ANNUAL REPORT

TDC GROUP

TOGETHER WE SUCCEED

Your Partners in Progress

2022

TDC GROUP
TOGETHER WE SUCCEED

PARTNERS IN YOUTH SPORTS ADVANCEMENT

- TDC empowers young girls through sponsorship of the Annual MPWR Girls Football Summer Camp.

ST. KITTS • NEVIS • ANGUILLA
TRADING & DEVELOPMENT COMPANY LTD.

MISSION STATEMENT

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

VISION STATEMENT

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

- Customer Satisfaction
- Return on Investment
- Human Resources Development
- Good Corporate Citizenship

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CORPORATE INFORMATION

Board of Directors at the 2021 Annual General Meeting

Back Row (Left to Right) - **D. Michael Morton**, C.B.E., J.P., **Kachi M. Armony** BCSc., **Glenville R. Jeffers**, B.B.A., **Nicolas N. Menon**, B.Sc., M.B.A., **Wendell E. Lawrence**, OBE, B.Sc., M.Sc., C.P.A., C.G.M.A., **Melvin R. Edwards**, B.A. (Hons), M.Sc.

Front Row (Left to Right) - **Charles L. A. Wilkin**, C.M.G., Q.C., M.A., (Cantab), **Maritza S. Bowry**, B.Sc., M.B.A., C.P.A., **Earle A. Kelly**, B.A., M.B.A. (Chairman), **Warren Z. Moving**, B.Sc. (Company Secretary),

Absent - **Myrna R. Walwyn**, B.Sc., M.A., Dip. Law and **O. Nicholas Brisbane**, B.Sc., M.Sc.

Registered Office:	Fort Street, Basseterre, St. Kitts
Bankers:	CIBC FirstCaribbean International Bank (Barbados) Limited
	St. Kitts-Nevis-Anguilla National Bank Limited
	Republic Bank (EC) Limited

NOTICE OF MEETING

Notice is hereby given that the forty-ninth (49th) Annual General Meeting of the St Kitts Nevis Anguilla Trading and Development Company Limited (TDC) will be held at the Conference Room, the Caribbean Confederation of Credit Unions (CCCU) Building, Fortlands, Basseterre, St Kitts on Wednesday, December 21, 2022 at 5:00 p.m.

Agenda

1. To receive the Report of the Directors
2. To receive and consider the Report of Auditors
3. To receive and consider the Financial Statements for year ended January 31, 2022
4. To declare a Dividend
5. To elect Directors to replace those retiring by rotation. In accordance with Article 99 of the Articles of Association, Messrs. Wendell Lawrence, Kachi Armony, Nicolas Menon, D. Michael Morton and Ms. Maritza Bowry retire, and being eligible, offer themselves for re- election.
6. To appoint Auditors and to authorize the Directors to fix their remuneration for the ensuing year. In accordance with Article 149 of the Articles of Association, the Auditors, Grant Thornton, Chartered Accountants retire, and being eligible, offer themselves for re- election

BY ORDER OF THE BOARD

Warren Z. Moving
Company Secretary

November 25, 2022

If you wish to join the meeting virtually, you can do so by registering via the following link: https://tinyurl.com/TDCLTD before 12:00 p.m. on the day of the meeting.

Copies of the Annual Report will be available on the company's website https://tdcgrouplimited.com

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

TDC GROUP
TOGETHER WE SUCCEED

PARTNERS IN SOCIAL AND COMMUNITY DEVELOPMENT

- TDC partners with the Health Promotion Unit's In Ya Kitchen National Culinary Competition to promote healthier lifestyles.

REPORT OF THE DIRECTORS 2021/2022

During the 49 years since the company's founding, it has celebrated many milestones and has experienced many challenges.

In the year under review, during one of the most difficult periods of its history, the Company continued to excel powered by an outstanding team who went above and beyond the call of duty to meet the needs of our stakeholders. This is a true testament to our strength and diversity.

Our team focused on both near-term performance and long-term growth. We maintained a safety-first mindset, keeping pace with evolving workplace health and safety requirements while continuing to operate in the face of multiple COVID-19 variants. We stayed close to our customers and responded quickly to their changing needs and the myriad of complex supply chain disruptions and inflationary pressures.

The Group returned Net Profits Before Taxation of $7,098,499 compared to $11,685,748 in the prior year.

OPERATIONS

In 2021, like 2020, we experienced temporary closures, lockdowns and other restrictions mandated by the government authorities intended to combat the pandemic. This negatively impacted our business at varying levels within each of our operating segments as customers curtailed overall spending in response to the challenges of the pandemic. We implemented cost management and capital preservation actions early in the year under review. As the second half of 2021 progressed and government-imposed restrictions subsided, we noted market activity levels increasing with sales and profits improving sequentially in the second half of the year.

The results of the Home and Building Depot (St Kitts), Automotive Division (St Kitts), TDC Rentals Ltd, East Caribbean Reinsurance Company Ltd, and CDS (Nevis) Ltd showed declines in profitability. The Shipping Departments (St Kitts and Nevis), Home and Building Depot (Nevis), Automotive Division (Nevis), TDC Financial Services Company Ltd, TDC Insurance Company Ltd, TDC Airline Services Ltd and TDC Real Estate and Construction Ltd reported improved results.

In June 2021, the operations of City Drug Store (2005) Ltd (CDS) were amalgamated with the Home and Building Depot, St Kitts to create a "one stop shop" for home, school and office supplies. The Copy Centre, formerly a division of CDS, is now located in the TDC Mall on Fort Street, Basseterre.

On 3 September 2021, TDC Rentals (Nevis) Ltd was wound up and its operations subsumed into TDC Rentals Ltd as a branch of the latter.

During the year, AM Best reaffirmed its A- and B+ ratings for TDC Insurance Company Ltd and East Caribbean Reinsurance Company Ltd, respectively. These ratings will be valuable as we continue our thrust to offer insurance and reinsurance coverage throughout the wider sub-region.

GOVERNANCE

In exercise of its corporate responsibilities the Board of Directors of the Company establishes corporate policy, reviews Management decisions, approves the Group's Strategic Plan and annual Budget, reviews and decides on recommendations issued by Board Committees and receives progress reports on its decisions. It also reviews and approves financial statements and disclosures; reviews and monitors internal controls, risk management and legal and regulatory compliance. In fulfilling its duties, key aspects of which are outlined above, the Board has embraced corporate governance best practices. It continuously reviews its corporate governance policies and procedures to ensure their suitability within the landscape of the Group's business.

The Board has established the Audit, Information Technology and Human Resources Committees to assist it by making recommendations in these key areas. The committees' reports are presented on pages 21 to 25.

The Board also remained proactive with the risk management activities across the Group, which included enhanced monitoring and evaluation of internal and external risks, with a focus on the control indicators related to processes in the business units.

REPORT OF THE DIRECTORS 2021/2022

TRANSFORMATION

The Board was highly engaged in overseeing our strategic transformation during this time of rapid change.

In 2019, a review of the Group was completed with a view to embark on an exercise to transform and improve its operations.

During the year, we entered a more intensified phase of the transformation exercise, which involved the ongoing project to review and improve the Human Resources Department and engagements to review and establish Information Technology and Data Analytics offerings within the Group.

Innovation starts and ends with our employees, who are fundamental to the vibrancy and success of the Group. Our accomplishments depend on creating an environment that is engaging and supportive and enables employees to perform to their potential. We intend to develop a robust and comprehensive talent management strategy to include talent acquisition, performance management, career development, retention, and succession planning.

Technology continues to evolve at a rapid pace, changing the way people live, work and shop. The pandemic presented challenges to shoppers and retailers alike. Same day in-store and curbside pickup became a necessity. We responded with our online shopping solution, accessible via www.shoptdcgroup.com which allows customers to purchase merchandise online. Shoppers can opt to collect their online orders in-store or curbside or have them delivered.

The company has a well-defined roadmap for the rollout of exciting new digital products and to enhance its marketing generally. While recent e-commerce enhancements have moved it into a better position to sell online and in-store, we recognize that these are just the first steps in a much longer journey. There is more meaningful progress to be made to strengthen competitiveness and relevance in today's ever-changing sales environment.

DIVIDEND

As a result of this year's financial performance, it is recommended that the company pay a dividend of five (5) cents per share, amounting to $2,600,000.

APPOINTMENT OF DIRECTORS

In accordance with Article 99 of the Articles of Association, Messrs. D. Michael Morton, Nicolas Menon, Kachi Armony, Wendell Lawrence and Ms. Maritza Bowry retire, and being eligible, offer themselves for re-election.

APPOINTMENT OF AUDITORS

In accordance with Article 149 of the Articles of Association, the Auditors, Grant Thornton, Chartered Accountants retire, and being eligible, offer themselves for re-election.

CLOSING

We take this opportunity to express our gratitude to our management team, our associates, shareholders, suppliers, and customers. We are optimistic about our future because of the momentum we have built and the desire and ability of our team to transform the company, while embracing our mission, vision and values.

Earle A. Kelly
Chairman

Nicolas N. Menon
Director

PARTNERS IN CLIMATE SMART AGRICULTURE

- TDC supports the local farming community through training and product diversification with a climate smart focus.

FINANCIAL REVIEW 2021/2022

The report below provides an overview of the economic conditions that existed during the 2021/2022 financial year and an analysis of the results and operations for the TDC Group. The report should be read in conjunction with the Consolidated Financial Statements and the corresponding notes.

Economic Overview

2021 was another turbulent year for the world economy and for global markets. Output rebounded strongly, but unevenly, after the sharp Covid-related declines of 2020. However, surging demand, triggered by significant fiscal and monetary stimulus, gave rise to widespread labour shortages, supply bottlenecks and soaring energy costs, stoking significant inflationary pressures.

The economic impact of the pandemic remained a major risk to global financial stability. In the second half of 2021, cases of the highly transmissible Delta variant of COVID-19 increased sharply and remained elevated in some economies. Though the pandemic has somewhat loosened its stranglehold on the world, people around the globe and across nearly every industry continue to feel its impact. Despite the pandemic's persistent global threat, the world's economy is still managing to grow with the emergence of new businesses. Global growth has been estimated at 6.1% in 2021 compared to a contraction of 4.9% in 2020. (*Source: IMF World Economic Outlook Update July 2022)*

Eastern Caribbean Currency Union (ECCU)

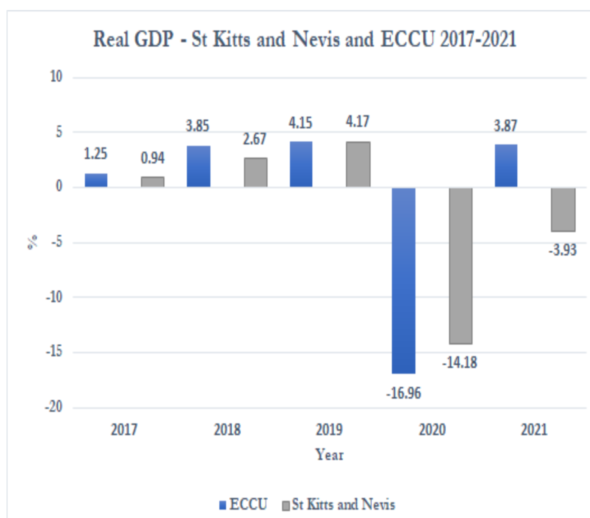
The ECCU realized average real economic growth of 3.8% per annum over the period 2004- 2008 (pre-global crisis); -0.9% over the period 2009-2011 (global crisis); and 2.3% per annum over the 2012-2016 period (post global crisis). Economic growth post-crisis was below rates seen before the international crisis reflecting the altered global economic and financial landscape, where the region's main trading partners also faced low growth trajectories.

The ECCU contracted by 16.96% in 2020 compared to 4.15% growth in 2019. Economic activity in the ECCU is estimated to have rebounded in 2021, recording growth of 3.87%. The reversal was influenced by the resurgence of activity within the tourism sector that registered growth of 18.23%. Seven of the eight member countries reported growth. which ranged from 0.74% in St Vincent to 11.09% in Anguilla. (*Source: Eastern Caribbean Central Bank Annual Economic and Financial Review December 2021*)

St Kitts and Nevis

The economy of St Kitts and Nevis contracted by an estimated 3.93% in 2021. The value added in the hotel and restaurants sector declined by 23.46%. Periodic pandemic-induced disruptions hampered economic recovery especially in tourism dependent countries. Total visitor arrivals in St Kitts and Nevis for the 2021 calendar year was 122,455 compared to 300,686 in 2020: (2019 – 1,181,854 visitors). Gross visitor expenditure was $76.83 million in 2021 compared to $122.92 million in 2020; significantly lower than the receipts prior to the pa–demic; (2019 - $509.74 million). The impact of the pandemic on the tourism sector has had a domino effect across the economy. Contractions of 15.95% and 2.68%, respectively were also recorded in the transport, storage and communication, and wholesale and retail trade sectors. The reduced activity in the sectors above was offset by growth in the fishing; agriculture, livestock and forestry sectors that are estimated to have increased by 25% and 8.3%, respectively. A marginal growth of 0.25% was recorded in the construction sector.

The graph below depicts Real GDP for the ECCU and St Kitts and Nevis for the past 5 years.



Source: ECCU Central Statistics Offices and Eastern Caribbean Central Bank

TDC Group of Companies

The Net Income Before Tax for the financial year 1 February 2021 to 31 January 2022 from continuing operations was $6,716,744 compared to $11,225,417 during the prior financial year, 1 February 2020 to 31

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January 2021. The profit from discontinued operations, (Ocean Terrace Inn and St Kitts Bottling Company) was $888,354 compared to a loss of $718,521 during the prior financial year.

Although several of the industries in which we operate experienced heightened uncertainty throughout the year, we identified opportunities for disciplined growth while lessening exposure in pressured lines of business. Our diversified portfolio of companies, performance-focused culture and strong risk management practices are the underlying factors driving the strength of our results.

Key Financial Indicators

We define our financial framework as:

- strategic capital allocation;
- strong and efficient growth; and
- consistent operating discipline.

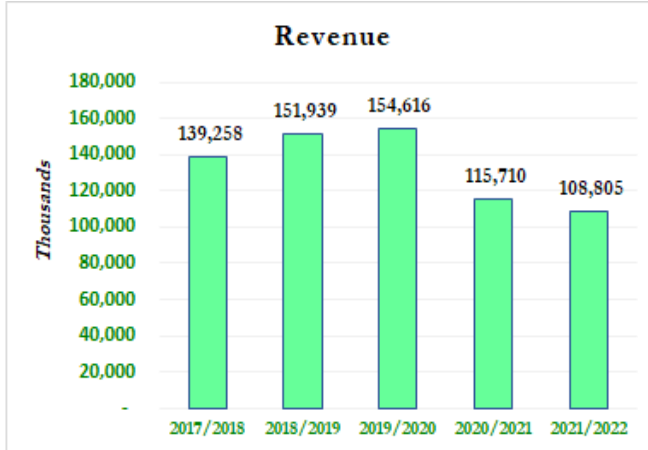
Our strategic capital allocation includes improving our customer-facing initiatives in stores and creating a seamless omni-channel experience for our customers. As such, we continue to allocate more capital to supply chain, omni-channel initiatives, technology, and store remodels.

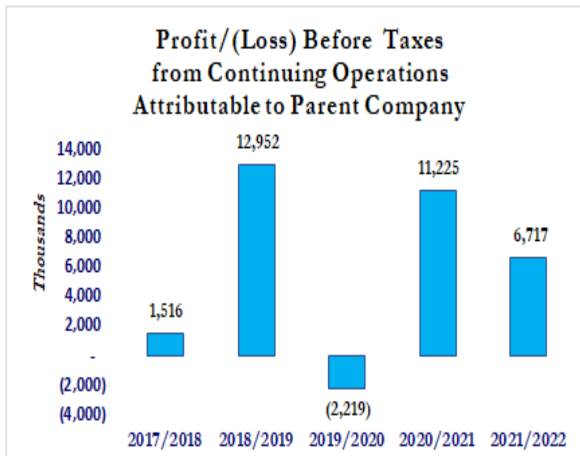
As we execute our financial framework, we believe our return on capital will improve over time. We measure return on capital with our return on assets, return on investment and free cash flow metrics. Trends in ROI can fluctuate over time as management balances long-term strategic initiatives with possible short-term impacts. The Key Performance Indicators (KPIs) are shown on page 19.

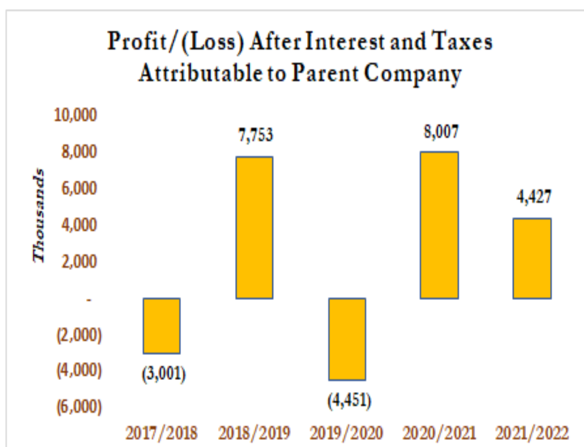
Total Assets grew by 3.67% in the year under review compared to a reduction of 0.28% in the comparative period. This growth was buoyed by increases in the following areas:

- Cash and cash equivalents – 14%
- Investment Securities – 7%
- Receivables – 4%
- Inventory – 19%

The bar graphs below show the Revenue, Profit/(Loss) Before Taxes from Continuing Operations Attributable to Parent Company and Profit/(Loss) After Interest and Taxes Attributable to Parent Company.







