

Savings Future People Reuse Recycle Refresh Group  
Growth People Energy Progress Future Education  
companies Success People Energy Youth Future Reuse Education  
Go Future People Service Green Renew Savings Growth Recycle  
Youth Group People Service Green Youth Development Renew Savings People compa  
Advancement Service Recycle Growth Youth People Deve  
Education companies Students Education Reuse Future  
Education Savings Group companies Progress Reuse  
Future Education of Youth Energy  
Group companies Environment Investment Green Growth Reuse Recycle Students Advancement  
companies Environment Investment Green Growth Reuse Recycle Students Advancement  
Investment Green Growth Reuse Recycle Students Advancement  
Eco Reuse Recycle Group Eco Youth Refresh  
Go Service Youth Savings  
Education Development Renew  
Progress Growth People Success



# 2014 ANNUAL REPORT

# Toyota Prius



## Gas-Electric Hybrid

## Eco-Friendly

“The Toyota Prius is an energy efficient vehicle with combined fuel economy, low emissions and a solar roof that will help you to save on gas and protect the environment.”

Available at:  
TDC Automotive Divisions



## Mission Statement

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

## Vision Statement

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

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

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# Corporate Information



(Photograph taken at the 2013 Annual General Meeting)

**Back Row (l - r)**      **Nicolas N. Menon**, B.Sc. (Hons), M.B.A.; **Clive E. R. Ottley**, M.B.B.S., (Lond) F.R.C.O.G.;  
**Kenneth N. Kelly**; **Ernie A. France**, B.A.; **Glenville R. Jeffers**, B.B.A.;

**Front Row (l - r)**      **Melvin R. Edwards**, B.A., M.Sc; **Charles L. A. Wilkin**, C.M.G., Q.C., M.A. (Cantab);  
**D. Michael Morton**; **Maritza S. Bowry**, B.Sc., M.B.A., C.P.A. (Company Secretary);  
**Earle A. Kelly**, B.A., M.B.A. (Chairman); **Myrna R. Walwyn**, B.Sc., M.A., Dip. Law

**Absent**                      **Jacques A. C. Cramer**

Registered Office:      Fort Street, Basseterre, St. Kitts

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

# Notice of Meeting

Notice is hereby given that the 41<sup>st</sup> Annual General Meeting of the St Kitts Nevis Anguilla Trading and Development Company Limited will be held at the Fisherman's Wharf, Fortlands, Basseterre, St Kitts on Thursday, September 4<sup>th</sup>, 2014, at 5:00 p.m.

## AGENDA

1. To receive the Report of the Directors
2. To receive and consider the Financial Statements for year ended January 31<sup>st</sup>, 2014
3. To receive and consider the Report of Auditors thereon
4. To declare a Dividend
5. To elect Directors to replace those retiring by rotation
6. To appoint Auditors and to authorize the Directors to fix their remuneration for the ensuing year.

## BY ORDER OF THE BOARD

*Maritza Bowry*  
Maritza S Bowry  
Company Secretary

July 28, 2014

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



Canon PIXMA MG6220

# Energy Saving Eco-Friendly Ink

“Canon Generation - Green printers, copiers and scanners are eco-friendly and eco-conscious; helping you to use less and save more through energy efficiency.”

Available at:  
TDC Business Centre, St. Kitts  
and CDS (Nevis) Limited

# Directors' Report 2013/2014

Our fortieth year of operations was one of consolidation and celebration as the company successfully marked this major milestone in its existence. The comprehensive strategic plan that was developed last year to reverse the decline in sales, cut costs, improve efficiency and return the company to a path of sustainable growth entered the implementation phase and is already having a positive impact on its operations.

Total Turnover grew by slightly less than 2.0 percent over last year but Gross Margin was materially unchanged. Revenues from services increased by 7.0 percent while Operating Expenses and Finance Charges fell by 2.5 and 7.8 percent respectively. There was a significant charge for the impairment of investments.

The contribution from the associated companies rose by 38.0%. Net Income Before Taxation, totaled \$8,141,831.00 compared to \$5,128,366.00. Due to the adoption of several Accounting Standards, the Financial Statements for the prior two years were restated in several material respects and there was a substantial non-cash charge of \$3,974,260.00 related to the writedown of Deferred Tax Assets.

The Board recommends a dividend of 4.00 cents per share. If the shareholders approve, the total payout will be \$2,080,000.00.

## PERFORMANCE REVIEW

### GENERAL TRADING

The Sales of the **Home and Building Depot** in St Kitts reached a record high as the department's Net Income nearly doubled. The department in Nevis continued to perform poorly as a result of the depressed construction sector on that island. The **Automotive Divisions on both islands** maintained their profitability, mainly as a result of the company's offering of attractive, high quality vehicles supported by aggressive pricing and sales promotions. The **Drinks Depot on Nevis** produced disappointing results. Despite management's best efforts **City Drug Store (Nevis) Ltd.** and **TDC Business Center – St. Kitts** still made losses, though significantly lower than the previous year. However, the improvement in the results of these businesses suggests an early return to profitability.

### SERVICES

Both of our **Shipping Agencies** improved their performance over last year. The department on Nevis achieved its budget but that on St. Kitts fell just short.

Even though the Hire Purchase volumes in the home furniture and appliances segments in **TDC Rentals Ltd.** and **TDC Rentals (Nevis) Ltd.** declined, these companies returned significantly improved results because of improved debt collections, strong vehicle rentals business, and in the case of the operations on St Kitts, increased Hire Purchase sales of vehicles.

### FINANCE & INSURANCE

**St. Kitts Nevis Finance Company Limited (FINCO)** continued its record of solid profits. Interest on loans and Returns from Investments still rose in a market characterized by severe competition, low rates on loans, and low returns on investments. Provision for Loan Losses was reduced which partly accounted for the improved performance.

Lower Motor claims and Reinsurance costs at the **St. Kitts Nevis Insurance Company Ltd. (SNIC)** were sufficient to offset the increase in Property Claims, so Underwriting Profits remained stable. However, they were not enough to cover the increase in Operating expenses resulting in Net Income falling significantly and well short of management's projections. The company continued preparations in its quest to become rated by A.M. Best, a leading international rating agency for insurance companies. Several of the "best practices" recommended by the consultants, who are assisting management in this exercise, have been adopted and are already adding value to the company's operations.

**SNIC (Nevis) Ltd.** increased both its revenues and Net Income and managed its debtors accounts well.

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

### TOURISM

The new team that now manages **Ocean Terrace Inn Ltd. (OTI)** has achieved mixed results. For the year under review the losses have been reduced. As was indicated in our report last year, financing has been raised from the Sugar Industry Diversification Foundation (SIDF)



# Directors' Report 2013/2014 *Cont'd*

to refurbish and upgrade the hotel plant and improve its operations. Subsequent to year end, the hotel was closed to facilitate the upgrading work and plans are for it to be ready for reopening by December 1st 2014.

**TDC Airline Services Ltd.** was able to increase its profit and reached its modest budget for the first time in several years. This was achieved as a result of improved terms for aircraft handling services, additional business and some cost cutting measures.

Notwithstanding the restructuring exercise which was initiated last year, **TDC Airline Services (Nevis) Ltd.** performed unsatisfactorily because of the loss of revenue resulting from the cessation of service by one of its principals.

**TDC Tours Ltd.** performed marginally better than last year even though its results fell slightly short of projections. This is a low cost operator in the tourism sector and prospects for its future growth look positive as the local industry expands.

## REAL ESTATE DEVELOPMENT

Five units were sold by **TDC Real Estate and Construction Ltd.** at Sunrise Hills and five by Conaree Estates Ltd. at Atlantic Views Residences, generating significant activity throughout the Group. As we conclude construction at Atlantic Views, the company is actively seeking additional land for the construction of middle income homes.

Unfortunately, there was no construction activity at **The Cable Bay Hotel Development Company's** development, Oceans Edge, during the year under review. The shareholders are in continuing discussions about the future of this project.

## MANUFACTURING

**St. Kitts Bottling Company Ltd.** continues to experience severe challenges and reported a loss, albeit lower than last year. With the de-authorization of the company to bottle Coca Cola products, discussions about our company's future with the Coca Cola Company within the framework of its strategy for the region are ongoing. It is anticipated that these discussions will be concluded later this year. In the meantime, the company has had some success with the export of its manufactured products to regional markets.

**St. Kitts Masonry Products Ltd.** our associate block and concrete manufacturing company reported improved sales and profits for the year. The construction sector remained buoyant and the prospects for further growth appear positive.

## SOCIAL CONTRIBUTION

In keeping with the company's Mission Statement to "contribute meaningfully to the Economic, Social and Cultural Advancement of our Nation", TDC maintained its support of various causes and organizations throughout the Federation. These included, but were not limited to, National Carnival, St. Kitts Music Festival, Green Valley Festival, Black San' Festival, Advancement of Children Foundation and the Inter High School Track and Field Championships in St. Kitts, and Culturama, Inter Primary School Athletics Championships, Inter Primary School Cricket Championships and the Pink Lily Foundation in Nevis. The company continued to honour its long standing commitments to the Warren Tyson Scholarship Program, which currently serves 49 students, and the Michael L. King Scholarship Grant Program which has provided financial support to 28 full time university students who are not employees of the company.

## HUMAN RESOURCES

During the year our Human Resources department facilitated training in-house, locally and abroad for staff at all levels. Several training modules were delivered to management and staff on a myriad of topics and disciplines.

Through the Michael King Scholarship Programme, the company provided financial assistance to thirteen (13) employees who were pursuing studies locally, overseas and through distance education programmes.

The company's representatives continue to actively participate in the deliberations on the proposed Labour Code which could have a negative impact on the company's human resource costs. The Labour Code was published by Government last year and is still under review in the tripartite process involving the Government, Trade Unions and The St. Kitts and Nevis Chamber of Industry and Commerce.

# Directors' Report 2013/2014 *Cont'd*

## THE ECONOMY

The expected improved economic outlook for the Federation, alluded to in our report last year, did come to fruition. The Eastern Caribbean Central Bank reported growth in Real GDP of 2.0 percent reversing a decline of 0.9 percent in the previous year. This improvement was due largely to increased activity in the construction sector, tourism and the wholesale and retail trades. However, the construction and related sectors continue to be very dependent on the Citizenship by Investment Program and we remain concerned about its sustainability. We again call on the Government to aggressively pursue additional sources of direct foreign investment to ensure long term economic progress.

While there has been progress made to reduce the incidence of violent crime in the Federation, with murders reduced from the high levels of previous years, we encourage all sectors of our society to work assiduously to do all that they can to further reduce crime.

## STATUTORY REPORT

The Directors have pleasure in submitting their Report and Audited Accounts for the year ended

	<u>2014</u>	<u>2013</u> <i>(Restated)</i>
Profit for the year, after providing for Taxation	310,733	3,073,716
The Board recommends a Dividend of 4 cents per share free of tax (2013 – 3 cents per share)	2,080,000	1,560,000



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Earle A. Kelly  
Chairman



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Ernie A. France  
Director

In accordance with Article 99 of the Articles of Association, Jacques A C Cramer, Clive E R Ottley, Charles L Wilkin and Earle A Kelly retire and, being eligible, offer themselves for re-election.

