

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

Unaudited Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

St. Kitts Nevis Anguilla Trading and Development Company Limited

Consolidated Statement of Financial Position

As at April 30 2021

(expressed in Eastern Caribbean dollars)

	Apr 2021 \$	Jan 2021 \$
Assets		
Current assets		
Cash and cash equivalents (note 8)	26,069,750	22,458,414
Investment securities (note 9)	85,440,155	80,804,235
Loans to customers (note 10)	26,720,466	22,261,814
Receivables (note 11)	9,479,110	10,573,831
Reinsurance assets (note 21)	16,666,949	8,174,453
Due from related parties (note 14)	2,737,599	1,291,888
Inventories (note 12)	43,522,102	40,034,976
Prepayments and other current assets (note 13)	7,809,208	5,940,656
Taxation recoverable (note 24)	100,267	86,502
Assets included in disposal group (note 15)	431,865	380,954
Total current assets	218,977,471	192,004,456
Non-current assets		
Investment securities (note 9)	11,232,877	15,826,180
Loans to customers (note 10)	82,227,767	87,509,432
Receivables (note 11)	4,996,098	6,340,706
Investment in associates (note 16)	12,031,593	11,548,268
Property, plant and equipment (note 17)	101,560,257	102,448,249
Intangible assets (note 19)	298,750	379,352
Deferred tax asset (note 24)	422,390	303,473
Assets included in disposal group (note 15)	17,549,227	17,567,388
Total non-current assets	230,318,843	241,922,931
Total assets	449,296,314	433,927,387
Liabilities		
Current liabilities		
Borrowings (note 20)	35,886,660	30,336,953
Insurance liabilities (note 21)	33,673,438	20,177,159
Customers' deposits (note 22)	130,056,249	127,225,843
Accounts payable and other liabilities (note 23)	35,035,295	40,199,423
Income tax payable (note 24)	849,656	1,139,265
Due to related parties (note 14)	221,261	4,000
Liabilities included in disposal group (note 15)	619,527	639,392
Total current liabilities	236,342,086	219,722,035
Non-current liabilities		
Borrowings (note 20)	5,625,259	5,953,189
Customers' deposits (note 22)	6,791,122	8,669,920
Accounts payable and other liabilities (note 23)	1,853,710	1,885,887
Deferred tax liability (note 24)	5,704,682	5,785,796
Total non-current liabilities	19,974,773	22,294,792
Total liabilities	256,316,859	242,016,827

St. Kitts Nevis Anguilla Trading and Development Company Limited

Consolidated Statement of Financial Position ...continued

As at April 30, 2021

(expressed in Eastern Caribbean dollars)

	Apr 2021 \$	Jan 2021 \$
Shareholders' equity		
Share capital (note 25)	52,000,000	52,000,000
Other reserves (note 26)	65,196,679	65,170,378
Retained earnings	71,138,164	70,068,531
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	188,334,843	187,238,909
Non-controlling interests	4,644,612	4,671,651
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Total shareholders' equity	192,979,455	191,910,560
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Total liabilities and shareholders' equity	449,296,314	433,927,387
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The accompanying notes are an integral part of these consolidated financial statements.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Consolidated Statement of Income

For the quarter ended April 30, 2021

(expressed in Eastern Caribbean dollars)

	Apr 2021 \$	Apr 2020 \$
Revenue (note 27)	25,376,663	26,586,901
Cost of sales	(18,417,340)	(17,625,392)
Gross profit	6,959,323	8,961,509
Net interest income (note 33)	2,102,608	1,845,632
Net underwriting income	568,008	257,131
Other income (note 28)	2,394,114	2,263,695
Operating income before operating expenses	12,024,053	13,327,967
Operating expenses		
Employee costs (note 29)	(5,720,780)	(6,664,643)
General and administrative (note 30)	(3,107,677)	(3,736,218)
Depreciation and amortisation (note 31)	(1,182,253)	(1,501,619)
	(10,010,710)	(11,902,480)
Operating profit	2,013,343	1,425,487
Share of income of associated companies (note 16)	483,325	222,680
Finance charges (note 32)	(964,063)	(784,916)
Profit/(Loss) before income tax	1,532,605	863,251
Profit/(Loss) before income tax attributable to:		
Parent company	1,537,252	762,042
Non-controlling interests	(4,647)	101,209
	1,532,605	863,251
Income tax expense (note 24)	(334,673)	(559,931)
Profit/(loss) for the year from continuing operations	1,197,932	307,320
Profit/(loss) on discontinued operations	36,537	-
Profit/(loss) for the period	1,234,469	307,320
Profit/(loss) on discontinued operations attributable to:		
Parent company	43,444	-
Non-controlling interests	(6,907)	-
	36,537	-

St. Kitts Nevis Anguilla Trading and Development Company Limited

Consolidated Statement of Income ...*continued*

For the quarter ended April 30, 2021

(expressed in Eastern Caribbean dollars)

	Apr 2021	Apr 2020
	\$	\$
(Loss)/profit for the year attributable to:		
Parent company	1,246,022	206,112
Non-controlling interests	<u>(11,553)</u>	<u>101,208</u>
	<u>1,234,469</u>	<u>307,320</u>
(Loss)/earnings per share		
Basic and diluted per share (note 34)	<u>0.024</u>	<u>0.004</u>

The accompanying notes are an integral part of these consolidated financial statements.

St. Kitts Nevis Anguilla Trading and Development Company Limited
 Consolidated Statement of Comprehensive Income
 For the quarter ended April 30, 2021

(expressed in Eastern Caribbean dollars)

	Apr 2021 \$	Apr 2020 \$
(Loss)/profit for the period	1,234,469	307,320
Other comprehensive income:		
<i>Item that will not be reclassified subsequently to profit or loss</i>		
Net unrealized fair value (loss)/gain on FVOCI financial assets		
Fair value gains on investment securities (note 9)	(177,432)	(44,411)
Revaluation surplus (note 17)		
Total comprehensive (loss)/income for the period	1,057,037	262,909
Total comprehensive (loss)/income for the year attributable to:		
Parent company	1,084,076	170,583
Non-controlling interests	(27,039)	92,326
	1,057,037	262,909

The accompanying notes are an integral part of these consolidated financial statements.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Consolidated Statement of Changes in Shareholders' Equity

For the quarter ended April 30, 2021

(expressed in Eastern Caribbean dollars)

	Parent company				Non-controlling interests \$	Total \$
	Share capital \$	Other reserves \$	Retained earnings \$	Subtotal \$		
Balance at February 1, 2020	52,000,000	65,124,831	62,066,181	179,191,012	4,265,768	183,456,780
Comprehensive income						
Profit for the year	–	–	8,007,277	8,007,277	433,068	8,440,345
Transfer to reserve fund	–	544,226	(544,226)	–	–	–
Transfer to other reserves	–	(66,833)	66,833	–	–	–
Revaluation surplus transfer to retained earnings	–	(472,466)	472,466	–	–	–
Other comprehensive income						
Fair value gains on investment securities	–	40,620	–	40,620	(27,185)	13,435
Balance at January 31, 2021	52,000,000	65,170,378	70,068,531	187,238,909	4,671,651	191,910,560
Balance at February 1, 2021	52,000,000	65,170,378	70,068,531	187,238,909	4,671,651	191,910,560
Comprehensive income						
Profit for the year	–	–	1,246,022	1,246,022	(11,553)	1,234,469
Transfer to reserve fund	–	–	–	–	–	–
Transfer to other reserves	–	188,247	(188,247)	–	–	–
Prior period adjustment	–	–	11,858	11,858	–	11,858
Other comprehensive income						
Fair value gains on investment securities	–	(161,946)	–	(161,946)	(15,486)	(177,432)
Balance at April 30, 2021	52,000,000	65,196,679	71,138,164	188,334,843	4,644,612	192,979,455

The accompanying notes are an integral part of these consolidated financial statements.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Consolidated Statement of Cash Flows

For the quarter ended April 30, 2021

(expressed in Eastern Caribbean dollars)

	April 2021 \$	April 2020 \$
Cash flows from operating activities		
(Loss)/profit before income tax	1,532,605	863,251
Items not affecting cash:		
Interest expense	1,774,193	1,349,535
Depreciation and amortization	1,299,924	1,721,708
Impairment loss on receivables	(75,798)	123,921
Impairment losses on loans to customers, net	567	(6,812)
Impairment losses of investment securities	63,860	-
Gains on disposals of property and equipment	(87,863)	(77,528)
Dividend income	(36,570)	(24,380)
Share of income of associated companies	(483,326)	(222,681)
Interest income	(3,196,183)	(2,893,483)
Cash flows from operations before changes in operating assets and liabilities	791,409	833,531
Decrease/(Increase) in loans to customers	788,116	2,886,691
Increase in receivables, prepayment and other assets	947,967	(1,514,683)
(Increase)/decrease in reinsurance assets	(8,492,496)	(501,060)
Increase in due from related parties	(1,445,714)	621,886
(Increase)/decrease in inventories	(3,487,126)	1,720,400
Increase/(decrease) in insurance liabilities	13,496,279	(1,026,649)
Increase in customers' deposits	893,551	7,762,164
Increase in accounts payable and other liabilities	(5,165,693)	(11,184,512)
(Decrease)/increase in due to related parties	217,261	508,802
Net cash generated from operating activities before interest receipts and payments and tax	(1,456,446)	106,570
Interest received	2,627,810	2,366,883
Taxes paid	(1,127,612)	(1,082,418)
Interest paid	(1,152,322)	(919,462)
Net cash from operating activities from continuing operations	(1,108,570)	471,573
Net cash used in operating activities from discontinued operations (note 15)	(187,103)	(145,202)
Net cash from operating activities	(1,295,673)	326,371

St. Kitts Nevis Anguilla Trading and Development Company Limited

Consolidated Statement of Cash Flows ...continued

For the quarter ended April 30, 2021

(expressed in Eastern Caribbean dollars)

	April 2021 \$	April 2020 \$
Cash flows from investing activities		
Interest received	655,576	296,943
Dividends received	36,570	24,380
Proceeds from disposals of property and equipment	304,046	77,528
Purchase of intangible assets	-	(37,972)
Purchase of property, plant and equipment	(547,402)	(249,197)
Redemption of investment securities, net	(336,782)	(276,403)
Net cash used in investing activities	112,010	(164,720)
Cash flows from financing activities		
Repayment of lease principal	(30,612)	(27,454)
Interest paid on lease	(23,844)	(27,623)
Interest paid on borrowings	(539,970)	(208,251)
Repayments of borrowings, net	5,221,777	5,269,271
Net cash used in financing activities	4,627,351	5,033,566
Net (decrease)/increase in cash and cash equivalents	3,443,688	5,195,217
Cash and cash equivalents at beginning of year	22,686,323	19,673,192
Cash and cash equivalents at end of period	26,130,011	24,868,409
Represented by:		
Cash and cash equivalents (note 8)	26,069,750	24,582,204
Cash under assets included in disposal group (note 15)	60,261	286,205
Cash and cash equivalents at end of period	26,130,011	24,868,409

The accompanying notes are an integral part of these consolidated financial statements.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

1 Nature of operations

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

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

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

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

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

3 New or revised standards or interpretations

New standards and amended standards effective for the financial year beginning February 1, 2020

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Group has assessed the relevance of such new standards and amendments and has concluded that these will not be relevant. Accordingly, the Group has made no changes to its accounting policies in 2022.