Consolidated Statement of Income

Revenues

Revenues for the year under review decreased to $108,804,975 from $115,709,704 for the prior year, a decline of $6,904,729 or 5.97%. The decline in General Trading revenue was offset by an increase in

FINANCIAL REVIEW 2021/2022

the Other Segments. General Trading revenue (Home and Building Depots, Automotive Divisions, Business Centers and Pharmacy) decreased by $7,321,243 or 6.55%. In October 2020, the distribution arrangement ended with Carib Brewery (St Kitts and Nevis) Ltd products in Nevis. The revenue earned from the TDC Nevis Drinks Depot for the period 1 February 2020 to 31 October 2020 was $7,150,193. During the three years prior to the pandemic (i.e., 2017/2018 to 2019/2020), revenue from General Trading ranged between $123,026,477 and $139,378,653 annually. Despite the challenges presented by the COVID-19 pandemic and subsequent supply chain disruptions, we continued to drive commercial and operational excellence and invest in our businesses.

The revenues from Other Segments (Auto Rentals, Hire Purchase, Airlines Services, Tours, and Shipping) increased by 10.81%, from $3,854,444 for the prior financial year to $4,270,958 for the year under review.

The OTI hotel was closed in March 2020. The net revenue for 2021, $1,763,960, is reflected in the line item "Profit/(loss) on Discontinued Operations." The revenue for the 2019/2020 and 2018/2019 financial years was $4,778,829 and $5,542,828, respectively.

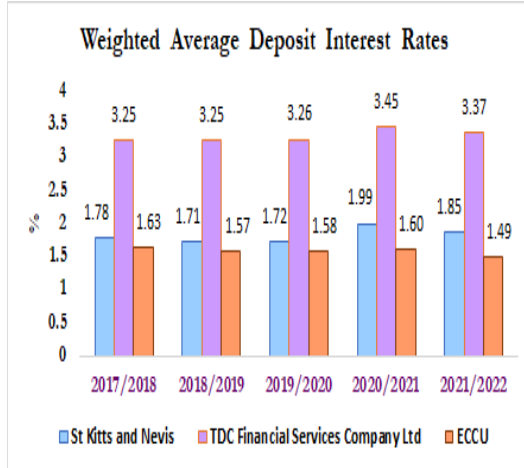
Gross Margin - While top-line growth remains one of the main priorities, margin progression is also an important component of value creation. Gross Margin (Gross Profit as a percentage of sales) increased slightly to 25.60% compared to 25.34% for the prior financial year.

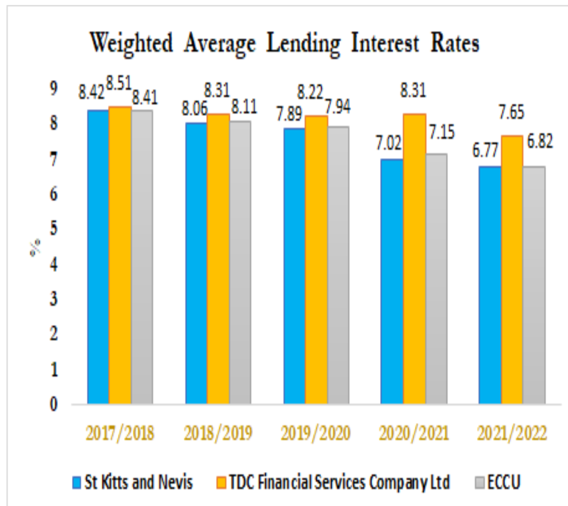
Net Interest Income - Investment income increased from $1,935,773 in the prior year to $2,559,975, an increase of $624,202 or 32.25%. The Investment portfolio grew by $6,523,184 or 6.75%. Fixed Deposits increased by $6,288,223 or 12.19%.

Customers' deposits increased from $135,895,763 at 31 January 2021 to $141,452,306 at 31 January 2022 an increase of $5,556,543 or 4.09%. The average interest rate paid on deposits was 3.37% compared to 3.45% in the prior year.

Interest income earned from loans declined by $192,253 or 2.13% from $9,043,812 to $8,851,559. The average interest rate on loans was 7.65% for the financial year in review compared to 8.31% for the prior.

The graphs below show the weighted average lending and deposit rates for the Federation of St Kitts and Nevis and those for TDC Financial Services Company Ltd for the past 5 years.

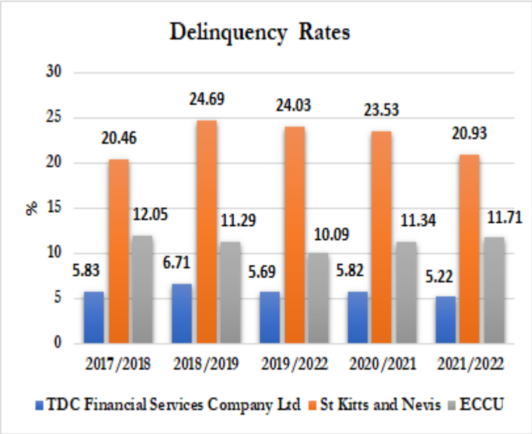




The delinquency rate was 5.22% at 31 January 2022 compared to 5.82% at 31 January 2021. The graph below shows the delinquency rates at the end of the past 5 financial years for TDC Financial Services Company Ltd, the Federation of St Kitts and Nevis and the ECCU area. The ECCB's guidelines have established a prudential benchmark of 5%. The delinquency rate for the ECCU area was 11.71% at 31 January 2022 compared to 11.34% in the prior year. The delinquency rate for St Kitts and Nevis was 20.93% at 31 January 2022 compared to 25.53% in the prior year. The ECCB provided regulatory forbearance to the members of the ECCU Bankers Association in support of the extension of a range of banking sector measures to support customers during the pandemic. These measures included loan repayment moratoria for an initial period of six months and the waiver of late fees and charges. In September 2020, the ECCU Bankers Association's

FINANCIAL REVIEW 2021/2022

members extended the current moratoria to 12 months and thereafter a further six months up to March 2022. These measures helped to mitigate the adverse impact of the pandemic on borrowers. TDC Financial Services Company Ltd offered the moratoria to customers who applied for relief and who were not in arrears in excess of 90 days at the time of the application.



<u>Net Underwriting Income of TDC Insurance Company Ltd</u> increased by 0.13% from $5,950,560 for the 2020/2021 financial year to $5,958,442. TDC Insurance experienced an increase in motor and property premiums. An uptake in new business resulted in a positive impact on property premiums. Motor premiums increased as H.H. Whitchurch and Company Ltd completed its first year of operations as agents for the company in Dominica.

Our reinsurance company, **<u>East Caribbean Reinsurance Company Ltd,</u>** continued to review and improve its reinsurance treaties, including the multi-year deal. This reduced the need for expensive facultative cover thereby retaining more premiums and improving earnings. The new relationship in which the company provides coverage for the property portfolio of an insurance company in the BVI also provided an additional source of revenue.

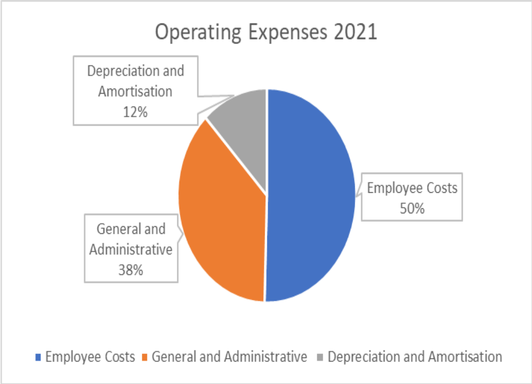
<u>Other Income</u>

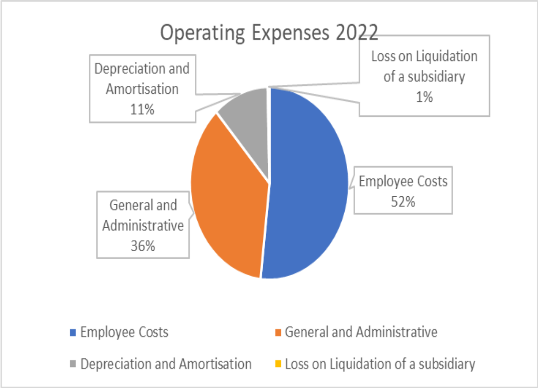
Other Income decreased by $2,300,888 or 20.08% from $11,460,622 for the 2020/2021 financial year to $9,159,734 for the year under review. Other Income includes Gains on Disposals of Property, Plant and Equipment. This account reflects $1,613,276 for the prior financial year compared to $295,873 during the year under review, a decrease of $1,317,403 or 81.66%. Given the decline in economic activity in 2020, a significant number of vehicles were sold from the car rental fleets in 2020. Additionally, in October 2020, the MV Puerto Real, a cargo vessel that operates between St Kitts and Nevis, was sold. As reflected in note 19, $878,508 was recorded as Other Income in the previous year. This figure includes the recognized gain on relief granted on a loan held by the TDC Group.

<u>Expenses</u>

We operate with discipline by managing expenses, optimizing the efficiency of how we work and creating an environment in which we have sustainable lowest cost to serve. We invest in technology and process improvements to increase productivity, manage inventory, and reduce costs.

Operating Expenses increased from $41,019,404 for the prior financial year to $41,544,223 for the financial year under review, an increase of $524,819 or 1.28%. The primary categories of Operating Expenses include employee costs, general and administrative expenses, depreciation, and amortization. The following charts show the distribution of these expenses in 2021 and 2022.





FINANCIAL REVIEW 2021/2022

Employee Costs, $21,534,157, which represents 51.84% of Operating Expenses, increased by $849,746 or 4.11%. In 2020 in response to the COVID-19 pandemic and related mitigation measures, we commissioned an internal COVID-19 pandemic team to review and assess the evolving environment and began implementing changes. These included salary cuts for the management team (10% - 15% of the base salary) and the change of the payment structure for non-management and employees who do not provide specialist services. The contracts for most employees were amended to hourly based pay from fixed salaries. These changes took effect during the second quarter of 2020. In October 2021, the pre-COVID-19 salaries were reinstated. Additionally, employees received new uniforms and bonus payments in 2021.

General and Administrative Expenses decreased by $247,741 or 1.61% from $15,386,412 for the prior financial year to $15,138,651. Within this group of expenses, Professional fees increased by $1,286,603 or 73.58% mainly due to Transformation associated expenses for the TDC Group. This increase was significantly offset by reductions in other expenses. Details are reflected in note 29.

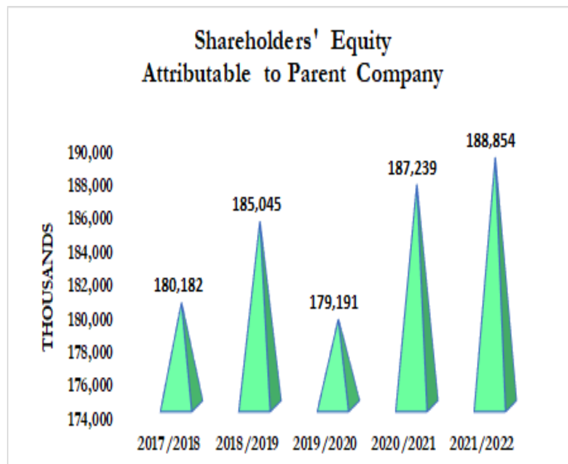
Depreciation and Amortization - As a percentage of Operating Expenses for the TDC Group, Depreciation and Amortization was 11.33% in fiscal year 2022 compared to 12.06% in fiscal year 2020. Depreciation and Amortization declined by $242,273 or 4.9%.

The TDC Group employs a review process geared at ensuring the assets are contributing to the Group's strategic objectives. Assets are divested when they are no longer meeting these objectives.

During the year, two properties were sold: The Circus property, (located on Fort and Bank Streets) and the Glencove property, Fortlands. The amount of $1,922,779 attributable to the sale of The Circus property was transferred from the revaluation reserve (non-distributable) to Retained Earnings in compliance with the International Accounting Standard (IAS) 16; the Accounting Standard governing the treatment of property. Over the years the appreciation in property values were reflected in the Revaluation Reserve account. TDC Group periodically solicits the services of an independent professional property appraiser. The net proceeds from the sale of the Glencove property is recorded in Profit/(loss) for the year from discontinued operations. The Glencove property was formerly owned by OTI Ltd.

Finance and Interest Charges declined by $413,881 or 11.5%. During the previous year, we successfully renegotiated lower interest rates on all credit facilities with our financiers.

One of the most widely used metrics by shareholders to assess performance is Shareholders Equity. The graph below shows the movement over the past five years.



Income Taxes have a significant effect on our net earnings. The income tax expense was $3,205,740 for the financial year under review compared to $2,526,882 in the prior year, an increase of $678,858 or 26.87%. The Deferred Tax Expense was $248,536. In the previous financial year, there was a Deferred Tax Credit of $277,976.

The Deferred Tax liability was $6,172,169 at the end of the financial year under review compared to $5,785,796 in the prior year an increase of $390,373 or 6.75%. Deferred taxes account for the differences between financial and tax accounting. Deferred tax liabilities represent temporary differences between taxable income and pretax financial income, and also an obligation to pay taxes in the future. The Deferred Tax liabilities result for example from varying methods of accounting, such as different methods and rates of depreciation applied. Deferred Tax assets were $442,597 at 31 January 2022 compared to $303,473 at the end of the prior year, an increase of $139,124 or 45.84%. Deferred Tax assets represent the amount available to reduce taxes payable in the future. Such assets arise because of temporary differences between the financial reporting and tax bases of assets and liabilities as well as from operating losses and tax credits carried forward. Deferred Tax asset is assessed for future realization. Many factors are considered such as expectations of future taxable income, cumulative earnings and carry forward periods. The recoverability of the Deferred Tax asset is evaluated by reviewing the adequacy of future expected taxable income from all sources, including the reversal of temporary difference, forecasted operating earnings and tax planning strategies.

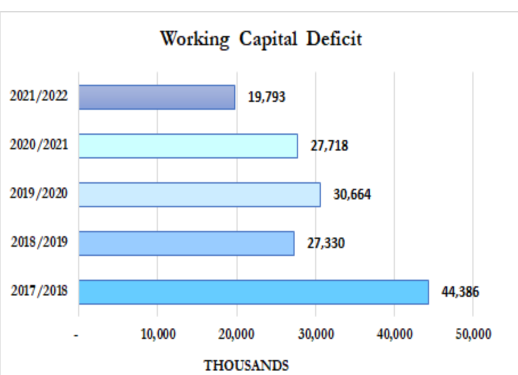
The effective tax rate was 45.16% compared to 21.62% in the prior year.

On 24 March 2020, the Government of St Kitts and Nevis introduced the COVID-19 Stimulus Package that sought to provide relief to citizens and the business community affected by the pandemic due to reduced business activity. The Stimulus Package included the reduction of the Corporate Income Tax rate from 33% to 25% from April 2020 to June 2022 with the requirement that at least 75% of the company's staff is retained. The companies within the TDC Group that met the criteria applied for and receive the reduction in the tax rate.

Consolidated Statement of Financial Position

The working capital deficit was $19,792,852 at 31 January 2022 compared to $27,717,579 at 31 January 2021. Current Assets increased by $25,342,034 or 13.2% from $192,004,456 to $217,346,490. Short-term Investment Securities increased by $13,354,928 or 16.53%.

Current liabilities increased from $219,722,035 at 31 January 2021 to $237,139,342, an increase of $17,417,307 or 7.93%. The graph below shows the movement in the working capital. We continue to work assiduously to improve the TDC Group's working capital position.



Total assets increased by $15,913,367 or 3.67%, from $433,927,387 at 31 January 2021 to $449,840,754 at 31 January 2022. Total liabilities increased by $13,963,855, or 5.77%, from $242,016,827 at 31 January 2021 to $255,980,682 at 31 January 2022.

Inventory – General trading stock on hand increased to pre-pandemic levels of $27,785,330 at the end of January 2022 compared to $20,669,767 at 31 January 2021. As lockdowns were imposed at varying times since 2020, many of our suppliers were faced with labour shortages, temporary factory closures, reduced shipping capacity and huge swings in costs and demand. The realities highlighted above affected the consistent availability of merchandise at our retail outlets. In response, we lengthened lead times, sourced from other suppliers, and explored alternative shipping arrangements. Despite these initiatives our ability to regularly source merchandise was often compromised.