Subsequent to the end of the financial year, effective February 1, 2014, D Michael Morton retired from the position of Chairman and CEO of the company and was replaced by Earle A. Kelly. Mr Morton, who has been employed by the company from inception served as Chairman for fourteen years. The Board of Directors records its appreciation for his leadership of the Board and the management during his tenure. He remains a director of the company.

Mr. Kenneth N Kelly, who has served as a director since 1988, has indicated his intention to retire from the Board at the conclusion of this meeting. We extend heartfelt appreciation to Mr Kelly for the yeoman service and wise counsel that he rendered over the years.

The Auditors, Grant Thornton, Chartered Accountants retire, and being eligible, offer themselves for re-election.

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

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



# Solar Energy

## Photovoltaic Panels

“Solar energy is the cleanest and most abundant renewable energy source available. This saves an average of 25% on the cost of electricity each year.”

Available at:  
TDC Home and Building Depots



## INDEPENDENT AUDITORS REPORT

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

We have audited the accompanying consolidated financial statements of St. Kitts–Nevis–Anguilla Trading and Development Company Limited, which comprise the consolidated statement of financial position as of January 31, 2014, the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

#### *Auditors' Responsibility*

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

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

#### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of St. Kitts–Nevis–Anguilla Trading and Development Company Limited as of January 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



**Chartered Accountants**  
**August 7, 2014**  
**Basseterre, St. Kitts**

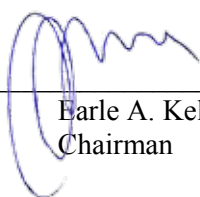
# Consolidated Statement of Financial Position

As at 31 January 2014 (Expressed in Eastern Caribbean Dollars)

	2014 \$	As restated 2013 \$	As restated 2012 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents (note 8)	18,475,056	11,769,198	12,231,603
Investment securities (note 9)	68,005,688	53,990,648	57,236,527
Loans to customers (note 10)	91,654,380	87,733,792	75,762,282
Accounts receivable and prepayments (note 11)	37,903,116	34,985,158	37,215,635
Due from related parties (note 13)	194,068	248,032	624,641
Inventories (note 12)	45,942,500	52,522,899	59,043,732
Taxation recoverable (note 22)	307,492	341,513	592,617
Investment in associates (note 15)	8,133,784	7,535,179	7,240,939
Property, plant and equipment (note 16)	134,001,075	133,301,401	134,682,935
Intangibles (note 17)	619,430	910,473	952,653
Deferred tax asset (note 22)	316,882	4,291,142	3,071,798
<b>Total assets</b>	<b>405,553,471</b>	<b>387,629,435</b>	<b>388,655,362</b>
<b>Liabilities</b>			
Borrowings (note 18)	65,104,328	56,713,171	56,607,880
Insurance liabilities (note 19)	7,935,622	6,329,138	5,872,971
Customers' deposits (note 20)	91,492,911	80,563,906	73,833,875
Accounts payable and other liabilities (note 21)	49,157,741	51,549,784	59,410,434
Provision for taxation (noted 22)	2,756,393	1,144,370	2,257,627
Due to related parties (note 13)	36,079	499,553	656,721
Deferred tax liability (note 22)	5,137,338	5,199,712	5,385,415
<b>Total liabilities</b>	<b>221,620,412</b>	<b>201,999,634</b>	<b>204,024,923</b>
<b>Shareholders' equity</b>			
Share capital (note 23)	52,000,000	52,000,000	52,000,000
Other reserves (note 24)	58,857,815	58,427,864	58,365,933
Retained earnings	66,473,840	68,571,024	67,519,105
	<b>177,331,665</b>	<b>178,998,888</b>	<b>177,885,038</b>
<b>Non-controlling interest</b>	<b>6,601,404</b>	<b>6,630,913</b>	<b>6,745,401</b>
<b>Total shareholders' equity</b>	<b>183,933,059</b>	<b>185,629,801</b>	<b>184,630,439</b>
<b>Total liabilities and shareholders' equity</b>	<b>405,553,471</b>	<b>387,629,435</b>	<b>388,655,362</b>

The notes on pages 18 to 82 are an integral part of these consolidated financial statements.

Approved for issue by the Board of Directors on August 7, 2014.



Earle A. Kelly  
Chairman



Nicolas N. Menon  
Director



# Consolidated Statement of Income

For the Year Ended 31 January 2014 *(Expressed in Eastern Caribbean Dollars)*

	2014 \$	As restated 2013 \$
<b>Revenue</b>	<b>133,141,388</b>	130,572,004
<b>Cost of sales</b>	<b>96,021,869</b>	93,063,486
<b>Gross profit</b>	<b>37,119,519</b>	37,508,518
Net underwriting income	3,633,735	3,245,661
Net interest income (note 30)	6,687,896	6,326,675
Other income (note 25)	12,403,640	11,669,299
<b>Income before operating expenses</b>	<b>59,844,790</b>	58,750,153
<b>Operating expenses</b>		
General and administrative expenses (note 26)	21,015,423	22,544,567
Staff costs (note 27)	20,554,101	20,855,457
Depreciation and amortization (note 28)	5,148,756	5,316,089
Impairment loss on investments (note 9)	1,244,322	486,623
	<b>47,962,602</b>	49,202,736
<b>Operating profit</b>	<b>11,882,188</b>	9,547,417
<b>Share of income of associated companies</b> (note 15)	<b>998,605</b>	723,259
<b>Finance charges, net</b> (note 29)	<b>(4,738,962)</b>	(5,142,310)
<b>Profit before income tax</b>	<b>8,141,831</b>	5,128,366
Current tax expense	(3,919,212)	3,459,695
Net deferred tax credit for the year	(3,911,886)	(1,405,045)
Income tax expense (note 22)	(7,831,098)	(2,054,650)
<b>Profit for the year</b>	<b>310,733</b>	3,073,716
<b>Profit for the year attributable to:</b>		
Parent company	181,118	3,113,969
Non-controlling interest	129,615	(40,253)
	<b>310,733</b>	3,073,716
<b>Basic earnings per share</b>	<b>0.0059</b>	0.06

The notes on pages 18 to 82 are an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

	2014 \$	As restated 2013 \$
<b>Profit for the year</b>		
<b>Other comprehensive income:</b>	<b>310,733</b>	3,073,716
<i>Item that may be reclassified to profit or loss</i>		
Unrealised loss on available-for-sale investment securities	<u>(315,175)</u>	<u>(320,772)</u>
<b>Total comprehensive income for the year</b>	<u><b>(4,442)</b></u>	<u>2,752,944</u>
<b>Total comprehensive income for the year attributable to:</b>		
Parent company	<u>(107,233)</u>	2,807,020
Non-controlling interest	<u>102,791</u>	<u>(54,076)</u>
	<u><b>(4,442)</b></u>	<u>2,752,944</u>
<b>Basic total comprehensive income earnings per share</b>	<u><b>0.00</b></u>	<u>0.05</u>

The notes on pages 18 to 82 are an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

	Share capital \$	Other reserves \$	Retained earnings \$	Subtotal \$	Non-controlling interest \$	Total \$
<b>Balance at January 31, 2012 as previously stated</b>	52,000,000	13,206,029	90,789,470	155,995,499	4,527,281	160,522,780
Reclassifications	—	27,163,013	(27,163,013)	—	—	—
<b>Balance at January 31, 2012 as reclassified</b>	52,000,000	40,369,042	63,626,457	155,995,499	4,527,281	160,522,780
Prior period adjustments (note 32)	—	17,966,891	3,892,648	21,889,539	2,218,120	24,107,659
<b>Balance at January 31, 2012, as restated</b>	52,000,000	58,365,933	67,519,105	177,885,038	6,745,401	184,630,439
<b>Comprehensive income</b>						
Profit for the year	—	—	3,113,969	3,113,969	(40,253)	3,073,716
Transfer to reserve fund	—	368,880	(372,050)	(3,170)	3,170	—
<b>Other comprehensive income</b>						
Net revaluation loss on available-for-sale financial assets	—	(306,949)	—	(306,949)	(13,823)	(320,772)
<b>Transaction with owners</b>						
Dividends	—	—	(1,690,000)	(1,690,000)	(63,582)	(1,753,582)
<b>Balance at January 31, 2013, as restated</b>	52,000,000	58,427,864	68,571,024	178,998,888	6,630,913	185,629,801
<b>Comprehensive income</b>						
Loss for the year	—	—	181,118	181,118	129,615	310,733
Transfer to reserve fund	—	338,110	(338,110)	—	—	—
Transfer to claims equalisation reserve	—	380,192	(380,192)	—	—	—
<b>Other comprehensive income</b>						
Net revaluation loss on available-for-sale financial assets	—	(288,351)	—	(288,351)	(26,824)	(315,175)
<b>Transaction with owners</b>						
Liquidation of subsidiary	—	—	—	—	(132,300)	(132,300)
Dividends	—	—	(1,560,000)	(1,560,000)	—	(1,560,000)
<b>Balance at January 31, 2014</b>	52,000,000	58,857,815	66,473,840	177,331,655	6,601,404	183,933,059

The notes on pages 18 to 82 are an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

	2014 \$	2013 \$
<b>Cash flows from operating activities</b>		
Profit before income tax	8,141,831	5,128,366
Items not affecting cash:		
Interest expense	4,440,995	4,714,836
Depreciation and amortization	5,673,461	6,332,697
Impairment loss on investments	1,244,322	–
Impairment loss on receivables and prepayments	746,047	1,295,522
Impairment loss on goodwill	200,000	725,000
Gain on disposal of property, plant and equipment	(424,814)	(343,405)
Dividend income	(490,606)	(637,833)
Share of income of associated companies	(998,605)	(723,259)
Net interest income	(6,687,896)	(6,326,675)
<b>Operating profit before working capital changes</b>	<b>11,844,675</b>	<b>10,165,249</b>
<b>Cash flows used in operating activities before changes in operating assets and liabilities</b>		
(Increase)/decrease in accounts receivable and prepayments	(3,577,986)	1,729,662
Increase in loans to customers	(3,704,426)	(12,681,394)
Decrease in due from related parties	53,964	219,441
Decrease in inventories	6,580,399	6,520,833
Decrease in accounts payable and other liabilities	(3,207,699)	(9,773,586)
Increase in insurance liabilities	1,606,484	456,167
Increase in customers' deposits	10,620,197	7,062,087
Decrease in due to related parties	(463,474)	–
<b>Net cash generated from operating activities before interest receipts and payments and tax</b>	<b>19,752,134</b>	<b>3,698,459</b>
Interest received	6,644,137	5,809,082
Taxes paid	(2,273,168)	(4,321,850)
Interest paid	(4,284,745)	(4,558,586)
<b>Net cash generated from operating activities</b>	<b>19,838,358</b>	<b>627,105</b>
<b>Cash flows used in investing activities</b>		
Proceeds from disposal of property, plant and equipment	1,618,081	1,017,590
Proceeds received from liquidation of subsidiary	(101,333)	–
Purchase of intangible assets	(179,385)	(696,600)
Dividends received	890,666	1,037,833
Purchase of property, plant and equipment (note 16)	(7,295,974)	(5,611,568)
Change in market value of listed securities	–	3,025,821
Purchase of investment securities (note 9)	(15,521,901)	–
<b>Net cash flows used in investing activities</b>	<b>(20,589,846)</b>	<b>(1,226,924)</b>

# Consolidated Statement of Cash Flows

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

	2014 \$	2013 \$
<b>Cash flows used in financing activities</b>		
Proceeds from borrowings, net of repayments	9,017,346	1,890,996
Dividends paid	(1,560,000)	(1,753,582)
<b>Net cash flows generated from financing activities</b>	<u>7,457,346</u>	<u>137,414</u>
<b>Net increase/(decrease) in cash on hand and in banks</b>	6,705,858	(462,405)
<b>Cash on hand and at banks at beginning of year</b>	<u>11,769,198</u>	<u>12,231,603</u>
<b>Cash on hand and at banks at end of year (note 8)</b>	<u>18,475,056</u>	<u>11,769,198</u>

The notes on pages 18 to 82 are an integral part of these consolidated financial statements.



# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 1 Nature of operations

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

## 2 General information and statement of compliance with IFRS

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

The accompanying consolidated financial statements are the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”). These have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), under the historical cost convention, except for land and buildings and available-for-sale financial assets that have been measured at fair value.

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

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

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

The reclassifications and prior period adjustments disclosed in notes 31 and 32 have a material effect on the statement of financial position as at February 1, 2012. Therefore, the Group presents a third statement of financial position as at February 1, 2012 without related notes except for the disclosures required by IAS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’.

## 3 Changes in accounting policies

### *New standards and amendments to standards effective for the financial year beginning February 1, 2013*

A number of new and revised standards are effective for annual periods beginning on or after February 1, 2013. Information on these new standards is presented below:

- IFRS 10 ‘Consolidated Financial Statements’ supersedes IAS 27 ‘Consolidated and Consolidated financial statements’ (IAS 27) and Standard Interpretations Committee (SIC) 12 ‘Consolidation-Special Purpose Entities’. IFRS 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Group’s investees are considered to be subsidiaries and therefore to change the scope of consolidation. The

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 3 Changes in accounting policies...continued

### *New standards and amendments to standards effective for the financial year beginning February 1, 2013...continued*

requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

Management has reviewed its control assessments in accordance with IFRS 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held during the period or comparative periods covered by these consolidated financial statements.

- IFRS 12 'Disclosure of Interests in Other Entities' integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities. Notes 14 and 15 illustrate the application of IFRS 12 in the current year.
- Consequential amendments to IAS 27 'Separate Financial Statements' (IAS 27) and IAS 28 'Investments in Associates and Joint Ventures' (IAS 28). IAS 27 now only addresses separate financial statements. IAS 28 brings investments in joint ventures into its scope. However, IAS 28's equity accounting methodology remains unchanged.
- IFRS 13, 'Fair value measurements', clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of IFRS 13 is broad and it applies for both financial and non-financial items for which other IFRSs require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances.

IFRS 13 applies prospectively for annual periods beginning on or after January 1, 2013. Its disclosure requirements need not be applied to comparative information in the first year of application. The Group has however included as comparative information the IFRS 13 disclosures that were required previously by IFRS 7 'Financial Instruments: Disclosures'. The Group has applied IFRS 13 for the first time in the current year, see note 6.c.

- Amendments to IAS 1, 'Financial statement presentation' regarding other comprehensive income, where the main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). Accordingly, the Group has modified its presentation of items in OCI and comparative information has been re-presented.

### *New standards issued but not effective for the financial year beginning February 1, 2013 and not early adopted*

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group. Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's consolidated financial statements is provided below. Certain other new standards and

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 3 Changes in accounting policies...continued

*New standards issued but not effective for the financial year beginning February 1, 2013 and not early adopted...continued*

interpretations have been issued but are not expected to have a material impact on the Group's consolidated financial statements.

- IFRS 9, 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on February 1, 2015.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32). The Amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:
  - the meaning of 'currently has a legally enforceable right of set-off'
  - that some gross settlement systems may be considered equivalent to net settlement.

The amendments are effective for annual periods beginning on or after February 1, 2014 and are required to be applied retrospectively. Management does not anticipate a material impact on the Group's consolidated financial statements from these amendments.

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

## 4 Summary of accounting policies

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

### a) Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of January 31, 2014. 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.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 4 Summary of accounting policies...continued

### a) Basis of consolidation...continued

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

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

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

Upon loss of significant influence over the associate over the 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 profit or loss.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (*Expressed in Eastern Caribbean Dollars*)

## 4 Summary of accounting policies...continued

### c) Foreign currency translation

#### (i) Functional and presentation currency

The consolidated financial statements are presented in Eastern Caribbean dollars, which is also its 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 exchange 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 profit or loss.

### d) Segment reporting

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

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

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

### e) Revenue recognition

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



# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (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.

#### *Sale of services*

The Group generates revenues from after-sales service and maintenance. Consideration received for these services is initially deferred, included in other liabilities and is recognised as revenue in the period when the service is performed.

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

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.

#### *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 statement of comprehensive income on the same basis as the underlying reinsurance premiums are expensed.

#### *Interest Income*

Interest income and expenses are reported on an accrual basis using the effective interest method.

#### *Commission income*

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

#### *Dividend income*

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

#### *Other income*

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

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 4 Summary of accounting policies...continued

### f) Operating expenses

Operating expenses are recognized in profit or loss 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

Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

### h) Borrowing costs

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

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred using the effective interest method.

### i) Property, plant and equipment

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

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 4 Summary of accounting policies...continued

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

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 rates below:

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

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

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

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

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

### j) Intangible assets

#### *Computer software*

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

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

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

#### *Goodwill*

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

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 4 Summary of accounting policies...continued

### j) Intangible assets...continued

#### *Goodwill...continued*

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

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

### k) Impairment of non-financial assets

Non-financial assets that are subject to 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.

### l) Financial assets

#### *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:

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 4 Summary of accounting policies...continued

### 1) Financial assets ...continued

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

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, loans to customers, trade and other 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. The Group's AFS financial assets include quoted and unquoted securities.

Unquoted equity investments are measured at cost less any impairment charges, as its fair value cannot currently be estimated reliably. Impairment charges are recognised in profit or loss.

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 profit or loss. 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 profit or loss. Interest calculated using the effective interest method and dividends are recognised in profit or loss.

Reversals of impairment losses for AFS debt securities are recognised in profit or loss 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 profit loss 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 benefit fund) and due to related parties.

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



# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 4 Summary of accounting policies...continued

### l) Financial assets ...continued

#### Classes of financial instruments

<b>Financial assets</b>	Loans and receivables	Cash and cash equivalents		Deposits
				Treasury bills
		Loans to customers	Loans to individuals	Commercial loans
				Student loans
				Mortgage loans
				Personal loans
				Mortgage loans
				Commercial loans
		Investment securities	Treasury bills and bonds	Local and international
			Corporate bonds	Local and international
			Fixed deposits	Fixed deposits
Trade and other receivables				
Due from related parties				
Available-for-sale financial assets	Investment securities	Equity securities	Quoted	
			Unquoted	
<b>Financial liabilities</b>	Financial liabilities at amortised cost	Deposits from customers	Deposits from individuals	
			Deposits from corporate entities	
			Deposits other financial institutions	
		Borrowings		
		Trade and other liabilities		
		Due to related parties		
<b>Off-balance sheet financial instruments</b>	Loan commitments			

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 4 Summary of accounting policies...continued

### m) Insurance contracts

#### i) 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.

#### ii) Recognition and measurement

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

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

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

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

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

Marine insurance is designed to cover cargo movements by land, usually via commercial trucks or similar conveyances. Perils insured are fire, including lightning, collision, overturning of the vessel and the collapse of bridges and robbery.

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 profit and loss 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).

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (*Expressed in Eastern Caribbean Dollars*)

## 4 Summary of accounting policies...continued

### m) Insurance contracts ...continued

#### ii) 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.

#### iii) 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.

#### iv) 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.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 4 Summary of accounting policies...continued

### m) Insurance contracts ...continued

#### v) 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 statement of comprehensive income initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

#### vi) 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 comprehensive 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.

#### vii) 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.

### n) 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.

### o) Income taxes

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

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 4 Summary of accounting policies...continued

### **o) 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.

General reserves represent amounts appropriated from the retained earnings of the East Caribbean Reinsurance Company Limited based on the discretion of the Company's directions as part of its risk management strategy.

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.

#### *(i) Premium tax rates*

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.

#### *(ii) Income tax rates*

The Group is subject to corporate income taxes of 33% (2013: 35%).

### **p) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, 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.

### **q) Equity, reserves and dividend payments**

Share capital represents the issue price of shares that have been issued.

Revaluation reserves for property comprise unrealised gains and losses from revaluing land and buildings.

Revaluation reserves for AFS financial assets comprise unrealised gains and losses relating to these types of financial instruments.



# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 4 Summary of accounting policies...continued

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

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

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

Retained earnings include all current and prior period retained profits.

All transactions with owners 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.

### r) Post – employment benefits - defined contribution plan

The Company pays a fixed percentage into the TDC Pension Savings Plan for individual employees. The Company 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.

### s) Short-term employee benefits

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

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

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

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

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (*Expressed in Eastern Caribbean Dollars*)

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

### t) 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 outflow of resources is remote.

### u) Events after the reporting date

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

### v) Customer loyalty programmes

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

### w) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. See note 31.

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

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

#### a) *Estimated impairment losses on trade and other receivables*

The Group maintains an allowance for doubtful accounts 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

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 4 Summary of accounting policies...continued

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

#### a) *Estimated impairment losses on trade and other receivables...continued*

differ if the Group made different judgements or utilised different estimates. An increase in the Group's allowance for doubtful accounts would increase the Group's recorded operating expenses and decrease current assets.

#### b) *Impairment losses on loans*

The Group reviews its loan portfolios to assess impairment on a periodic basis. In determining whether an impairment loss should be recorded in the statement of comprehensive 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 \$546,407 higher or \$620,434 lower respectively (2013: \$630,443 higher and \$606,147 lower, respectively).

#### c) *Estimated impairment of inventories*

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

#### d) *Recognition of deferred tax assets*

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deductible temporary differences can be utilised. The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized in the following periods.

Deferred tax assets of the Group amounted to \$1,223,793 and \$4,291,142, in January 31, 2014 and 2013, respectively.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (*Expressed in Eastern Caribbean Dollars*)

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

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

#### e) *Valuation of property*

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

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

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

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

If the IBNR rates were adjusted by +/- 1%, the change in the statement of comprehensive income would be to decrease or increase reported profits by approximately -/+ \$1,600.

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

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 5 Financial and insurance risk management

### a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including 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 at its headquarters, in close cooperation with the Board of Directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

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

### i) Market risk

#### 1) Foreign exchange 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 exchange 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 exchange risk not to be significant.