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

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

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

3 New or revised standards or interpretations ...continued

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

IFRS 17, Insurance Contracts (effective from January 1, 2023)

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

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

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

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

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

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

The Group has commenced the review of this standard.

There are no other new or amended standards and interpretations that are issued but not yet effective, that are expected to have a significant impact on the accounting policies or financial disclosures of the Group.

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

- COVID-19 related rent concessions – Amendments to IFRS 16;
- Classification of liabilities as current – Amendments to IAS 1;
- Property, Plant and Equipment – Proceeds before intended use – Amendments to IAS 16;
- Reference to the Conceptual Framework – Amendments to IFRS 3;
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37;
- Annual Improvements to IFRS Standards 2018 – 2020; and
- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28.

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies

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

a) Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiaries as at January 31, 2021. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of January 31.

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

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

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

b) Investment in associates

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

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

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ...continued

b) Investment in associates ...continued

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

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

c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Foreign currency transactions and balances

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

d) Segment reporting

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

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

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ...continued

e) Revenue recognition

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

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

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

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

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

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

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

The Group often enters into transactions involving the sale of vehicles and maintenance services. The transaction price allocated to performance obligations satisfied at a point in time is recognised as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognised as revenue as the performance obligation is satisfied.

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ...continued

e) Revenue recognition ...continued

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

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

Premium income

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

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

Interest income

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

Commission income

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

Dividend income

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

Rental income

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

Other income

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

f) Expenses

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ...continued

g) Leases

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

(i) *Accounting policy applicable from February 1, 2019*

Group as a lessee

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

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

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

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

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

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ...continued

g) Leases ...continued

(i) Accounting policy applicable from February 1, 2019 ...continued

Group as a lessee ...continued

Measurement and recognition of leases as a lessee ...continued

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

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

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

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

Group as a lessor

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

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

(ii) Accounting policy applicable before February 1, 2019

The Group accounts for its leases as follows:

Group as a lessor

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

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

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4 Summary of accounting policies ...continued

g) Leases ...continued

(ii) Accounting policy applicable before February 1, 2019 ...continued

Group as a lessee

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

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

h) Borrowing costs

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

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

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

i) Property, plant and equipment

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

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

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

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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 annual rates below.

Buildings	2%
Furniture and fittings	15%
Plant, machinery and construction equipment rentals	20% - 40%
Containers	20%
Motor vehicles	20%
Computers and equipment	20% - 40%
Right of use assets	3% - 10%

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

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

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

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

j) Investment property

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

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

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

k) Intangible assets

Intangible assets of the Group pertain to computer software. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Subsequently, these intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. These costs are amortised over their estimated useful life of three to five years (20% - 40% annual rate). The

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4 Summary of accounting policies ...continued

k) Intangible assets...continued

amortization period and the amortization method used for the computer software are reviewed at each reporting period.

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

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

l) Impairment of non-financial assets

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

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

m) Financial instruments

(i) Recognition and derecognition

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

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

(ii) Classification and measurement of financial assets

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

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4 Summary of accounting policies ...continued

m) Financial instruments ...continued

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

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

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

Financial assets are classified into the following categories:

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

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

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

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

Business model

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

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

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4 Summary of accounting policies ...continued

m) Financial instruments ...continued

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

SPPI

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

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

Financial assets at amortised cost

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

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

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

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4 Summary of accounting policies ...continued

m) Financial instruments ...continued

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

Financial assets at FVOCI

The classification requirements for equity instruments are described below.

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

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

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

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

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

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4 Summary of accounting policies ...continued

m) Financial instruments ...continued

(iii) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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4 Summary of accounting policies ...continued

m) Financial instruments ...continued

(iii) Impairment of financial assets ...continued

Modification of loans

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

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

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

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

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

(i) Classification and subsequent measurement

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

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4 Summary of accounting policies ...continued

m) Financial instruments ...continued

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

(ii) Derecognition

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

n) Offsetting financial instruments

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

o) Insurance contracts

Classification

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

Recognition and measurement

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

Short-term insurance contracts

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

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

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4 Summary of accounting policies ...continued

o) Insurance contracts ...continued

Recognition and measurement ...continued

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

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

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

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

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

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

Long-term insurance contracts with fixed and guaranteed terms

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

Benefits are recorded as an expense when they are incurred.

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

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4 Summary of accounting policies ...continued

o) Insurance contracts ...continued

Reinsurance contracts held

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

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

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

Liability adequacy test

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

Receivables and payables related to insurance contracts

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

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

Salvage and subrogation reimbursements

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

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4 Summary of accounting policies ...continued

o) Insurance contracts ...continued

Salvage and subrogation reimbursements ...continued

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

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

p) Inventories

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

q) Income taxes

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

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

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

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

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

Income tax rate

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

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4 Summary of accounting policies ...continued

q) Income taxes ...continued

Premium tax rate

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

r) Cash and cash equivalents

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

s) Equity, reserves and dividend payments

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

Revaluation reserve for property comprises unrealised gains and losses from revaluing land and buildings. Revaluation reserve for financial assets at fair value through other comprehensive income comprises unrealised gains and losses relating to these types of financial instruments (see note 26).

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

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

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

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

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

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4 Summary of accounting policies ...continued

t) Employee benefits

Post-employment benefit – defined contribution plan

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

Short-term employee benefits

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

u) Provisions, contingent assets and contingent liabilities

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

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

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

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

v) Events after the reporting date

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

w) Customer loyalty programmes

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

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(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ...continued

x) Earnings per share

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

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

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

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

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

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

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

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

i) *Provision for expected credit losses of receivables*

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

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

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

The carrying amount of receivables as at April, 2021 is \$16,946,167 (Jan 2021: \$17,318,593).

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Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ...continued

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

...continued

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

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

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

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

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

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

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

	5%	Base Case	-5%
	\$	\$	\$
<i>Loans to Customers</i>			
Time to Sell	3,419,161	3,399,407	3,379,439
Fair Value of Underlying Collateral	3,302,192	3,399,407	3,267,089
	+0.05%	Base Case	-0.05%
	\$	\$	\$
<i>Determination of Loss Rates</i>			
<i>Loans to Customers</i>	3,402,173	3,399,407	3,396,641
<i>Investment securities</i>	283,486	283,345	283,203

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ...continued

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

...continued

iii) *Estimated impairment of inventories*

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

iv) *Valuation of property*

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

v) *Fair value of financial instruments*

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

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

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

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ...continued

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

vi) *The ultimate liability arising from claims made under insurance contracts ...continued*

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

If the IBNR rates were adjusted by +/- 1%, the change in the consolidated statement of income would be to increase or decrease reported loss by approximately +/- \$3,850 (2019: \$3,030).

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

vii) *Determination of life insurance valuation assumptions*

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

Mortality

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

Lapses

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

Interest rates

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

Expense

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

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Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ...continued

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

viii) Sensitivity analysis of life insurance risk

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

	Change in Variable	Change in Net Policy Liabilities Increase/(Decrease)	
		Apr 2021 \$	Jan 2021 \$
Increase in mortality	10%	(14,816)	(17,152)
Decrease in mortality	10%	15,615	18,106
Increase in lapse margin	15%	35,489	45,708
Increase in expenses	10%	12,212	18,834
Parallel decrease in valuation	1%	144,29	174,426

5 Financial risk management

Financial risk factors

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

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

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

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Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

a) Market risk

i) Foreign currency risk

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

ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises primarily from net interest-bearing liabilities held with financial institutions with respect to the credit accounts, bank overdraft, customers' deposits and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The credit accounts, bank overdraft and the long-term borrowings bear fixed interest rates of 3.0% - 4.0%, 5.75% - 9% and 5% - 7% respectively, which exposes the Group to fair value interest rate risk. To manage interest rate risk, the Group negotiates the best rates possible and where possible considers factors such as refinancing, reviewing options and alternative financing. Also, cash flow interest rate risk arises from loans and advances to customers, and other interest-bearing assets at fixed rates.

iii) Price risk

The Group is exposed to equity securities price risk because of equity investments held by the Group and classified in the consolidated statement of financial position as financial assets at FVOCI. The Group's portfolio includes securities that are quoted on the Eastern Caribbean Securities Exchange, and its exposure to equity securities price risk is not material because the total of these securities is insignificant in relation to its consolidated statement of financial position and because of the limited volatility in this market. The Group does not hold equity securities that are quoted on the world's major securities markets. If market prices as at April 30, 2021 had been 10% higher/lower with all other variables held constant, the change in equity securities would have been insignificant.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk

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

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

Credit risk management

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

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

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

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

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

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Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Credit risk management

Loans to customers including loan commitments, investment securities and receivables

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

Credit risk rating

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

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

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

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

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

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Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Expected credit loss measurement

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

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

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

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

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(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Expected credit loss measurement ...continued

Maximum exposure to credit risk

Loans to customers

	ECL Staging Apr 2021			Total \$
	Stage 1 \$	Stage 2 \$	Stage 3 \$	
Mortgage loans	47,977,494	3,585,831	6,034,637	57,597,963
Vehicle loans	26,218,883	2,948,138	441,091	29,608,113
Promotional loans	15,671,533	1,255,025	327,675	17,254,232
Personal loans	6,931,476	378,989	576,867	7,887,332
Gross carrying amount	96,799,386	8,167,983	7,380,271	112,347,640
Loss allowance	(503,684)	(284,300)	(2,611,422)	(3,399,407)
Carrying amount	96,295,702	7,883,683	4,768,848	108,948,233

	ECL Staging Jan 2021			Total \$
	Stage 1 \$	Stage 2 \$	Stage 3 \$	
Mortgage loans	47,480,459	3,769,118	5,903,787	57,153,364
Vehicle loans	27,989,317	2,645,207	384,270	31,018,794
Promotional loans	15,524,659	1,241,249	323,637	17,089,545
Personal loans	6,953,617	377,605	596,627	7,927,849
Gross carrying amount	97,948,052	8,033,179	7,208,321	113,189,552
Loss allowance	(468,431)	(264,275)	(2,685,600)	(3,418,306)
Carrying amount	97,479,621	7,768,904	4,522,721	109,711,246

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April 30, 2021

(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Expected credit loss measurement ...continued

Maximum exposure to credit risk ...continued

Loans to customers ...continued

The closing balance of the loans to customers loss allowance as at April 30, reconciles with the loans to customers loss allowance opening balance as follows:

	Apr 2021	Jan 2021
	\$	\$
Balance at beginning of year	3,418,306	3,063,980
Impairment charge during the year (note 30)	1,042	528,171
Write-offs for the year	(19,466)	(173,845)
Balance at end of year	<u>3,399,882</u>	<u>3,418,306</u>

During the year, certain loans to customers previously written-off amounting to \$2,670 (Jan 2021: \$14,546) were recovered (note 30).