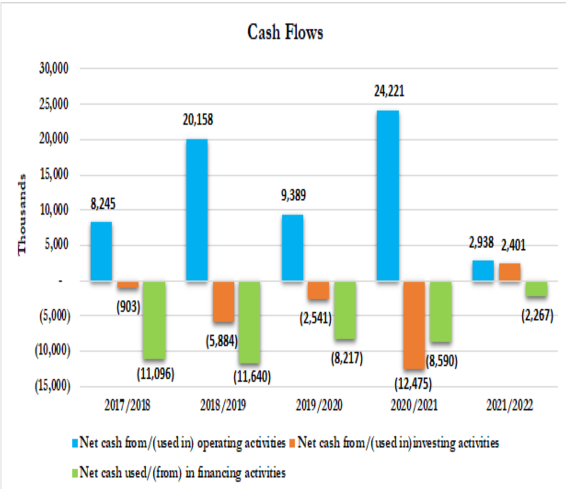
Liquidity and Capital Resources

Operating activities – Cash flows provided by operating activities supplemented with our long-term and short-term borrowings have been sufficient to fund our operations while allowing us to invest in activities that support the long-term growth of our operations. Operating cash flow results mainly from cash received from customers, offset by cash payments for products and services, compensation, and operations. Cash provided by or used in operating activities is also impacted by changes in working capital that is subject to many variables, including seasonality, inventory management, timing of cash receipts and payments.

The TDC Group generated $2,938,444 net cash from operating activities in the year under review as compared to $24,221,380 in previous year. The decrease in cash generated was primarily due to a proactive decision to increase inventory in response to improved market demand. The Group applied $2,400,779 for investing activities in the year ended 31 January 2022. $6,083,942 was received in cash proceeds from the sale of property and equipment during the year. The TDC Group used $2,266,763 in financing activities during the year, primarily for debt interest payments of $1,927,074 and dividend payments of $3,380,000.

The TDC Group has not raised Capital through the issuance of shares for over twenty years. We have utilized debt financing to lower our overall cost of capital and increase our return on Shareholders' Equity.

The graph below shows the movement of cashflows over the past five years.



Cash and cash equivalents were $25,577,449 at 31 January 2022. We maintained more cash to provide us with enhanced flexibility due to the uncertainties related to the Covid19 pandemic.

Outlook

We anticipate moderate growth in our markets despite continuing challenges including labor constraints, inventory shortages, inflation, and geopolitical uncertainties. Building on a strong foundation, TDC is well-positioned for success in 2022. We have proven to be highly effective at executing our strategic plans and nimble in navigating through ongoing challenges. Our top priorities remain ensuring the safety and wellbeing of our employees, offering new products and solutions for our customers, and leveraging our operational excellence and financial strength to drive performance improvement.

Global GDP growth for 2022 is expected to be about 3.2%. In the ECCU area the economy is forecasted to grow by 6.7%. This will depend on activities in the construction sector and further recovery in the tourism industry. Tourism activity in St Kitts and Nevis is anticipated to improve as global travel protocols and requirements for entry into the Federation ease. Activity in the construction sector is expected to accelerate as infrastructural and housing projects continue. The Federation will continue to be affected by rising commodity prices stemming from geopolitical tensions, supply chain disruptions and lower than expected inflows from the Citizenship by Investment Programme.

Risks include the impacts of climate change and the war in Ukraine such as the continuing spikes in the cost of fuel, freight, raw materials and labour.

KEY PERFORMANCE INDICATORS

St. Kitts Nevis Anguilla Trading and Development Company Limited
Key Performance Indicators
For the Year Ended 31 January 2022

	Key Indicators	2022	2021	Variance	Variance (%)
A	***Absolute Performance Results***				
1	Group Sales Turnover	$108,804,975	$115,709,704	($6,904,729)	-6%
2	Group Goods Turnover	$105,995,128	$112,362,203	($6,367,075)	-6%
3	Group Services Turnover	$2,809,847	$3,347,501	($537,654)	-16%
4	Inventory Turnover	1.84	2.00	-0.16	-8%
5	Gross Profit	$27,859,324	$29,322,851	($1,463,527)	-5%
6	Share of Results - Associated Companies	$777,125	$929,846	($152,721)	-16%
7	Income Before Tax	$7,098,499	$11,685,748	($4,587,249)	-39%
8	Total Comprehensive Income	$5,329,512	$8,453,780	($3,124,268)	-37%
B	***Profitability Ratios***				
1	Return on Assets (ROA)	1.09%	2.02%		
2	Return on Shareholders' Equity (ROE)	2.48%	4.50%		
C	***Liquidity and Solvency Ratios***				
1	Current Ratio (Liquidity)	0.92	0.87		
2	Acid-test Ratio (Liquidity)	0.69	0.66		
3	Debt to Equity Ratio (Solvency)	1.32	1.26		
4	Debt to Total Assets Ratio (Solvency)	0.57	0.56		
D	***Efficiency Ratios***				
1	Inventory Turnover Ratio	1.83	2.00		
2	Accounts Receivable Turnover Ratio	6.29	6.05		
3	Accounts Payable Turnover	2.08	1.62		
4	Asset Turnover Ratio	0.25	0.27		
E	***Other Performance Indicators***				
1	Asset Growth	3.67%	-0.28%		
2	Dividend Per Share (Total)	$0.07	$0.00		

TDC
GROUP
TOGETHER WE SUCCEED

PARTNERS IN LITERACY

TDC encourages literacy through partnership with the St. Christopher National Trust's Annual Heritage House Storytelling Series.

REPORT OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE TO SHAREHOLDERS

The Human Resources and Compensation Committee (HRCC) was established by the Board of Directors of the Company, to replace and carry out the role and functions of the previously established Compensation Committee and perform other duties relating to the human resources function in the TDC group. The HRCC held its first meeting on February 3, 2020.

Membership

The HRCC is a committee of the Board and comprises 6 directors. The current members are as follows:

1. Wendell Lawrence (Chairperson)
2. Nicolas Brisbane
3. Melvin Edwards
4. Myrna Walwyn
5. Charles Wilkin
6. Earle Kelly (Chairman of TDC Ltd)

Mrs. Gloria Esdaille-Robinson, Group Chief Human Resources Officer, was appointed Secretary of the Committee.

Terms of Reference

The Committee is expected to satisfy itself that TDC Group's human resources management activities are adequate and effective. In this regard, the specific responsibilities that the Committee is expected to carry out on behalf of the Board include the following:

1. Review or make recommendations to the Board in respect of:
   (a) the human resources policies, practices, and organizational structures, all of which should provide consistency with the strategic plan, support operational effectiveness and efficiency, and maximize human resources potential;
   (b) the company's total compensation arrangements including but not limited to employee and retirement benefits; annual salary range adjustments; performance pay; and review of the market comparator groups;
   (c) management succession planning, management/leadership development, and talent management/workforce planning strategies;
   (d) termination and severance policies/arrangements; and
   (e) the remuneration, benefits and other conditions of employment of the Executive Directors, Senior Management and independent management consultants or advisors.

2. Receive such reports as it deems necessary from Company's management regarding matters within the Committee's purview.
3. Engage, at its discretion, professional advisors to provide counsel on issues before the Committee.
4. Review its Terms of Reference on an annual basis and recommend any changes to the Board.

Meetings

During the 2021-2022 Financial Year, the Committee held four meetings on the following dates:

1. February 3, 2021
2. April 14, 2021
3. September 1, 2021
4. January 21, 2022

There were no absences at any of the meetings.

REPORT OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE TO SHAREHOLDERS

Activities

The HRCC focused much of its attention on human resource issues of direct relevance to the implementation of the Company's strategic plan and the transformation process that the Company is presently undergoing. These issues included the following:

1. The role of the HRCC in the transformation process.
2. Succession Planning for the Executives and Management.
3. The refinement of the organizational structure to enhance accountability and promote greater organizational efficiency and effectiveness.
4. The strengthening of the human resource management capability with a view to improving the managerial and operational capability of the Group and ensuring that the Group maintains a highly motivated workforce with the skills and competencies necessary to implement the strategic plans and programmes of the group and advance the transformation process.
5. The strengthening of the Performance Management and Assessment System through the more widespread use of key performance indicators (KPIs) as a basis for evaluating organizational and employee performance and achieving even greater success in realizing the strategic goals and objectives of the group, including goals in relation to profitability and dividend distribution.
6. The enhancement and expansion of the performance evaluation system to include the evaluation of the Chief Executive Officer and other Executive Directors and to create a stronger link between assessed employee performance and overall organizational performance.
7. The review of the compensation system including the consideration of proposals to enhance the competitiveness of remuneration for the various categories of employees, improve the structure and transparency of the compensation system, and incentivize employees through the adoption of pay for performance systems.
8. The development of procurement guidelines including procedures for monitoring the focus, effectiveness and cost of current and proposed consultancies.
9. The development of Terms of Reference for specific consultancies of direct relevance to the work of the HRCC.

Many of these activities are still ongoing but there has been considerable progress in the strengthening of the Human Resource function which is a cross-cutting function on which the entire transformation exercise and the successful implementation of the agenda of the HRCC depend. Specifically, since the end of the financial year, the company engaged consultants to assess the capability of the Human Resource Department, identify any gaps and deficiencies in that Department, and make recommendations for improving and strengthening the human resource function in the group. In keeping with these recommendations, two (2) Senior Human Resource Officers and one (1) Employee Relations Officer, were recently recruited by the company. The engagement of an Officer to deal specifically with Employee Relations is indicative of the very high priority that the Company places on ensuring that the work atmosphere is happy and conducive to employee productivity, on developing even greater sensitivity to the needs of employees, and on fostering an employer-employee relationship based on productivity, caring, empathy, sensitivity, loyalty, respect, openness and sincerity in communication.

Conclusion

The HRCC and the entire Board of Directors of the Company recognize that human resource is the most valuable resource of the TDC Group and of any organization. We are therefore committed to the development and motivation of our employees through fair compensation, the maintenance of a pleasant work atmosphere, extensive training and development, enhanced sensitivity to the need and concerns of our employees and the provision of opportunities that help employees realize their fullest potential. We believe that this will redound to the benefit of our shareholders and stakeholders through enhanced profitability and through the ability of the Group to continue playing a significant role in the development of the community through its programmes of corporate social responsibility.

IT STEERING COMMITTEE REPORT

Name	Position	Committee Role
Kachi Armony	Non-Executive Board Member	Chairman
Nicholas Brisbane	Non-Executive Board Member	Member
Nicolas Menon	Executive Director of Financial Services and Marketing Divisions	Member
Glenville Jeffers	Executive Director of Trading Divisions	Member
Kelvin Lovence	Manager of IT Operations	Member
Elias Lee	Project Management Officer (Consultant)	Member
Adam Montserin	Group Transformation Officer (Consultant)	Member

Year in Review

Business Transformation and Modernization efforts continued in 2021 at the TDC Group with a focus on IT and Cyber Risk Management, along with the pursuit and refinement of opportunities associated with Data Analytics and eCommerce. The IT Steering Committee continued to assist the Executive and associated project teams in developing and aligning these transformational initiatives to the Group's business objectives, while contributing to the vendor scoping and selection process that identified specialist firms to assist in their implementation.

With the ever-expanding scope and influence of the Group's digital estate on its business operations, a significant focus has been placed on protecting the data within the Group's digital boundaries while appropriately resourcing Information Technology teams that manage and support its enabling infrastructure. To this end, The IT Steering Committee has provided support and guidance during the scope-alignment and vendor due diligence process in selecting a suitable IT vendor to conduct two critically important discovery assessments: a Comprehensive IT Audit, and an Information Security Review. The findings of these two assessments are intended to document the current state of the Group's IT Infrastructure, Support, Operations, and Cyber Security posture; identify critical gaps and the quick-win initiatives to remediate the said gaps; and recommend a longer-term multi-year plan of initiatives that will improve the maturity of IT and Cyber Security management and operations at the Group.

In keeping with the Group's strategic objective to develop an insights-driven organization meant to help its leaders make more informed, effective, and intelligent business decisions, the Group has embarked on a journey to establish a strong Data Analytics competence and data culture. This journey began with a proof-of-concept (POC) Business Intelligence initiative in 2019 that immediately demonstrated the value of having easily accessible visual insights into the Group's retail data. As the POC led to a better appreciation of what was possible, in 2021, The IT Steering Committee advocated for a Request for Proposal (RFP) and provided support to the CEO's Transformation Committee during the vendor due diligence process in selecting a suitable Data Analytics solution and development partner.

The Group extended the reach of its brick-and-mortar stores to its new eCommerce store ShopTDCGroup.com in late 2020. In 2021, efforts were sustained in developing this new sales channel, and The IT Steering Committee continued to assist the associated project and operation teams in further refining and expanding the eCommerce store's marketing presence and offerings.

As TDC's Business Transformation continues, 2021's foundational initiatives, followed by many of the resulting planned technology projects for 2022 will all play an important role in The Group's strategic priorities going forward. The IT Steering committee will remain engaged with the Executive and project teams leading these initiatives and will continue to serve its remit by providing technology oversight on behalf of the TDC Group's Board of Directors and Shareholders.

AUDIT COMMITTEE REPORT TO SHAREHOLDERS

The Audit Committee hereby reports on the significant deliberations and activities undertaken during the 2021/2022 Financial Year.

The Audit Committee comprises four persons who are independent of the Executive Directors, namely:

- Melvin Edwards– Chairman and Director, TDC Ltd.
- Marilyn Johnson – Independent Professional
- Frank Evelyn – Director, TDC Nevis Ltd., TDC Financial Services Company Ltd.,
- Wendell Lawrence – Director, TDC Ltd, TDC Financial Services Company Ltd., and TDC Insurance Company Ltd.

Charlene Stapleton – Group Chief Internal Auditor, Internal Audit Department – is the Recording Secretary.

Meetings

Six meetings were held for which two absences were recorded. The meeting dates were:

28 April 2021
30 July 2021
06 October 2021
09 December 2021
06 January 2022
25 January 2022

Main Activities

The Audit Committee fulfilled its mandate by supporting the Board of Directors in its oversight responsibilities with respect to the integrity of financial reporting, the effectiveness of risk management and the adequacy of internal controls including related governance and compliance matters. It also oversaw the effectiveness of the internal audit function and monitored the Group's relationship with the external auditor.

FINANCIAL STATEMENTS

The Committee:

- Reviewed the Annual Audited Financial Statements for the year ended 31 January 2022 and recommended to the Board of Directors for adoption and publication and for approval by the Shareholders.
- Analyzed the Audited Financial Statements and recommended measures be taken to ensure improved cash flow management and cost minimization.

RISK MANAGEMENT AND INTERNAL CONTROL OVERSIGHT

The Audit Committee focused on the following matters related to risk management and internal control:

- Identified and assessed risks and made recommendations for Audits to be conducted of high-risk areas.
- Collaborated with the Audit and Compliance Committees of the TDC Financial Services and TDC Insurance Companies on accounting and risk controls.
- Monitored updates on the transformation process.
- Monitored and made recommendations to mitigate the impact of COVID-19 on the control environment.
- Made recommendations to enhance the financial reporting process:
  - Achieving timeliness in the presentation of Financial Statements
  - Acquisition of adequate and sufficient professional resources
  - Implementation of an effective Finance and Accounting Transformation Strategy
- Communicated with the Board on issues that would affect the audit timelines.
- Proposed measures to ensure timely implementation of internal and external audit recommendations. Made recommendations that would ensure effective Board oversight, informed strategic and operational decisions and management success using data analytics, effective monitoring of key performance indicators, and analysis of significant costs and the cost drivers.
- Made recommendations to develop and implement a procurement policy to enhance accountability throughout the period of the contract, ensure value for money was obtained through contract performance, ensure a transparent procurement process and the transfer of knowledge and skills to the Group and for those charged with governance and oversight.
- Made recommendations to ensure consistent and timely implementation of the Performance Appraisal System, based on the Balanced Scorecard Methodology.
- Recommended attention to issues that would ensure staff retention.
- Recommended measures to ensure that a culture of accountability was fostered throughout the Group.

AUDIT COMMITTEE REPORT TO SHAREHOLDERS

INTERNAL AUDIT FUNCTION

The Committee oversaw the work of the Internal Audit Department:

- Approved the 2022/2023 IAD Work Schedule and revisions thereof.
- Approved budget and resource requirements.
- Reviewed Internal Audit Reports and summary activity reports.
- Reviewed managements' responses and paid attention to the implementation of recommendations.

Considering the quality and frequency of reporting and the level of impartiality displayed, the Committee was satisfied with the effectiveness of the internal audit function. The Committee will work closely with the Internal Audit Department to enhance its independence, visibility, consistency, and efficiency.

EXTERNAL AUDIT

The Audit Committee reviewed and discussed with Grant Thornton the audit methodology and approach and obtained assurance that the Financial Statements for the year ended January 2021/2022 were presented fairly in all material respects and that the internal controls over financial reporting were effective with regards to management's treatment of significant transactions and areas of judgement and confirmed Grant Thornton's satisfaction that these had been treated appropriately in the financial statements.

