



**ST. KITTS · NEVIS · ANGUILLA
TRADING & DEVELOPMENT COMPANY LTD.**

Your Neighbour. Your Partner. Your Future.



2023



TDC's First Annual General Meeting

1974



**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

Your Neighbour. Your Partner. Your Future.

TABLE OF CONTENTS

Corporate Information	6
Notice of Meeting	7
Report of the Directors 2022/2023	9
Financial Review 2022/2023	12
Report of the Human Resources and Compensation Committee to Shareholders	21
Audit Committee Report to Shareholders	23
Independent Auditor's Report	25
Consolidated Statement of Financial Position	29
Consolidated Statement of Income	31
Consolidated Statement of Comprehensive Income	32
Consolidated Statement of Changes in Shareholders' Equity	33
Consolidated Statement of Cash Flows	34
Notes to Consolidated Financial Statements	36
Our Partners	132

CORPORATE INFORMATION



TDC 49 AGM – Board of Directors

Back Row (Left to Right) - **Glenville R. Jeffers**, B.B.A., **O. Nicholas Brisbane**, B.Sc., M.Sc., **Wendell E. Lawrence**, OBE, B.Sc., M.Sc., C.P.A., C.G.M.A., **Warren Z. Moving**, B.Sc. (Company Secretary)

Front Row (Left to Right) - **D. Michael Morton**, C.B.E., J.P., **Nicolas N. Menon**, B.Sc., M.B.A., **Charles L. A. Wilkin**, C.M.G., Q.C., M.A., (Cantab), **Earle A. Kelly**, B.A., M.B.A. (Chairman), **Maritza S. Bowry**, B.Sc., M.B.A., C.P.A.

Absent - **Myrna R. Walwyn**, B.Sc., M.A., Dip. Law, **Kachi M. Armony**, B.C.Sc., **Melvin R. Edwards**, B.A. (Hons), 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 fiftieth (50th) Annual General Meeting of the St Kitts Nevis Anguilla Trading and Development Company Limited (TDC) will be held at the St. Kitts Ballroom, St. Kitts Marriott Resort, Frigate Bay, St Kitts on Thursday, November 2, 2023 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, 2023
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. Earle Kelly and Charles Wilkin retire, and being eligible, offer themselves for re- election.
6. To confirm the appointment of new directors. In accordance with Article 106 of the Article of Association, the appointment of Ms. Patricia Walters and Ms. Kurlyn Merchant to the Board of Directors of the company is presented for confirmation.
7. 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

October 6, 2023

If you wish to join the meeting virtually, you can do so by registering via the following link: <https://tinyurl.com/TDCAGM49> 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.

Registered Office: Fort Street • Basseterre • St. Kitts • West Indies

Directors • EA Kelly BA, MBA (Chairman/CEO) • NN Menon BSc, MBA • GR Jeffers BBA • MS Bowry BSc, MBA, CPA • DM Morton CBE, JP • CLA Wilkin CMG, QC, MA (Cantab) • MR Walwyn BSc, MA, Dip, Law • MR Edwards BA (Hons), MSc • ON Brisbane BSc, MSc • KM Armony BCSc • WE Lawrence OBE, BSc, MSc, CPA, CGMA •

Company Secretary • WZ Moving BSc •

Bankers • CIBC FirstCaribbean International Bank (Barbados) Limited • Republic Bank (EC) LTD • SKNA National Bank Limited



TDC Nevis Plaza Opening Ceremony

1987

REPORT OF THE DIRECTORS 2022/2023

The end of the financial year under review marked the fiftieth anniversary of the establishment of TDC and its purchase of the business of JW Thurston & Co. Ltd.

Your company has expanded and excelled over that time in a wide range of trading and services as a leading public company in St. Kitts and Nevis. The assets of the company have grown to \$458,777,568, and Shareholders' equity is now \$196,162,605.

Together we have succeeded, and your support, loyalty and confidence have been rewarded. Your company has paid a dividend in 49 of its 50 years, totaling more than \$74 million.

Fifty years ago the world economy was shaken by war in the Middle East and the oil crisis which followed brought skyrocketing inflation. Similarly at present, the world economy has suffered from the COVID-19 pandemic, shocks to the commodities markets and massive inflation caused by war and from a kaleidoscope of climate change events that impact supply chains worldwide. Notwithstanding that environment, your team has for 50 years been focused, deliberate, and strategic – creating and exploiting business opportunities building human capacity, redesigning processes and incorporating information technology that promotes efficiency and productivity.

The most recent strategic thrust has been to transform its operations locally to improve performance while scanning the regional markets for growth opportunities. The company has continued to hone its scientific approach to business, keeping its finger on the pulse of staff morale, customer satisfaction and supplier reliability.

The Group returned Profit Before Taxation of \$7,823,175 compared to \$7,098,499 in the prior year.

OPERATIONS

During the year under review, the company held its own in the tepid post-pandemic recovery in local economic activity.

Simultaneously, we sought to divest idle assets and were successful in completing the sale of the Ocean Terrace Inn (OTI), which had been on the market for sale for several years.

The company sought to increase its resilience by reinforcing its overall management team, particularly in Operations, Marketing and Human Resources. Senior management roles within the HR department were filled to bolster the training and development of staff and the enhancement of employee relations. In addition, the company strengthened its capacity to strategically address cyber security and information management in general.