Collateral and other credit enhancements

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

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

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

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

A portion of the Group's financial assets originated by the mortgage business has sufficiently low 'loan to value' (LTV) ratios, which results in no loss allowance being recognised in accordance with the Group's expected credit loss model. The carrying amount of such financial assets is \$1,824,984 as at January 31, 2021 (2020: \$2,428,238).

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Expected credit loss measurement ...continued

Maximum exposure to credit risk ...continued

Loans to customers ...continued

Collateral and other credit enhancements ...continued

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

April 30, 2021

	Gross exposure \$	Impairment allowance \$	Carrying amount \$	Fair value of collateral held \$
Credit-impaired assets				
Loans to customers				
Mortgage	6,034,637	1,632,363	4,402,275	13,031,194
Vehicle	576,867	395,148	181,719	166,287
Promotional	327,675	327,571	103	-
Personal	441,091	256,341	184,751	-
Total credit-impaired assets	7,380,271	2,611,422	4,768,848	13,197,481

January 31, 2021

	Gross exposure \$	Impairment allowance \$	Carrying amount \$	Fair value of collateral held \$
Credit-impaired assets				
Loans to customers				
Mortgage	5,903,787	(1,700,190)	4,203,597	12,701,194
Vehicle	384,270	(248,722)	135,548	-
Promotional	323,637	(323,637)	-	-
Personal	596,627	(413,051)	183,576	133,724
Total credit-impaired assets	7,208,321	(2,685,600)	4,522,721	12,834,918

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Expected credit loss measurement ...continued

Maximum exposure to credit risk ...continued

Loans to customers ...continued

Collateral and other credit enhancements ...continued

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

April 30, 2021

LTV distribution	Credit-impaired (Gross carrying amount)			
	Mortgage loans portfolio	Vehicle loans portfolio	Promotional loans portfolio	Personal loans portfolio
	\$	\$	\$	\$
Lower than 50%	1,355,184	20,504	-	31,502
50% to 60%	606,710	-	-	-
60% to 70%	33,103	-	-	-
70% to 80%	779,620	-	-	63,906
80% to 90%	150,083	-	-	-
90% to 100%	351,158	-	-	-
Higher than 100%	2,122,869	422,524	327,675	473,687
Total	5,398,729	443,029	327,675	569,094

January 31, 2021

LTV distribution	Credit-impaired (Gross carrying amount)			
	Mortgage loans portfolio	Vehicle loans portfolio	Promotional loans portfolio	Personal loans portfolio
	\$	\$	\$	\$
Lower than 50%	393,350	34,561	-	6,065
50% to 60%	1,825,771	-	-	35,811
60% to 70%	214,707	-	-	-
70% to 80%	781,198	-	-	63,906
80% to 90%	148,361	-	-	-
90% to 100%	351,273	-	-	-
Higher than 100%	2,189,127	349,709	323,637	490,845
Total	5,903,787	284,270	323,637	596,627

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Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Expected credit loss measurement ...continued

Maximum exposure to credit risk ...continued

Loans to customers ...continued

Collateral and other credit enhancements ...continued

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

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

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5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Expected credit loss measurement ...continued

Maximum exposure to credit risk ...continued

Loans to customers ...continued

Collateral and other credit enhancements ...continued

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

April 30, 2021

	Stage 1	Stage 2	Stage 3 Lifetime	Total
	12-month ECL	Lifetime ECL	ECL	ECL
	\$	\$	\$	\$
Loss allowance as at February 1, 2021	468,431	264,275	2,685,600	3,418,306
Transfers:				
Transfers from Stage 1 to Stage 2	(24,006)	164,458	–	140,452
Transfers from Stage 1 to Stage 3	–	–	–	–
Transfers from Stage 2 to Stage 1	19,782	(138,967)	–	(119,185)
Transfers from Stage 2 to Stage 3	–	(9,039)	37,774	28,735
Transfers from Stage 3 to Stage 1	–	–	–	–
Transfers from Stage 3 to Stage 2	–	–	–	–
New financial assets originated or purchased	55,824	3,497	–	59,321
Changes in loss rates/ LGDs/EADs	11,721	4,067	(1,170)	14,618
Changes in model assumptions and methodologies	–	–	–	–
Financial assets derecognised during the year	(28,070)	(3,991)	(110,782)	(142,843)
Total net P&L charge during the year	55,277	22,194	33,072	110,543
Write-offs	–	–	–	–
Loss allowance as at April 30, 2021	503,684	284,300	2,611,423	3,399,407

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Expected credit loss measurement ...continued

Maximum exposure to credit risk ...continued

Loans to customers ...continued

Collateral and other credit enhancements ...continued

January 31, 2021

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	\$	\$	\$	\$
Loss allowance as at February 1, 2020	407,580	136,682	2,519,718	3,063,980
Transfers:				
Transfers from Stage 1 to Stage 2	(14,993)	160,385	–	1,45,392
Transfers from Stage 1 to Stage 3	(700)	–	75,657	74,957
Transfers from Stage 2 to Stage 1	2,913	(11,590)	–	(8,677)
Transfers from Stage 2 to Stage 3	–	(20,256)	183,561	163,305
Transfers from Stage 3 to Stage 1	250	–	–	250
Transfers from Stage 3 to Stage 2	–	–	–	–
New financial assets originated or purchased	157,439	16,957	–	174,396
Changes in loss rates/ LGDs/EADs	(977)	10,883	(60,042)	(50,136)
Changes in model assumptions and methodologies	–	–	–	–
Financial assets derecognised during the year	(83,081)	(28786)	(33,294)	(145,161)
Total net P&L charge during the year	60,851	127,593	165,882	354,326
Write-offs	–	–	–	–
Loss allowance as at January 31, 2021	468,431	264,275	2,685,600	3,418,306

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Expected credit loss measurement ...continued

Maximum exposure to credit risk ...continued

Loans to customers ...continued

Write-off policy

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

The Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the period ended April 30, 2021 was \$19,466 (2021: \$173,370).

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

Modification of financial assets

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery. Such restructuring activities include extended payment term arrangements and payment holidays. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Expected credit loss measurement ...continued

Maximum exposure to credit risk ...continued

Investment securities ...continued

The closing balance of the investment securities loss allowance as at April 30, reconciles with the investment securities loss allowance opening balance as follows:

April 30, 2021

	Parent company \$	Non- controlling interests \$	Total \$
Balance at beginning of year	834,536	12,318	846,854
Loss allowance for the year (note 30)	–	–	–
Balance at end of year	834,536	12,318	846,854

January 31, 2021

	Parent company \$	Non- controlling interests \$	Total \$
Balance at beginning of year	486,028	12,318	498,346
Loss allowance for the year (note 30)	348,508	–	348,508
Balance at end of year	834,536	12,318	846,854

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Expected credit loss measurement ...continued

The closing balance of the receivables loss allowance as at April 30, reconciles with the receivables loss allowance opening balance as follows:

	Apr 2021	Jan 2021
	\$	\$
Balance at beginning of year	10,400,117	10,027,118
Charge of allowance for the year	(2,044)	705,650
Recoveries	(91,692)	(340,036)
Written-off during the year		7,385
Balance at end of year	10,306,382	10,400,117

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Expected credit loss measurement ...continued

Due from related parties, reinsurance assets and statutory deposits

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

During the year, no loss allowance is recognised as management believes that there is no risk of collecting those financial assets due to their short-term duration and the counterparties have access to sufficiently highly liquid assets in order to repay the receivable if demanded at the reporting date.

Geographic

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

c) Liquidity risk

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

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

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

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April 30, 2021

(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

c) Liquidity risk ...continued

	Within 1 year \$	Between 1 and 5 years \$	More than 5 years \$	Total \$
As at April 30, 2021				
<i>Financial liabilities</i>				
Borrowings	34,749,111	6,762,808	–	41,511,919
Customers' deposits	126,253,543	2,668,871	7,924,958	136,847,372
Insurance liabilities	23,307,724	–	–	23,307,724
Accounts payable and other liabilities	28,733,108	1,853,711	–	30,586,819
Due to related parties	221,261	–	–	221,261
Liabilities included in disposal group	619,527	–	–	619,527
Total financial liabilities	213,884,274	11,285,390	7,924,958	233,094,622
Financial assets held	161,594,134	63,881,474	36,353,985	261,829,593
Net liquidity gap	(52,290,140)	52,596,084	28,429,027	28,734,971
As at January 31, 2021				
<i>Financial liabilities</i>				
Borrowings	21,079,420	17,116,332	183,167	38,378,919
Customers' deposits	129,152,207	3,997,294	4,811,062	137,960,563
Insurance liabilities	15,522,632	–	–	15,522,632
Accounts payable and other liabilities	43,092,483	889,960	2,061,177	46,043,620
Due to related parties	4,000	–	–	4,000
Liabilities included in disposal group	639,392	–	–	639,392
Total financial liabilities	209,490,134	22,003,586	7,055,406	238,549,126
Financial assets held to managed liquidity risk	147,707,612	72,011,412	37,772,686	257,491,710
Net liquidity gap	(61,782,522)	50,007,826	30,717,280	18,942,584

6 Management of insurance and financial risks

a) Insurance risk

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

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risks ...continued

a) Insurance risk ...continued

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

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

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

Type of risk	Apr 2021		Jan 2021	
	Gross \$	Net \$	Gross \$	Net \$
Motor	5,303,177	5,019,997	4,820,890	4,537,628
Property	2,591,397	361,397	2,564,131	334,131
	7,894,575	5,381,394	7,384,940	4,871,759
Add:				
Unallocated loss adjustment expenses	427,000	427,000	427,000	427,000
Claims incurred but not reported	358,000	358,000	358,000	358,000
	8,169,940	5,656,759	8,169,940	5,656,759

i) Property insurance

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

Frequency and severity of claims

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risks ...continued

a) Insurance risk ...continued

i) Property insurance ...continued

Frequency and severity of claims ...continued

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

Sources of uncertainty in the estimation of future claim payments

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

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

ii) Casualty insurance

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

Frequency and severity of claims

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

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

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

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Notes to Consolidated Financial Statements

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(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risks ...continued

a) Insurance risk ...continued

ii) Casualty insurance ...continued

Sources of uncertainty in the estimation of future claim payments

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

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

iii) Reinsurance contracts

Sources of uncertainty in the estimation of future claim payments

Claims on reinsurance contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract even if the loss is discovered after the end of the contract term. The provision for outstanding claims is subject to the risk that actual claims settlement may be less than or exceed the amount reserved. Particular attention is given to those situations where the funds dedicated to future claims payments may be inadequate. The estimated costs of claims include direct expenses to be incurred in settling claims. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for incurred but not reported (IBNR) and a provision for reported claims not yet paid (outstanding claims) at the reporting date. The Group engages an actuary to ensure that its loss reserves for claims incurred but not reported are adequate. The Actuary uses a range of well-established actuarial methods for this purpose and determines the minimum required provision using a weighted average.

iv) Life insurance contracts

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

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April 30, 2021

(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risks ...continued

a) Insurance risk ...continued

iv) Life insurance contracts ...continued

The nature and extent of risks arising from life insurance contracts as of April 30, 2021 and January 31, 2021 are as follows:

Concentration of life insurance risk

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

Range	2021	2021
\$0 - \$200,000	72%	72%
\$200,001 - \$400,000	24%	24%
\$400,001 - \$800,000	4%	4%

The risk is concentrated in the first 2 categories.

