Classification of receivables

Receivables are summarized as follows:

	Oct 2018 $	Jan 2018 $
Neither past due nor impaired	**14,716,425**	13,206,936
Past due but not impaired	**4,762,144**	4,861,832
Individually impaired	**8,885,990**	9,070,805
	28,364,559	27,139,573

Movement in the allowance for impairment of receivables is:

	Oct 2018 $	Jan 2018 $
Balance at beginning of year	**9,070,805**	9,306,190
Impairment credit for the year, net (note 28)	**(222,273)**	(235,110)
Written-off during the year as uncollectible	**(4,917)**	(275)
Reclassified to assets under disposal group		–
Balance at end of year	**8,853,449**	9,070,805

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.

	Oct 2018 $	Jan 2018 $
Under 3 months	**14,716,425**	13,206,936

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.

(expressed in Eastern Caribbean dollars)

11 Receivables and prepayments *...continued*

As at October 31, 2018, receivables of $4,762,144 (2017: $4,861,832) were past due but not impaired. The aging of these receivables is as follows:

	Oct 2018 $	Jan 2018 $
Over 3 months	**4,762,144**	4,861,832

Receivables individually impaired

As at October 31, 2018, receivables of $8,885,990 (2017: $9,070,805) were impaired and a related provision established. The aging of these receivables is as follows:

	Oct 2018 $	Jan 2018 $
Over 3 months	**8,885,990**	9,070,805
Total receivables	**28,364,559**	27,139,573

Finance lease receivables

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

	Oct 2018		Jan 2018	
	Future MLPR $	PV of NMLPR $	Future MLPR $	PV of NMLPR $
Within one year	**5,467,183**	**4,233,623**	6,588,304	5,147,590
After one year but not more than five years	**5,694,561**	**3,835,868**	7,089,890	4,675,548
More than five years	**371,485**	**286,161**	325,615	249,706
Total MLPR	**11,533,229**	**8,355,652**	14,003,809	10,072,844
Amounts representing finance income	**(3,177,577**	**-**	(3,930,965)	–
PV of MLPR	**8,355,652**	**8,355,652**	10,072,844	10,072,844

(expressed in Eastern Caribbean dollars)

11 Receivables and prepayments *...continued*

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

12 Inventories

	Oct 2018 $	Jan 2018 $
General trading stock on hand	**30,298,101**	30,370,241
Land held for future development	**11,647,503**	11,647,503
Sunrise Hills Villas – land	**2,658,607**	2,658,607
Stock in transit	**4,698,645**	1,217,458
Work-in-progress	**126,690**	142,551
	49,429,546	46,036,360

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

Due from related parties	Relationship	Oct 2018 $	Jan 2018 $
Malliouhana-Anico Insurance Company Limited	Associate company	**607,916**	750,211
St. Kitts Masonry Products Limited	Associate company	**-**	204,745
		607,916	954,956

Due to related parties	Relationship	Oct 2018 $	Jan 2018 $
St. Kitts Masonry Products Limited	Associate company	**431,076**	-

(expressed in Eastern Caribbean dollars)

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

The following transactions were carried out with related parties:

		Oct 2018 $	Jan 2018 $
Sales			
Name of related party	**Relationship**		
St. Kitts Masonry Products Limited	Associate company	**2,914,797**	2,699,996
Management fees			
Name of related party	**Relationship**		
St. Kitts Masonry Products Limited	Associate company	**108,000**	144,000
Malliouhana-Anico Insurance Company Limited	Associate company	**45,000**	60,000
		153,000	204,000
Reinsurance premium expense			
Name of related party	**Relationship**		
Malliouhana-Anico Insurance Company Limited	Associate company	**1,254,374**	1,418,617
Expenses			
Name of related party	**Relationship**		
St. Kitts Masonry Products Limited	Associate company	**6,898,937**	5,715,247

Shares owned by Group directors

	Oct 2018 $	Jan 2018 $
9,447,590 shares at $1 per share (Jan 2018: 9,447,590 shares at $1 per share)	**9,447,590**	9,447,590

Balances with the Group directors

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

	Oct 2018 $	Jan 2018 $
Loans to directors	**2,628,738**	813,880
Deposits from directors	**2,287,863**	2,132,390

(expressed in Eastern Caribbean dollars)

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

Advances from directors are repayable on demand and bear interest ranging from 3% to 4% per annum (2017: 3.5% to 5.0%) and are included in accounts payable and other liabilities on the consolidated statement of financial position.