Our Retail businesses performed creditably during the year in review, with marked upticks in profitability at the Home and Building Depots and Automotive Divisions. Whilst the performance of City Drug Store (Nevis) Ltd continued to be challenged by competition in the local market, we were yet able to improve the results realized on those of the previous year.

Our real estate development at Dewars was setback by the effects of the closures resulting from COVID and the dramatic increases in prices of building materials in its aftermath. We are slowly building back momentum in interest and activity as we continue the buildout of that development.

Our tourism-related businesses, TDC Airline Services Ltd and TDC Rentals Ltd, showed some signs of recovery during the year under review, albeit not to pre-COVID levels. The company continued to proactively equip its staff for growth in this sector and is well positioned to benefit from investments in the industry. The prospects for increased business in these two businesses are positive as the travel and tourism sectors continue to recover and expand.

TDC Financial Services Company Ltd, TDC Insurance Company Ltd and East Caribbean Reinsurance Company Ltd again returned very positive performances. 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 position these companies to explore opportunities in the sub-regional markets.

GOVERNANCE

While the board of directors is ultimately responsible for the strategic direction of the company, some of its work is conducted through board committees. These

REPORT OF THE DIRECTORS 2022/2023

committees are led by, and predominantly comprised of non-executive Board members with specific expertise drawn, in limited cases, from outside the board to enhance the capacity of the committees.

There are three (3) standing Board Committees: Audit, Human Resources and Compensation and Information Technology. The Committees report on their activities to the Board at each Board of Directors meeting and make recommendations for the Board's consideration and approval. Reports on the activities of the first and second named of these Committees during the year in review are provided elsewhere in the Annual Report.

TRANSFORMATION

The transformation of the company continued throughout the year under review with additional initiatives in staff engagement, training and development.

The company also introduced its Data Analytics platform, which is helping management to make more informed decisions, create more effective marketing strategies, improve customer experiences, and streamline operations.

The company continues its development of the ecommerce channel while serving its traditional and long-established local market.

FINANCIAL YEAR END

The company has decided to change its financial year end from 31 January to 31 March, commencing in the year 2023/2024. As the company grew and its retail activities increased, it became necessary to consider the timeliness of the financial year end. The benefits of improved operational flow, efficiency and easier regulatory compliance were among the issues that guided the decision.

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 \$2,600,000.00.

APPOINTMENT OF DIRECTORS

In accordance with Article 99 of the Articles of Association, Messrs. Earle Kelly and Charles Wilkin retire, and being eligible, offer themselves for re-election.

In accordance with Article 106 of the Article of Association, Ms. Patricia Walters and Ms. Kurlyn Merchant were appointed as Directors of the company by the Board of Directors, effective 27 July 2023. Their appointments are being presented to the Annual General Meeting for confirmation.

Ms. Patricia Walters holds a Bachelor of Arts degree in Business Studies and is a Fellow of the Association of Chartered Accountants (FCCA). She is the CEO of The Cable and a highly experienced business leader with over twenty-five years in the telecommunications industry.

Ms. Kurlyn Merchant is an attorney with a Masters Degree in law (LLM). She has been admitted to practice in St. Kitts and Nevis, British Virgin Islands and Anguilla. She practices both civil and commercial law at her firm, Merchant Legal Chambers based in Charlestown, Nevis. She is currently the President of the St. Kitts and Nevis Bar Association.

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

The directors take this opportunity to thank the management team and associates for their dedicated service. We express our appreciation to the shareholders, customers, and the general public for their support over the productive fifty years of the company's existence.



Earle A. Kelly
Chairman



Nicolas N. Menon
Director



TDC Mall Opening, Fort Street, Basseterre 1987

FINANCIAL REVIEW 2022/2023

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The report below provides an overview of the economic conditions that existed during the 2022/2023 financial year and an analysis of the TDC Group's results and operations. The report should be read in conjunction with the Consolidated Financial Statements and the corresponding notes.

Economic Overview

2022 was another volatile year for the world economy. The damage and disruption from the effects of climate change reached new levels. The Russian invasion of Ukraine not only brought war to Europe but also amplified an emerging global energy crisis as a result of sanctions against Russian oil and gas exports. The most obvious economic consequence of these events was soaring costs, stoking inflation to levels not seen since the 1980s; global inflation was estimated at 8.7% in 2022 compared to 4.7% in 2021. The world economy grew by 3.5% in 2022 (2021: 6.1%) *Source: IMF World Economic Outlook Update July 2023*

As most societies began emerging from restrictions to contain the spread of the coronavirus, and the global economy was on the path to return to pre-pandemic operations, a chain of factors came together to create uncertainty and hardships in many countries around the world. Many governments in developed economies undertook stimulus spending to support citizens. These stimuli were effective in invigorating business and consumer demand.