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

The Group's interest rate risk arises primarily from net interest bearing liabilities held with financial institutions with respect to the bank overdraft, customer deposits and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The bank overdraft and the long-term borrowings bear fixed interest rates of 7% – 10% and 5% – 7% respectively; which expose 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 risk exists at January 31, 2014. If interest rates on the Group's financial instruments were 1% higher or 1% lower with all other variables held constant, the impact on net income for the year would have been insignificant.

#### 3) Price risk

The Group is exposed to equity securities price risk because of equity investments held by the Group and classified in the consolidated statement of financial position as available-for-sale 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



# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 5 Financial risk management...continued

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

#### i) Market risk...continued

##### 3) Price risk...continued

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, 2014 had been 10% higher/lower with all other variables held constant, the change in equity securities would have been insignificant.

#### ii) Credit risk

Credit risk arises from the possibility that counterparties may default on their obligations to the Group. The Group's credit risk arises from cash at banks, as well as credit exposures to customers and other 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 provision 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.

	2014 \$	2013 \$
Cash at banks	18,397,554	11,688,702
Investment securities	68,005,688	53,990,648
Loans to customers	91,654,380	87,733,792
Accounts receivable	35,344,593	33,874,841
Due from related parties	194,068	248,032
	<u>213,596,283</u>	<u>187,536,015</u>

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

The Group's management considers that all of the above financial assets that are not impaired or past due for each of the January 31 reporting dates under review are of good credit quality.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 5 Financial risk management...continued

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

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

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

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

The credit risk for cash and cash equivalents, fixed deposits, corporate bonds and treasury bills and bonds is considered negligible, since the counterparties are well-known reputable institutions.

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

#### Loans to customers

Loans to customers are summarised as follows:

	2014 \$	2013 \$
Neither past due nor impaired	85,287,672	81,137,431
Past due but not impaired	3,064,418	2,818,528
Impaired	6,954,995	8,006,801
<b>Gross loans to customers</b>	<b>95,307,085</b>	<b>91,962,760</b>
Less: allowance for impairment losses	(4,309,032)	(4,585,364)
<b>Net loans</b>	<b>90,998,053</b>	<b>87,377,396</b>
Specific provision	2,604,445	2,853,777
Inherent risk provision	1,704,587	1,731,587
<b>Allowance for impairment losses</b>	<b>4,309,032</b>	<b>4,585,364</b>

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 5 Financial risk management ... continued

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

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

#### Loans to customers ... continued

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

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

	2014 \$	2013 \$
Home construction	34,889,978	27,011,255
Refinanced mortgage	13,326,651	11,569,950
Land and property	13,059,018	17,306,507
Vehicle	12,668,077	12,405,441
Consumer	4,499,840	5,329,646
Consolidated consumer	2,226,934	3,492,580
Promotional	1,418,382	1,076,019
Vacation	1,406,349	1,065,319
Education	1,330,972	1,410,018
Medical	301,200	263,134
Government	160,271	207,562
	85,287,672	81,137,431

Promotional loans pertain to loans that were given under special term wherein: initial deposit maybe waived at 15% - 20% reducing balance and usually require a co-signor.

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

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

	2014 \$	2013 \$
Past due up to 3 months	34,774	513,614
Past due 3 – 6 months	807,693	427,734
Past due 6 – 12 months	254,762	257,383
Over 12 months	1,967,189	1,619,797
	3,064,418	2,818,528

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 5 Financial risk management ... continued

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

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

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

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

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is \$6,954,995 (2013: \$8,006,801). Loans written-off for the year is nil (2013: \$504,606).

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:

	2014 \$	2013 \$
Land and property	2,994,097	3,966,805
Home construction	1,763,316	1,898,677
Refinanced mortgage	1,155,125	1,118,011
Vehicle	333,738	488,912
Education	292,849	70,399
Consumer	231,560	263,605
Vacation	113,012	125,879
Consolidated consumer	55,653	56,313
Promotional	15,645	18,200
<b>Total</b>	<b>6,954,995</b>	<b>8,006,801</b>
<b>Fair value of collateral</b>	<b>18,506,418</b>	<b>18,017,386</b>

#### (d) Loans and advances renegotiated

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

As at January 31, 2014, renegotiated loans that would otherwise be past due or impaired totalled \$739,527 (2013: \$1,690,373).

#### (e) Repossessed collateral

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Repossessed collaterals of the Company amounted to \$626,948 and \$150,427 in January 31, 2014 and 2013, respectively.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 5 Financial risk management ... continued

### ii) Credit risk... continued

#### **Geographic**

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

### iii) Liquidity risk

Liquidity risk is 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 into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Within 1 year \$	Between 1 and 5 years \$	More than 5 years \$	Total \$
<b>As at January 31, 2014</b>				
Borrowings	31,062,606	22,287,667	24,422,543	77,772,816
Customers' deposits	87,995,240	2,630,227	5,357,946	95,983,413
Accounts payable and other liabilities	49,157,741	–	–	49,157,741
Due to related parties	36,079	–	–	36,079
<b>Total financial liabilities</b>	<b>168,251,666</b>	<b>24,917,894</b>	<b>29,780,489</b>	<b>222,050,049</b>
<b>As at January 31, 2013</b>				
Borrowings	26,591,330	24,205,944	14,882,984	68,376,596
Customers' deposits	79,101,244	3,214,689	2,263,442	84,579,375
Accounts payable and other liabilities	51,549,785	–	–	51,549,785
Due to related parties	499,553	–	–	499,553
<b>Total financial liabilities</b>	<b>160,438,250</b>	<b>27,429,633</b>	<b>17,146,426</b>	<b>205,005,309</b>



# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 6 Management of insurance and financial risk

### a) Insurance risk

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

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

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

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

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

Type of risk	2014		2013	
	Gross \$	Net \$	Gross \$	Net \$
Motor	1,523,291	1,523,291	1,582,010	1,582,010
Property	1,012,501	462,501	180,000	180,000
	<b>2,535,792</b>	<b>1,985,792</b>	<b>1,762,010</b>	<b>1,762,010</b>
Add:				
Claims incurred but not reported	160,000	160,000	160,000	160,000
Unallocated loss adjustment expenses	157,000	157,000	115,000	115,000
	<b>2,852,792</b>	<b>2,302,792</b>	<b>2,037,010</b>	<b>2,037,010</b>

### 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 give rise to more frequent and severe extreme weather events (for example, flooding, hurricanes, earthquake, etc), increase the frequency and

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

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

### a) Insurance risk ...continued

#### i) Property insurance...continued

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 fire damage to limit losses to \$250 thousand in any one occurrence, per individual property risk. The Group has reinsurance cover for hurricane and earthquake damage to limit losses up to \$4.5 million in any one event.

#### *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.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

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

### a) Insurance risk ... continued

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

##### *Frequency and severity of claims... continued*

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

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

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

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

#### iii) Life insurance contracts

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

#### iv) Claims development

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

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (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 \$	2010 \$	2011 \$	2012 \$	2013 \$	2014 \$	Total \$
- At end of reporting year	3,106,366	2,439,070	2,466,213	2,194,045	2,412,499	1,922,060	14,540,253
- One year later	(694,878)	(116,253)	21,027	(6,111)	(97,683)	–	(893,898)
- Two years later	(19,678)	(81,167)	(883)	(7,847)	–	–	(109,575)
- Three years later	(251,760)	13,490	28,769	–	–	–	(209,501)
- Four years later	(226,401)	7,574	–	–	–	–	(218,827)
- Five years and over	(239,893)	–	–	–	–	–	(239,893)

Current estimate of cumulative claims

Cumulative payments to date

**Liability recognised in the Balance Sheet**

##### Motor - net

- At end of reporting year	3,106,366	2,439,070	2,466,213	2,194,045	2,412,499	1,922,060	14,540,253
- One year later	(694,878)	(116,253)	21,027	(6,111)	(97,683)	–	(893,898)
- Two years later	(19,678)	(81,167)	(883)	(7,847)	–	–	(109,575)
- Three years later	(251,760)	13,490	28,769	–	–	–	(209,501)
- Four years later	(226,401)	7,574	–	–	–	–	(218,827)
- Five years and over	(239,893)	–	–	–	–	–	(239,893)

Current estimate of cumulative claims

Cumulative payments to date

**Liability recognised in the Balance Sheet**

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

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

### a) Insurance risk ... continued

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

##### Property – gross

	Brought forward	2008	2009	2010	2013	2014	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Loss year</b>							
- At end of reporting year	389,313	12,617	70,567	64,993	92,395	1,066,955	1,696,840
- One year later	3,781	-	-	-	-	-	3,781
- Two years later	(23,646)	-	-	(75,013)	-	-	(98,659)
- Three years later	(10,000)	-	-	-	-	-	(10,000)
- Four years later	(32,575)	-	-	-	-	-	(32,575)
Current estimate of cumulative claims	326,873	12,617	70,567	(10,020)	92,395	1,066,955	1,559,387
Cumulative payments to date	-	16,165	194,189	41,581	59,526	235,425	546,886
<b>Liability recognised in the Balance Sheet</b>	<b>326,873</b>	<b>(3,548)</b>	<b>(123,622)</b>	<b>(51,601)</b>	<b>32,869</b>	<b>831,530</b>	<b>1,012,501</b>
<b>Property – net</b>							
- At end of reporting year	389,313	12,617	70,567	64,993	92,395	516,955	1,146,840
- One year later	3,781	-	-	-	-	-	3,781
- Two years later	(23,646)	-	-	(75,013)	-	-	(98,659)
- Three years later	(10,000)	-	-	-	-	-	(10,000)
- Four years later	(32,575)	-	-	-	-	-	(32,575)
Current estimate of cumulative claims	326,873	12,617	70,567	(10,020)	92,395	516,955	1,009,387
Cumulative payments to date	-	16,165	194,189	41,581	59,526	235,425	546,886
<b>Liability recognised in the Balance Sheet</b>	<b>326,873</b>	<b>(3,548)</b>	<b>(123,622)</b>	<b>(51,601)</b>	<b>32,869</b>	<b>281,530</b>	<b>462,501</b>

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (*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 on hand and at banks, accounts receivable and due from related parties. Short-term financial liabilities are comprised of customer deposits, accounts payable and due to related parties.