	Oct 2018	**Jan 2018**
	$	**$**
Advances from directors	**4,704,680**	5,112,731

Key management compensation

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

	Oct 2018	**Jan 2018**
	$	**$**
Salaries	**1,431,417**	1,736,915
Directors' fees	**244,500**	612,850
Gratuity	**295,821**	295,821
Allowances	**88,920**	121,800
Pension	**79,090**	105,453
Social security	**70,225**	93,634
	2,209,973	2,966,473

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

pressed 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 Oct 2018	Jan 2018
TDC Real Estate and Construction Company Limited	St. Kitts	real estate development and construction of residential villas	100%	100%
TDC Rentals Limited	St. Kitts	car rental services and financing service to consumers	100%	100%
TDC Tours Limited	St. Kitts	organisation of tours, weddings and shore excursions	100%	100%
City Drug Store (Nevis) Limited	Nevis	retailing of customer products	100%	100%
TDC Airline Services (Nevis) Limited	Nevis	travel agents, tour operators, shipping and forwarding agents	100%	100%
TDC Nevis Limited	Nevis	trading as general merchants, manufacturers' representatives and commission agents	100%	100%
TDC Real Estate and Construction Company (Nevis) Limited	Nevis	real estate development and construction	100%	100%
TDC Rentals (Nevis) Limited	Nevis	car rental services and financing service to consumers	100%	100%
East Caribbean Reinsurance Company Limited	Anguilla	the business of reinsurance for all classes of general insurance	80%	80%

(expressed in Eastern Caribbean dollars)

14 Interest in subsidiaries *...continued*

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

The 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.

Disposal group and discontinued operations

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

The details of profit/(loss) from discontinued operations are shown below.

	Oct 2018 **$**	**Jan 2018** **$**
Sales		–
Cost of sales		–
Other income	**897,548**	-
Sales and distribution costs		16,119
General and administrative expenses	**(51,984)**	(69,877)
Impairment loss on disposal of plant and equipment (note 16)		–
Loss on retirement of plant and equipment		–
Profit/(loss) before finance costs and tax	**845,564**	(53,758)
Finance costs	**(1,268)**	(1,351)
Profit/(loss) before tax from discontinued operations	**844,296**	(55,109)
Tax expense	**(69,654)**	-
Profit/(loss) for the year from discontinued operations	**774,642**	(55,109)

(expressed in Eastern Caribbean dollars)

14 Interest in subsidiaries *...continued*

Disposal group and discontinued operations *...continued*

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

	Oct 2018 $	Jan 2018 $
Current assets		
Cash	**453,753**	892,069
Receivables, net	**86,506**	731,316
Assets included in disposal group	**540,259**	1,623,385
Current liabilities		
Accounts payable and other liabilities	**84,295**	1,470,898
Income tax payable	**69,654**	15,737
Liabilities included in disposal group	**153,949**	1,486,635

15 Investment in associates

The Group's associates include the following:

Name of Associate	Country of incorporation/ Principal place of business	Percentage of ownership 2018 %	2018 %	Carrying value Oct 2018 $	Jan 2018 $
St. Kitts Masonry Products Limited	St. Kitts	**50**	50	**7,863,357**	7,402,609
Malliouhana-Anico Insurance Company Limited	Anguilla	**25**	25	**2,740,974**	2,727,793
Port Services Ltd	St. Kitts	**33.33**		**163,808**	-
				10,786,139	10,130,402

(expressed in Eastern Caribbean dollars)

15 Investment in associates *...continued*

Movements in the investment in associates account are as follows:

	Oct 2018 $	Jan 2018 $
Balance at beginning of year	**10,130,402**	11,276,138
Transfer from Investment Securities	**50,000**	
Share in net (loss)/earnings of associated companies	**987,737**	(1,145,736)
Dividend	**(400,000)**	-
Balance at end of year	**10,768,139**	10,130,402

St. Kitts Masonry Products Limited

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

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

	Oct 2018 $	Jan 2018 $
Current assets	**7,599,558**	6,696,982
Non-current assets	**15,622,514**	13,793,445
Current liabilities	**(5,348,343)**	(3,362,144)
Non-current liabilities	**(2,229,717)**	(2,396,344)
Net assets	**15,644,013**	14,731,939
Revenue	**18,602,492**	18,605,770
Costs and expenses	**(16,880,997)**	(18,522,396)
Net income	**1,721,495**	83,374

In 2018, dividends received from St. Kitts Masonry Products Limited amounted to $400,000 (Jan 2018: $0).