Eastern Caribbean Currency Union (ECCU)

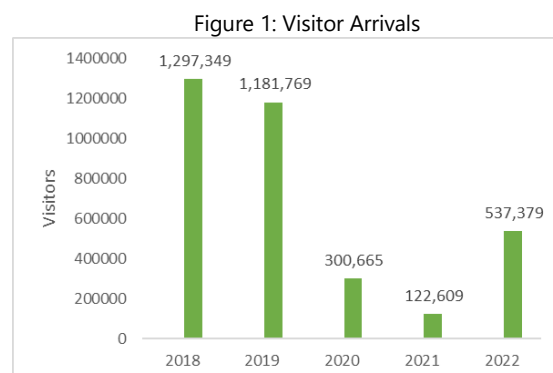
The ECCU reflected an improvement in economic activity in 2022, with growth estimated at 8.9%, following a 5.8% increase in 2021. The acceleration was driven by the tourism and auxiliary sectors, with most member countries experiencing growth except Montserrat. The major service sectors, including hotels and restaurants, transport, storage, and communication, and wholesale and retail trade, played a significant role in driving the increase in activity. The construction sector also saw growth, with gross value-added rising by 8.5% in 2022, although this was lower than the previous year's

growth rate of 14.4%. This deceleration was partly due to higher construction costs affecting the investment decisions of firms and households. Inflation increased to 7.8% in 2022 compared to 2.6% in the prior year. The Financial Intermediation and Real Estate, Renting and Business Administration sectors recorded moderate growth of 1.1% and 1.2% respectively. *Source: ECCU Annual Economic and Financial Review 2022*

St Kitts and Nevis

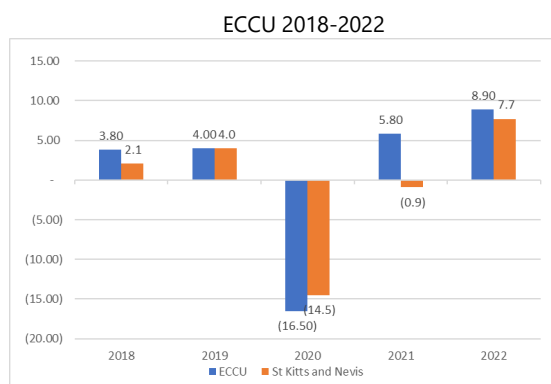
The economy of St Kitts and Nevis grew by an estimated 7.7% in 2022 compared to a decline of 0.9% in 2021. The Consumer Price Index rose by 3.8% in 2022 compared to 1.9% in the prior year. The value added in the hotel and restaurants sector increased by 124.5% reflecting a robust increase in visitor arrivals, due to the removal of travel restrictions and measures imposed to contain the COVID-19 virus. Total visitor arrivals in St Kitts and Nevis for the 2022 calendar year was 537,379 compared to 122,609 in 2021: (2019 - 1,181,769 visitors). Gross visitor expenditure was \$311.1 million in 2022 compared to \$77.0 million in 2021; significantly lower than the receipts prior to the pandemic; (2020 - \$122.9M; 2019 - \$509.74M). Expansions of 30.0% and 21.2% respectively were also recorded in the wholesale and retail and transport, storage, and communications trade sectors. The increased activity in the sectors above was offset by contraction in the agriculture, livestock and forestry sectors that are estimated to have decreased by 6.1%. Marginal growth of 1.0% was recorded in the construction sector.

The graph below depicts the visitor arrivals for St Kitts and Nevis for the past 5 years.



FINANCIAL REVIEW 2022/2023

The graph below depicts Real GDP growth rates for the ECCU and St Kitts and Nevis for the past 5 years.
Figure 2: Real GDP Growth Rates (%) - St Kitts and Nevis and



Source: ECCU Central Statistics Offices and Eastern Caribbean Central Bank

TDC Group of Companies

Financial Review

The Profit before Income Tax from continuing operations for the financial year 1 February 2022 to 31 January 2023 attributable to the Parent Company was \$7,687,672 compared to \$6,716,744 in the comparative financial year 1 February 2021 to 31 January 2022, an increase of \$970,928, 14.46%. The loss from discontinued operations, (Ocean Terrace Inn and St Kitts Bottling Company) was \$643,179 compared to a profit of \$888,354 during the prior financial year.

Consolidated Statement of Income

The bar graphs below show the Revenue, PBIT and Profit/(Loss) After Taxes.