#### *Available for sale – 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.



# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

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

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

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

	Carrying value		Fair value	
	2014	2013	2014	2013
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents	18,397,554	11,688,702	18,397,554	11,688,702
Investment securities	68,005,688	53,990,648	68,005,688	53,990,648
Loans to customers	91,654,380	87,733,792	91,654,380	87,733,792
Accounts receivable	35,344,593	33,874,841	35,344,593	33,874,841
Due from related parties	194,068	248,032	194,068	248,032
	<b>213,596,283</b>	<b>187,536,015</b>	<b>213,596,283</b>	<b>187,536,015</b>
<b>Financial liabilities</b>				
Borrowings	65,104,328	56,713,171	65,104,328	56,713,171
Customers' deposits	91,492,911	80,563,906	87,807,456	79,197,663
Accounts payable and other liabilities	49,157,741	51,549,784	49,157,741	51,549,784
Due to related parties	36,079	499,553	36,079	499,553
	<b>205,791,059</b>	<b>189,326,414</b>	<b>202,105,604</b>	<b>187,960,171</b>

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

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

### c) Fair value hierarchy

#### *Fair value measurement of financial assets*

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

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

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

	Level 1 \$	Level 2 \$	Level 3 \$
<b>Financial assets 2014</b>			
Available-for-sale financial assets	<u>3,357,887</u>	–	–
<b>Financial assets 2013</b>			
Available-for-sale financial assets	<u>3,773,062</u>	–	–

#### *Fair value measurement of non-financial assets*

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

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Land and buildings – January 31, 2014	–	–	111,834,248	<u>111,834,248</u>
Land and buildings - January 31, 2013	–	–	112,529,937	<u>112,529,937</u>

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

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (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 December 2007 and were not revalued at the reporting date. Management determined that the effect of changes in fair values between the last revaluation date and reporting date is immaterial.

### d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going-concern in order to provide returns and benefits for stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust its capital structure, the Group may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

## 7 Segment reporting

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

Two 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.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 7 Segment reporting... continued

Segment information for the reporting period is as follows:

2014	General trading \$	Insurance \$	Financing \$	Hotel and restaurant \$	Others \$	Eliminations \$	Total \$
<b>Revenue</b>							
From external customers:							
Revenue	110,542,532	—	—	5,041,884	17,556,972	—	133,141,388
Net underwriting income	—	3,633,735	—	—	—	—	3,633,735
Net interest income	427,085	1,630,278	4,630,533	—	—	—	6,687,896
Other income	9,227,170	890,482	254,244	572,345	1,459,399	—	12,403,640
From other segments	32,945,317	2,444,674	49,014	313,023	1,405,907	(37,157,935)	—
<b>Cost of sales</b>	153,142,104	8,599,169	4,933,791	5,927,252	20,422,278	(37,157,935)	155,866,659
	114,890,477	—	—	2,508,537	8,291,300	(29,668,445)	96,021,869
<b>Gross profit</b>	38,251,627	8,599,169	4,933,791	3,418,715	12,130,978	(7,489,490)	59,844,790
General and administrative expenses	24,771,488	1,956,278	1,402,156	3,801,663	4,586,133	(15,502,295)	21,015,423
Salaries, wages and other benefits	14,332,830	1,418,084	857,211	900,245	3,045,731	—	20,554,101
Depreciation	2,259,933	347,202	63,509	660,595	1,817,517	—	5,148,756
Finance charges	5,487,809	(4,431)	15,037	117,996	40,730	(918,179)	4,738,962
Impairment loss on investments	30,506,276	—	—	—	—	(29,261,954)	1,244,322
Share of income of associated companies	—	—	—	—	—	(998,605)	(998,605)
	77,358,336	3,717,133	2,337,913	5,480,499	9,490,111	(46,681,033)	51,702,959
<b>Segment profit before tax</b>	<b>(39,106,709)</b>	<b>4,882,036</b>	<b>2,595,878</b>	<b>(2,061,784)</b>	<b>2,640,867</b>	<b>39,191,543</b>	<b>8,141,831</b>
<b>Segment assets</b>	<b>213,878,907</b>	<b>66,123,438</b>	<b>121,340,164</b>	<b>28,856,203</b>	<b>49,581,502</b>	<b>(73,149,216)</b>	<b>406,630,998</b>
<b>Segment liabilities</b>	<b>124,908,487</b>	<b>11,374,036</b>	<b>98,701,499</b>	<b>11,967,355</b>	<b>14,064,716</b>	<b>(43,778,179)</b>	<b>217,237,914</b>

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 7 Segment reporting... continued

2013	General trading \$	Insurance \$	Financing \$	Hotel and restaurant \$	Others \$	Eliminations \$	Total \$
<b>Revenue</b>							
From external customers:							
Revenue	108,846,173	—	—	4,375,327	17,350,504	—	130,572,004
Net underwriting income	—	3,245,661	—	—	—	—	3,245,661
Net interest income	379,669	1,775,716	4,171,290	—	—	—	6,326,675
Other income	7,528,090	1,421,425	1,073,016	538,736	1,108,032	—	11,669,299
From other segments	29,702,527	2,511,756	66,125	311,238	714,094	(33,305,740)	—
<b>Cost of sales</b>	146,456,459	8,954,558	5,310,431	5,225,301	19,172,630	(33,305,740)	151,813,639
<b>Gross profit</b>	107,595,524	—	—	2,306,036	7,503,527	(24,341,601)	93,063,486
	38,860,935	8,954,558	5,310,431	2,919,265	11,669,103	(8,964,139)	58,750,153
General and administrative expenses	15,580,301	2,000,248	1,941,004	3,824,511	5,082,508	(5,884,005)	22,544,567
Salaries, wages and other benefits	14,659,108	1,248,490	798,061	877,312	3,272,486	—	20,855,457
Depreciation	2,632,219	129,795	81,625	686,479	1,785,971	—	5,316,089
Finance charges	6,079,422	(4,244)	11,453	137,042	8,334	(1,089,697)	5,142,310
Impairment loss on investments	486,623	—	—	—	—	—	486,623
Share of income of associated companies	(723,259)	—	—	—	—	—	(723,259)
	38,714,414	3,374,289	2,832,143	5,525,344	10,149,299	(6,973,702)	53,621,787
<b>Segment profit before tax</b>	<b>146,521</b>	<b>5,580,269</b>	<b>2,478,288</b>	<b>(2,606,079)</b>	<b>1,519,804</b>	<b>(1,990,437)</b>	<b>5,128,366</b>
<b>Segment assets</b>	<b>246,881,709</b>	<b>61,328,665</b>	<b>108,734,854</b>	<b>30,629,257</b>	<b>47,883,604</b>	<b>(107,828,654)</b>	<b>387,629,435</b>
<b>Segment liabilities</b>	<b>120,854,699</b>	<b>9,879,810</b>	<b>87,516,740</b>	<b>9,072,204</b>	<b>13,666,855</b>	<b>(38,990,674)</b>	<b>201,999,634</b>

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (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

	2014 \$	2013 \$
Cash on hand	77,502	80,496
Cash at banks	10,818,396	6,139,119
Cash equivalents	7,579,158	5,549,583
	<b>18,475,056</b>	<b>11,769,198</b>

## 9 Investment securities

	2014 \$	2013 \$
<b>Available-for-sale</b>		
Quoted securities	3,357,887	3,773,062
Unquoted securities	3,766,097	4,910,419
	<b>7,123,984</b>	<b>8,683,481</b>
<b>Loans and receivables</b>		
Government treasury bills and bonds	5,480,869	4,863,179
Corporate bonds	14,500,000	3,950,000
Fixed deposits	39,692,506	35,338,295
	<b>66,797,359</b>	<b>52,834,955</b>
Total investment securities - principal	<b>66,797,359</b>	<b>52,834,955</b>
Interest receivable	1,208,329	1,155,693
	<b>68,005,688</b>	<b>53,990,648</b>
<b>Current</b>		
Non-current	51,964,558	37,062,619
	<b>16,041,130</b>	<b>16,928,029</b>
	<b>68,005,688</b>	<b>53,990,648</b>



# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 9 Investment securities...continued

The movement in investment securities may be summarised as follows:

	Loans and receivables \$	Available- for-sale \$	Total \$
<b>Balance at January 31, 2012</b>	<b>47,745,651</b>	<b>9,490,876</b>	<b>57,236,527</b>
Securities returned	(2,438,484)	–	(2,438,484)
Impairment of investment		(486,623)	(486,623)
Net unrealised revaluation loss on available- for-sale financial assets	–	(320,772)	(320,772)
<b>Balance at January 31, 2013</b>	<b>45,307,167</b>	<b>8,683,481</b>	<b>53,990,648</b>
Additions	15,574,537	–	15,574,537
Impairment of investment		(1,244,322)	(1,244,322)
Net unrealised revaluation loss on available- for-sale financial assets	–	(315,175)	(315,175)
<b>Balance at January 31, 2014</b>	<b>60,881,704</b>	<b>7,123,984</b>	<b>68,005,688</b>

## 10 Loans to customers

	2014 \$	2013 \$
Performing loans and advances	88,352,090	83,955,959
Classified debts	6,954,995	8,006,801
Gross loans	95,307,085	91,962,760
Allowance for loan impairment	(4,309,032)	(4,585,364)
Net loans	90,998,053	87,377,396
Interest receivable	656,327	356,396
<b>Total loans to customers</b>	<b>91,654,380</b>	<b>87,733,792</b>
Current	15,081,033	16,521,612
Non-current	76,573,347	71,212,180
	<b>91,654,380</b>	<b>87,733,792</b>

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 10 Loans to customers...continued

Movement in the loan loss provision:

	2014 \$	2013 \$
Balance at beginning of the year	4,585,364	4,295,263
Write-offs for the year	–	(504,606)
Provision for the year	83,769	794,707
Amounts recovered during the year	(360,101)	–
Balance at end of the year	<u>4,309,032</u>	<u>4,585,364</u>

## 11 Accounts receivable and prepayments

	2014 \$	2013 \$
Accounts receivable	42,079,558	40,432,147
Less: provision for impairment of accounts receivable	(9,519,582)	(9,068,101)
Net accounts receivable	32,559,976	31,364,046
Statutory deposits	2,784,617	2,510,795
Prepayments	1,845,318	963,885
Deferred costs	713,205	146,432
	<u>37,903,116</u>	<u>34,985,158</u>
Current	37,903,116	34,003,518
Non-current	–	981,640
	<u>37,903,116</u>	<u>34,985,158</u>

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 11 Accounts receivable and prepayments...continued

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. At January 31, 2014 and 2013, statutory deposits were held in the form of term deposits with local commercial banks and corporate bonds issued by the Eastern Caribbean Home Mortgage Bank.