(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:

	Oct 2018 $	**Jan 2018 $**
Assets	**25,805,654**	38,224,756
Liabilities	**(10,393,490)**	(22,975,600)
Net assets	**15,412,164**	15,249,156
Net underwriting (loss)/income	**2,200,432**	(2,729,377)
Other income	**706,308**	863,765
Costs and expenses	**(2,854,019)**	(3,099,165)
Net (loss)/income	**52,721**	(4,964,777)

Condensed financial information of Port Services Limited is as follows

	Oct 2018 $
Current assets	**528,141**
Non-current assets	**82,584**
Current liabilities	**(119,268)**
Net assets	**491,457**
Revenue	**1,318,950**
Costs and expenses	**(1,198,194)**
Net income	**120,757**

pressed in Eastern Caribbean dollars)

Property, plant and equipment

	Land and buildings $	Furniture and fittings $	Construction equipment rentals $	Plant and machinery $	Containers $	Motor vehicles $	Computers and equipment $	Total $
Year ended January 31, 2018								
Opening net book amount	113,905,879	2,753,156	79,212	7,650,773	246,231	8,498,905	1,246,196	134,380,352
Additions	273,775	332,384	22,046	1,259,373	77,886	2,477,687	434,584	4,877,735
Disposals	–	(9,949)	(54,537)	(167,983)	–	(2,397,196)	(269,788)	(2,899,453)
Writeback on disposals	–	6,298	50,793	23,875	–	1,878,454	247,715	2,207,135
Accumulated depreciation	(2,005,632)	(528,765)	(30,923)	(1,562,577)	(57,035)	(2,767,504)	(660,096)	(7,612,532)
Accumulated impairment								
Depreciation charge (note 29)	5,598,513	(292,796)	–	603,380	–	–	–	5,909,097
Transfers/reclassifications	(11,000)	–	–	–	–	–	–	(11,000)
Cost								
Accumulated depreciation								
Impairment loss								
Closing net book amount	**117,761,535**	**2,260,328**	**66,591**	**7,806,841**	**267,082**	**7,690,346**	**998,611**	**136,851,334**
At January 31, 2018								
Cost or valuation	123,661,706	6,675,596	416,166	16,643,086	683,602	22,556,248	7,173,042	177,809,446
Accumulated depreciation	(5,900,171)	(4,415,268)	(349,575)	(8,836,245)	(416,520)	(14,865,902)	(6,174,431)	(40,958,112)
Net book amount	**117,761,535**	**2,260,328**	**66,591**	**7,806,841**	**267,082**	**7,690,346**	**998,611**	**136,851,334**

pressed 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 $
Quarter ended October 31, 2018								
Opening net book amount	117,761,535	2,260,328	66,591	7,806,841	267,082	7,690,346	998,611	136,851,334
Additions	269,427	145,942	-	351,006	-	1,393,150	154,498	2,314,023
Disposals	-	(81,649)	(12,129)	(114,104)	(9,665)	(1,774,164)	(4,042)	(1,995,753)
Writeback on disposals		65,574	1,418	56,488	9,001	1,498,847	3,190	1,634,518
Depreciation charge (note 29)	(1,518,607)	(362,775)	(16,781)	(1,273,111)	(39,963)	(1,980,679)	(323,431)	(5,515,347)
Transfers								
Cost								
Accumulated depreciation								
Closing net book amount	**116,512,355**	**2,027,420**	**39,099**	**6,827,120**	**226,455**	**6,827,500**	**828,826**	**133,188,775**
At October 31, 2018								
Cost or valuation	123,931,133	6,739,889	404,037	16,879,988	673,937	22,175,234	7,323,498	178,127,716
Accumulated depreciation	(7,418,778)	(4,712,469)	(364,938)	(10,052,868)	(447,482)	(15,347,734)	(6,494,672)	(44,838,941)
Net book amount	**116,512,355**	**2,027,420**	**39,099**	**6,827,120**	**266,455**	**6,827,500**	**828,826**	**133,288,775**

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

In 2017, the Group recognised an impairment loss amounted to $1,528,534, of which $830,466 was recognised in the consolidated statement of income shown as part of loss on disposal of plant and equipment under loss for the year from discontinued operations (note 14), while the remaining $698,068 was charged directly against revaluation surplus upon execution of the asset purchase and sale agreement (the Agreement) executed between the Group and third party purchaser. Upon consummation of the Agreement, the revaluation surplus, net of loss charged against revaluation surplus amounted to $1,059,915 was transferred to retained earnings in relation to the sale of its property, plant and equipment.