The Committee provided oversight and obtained assurance on the following priority areas:

- Adoption of IFRSs and transition adjustments.
- External Auditor's contract and management letter issuance.
- Challenges that may affect Audit Timeliness.
- Progress of the 2021/2022 External Audit

APPOINTMENT OF EXTERNAL AUDITORS

Shareholders approved the appointment of Grant Thornton as the Group's external auditors at the 2021 AGM. On the recommendation of the Committee, the Directors will be proposing their re-appointment at the 2022 AGM. The TDCFS Board recommended to the TDC Board a change in external auditors for TDCFS for the 2022/2023 financial year to comply with the Banking Act.

MEMBER TRAINING

The Committee:

- Assured effectiveness by reviewing its Charter to ensure its responsibilities were aligned with International Internal Auditing Standards. It also took measures to ensure that its concerns and recommendations were addressed at the Board level.
- Members undertook AML and other trainings as well as maintained their professional designations.

COMMITTEE ASSESSMENT

The Committee conducted a self-assessment and concluded that it was operating in accordance with its Charter. Measures were immediately implemented to address opportunities for improvement as they were identified. Further, the Charter was updated to ensure that it was consistent with mandated requirements.

CONCLUSION

The Audit Committee will continue to ensure that high standards of compliance, consistent with internationally accepted Accounting, Audit, Good Governance and Corporate Social Responsibility standards are maintained throughout the TDC Group.

………………………………………………………………………………

Melvin R. Edwards
For and on behalf of the Audit Committee, TDC Group
Date: 31 October 2022

Grant Thornton

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of **St. Kitts Nevis Anguilla Trading and Development Company Limited** and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at January 31, 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at January 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matters *...continued*

(a) Loans to customers

Description of the Matter

As at January 31, 2022, loans to customers amounted to $116,980,515, net of allowance for impairment of $2,842,378 and represents 26% of the Group's total assets.

The allowance for impairment of loans to customers is considered to be a matter of significance, as it requires the application of critical management judgement and use of subjective estimates in determining the amount of impairment losses that are required to be recognised in the consolidated financial statements. These judgment and estimates are disclosed in the Group's accounting policies in Note 4 to the consolidated financial statements.

The Group used the expected credit loss (ECL) model in determining impairment of their loans to customers. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, the associated loss ratio and of default correlation between counterparties. Furthermore, the Group incorporated forward-looking information into the assessment of whether the credit risk of an instrument has increased significantly from its initial recognition to the measurement of ECL. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses.

The disclosures relating to the allowance for impairment of loans to customers, and the related credit risk are included in Notes 5 and 10 to the consolidated financial statements.

How the Matter was addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the adequacy of the allowance for impairment of loans to customers, which was considered to be a significant risk, included the following:

- Obtained an understanding of the Group's credit policy and loan impairment process;

- Tested the controls over the approval, recording and monitoring of loans to customers, loan classification into stages and calculation and recognition of the allowance for impairment;

- Verified that the loans to customers are allocated to the appropriate stage, and challenging the criteria used to categorize loans to stage 1, 2 or 3 in accordance with the impairment requirements of IFRS 9;

- Evaluated the inputs and assumptions, as well as the formulas used in the development of the ECL model for the loan portfolio. This includes assessing the appropriateness of design of the ECL impairment model and formula used in determining the expected credit losses; and

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Key Audit Matters *...continued*

(a) Loans to customers *...continued*

How the Matter was addressed in the Audit ...continued

- Assessed the borrowers' repayment abilities by examining payment history for selected accounts, macro-economic factors and collateral values.

(b) Valuation of insurance liabilities

Description of the Matter

As at January 31, 2022, the insurance liabilities of the Group amounted to $23,031,067. The valuation of insurance liabilities involves significant management judgment in the use of assumptions. The valuation also requires the assistance of an external actuary whose calculation depends on certain assumptions such as mortality, lapses, management expenses, investment income and others, which could have a material impact on the results. Thus, we considered this as a key audit matter. The disclosures related to insurance liabilities are included in Notes 4, 6 and 20 to the consolidated financial statements.

How the Matter was addressed in the Audit

We reviewed the scope, bases, methodology and results of the work performed by the Group's external actuary. We also considered the external actuary's professional qualifications, independence and objectivity. We tested the appropriateness of the data provided by the Group to the external actuary and determined its adequacy and appropriateness. We evaluated the external actuary's findings in relation to the valuation of the insurance liabilities presented in the consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *...continued*

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jefferson E. Hunte.

Grant Thornton

Chartered Accountants
November 24, 2022
Basseterre, St. Kitts

St. Kitts Nevis Anguilla Trading and Development Company Limited

Consolidated Statement of Financial Position

As at January 31, 2022

(expressed in Eastern Caribbean dollars)

	2022 $	2021 $
Assets		
Current assets		
Cash and cash equivalents (note 8)	**25,577,449**	22,455,150
Investment securities (note 9)	**94,159,163**	80,804,235
Loans to customers (note 10)	**22,920,483**	22,261,814
Receivables (note 11)	**12,047,847**	10,573,831
Reinsurance assets (note 20)	**7,639,088**	8,174,453
Due from related parties (note 14)	**1,706,322**	1,291,885
Inventories (note 12)	**47,828,787**	40,034,976
Prepayments and other current assets (note 13)	**5,151,005**	5,940,656
Income tax recoverable (note 23)	**60,294**	86,502
Assets included in disposal group (note 15)	**256,052**	380,954
Total current assets	**217,346,490**	192,004,456
Non-current assets		
Investment securities (note 9)	**8,994,436**	15,826,180
Loans to customers (note 10)	**94,060,032**	87,509,432
Receivables (note 11)	**5,620,305**	6,340,706
Investment in associates (note 16)	**12,705,792**	11,548,151
Property, plant and equipment (note 17)	**94,142,436**	102,448,249
Intangible assets (note 18)	**233,736**	379,352
Deferred tax asset (note 23)	**442,597**	303,473
Assets included in disposal group (note 15)	**16,294,930**	17,567,388
Total non-current assets	**232,494,264**	241,922,931
Total assets	**449,840,754**	433,927,387
Liabilities		
Current liabilities		
Borrowings (note 19)	**35,110,856**	30,336,953
Insurance liabilities (note 20)	**23,031,067**	20,177,159
Customers' deposits (note 21)	**135,381,615**	127,225,843
Accounts payable and other liabilities (note 22)	**40,921,104**	40,199,423
Income tax payable (note 23)	**1,713,977**	1,139,265
Due to related parties (note 14)	**381,892**	4,000
Liabilities included in disposal group (note 15)	**598,831**	639,392
Total current liabilities	**237,139,342**	219,722,035
Non-current liabilities		
Borrowings (note 19)	**4,616,563**	5,953,189
Customers' deposits (note 21)	**6,070,691**	8,669,920
Accounts payable and other liabilities (note 22)	**1,977,917**	1,885,887
Deferred tax liability (note 23)	**6,176,169**	5,785,796
Total non-current liabilities	**18,841,340**	22,294,792
Total liabilities	**255,980,682**	242,016,827

St. Kitts Nevis Anguilla Trading and Development Company Limited

Consolidated Statement of Financial Position *...continued*

As at January 31, 2022

(expressed in Eastern Caribbean dollars)

	2022 $	2021 $
Shareholders' equity		
Share capital (note 24)	**52,000,000**	52,000,000
Other reserves (note 25)	**64,611,163**	65,170,378
Retained earnings	**72,242,550**	70,068,531
	188,853,713	187,238,909
Non-controlling interests	**5,006,359**	4,671,651
Total shareholders' equity	**193,860,072**	191,910,560
Total liabilities and shareholders' equity	**449,840,754**	433,927,387

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

Approved for issue by the Board of Directors on November 24, 2022.

Chairman

Martza Bailey.

Director

St. Kitts Nevis Anguilla Trading and Development Company Limited

Consolidated Statement of Income

For the year ended January 31, 2022

(expressed in Eastern Caribbean dollars)

	2022 $	2021 $
Revenue (note 26)	**108,804,975**	115,709,704
Cost of sales	**(80,945,651)**	(86,386,853)
Gross profit	**27,859,324**	29,322,851
Net interest income (note 32)	**8,072,199**	8,639,256
Net underwriting income	**5,958,442**	5,950,560
Other income (note 27)	**9,159,734**	11,460,622
Operating income before operating expenses	**51,049,699**	55,373,289
Operating expenses		
Employee costs (note 28)	**(21,534,157)**	(20,684,411)
General and administrative (note 29)	**(15,138,651)**	(15,386,412)
Depreciation and amortisation (note 30)	**(4,706,308)**	(4,948,581)
Loss on liquidation of a subsidiary (note 15)	**(165,107)**	–
	(41,544,223)	(41,019,404)
Operating profit	**9,505,476**	14,353,885
Share of income of associated companies (note 16)	**777,125**	929,846
Finance charges (note 31)	**(3,184,102)**	(3,597,983)
Profit before income tax from continuing operations	**7,098,499**	11,685,748
Profit before income tax from continuing operations attributable to:		
Parent company	**6,716,744**	11,225,417
Non-controlling interests	**381,755**	460,331
	7,098,499	11,685,748
Income tax expense (note 23)	**(3,205,740)**	(2,526,882)
Profit for the year from continuing operations	**3,892,759**	9,158,866
Profit/(loss) for the year from discontinued operations (note 15)	**888,354**	(718,521)
Profit for the year	**4,781,113**	8,440,345
Profit for the year attributable to:		
Parent company	**4,426,793**	8,007,277
Non-controlling interests	**354,320**	433,068
	4,781,113	8,440,345
Earnings per share		
Basic and diluted per share (note 33)	**0.085**	0.154

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 year ended January 31, 2022

(expressed in Eastern Caribbean dollars)

	2022 $	2021 $
Profit for the year	**4,781,113**	8,440,345
Other comprehensive income:		
Item that will not be reclassified subsequently to profit or loss		
Share in associated companies' other comprehensive income (note 16)	**630,516**	–
Fair value (losses)/gains on investment securities (note 9)	**(82,117)**	13,435
Total comprehensive income for the year	**5,329,512**	8,453,780
Total comprehensive income for the year attributable to:		
Parent company	**4,994,804**	8,047,897
Non-controlling interests	**334,708**	405,883
	5,329,512	8,453,780

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 year ended January 31, 2022

(expressed in Eastern Caribbean dollars)

	Parent company					
	Share capital $	Other reserves $	Retained earnings $	Subtotal $	Non-controlling interests $	Total $
Balance at January 31, 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 (note 25)	–	544,226	(544,226)	–	–	–
Transfer to retained earnings (note 25)	–	(66,833)	66,833	–	–	–
Revaluation surplus transfer to retained earnings (note 25)	–	(472,466)	472,466	–	–	–
Other comprehensive income						
Fair value gains on investment securities (note 9)	–	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**
Comprehensive income						
Profit for the year	–	–	4,426,793	4,426,793	354,320	4,781,113
Transfer to reserve fund (note 25)	–	654,091	(654,091)	–	–	–
Transfer from retained earnings (note 25)	–	141,462	(141,462)	–	–	–
Revaluation surplus transfer to retained earnings (note 25)	–	(1,922,779)	1,922,779	–	–	–
Other comprehensive income						
Fair value losses on investment securities (note 9)	–	(62,505)	–	(62,505)	(19,612)	(82,117)
Share in associated companies' other comprehensive income (note 16)	–	630,516	–	630,516	–	630,516
Transaction with owners						
Dividends (note 24)	–	–	(3,380,000)	(3,380,000)	–	(3,380,000)
Balance at January 31, 2022	**52,000,000**	**64,611,163**	**72,242,550**	**188,853,713**	**5,006,359**	**193,860,072**

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 year ended January 31, 2022

(expressed in Eastern Caribbean dollars)

	2022 $	2021 $
Cash flows from operating activities		
Profit before income tax from continuing operations	**7,098,499**	11,685,748
Items not affecting cash:		
Interest expense	**6,947,564**	7,350,295
Depreciation and amortisation	**5,140,075**	5,928,102
Impairment losses of receivables	**876,850**	528,171
Loss on liquidation of a subsidiary	**165,107**	–
Impairment losses of loans to customers, net	**21,263**	518,701
Impairment (recoveries)/losses of investment securities	**(94,901)**	371,796
Gains on disposals of property and equipment	**(295,873)**	(1,613,276)
Dividend income	**(342,974)**	(198,549)
Share of income of associated companies	**(777,125)**	(929,846)
Interest income	**(12,683,010)**	(12,977,566)
Cash flows from operations before changes in operating assets and liabilities	**6,055,475**	10,663,576
(Increase)/decrease in loans to customers	**(6,847,264)**	2,604,391
(Increase)/decrease in receivables	**(1,683,843)**	3,900,598
Decrease in reinsurance assets	**535,365**	863,517
(Increase)/decrease in due from related parties	**(414,437)**	256,864
(Increase)/decrease in inventories	**(7,793,811)**	6,634,224
Decrease in prepayments and other assets	**789,651**	817,872
Increase/(decrease) in insurance liabilities	**2,853,908**	(3,411,331)
Increase in customers' deposits	**5,411,300**	12,397,542
Increase/(decrease) in accounts payable and other liabilities	**948,271**	(15,085,912)
Increase/(decrease) in due to related parties	**377,892**	(85,805)
Net cash generated from operating activities before interest receipts and payments and tax	**232,507**	19,555,536
Interest received	**9,739,767**	10,705,908
Taxes paid	**(2,300,733)**	(1,758,072)
Interest paid	**(4,777,408)**	(4,558,945)
Net cash from operating activities from continuing operations	**2,894,133**	23,944,427
Net cash from operating activities from discontinued operations (note 15)	**44,311**	276,953
Net cash from operating activities	**2,938,444**	24,221,380

(expressed in Eastern Caribbean dollars)

	2022 $	2021 $
Cash flows from investing activities		
Proceeds from disposals of property and equipment	**6,083,942**	4,080,552
Interest received	**2,180,999**	1,718,799
Dividends received	**592,974**	948,549
Purchase of intangible assets	**(166,656)**	(128,392)
Purchase of property, plant and equipment	**(2,310,059)**	(2,952,364)
Purchase of investment securities, net	**(6,131,424)**	(16,117,799)
Net cash from/(used in) investing activities from continuing operations	**249,776**	(12,450,655)
Net cash from/(used in) investing activities from discontinued operations (note 15)	**2,151,003**	(24,100)
Net cash from/(used in) investing activities	**2,400,779**	(12,474,755)
Cash flows from financing activities		
Proceeds from /(repayments of) borrowings, net	**3,262,801**	(5,841,586)
Interest paid on lease liabilities	**(97,839)**	(103,902)
Repayments of lease liabilities, net	**(124,651)**	(118,588)
Interest paid on borrowings	**(1,927,074)**	(2,526,337)
Dividends paid (note 24)	**(3,380,000)**	–
Net cash used in financing activities from continuing operations	**(2,266,763)**	(8,590,413)
Net cash used in financing activities from discontinued operations	**–**	–
Net cash used in financing activities	**(2,266,763)**	(8,590,413)
Net increase in cash and cash equivalents	**3,072,460**	3,156,212
Cash and cash equivalents at beginning of year	**22,686,323**	19,530,111
Cash and cash equivalents at end of year	**25,758,783**	22,686,323
Represented by:		
Cash and cash equivalents (note 8)	**25,577,449**	22,455,150
Cash under assets included in disposal group (note 15)	**181,334**	231,173
Cash and cash equivalents at end of year	**25,758,783**	22,686,323

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

(expressed in Eastern Caribbean dollars)

1 Nature of operations

St. Kitts Nevis Anguilla Trading and Development Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") 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, real estate development 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.

3 New or revised standards or interpretations

New standards and amendments to standards effective for the financial year beginning February 1, 2021

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 all such new interpretations and amendments as follows:

- COVID 19 – Related Rent Concessions (Amendment to IFRS 16); and
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16).

These amendments do not have significant impact on these consolidated financial statements and therefore the disclosures have not been made. 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.

(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.

4 Summary of accounting policies

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

a) Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiaries as at January 31, 2022. 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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

a) Basis of consolidation *...continued*

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

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

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

b) Investment in associates

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

c) Foreign currency translation

(i) Functional and presentation currency

The consolidated financial statements are presented in Eastern Caribbean dollars, which is also 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. 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 company basis and are not allocated to operating segments. The Board of Directors monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

e) Revenue recognition

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

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

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

e) Revenue recognition *...continued*

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 other matters aside from the passage of time is required before the consideration is due.

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

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

e) Revenue recognition *...continued*

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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

g) Leases

Group as a lessee

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.

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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *…continued*

g) Leases *…continued*

Group as a lessee …continued

Measurement and recognition of leases as a lessee …continued

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 liabilities.

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.

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.

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 warehouses, 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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

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

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

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

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

Buildings	2%
Furniture and fittings	15%
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) 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 years (33% annual rate). The amortization period and the amortization method used for the computer software are reviewed at each reporting period.

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

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

j) Intangible assets *...continued*

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

k) 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.

l) 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.

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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

l) Financial instruments *...continued*

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

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.

Solely Payments of Principal and Interest (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 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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

l) Financial instruments *...continued*

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

Solely Payments of Principal and Interest (SPPI) ...continued

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 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.

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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

l) Financial instruments *...continued*

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

Financial assets at FVOCI ...continued

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.

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.

(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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *…continued*

l) Financial instruments *…continued*

(iii) Impairment of financial assets …continued

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.