### Classification of accounts receivable

Accounts receivable are summarized as follows:

	2014 \$	2013 \$
Neither past due nor impaired	25,038,663	23,356,400
Past due but not impaired	7,521,313	8,007,646
Individually impaired	9,519,582	9,068,101
	<u>42,079,558</u>	<u>40,432,147</u>

Movement in the provision for impairment of receivables is:

	2014 \$	2013 \$
Balance at beginning of the year	9,068,101	9,796,436
Provision for the year	845,612	271,782
Accounts receivable written off during the year as uncollectible	(394,131)	(1,000,117)
	<u>9,519,582</u>	<u>9,068,101</u>

### Accounts receivable neither past due nor impaired

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

	2014 \$	2013 \$
Under 3 months	<u>25,038,663</u>	<u>23,356,400</u>

### Accounts receivable past due but not impaired

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

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 11 Accounts receivable and prepayments...continued

As of January 31, 2014, accounts receivable of \$7,521,313 (2013: \$8,007,646) were past due but not impaired. The aging of these accounts receivable is as follows:

	2014 \$	2013 \$
Over 3 months	<u>7,521,313</u>	<u>8,007,646</u>

### Accounts receivable individually impaired

As of January 31, 2014, accounts receivable of \$9,519,582 (2013: \$9,068,101) were impaired and a related provision established. The aging of these accounts receivable is as follows:

	2014 \$	2013 \$
Over 3 months	<u>9,519,582</u>	<u>9,068,101</u>
<b>Total accounts receivable</b>	<u><b>42,079,558</b></u>	<u><b>40,432,147</b></u>

## 12 Inventories

	2014 \$	2013 \$
Goods on hand	29,332,685	33,685,573
Land held for future development	11,964,690	12,123,941
Sunrise Hill Villas	3,518,162	5,107,212
Work-in-progress	670,444	803,645
Goods in transit	456,519	802,528
	<u><b>45,942,500</b></u>	<u><b>52,522,899</b></u>

## 13 Related party balances and transactions

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

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

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

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

		2014 \$	2013 \$
<b>Due from related parties</b>	<b>Relationship</b>		
Malliouhana-Anico Insurance Co Ltd.	Associate company	194,068	21,688
St. Kitts Masonry Products Limited	Associate company	–	226,344
		<hr/> 194,068	<hr/> 248,032
		2014 \$	2013 \$
<b>Due to related parties</b>	<b>Relationship</b>		
St. Kitts Masonry Products Limited	Associate company	36,079	499,553
		<hr/> 36,079	<hr/> 499,553

### Key management compensation

Key management includes directors (executive and non-executive) and Group Chief Financial Officer. The Compensation incurred in respect of key management is as follows:

	2014 \$	2013 \$
Salaries	1,391,414	1,391,414
Director fees	370,400	393,350
Gratuity	305,844	258,144
Allowances	217,857	162,741
Pension	97,650	99,236
Social security	31,152	33,540
	<hr/> 2,414,317	<hr/> 2,338,425

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 14 Interest in subsidiaries

### Composition of the Group

Set out below are details of the subsidiaries held directly by the Group:

Name of subsidiary	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interests held by the Group	
			2014	2013
City Drug Store (2005) Limited	St. Kitts	the retailing of consumer products	100%	100%
Conaree Estates Limited	St. Kitts	land and property development	100%	100%
Dan Dan Garments Limited	St. Kitts	the manufacturing, wholesaling and retailing of garments	100%	100%
Mercator Caribbean Trust Company	St. Kitts	provider of trust, corporate and fund administration services	–	51%
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.	St. Kitts	the provision of freight and other shipping services	100%	100%
St. Kitts Bottling Company Limited	St. Kitts	the trade or business of aerated water manufacturers and bottlers, brewers, distillers, canners, preservers and processors of all kinds of food and drink whatsoever	51.67%	51.67%
St. Kitts-Nevis Finance Company Limited	St. Kitts	accepting deposits from customers, providing loans to customers and investing in debt and equity securities	100%	100%
St. Kitts-Nevis Insurance Company Limited	St. Kitts	the business of underwriting all classes of general insurance	100%	100%
TDC Airline Services Limited	St. Kitts	airline, shipping, chartering, forwarding and transport agents	100%	100%



# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 14 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	
			2014	2013
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%
SNIC (Nevis) Limited	Nevis	the business of insurance agent for all classes of general insurance, including property and motor risks	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%

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 14 Interest in subsidiaries...continued

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

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

The Group has no interests in unconsolidated structured entities.

### *Losing control over a subsidiary during the reporting period*

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

	2014 \$
Cash and cash equivalents	156,430
Receivables	<u>113,570</u>
Net assets	270,000
Percentage ownership	<u>51%</u>
	137,700
Less: amount receivable from the Group	<u>36,367</u>
Cash received on liquidation	<u>101,333</u>

## 15 Investments in associates

The Group's associates include the following:

Name of Subsidiary	Country of incorporation/ Principal place of business	Percentage of ownership		Carrying value	
		2014 %	2013 %	2014 \$	2013 \$
Malliouhana-Anico Insurance Co Ltd.	Anguilla	25	25	3,610,519	3,553,429
St. Kitts Masonry Products Limited	St. Kitts	50	50	4,523,265	3,981,750
				<u>8,133,784</u>	<u>7,535,179</u>

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 15 Investments in associates...continued

Movements in the investments in associates account are as follows:

	2014 \$	2013 \$
Beginning balance	7,535,179	7,240,939
Share of income of associated companies	998,605	723,259
Dividends received	(400,000)	(400,000)
Others	–	29,019
	<b>8,133,784</b>	<b>7,535,179</b>

### *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 follows:

	2014 \$	2013 \$
Current assets	3,954,275	3,829,996
Non-current assets	8,178,299	8,671,264
Current liabilities	(2,924,915)	(2,773,887)
<b>Net assets</b>	<b>9,207,659</b>	<b>9,727,373</b>
Revenue	8,785,363	14,948,832
Costs and expenses	(7,305,155)	(13,922,533)
<b>Net income</b>	<b>1,480,208</b>	<b>1,026,299</b>

### *Malliouhana-Anico Insurance Company Limited*

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

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 15 Investments in associates...continued

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

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

	2014 \$	2013 \$
Assets	27,983,637	27,863,955
Liabilities	<u>(13,334,131)</u>	<u>(13,636,488)</u>
<b>Net assets</b>	<b>14,649,506</b>	14,227,467
Net underwriting income	2,568,600	2,853,378
Other income	438,377	533,988
Costs and expenses	<u>(2,664,937)</u>	<u>(2,533,181)</u>
<b>Net income</b>	<b>342,040</b>	854,185

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 16 Property, plant and equipment

	Land and buildings	Furniture and fittings	Construction equipment rentals	Plant and machinery	Containers	Vehicles	Computer equipment	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Year ended January 31, 2013</b>								
Opening net book amount	113,588,848	1,888,628	65,594	12,344,564	177,618	6,072,711	544,972	134,682,935
Additions	490,711	383,881	37,052	547,485	13,451	3,775,631	363,357	5,611,568
Disposals	-	(663,638)	(23,171)	(44,324)	(14,031)	(2,713,638)	(398,544)	(3,857,346)
Writeback on disposals	-	628,903	21,411	34,418	5,000	2,140,652	352,777	3,183,161
Depreciation charge	(1,549,624)	(460,025)	(40,354)	(1,476,249)	(37,211)	(2,449,951)	(305,503)	(6,318,917)
<b>Closing net book amount</b>	<b>112,529,935</b>	<b>1,777,749</b>	<b>60,532</b>	<b>11,405,894</b>	<b>144,827</b>	<b>6,825,405</b>	<b>557,059</b>	<b>133,301,401</b>
<b>At January 31, 2013</b>								
Cost or valuation	120,261,532	12,975,579	327,086	26,040,914	967,755	19,798,449	5,605,465	185,976,780
Accumulated depreciation	(7,731,597)	(11,197,830)	(266,554)	(14,635,020)	(822,928)	(12,973,044)	(5,048,406)	(52,675,379)
<b>Net book amount</b>	<b>112,529,935</b>	<b>1,777,749</b>	<b>60,532</b>	<b>11,405,894</b>	<b>144,827</b>	<b>6,825,405</b>	<b>557,059</b>	<b>133,301,401</b>
<b>Year ended January 31, 2014</b>								
Opening net book amount	112,529,937	1,777,749	60,532	11,405,892	144,827	6,825,405	557,059	133,301,401
Additions	1,130,399	523,475	62,210	714,609	-	4,417,014	448,267	7,295,974
Disposals	(293,966)	(93,192)	(50,853)	(531,152)	(421,457)	(2,368,099)	(397,559)	(4,156,278)
Writeback on disposals	-	65,103	47,933	450,757	390,371	1,634,091	374,756	2,963,011
Depreciation charge	(1,532,122)	(392,238)	(30,205)	(880,097)	(21,964)	(2,298,010)	(248,397)	(5,403,033)
<b>Closing net book amount</b>	<b>111,834,248</b>	<b>1,880,897</b>	<b>89,617</b>	<b>11,160,009</b>	<b>91,777</b>	<b>8,210,401</b>	<b>734,126</b>	<b>134,001,075</b>
<b>At January 31, 2014</b>								
Cost or valuation	117,947,964	13,405,862	338,443	26,224,369	546,298	21,847,364	5,656,173	185,966,473
Accumulated depreciation	(6,113,716)	(11,524,965)	(248,826)	(15,064,360)	(454,521)	(13,636,963)	(4,922,047)	(51,965,398)
<b>Net book amount</b>	<b>111,834,248</b>	<b>1,880,897</b>	<b>89,617</b>	<b>11,160,009</b>	<b>91,777</b>	<b>8,210,401</b>	<b>734,126</b>	<b>134,001,075</b>

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

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

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

	2014 \$	2013 \$
Proceeds from disposal of property and equipment	1,618,081	1,017,590
Carrying amount of property, plant and equipment	(1,193,267)	(674,185)
	<hr/>	<hr/>
Gain on sales of property, plant and equipment	424,814	343,405

Gain on sales of equipment is recognized as part of other income in the consolidated statement of comprehensive income (Note 25).

The Board of Directors are of the opinion that market values of freehold land and buildings have not changed significantly from the date of the last valuations, which were performed in December 2007 by independent professional appraisers.

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

	Land \$	Freehold buildings \$	Total \$
<b>At January 31, 2013</b>			
Cost	27,528,017	56,185,046	83,713,063
Additions/(disposals)	–	490,711	490,711
Accumulated depreciation	–	(5,111,240)	(5,111,240)
	<hr/>	<hr/>	<hr/>
<b>Closing net book value</b>	<b>27,528,017</b>	<b>51,564,517</b>	<b>79,092,535</b>
<b>At January 31, 2014</b>			
Cost	27,582,017	56,675,757	84,257,774
Additions/(disposals)	(3,229,999)	1,061,432	(2,168,567)
Accumulated depreciation	–	(6,194,357)	(6,194,357)
	<hr/>	<hr/>	<hr/>
<b>Closing net book value</b>	<b>24,352,018</b>	<b>51,542,832</b>	<b>75,894,850</b>



# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 17 Intangible assets

	Computer software \$	Goodwill \$	Total \$
<b>Year ended January 31, 2013</b>			
Opening net book amount	25,260	927,393	952,653
Additions	696,600	–	696,600
Write-off	–	(725,000)	(725,000)
Amortisation	(11,387)	(2,393)	(13,780)
<b>Closing net book amount</b>	<b>710,473</b>	<b>200,000</b>	<b>910,473</b>
<b>At January 31, 2013</b>			
Cost or valuation	886,689	200,000	1,086,689
Accumulated amortisation	(176,216)	–	(176,216)
<b>Net book amount</b>	<b>710,473</b>	<b>200,000</b>	<b>910,473</b>
<b>Year ended January 31, 2014</b>			
Opening net book amount	710,473	200,000	910,473
Additions	179,385	–	179,385
Disposals	(84,892)	–	(84,892)
Writeback of accumulated amortisation	84,892	–	84,892
Write-off	–	(200,000)	(200,000)
Amortisation	(270,428)	–	(270,428)
<b>Closing net book amount</b>	<b>619,430</b>	<b>–</b>	<b>619,430</b>
<b>At January 31, 2014</b>			
Cost or valuation	981,182	–	981,182
Accumulated amortisation	(361,752)	–	(361,752)
<b>Net book amount</b>	<b>619,430</b>	<b>–</b>	<b>619,430</b>

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 18 Borrowings

	2014 \$	2013 \$
Bank term loans payable	30,497,885	–
Sugar Industry Diversification Foundation	13,500,000	35,143,163
Bank overdrafts	20,950,193	21,570,008
	<hr/>	<hr/>
	64,948,078	56,713,171
Interest payable	156,250	–
	<hr/>	<hr/>
<b>Total borrowings</b>	<b>65,104,328</b>	<b>56,713,171</b>
	<hr/>	<hr/>
Current	25,270,019	26,591,330
Non-current	39,834,309	30,121,841
	<hr/>	<hr/>
	<b>65,104,328</b>	<b>56,713,171</b>
	<hr/>	<hr/>

Bank term loans carry interest rates between 5% and 7% (2013: 6% and 7 ¾%) and are repayable in regular instalments of principal and interest, maturing at various intervals from one to fifteen years through to 2026 (2013: through to 2026).