(expressed in Eastern Caribbean dollars)

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

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

	Oct 2018 **$**	**Jan 2018** **$**
Proceeds from disposals of property and equipment	**679,166**	1,105,724
Carrying amount of property and equipment	**(361,235)**	(692,318)
Gains on disposals of property and equipment	**317,931**	413,406

Gains on disposals of property and equipment are recognized as part of other income in the consolidated statement of income (note 26).

(expressed in Eastern Caribbean dollars)

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

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

	Land $	Buildings $	Total $
At January 31, 2018			
Opening net book value	20,329,404	62,969,469	83,298,873
Additions	–	273,775	273,775
Disposals	1,100,000	4,487,513	5,587,513
Transfer to investment property	–	(722,324)	(722,324)
Depreciation			
	21,429,404	**67,008,433**	**88,437,837**
Closing net book value			
At October 31, 2018			
Opening net book value	**21,429,404**	**67,008,433**	**88,437,837**
Additions	-	**187,561**	**187,561**
Transfer from property and equipment			**-**
Depreciation	-	**(1,005,743)**	**(1,005,743)**
Closing net book value	**21,429,404**	**66,190,251**	**87,619,655**

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.

	Buildings $	Land $	Equipment $	Total $
Year ended January 31, 2018				
Opening net book value	4,223,853	1,415,000	–	5,638,853
Additions	1,797,768	–	310,584	2,108,352
Transfers from property and equipment				
Cost	(4,498,513)	(1,100,000)	(310,584)	(5,909,097)
Accumulated depreciation	11,000	–	–	11,000
Depreciation charge (note 29)	(37,402)	–	–	(37,402)
Closing net book value	**1,496,706**	**315,000**	**–**	**1,811,706**
At January 31, 2018				
Cost	1,608,292	315,000	–	1,923,292
Accumulated depreciation	(111,586)	–	–	(111,586)
	1,496,706	**315,000**	**–**	**1,811,706**

(expressed in Eastern Caribbean dollars)

17 Investment property *...continued*

	Buildings $	Land $	Total $
Quarter ended October 31, 2018			
Opening net book value	1,496,706	315,000	1,811,706
Additions			
Transfers to property and equipment			
Cost			
Accumulated depreciation			
Depreciation charge (note 29)	(28,052)		(28,052)
Closing net book value	**1,468,654**	**315,000**	**1,783,654**
At October 31, 2018			
Cost	1,608,292	315,000	1,923,292
Accumulated depreciation	(139,638)		(139,638)
	1,468,654	**315,000**	**1,783,654**

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 October 31, 2018, the carrying amount of the Group's investment property approximates its market value based on the latest market valuation report of the property obtained in 2015 prior to its change in use.

(expressed in Eastern Caribbean dollars)

18 Intangible assets

	Computer software $
Year ended January 31, 2018	
Opening net book amount	66,186
Additions	66,656
Amortisation (note 29)	(50,039)
Closing net book amount	**82,803)**
At January 31, 2018	
Cost	**1,576,814**
Accumulated amortisation	(1,494,011)
Net book amount	**82,803**
Year ended October 31, 2018	
Opening net book amount	**82,803**
Disposals	**(74,708)**
Additions	**148,885**
Write back of accumulated amortisation	**61,012**
Amortisation (note 29)	**(6,104)**
Closing net book amount	**211,888**
At October 31, 2018	
Cost	**1,650,991**
Accumulated amortisation	**(1,439,103)**
Net book amount	**211,888**

(expressed in Eastern Caribbean dollars)

19 Borrowings

	Oct 2018 $	Jan 2018 $
Bank term loans	**21,187,086**	17,154,436
Bank overdrafts	**23,705,539**	21,391,551
Other	**10,662,071**	11,448,712
Total borrowings	**55,554,696**	49,994,699
Current	**45,988,337**	39,143,628
Non-current	**9,566,359**	10,851,071
	55,554,696	49,994,699

Bank term loans carry interest rates between 5% and 7% (2017: 5% and 7%) and are repayable in regular instalments of principal and interest, maturing at various intervals from one to fifteen years through 2019 to 2026 (2017: through 2018 to 2026).