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 in financial difficulty;
- Significant change in the interest rate; and
- Inclusion 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).

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

l) Financial instruments *...continued*

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

(i) Classification and subsequent measurement

Financial liabilities are classified and subsequently measured at amortised cost.

(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.

m) Offsetting financial instruments

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

n) Insurance contracts

Classification

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

Recognition and measurement

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

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

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

n) Insurance contracts *...continued*

Recognition and measurement *...continued*

Short-term insurance contracts *...continued*
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.

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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

n) Insurance contracts *...continued*

Recognition and measurement *...continued*

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

Reinsurance contracts held

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

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

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

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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

n) Insurance contracts *...continued*

Receivables and payables related to insurance contracts *...continued*

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

Salvage and subrogation reimbursements

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

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

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

o) 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.

p) 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.

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.

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *…continued*

p) Income taxes *…continued*

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 recognised for in full.

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.

q) 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.

r) 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 25).

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

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

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

s) Employee benefits

Post–employment benefit – defined contribution plan

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

Short-term employee benefits

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

t) Provisions, contingent assets and contingent liabilities

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

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

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

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

u) Events after the reporting date

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

v) Customer loyalty programmes

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

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

w) Earnings per share

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

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

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

Assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Group's relevant accounting policy. 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.

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

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

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

i) Provision for expected credit losses of receivables

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

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

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

The carrying amount of receivables as at January 31, 2022 is $17,668,152 (2021: $16,914,537).

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

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

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

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

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

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

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

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

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

	-5%	**Base case**	**+5%**
	$	**$**	**$**
Loans to customers			
Impact of provision based on changes in the time to sell	2,853,140	2,842,378	2,831,471
Impact of provision based on changes in the fair value of underlying collateral	2,801,597	2,842,378	2,480,505

	-5%	**Base case**	**+5%**
	$	**$**	**$**
Determination of loss rates			
Loans to customers	2,844,223	2,842,378	2,840,534
Investment securities	814,003	775,241	736,479

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *…continued*

y) 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) 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.

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

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

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *…continued*

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

v) 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 +/-3,950 (2021: +/-$4,270).

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.

vi) Determination of life insurance valuation assumptions

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies *...continued*

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

vii) Sensitivity analysis of life insurance risk

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

	Change in Variable	Change in Net Policy Liabilities Increase/(Decrease) 2022 $	2021 $
Increase in mortality	**10%**	**(14,906)**	(14,816)
Decrease in mortality	**10%**	**15,740**	15,615
Increase in lapse margin	**15%**	**32,302**	35,489
Increase in expenses	**10%**	**10,547**	12,212
Parallel decrease in valuation	**1%**	**133,886**	144,29

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 returns.

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

(expressed in Eastern Caribbean dollars)

5 Financial risk management *…continued*

Financial risk factors *…continued*

a) Market risk

i) Foreign currency risk

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

ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises primarily from net interest-bearing liabilities held with financial institutions with respect to the credit accounts, bank overdraft, customers' deposits and long–term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The credit accounts, bank overdraft and the long–term borrowings bear fixed interest rates of 3.0% - 4.0%, 4.5% - 6% and 5%, respectively, which exposes the Group to fair value interest rate risk. To manage interest rate risk, the Group negotiates the best rates possible and where possible considers factors such as refinancing, reviewing options and alternative financing. Also, cash flow interest rate risk arises from loans and advances to customers, and other interest-bearing assets at fixed rates.

If at January 31, 2022 interest rates on borrowings, credit accounts and credit customers' deposits had been 1% higher/lower, with all other variables held constant, consolidated profit for the year would have been $1,979,700 lower/higher (2021: $1,635,160), mainly as a result of higher/lower interest expense. If at January 31, 2022 interest rates on loans to customers and other interest-bearing assets had been 1% higher/lower, with all other variables held constant, consolidated profit for the year would have been $105,220 higher/lower (2021: $104,610), mainly as a result of higher/lower interest income.

iii) Price risk

The Group is exposed to equity securities price risk because of equity investments held by the Group and classified in the consolidated statement of financial position as financial assets at FVOCI. The Group's portfolio includes securities that are quoted on the Eastern Caribbean Securities Exchange, and its exposure to equity securities price risk is not material because the total of these securities is insignificant in relation to its consolidated statement of financial position and because of the limited volatility in this market. The Group does not hold equity securities that are quoted on the world's major securities markets. If market prices as at January 31, 2022 had been 10% higher/lower with all other variables held constant, the change in equity securities would have been insignificant.

(expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

Financial risk factors *...continued*

b) Credit risk

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

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

Credit risk management

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

Financial risk factors *...continued*

b) Credit risk *...continued*

Credit risk management ...continued

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 reflects its assessment of the probability of default of individual counterparties. The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between an A and A- rating grade is lower than the difference in the PD between a B and B- rating grade.

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

			Rating			PD	
Country	**Type**	**Local/Foreign**	**Caricris**	**Moody's**	**S&P**	**1 year**	**10 years**
St. Kitts and Nevis	Sovereign	Foreign	BBB-	B3	B-	2.473%	
St. Kitts and Nevis	Sovereign	Local	BBB-	B3	B-	2.473%	
St. Kitts and Nevis	Corporate	Local	BBB-	B3	B-	3.216%	
St. Lucia	Sovereign	Local	BBB-	B3	B-	2.473%	
Anguilla	Sovereign	Local	BBB-	B3	B-		2.473%

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

(expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

Financial risk factors *...continued*

b) Credit risk *...continued*

Expected credit loss measurement

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

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

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

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

(expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

Financial risk factors *...continued*

b) Credit risk *...continued*

Expected credit loss measurement ...continued

Maximum exposure to credit risk

Loans to customers

		ECL staging 2022		
	Stage 1 $	**Stage 2 $**	**Stage 3 $**	**Total $**
Mortgage loans	49,330,690	3,516,048	6,153,417	59,000,155
Vehicle loans	28,731,607	1,580,870	214,029	30,526,506
Promotional loans	20,831,805	1,343,699	118,466	22,293,970
Personal loans	6,845,195	614,808	542,259	8,002,262
Gross carrying amount	**105,739,297**	**7,055,425**	**7,028,171**	**119,822,893**
Loss allowance	(530,585)	(278,869)	(2,032,924)	(2,842,378)
Net carrying amount	**105,208,712**	**6,776,556**	**4,995,247**	**116,980,515**

		ECL staging 2021		
	Stage 1 $	**Stage 2 $**	**Stage 3 $**	**Total $**
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)
Net carrying amount	**97,479,621**	**7,768,904**	**4,522,721**	**109,771,246**

(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 January 31, reconciles with the loans to customers loss allowance opening balance as follows:

	2022 $	2021 $
Balance at beginning of year	**3,418,306**	3,063,980
Impairment charge during the year (note 29)	**35,651**	528,171
Write-offs for the year	**(611,579)**	(173,845)
Balance at end of year	**2,842,378**	3,418,306

During the year, certain loans to customers previously written-off amounting to $14,388 (2021: $9,470) were recovered (note 29).

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

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

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

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

A portion of the Group's financial assets originated by the mortgage business has sufficiently low 'loan to value' (LTV) ratios, which results in no loss allowance being recognised in accordance with the Group's expected credit loss model. The carrying amount of such financial assets is $2,683,726 as at January 31, 2022 (2021: $1,824,984).

(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:

January 31, 2022

	Gross exposure $	Impairment allowance $	Carrying amount $	Fair value of collateral held $
Credit-impaired assets				
Loans to customers				
Mortgage	6,153,417	(1,364,113)	4,789,304	12,568,600
Vehicle	214,029	(177,725)	36,304	23,000
Promotional	118,466	(118,466)	–	–
Personal	542,259	(372,620)	169,639	–
Total credit-impaired assets	**7,028,171**	**(2,032,924)**	**4,995,247**	**12,591,600**

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**

(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:

January 31, 2022

LTV distribution	Credit-impaired (Gross carrying amount) Mortgage loans portfolio $	Vehicle loans portfolio $	Promotional loans portfolio $	Personal loans portfolio $	Total $
Lower than 50%	1,315,150	13,304	–	27,312	1,355,766
50% to 60%	1,105,687	–	–	–	1,105,687
60% to 70%	222,272	–	–	–	222,272
70% to 80%	–	–	–	63,906	63,906
80% to 90%	–	–	–	–	–
90% to 100%	393,346	–	–	–	393,346
Higher than 100%	3,116,962	200,725	118,466	451,041	3,887,194
Total	**6,153,417**	**214,029**	**118,466**	**542,259**	**7,028,171**

January 31, 2021

LTV distribution	Credit-impaired (Gross carrying amount) Mortgage loans portfolio $	Vehicle loans portfolio $	Promotional loans portfolio $	Personal loans portfolio $	Total $
Lower than 50%	393,350	34,561	–	6,065	433,976
50% to 60%	1,825,771	–	–	35,811	1,861,582
60% to 70%	214,707	–	–	–	214,707
70% to 80%	781,198	–	–	63,906	845,104
80% to 90%	148,361	–	–	–	148,361
90% to 100%	351,273	–	–	–	351,273
Higher than 100%	2,189,127	349,709	323,637	490,845	3,353,318
Total	**5,903,787**	**384,270**	**323,637**	**596,627**	**7,208,321**

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

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

(expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

Financial risk factors *...continued*

b) Credit risk *...continued*

Expected credit loss measurement ...continued

Maximum exposure to credit risk ...continued

Loans to customers ...continued

The following tables further explains changes in the gross carrying amount of the financial assets to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above:

2022
Loans to customers
Changes in financial assets impacting expected credit losses by stage

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Balance as at February 1, 2021	**97,948,052**	**8,033,179**	**7,208,321**	**113,189,552**
Transfers:				
Transfers from stage 1 to stage 2	(4,749,365)	4,936,375	–	187,010
Transfers from stage 1 to stage 3	(112,636)	–	96,930	(15,706)
Transfers from stage 2 to stage 1	5,030,796	(5,709,416)	–	(678,620)
Transfers from stage 2 to stage 3	–	(684,816)	646,319	(38,497)
Transfers from stage 3 to stage 1	182,403	–	(185,192)	(2,789)
Transfers from stage 3 to stage 2	–	–	–	–
New financial assets originated or purchased	33,738,605	1,412,484	–	35,151,089
Changes in PDs/LGDs/EADs	(10,748,519)	(199,944)	234,690	(10,713,773)
Changes in model assumptions and methodologies	–	–	–	–
Financial assets derecognized during the year	(15,550,039)	(732,437)	(361,318)	(16,643,794)
Total net profit or loss charge during the year	**7,791,245**	**(977,754)**	**431,429**	**7,244,920**
Write-offs	–	–	(611,579)	(611,579)
Balance as at January 31, 2022	**105,739,297**	**7,055,425**	**7,028,171**	**119,822,893**

(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

2021
Loans to customers
Changes in financial assets impacting expected credit losses by stage

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Balance as at February 1, 2020	**102,003,533**	**5,733,884**	**7,885,016**	**115,622,433**
Transfers:				
Transfers from stage 1 to stage 2	(4,736,716)	4,476,623	–	(260,093)
Transfers from stage 1 to stage 3	(84,475)	–	75,657	(8,818)
Transfers from stage 2 to stage 1	477,028	(557,765)	–	(80,737)
Transfers from stage 2 to stage 3	–	(621,917)	596,172	(25,745)
Transfers from stage 3 to stage 1	116,063	–	(337,690)	(221,627)
Transfers from stage 3 to stage 2	–	–	–	–
New financial assets originated or purchased	24,232,943	464,817	–	24,697,760
Changes in PDs/LGDs/EADs	(10,927,302)	(377,839)	(801,817)	(12,106,958)
Changes in model assumptions and methodologies	–	–	–	–
Financial assets derecognized during the year	(13,133,022)	(1,084,624)	(35,172)	(14,252,818)
Total net profit or loss charge during the year	**(4,055,481)**	**2,299,295**	**(502,850)**	**(2,259,036)**
Write-offs	–	–	(173,845)	(173,845)
Balance as at January 31, 2021	**97,948,052**	**8,033,179**	**7,208,321**	**113,189,552**

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

January 31, 2022

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
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	(21,908)	178,149	–	156,241
Transfers from stage 1 to stage 3	(921)	–	88,672	87,751
Transfers from stage 2 to stage 1	20,523	(188,696)	–	(168,173)
Transfers from stage 2 to stage 3	–	(31,116)	83,453	52,337
Transfers from stage 3 to stage 1	375	–	(10,163)	(9,788)
Transfers from stage 3 to stage 2	–	–	–	–
New financial assets originated or purchased	241,505	77,780	–	319,285
Changes in loss rates/ LGDs/EADs	(62,590)	(6,015)	37,093	(31,512)
Changes in model assumptions and methodologies	–	–	–	–
Financial assets derecognised during the year	(114,830)	(15,508)	(240,152)	(370,490)
Total net P&L charge during the year	**62,154**	**14,594**	**(41,097)**	**35,651**
Write-offs	–	–	(611,579)	(611,579)
Loss allowance as at January 31, 2022	**530,585**	**278,869**	**2,032,924**	**2,842,378**

(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

January 31, 2021

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 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	–	145,392
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	113,803	123,709
Changes in model assumptions and methodologies	–	–	–	–
Financial assets derecognised during the year	(83,081)	(28,786)	(33,294)	(145,161)
Total net P&L charge during the year	**60,851**	**127,593**	**339,727**	**528,171**
Write-offs	–	–	(173,845)	(173,845)
Loss allowance as at January 31, 2021	**468,431**	**264,275**	**2,685,600**	**3,418,306**

(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 year ended January 31, 2022 was $611,759 (2021: $173,845).

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 note 5(b) above). The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for twelve consecutive months or more. The gross carrying amount of such assets held as at January 31, 2022 was $nil (2021: $nil).

The Group continues to monitor if there is a subsequent significant increase in credit risk in relation to such assets through the use of specific models for modified assets.

(expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

Financial risk factors *...continued*

b) Credit risk *...continued*

Expected credit loss measurement ...continued

Maximum exposure to credit risk ...continued

Investment securities

January 31, 2022

Type of investment	Group internal credit rating	External credit rating			Average ECL rate %	Estimated gross carrying amount at default $	Loss allowance $
		Caricris	Moody's	S&P			
Fixed deposits	Stage 1	BBB-	B3	B-	0.4772	56,279,524	268,565
Fixed deposits	Stage 2	BBB-	B3	B-	8.6634	2,285,193	197,975
Corporate bonds	Stage 1	BBB-	B3	B-	0.7966	27,876,778	222,073
Treasury bills and bonds	Stage 1	BBB-	B3	B-	0.7966	10,874,396	86,628
						97,315,891	**775,241**

January 31, 2021

Type of investment	Group internal credit rating	External credit rating			Average ECL rate %	Estimated gross carrying amount at default $	Loss allowance $
		Caricris	Moody's	S&P			
Fixed deposits	Stage 1	BBB-	B3	B-	0.5909	52,881,186	312,476
Fixed deposits	Stage 2	BBB-	B3	B-	10.1555	2,650,908	269,213
Corporate bonds	Stage 1	BBB-	B3	B-	0.6702	28,762,169	192,764
Treasury bills and bonds	Stage 1	BBB-	B3	B-	1.4696	6,511,228	95,689
						90,805,491	**870,142**

(expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

Financial risk factors *...continued*

b) Credit risk *...continued*

Expected credit loss measurement ...continued

Maximum exposure to credit risk ...continued

Investment securities ...continued

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

January 31, 2022

	Parent company $	**Non-controlling interests $**	**Total $**
Balance at beginning of year	806,800	63,342	870,142
Loss allowance reversal for the year (note 29)	(80,716)	(14,185)	(94,901)
Balance at end of year	**726,084**	**49,157**	**775,241**

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 29)	320,772	51,024	371,796
Balance at end of year	**806,800**	**63,342**	**870,142**

(expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

Financial risk factors *...continued*

b) Credit risk *...continued*

Expected credit loss measurement ...continued

Receivables

	ECL staging			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$	**$**	**$**	**$**
January 31, 2022				
Expected credit loss rate	3.32%	6.09%	100%	
Gross carrying amount	16,643,146	1,679,791	9,820,540	28,143,477
Lifetime expected credit loss	**552,421**	**102,364**	**9,820,540**	**10,475,325**
January 31, 2021				
Expected credit loss rate	1.25%	1.50%	100%	
Gross carrying amount	14,919,564	2,214,688	9,392,703	26,526,955
Lifetime expected credit loss	**186,495**	**33,220**	**9,392,703**	**9,612,418**

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

	2022	**2021**
	$	**$**
Balance at beginning of year	**9,612,418**	10,027,118
Charge of allowance for the year (note 29)	**1,042,296**	645,931
Recoveries (note 29)	**(165,446)**	(117,760)
Transfer to assets under disposal group	–	(741,454)
Written-off during the year	**(13,943)**	(201,417)
Balance at end of year	**10,475,325**	9,612,418

(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 customers 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 surplus 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 credit facilities.