The Sugar Industry Diversification Foundation loan carries an interest rate of 5%, is repayable in monthly instalments of principal and interest of \$138,118 and matures in 2026.

Bank overdrafts carry interest rates varying from 7% to 10% (2013: 7% to 10%).

### *Collateral security for indebtedness*

The Group's bankers and other lenders hold as collateral security, mortgage debentures creating fixed and floating charges and an equitable mortgage on the Group's assets including the investments held by the Company in certain wholly-owned subsidiaries and other investments.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 19 Insurance liabilities

	2014 \$	2013 \$
Unearned premiums	3,166,955	2,558,037
Claims reported and outstanding	2,535,741	1,762,980
Life policyholders' benefits	1,821,285	1,629,594
Claims incurred but not reported	160,000	160,000
Unallocated loss adjustment expenses	157,000	115,000
Due to reinsurers	94,641	103,527
	<u>7,935,622</u>	<u>6,329,138</u>

## 20 Customers' deposits

	2014 \$	2013 \$
Savings deposits	3,137,864	2,695,263
Fixed deposits	<u>86,018,226</u>	<u>75,840,630</u>
	<u>89,156,090</u>	78,535,893
Interest payable	2,336,821	2,028,013
<b>Total customers' deposits</b>	<u><b>91,492,911</b></u>	<u>80,563,906</u>
Current	83,846,778	75,412,118
Non-current	<u>7,646,133</u>	<u>5,151,788</u>
	<u>91,492,911</u>	80,563,906

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 21 Trade and other liabilities

	2014 \$	2013 \$
Demand deposits	20,805,408	19,934,513
Accounts payable	10,185,675	14,559,537
Deferred revenue	7,906,982	6,329,233
Accrued expenses	5,273,533	4,992,173
Employee health fund	3,550,218	3,661,368
Dividend payable	860,748	595,851
Other liabilities	261,044	913,412
Gratuity reserve	169,995	358,158
Warranty liability	99,682	177,331
Statutory payables	44,456	28,208
<b>Total trade and other liabilities</b>	<b>49,157,741</b>	<b>51,549,784</b>
Current	49,107,593	51,549,784
Non-current	50,148	–
	<b>49,157,741</b>	<b>51,549,784</b>

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

On August 8, 2013, the shareholders approved the payment of a dividend of \$1,560,000 or \$0.03 per share in respect of the financial year ended January 31, 2013.

## 22 Taxation

### Taxation expense

	2014 \$	2013 \$
Current tax expense	3,919,212	3,459,695
Net deferred tax credit for the year	3,911,886	(1,405,045)
Taxation charge for the year	<b>7,831,098</b>	<b>2,054,650</b>

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 22 Taxation...continued

	2014 \$	2013 \$
<b>Current income tax expense</b>		
Profit before taxation	8,141,831	5,128,366
Income tax expense at rate of 33% (2013: 35%)	2,686,807	1,794,927
Movement in deferred tax not recognised	305,846	1,131,496
Effect of permanent differences	256,344	1,395,159
5% claims equalization allowed	(125,463)	–
Effect of capital allowances utilised from prior years	609,666	(1,275,288)
Effect of losses carried forward/(utilised) from prior years	179,177	(762,494)
Effect of income not assessable for taxation	–	(414,890)
Tax effect of depreciation on non-qualifying buildings	–	96,021
Underprovision in previous year	257,079	83,783
Deferred tax asset written off	3,849,456	–
Deferred tax on depreciation on property, plant and equipment	(187,814)	12,535
Other	–	(6,599)
	<b>7,831,098</b>	<b>2,054,650</b>

### Deferred tax asset

The movement in the deferred income tax asset is as follows:

	2014 \$	2013 \$
Beginning deferred tax asset	4,291,142	3,071,800
Deferred tax (expense)/credit for the year	(3,974,260)	1,219,342
Ending deferred tax asset	<b>316,882</b>	<b>4,291,142</b>

### Deferred tax liability

The movement in the deferred income tax liability is as follows:

	2014 \$	2013 \$
Beginning deferred tax liability	5,199,712	5,385,415
Deferred tax credit for the year	(62,374)	(185,703)
Ending deferred tax liability	<b>5,137,338</b>	<b>5,199,712</b>

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 23 Share capital

	2014 \$	2013 \$
Authorised:		
500,000,000 ordinary shares at \$1 per share	<u>500,000,000</u>	500,000,000
Issued and fully paid:		
52,000,000 ordinary shares at \$1 per share	<u>52,000,000</u>	52,000,000

## 24 Other reserves

	2014 \$	2013 \$
Revaluation reserve: property	32,738,725	32,738,725
Claims equalization reserve	20,970,337	20,590,145
Statutory reserve fund	4,254,211	3,916,101
Revaluation reserve: available-for-sale financial assets	894,542	1,182,893
	<u>58,857,815</u>	<u>58,427,864</u>

## 25 Other income

	2014 \$	2013 \$
Rent	2,930,902	2,388,968
Shipping	1,665,868	439,262
Miscellaneous income	1,360,365	1,643,905
Commission income	1,345,831	2,133,965
Equipment rental and repairs	1,250,686	1,085,680
Rebates and claims	1,095,724	297,603
Management and administration fees	540,250	670,953
Dividend income	490,666	637,833
Grant	477,155	–
Gain/(loss) on disposal of assets	424,814	343,405
Bad debt recoveries	332,436	780,560
Truck operating income	294,611	314,127
E-topup	254,949	200,156
Villa income	80,994	285,890
Vehicle servicing	42,276	158,384
Electrical repairs	35,414	102,691
Handling charges	(41,925)	128,617
Sands Complex expenses	(41,946)	(99,618)
MV Puerto Real/Triumph	(135,430)	156,918
	<u>12,403,640</u>	<u>11,669,299</u>



# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 26 General and administrative expenses

	2014 \$	2013 \$
Utilities	3,294,933	3,608,636
Advertising and sales promotion	2,885,837	3,093,319
Legal and professional fees	2,609,443	2,365,364
Repairs and maintenance	2,293,454	2,305,357
Motor vehicle expenses	1,718,787	1,429,606
Others	1,396,479	1,277,219
Communication	842,835	777,685
Taxes and licenses	776,023	1,016,738
Impairment of receivables	746,047	1,295,522
Management fee	686,647	773,189
Travel expenses	652,120	483,952
Security	513,384	506,433
Supplies expense	488,977	515,509
Printing and stationery	437,554	410,180
Rent	413,436	546,841
Entertainment	342,978	355,801
Computer installation and consultancy	247,641	210,577
Impairment of goodwill	200,000	725,000
Annual report – annual general meeting	188,491	236,126
Freight, handling and truckerage	97,489	252,780
Subscriptions	86,927	87,882
Warranty expense	80,864	218,928
Sewage, waste and landscaping expense	15,077	51,923
	<b>21,015,423</b>	<b>22,544,567</b>

## 27 Staff costs

	2014 \$	2013 \$
Salaries and wages	15,840,909	16,735,607
Statutory contributions	1,606,452	1,513,853
Pension savings plan	899,115	923,724
Bonus and gratuity	633,910	37,264
Staff scholarship and training	501,701	476,754
Other staff costs	445,007	389,186
Directors' fees	436,514	489,350
Health insurance	190,493	289,719
	<b>20,554,101</b>	<b>20,855,457</b>

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 28 Depreciation and amortization

	2014 \$	2013 \$
Depreciation	4,878,328	5,302,309
Amortization	270,428	13,780
	<b>5,148,756</b>	<b>5,316,089</b>

Depreciation of plant and machinery amounting to \$524,705 (2013: \$1,016,608) was recorded under cost of sales.

## 29 Finance charges, net

	2014 \$	2013 \$
Interest expense	4,440,995	4,714,836
Bank charge	870,250	934,388
Short-term bank deposits	(572,283)	(506,914)
	<b>4,738,962</b>	<b>5,142,310</b>

## 30 Net interest income

	2014 \$	2013 \$
Loans to customers	8,345,732	7,820,260
Investments	3,094,160	3,083,530
Savings account interest expense	(133,571)	(113,991)
Time deposits interest expense	(4,618,425)	(4,463,124)
	<b>6,687,896</b>	<b>6,326,675</b>

## 31 Reclassifications

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

- Short-term investments were reclassified from cash and cash equivalents and grouped under investment securities.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (*Expressed in Eastern Caribbean Dollars*)

## 31 Reclassifications...continued

- b) Investment in associates were extracted from investment securities and presented separately in the consolidated statement of financial position.
- c) Loans to customers and due from related parties were extracted from accounts receivable and prepayments and presented separately in the consolidated statement of financial position.
- d) Taxation recoverable was extracted from provision for taxation and presented separately in the consolidated statement of financial position.
- e) Stock on hire purchase was reclassified and grouped under accounts receivable and prepayments.
- f) Deferred tax assets were extracted from deferred tax liabilities and presented separately in the consolidated statement of financial position.
- g) Customers' deposits were extracted from accounts payable and other liabilities and presented separately in the consolidated statement of financial position.
- h) Due to related parties were extracted from accounts payable and other liabilities and presented separately in the consolidated statement of financial position.
- i) Employee benefit funds were extracted from insurance liabilities and grouped under accounts payable and other liabilities.
- j) Insurance related liabilities, such as premium advances and claims payable to policyholders, which were previously grouped under accounts payable and other liabilities were reclassified and grouped under insurance liabilities.
- k) Claims equalization reserve was reclassified from insurance liabilities to other reserves in equity.
- l) Intercompany sales and costs of sales were eliminated.
- m) Net underwriting income and net interest income were extracted from revenues and other income and presented separately in the consolidated statement of financial position.
- n) Staff costs, depreciation and amortisation, impairment loss on available-for-sale investments were extracted from general and administrative expenses and presented separately.
- o) Share of income of associated companies was previously presented gross and is now presented net of income tax.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 31 Reclassifications...continued