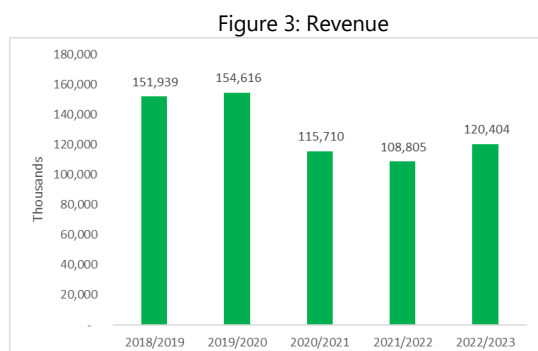


Figure 4: Profit /(Loss) Before Interest and Tax

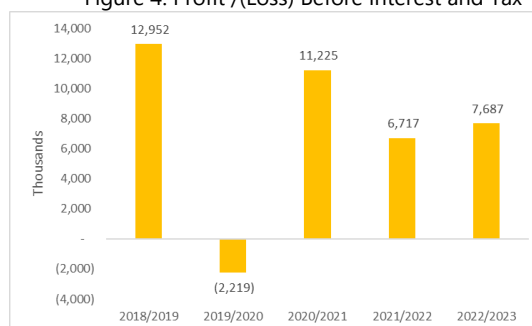
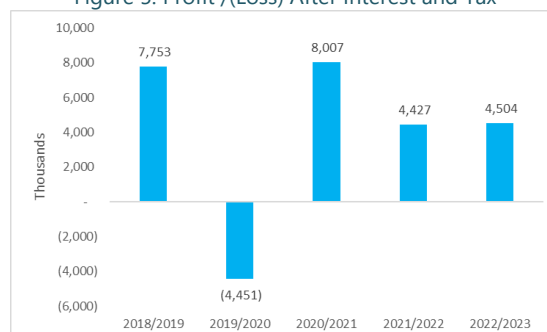


Figure 5: Profit /(Loss) After Interest and Tax



Revenue

Revenue for the year under review increased to \$120,404,802 for the financial year, 1 February 2022 to 31 January 2023 from \$108,804,975 during the prior financial period, an increase of \$11,599,827 or 10.66%. General Trading revenue (Home and Building Depots, Automotive and Pharmaceutical Divisions and Business Centers) increased by \$8,524,368 or 8.15%. The General Trading segment registered average annual revenue growth of 4.43% prior to the pandemic, 2017/2018 to 2019/2020).

The company is engaged in real estate development at Dewars Estate, St Kitts that features modern and affordable homes. The development is comprised of 30 lots ranging from 6,020 square feet to 7,240 square feet. At 31 January 2023, 4 houses were completed in comparison to 1 house at 31 January 2022; resulting in 25 remaining lots. The total profit on the project at 31 January 2023 is \$372,421.

The revenue from Other Segments (Car Rental, Hire Purchase, Airlines Services, Tours, and Shipping) increased by 72.01%, from \$4,270,958 for the prior financial year to \$7,346,417 for the year under review.

FINANCIAL REVIEW 2022/2023

TDC Airline Services Ltd represents a number of airline carriers such as American Airlines, British Airways, US Airways, Air Canada, Caribbean Airlines and WinAir. The number of flights for these airline carriers increased from 1,488 during the financial year 1 February 2021 to 31 January 2022 to 3,083 for the reporting year. Similarly, the number of car rental contracts executed increased from 1,587 in 2021/2022 to 2,467 in 2022/2023.

In 2020, a decision was taken to close the OTI hotel given the ongoing losses. The accumulated deficit for the OTI Group was \$36,712,163 at 31 January 2020. In 2022, the sale of the OTI hotel and Fisherman's Wharf properties was completed, enabling the investment of capital into profitable business activities that drive long-term and sustainable growth. The loss on the sale of the properties was \$103,854. This figure is reflected in the line item "Profit/(loss) on Discontinued Operations."

One building at OTI remained unsold at 31 January 2023. The sale was finalized in May 2023 hence the asset was classified as *Assets held for sale* in the Consolidated Statement of Financial Position.

The table below shows the relationship of each line item of the Consolidated Statement of Income to Revenue:

Table 1: Common Size Analysis

	2023	2022	2021	2023 vs. 2022	2022 vs. 2021
Revenues	100.00%	100.00%	100.00%		
Gross Margin	26.54%	25.60%	25.34%	0.94%	0.26%
Operating income before operating expenses	45.99%	46.92%	47.86%	-0.93%	-0.94%
Operating expenses					
Employee costs	19.40%	17.88%	17.18%	1.51%	0.71%
General and administrative	14.56%	12.57%	12.78%	1.98%	-0.21%
Depreciation and amortisation	3.52%	3.91%	4.11%	-0.39%	-0.20%
Loss on liquidation of a subsidiary	0.00%	0.14%	0.00%	-0.14%	0.14%
Operating profit	8.51%	7.89%	11.92%	0.62%	-4.03%
Share of income of associated companies	0.62%	0.65%	0.77%	-0.02%	-0.13%
Finance charges, net	2.64%	2.93%	3.11%	-0.29%	-0.18%
Profit from continuing operations before tax	6.50%	6.52%	10.10%	-0.03%	-3.58%
Income tax expense	2.13%	2.95%	2.18%	-0.82%	0.76%
Profit from continuing operations after tax	4.37%	3.58%	7.92%	0.79%	-4.34%
Profit from discontinued operations after tax	-0.53%	0.82%	-0.62%	-1.35%	1.44%
Profit for the year	3.84%	4.39%	7.29%	-0.56%	-2.90%

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 26.54% compared to 25.60% for the prior financial year.

Net Interest Income - Investment income decreased from \$2,559,975 in the prior year to \$2,548,722, a decrease of \$11,253 or 0.44%. The Investment portfolio declined by \$3,777,582 or 3.66%. TDC Financial Services Ltd liquidated fixed deposit accounts to finance loans to the customers.

Loans to Customers increased from \$116,980,515 at 31 January 2022 to \$131,433,678 at 31 January 2023, an increase of \$14,453,163 or 12.36%.