Comparison of actual and expected claims of life insurance risk

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

Year	Apr 2021		Jan 2021	
	Actual claims \$	Expected claims \$	Actual claims \$	Expected claims \$
2010	45,000	106,000	45,000	106,000
2011	93,000	103,000	93,000	103,000
2012	8,000	98,000	8,000	98,000
2013	–	93,000	–	93,000
2014	–	87,000	–	87,000
2015	–	82,000	–	82,000
2016	–	78,000	–	78,000
2017	50,000	74,000	50,000	74,000
2018	71,000	54,000	71,000	54,000
2019	147,000	67,000	147,000	67,000
2020	–	56,000	–	56,000
2021	95,000	46,000	95,000	46,000

Maturity profile of life insurance risk

The estimated timing of net cash outflows resulting from recognised life insurance liabilities as at April 30, are as follows:

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(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risks ...continued

a) Insurance risk ...continued

iv) Life insurance contracts ...continued

Maturity profile of life insurance risk ...continued

	Up to 1 year \$	1 to 5 years \$	Over 5 years \$	Total \$
As at April 30, 2021				
Net reserve	292	4,549	1,253,146	1,257,987
Fund balance	–	–	164,185	164,185
Supplementary benefits	52	–	–	52
Total liabilities, April 30, 2021	344	4,549	1,417,331	1,422,224
As at January 31, 2021				
Net reserve	292	4,549	1,253,146	1,257,987
Fund balance	–	–	164,185	164,185
Supplementary benefits	52	–	–	52
Total liabilities, January 31, 2021	344	4,549	1,417,331	1,422,224

v) Claims development

Claims development – insurance

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

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Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risks ...continued

a) Insurance risk ...continued

v) Claims development ...continued

Claims development – insurance ...continued

Motor – gross

Loss year	Brought forward \$	2018 \$	2019 \$	2020 \$	2021 \$	Apr 2021 \$	Total \$
- At end of reporting year	13,699,421	2,351,911	3,321,516	3,851,283	3,176,167	1,304,327	27,704,625
- One year later	(605,802)	(76,803)	147,086	(282,859)	(99,070)	-	(917,448)
- Two years later	176,510	(24,434)	(182,499)	(99,046)	-	-	(129,470)
- Three years later	(10,679)	(43,637)	(11,770)	-	-	-	(66,087)
- Four years later	(39,511)	(2,323)	-	-	-	-	(41,834)
- Five years and over	(131,909)	-	-	-	-	-	(131,909)
Current estimate of cumulative claims	13,088,029	2,204,714	3,274,333	3,469,378	3,077,097	1,304,327	26,417,878
Cumulative payments to date	(10,514,628)	(1,939,496)	(2,627,452)	(2,355,520)	(3,086,037)	(591,567)	(21,114,700)
Liability recognised in the consolidated statement of financial position	2,573,401	265,218	646,881	1,113,858	(8,940)	712,760	5,303,178
Motor – net							
- At end of reporting year	13,699,421	2,351,911	3,321,516	3,456,996	3,287,274	1,304,327	27,421,445
- One year later	(605,802)	(76,803)	147,086	(282,859)	(99,070)	-	(917,448)
- Two years later	176,510	(24,434)	(182,499)	(99,046)	-	-	(129,470)
- Three years later	(10,679)	(43,637)	(11,770)	-	-	-	(66,087)
- Four years later	(39,511)	(2,323)	-	-	-	-	(41,834)
- Five years and over	(131,909)	-	-	-	-	-	(131,909)
Current estimate of cumulative claims	13,088,029	2,204,714	3,274,333	3,075,090	3,188,204	1,304,327	26,134,697
Cumulative payments to date	(10,514,628)	(1,939,496)	(2,627,452)	(2,355,520)	(3,086,037)	(591,567)	(21,114,700)
Liability recognised in the consolidated statement of financial position	2,573,401	265,218	646,881	719,571	102,167	712,760	5,019,997

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

Management of insurance and financial risks ...continued

a) Insurance risk ...continued

v) Claims development ...continued

Claims development – insurance ...continued

Property – gross

Loss year	Brought forward \$	2018 \$	2019 \$	2020 \$	2021 \$	Apr 2021 \$	Total \$
- At end of reporting year	7,114,267	2,481,140	158,900	1,072,197	711,626	68,500	11,606,630
- One year later	209,456	(207,876)	-	(231,063)	-	-	(229,483)
- Two years later	(13,864)	-	-	(2,278)	-	-	(16,142)
- Three years later	(12,000)	(52,000)	-	-	-	-	(64,000)
- Four years later	(3,000)	2,079	-	-	-	-	(921)
- Five years later	-	-	-	-	-	-	-
Current estimate of cumulative claims	7,294,859	2,223,343	158,900	838,856	711,626	68,500	11,296,085
Cumulative payments to date	(6,882,047)	(594,117)	(242,412)	(158,611)	(784,464)	(41,035)	(8,704,687)
Liability recognised in the consolidated statement of financial position	412,812	1,629,226	(83,512)	680,244	(74,838)	27,465	2,591,398
Property – net							
- At end of reporting year	7,114,267	711,140	158,900	550,110	773,713	68,500	9,376,630
- One year later	209,456	(207,876)	-	(231,063)	-	-	(229,483)
- Two years later	(13,864)	-	-	(2,278)	-	-	(16,142)
- Three years later	(12,000)	(52,000)	-	-	-	-	(64,000)
- Four years later	(3,000)	2,079	-	-	-	-	(921)
- Five years later	-	-	-	-	-	-	-
Current estimate of cumulative claims	7,294,859	453,343	158,900	316,769	773,713	68,500	9,066,085
Cumulative payments to date	(6,882,047)	(594,117)	(242,412)	(158,611)	(786,464)	(41,035)	(8,704,687)
Liability recognised in the consolidated statement of financial position	412,812	(140,774)	(83,512)	158,157	(12,751)	27,465	361,397

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2021

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6 Management of insurance and financial risks ...continued

b) Fair value of financial assets and liabilities

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

Determination of fair value

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

Short-term financial assets and liabilities

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

Long-term financial assets

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

Financial assets at FVOCI

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

Borrowings and deposits

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

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risks ...continued

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

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

	Carrying value		Fair value	
	Apr 2021	Jan 2021	Apr 2021	Jan 2021
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	26,069,750	22,455,150	26,069,750	22,455,150
Investment securities	90,155,399	89,935,349	90,155,399	89,935,349
Loans to customers	108,948,233	109,771,246	108,948,233	109,771,246
Receivables	14,475,208	16,914,537	14,475,208	16,914,537
Reinsurance assets	9,788,274	7,065,500	9,788,274	7,065,500
Statutory deposits	2,887,833	2,874,244	2,887,833	2,874,244
Due from related parties	2,737,599	1,291,885	2,737,599	1,291,885
	255,062,296	250,307,911	255,062,296	250,307,911
Financial liabilities				
Borrowings	41,511,919	36,290,142	41,511,919	36,290,142
Customers' deposits	136,847,372	135,895,763	137,051,054	137,051,054
Insurance liabilities	23,307,724	15,522,632	23,307,724	15,522,632
Accounts payable and other liabilities	34,051,241	39,290,089	34,051,241	39,290,089
Due to related parties	221,261	4,000	221,261	4,000
	235,939,516	227,002,626	236,143,199	228,157,917

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risks ...continued

c) Fair value hierarchy

Fair value measurement of financial assets

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

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

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

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets April 2021				
Financial assets at FVOCI (note 9)		3,864,453	2,653,180	6,517,633
Financial assets January 2021				
Financial assets at FVOCI (note 9)	20,628	4,021,258	2,653,180	6,695,066

Fair value measurement of non-financial assets

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

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Land and buildings – April 30, 2021	–	–	105,221,994	105,221,994
Land and buildings – January 31, 2021	–	–	105,582,232	105,582,232

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risks ...continued

c) Fair value hierarchy ...continued

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

Land and buildings were revalued in January 2020 and difference between the carrying amounts of land and buildings and the fair values are recognised as a revaluation loss or surplus either in the consolidated statement of income or consolidated statement of other comprehensive income (see note 17 and 26).

d) Capital risk management

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

Total net debt includes bank loans and long-term debt less cash. The Group's capital includes total net debt and equity. As at April 30, 2021, the Group's net debt amounted to \$15,381,908 (Jan 2021: \$13,831,729), while its equity amounted to \$192,886,698 (Jan 2021: \$191,814,320).

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

In accordance with Section 3 of the Insurance Act of 2009 of St. Kitts and Nevis (the "Act"), the insurance subsidiary, TDC Insurance Company Limited, is required to have a minimum share capital of \$2,000,000 fully paid up in cash. Further, Section 23 of the Act requires the insurance subsidiary to deposit an amount of \$1,000,000 for long term insurance and no less than \$500,000 for motor vehicle insurance with the Registrar or that the interest of the Registrar in respect of any prescribed asset be duly registered with the Eastern Caribbean Central Securities Registry. The statutory deposits prior to elimination in the amount of \$4,358,585 (Jan 2021: \$4,358,585) in the form of term deposits and bonds are currently held by the insurance subsidiary to satisfy the above requirement.