Bank overdrafts carry interest rates varying from 6.5% to 10% (2017: 6.5% to 10.0%).

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

Collateral security for indebtedness

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

(expressed in Eastern Caribbean dollars)

20 Insurance liabilities

	Oct 2018 $	Jan 2018 $
Claims reported and outstanding	**6,031,928**	19,383,266
Unearned premiums	**2,897,121**	3,730,411
Life policyholders' benefits	**2,894,993**	2,894,993
Claims incurred but not reported	**385,000**	385,000
Due to reinsurers	**20,199**	376,292
Unallocated loss adjustment expenses	**277,000**	330,000
	12,506,241	27,099,962
Reinsurance assets		
Claims reported and outstanding	**4,142,502**	10,547,980
Unearned reinsurance premiums	**89,211**	274,427
Claims incurred but not reported	**-**	–
Total reinsurance assets (gross)	**4,231,713**	10,822,407
Claims reported and outstanding	**10,174,430**	8,835,286
Unearned premiums	**2,986,332**	3,455,984
Life policyholders' benefits	**2,894,993**	2,894,993
Claims incurred but not reported	**385,000**	385,000
Due to reinsurers	**20,199**	376,292
Unallocated loss adjustment expenses	**277,000**	330,000
Total insurance liabilities (net)	**16,737,954**	16,277,555

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

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

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

(expressed in Eastern Caribbean dollars)

20 Insurance liabilities *...continued*

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

	Oct 2018 $	Jan 2018 $
Life policyholders' benefits (gross)		
Balance at beginning of year	2,912,784	2,912,784
Inforce reserve change (deaths, lapses and actives)	173,287	173,287
Change of assumption impact		
Lapse	90,382	90,382
Interest	69,511	69,511
Expense	47,453	47,453
Total life policyholders' benefits (gross)	3,293,417	3,293,417

	Oct 2018 $	Jan 2018 $
Life policyholders' benefits (net)		
Balance at beginning of year	2,738,895	2,738,895
Inforce reserve change (deaths, lapses and actives)	76,941	76,941
Change of assumption impact		
Lapse	(12,377)	(12,377)
Interest	50,229	50,229
Expense	41,305	41,305
Total life policyholders' benefits (net)	2,894,993	2,894,993

21 Customers' deposits

	Oct 2018 $	Jan 2018 $
Fixed deposits	**105,175,025**	102,437,104
Savings deposits	**9,310,136**	8,521,635
	114,485,161	110,958,739
Interest payable	**1,525,168**	1,547,622
Total customers' deposits	**116,010,329**	112,506,361
Current	**105,638,406**	104,641,132
Non-current	**10,371,923**	7,865,229
	116,010,329	112,506,361

(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 $854,581 (Jan 2018: $3,652,466). The average effective rate of interest paid on customers' deposits was 3.37% (Jan 2018: 3.37%).

22 Accounts payable and other liabilities

	Oct 2018 $	Jan 2018 $
Credit accounts	**24,300,712**	26,068,106
Accounts payable	**10,114,296**	10,520,376
Accrued expenses	**6,803,182**	5,530,919
Deferred revenue	**1,038,093**	1,420,111
Dividend payable	**1,462,149**	1,239,442
Gratuity reserve	**459,278**	566,465
Other liabilities	**532,559**	562,732
Statutory payables	**151,446**	340,423
Warranty liability	**147,177**	147,176
Employee health fund	**-**	–
Total accounts payable and other liabilities	**45,008,892**	46,395,750
Current	**45,008,892**	46,170,709
Non-current	**266,358**	225,041
	45,275,250	46,395,750

Credit accounts represent interest-bearing liabilities to individuals and companies payable on demand and bear interest ranging from 3.0% to 4.0% per annum (Jan 2018: 3.0% to 4.0% per annum).

The Group provides health plan benefits to all its employees thereby accruing a fixed amount of money every month. The Group enrolled all its employees into a group health plan with third party insurance and discontinued the internal health fund, resulting in the over-provided amount being written back to other income amounting to $200 (Jan 2018: $14,500) in the consolidated statement of income (see note 26).