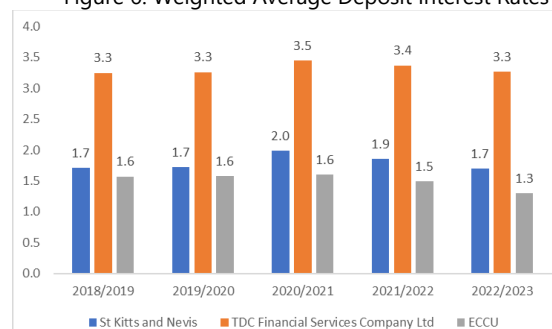
In 2022, the Prudential Standards for the Treatment of Impaired Assets for Institutions Licensed Under the 2015 Banking Act were revised. The update included the directive that the provision for loan losses for non-performing loans should be 100% over a 3-year period, as a result \$1,096,279 was transferred from Retained Earnings to Other Reserves. The stipulation was subsequently updated, and the provision for non-performing loans reduced to 60%.

Customers' deposits increased from \$141,452,306 at 31 January 2022 to \$144,706,113 at 31 January 2023, an increase of \$3,253,807 or 2.30%. The average interest rate paid on deposits was 3.27% compared to 3.37% in the prior year.

Interest income earned from loans grew by \$635,263 or 7.18% from \$8,851,559 to \$9,486,822. The average interest rate on loans was 7.61% for the financial year in review compared to 7.65% for the prior.

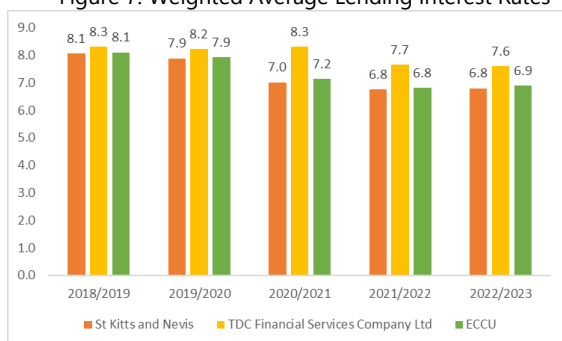
The graphs below show the weighted average lending and deposit rates for the Federation of St Kitts and Nevis and those for TDC Financial Services Company Ltd for the past 5 years.

Figure 6: Weighted Average Deposit Interest Rates



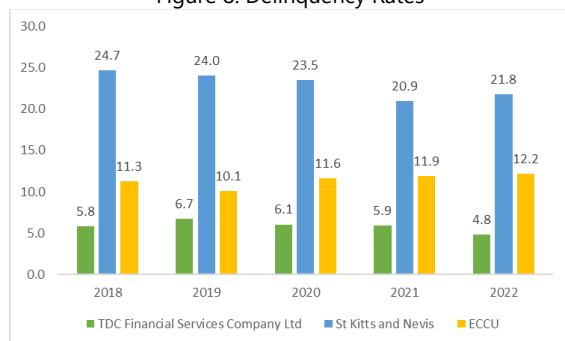
FINANCIAL REVIEW 2022/2023

Figure 7: Weighted Average Lending Interest Rates



The delinquency rate was 4.82% at 31 January 2023 compared to 5.89% at 31 January 2022. The table 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 12.20% at the end of 2022 compared to 11.90% in the prior year. The delinquency rate for St Kitts and Nevis was 21.8% in 2022 compared to 20.90% in 2021.

Figure 8: Delinquency Rates



Net Underwriting Income decreased by 8.45% from \$5,958,442 for the 2021/2022 financial year to \$5,454,992 in 2022/2023.

The company entered into an agency agreement (motor policies) with the Whitchurch Insurance Company in Dominica in September 2019. The performance over the period has fluctuated but has not generated the level of benefit that was expected. Therefore, TDC Insurance decided to relinquish its agency arrangements at 31 January 2023. TDC Insurance Ltd would be responsible for any claims incurred for policies that have been renewed with expiry dates through the year up to 31 January 2024.

Effective 1 February 2023, various companies within the Group are required to adopt IFRS 17 – (Insurance Contracts) in their financial statements.

The companies impacted by this standard are TDC Insurance Company Ltd, East Caribbean Reinsurance Company Ltd, and Malliouhana-Anico Insurance Company Ltd. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 requires a company to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts (**Source: ifrs.org**). IFRS 17 compliance requires data and technology systems to yield specific capabilities.

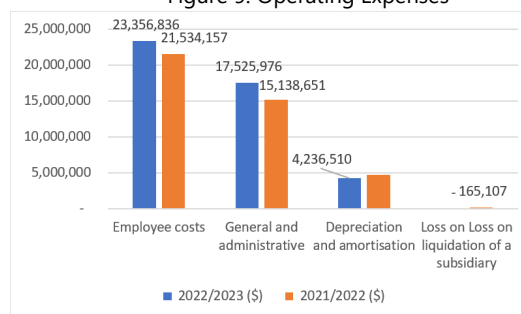
Other Income

Other Income increased by \$161,043 or 1.82% from \$9,159,734 for the 2021/2022 financial year to \$9,320,777 for the year under review. Other income includes Gains/(Losses) on disposals of property, plant, and equipment.

Operating Expenses

Operating Expenses for the financial year 1 February 2022 to 31 January 2023 totaled \$45,119,322 compared to \$41,544,223 at 31 January 2022, an increase of \$3,575,099 or 8.61%. The chart below highlights the allocation of Operating Expenses for both financial years.