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

(expressed in Eastern Caribbean dollars)

5 Financial risk management *...continued*

Financial risk factors *...continued*

c) Liquidity risk *...continued*

	Within 1 year $	Between 1 and 5 years $	More than 5 years $	Total $
As at January 31, 2022				
Financial liabilities				
Borrowings	27,566,476	14,324,959	–	41,891,435
Customers' deposits	138,738,735	–	4,811,062	143,549,797
Insurance liabilities	14,679,102	–	–	14,679,102
Accounts payable and other liabilities	38,578,263	906,634	1,806,278	41,291,175
Due to related parties	381,892	–	–	381,892
Liabilities included in disposal group	572,647	–	–	572,647
Total financial liabilities	**220,517,115**	**15,231,593**	**6,617,340**	**242,366,048**
Financial assets held to managed liquidity risk	**165,902,840**	**65,106,912**	**41,524,259**	**272,534,011**
Net liquidity gap	**(54,614,275)**	**49,875,319**	**34,906,919**	**30,167,963**
As at January 31, 2021				
Financial liabilities				
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.

(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:

	2022		**2021**	
	Gross $	**Net $**	**Gross $**	**Net $**
Type of risk				
Motor	**4,735,068**	**4,377,960**	4,820,809	4,537,628
Property	**879,390**	**395,297**	2,564,131	334,131
	5,614,458	**4,773,257**	7,384,940	4,871,759
Add:				
Claims incurred but not reported	**395,000**	**395,000**	427,000	427,000
Unallocated loss adjustment expenses	**356,000**	**356,000**	358,000	358,000
	6,365,458	**5,524,257**	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.

(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 $500,000 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 $200,000 per risk for casualty insurance.

(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 class 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.

(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 January 31, 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	2022	2021
$0 - $200,000	**76%**	72%
$200,001 - $400,000	**19%**	24%
$400,001 - $800,000	**5%**	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.

	2022		2021	
Year	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
2022	**–**	**41,000**	–	–

(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

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

	Up to 1 year $	1 to 5 years $	Over 5 years $	Total $
As at January 31, 2022				
Net reserve	–	3,023	1,210,008	1,213,031
Fund balance	–	–	168,259	168,259
Supplementary benefits	47	–	–	47
Total liabilities, January 31, 2022	**47**	**3,023**	**1,378,267**	**1,381,337**
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.

(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 $**	**2022 $**	**Total $**
- At end of reporting year	13,699,421	2,351,911	3,321,516	3,851,283	3,176,167	3,584,823	29,985,121
- One year later	(605,802)	(76,803)	147,086	(282,859)	(98,246)	–	(916,624)
- Two years later	176,510	(24,434)	(182,499)	(369,218)	–	–	(399,641)
- Three years later	(10,679)	(43,637)	(211,526)	–	–	–	(265,842)
- Four years later	(39,511)	(1,822)	–	–	–	–	(41,333)
- Five years and over	(474,978)	43,345	–	–	–	–	(431,633)
Current estimate of cumulative claims	12,744,961	2,248,560	3,074,577	3,199,206	3,077,921	3,584,823	27,930,048
Cumulative payments to date	(10,514,628)	(1,939,496)	(2,627,452)	(2,355,520)	(3,086,037)	(2,671,847)	(23,194,980)
Liability recognised in the statement of financial position	**2,230,333**	**309,064**	**447,125**	**843,686**	**(8,116)**	**912,976**	**4,735,068**

Motor – net

- At end of reporting year	13,699,421	2,351,911	3,321,516	3,456,996	3,176,167	3,486,448	29,492,459
- One year later	(605,802)	(76,803)	147,086	(171,753)	(148,246)	–	(855,518)
- Two years later	176,510	(24,434)	(182,499)	(291,420)	–	–	(321,843)
- Three years later	(10,679)	(43,637)	(214,876)	–	–	–	(269,192)
- Four years later	(39,511)	(1,822)	–	–	–	–	(41,333)
- Five years and over	(474,978)	43,345	–	–	–	–	(431,633)
Current estimate of cumulative claims	12,744,961	2,248,560	3,071,227	2,993,823	3,027,921	3,486,448	27,572,940
Cumulative payments to date	(10,514,628)	(1,939,496)	(2,627,452)	(2,355,520)	(3,086,037)	(2,671,847)	(23,194,980)
Liability recognised in the statement of financial position	**2,230,333**	**309,064**	**443,775**	**638,303**	**(58,116)**	**814,601**	**4,377,960**

(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*

Property – gross

Loss year	Brought forward $	2018 $	2019 $	2020 $	2021 $	2022 $	Total $
- At end of reporting year	7,114,267	2,481,140	152,169	1,081,173	712,726	106,093	11,647,568
- One year later	209,456	(207,876)	(2,245)	(232,163)	(20,519)	–	(253,347)
- Two years later	(13,864)	–	–	–	–	–	(13,864)
- Three years later	(12,000)	(52,000)	5,150	–	–	–	(58,850)
- Four years later	(3,000)	(1,745,907)	–	–	–	–	(1,748,907)
- Five years later	–	–	–	–	–	–	–
Current estimate of cumulative claims	7,294,859	475,357	155,074	849,010	692,207	106,093	9,572,600
Cumulative payments to date	(7,262,318)	(426,121)	(102,566)	(848,981)	(46,460)	(6,764)	(8,693,210)
Liability recognised in the statement of financial position	**32,541**	**49,236**	**52,508**	**29**	**645,747**	**99,329**	**879,390**

Property – net

- At end of reporting year	7,114,267	711,140	152,169	559,086	252,726	106,093	8,895,481
- One year later	209,456	(207,876)	(2,245)	289,924	(20,519)	–	268,740
- Two years later	(13,864)	–	–	–	–	–	(13,864)
- Three years later	(12,000)	(52,000)	5,150	–	–	–	(58,850)
- Four years later	(3,000)	–	–	–	–	–	(3,000)
- Five years later	–	–	–	–	–	–	–
Current estimate of cumulative claims	7,294,859	451,264	155,074	849,010	232,207	106,093	9,088,507
Cumulative payments to date	(7,262,318)	(426,121)	(102,566)	(848,981)	(46,460)	(6,764)	(8,693,210)
Liability recognised in the statement of financial position	**32,541**	**25,143**	**52,508**	**29**	**185,747**	**99,329**	**395,297**

(expressed in Eastern Caribbean dollars)

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.

(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	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Financial assets				
Cash and cash equivalents	**25,577,449**	22,455,150	**25,577,449**	22,455,150
Investment securities	**96,540,650**	89,935,349	**96,540,650**	89,935,349
Loans to customers	**116,980,515**	109,771,246	**116,980,515**	109,771,246
Receivables	**17,668,152**	16,914,537	**17,668,152**	16,914,537
Reinsurance assets	**3,771,541**	7,065,500	**3,771,541**	7,065,500
Statutory deposits	**2,882,148**	2,874,244	**2,882,148**	2,874,244
Due from related parties	**1,706,322**	1,291,885	**1,706,322**	1,291,885
	265,126,777	250,307,911	**265,126,777**	250,307,911
Financial liabilities				
Borrowings	**39,727,419**	36,290,142	**39,727,419**	36,290,142
Customers' deposits	**141,452,306**	135,895,763	**141,452,306**	135,895,763
Insurance liabilities	**14,679,102**	15,522,632	**14,679,102**	15,522,632
Accounts payable and other liabilities	**40,241,656**	39,290,089	**40,241,656**	39,290,089
Due to related parties	**381,892**	4,000	**381,892**	4,000
	236,482,375	227,002,626	**236,482,375**	227,002,626

(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 2022				
Financial assets at FVOCI (note 9)	**20,628**	**3,927,227**	**2,665,094**	**6,612,949**
Financial assets 2021				
Financial assets at FVOCI (note 9)	20,628	4,021,260	2,653,178	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 –January 31, 2022	**–**	**–**	**82,543,859**	**82,543,859**
Land and buildings – January 31, 2021	–	–	88,877,882	88,877,882

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.

(expressed in Eastern Caribbean dollars)

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

c) Fair value hierarchy *...continued*

Fair value measurement of non-financial assets ...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 notes 17 and 25).

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 and cash equivalents. The Group's capital includes total net debt and equity. As at January 31, 2022, the Group's net debt amounted to $14,149,070 (2021: $13,834,992), while its equity amounted to $193,860,072 (2021: $191,910,560).

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 $4,366,641 (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.

(expressed in Eastern Caribbean dollars)

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

d) Capital risk management *...continued*

	2022 $	2021 $
General insurance business		
20% of net premium income of the preceding year (2022: $7,504,680: 2021: $7,675,214)	**1,500,936**	1,535,043
Long-term insurance business		
5% of life policyholders' benefits of the current year (2022: $1,381,337; 2021: $1,422,224)	**69,067**	71,111
	1,570,003	1,606,154

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

	2022 $	2021 $
Total assets	**65,559,945**	59,128,485
Total liabilities	**(18,944,835)**	(15,707,043)
Margin of solvency	**46,615,110**	43,421,442
Required minimum margin of solvency	**(1,570,003)**	(1,606,154)
Margin of solvency in excess of requirement	**45,045,107**	41,815,288

The margin of solvency was met and exceeded by the insurance subsidiary in 2022 and 2021.

(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risks *…continued*

d) Capital risk management *…continued*

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

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

	2022 **$**	**2021** **$**
General insurance business		
20% of net premium income (2022: $2,113,142; 2021: $2,538,063)	**422,628**	507,612

Compliance with minimum margin of solvency is determined as follows:

	2022 **$**	**2021** **$**
Total assets	**31,007,233**	26,607,183
Total liabilities	**(9,592,366)**	(7,003,032)
Margin of solvency	**21,414,867**	19,604,151
Required minimum margin of solvency	**(540,000)**	(540,000)
Margin of solvency in excess of requirement	**20,874,867**	19,064,151

The margin of solvency was met and exceeded by the insurance subsidiary in 2022 and 2021.

(expressed in Eastern Caribbean dollars)

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

d) Capital risk management *...continued*

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

The finance subsidiary regulatory capital as managed by management is divided into two tiers:

- Tier 1 Capital: share capital, retained earnings and reserves created by appropriation of retained earnings.
- Tier 2 Capital: qualifying subordinated loan capital, collective impairment allowance and unrealised gains arising on the fair valuation of security instruments held as available for sale.

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.

	2022 $	2021 $
Tier 1 capital		
Share capital	**12,000,000**	12,000,000
Statutory reserve	**7,815,572**	7,161,481
Other reserves	**886,817**	695,692
Retained earnings	**17,607,723**	15,132,822
Total qualifying Tier 1 capital	**38,310,112**	34,989,995
Tier 2 capital		
Accumulated impairment allowance	**3,133,676**	3,704,189
Total regulatory capital	**41,443,788**	38,694,184

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.

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

(expressed in Eastern Caribbean dollars)

7 Segment reporting *...continued*

Segment information for the reporting period is as follows:

2022	General trading $	Insurance $	Financing $	Hotel and restaurant $	Other $	Eliminations $	Total $
Revenue							
From external customers:							
Revenue	104,534,017	–	–	–	4,270,958	–	108,804,975
Net interest income	–	1,403,703	5,719,254	–	949,242	–	8,072,199
Net underwriting income	–	5,958,442	–	–	–	–	5,958,442
Other income	5,900,210	2,156,894	500,915	–	601,715	–	9,159,734
From other segments	17,704,866	1,683,982	103,136	–	(583,826)	(18,908,158)	–
	128,139,093	11,203,021	6,323,305	–	5,238,089	(18,908,158)	131,995,350
Cost of sales	(90,928,704)	–	–	–	(1,869,073)	11,852,126	(80,945,651)
Gross profit	37,210,389	11,203,021	6,323,305	–	3,369,016	(7,056,032)	51,049,699
Employee costs	(17,167,451)	(1,934,498)	(1,096,297)	–	(1,341,962)	6,051	(21,534,157)
General and administrative expenses	(12,271,810)	(2,763,839)	(1,210,087)	–	(2,368,840)	3,475,925	(15,138,651)
Depreciation and amortisation	(4,770,511)	(599,575)	(201,943)	–	(755,064)	1,620,785	(4,706,308)
Loss on disposal of a subsidiary	(165,107)	–	–	–	–	–	(165,107)
Finance charges, net	(3,877,253)	27,182	47,841		211,649	406,479	(3,184,102)
Share of income on associated companies	–	–	–	–	–	777,125	777,125
	(38,252,132)	(5,270,730)	(2,460,486)	–	(4,254,217)	6,286,365	(43,951,200)
Segment profit/(loss) before income tax	**(1,041,743)**	**5,932,291**	**3,862,819**	**–**	**(885,201)**	**(769,667)**	**7,098,499**
Segment assets	**204,882,441**	**96,567,178**	**188,447,443**	**16,378,458**	**32,309,574**	**(88,744,340)**	**449,840,754**
Segment liabilities	**111,119,483**	**28,549,072**	**150,137,331**	**21,276,528**	**10,006,548**	**(65,108,280)**	**255,980,682**

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

7 Segment reporting *...continued*

2021	General trading $	Insurance $	Financing $	Hotel and restaurant $	Other $	Eliminations $	Total $
Revenue							
From external customers:							
Revenue	111,855,260	–	–	–	3,854,444	–	115,709,704
Net interest income	748,825	1,238,362	5,890,799	–	761,270	–	8,639,256
Net underwriting income	–	5,950,560	–	–	–	–	5,950,560
Other income	6,964,060	2,116,952	687,599	–	1,692,011	–	11,460,622
From other segments	37,759,489	1,780,020	78,435	–	2,043,578	(41,661,522)	–
	157,327,634	11,085,894	6,656,833	–	8,351,303	(41,661,522)	141,760,142
Cost of sales	(96,238,658)	–	–	–	(2,556,464)	12,408,269	(86,386,853)
Gross profit	61,088,976	11,085,894	6,656,833	–	5,794,839	(29,253,253)	55,373,289
Employee costs	(16,694,676)	(1,826,543)	(1,169,443)	–	(2,053,200)	1,059,451	(20,684,411)
General and administrative expenses	(11,233,778)	(2,905,596)	(1,600,677)	–	(3,602,524)	3,956,163	(15,386,412)
Depreciation and amortisation	(5,398,110)	(590,982)	(185,136)	–	(898,851)	2,124,498	(4,948,581)
Finance charges, net	(3,971,691)	44,460	33,781	–	254,793	40,674	(3,597,983)
Share of income on associated companies	–	–	–	–	–	929,846	929,846
	(37,298,255)	(5,278,661)	(2,921,475)	–	(6,299,782)	8,110,632	(43,687,541)
Segment profit/(loss) before income tax	**23,790,721**	**5,807,233**	**3,735,358**	**–**	**(504,943)**	**(21,142,621)**	**11,685,748**
Segment assets	**207,924,555**	**85,735,668**	**179,139,322**	**–**	**36,717,834**	**(75,589,992)**	**433,927,387**
Segment liabilities	**110,011,772**	**22,710,075**	**144,149,328**	**–**	**10,270,733**	**(45,125,081)**	**242,016,827**

(expressed in Eastern Caribbean dollars)

7 Segment reporting *...continued*

The totals presented above for the Group's operating segments reconcile to the 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

	2022 **$**	**2021** **$**
Cash on hand	**39,335**	44,555
Cash at banks	**18,237,894**	15,118,647
Treasury bills and term-deposits	**7,300,220**	7,291,948
	25,577,449	22,455,150

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 rate on treasury bills is 4.0% per annum (2021: 3.75% to 4.5%) while interest rates on short-term deposits are 1% per annum (2021: 1%).

(expressed in Eastern Caribbean dollars)

9 Investment securities

	2022 $	2021 $
Financial assets at FVOCI		
Quoted securities	**3,947,855**	4,041,888
Unquoted securities	**2,665,094**	2,653,178
	6,612,949	6,695,066
Amortised cost		
Fixed deposits	**57,878,209**	51,589,986
Corporate bonds	**27,550,000**	27,550,000
Government treasury bills and bonds	**10,746,924**	10,686,749
	96,175,133	89,826,735
Interest receivable	**1,140,758**	978,756
	97,315,891	90,805,491
Allowance for impairment	**(775,241)**	(870,142)
	96,540,650	89,935,349
	103,153,599	96,630,415
Current	**94,159,163**	80,804,235
Non-current	**8,994,436**	15,826,180
	103,153,599	96,630,415

The movement in investment securities may be summarised as follows:

	Amortised cost $	Financial assets at FVOCI $	Total $
Balance at January 31, 2020	**73,972,372**	**6,681,631**	**80,654,003**
Additions	27,754,501	–	27,754,501
Redemptions	(11,636,702)	–	(11,636,702)
Movement in interest receivable	216,974	–	216,974
Fair value gains	–	13,435	13,435
Impairment losses (note 29)	(371,796)	–	(371,796)
Balance at January 31, 2021	**89,935,349**	**6,695,066**	**96,630,415**
Additions	17,779,165	–	17,779,165
Redemptions	(11,647,741)	–	(11,647,741)
Movement in interest receivable	378,976	–	378,976
Fair value losses	–	(82,117)	(82,117)
Impairment reversal (note 29)	94,901	–	94,901
Balance at January 31, 2022	**96,540,650**	**6,612,949**	**103,153,599**

(expressed in Eastern Caribbean dollars)

9 Investment securities *…continued*

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

	2022 **$**	**2021** **$**
Parent company (note 25)	**(62,505)**	40,620
Non-controlling interests	**(19,612)**	(27,185)
	(82,117)	13,435

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%).