(expressed in Eastern Caribbean dollars)

23 Taxation

Income tax expense

	Oct 2018 $	Oct 2017 $
Current income tax expense for the year	**3,019,450**	2,910,408
Net deferred tax expense for the year	**8,658**	(211,903)
Total income tax expense for the year	**3,028,108**	2,698,507

	Oct 2018 $	Oct 2017 $
Current income tax expense		
Profit before income tax Profit before income tax	**8,025,459**	5,795,168
Income tax expense at rate of 33%	**2,648,401**	1,912,405
Unrecognised deferred tax assets	**430,278**	42,491
Effect of permanent differences	**40,537**	790,368
Effect of income not assessable for taxation	**92,016**	(46,757)
Prior Period Adjustment	**908**	-
	3,028,108	2,698,507

Deferred tax expense

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

	Oct 2018 $	Jan 2018 $
Increase in deferred tax liability	242,848	504,630
(Increase)/decrease in deferred tax asset	(234,190)	(14,877

(expressed in Eastern Caribbean dollars)

23 Taxation *...continued*

Deferred tax asset

The movement in the deferred tax asset is as follows:

	Oct 2018 $	Jan 2018 $
Balance at beginning of year	**(215,096)**	(200,219)
Deferred tax (credit)/expense for the year	**(234,190)**	(14,877)
Transfer	**163,036**	-
Balance at end of year	**(286,250)**	(215,096)

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

Deferred tax liability

The movement in the deferred tax liability is as follows:

	Oct 2018 $	Jan 2018 $
Balance at beginning of year	**6,396,721**	5,892,091
Deferred tax expense for the year	**242,848**	504,630
Transfer	**(163,032)**	-
Balance at end of year	**6,476,537**	6,396,721

The deferred tax liability arises from accelerated depreciation.

Current tax payable

The movement in the current tax payable is as follows:

	Oct 2018 $	Jan 2018 $
Balance beginning of year	**1,085,533**	1,480,032
Current tax expense for the year	**3,019,450**	4,052,399
Transferred to income tax recoverable	**-**	65,102
Utilization of taxation recoverable during the year	**(63,211)**	(105,903)
Prior year adjustment	**(914)**	
Income tax paid during the year	**(3,092,190)**	(4,406,097)
Balance at end of year	**948,668**	1,085,533

(expressed in Eastern Caribbean dollars)

23 Taxation *...continued*

Taxation recoverable

The movement in the taxation recoverable is as follows:

	Oct 2018 $	Jan 2018 $
Balance at beginning of year	**80,113**	120,914
Transferred from income tax payable	**-**	65,102
Utilization during the year	**(63,211)**	(105,903)
Balance at end of year	**64,513**	80,113

24 Shareholders' equity

Share capital

	Oct 2018 $	Jan 2018 $
Authorised:		
500,000,000 ordinary shares at $1 per share	500,000,000	500,000,000
Issued and fully paid:		
52,000,000 ordinary shares at $1 per share	52,000,000	52,000,000

Dividends

On June 26, 2018, the Company's Board of Directors approved the declaration of cash dividends amounting to $2,080,000

25 Other reserves

	Oct 2018 $	Jan 2018 $
Revaluation reserve – property	**34,094,437**	34,094,437
Claims equalization reserve	**21,803,237**	21,803,237
Statutory reserve fund	**6,434,551**	6,036,176
Revaluation reserve – AFS financial assets	**1,533,468**	1,401,725
Non-distributable reserve (note 10)	**333,268**	243,661
	64,198,961	63,579,236

(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:

	Oct 2018 $	Jan 2018 $
Balance at beginning of year	**34,094,437**	34,094,437
Loss on impairment of property (note 16)	–	–
Transfer of revaluation surplus on disposal of property (note 16)	–	–
Balance at end of year	**34,094,437**	34,094,437

Claims equalization reserve
Claims equalisation reserve represents cumulative amounts appropriated from retained earnings based on the discretion of the Group's Board of Directors as part of the Group's risk management strategies to mitigate against catastrophic events. These reserves are in addition to the catastrophe reinsurance cover. As at January 31, 2018 and 2017, the total claims equalization reserve amounted to $21,803,237.