Figure 9: Operating Expenses



The major contributors to Operating Expenses are Employee Costs and General and Administrative Expenses. Employee Costs represent 51.77% of Operating Expenses at 31 January 2023 while General and Administrative Expenses account for 38.84%. Similarly, for the financial year ended 31 January 2022, Employee Costs contribute 51.83% to total

FINANCIAL REVIEW 2022/2023

Operating Expenses whereas General and Administrative Expenses comprise 36.44%.

Employee Costs, \$23,356,836, which represents 51.77% of Operating Expenses, increased \$1,822,679 or 8.46%. TDC strives to be the employer of choice. The organization is committed to attracting and retaining talented employees. The TDC Group continues to invest in the workforce by offering competitive salaries and wages plus an array of benefits including health and pension plans.

The TDC Group delivers a variety of role specific leadership and development programs that build and reinforce functional-technical/professional skills and business acumen to nurture high-performing leaders. Learning and development bring clear advantages to employees in terms of career progression, individual confidence and improved skills sets. The TDC Group employed 462 persons at 31 January 2023 compared to 430 at 31 January 2022. During the fourth quarter the workforce is temporarily expanded by hiring part-time employees to meet the elevated levels of demand during the peak season.

General and Administrative Expenses increased by \$2,387,325 or 15.77%. The expense for the financial year ended 31 January 2023 was \$17,525,976 compared to \$15,138,651 at 31 January 2022. The increase in the expense is mainly due to an increase in Impairment losses of loans to customers, Repairs and Maintenance and Utilities. For the year ended 31 January 2023, Impairment losses of loans to customers totaled \$859,911 compared to \$21,263 in the prior year. The increase by \$838,648 is a result of an increase in delinquency among unsecured loans. At 31 January 2023, the value of delinquent unsecured loans was \$1,314,148 in comparison to \$326,439 at 31 January 2022. In addition, Repairs and Maintenance increased by \$375,814. The expense for the financial year ended 31 January 2023 is \$2,320,432 compared to \$1,944,618 in the prior year. The increase is due to increased charges incurred for building maintenance, repairs to air conditioning units and generators. Some of the building projects undertaken during the 2022/2023 financial year were done at TDC Home and Building Depot in St Kitts. They include repairs and painting of Western Lumber

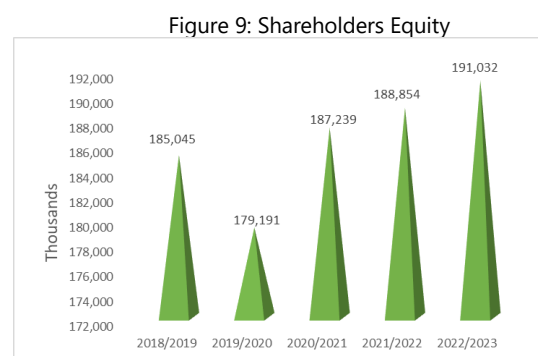
Stall; paving driveway; remodeling ground floor space and renovating the lunchroom. Furthermore, Utilities increased by \$253,889 or \$19.53%. The increase is a result of increased energy costs.

Depreciation and Amortisation totaled \$4,641,610 for the financial year ended 31 January 2023 in comparison to \$5,140,075 for the prior year. This represents a decrease of \$498,465 or 9.70%; of this amount, \$352,789 relates to Depreciation while the other \$145,676 is for Amortisation. The movement in the expense is a result of a decline in the written down value of the assets, particularly Plant and Machinery, Motor Vehicles, Computers and Equipment and Intangible Assets.

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.

Shareholders' Equity

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



Income Taxes have a significant effect on net earnings. The income tax expense was \$2,560,069 for the financial year under review compared to \$3,205,740 in the prior year, a decrease of \$645,671 or 20.14%. The Deferred Tax Expense was \$106,720 for the financial year under review compared to \$248,536 in the prior year.

Although profit before tax increased by \$724,676 or 10.21%, income tax expense declined by \$645,671 or 20.14%. This is mainly due to the increase in non-taxable income, including dividends and lower non-

FINANCIAL REVIEW 2022/2023

deductible expenses. The effective tax rate was 32.72% compared to 45.16% 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 2023 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 the reduction in the tax rate.

Consolidated Statement of Financial Position

The working capital deficit was \$19,192,367 at 31 January 2023 compared to a deficit of \$19,792,852 at 31 January 2022.

Liquidity and Capital Resources

Cash flows provided by operating activities supplemented with long-term and short-term borrowings have been sufficient to fund operations while allowing the TDC Group to invest in activities that support the long-term growth. The retail segment of the business is subject to seasonality. Historically, the TDC Group has realized the highest volume of sales during the last quarter of the financial year. Accordingly, the working capital requirements have been greater during the third quarter as we build our inventory in anticipation of the peak season. During this period the working capital requirements are funded through cash flows generated from operations and short-term borrowings as needed.

(In thousands)	2022/2023	2021/2022
	\$	\$
Net cash (used in/from) operating activities	(2,708)	2,938

Operating cash flow results mainly from cash received from customers, offset by cash payments for products and services, compensation, and operations. Cash

used in operating activities is affected by changes in working capital that is subject to many variables, including seasonality, inventory management, timing of cash receipts and payments.