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

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risks ...continued

d) Capital risk management ...continued

	Apr 2021	Apr 2020
	\$	\$
<i>General insurance business</i>		
20% of net premium income of the preceding year (2021: \$7,675,214; 2020: \$7,388,937)	1,535,043	1,477,787
<i>Long-term insurance business</i>		
5% of life policyholders' benefits of the current year (2021: \$1,422,224; 2020: \$1,701,625)	71,111	85,081
	<u>1,606,154</u>	<u>1,562,868</u>

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

	Apr 2021	Jan 2021
	\$	\$
Total assets	64,846,592	59,128,485
Total liabilities	<u>(20,922,935)</u>	<u>(15,707,043)</u>
Margin of solvency	43,923,657	43,421,442
Required minimum margin of solvency	<u>(1,606,154)</u>	<u>(1,606,154)</u>
Margin of solvency in excess of requirement	<u>42,317,503</u>	<u>41,815,288</u>

The margin of solvency was met and exceeded by the insurance subsidiary in 2021.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risks ...continued

d) Capital risk management ...continued

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

	Apr 2021 \$	Jan 2021 \$
Tier 1 capital		
Share capital	6,000,000	6,000,000
Statutory reserve	6,617,255	6,617,255
Retained earnings	19,549,956	20,727,218
Other reserves	744,301	641,303
	<hr/>	<hr/>
Total qualifying Tier 1 capital	32,911,512	33,985,776
	<hr/>	<hr/>
Tier 2 capital		
Accumulated impairment allowance	3,191,878	3,870,003
	<hr/>	<hr/>
Total regulatory capital	36,103,390	37,855,779
	<hr/>	<hr/>

7 Segment reporting

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

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

Segment information for the reporting period is as follows:

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

7 Segment reporting ...continued

April 2021	General trading \$	Insurance \$	Financing \$	Hotel and restaurant \$	Other \$	Eliminations \$	Total \$
Revenue							
From external customers:							
Revenue	24,785,814	-	-	-	590,849	-	25,376,663
Net interest income	227,530	327,030	1,434,646	-	113,403	-	2,102,608
Net underwriting income	-	(424,976)	-	-	-	-	(424,976)
Other income	1,631,101	420,697	207,385	-	134,931	-	2,394,114
From other segments	3,700,232	1,285,027	13,565	-	27,470	(5,026,294)	-
	30,344,677	1,607,778	1,655,596	-	866,653	(5,026,294)	29,448,409
Cost of sales	(21,193,372)	-	-	-	(224,769)	3,993,785	(17,424,355)
Gross profit	9,151,305	1,607,778	1,655,596	-	641,884	(1,032,509)	12,024,054
Employee costs	4,625,195	465,261	304,632	-	337,859	(3,177)	5,729,770
General and administrative expenses	2,612,668	546,023	256,775	-	508,049	(811,013)	3,112,502
Depreciation and amortisation	1,231,238	151,206	49,835	-	192,191	(442,217)	1,182,253
Impairment loss on PPE	-	-	-	-	-	(483,325)	(483,325)
Finance charges, net	946,144	(53,595)	2,286	-	(118,976)	193,250	964,537
	9,415,245	1,108,895	608,956	-	919,123	(1,546,482)	10,505,737
Segment (loss)/profit before income tax	(263,940)	498,883	1,046,640	-	(277,239)	513,973	1,518,316
Segment assets	207,113,016	102,656,445	180,599,198	-	54,222,261	(95,294,606)	449,296,314
Segment liabilities	109,592,192	39,229,303	144,774,978	-	33,646,136	(70,925,750)	256,316,859

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

7 Segment reporting ...continued

April 2020	General trading \$	Insurance \$	Financing \$	Hotel and restaurant \$	Others \$	Eliminations \$	Total \$
Revenue							
From external customers:							
Revenue	23,969,447	–	–	704,564	1,912,890	–	26,586,901
Net interest income	234,882	101,040	1,493,077	–	16,633	–	1,845,632
Net underwriting income	–	257,131	–	–	–	–	257,131
Other income	1,208,285	561,336	100,405	134,850	258,819	–	2,263,695
From other segments	3,145,663	1,493,142	11,636	3,496	276,138	(4,930,075)	–
	28,558,277	2,412,649	1,605,118	842,910	2,464,480	(4,930,075)	30,953,359
Cost of sales	20,453,845	–	–	435,162	602,919	(3,866,534)	17,625,392
Gross profit	8,104,432	2,412,649	1,605,118	407,748	1,861,561	(1,063,541)	13,327,967
Employee costs	4,671,297	469,376	284,799	387,944	851,227	–	6,664,643
General and administrative expenses	1,452,982	315,013	144,300	258,983	586,172	(752,445)	2,005,005
Depreciation and amortization	1,310,554	143,640	48,540	171,358	313,709	(486,182)	1,501,619
Impairment loss on property, plant and equipment	–	–	–	–	–	–	–
Repairs and maintenance	322,688	3,806	9,388	81,812	49,164	(7,642)	459,216
Advertising and sales promotion	278,143	17,763	24,987	12,106	16,491	–	349,490
Legal and professional fees	140,365	137,880	34,940	23,134	39,987	–	376,306
Utilities	237,517	16,368	4,651	121,096	46,548	–	426,180
Impairment losses	(42,781)	–	121,083	–	(6,460)	48,179	120,021
Revaluation loss	–	–	–	–	–	–	–
Finance charges, net	1,010,417	(261,814)	(2,633)	73,111	(101,355)	67,190	784,916
Share of income on associated companies	–	–	–	–	–	(222,680)	(222,680)
	9,381,182	842,032	670,055	1,129,544	1,795,483	(1,353,500)	12,464,716
Segment (loss)/profit before income tax	(1,276,750)	1,570,617	935,063	(721,796)	66,078	290,039	863,251
Segment assets	208,190,026	84,388,911	172,045,963	17,784,891	43,444,088	(89,116,370)	436,737,509
Segment liabilities	131,173,523	24,965,288	139,134,375	23,237,518	9,454,809	(75,073,755)	252,891,758

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

7 Segment reporting ...continued

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

Major customers

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

8 Cash and cash equivalents

	Apr 2021	Jan 2021
	\$	\$
Cash on hand	45,205	44,555
Cash at banks	15,988,313	15,118,647
Treasury bills and term-deposits	10,036,232	7,291,948
	<u>26,069,750</u>	<u>22,455,150</u>

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

Treasury bills and term-deposits

Treasury bills and term-deposits are held with Government of St. Kitts and Nevis and local commercial banks, respectively, with original terms to maturity of three months or less. Interest rates on treasury bills range from 3.75% to 5.5% per annum (2021: 3.75% to 5.5%) while interest rates on short-term deposits are 1% per annum (2021: 1%).

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

9 Investment securities

	Apr 2021 \$	Jan 2021 \$
Financial assets at FVOCI		
Quoted securities	3,864,453	4,041,888
Unquoted securities	2,653,180	2,653,178
	<u>6,517,633</u>	<u>6,695,066</u>
Amortised cost		
Fixed deposits	51,886,920	51,589,986
Corporate bonds	27,550,000	27,550,000
Government treasury bills and bonds	10,677,309	10,686,749
	<u>90,114,229</u>	<u>89,826,735</u>
Interest receivable	924,706	978,756
	<u>91,038,935</u>	<u>90,805,491</u>
Allowance for impairment	(883,536)	(870,142)
	<u>90,155,399</u>	<u>89,935,349</u>
	<u>96,673,032</u>	<u>96,630,415</u>
Current	85,440,155	80,804,235
Non-current	11,232,877	15,826,180
	<u>96,673,032</u>	<u>96,630,415</u>

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

9 Investment securities ...continued

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

	Apr 2021	Jan 2021
	\$	\$
Parent company (note 26)	(161,946)	40,620
Non-controlling interests	(15,486)	(27,185)
	<u>(177,432)</u>	<u>13,435</u>

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

Fixed deposits

Fixed deposits consist of one to two years term deposits at local and regional financial institutions bearing interest at rates ranging from 1.0% to 3.5% per annum (2021: 1.0% to 3.5%).

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

9 Investment securities ...continued

Fixed deposits ...continued

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

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

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

The Trust Deed in respect of this amount was signed on June 30, 2017. Deposits held with the Depositors' Protection Trust were to be held for a term of 10 years commenced on April 22, 2016. However, due to a delay in the commencement of the payment on the Depositors' Protection Trust, a revised payment schedule was completed and resulted in a maturity date of March 30, 2028.

Corporate bonds

Corporate bonds are held with Eastern Caribbean Home Mortgage Bank and Property Holding & Development Co. Ltd. for periods ranging from 1 to 2 years at interest rates of 2.5% per annum (2020: 1.98% to 3%).

Treasury bills and bonds

Treasury bills and bonds are held with Eastern Caribbean Governments with original terms to maturity ranging from more than three months to one year for treasury bills and one to twenty years for bonds. Interest rates on treasury bills is 4.5% per annum (2021: 2.5% to 4.5%) while interest rates on bonds is 3% per annum (2021: 3%).

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

10 Loans to customers

	Apr 2021	Jan 2021
	\$	\$
Performing	96,689,270	97,655,270
Under performing	8,030,973	8,019,683
Non-performing	6,738,526	6,591,398
Interest receivable	888,871	923,201
	<hr/>	<hr/>
Gross loans	112,347,640	113,189,552
Allowance for loan impairment	(3,399,407)	(3,418,306)
	<hr/>	<hr/>
Total loans to customers	108,948,233	109,771,246
	<hr/>	<hr/>
Current	26,720,466	22,261,814
Non-current	82,227,767	87,509,432
	<hr/>	<hr/>
	108,948,233	109,771,246

The weighted average effective interest rate on performing and under performing loans and advances at amortised cost at April 30, 2021 was 8.01% (2021: 8.01%).

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

According to the ECCB loan provisioning guidelines, the calculated allowance for loan impairment amounts to \$2,397,441 (2021: \$2,324,612). Where the ECCB loan loss provision is greater than the allowance for credit losses calculated under IFRS, the difference is set aside as a specific reserve in equity. As at April 30, 2021, the loan loss provision calculated under IFRS was greater than the ECCB provision. Therefore, a specific reserve through equity was not required at the reporting date.

Non-performing loans as at April 30, 2021 amounted to \$6,738,526 (2021: \$6,591,398) and interest taken to income on credit-impaired loans during the year resulted in a derecognition of \$24,821 (2020: \$66,833). The interest receivable on loans that would not be recognised under ECCB guidelines as at April 30 2021 amounted to \$656,486 (2021: \$631,665), and is included in other reserves in equity (see Note 14). The interest receivable on non-performing loans to customers but not recognised in the financial statements at the end of the quarter amounted to \$3,192,805 (2021: \$3,115,506).

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

11 Receivables

	Apr 2021	Jan 2021
	\$	\$
Accounts receivable	14,733,755	15,142,600
Finance lease receivables	6,825,518	7,483,938
Loan receivables	2,356,229	3,829,055
Other receivables	44,529	71,362
	<hr/>	<hr/>
	23,963,031	26,526,955
Less: provision for impairment	(9,487,823)	(9,612,418)
	<hr/>	<hr/>
	14,475,208	16,914,537
Less: non-current portion of receivables	(4,996,098)	(6,340,706)
	<hr/>	<hr/>
Current portion of receivables	9,479,110	10,573,831
	<hr/>	<hr/>

Accounts receivable

The Group's accounts receivable are amounts due from customers for the goods sold and services rendered in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Details about the Group's impairment policies and the calculation of the loss allowance are disclosed in Note 5(b).

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

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

Finance lease receivables

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

11 Receivables ...continued

Loan receivable

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

The lenders agreed that the Company will provide US\$1,000,000 to the administrative agent for the loan extended to SCASPA. As at April 30, 2021, the amounts disbursed amounted to US\$865,906 or EC\$2,337,948 (2021: US\$865,906 or EC\$2,337,948).

The interest income recognised for the year amounted to US\$9,501 or EC\$25,653(2021: US\$39,948 or EC\$107,860) is shown as part of interest income in the statement of comprehensive income.

The loan receivable balance including accrued interest as at April 30, 2021 amounted to US\$875,407 or EC\$2,363,599 (2021: US\$869,216 or EC\$2,346,885).