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

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

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

Deposits held with the Depositors Protection Trust will be for a term of 10 years commencing on June 30, 2016, at an interest rate of 2% per annum and with a maximum annual allowed withdrawal of 10% of the principal balance. Accordingly, the amount of $3,650,255 representing the Group's remaining deposit at Caribbean Commercial Bank (Anguilla) Limited in excess of $2,800,000 will be held in the Depositors Protection Trust. The Trust Deeds in respect of these amounts were signed on June 30, 2017, with the first quarterly payment of principal and interest due on December 30, 2017. The first interest payment totalling $141,750 was received on April 25, 2018. In 2022, the Group received payments totalling $415,213 including interest amounting to $50,191 (2021: $422,513)

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 that 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.

(expressed in Eastern Caribbean dollars)

9 Investment securities *...continued*

As at January 31, 2022, the Group held an outstanding principal of $2,281,391 (2021: $2,646,413) and interest receivable of $3,802 (2021: $4,495).

Corporate bonds

Corporate bonds are held with Eastern Caribbean Home Mortgage for a period of twelve months at an interest rate of 2.5% per annum (2021: 2.5%).

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 range from 4% to 4.5% per annum (2021: 4.5%) while interest rates on bonds is 2.5% per annum (2021: 3%).

10 Loans to customers

	2022 $	2021 $
Performing	**105,282,884**	102,673,636
Under performing	**6,978,496**	3,001,317
Non-performing	**6,255,044**	6,591,398
Interest receivable	**1,306,469**	923,201
Gross loans	**119,822,893**	113,189,552
Allowance for loan impairment	**(2,842,378)**	(3,418,306)
Total loans to customers	**116,980,515**	109,771,246
Current	**22,920,483**	22,261,814
Non-current	**94,060,032**	87,509,432
	116,980,515	109,771,246

The weighted average effective interest rate on performing and under performing loans and advances at amortised cost at January 31, 2022 was 7.65% (2021: 8.31%).

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 $2,368,927 (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 January 31, 2022, 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.

(expressed in Eastern Caribbean dollars)

10 Loans to customers *...continued*

Non-performing loans as at January 31, 2022 amounted to $6,255,044 (2021: $6,591,398) and interest taken to income on credit-impaired loans during the year resulted in a derecognition of $141,462 (2021: $66,833). The interest receivable on loans that would not be recognised under ECCB guidelines as at January 31, 2022 amounted to $773,127 (2021: $631,665), and is included in other reserves in equity (see Note 25). The interest receivable on non-performing loans to customers but not recognised in the consolidated financial statements at the end of the year amounted to $2,193,451 (2021: $3,115,506).

11 Receivables

	2022 $	2021 $
Accounts receivable	**17,807,249**	15,142,600
Finance lease receivables	**6,528,400**	7,483,938
Loan receivables	**3,634,660**	3,829,055
Other receivables	**173,168**	71,362
	28,143,477	26,526,955
Less: provision for impairment	**(10,475,325)**	(9,612,418)
	17,668,152	16,914,537
Less: non-current portion of receivables	**(5,620,305)**	(6,340,706)
Current portion of receivables	**12,047,847**	10,573,831

Accounts receivable

The Group's accounts receivable represents 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).

(expressed in Eastern Caribbean dollars)

11 Receivables ...*continued*

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. The future Minimum Lease Payments Receivables (MLPR) under these finance leases together with the Present Value (PV) of Net Minimum Lease Payments Receivables (NMLPR) are as follows:

	2022		**2021**	
	Future MLPR $	**PV of NMLPR $**	**Future MLPR $**	**PV of NMLPR $**
Within one year	**5,911,980**	**4,068,232**	6,719,150	4,491,086
After one year but not more than five years	**3,164,653**	**2,176,747**	3,987,431	2,578,533
More than five years	**412,050**	**283,421**	602,356	414,319
Total MLPR	**9,488,683**	**6,528,400**	11,308,937	7,483,938
Amounts representing finance income	**(2,960,283)**	**–**	(3,824,999)	–
PV of MLPR	**6,528,400**	**6,528,400**	7,483,938	7,483,938

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

As at January 31, 2022, the provision for impairment of finance lease receivables included a provision for uncollectible minimum lease payment receivables amounting to $2,036,145 (2021: $1,907,388).

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 Group will provide US$1,000,000 to the administrative agent for the loan extended to SCASPA. As at January 31, 2022, 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$ 32,347 or EC$ 105,844 (2021: US$39,948 or EC$107,860) is shown as part of interest income in the consolidated statement of income.

(expressed in Eastern Caribbean dollars)

11 Receivables *...continued*

Loan receivable *...continued*

The loan receivable balance including accrued interest as at January 31, 2022 from SCASPA amounted to US$872,267 or EC$2,355,121 (2021: US$891,886 or EC$2,408,093) is shown as part of loan receivables under receivables account.

12 Inventories

	2022 $	2021 $
General trading stock on hand	**27,785,330**	20,669,767
Land held for future development	**11,647,503**	11,647,503
Dewar properties – land	**2,758,493**	2,973,432
Sunrise Hills Villas – land	**2,658,607**	2,658,607
Work-in-progress	**1,493,059**	126,939
Real estate units available for sale	**784,596**	784,596
Stock in transit	**701,199**	1,174,132
	47,828,787	40,034,976

13 Prepayments and other current assets

	2022 $	2021 $
Statutory deposits	**2,882,148**	2,874,244
Prepayments	**2,075,236**	2,884,882
Right of return assets	**193,621**	181,530
	5,151,005	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. As at January 31, 2022 and 2021, statutory deposits were held in the form of term deposits with local commercial banks, with original terms 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.

(expressed in Eastern Caribbean dollars)

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:

	2022 $	2021 $
Due from related parties		
Associated companies	**1,706,322**	1,291,885

	2022 $	2021 $
Due to related parties		
Associated companies	**381,892**	4,000

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

	2022 $	2021 $
Revenues		
Sale of goods	**7,521,630**	8,543,829
Management fees	**49,000**	204,000
Expenses		
Reinsurance premium expense	**2,659,981**	2,098,529
Expenses	**3,016,521**	3,707,689

Shares owned by Group directors

	2022 $	2021 $
4,493,097 shares at $1 per share (2021: 4,485,397 shares at $1 per share)	**4,493,097**	4,485,397

(expressed in Eastern Caribbean dollars)

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

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.

	2022 $	2021 $
Loans to directors	**1,036,766**	1,279,448
Deposits from directors	**1,548,859**	1,957,284

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.

	2022 $	2021 $
Advances from directors	**1,223,732**	1,790,386

Key management compensation

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

	2022 $	2021 $
Salaries	**1,650,105**	1,367,008
Directors' fees	**536,500**	615,250
Gratuity	**341,702**	373,425
Social security	**112,209**	87,988
Allowances	**104,370**	78,060
Pension	**101,058**	95,903
	2,845,944	2,617,634

(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 2022	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%

(expressed in Eastern Caribbean dollars)

15 Interest in subsidiaries *...continued*

Composition of the Group ...continued

Name of subsidiary	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interests held by the Group 2022	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 products	**100%**	100%
TDC Nevis Limited	Nevis	trading as general merchants, manufacturers' representatives and commission agents	**100%**	100%
TDC Real Estate and Construction Company (Nevis) Limited	Nevis	real estate development and construction	**100%**	100%
TDC Rentals (Nevis) Limited	Nevis	car rental services and financing service to consumers	**–**	100%
East Caribbean Reinsurance Company Limited	Anguilla	the business of reinsurance for all classes of general insurance	**80%**	80%

(expressed in Eastern Caribbean dollars)

15 Interest in subsidiaries *...continued*

There are no subsidiaries with a non-controlling interest that 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 34).

On September 3, 2021, the Group liquidated its 100% interest in its wholly-owned subsidiary, TDC Rentals (Nevis) Limited. The loss on liquidation of TDC Rentals (Nevis) Limited amounted to $165,107 and is shown as a part of operating expenses in the 2022 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.

In March 2020, 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 revenues and expenses, gains and losses relating to the cessation of the above businesses have been eliminated from profit or loss from the Group's continuing operations and are shown as single line item on the face of the consolidated statement of income.

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

	2022 **$**	**2021** **$**
Current assets		
Cash	**181,334**	231,173
Receivables	**43,879**	105,636
Prepayments	**18,894**	27,762
Income tax recoverable	**11,945**	16,383
Current assets included in disposal group	**256,052**	380,954
Non-current assets		
Property and equipment	**16,294,930**	17,567,388
Total assets included in disposal group	**16,550,982**	17,948,342
Current liabilities		
Accounts payable and other liabilities	**572,647**	639,392
Income tax payable	**26,184**	–
Liabilities included in disposal group	**598,831**	639,392

(expressed in Eastern Caribbean dollars)

15 Interest in subsidiaries *...continued*

Disposal group and discontinued operations *...continued*

The analysis of the results of discontinued operations excluding transactions with related parties are as follows:

	2022 $	2021 $
Revenue	–	704,281
Cost of sales	**(74,479)**	(547,255)
Gross (loss)/profit	**(74,479)**	157,026
Other income	**1,763,960**	791,245
Employee costs	**(80,521)**	(361,080)
General and administrative expenses	**(686,461)**	(916,523)
Depreciation and amortisation	–	(175,902)
Impairment loss on property and equipment	–	(7,023)
Write-off of non-recoverable assets	–	(63,847)
Finance charges	**(3,523)**	(139,778)
Profit/(loss) before tax	**918,976**	(715,882)
Income tax expense	**(30,622)**	(2,639)
Net income/(loss) for the year	**888,354**	(718,521)

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

	2022 $	2021 $
Cash flows from operating activities	**44,311**	276,953
Cash flows from/(used in) investing activities	**2,151,003**	(24,100)

(expressed in Eastern Caribbean dollars)

16 Investment in associates

The Group's associates include the following:

Name of associate	Country of incorporation/ Principal place of business	Percentage of ownership		Carrying value	
		2022	2021	2022	2021
		%	%	$	$
St. Kitts Masonry Products Limited	St. Kitts	**50%**	50%	**9,388,376**	8,353,201
Malliouhana-Anico Insurance Company Limited	Anguilla	**25%**	25%	**3,181,443**	3,022,147
Port Services Limited	St. Kitts	**33%**	33%	**135,973**	172,803
				12,705,792	11,548,151

Movements in the investment in associates account are as follows:

	2022	2021
	$	$
Balance at beginning of year	**11,548,151**	11,368,305
Share of income/(loss) of associated companies		
Profit or loss	**777,125**	929,846
Other comprehensive income – FVOCI financial assets (note 25)	**(3,750)**	–
Other comprehensive income – Revaluation reserve – property (note 25)	**634,266**	–
Dividends received	**(250,000)**	(750,000)
Balance at end of year	**12,705,792**	11,548,151

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.

(expressed in Eastern Caribbean dollars)

16 Investment in associates *...continued*

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

January 31, 2022

	St. Kitts Masonry Products Limited $	Other associated companies $
Current assets	**4,998,629**	**13,243,171**
Non-current assets	**16,051,918**	**15,188,929**
Current liabilities	**(2,377,539)**	**(4,684,470)**
Non-current liabilities	**–**	**(6,835,152)**
Net assets	**18,673,008**	**16,912,478**
Revenue	**11,801,585**	**4,006,213**
Costs and expenses	**(10,858,877)**	**(3,036,073)**
Net income	**942,708**	**970,140**

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	15,845,209
Revenue	12,783,813	5,219,177
Costs and expenses	(11,935,945)	(4,204,823)
Net income	847,868	1,014,354

During the year, dividends received from St. Kitts Masonry Products Limited amounted to $250,000 (2021: $750,000).

(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 30)	(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**

(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 $
Year ended January 31, 2022								
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	190,475	188,267	406,791	–	1,101,098	423,428	–	2,310,059
Disposals	(5,148,877)	(154,860)	(1,070)	(91,302)	(1,605,414)	(1,152,217)	–	(8,153,740)
Writeback on disposals	100,675	121,154	1,070	83,341	1,056,797	1,002,634	–	2,365,671
Depreciation charge (note 30)	(1,476,296)	(233,799)	(1,150,175)	(35,316)	(1,293,013)	(481,907)	(157,297)	(4,827,803)
Closing net book amount	**82,543,859**	**1,119,432**	**3,377,037**	**132,549**	**4,016,708**	**1,167,551**	**1,785,300**	**94,142,436**
At January 31, 2022								
Cost or valuation	85,494,460	4,510,065	15,766,230	585,384	14,278,119	7,664,457	2,263,297	130,562,012
Accumulated depreciation	(2,950,601)	(3,390,633)	(12,389,193)	(452,835)	(10,261,411)	(6,496,906)	(477,997)	(36,419,576)
Net book amount	**82,543,859**	**1,119,432**	**3,377,037**	**132,549**	**4,016,708**	**1,167,551**	**1,785,300**	**94,142,436**

(expressed in Eastern Caribbean dollars)

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

The land and buildings were revalued in January 2020 and the 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 25).

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

	2022 $	2021 $
Proceeds from disposals of property and equipment	**6,083,942**	4,080,552
Carrying amount of property and equipment	**(5,788,069)**	(2,467,276)
Gains on disposals of property and equipment	**295,873**	1,613,276

Gains on disposals of property and equipment are recognised as part of other income in the consolidated statement of income (note 27).

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

	Land $	Buildings $	Total $
At January 31, 2021			
Opening net book value	21,744,404	67,535,107	89,279,511
Additions	653,000	324,062	977,062
Disposal	(158,201)	(300,000)	(458,201)
Transfer to assets under disposal group	(3,022,000)	(13,799,600)	(16,821,600)
Depreciation	–	(1,358,323)	(1,358,323)
Closing net book value	**19,217,203**	**52,401,246**	**71,618,449**
At January 31, 2022			
Opening net book value	**19,217,203**	**52,401,246**	**71,618,449**
Additions	–	190,475	190,475
Disposal	(875,149)	(1,791,182)	(2,666,331)
Depreciation	–	(1,384,705)	(1,384,705)
Closing net book value	**18,342,054**	**49,415,834**	**67,757,888**

(expressed in Eastern Caribbean dollars)

18 Intangible assets

	Computer software $
At January 31, 2020	
Cost	2,214,537
Accumulated amortisation	(1,664,656)
Net book amount	**549,881**
Year ended January 31, 2021	
Opening net book amount	549,881
Additions	128,392
Amortisation (note 30)	(298,921)
Closing net book amount	**379,352**
At January 31, 2021	
Cost	2,342,929
Accumulated amortisation	(1,963,577)
Net book amount	**379,352**
Year ended January 31, 2022	
Opening net book amount	379,352
Additions	166,656
Amortisation (note 30)	(312,272)
Closing net book amount	**233,736**
At January 31, 2022	
Cost	2,509,585
Accumulated amortisation	(2,275,849)
Net book amount	**233,736**

(expressed in Eastern Caribbean dollars)

19 Borrowings

	2022 $	2021 $
Bank overdrafts	**16,895,319**	15,888,844
Bank term loans	**16,878,910**	13,176,538
Other	**5,953,190**	7,224,760
Total borrowings	**39,727,419**	36,290,142
Current	**35,110,856**	30,336,953
Non-current	**4,616,563**	5,953,189
	39,727,419	36,290,142

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

Bank term loans carry interest rate of 5% (2021: 5%) and are repayable in regular instalments of principal and interest, maturing at various intervals from one to fourteen years through 2023 to 2026 (2021: through 2022 to 2026).

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.

In 2021, the Group recognised gain on condonation of other borrowings amounting to $878,508 (see note 27).

Collateral security for indebtedness

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

(expressed in Eastern Caribbean dollars)

20 Insurance liabilities

	2022 $	2021 $
Claims reported and outstanding		
Insurance	**5,614,457**	7,384,940
Reinsurance	**2,900,341**	4,607,368
Unearned premiums	**8,351,965**	4,654,527
Life policyholders' benefits	**1,381,337**	1,422,224
Due to reinsurers	**3,967,967**	1,323,100
Claims incurred but not reported	**395,000**	427,000
Unallocated loss adjustment expenses		
Insurance	**356,000**	358,000
Reinsurance	**64,000**	–
Total insurance liabilities (gross)	**23,031,067**	20,177,159
Reinsurance assets		
Claims reported and outstanding		
Insurance	**841,200**	2,513,181
Reinsurance	**2,930,341**	4,552,319
Unearned reinsurance premiums	**3,867,547**	1,108,953
Total reinsurance assets (gross)	**7,639,088**	8,174,453
Claims reported and outstanding		
Insurance	**4,773,257**	4,871,759
Reinsurance	**(30,000)**	55,049
Unearned premiums	**4,484,418**	3,545,574
Life policyholders' benefits	**1,381,337**	1,422,224
Due to reinsurers	**3,967,967**	1,323,100
Claims incurred but not reported	**395,000**	427,000
Unallocated loss adjustment expenses		
Insurance	**356,000**	358,000
Reinsurance	**64,000**	–
Total insurance liabilities (net)	**15,391,979**	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.