	As previously classified 2013 \$	Reclassification 2013 \$	As reclassified (before the effect of the prior period adjustments) 2013 \$
<b>Effect on consolidated statement of financial position</b>			
<b>Assets</b>			
Cash and cash equivalents	26,292,112	(14,522,914)	11,769,198
Investment securities	45,787,943	8,202,705	53,990,648
Loans to customers	–	84,292,268	84,292,268
Accounts receivable and prepayments	112,315,669	(77,476,943)	34,838,726
Due from related parties	–	248,032	248,032
Inventories	58,153,273	(5,630,374)	52,522,899
Taxation recoverable	–	341,513	341,513
Investment in associates	–	7,535,179	7,535,179
Deferred tax assets	–	4,291,142	4,291,142
		<u>7,280,608</u>	
<b>Liabilities</b>			
Insurance liabilities	32,468,120	(1,678,380)	30,789,790
Customers' deposits	–	80,563,906	80,563,906
Accounts payable and other liabilities	128,286,910	(76,737,126)	51,549,784
Provision for taxation	737,716	341,513	1,079,229
Due to related parties	–	499,553	499,553
Deferred tax liability	931,650	4,291,142	5,222,792
<b>Shareholders' equity</b>			
Other reserves	13,117,441	27,195,002	40,312,443
Retained earnings	91,243,070	<u>(27,195,002)</u>	64,048,068
		<u>7,280,608</u>	

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 31 Reclassifications...continued

	As previously classified 2013 \$	Reclassification 2013 \$	As reclassified (before the effect of the prior period adjustments) 2013 \$
<b>Effect on consolidated statement of comprehensive income</b>			
Revenue	165,630,371	(35,058,367)	130,572,004
Cost of sales	119,537,035	(26,473,549)	93,063,486
Net underwriting income	–	3,109,730	3,109,730
Net interest income	–	6,338,368	6,338,368
Other income	12,606,692	(937,393)	11,669,299
General and administrative expenses	49,036,404	(25,891,585)	23,144,819
Staff costs	–	20,855,457	20,855,457
Depreciation and amortisation	–	5,316,089	5,316,089
Impairment loss on available-for-sale investments	–	486,623	486,623
Share of income of associated companies	(987,985)	264,726	(723,259)
Finance charges, net	5,983,007	(840,697)	5,142,310
Income tax expenses	2,343,724	(264,726)	2,078,998
		<u>–</u>	

## 32 Prior period adjustments

### a) Property, plant and equipment adjustment

The Group had erroneously recorded land owned by a third party. The correction of the error has been accounted for retrospectively, and the 2013 comparatives restated. As at January 31, 2013, property, plant and equipment and revaluation reserve - property both decreased by \$3,150,000.

The effects of the prior period adjustments discussed above in 2013 are outlined below. There was no cash flow and profit and loss impact as a result of the restatement other than the consequential adjustments arising as a result of restatement of the comparative balances as at January 31, 2013.

	As previously stated 2013 \$	Restatement 2013 \$	As restated 2013 \$
<b>Effects on statement of financial position</b>			
Property, plant and equipment	136,451,401	(3,150,000)	133,301,401
Other reserves - revaluation reserve: property	(35,388,725)	3,150,000	(32,738,725)

The above adjustment decreased other reserves by \$3,150,000 as at January 31, 2012.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 32 Prior period adjustments...continued

### b) Insurance related adjustments

In 2013, the Group erroneously established general insurance liability provisions including claim equalization reserve amounting to \$11,717,665 for claims that were not in existence at the end of the reporting period, thereby overstating liabilities and understating income and retained earnings. The correction of the error has been accounted for retrospectively, and the 2013 comparatives restated. The retained earnings at January 31, 2012 were initially increased by \$11,717,665, however this amount was simultaneously appropriated from retained earnings to other reserves at the discretion of the Directors. Also, insurance liabilities were decreased by \$11,717,665.

Further, in 2013, actuarially determined insurance liabilities including life insurance benefits, claims incurred but not yet reported and unallocated loss adjustment expenses were erroneously misstated in the financial statements. Additionally, the Group did not recognize deferred acquisition cost in 2013 in the amount of \$146,432. The corrections of these errors have been accounted for retrospectively, and the 2013 comparatives restated. At January 31, 2013 insurance liabilities have been further decreased by \$1,652,337, deferred acquisition cost increased by \$146,432 and retained earnings increased by \$1,798,769.

The effects of the prior period adjustment for the year ended January 31, 2013 are outlined below. Except for the effect on the accounts included in the analysis, no other accounts were affected by the restatement. There was no cash flow impact as a result of the restatement other than the consequential adjustments arising as a result of restatement of the comparative balance.

	<b>As previously stated 2013 \$</b>	<b>Restatement 2013 \$</b>	<b>As restated 2013 \$</b>
<b>Effect on statement of financial position</b>			
Accounts receivable and prepayments	34,838,726	146,432	34,985,158
Insurance liabilities	(19,699,140)	13,370,002	(6,329,138)
Other reserves - claims equalisation reserve	–	(11,717,665)	(11,717,665)
<b>Effect on statement of comprehensive income</b>			
Net underwriting income	(3,109,730)	(135,931)	(3,245,661)

The above adjustments increased retained earnings and other reserves by \$1,662,838 and \$11,717,665, respectively, as at January 31, 2012.



# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 32 Prior period adjustments...continued

### c) Loan loss provision adjustments

In computing the allowance for loan impairment in prior years, the Group erroneously calculated impairment losses without considering the requirements of IAS 39, which resulted in overstating the provision for impairment losses and understating interest income. The correction of the error has been accounted for retrospectively, and the 2013 comparatives restated. The retained earnings and statutory reserves at January 31, 2013 have been increased by \$2,701,107 and \$675,276, respectively. At January 31, 2013, loans to customers, income tax payable and net income for the year then ended have been increased by \$3,441,524, \$65,141 and \$592,652, respectively.

The effects of the prior period adjustments discussed above in 2013 in the Company's statements of financial position and comprehensive income are outlined below. There was no cash flow impact as a result of the restatement other than the consequential adjustments arising as a result of restatement of the comparative balances as at January 31, 2013.

	As previously stated 2013 \$	Restatement 2013 \$	As restated 2013 \$
<b>Effect on statement of financial position</b>			
Loans to customers	84,292,268	3,441,524	87,733,792
Provision for taxation	1,079,229	65,141	1,144,370
Other reserves - statutory reserves	3,240,825	675,276	3,916,101
<b>Effect on statement of comprehensive income</b>			
Interest income	6,338,368	(11,693)	6,326,675
General and administrative expenses	23,144,819	(600,252)	22,544,567

The above adjustment increased other reserves and retained earnings by \$556,746 and \$2,226,985, respectively, as at January 31, 2012.

### d) Deferred tax liability adjustments

The Group erroneously recorded an income tax liability and tax expense in the prior years for one of its subsidiaries which has tax exempt status. The correction of this error has been accounted for retrospectively, and the 2013 comparatives restated resulting an increased to retained earnings by \$23,080.

The effects of the prior period adjustments discussed above in 2013 in the Company's statements of financial position and comprehensive income are outlined below. There was no cash flow impact as a result of the restatement other than the consequential adjustments arising as a result of restatement of the comparative balances as at January 31, 2013.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 32 Prior period adjustments...continued

### d) Deferred tax liability adjustments...continued

	As previously stated 2013 \$	Restatement 2013 \$	As restated 2013 \$
<b>Effect on statement of financial position</b>			
Deferred tax liability	5,222,792	(23,080)	5,199,712

The above adjustment increased retained earnings by \$2,825 as at January 31, 2012.

### e) Provision adjustment

In 2013, the Group erroneously established general provisions amounting to \$11,090,600, thereby overstating liabilities and understating income and retained earnings. The correction of the error has been accounted for retrospectively, and the 2013 comparatives restated. The retained earnings at January 31, 2012 were initially increased by \$11,090,600, however this amount was simultaneously appropriated from retained earnings to other reserves at the discretion of the Directors. Also, liabilities were decreased by \$11,090,600.

The effects of the prior period adjustment for the year ended January 31, 2013 are outlined below. Except for the effect on the accounts included in the analysis, no other accounts were affected by the restatement. There was no cash flow impact as a result of the restatement other than the consequential adjustments arising as a result of restatement of the comparative balance.

	As previously stated 2013 \$	Restatement 2013 \$	As restated 2013 \$
<b>Effect on statement of financial position</b>			
Accounts payable and other liabilities	(62,640,384)	11,090,600	(51,549,784)
Other reserves - general	-	(8,872,480)	(8,872,480)
Non-controlling interest	(4,412,793)	(2,218,120)	(6,630,913)

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (Expressed in Eastern Caribbean Dollars)

## 32 Prior period adjustments...continued

Cumulative impact on retained earnings for all prior period adjustments are as follows:

	As previously stated 2013 \$	Restatement 2013 \$	As restated 2013 \$
Retained earnings	64,048,068		
		b) 1,798,769	
		c) 2,701,107	
		d) <u>23,080</u>	
		<u>4,522,956</u>	68,571,024

Cumulative impact on income tax expense for all prior period adjustments are as follows:

	As previously stated 2013 \$	Restatement 2013 \$	As restated 2013 \$
Income tax expense	2,078,998		
		c) 4,093	
		d) <u>20,255</u>	
		<u>(24,348)</u>	2,054,650

## 33 Contingent liabilities

### Bank guarantees

- The Company has guaranteed a bank overdraft facility on behalf of its subsidiary company, TDC Rentals Limited in the amount of \$500,000.
- The Company has guaranteed a bank overdraft facility on behalf of its subsidiary company, City Drug Store (2005) Ltd in the amount of \$500,000.
- The Company has guaranteed a bank overdraft facility on behalf of its subsidiary company, TDC Airline Services Limited in the amount of \$500,000.
- The Company has guaranteed a bank overdraft facility on behalf of its subsidiary company TDC Nevis Limited in the amount of \$2,200,000.
- The Company has guaranteed a bank overdraft facility on behalf of its subsidiary company TDC Tours Limited in the amount of \$150,000.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 January 2014 (*Expressed in Eastern Caribbean Dollars*)

## 33 Contingent liabilities...continued

### Bank guarantees...continued

- The Company has guaranteed a bank overdraft facility on behalf of its subsidiary company TDC Airline Services (Nevis) Limited in the amount of \$300,000.
- The Company made an unlimited guarantee for loans on behalf of its subsidiary company St Kitts Nevis Finance Company Limited.
- The Company has guaranteed a bank overdraft facility on behalf of its subsidiary company TDC Rentals (Nevis) Limited in the amount of \$200,000.

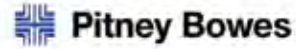
### Commitment

- At January 31, 2014, commitments in respect of open Letters of Credit established in the normal course of business amounted to \$5,346,000 (2013: \$5,346,000), while standby letters of credit were \$810,000 (2013: \$810,000).

## 34 Events after reporting date

No event has occurred or is pending or in prospect subsequent to the end of the reporting period that would require adjustment to, or disclosure in these consolidated financial statements.

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