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

12 Inventories

	Apr 2021	Jan 2021
	\$	\$
General trading stock on hand	22,758,138	20,669,767
Land held for future development	11,647,503	11,647,503
Sunrise Hills Villas – land	2,658,607	2,658,607
Stock in transit	2,022,120	1,174,132
Work-in-progress	793,498	126,939
Dewars development cost	2,857,640	2,973,432
Real estate units available for sale	784,596	784,596
	43,522,102	40,034,976

13 Prepayments and other current assets

	Apr 2021	Jan 2021
	\$	\$
Prepayments	4,739,845	2,884,882
Statutory deposits	2,887,833	2,874,244
Right of return assets	181,530	181,530
	7,809,208	5,940,656

Statutory deposits

In accordance with the Insurance Act 2009 Section 23, all registered insurance companies are required to maintain a statutory deposit in certain prescribed forms acceptable to the Registrar of Insurance. As at April 30, 2021 and January 31, 2021, statutory deposits were held in the form of term deposits with local commercial banks, with original term to maturity of one year and bear interest at a rate of 1% per annum (2021: 1%), and funds held on deposit with the Financial Services Regulatory Commission – St. Christopher Branch. Statutory deposits are restricted and hence are not available for use in the day-to-day operations of the Group

14 Related party balances and transactions

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

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

14 Related party balances and transactions ...continued

	Apr 2021 \$	Jan 2021 \$
Due from related parties		
Associated companies	<u>2,737,599</u>	1,291,888

	Apr 2021 \$	Jan 2021 \$
Due to related parties		
Associated companies	<u>221,261</u>	4,000

The following transactions with associated companies were carried out with related parties:

	Apr 2021 \$	Ap 2020 \$
Revenues		
Sale of goods	<u>509,680</u>	1,284,497
Management fees	<u>51,000</u>	51,000

Expenses		
Reinsurance premium expense	<u>109,532</u>	94,345
Expenses	<u>2,365,682</u>	2,552,646

Shares owned by Group directors

	Apr 2021 \$	Jan 2021 \$
4,485,397 shares at \$1 per share (Jan 2021: 4,485,397 shares at \$1 per share)	<u>4,485,397</u>	4,485,397

The following transactions were carried out with related parties:

Balances with the Group directors

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements
April 30, 2021

(expressed in Eastern Caribbean dollars)

14 Related party balances and transactions ...continued

	Apr 2021 \$	Jan 2021 \$
Loans to directors	<u>1,217,321</u>	1,279,448
Deposits from directors	<u>2,522,053</u>	1,957,282

Advances from directors are repayable on demand and bear interest ranging from 3% to 4% per annum (2021: 3% to 4%) and are included in accounts payable and other liabilities on the consolidated statement of financial position.

	Apr 2021 \$	Jan 2021 \$
Advances from directors	<u>1,260,403</u>	1,957,282

St. Kitts Nevis Anguilla Trading and Development Company Limited

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(expressed in Eastern Caribbean dollars)

15 Interest in subsidiaries

Composition of the Group

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

Name of subsidiary	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interests held by the Group	
			2021	2021
City Drug Store (2005) Limited	St. Kitts	the retailing of consumer products	100%	100%
Conaree Estates Limited	St. Kitts	land and property development	100%	100%
Dan Dan Garments Limited	St. Kitts	leasing of land and building	100%	100%
Ocean Terrace Inn Limited	St. Kitts	operation of Ocean Terrace Inn hotel, Fisherman's Wharf Restaurant and apartments ownership and rentals	100%	100%
Sakara Shipping Inc.	Tortola	the provision of freight and other shipping services	100%	100%
St. Kitts Bottling Company Limited	St. Kitts	the trade or business of aerated beverages and purified water manufacturers and bottlers	51.67%	51.67%
TDC Financial Services Company Limited	St. Kitts	accepting deposits from customers, providing loans to customers and investing in debt and equity securities	100%	100%
TDC Insurance Company Limited	St. Kitts	the business of underwriting all classes of general insurance	100%	100%
TDC Airline Services Limited	St. Kitts	airline, shipping, chartering and travel agents	100%	100%

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

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15 Interest in subsidiaries ...continued

Composition of the Group ...continued

Name of subsidiary	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interests held by the Group	
			2021	2021
TDC Real Estate and Construction Company Limited	St. Kitts	real estate development and construction of residential villas	100%	100%
TDC Rentals Limited	St. Kitts	car rental services and financing service to consumers	100%	100%
TDC Tours Limited	St. Kitts	organisation of tours, weddings and shore excursions	100%	100%
City Drug Store (Nevis) Limited	Nevis	retailing of customer products	100%	100%
TDC Airline Services (Nevis) Limited	Nevis	travel agents, tour operators, shipping and forwarding agents	–	100%
TDC Nevis Limited	Nevis	trading as general merchants, manufacturers' representatives and commission agents	100%	100%
TDC Real Estate and Construction Company (Nevis) Limited	Nevis	real estate development and construction	100%	100%
TDC Rentals (Nevis) Limited	Nevis	car rental services and financing service to consumers	100%	100%
East Caribbean Reinsurance Company Limited	Anguilla	the business of reinsurance for all classes of general insurance	80%	80%

St. Kitts Nevis Anguilla Trading and Development Company Limited

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15 Interest in subsidiaries ...continued

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

The Company has issued guarantees to certain banks in respect of the credit facilities granted to certain subsidiaries (see note 35).

The Group has no interests in unconsolidated structured entities.

The Group liquidated its 100% interest in its wholly-owned subsidiary, TDC Airline Services (Nevis) Limited. The gain on liquidation of TDC Airline Services (Nevis) Limited amounted to \$34,971 and is shown as a deduction against general and administrative expenses in the 2020 consolidated statement of income.

Disposal group and discontinued operations

In 2017, St. Kitts Bottling Company Limited ceased its operations through sale of its manufacturing of aerated beverages and water along with certain assets and liabilities to a third party purchaser.

During the year, the Ocean Terrace Inn Limited and its subsidiaries (collectively referred to as "OTI Group") ceased its business operations due to significant decline in business activity and the impact of the COVID-19 pandemic.

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

	Apr 2021	Jan 2021
	\$	\$
Current assets		
Cash	275,503	231,173
Receivables	139,979	105,636
Prepayments	-	27,762
Income tax recoverable	16,383	16,383
Current assets included in disposal group	431,864	380,954
Non-current assets		
Property and equipment	17,549,227	17,567,388
Total assets included in disposal group	17,981,091	227,909
Current liabilities		
Accounts payable and other liabilities	619,527	639,392
Liabilities included in disposal group	619,527	639,392

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16 Investment in associates

The Group's associates include the following:

Name of Associate	Country of incorporation/ Principal place of business	Percentage of ownership		Carrying value	
		2021 %	2021 %	Apr 2021 \$	Jan 2021 \$
St. Kitts Masonry Products Limited	St. Kitts	50%	50%	8,768,134	8,353,201
Malliouhana-Anico Insurance Company Limited	Anguilla	25%	25%	3,104,806	3,022,263
Port Services Limited	St. Kitts	33%	33%	158,652	172,803
				<u>12,031,592</u>	<u>11,548,267</u>

Movements in the investment in associates account are as follows:

	Apr 2021 \$	Jan 2021 \$
Balance at beginning of year	11,548,267	11,368,305
Share of income of associated companies	483,325	929,846
Dividends received		(750,000)
Balance at end of year	<u>12,031,592</u>	<u>11,548,151</u>

St. Kitts Masonry Products Limited

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

Other associated companies

Other associated companies include Malliouhana-Anico Insurance Company Limited and Port Services Limited and the related principal activities are the underwriting of all classes of general insurance and stevedoring services, respectively.

St. Kitts Nevis Anguilla Trading and Development Company Limited

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16 Investment in associates ...continued

Condensed financial information of St. Kitts Masonry Products Limited and other associated companies are as follows:

April 30, 2021

	St. Kitts Masonry Products Limited \$	Other associated companies \$
Current assets	5,929,462	15,372,249
Non-current assets	15,429,924	12,169,926
Current liabilities	(3,371,977)	(5,923,723)
Non-current liabilities	(554,887)	(5,178,147)
Net assets	17,432,522	16,440,305
Revenue	18,467,596	2,263,747
Costs and expenses	(16,789,862)	(1,976,033)
Net income	1,677,734	287,714

January 31, 2021

	St. Kitts Masonry Products Limited \$	Other associated companies \$
Current assets	5,194,113	13,315,787
Non-current assets	15,922,542	12,347,537
Current liabilities	(3,614,374)	(3,266,313)
Non-current liabilities	(899,625)	(6,551,802)
Net assets	16,602,656	15,845,208
Revenue	12,783,813	5,219,177
Costs and expenses	(11,935,945)	(4,204,823)
Net income /(loss)	847,868	1,014,354

During the year, dividends received from St. Kitts Masonry Products Limited amounted to \$0 (Jan 2021: \$750,000).

St. Kitts Nevis Anguilla Trading and Development Company Limited

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(expressed in Eastern Caribbean dollars)

17 Property, plant and equipment

	Land and buildings \$	Furniture and fittings \$	Plant and machinery \$	Containers \$	Motor vehicles \$	Computers and equipment \$	Right-of-use assets \$	Total \$
At January 31, 2020								
Cost or valuation	109,640,000	7,241,643	18,622,890	670,743	24,426,098	8,329,803	1,633,997	170,565,174
Accumulated depreciation	–	(5,238,603)	(12,632,141)	(481,476)	(16,729,327)	(7,045,996)	(163,401)	(42,290,944)
Allowance for impairment	(2,738,400)	(293,788)	(524,032)	–	–	(11,678)	–	(3,567,898)
Net book amount	106,901,600	1,709,252	5,466,717	189,267	7,696,771	1,272,129	1,470,596	124,706,332
Year ended January 31, 2021								
Opening net book amount	106,901,600	1,709,252	5,466,717	189,267	7,696,771	1,272,129	1,470,596	124,706,332
Additions	977,062	144,744	393,846	33,245	751,451	652,016	629,300	3,581,664
Disposals	(604,200)	(9,369)	(45,202)	(27,302)	(10,345,171)	(160,997)	–	(11,192,241)
Writeback on disposals	7,583	8,590	29,442	24,215	8,527,350	127,785	–	8,724,965
Transfer to assets under disposal group								
Cost or valuation	(19,560,000)	(2,900,360)	(3,611,025)	–	(49,943)	(427,576)	–	(26,548,904)
Accumulated depreciation	–	2,213,829	2,587,864	–	21,186	414,837	–	5,237,716
Accumulated impairment	2,738,400	293,788	524,032	–	–	11,678	–	3,567,898
Depreciation charge (note 31)	(1,582,563)	(261,804)	(1,225,253)	(43,599)	(1,844,404)	(514,259)	(157,299)	(5,629,181)
Closing net book amount	88,877,882	1,198,670	4,120,421	175,826	4,757,240	1,375,613	1,942,597	102,448,249
At January 31, 2021								
Cost or valuation	90,452,862	4,476,658	15,360,509	676,686	14,782,435	8,393,246	2,263,297	136,405,693
Accumulated depreciation	(1,574,980)	(3,277,988)	(11,240,088)	(500,860)	(10,025,195)	(7,017,633)	(320,700)	(33,957,444)
Net book amount	88,877,882	1,198,670	4,120,421	175,826	4,757,240	1,375,613	1,942,597	102,448,249