(expressed in Eastern Caribbean dollars)

20 Insurance liabilities *...continued*

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

	2022 $	2021 $
Life policyholders' benefits		
Balance at beginning of year	**1,422,224**	1,701,625
Inforce reserve change (deaths, lapses and actives)	**(40,927)**	(253,752)
Change of assumption impact		
Interest	**2,411**	1,336
Expense	**(2,371)**	(26,985)
Total life policyholders' benefits (net)	**1,381,337**	1,422,224

21 Customers' deposits

	2022 $	2021 $
Fixed deposits	**127,189,788**	122,676,117
Savings deposits	**12,301,092**	11,403,463
	139,490,880	134,079,580
Interest payable	**1,961,426**	1,816,183
Total customers' deposits	**141,452,306**	135,895,763
Current	**135,381,615**	127,225,843
Non-current	**6,070,691**	8,669,920
	141,452,306	135,895,763

The Group pays interest on all categories of customers' deposits. At the reporting date, total interest expense on deposit accounts for the year amounted to $4,610,811 (2021: $4,338,310). The average effective rate of interest paid on customers' deposits was 3.37% (2021: 3.39%).

(expressed in Eastern Caribbean dollars)

22 Accounts payable and other liabilities

	2022 $	2021 $
Credit accounts	**16,790,227**	18,186,818
Accounts payable	**10,097,374**	9,854,083
Accrued expenses	**6,823,117**	5,969,487
Advance deposits	**2,657,365**	1,589,969
Lease liabilities	**1,885,883**	2,010,538
Dividend payable	**1,723,966**	1,592,178
Other liabilities	**1,649,420**	1,676,985
Contract liabilities	**1,271,669**	1,205,252
Total accounts payable and other liabilities	**42,899,021**	42,085,310
Current	**40,921,104**	40,199,423
Non-current	**1,977,917**	1,885,887
	42,899,021	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 (2021: 3% to 4% per annum).

Leases

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

	2022 $	2021 $
Current	**131,020**	124,651
Non-current	**1,754,863**	1,885,887
	1,885,883	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 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.

(expressed in Eastern Caribbean dollars)

22 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:

January 31, 2022

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	7 years	7 years	–	–	–	–
Land	2	29 years	29 years	–	–	–	–

January 31, 2021

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 liabilities are unsecured and future minimum lease payments at January 31, are as follows.

January 31, 2022

	Within 1 year $	1 – 5 years $	More than 5 years $	Total $
Lease payments	222,490	906,634	1,806,278	2,935,402
Finance charges	(91,470)	(298,721)	(659,328)	(1,049,519)
Net present values	**131,020**	**607,913**	**1,146,950**	**1,885,883**

(expressed in Eastern Caribbean dollars)

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

Leases *...continued*

January 31, 2021

	Within 1 year $	1 – 5 years $	More than 5 years $	Total $
Lease payments	222,490	889,960	2,061,177	3,173,627
Finance charges	(97,839)	(324,316)	(740,934)	(1,163,089)
Net present values	**124,651**	**565,644**	**1,320,243**	**2,010,538**

The Group did not enter into any short-term lease arrangements during the year with no commitment as at January 31, 2022.

As at January 31, 2022, the Group has no commitment to a lease which has not yet commenced.

Total cash outflow for repayments of lease liabilities and interest portion of the lease liabilities for the year ended January 31, 2022 were $124,651 and $97,839, respectively (2021: $118,588 and $103,902).

The right-of-use asset and accumulated depreciation as at January 31, and the related depreciation expense for the year then ended are shown separately under property, plant and equipment account (see note 17).

Contract liabilities

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

	2022 $	2021 $
Customer loyalty programme	**707,245**	717,326
Refund liability	**311,559**	279,931
Maintenance services	**252,865**	207,995
	1,271,669	1,205,252

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.

(expressed in Eastern Caribbean dollars)

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

Contract liabilities *...continued*

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

January 31, 2022

	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	(254,898)	(279,931)	(207,995)	(742,824)
Increase due to cash received excluding amount recognised as revenue during the year	244,817	311,559	252,865	809,241
Balance at end of year	**707,245**	**311,559**	**252,865**	**1,271,669**

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	(203,158)	(404,449)	(240,766)	(848,373)
Increase due to cash received excluding amount recognised as revenue during the year	245,173	279,931	207,995	733,099
Balance at end of year	**717,326**	**279,931**	**207,995**	**1,205,252**

(expressed in Eastern Caribbean dollars)

23 Taxation

	2022 $	2021 $
Income tax expense		
Profit before income tax from continuing operations	**7,098,499**	11,685,748
Income tax expense at 33%	**2,342,505**	3,856,297
Effect of permanent differences	**2,503,659**	37,140
(Over)/under provision in prior year	**(342,297)**	2,119
Effect of income not assessable for taxation	**(1,298,127)**	(1,368,674)
	3,205,740	2,526,882

	2022 $	2021 $
Current tax expense for the year	**2,957,204**	2,804,858
Net deferred tax expense/(credit) for the year	**248,536**	(277,976)
Total income tax expense for the year	**3,205,740**	2,526,882

On March 24, 2020, the Inland Revenue Department introduced the novel coronavirus (COVID-19) Stimulus Package for the six-month period from April 2020 to September 2020 and further extended until the period June 2022. Corporate income tax rate was reduced from 33% to 25% for the twenty-seven month period with the requirement that at least 75% of the Group's personnel would be retained. Taxable income will be apportioned based on the number of months that the Group's financial year fell within the period.

Deferred tax expense/(credit)

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

	2022 $	2021 $
Increase in deferred tax asset	**(141,837)**	(113,137)
Increase/(decrease) in deferred tax liability	**390,373**	(164,839)
	248,536	(277,976)

(expressed in Eastern Caribbean dollars)

23 Taxation *...continued*

Deferred tax expense/(credit) *...continued*

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

	2022 $	2021 $
Continuing operations		
Deferred tax on unutilised capital allowances	**351,088**	126,759
Deferred tax on depreciation of property, plant and equipment	**(102,552)**	(404,735)
Total deferred tax expense/(credit) on continuing operations	**248,536**	(277,976)
Deferred tax on unutilised capital allowances attributable to a liquidated subsidiary	**2,713**	–
	251,249	(277,976)

Deferred tax (asset)/liability, net

The deferred tax (asset)/liability, net is analysed as follows:

	2022 $	2021 $
Depreciation of property, plant and equipment	**3,378,517**	3,481,069
Unutilised capital allowances	**2,388,881**	2,035,080
Unutilised tax losses	**(33,826)**	(33,826)
	5,733,572	5,482,323

Deferred tax (asset)/liability, gross

The gross deferred tax (asset)/liability shown in the consolidated statement of financial position is as follows

	2022 $	2021 $
Deferred tax asset	**(442,597)**	(303,473)
Deferred tax liability	**6,176,169**	5,785,796
	5,733,572	5,482,323

(expressed in Eastern Caribbean dollars)

23 Taxation *...continued*

Deferred tax asset, gross

The movement in the deferred tax asset is as follows:

	2022 $	2021 $
Balance at beginning of year	**(303,473)**	(190,336)
Deferred tax credit for the year	**(141,837)**	(120,411)
Deferred tax on unutilised capital allowances attributable to a liquidated subsidiary	**2,713**	–
Reclassified to deferred tax liability	–	10,638
Other adjustments	–	(3,364)
Balance at end of year	**(442,597)**	(303,473)

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

Deferred tax liability, gross

The movement in the deferred tax liability is as follows:

	2022 $	2021 $
Balance at beginning of year	**5,785,796**	5,950,635
Deferred tax expense/(credit) for the year	**390,373**	(151,356)
Other adjustments	–	(2,845)
Reclassified to deferred tax asset	–	(10,638)
Balance at end of year	**6,176,169**	5,785,796

The deferred tax liability arises from accelerated depreciation.

(expressed in Eastern Caribbean dollars)

23 Taxation *...continued*

Income tax payable

The movement in the income tax payable is as follows:

	2022 $	2021 $
Balance beginning of year	**1,139,265**	201,853
Current tax expense of a liquidated subsidiary	**41,232**	–
Current tax expense for the year	**3,127,316**	2,804,858
Transferred to income tax recoverable	**4,382**	58,891
Utilisation of income tax recoverable	**–**	(276,871)
Other adjustments	**(219,459)**	108,606
Income tax paid during the year of a liquidated subsidiary	**(96,782)**	–
Income tax paid during the year	**(2,281,977)**	(1,758,072)
Balance at end of year	**1,713,977**	1,139,265

Income tax recoverable

The movement in the income tax recoverable is as follows:

	2022 $	2021 $
Balance at beginning of year	**86,502**	333,730
Transferred from income tax payable	**4,382**	58,891
Income tax paid during the year	**18,756**	–
Current tax expense	**(49,346)**	–
Utilisation during the year	**–**	(276,871)
Other adjustments	**–**	(29,248)
Balance at end of year	**60,294**	86,502

(expressed in Eastern Caribbean dollars)

24 Shareholders' equity

Share capital

	2022 $	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

On October 11, 2021, the Company's Board of Directors approved the declaration of cash dividends amounting to $3,380,000.

25 Other reserves

	2022 $	2021 $
Revaluation reserve – property	**32,842,950**	34,131,463
Claims equalisation reserve	**20,763,237**	20,763,237
Statutory reserve fund	**7,815,572**	7,161,481
Revaluation reserve – financial assets at FVOCI	**2,416,277**	2,482,532
Non-distributable reserve	**773,127**	631,665
	64,611,163	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:

	2022 $	2021 $
Balance at beginning of year	**34,131,463**	34,603,929
Revaluation surplus (note 16)	**634,266**	–
Transfer to retained earnings	**(1,922,779)**	(472,466)
Balance at end of year	**32,842,950**	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. As at January 31, 2022, total claims equalisation reserve amounted $20,763,237 (2021: $20,763,237).

(expressed in Eastern Caribbean dollars)

25 Other reserves *…continued*

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.

	2022 $	2021 $
Balance at beginning of year	**7,161,481**	6,617,255
Appropriations during the year	**654,091**	544,226
Balance at end of year	**7,815,572**	7,161,481

Revaluation reserve – financial assets at FVOCI

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

	2022 $	2021 $
Balance at beginning of year	**2,482,532**	2,441,912
Fair value (losses)/gains during the year (see notes 9 and 16)	**(66,255)**	40,620
Balance at end of year	**2,416,277**	2,482,532

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).

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

	2022 $	2021 $
Balance at beginning of year	**631,665**	698,498
Transfer from/(to) retained earnings	**141,462**	(66,833)
Balance at end of year	**773,127**	631,665

(expressed in Eastern Caribbean dollars)

26 Revenue

All revenue of the Group in 2022 and 2021 are recognised within St. Kitts and Nevis.

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

	Sale of goods $	Rendering of services $	Total $
For the year ended January 31, 2022			
Transferred at point in time	105,995,128	18,470	106,013,598
Transferred over time	–	2,791,377	2,791,377
	105,995,128	**2,809,847**	**108,804,975**

	Sale of goods $	Rendering of services $	Total $
For the year ended January 31, 2021			
Transferred at point in time	112,362,203	54,121	112,416,324
Transferred over time	–	3,293,380	3,293,380
	112,362,203	**3,347,501**	**115,709,704**

27 Other income

	2022 $	2021 $
Commission income	**2,726,661**	2,677,558
Rent	**2,252,716**	2,416,605
Shipping income	**739,266**	370,254
Truck operating income	**414,588**	367,369
Vehicle servicing	**380,108**	836,025
Equipment rental and repairs	**374,437**	372,256
Facility income	**370,500**	360,600
Dividend income	**342,974**	198,549
Miscellaneous income	**301,244**	364,301
Gains on disposals of property and equipment (note 17)	**295,873**	1,613,276
Handling charges	**289,631**	242,970
Photocopier income	**279,215**	425,576
Management and administration fees	**270,965**	110,525
Damage insurance income	**121,556**	226,250
Gain on condonation of borrowings (note 19)	**–**	878,508
	9,159,734	11,460,622

(expressed in Eastern Caribbean dollars)

28 Employee costs

	2022 $	2021 $
Salaries and wages	**16,597,246**	16,712,773
Statutory contributions	**1,555,526**	1,616,248
Bonus and gratuity	**1,243,767**	522,012
Pension savings plan	**829,951**	881,386
Other staff costs	**652,001**	224,413
Health insurance	**254,854**	250,837
Directors' fees	**212,400**	262,444
Staff scholarship and training	**188,412**	214,298
	21,534,157	20,684,411

29 General and administrative expenses

	2022 $	2021 $
Professional fees	**3,040,039**	1,753,436
Repairs and maintenance	**1,944,618**	1,884,823
Advertising and sales promotion	**1,385,959**	1,354,521
Utilities	**1,300,071**	1,281,857
Computer installation and consultancy	**1,274,056**	1,054,060
Impairment losses of receivables, net (note 5)	**876,850**	528,171
Motor vehicle	**773,130**	838,911
Communications	**680,805**	715,886
Taxes and licenses	**678,872**	766,280
Management fees	**506,401**	543,093
General	**385,729**	974,515
Cleaning	**327,646**	184,509
Directors, secretary and consultancy fees	**324,417**	346,450
Supplies	**318,539**	544,218
Sewage, waste and landscaping	**218,801**	180,411
Entertainment	**173,582**	164,473
Subscriptions	**156,248**	178,096
Security	**282,233**	273,025
Travel	**141,368**	104,583
Freight, handling and truckage	**139,039**	207,496
Equipment handling	**115,469**	72,546
Printing and stationery	**100,833**	58,295
Annual general meeting	**34,782**	104,603
Warranty	**32,802**	381,657
Impairment losses of loans to customers, net (note 5)	**21,263**	518,701
Impairment (recoveries)/losses of investment securities (notes 5 and 9)	**(94,901)**	371,796
	15,138,651	15,386,412

(expressed in Eastern Caribbean dollars)

30 Depreciation and amortisation

	2022 $	2021 $
Depreciation (note 17)	**4,827,803**	5,629,181
Amortisation (note 18)	**312,272**	298,921
	5,140,075	5,928,102

The total depreciation and amortisation charges is classified in the consolidated statement of income as follows:

	2022 $	2021 $
Cost of sales	**314,239**	979,521
Operating expenses	**4,706,308**	4,948,581
Loss on liquidation of a subsidiary	**119,528**	–
	5,140,075	5,928,102

31 Finance charges, net

	2022 $	2021 $
Interest expense		
Borrowings	**2,242,496**	2,526,337
Credit accounts	**311,840**	381,746
Right of use assets	**97,839**	103,902
	2,652,175	3,011,985
Bank charges	**531,927**	585,998
	3,184,102	3,597,983

(expressed in Eastern Caribbean dollars)

32 Net interest income

	2022 $	2021 $
Interest income		
Loans to customers	**8,851,559**	9,043,812
Investments	**2,559,975**	1,935,773
Receivables	**1,271,476**	1,997,981
	12,683,010	12,977,566
Interest expense		
Savings account interest expense	**(353,000)**	(343,983)
Time deposits interest expense	**(4,257,811)**	(3,994,327)
	(4,610,811)	(4,338,310)
	8,072,199	8,639,256

33 Earnings per share

Basic and diluted earnings per share were computed as follows:

	2022 $	2021 $
Profit attributable to shareholders of parent company	**4,426,793**	8,007,277
Divided by weighted average number of outstanding ordinary shares	**52,000,000**	52,000,000
Basic and diluted earnings per share	**0.085**	0.154

The Group had no dilutive potential ordinary shares as of January 31, 2022 and 2021.

34 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 January 31, 2022, in respect of these claims as the amounts and outcomes are not presently determinable.

(expressed in Eastern Caribbean dollars)

34 Commitments and contingencies *…continued*

Legal claims …continued

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.

35 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 24 customer loans with balances amounting to $1,665,616 as at January 31, 2022 were included in the moratorium programme. As of March 31, 2022, the Group had a total of 13 loans that were included in the moratorium, which amounted to $545,319. The moratoriums were for a period of 3 months and then extended by two subsequent 3-month periods with further extensions possible in light of changes in the economic outlook brought about by the pandemic.

The Group considered the impact of the COVID-19 pandemic in the forward-looking information used to derive the expected credit losses on its financial assets.

The Group also experienced a significant decline in revenue primarily due to temporary closure of hotels and other businesses associated with tourism/hospitality industry. As a 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 March 2020.

The duration and impact of the COVID-19 pandemic remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the consolidated financial position and results of the Group for future periods.

(expressed in Eastern Caribbean dollars)

36 Reclassifications

The classification of certain items in the consolidated financial statements has been changed for 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. The items that have been reclassified are outlined below.

	As previously classified 2021 $	Reclassifications 2021 $	As reclassified 2021 $
Effect on consolidated statement of income			
Net interest income	8,074,034	565,222	8,639,256
Other income	12,025,844	(565,222)	11,460,622

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