The decrease in net cash from operating activities is primarily due to the changes in working capital. Loans to customers increased by \$15,431,818 compared to \$6,847,264 during the prior financial year. Reinsurance assets increased by \$13,158,889 due to a major claim made during the financial year. This was slightly offset by the increase in Insurance liabilities of \$15,823,671.

(In thousands)	2022/2023	2021/2022
	\$	\$
Net cash from investing activities	21,315	2,401

The TDC Group generated \$21,315,440 from investing activities in 2021/2022 of which \$16,760,910 represents the cash proceeds from the sale of OTI hotel and Fisherman's Wharf properties.

(In thousands)	2022/2023	2021/2022
	\$	\$
Net cash used in financing activities	(15,675)	(2,267)

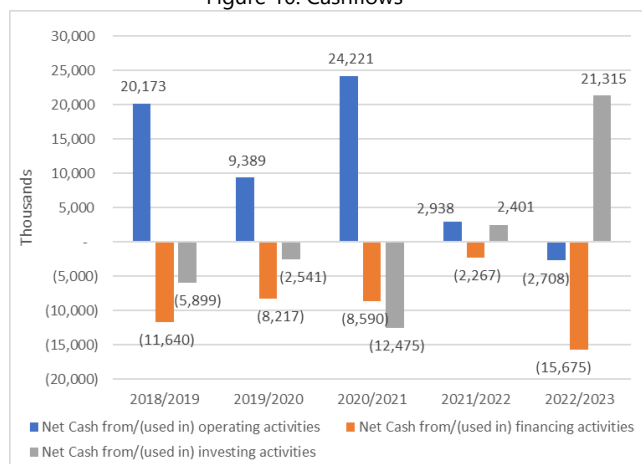
Further, the TDC Group used \$15,675,228 in financing activities in 2022/2023 primarily for repayments of \$11,028,703, including the full settlement of the long-term loan with Sugar Industry Diversification Fund amounting to \$4,877,917, and dividend payments of \$2,600,000.

The TDC Group has not raised Capital through the issuance of shares for over twenty years. The organization has utilized debt financing to lower our overall cost of capital and increase return on Shareholders' Equity. Net debt improved to \$4,517,751 compared to \$14,149,970 resulting to a net debt-to-equity ratio of 2.30% compared to 7.30% in the prior year, an improvement of 5-basis points.

FINANCIAL REVIEW 2022/2023

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

Figure 10: Cashflows



Cash and cash equivalents, including treasury bills and term deposits stood at \$24,180,965 at 31 January 2023. The current ratio remained at 0.92:1, while acid-test ratio slightly improved to 0.71:1 from 0.69:1.

Outlook

Global GDP growth for 2023 is expected to approach 3.0% and inflation decrease from 8.7% in 2022 to 6.8% in 2023. *Source: IMF World Economic Outlook Update July 2023*

In St Kitts and Nevis, following an expansion in 2022, further growth in economic activity is projected in 2023, resulting from an anticipated increase in visitor arrivals as global travel continues to rapidly increase after most countries have eased all COVID-19 protocols. However, challenges to regional travel could constrain growth in the tourism sector. The Federation's growth prospects are, however, subject to major downside risks. These include the geopolitical tensions associated with the Russian Ukraine war, rising commodity prices, lower than expected inflows from the Citizenship by Investment Programme and natural disasters.

We expect the lack of macroeconomic stability to continue into 2023, and while inflationary pressures are likely to ease, inflation will remain at historically high levels, with the attendant consequences for

consumer confidence and spending. We are not daunted by this. As we demonstrated last year, TDC is a resilient business. We have a clear set of priorities and objectives to guide us. Growth will be our number one priority. With cost pressures remaining at historically high levels, our focus will be on striking the right balance of price increases and savings delivery, commensurate with protecting our volumes and improving TDC's competitiveness. We will navigate these challenging conditions while establishing strategic, operational, and organizational pillars necessary for long-term success and value creation. We had a strong end to last year and are firmly fixed on carrying that momentum into 2023.

The organization is powered by our refreshed human, purposeful and accountable culture with a focus on high performance. A key part of this is making sure our people work with a 'winning mindset', taking ownership for the choices we make and the outcomes these lead to. We have taken the opportunity to revise our bonus framework to drive a significantly stronger direct line of sight between individual performance and business performance. Bonuses will be linked to the part of the business employees contribute to most in their roles and the performance of that part of the business. Another important part of creating a high-performance culture is ensuring our people have the right skills and behaviors. In addition, work is underway to refresh existing leadership programs across all work levels.

As we approach our 50th anniversary, we face the future with confidence and enthusiasm. Through our disciplined capital allocation strategy, we remain committed to generating long-term sustainable value for our shareholders.

As an essential part of our journey, we will continue to invest in the transformation initiatives as outlined in the Director's Report.

Through our strategy and our culture of continuous improvement, we are confident that we will continue to capture market share, improve our operating margin, and deliver long-term, sustainable value to our shareholders.