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2020

(expressed in Eastern Caribbean dollars)

17 Property, plant and equipment ...continued

	Land and buildings \$	Furniture and fittings \$	Plant and machinery \$	Containers \$	Motor vehicles \$	Computers and equipment \$	Right-of-use assets \$	Total \$
At January 31, 2021								
Cost or valuation	90,452,862	4,476,658	15,360,509	676,686	14,782,435	8,393,246	2,263,297	136,405,693
Allowance for impairment	(1,574,980)	(3,277,988)	(11,240,088)	(500,860)	(10,025,195)	(7,017,633)	(320,700)	(33,957,444)
Net book amount	88,877,882	1,198,670	4,120,421	175,826	4,757,240	1,375,613	1,942,597	102,448,249
Quarter ended April 30, 2021								
Opening net book amount	88,877,882	1,198,670	4,120,421	175,826	4,757,240	1,375,613	1,942,597	102,448,249
Additions	26,205	40,613	109,070		279,968	91,546	–	547,402
Disposals	–	–	(1,070)	(39,123)	(439,788)	(855)	–	(480,836)
Writeback on disposals	–	–	1,070	29,011	239,718	–	–	269,799
Depreciation charge (note 31)	(386,447)	(58,043)	(276,322)	(8,671)	(328,074)	(130,304)	(34,496)	(1,224,357)
Closing net book amount	88,517,640	1,181,240	3,953,169	157,043	4,509,064	1,336,000	1,906,101	101,560,257
At April 30, 2021								
Cost or valuation	90,479,067	4,517,271	15,469,579	637,563	14,622,615	8,483,937	2,335,422	136,545,454
Accumulated depreciation	(1,961,427)	(3,336,031)	(11,516,410)	(480,520)	(10,113,551)	(7,147,937)	(429,321)	(34,985,197)
Net book amount	88,517,640	1,181,240	3,953,169	157,043	4,509,064	1,336,000	1,906,101	101,560,257

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18 Investment property

Investment property relates to land and building intended for leasing. In August 2019, the properties previously rented by a third party lessee with carrying values of \$1,998,167 were used by the Group. Accordingly, the related carrying amount of the investment property was transferred to property and equipment (see note 17).

Total rental income earned, \$11,280, from the investment property in 2021 is presented as other income in the consolidated statement of income while depreciation charge relating to investment property in 2021 amounting is shown as part of depreciation and amortisation in the consolidated statement of income.

19 Intangible assets

	Computer software \$
Year ended January 31, 2021	
Opening net book amount	549,881
Additions	128,398
Disposals	–
Write-back of accumulated amortisation	–
Amortisation (note 31)	<u>(298,927)</u>
Closing net book amount	<u>379,352</u>
At January 31, 2021	
Cost	2,342,935
Accumulated amortisation	<u>(1,963,583)</u>
Net book amount	<u>379,352</u>
Quarter ended April 30, 2021	
Opening net book amount	379,352
Additions	
Disposals	
Amortisation (note 31)	<u>(75,455)</u>
Closing net book amount	<u>303,897</u>
At April 30, 2021	
Cost	2,342,935
Accumulated amortisation	<u>(2,039,038)</u>
Net book amount	<u>303,897</u>

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20 Borrowings

	Apr 2021 \$	Jan 2021 \$
Bank term loans	12,040,582	13,176,538
Bank overdrafts	22,558,546	15,888,844
Other	6,912,791	7,224,760
Total borrowings	41,511,919	36,290,142
Current	35,886,660	30,336,953
Non-current	5,625,259	5,953,189
	41,511,919	36,290,142

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

Bank overdrafts carry interest rates varying from 4.5% to 6% (Jan 2021: 4.5% to 6%).

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

Collateral security for indebtedness

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

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21 Insurance liabilities

	Apr 2021	Jan 2021
	\$	\$
Claims reported and outstanding		
Insurance	7,894,575	7,384,940
Reinsurance	4,617,368	4,607,368
Unearned premiums	10,365,714	4,654,527
Due to reinsurers	8,588,557	1,323,100
Life policyholders' benefits	1,422,224	1,422,224
Unallocated loss adjustment expenses		
Insurance	358,000	358,000
Reinsurance		
Claims incurred but not reported	427,000	427,000
Total insurance liabilities (gross)	33,673,438	20,177,159
Reinsurance assets		
Claims reported and outstanding		
Insurance	2,513,181	2,513,181
Reinsurance	4,921,545	4,552,319
Unearned reinsurance premiums	6,878,675	1,108,953
Due from reinsurers	2,353,548	-
Total reinsurance assets (gross)	16,666,949	8,174,453
Claims reported and outstanding		
Insurance	5,381,394	4,871,758
Reinsurance	(304,177)	(663,087)
Unearned premiums	3,487,039	4,134,146
Life policyholders' benefits	1,422,224	1,422,224
Due to reinsurers	6,235,009	1,452,665
Unallocated loss adjustment expenses		
Insurance	427,000	427,000
Reinsurance	43,000	43,000
Claims incurred but not reported	315,000	315,000
Life reinsurance assets		
Total insurance liabilities (net)	17,006,489	12,002,706

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

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

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

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21 Insurance liabilities ...continued

The reconciliation of life policyholders' benefits as at January 31, 2021 is as follows:

	Apr 2021 \$	Jan 2021 \$
Life policyholders' benefits		
Balance at beginning of year	1,701,625	1,701,625
Inforce reserve change (deaths, lapses and actives)	(253,752)	(253,752)
Change of assumption impact		
Lapse	-	-
Interest	1,336	1,336
Expense	(26,985)	(26,985)
Total life policyholders' benefits (net)	1,422,224	1,422,224

22 Customers' deposits

	Apr 2021 \$	Jan 2021 \$
Fixed deposits	123,289,345	122,676,117
Savings deposits	11,683,786	11,403,463
	134,973,131	134,079,580
Interest payable	1,874,240	1,816,183
Total customers' deposits	136,847,371	135,895,763
Current	130,056,249	127,225,843
Non-current	6,791,122	8,669,920
	136,847,371	135,895,763

Customers' deposits represent deposit accounts held by the Group on behalf of customers. Deposits include savings accounts and fixed deposits. The Group pays interest on all categories of customers' deposits.

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23 Accounts payable and other liabilities

	Apr 2021	Jan 2021
	\$	\$
Credit accounts	17,208,599	18,186,818
Accounts payable	4,381,572	9,854,083
Accrued expenses	5,995,036	5,969,487
Advance deposits	1,666,667	1,589,969
Other liabilities	2,762,141	1,676,985
Dividend payable	1,723,966	1,592,178
Lease liabilities	1,979,927	2,010,538
Contract liabilities	1,171,098	1,205,252
Total accounts payable and other liabilities	36,889,006	42,085,310
Current	35,035,296	40,199,423
Non-current	1,853,710	1,885,887
	36,889,006	42,085,310

Credit accounts

Credit accounts represent interest-bearing liabilities to individuals and companies payable on demand and bear interest ranging from 3% to 4% per annum (2020: 3.0% to 4.0% per annum).

Leases

Lease liabilities are presented in the consolidated statement of financial position as follows:

	Apr 2021	Jan 2021
	\$	\$
Current	126,215	124,651
Non-current	1,853,712	1,885,887
	1,979,927	2,010,538

The Group has a lease for the office buildings and land and leases are reflected on the consolidated statement of financial position as right-of-use assets and lease liabilities. The Group classifies its right-of-use asset in a separate class in the property, plant and equipment (see note 17).

The lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Lease is either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Group is prohibited from selling or pledging the underlying leased asset as security. Further, the Group must keep the office building in a good state of repair and return the property in its original condition at the end of the lease. Also, the Group must insure items of property and equipment and incur maintenance fees on such items in accordance with the lease contract.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

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23 Accounts payable and other liabilities ...continued

Leases ...continued

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised on consolidated statement of financial position:

Right-of-use asset	No. of right-of-use asset leased	Range of remaining term	Average remaining lease term	No. of leases with extension option	No. of leases with options to purchase	No. of leases with variable payments linked to an index	No. of leases with termination options
Office buildings	2	8 years	8 years	–	–	–	–
Land	2	30 years	30 years	–	–	–	–

The lease liability is unsecured and future minimum lease payments at April 30, 2021 are as follows.

	Within 1 year \$	1 – 5 years \$	More than 5 years \$	Total \$
Lease payments	222,490	1,112,448	1,783,066	3,118,003
Finance charges	(97,353)	(378,230)	(663,494)	(1,138,077)
Net present values	126,136	734,218	1,119,572	1,979,927

The Group did not enter into any short-term lease arrangements during the year with no commitment as at April 30, 2021.

As at April 30, 2021, the Group has no commitment to a lease which has not yet commenced.

The right-of-use asset and accumulated depreciation as at April 30, 2021 and the related depreciation expense for the year then ended is shown separately under property and equipment account (see note 17).

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

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23 Accounts payable and other liabilities ...continued

Contract liabilities

The breakdown of contract liabilities as at January 31, is as follows:

	Apr 2021	Jan 2021
	\$	\$
Customer loyalty programme	701,568	717,326
Refund liability	271,917	279,931
Maintenance services	197,613	207,995
	<u>1,171,098</u>	<u>1,205,252</u>

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

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

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

January 31, 2021

	Customer loyalty programme \$	Refund liability \$	Maintenance services \$	Total \$
Balance at beginning of year	675,311	404,449	240,766	1,320,526
Revenue recognised that was included in contract liabilities at beginning of year	(675,311)	(404,449)	(240,766)	(1,320,526)
Increase due to cash received excluding amount recognised as revenue during the year	717,326	279,931	207,995	1,205,252
Balance at end of year	<u>717,326</u>	<u>279,931</u>	<u>207,995</u>	<u>1,205,252</u>

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

23 Accounts payable and other liabilities ...continued

Contract liabilities ...continued

April 30, 2021

	Customer loyalty programme \$	Refund liability \$	Maintenance services \$	Total \$
Balance at beginning of year	717,326	279,931	207,995	1,205,252
Revenue recognised that was included in contract liabilities at beginning of year	(717,326)	(279,931)	(207,995)	(1,205,252)
Increase due to cash received excluding amount recognised as revenue during the year	701,568	271,917	197,613	1,171,098
Balance at end of year	701,568	271,917	197,613	1,171,098

24 Taxation

	Apr 2021 \$	Apr 2020 \$
Income tax expense		
(Loss)/profit before income tax	1,518,316	863,252
Income tax (credit)/expense	419,153	284,873
Unrecognised deferred tax assets	85,853	(25,190)
Effect of permanent differences	40,537	510,954
Effect of income not assessable for taxation	(211,831)	(214,709)
Recognition of previously unrecognised deferred tax	(2,702)	
Adjustment to deferred tax recognised in prior year	3,663	
	334,673	555,928
	Apr 2021 \$	Apr 2020 \$
Current income tax expense for the year	530,163	826,219
Net deferred tax (credit)/expense for the year	(195,490)	(270,291)
Total income tax expense for the year	334,673	555,928

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

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(expressed in Eastern Caribbean dollars)

24 Taxation ...continued

Deferred tax (credit)/expense

The deferred tax (credit)/expense recognised under deferred tax asset and deferred tax liability accounts is shown below.