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

	Oct 2018 $	Jan 2018 $
Balance at beginning of year	**6,036,176**	5,522,184
Appropriations during the year	**398,375**	513,992
Balance at end of year	**6,434,551**	6,036,176

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

	Oct 2018 $	Jan 2018 $
Balance at beginning of year	**1,401,725**	700,920
Net unrealised fair value gains/(losses) on AFS financial assets (see note 9)	**131,743**	700,805
Balance at end of year	**1,533,468**	1,401,725

(expressed in Eastern Caribbean dollars)

25 Other reserves *...continued*

Non-distributable reserve
Non-distributable reserve is 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:

	Oct 2018 **$**	**Jan 2018** **$**
Balance at beginning of year	**243,661**	202,400
Transfer from retained earnings	**89,607**	41,261
Balance at end of year	**333,268**	243,661

26 Other income

	Oct 2018 **$**	**Oct 2017** **$**
Rent	**2,500,057**	**2,247,341**
Commission income	**2,251,149**	**1,905,197**
Damage insurance income	**452,046**	**450,672**
Miscellaneous income	**507,099**	**327,393**
Equipment rental and repairs	**765,062**	**789,552**
Management and administration fees	**193,271**	**190,084**
Handling charges	**121,142**	**84,362**
Photocopier income	**358,704**	**384,208**
Dividend income	**210,410**	**306,703**
Vehicle servicing	**411,177**	**310,826**
Facility income	**263,900**	**281,770**
Gains on disposals of property and equipment (note 16)	**317,931**	**417,628**
Truck operating income	**459,375**	**389,465**
Write-back of internal health plan provision (note 22)	**600**	
Shipping loss, net	**329,149**	**450,752**
	9,141,072	**7,797,026**

(expressed in Eastern Caribbean dollars)

27 Employee costs

	Oct 2018 $	Oct 2017 $
Salaries and wages	14,705,218	14,232,195
Statutory contributions	1,486,335	1,496,159
Other staff costs	841,975	815,134
Pension savings plan	699,720	639,874
Bonus and gratuity	1,054,620	939,587
Directors' fees	448,183	476,981
Staff scholarship and training	376,200	437,040
Health insurance	188,860	179,756
	19,801,111	19,216.726

28 General and administrative expenses

	Oct 2018 $	Oct 2017 $
Advertising and sales promotion	1,800,411	1,782,244
Repairs and maintenance	1,798,810	1,819,753
Utilities	1,472,242	1,391,591
Legal and professional fees	1,490,115	1,316,413
General	1,518,717	1,328,708
Motor vehicle	802,440	790,663
Communications	765,701	730,196
Taxes and licenses	524,191	532,898
Computer installation and consultancy	609,576	543,308
Warranty	298,201	231,221
Security	389,469	360,898
Management fees	347,466	324,230
Rent	452,171	316,453
Travel	301,979	326,880
Freight, handling and truckage	229,170	562,500
Sewage, waste and landscaping	172,870	166,760
Entertainment	151,644	205,963
Supplies	332,152	367,714
Printing and stationery	261,134	236,645
Annual general meeting	67,977	166,229
Subscriptions	125,277	79,033
Impairment (credit)/charge on loans to customers, net (note 10)	11,608	(127,515)
Impairment (credit)/charge on receivables, net (note 11)	(219,748)	(324,851)
	13,703,573	13,127,934

(expressed in Eastern Caribbean dollars)

29 Depreciation and amortization

	Oct 2018 $	Oct 2017 $
Depreciation		
Property, plant and equipment (note 16)	4,850,420	4,817,494
Investment property (note 17)	28,052	51,283
	4,878,472	4,868,777
Amortization (note 18)	6,104	40,224
	4,884,576	4,909,001

30 Finance charges, net

	Oct 2018 $	Oct 2017 $
Interest expense		
Borrowings	2,497,783	2,856,076
Credit accounts	160,498	324,386
	2,658,281	3,180,462
Bank charges	1,122,967	696,225
	3,781,248	3,876,687

31 Net interest income

	Oct 2018 $	Oct 2017 $
Loans to customers	6,531,066	6,403,932
Receivables	966,116	1,052,513
Investments	1,502,513	1,647,943
Savings account interest expense	(196,550)	(180,103)
Time deposits interest expense	(2,648,937)	(2,540,222)
	6,154,208	6,384,063

(expressed in Eastern Caribbean dollars)

32 (Loss)/earnings per share

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

	Oct 2018 $	Jan 2018 $
(Loss)/profit attributable to shareholders of parent company	**5,286,809**	(3,000,860)
Divided by weighted average number of outstanding ordinary shares	**52,000,000**	52,000,000
Basic and diluted (loss)/earnings per share	**0.102**	(0.058)

The Group has no dilutive potential ordinary shares as of October 31, 2018.

33 Commitments and contingencies

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