	Apr 2021 \$	Apr 2020 \$
(Decrease)/increase in deferred tax liability	(76,625)	(233,851)
Decrease/(increase) in deferred tax asset	(118,868)	(36,444)
	(195,493)	(270,291)

The details of deferred tax (credit)/expense are as follows:

	Apr 2021 \$	Apr 2020 \$
Deferred tax on depreciation of property, plant and equipment	(127,806)	(242,326)
Deferred tax on unutilised capital allowances	(35,277)	(27,965)
Deferred tax adjustment from prior year	3,661	
Deferred tax on unutilised tax losses	(36,071)	–
	(195,493)	(270,291)

Deferred tax asset

The movement in the deferred tax asset is as follows:

	Apr 2021 \$	Jan 2021 \$
Balance at beginning of year	(303,473)	(190,336)
Deferred tax (credit)/expense for the year	(126,435)	(120,411)
Reclassified to deferred tax liability		10,638
Other adjustments	3,661	(3,364)
Unrecognised deferred tax written off	3,856	–
Balance at end of year	422,390	(303,473)

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

24 Taxation ...continued

Deferred tax liability

The movement in the deferred tax liability is as follows:

	Apr 2021 \$	Jan 2021 \$
Balance at beginning of year	5,785,796	5,950,635
Other adjustments		(2,845)
Reclassified to deferred tax asset		(10,638)
Deferred tax credit for the year	<u>(81,114)</u>	<u>(151,356)</u>
Balance at end of year	<u>5,704,682</u>	<u>5,785,796</u>

The deferred tax liability arises from accelerated depreciation.

Income tax payable

The movement in the income tax payable is as follows:

	Apr 2021 \$	Jan 2021 \$
Balance beginning of year	1,139,265	201,853
Current tax expense for the year	530,163	2,804,858
Transferred to income tax recoverable	15,104	58,891
Utilisation of income tax recoverable	(1,340)	(276,871)
Other adjustments	-	108,606
Income tax paid during the year	<u>(833,535)</u>	<u>(1,758,072)</u>
Balance at end of year	<u>849,656</u>	<u>1,139,265</u>

Taxation recoverable

The movement in the taxation recoverable is as follows:

	Apr 2021 \$	Jan 2021 \$
Balance at beginning of year	86,502	333,730
Transferred from income tax payable	15,105	58,891
Other adjustments	-	(29,248)
Utilization during the year	<u>(1,340)</u>	<u>(276,871)</u>
Balance at end of year	<u>100,267</u>	<u>86,502</u>

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

25 Shareholders' equity

Share capital

	Apr 2021 \$	Jan 2021 \$
Authorised:		
500,000,000 ordinary shares at \$1 per share	500,000,000	500,000,000
Issued and fully paid:		
52,000,000 ordinary shares at \$1 per share	52,000,000	52,000,000

Dividends

The Company's Board of Directors did not declare a cash dividends FYE 2021 (2020: \$3,380,000).

26 Other reserves

	Apr 2021 \$	Jan 2021 \$
Revaluation reserve – property	34,131,463	34,131,463
Claims equalization reserve	20,763,237	20,763,237
Statutory reserve fund	7,324,907	7,161,481
Revaluation reserve – financial assets at FVOCI	2,320,586	2,482,532
Non-distributable reserve	656,486	631,665
	65,196,679	65,170,378

Revaluation reserve – property

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

	Apr 2021 \$	Jan 2021 \$
Balance at beginning of year	34,131,463	34,603,929
Transfer to retained earnings	–	(472,466)
Balance at end of year	34,131,463	34,131,463

Claims equalization reserve

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

26 Other reserves ...continued

Claims equalization reserve ...continued

The movement of claims equalisation reserve is as follows:

	Apr 2021	Jan 2021
	\$	\$
Balance at beginning of year	20,763,237	20,763,237
Transfer to retained earnings during the year		
Balance at end of year	20,763,237	20,763,237

Statutory reserve fund

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

	Apr 2021	Jan 2021
	\$	\$
Balance at beginning of year	7,161,481	6,617,255
Appropriations during the year	163,426	544,226
Balance at end of year	7,324,907	7,161,481

Non-distributable reserve

Non-distributable reserve is reserve established for interest accrued on non-performing loans. This reserve is created to set aside interest accrued on non-performing loans where certain conditions are met in accordance with IFRS. The prudential guidelines of the ECCB do not allow for the accrual of such interest. As a result, the interest is set aside in a reserve, and it is not available for distribution to shareholders until received (see note 10).

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

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(expressed in Eastern Caribbean dollars)

26 Other reserves ...continued

Non-distributable reserve ...continued

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

	Apr 2021 \$	Jan 2021 \$
Balance at beginning of year	631,665	698,498
Transfer (to)/from retained earnings	24,821	(66,833)
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Balance at end of year	656,486	631,665

27 Revenue

All revenue of the Group in 2021 and 2020 are recognised within St. Kitts and Nevis.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

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(expressed in Eastern Caribbean dollars)

28 Other income

	Apr 2021 \$	Apr 2020 \$
Rent	575,003	692,278
Commission income	670,621	603,160
Miscellaneous income	128,076	220,296
Vehicle servicing	113,050	84,481
Equipment rental and repairs	179,772	94,886
Damage insurance income	33,366	121,525
Photocopier income	90,509	95,216
Handling charges	46,661	8,766
Facility income	90,150	90,170
Dividend income	36,570	24,380
Gains on disposals of property and equipment (note 17)	93,009	77,528
Truck operating income	96,421	109,510
Management and administration fees	72,758	42,373
Shipping income	168,148	(874)
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	2,394,114	2,263,695

29 Employee costs

	Apr 2021 \$	Apr 2020 \$
Salaries and wages	4,196,609	5,196,325
Statutory contributions	399,932	491,987
Bonus and gratuity	304,238	304,923
Pension savings plan	223,850	231,720
Directors' fees	136,381	122,014
Other staff costs	354,259	182,437
Staff scholarship and training	48,733	68,332
Health insurance	56,778	66,905
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	5,720,780	6,664,643

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

30 General and administrative expenses

	Apr 2021	Apr 2020
	\$	\$
General	372,599	455,420
Repairs and maintenance	481,510	459,216
Professional fees	436,928	376,306
Advertising and sales promotion	180,453	349,490
Utilities	281,530	426,180
Computer installation and consultancy	289,880	226,191
Motor vehicle	170,555	134,395
Taxes and licenses	108,265	136,927
Communications	145,927	237,006
Management fees	196,597	122,640
Impairment charge of receivables, net (note 5)	(87,656)	(1,062)
Impairment charge of loans to customers, net (note 5)	567	(6,812)
Supplies	95,747	126,024
Warranty	49,641	63,356
Impairment losses of investment securities (notes 5 and 9)	-	127,895
Freight, handling and truckage	158,170	94,500
Sewage, waste and landscaping	53,700	49,441
Rent	13,657	36,015
Subscriptions	54,422	45,099
Security	31,646	108,179
Entertainment	37,152	38,460
Annual general meeting	10	196
Travel	22,085	77,514
Printing and stationery	14,292	53,642
	<hr/>	<hr/>
	3,107,677	3,736,218

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

31 Depreciation and amortization

	Apr 2021 \$	Apr 2020 \$
Depreciation		
Property, plant and equipment (note 17)	<u>1,106,798</u>	1,438,334
	<u>1,106,798</u>	1,438,334
Amortization (note 19)	<u>75,455</u>	63,285
	<u>1,182,253</u>	1,501,619

32 Finance charges, net

	Apr 2021 \$	Apr 2020 \$
Interest expense		
Borrowings	405,785	383,322
Credit accounts	250,989	191,759
Right of use assets	<u>23,844</u>	27,623
	<u>680,618</u>	602,704
Bank charges	<u>283,445</u>	182,212
	<u>964,063</u>	784,916

33 Net interest income

	Apr 2021 \$	Apr 2020 \$
Interest income		
Loans to customers	2,193,223	2,264,795
Receivables	400,257	325,998
Investments	<u>602,703</u>	302,690
	<u>3,196,183</u>	2,893,483
Interest expense		
Savings account interest expense	(84,045)	(78,473)
Time deposits interest expense	<u>(1,009,530)</u>	(969,378)
	<u>(1,093,575)</u>	(1,047,860)
	<u>2,102,608</u>	1,845,632

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

34 (Loss)/earnings per share

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

	Apr 2021 \$	Apr 2020 \$
(Loss)/profit attributable to shareholders of parent company	1,246,022	206,112
Divided by weighted average number of outstanding ordinary shares	<u>52,000,000</u>	<u>52,000,000</u>
Basic and diluted (loss)/earnings per share	<u>0.024</u>	<u>0.004</u>

The Group has no dilutive potential ordinary shares as of April 30, 2021 and 2020.

35 Commitments and contingencies

Guarantees

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

Legal claims

There are pending claims and legal actions filed by the Group or against the Group arising from the normal course of business. No provision has been made in the consolidated financial statements as at April 30, 2021, in respect of these claims as the amounts and outcomes are not presently determinable.

As of the date of approval of the consolidated financial statements, the Group does not believe that any of the litigation matters will have a material effect on its consolidated statement of income or consolidated statement of financial position.

36 Comparatives

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

April 30, 2021

(expressed in Eastern Caribbean dollars)

37 Impact of COVID-19 pandemic

In December 2019, a novel strain of coronavirus (COVID-19) began to spread around the world, resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organisation (WHO) on January 30, 2020. WHO subsequently declared COVID-19 a pandemic on March 11, 2020.

The effect of the virus regarding the operations of the Group is unknown at this time. However, in March 2020, the Group's finance company subsidiary issued a moratorium for the repayment of loan balances for a period of three months in light of changes in the economic outlook brought about by the pandemic. A total of 81 customer loans with balances amounting to \$7,736,627 as at January 31, 2021 were included in the moratorium programme.

As the impact resulting from the pandemic is expected to be extensive, the Group revaluated its model for expected credit loss allowance. Management revaluated its assumptions with respect to the forward looking factors incorporated in the model which resulted in an overall change of the provision by a multiplier effect of 125%. Management is of the view that the lifting of travel bans and on the easing of health and safety restrictions will result in a reduction of the expected credit losses associated with its financial assets as economies continue to rebound.

The Group also experienced a significant decline in revenue primarily due to temporary closure of hotels and other businesses associated with tourism/hospitality industry. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the consolidation financial position and results of the Group for future periods.

As at result of the above circumstances and the decline in business activity of OTI Group in recent years, the Board of Directors of the OTI Group ceased its operations in 2020.