KEY PERFORMANCE INDICATORS

**St. Kitts Nevis Anguilla Trading and Development
Company Limited**
Key Performance Indicators
For the Year Ended 31 January 2023

Key Indicators	2023	2022	Variance	Variance (%)
A Absolute Performance Results				
1 Group Sales Turnover	\$120,404,802	\$108,804,975	\$11,599,827	11%
2 Group Goods Turnover	\$115,148,706	\$105,995,128	\$9,153,578	9%
3 Group Services Turnover	\$5,256,096	\$2,809,847	\$2,446,249	87%
4 Inventory Turnover	1.91	1.84	0.07	4%
5 Gross Profit	\$31,960,194	\$27,859,324	\$4,100,870	15%
6 Share of Results - Associated Companies	\$751,471	\$777,125	(\$25,654)	-3%
7 Income before tax	\$7,823,175	\$7,098,499	\$724,676	10%
8 Total Comprehensive Income	\$4,902,533	\$5,329,512	(\$426,979)	-8%
B Profitability Ratios				
1 Return on Assets (ROA)	3.32%	3.67%		
2 Return on Shareholders' Equity (ROE)	2.37%	2.48%		
C Liquidity and Solvency Ratios				
1 Current Ratio (Liquidity)	0.92	0.92		
2 Acid-test Ratio (Liquidity)	0.71	0.69		
3 Debt to Equity Ratio (Solvency)	1.34	1.32		
4 Debt to Total Assets Ratio (Solvency)	0.57	0.57		
5 Net Debt to Total Equity Ratio (Solvency)	0.02	0.07		
6 Interest Earned Ratio (Solvency)	8.26	7.24		
D Efficiency Ratios				
1 Inventory Turnover Ratio	1.91	1.84		
2 Accounts Receivable Turnover Ratio	8.81	8.10		
3 Accounts Payable Turnover	8.31	8.90		
4 Asset Turnover Ratio	0.27	0.25		
E Other Performance Indicators				
1 Asset Growth	1.99%	3.67%		
2 Dividend Per Share (Total)	\$0.05	\$0.07		

B HILL SPORTS CLUB
Presents
ROSABELL WARNER MEMORIAL
PRIMARY SCHOOL QUIZ COMPETITION

TTDA
TOWN & ANGOLA TRADING AND DEVELOPMENT CO. LTD.

SANDY



Sandy Point Primary School Rosabelle
Warner Interhouse Quiz Competition

2001

REPORT OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE TO SHAREHOLDERS

The Human Resources Compensation Committee (HRCC) was established by the Board of Directors of TDC to replace the previously established Compensation Committee and to enhance the human resources function in the TDC Group. The HRCC was established in 2020 and has been consistently active in its function.

MEMBERSHIP

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

1. Mr. Wendell Lawrence (Chairperson)
2. Mr. Nicholas Brisbane
3. Mr. Melvin Edwards
4. Ms. Myrna Walwyn
5. Mr. Charles Wilkin and
6. Mr. Earle Kelly, Chief Executive Officer (CEO).

Mrs. Gloria Esdaille Robinson, Group Chief Human Resources Officer, serves as Secretary to the HRCC.

TERMS OF REFERENCE

The HRCC is expected to satisfy itself that the TDC Group's human resources management activities are relevant, adequate and effective in meeting the current and emerging needs of the Group. In this regard, the specific responsibilities to be carried out by the HRCC include the following:

1. review and 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 Group's total compensation arrangements include but not limited to employee and retirement benefits; annual salary adjustments, performance pay; and review of the market comparator groups
 - c. management succession planning, management/leadership development, talent management and workforce planning strategies
 - d. termination and severance policies/arrangements
 - 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 the Group's management regarding matters within the HRCC 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 and COMMUNICATIONS

During the 2022-2023 Financial Year. The HRCC held meetings on the following dates:

1. April 19, 2022.
2. September 23, 2022.
3. September 29, 2022.

REPORT OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE TO SHAREHOLDERS

There was full attendance at these meetings.

The HRCC also liaised as necessary with the Executive Directors and the management of the HR Department and reported as required to the Board.

ACTIVITIES IN THE TRANSFORMATION PROCESS

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

1. succession within the Board
2. refinement of organizational structures for the following:
 - a. The TDC Group
 - b. The Human Resources Department
 - c. The IT Department
 - d. The Marketing Department
 - e. E-Commerce Department
3. strengthening of the human resource management capability
4. implementation of the Group Human Resources Strategy
5. implementation of Employee Relations initiatives to promote a highly motivated workforce committed to the values and ideals of the company in an enabling environment to deliver excellence on a consistent basis
6. recalibration of the Performance Management and Assessment system and implementation of Key Performance Indicators to evaluate organization and employee performance to achieve company goals and objectives
7. participation in the evaluation of the Chief Executive Officer and the other Executive Directors
8. implementation of an updated process to recruit Senior Management and Executives
9. establishment of procurement policy guidelines for consultancies inclusive of procedures for terms of reference, monitoring, risk and liability insurance and termination
10. review of the Group Succession Policy
11. review of the draft Code of Conduct and the Employee Handbook and Policy Guidelines
12. review of the compensation system
13. participation in the appointment of the Chief Operating Officer to oversee the Shared Services departments of the Group and to provide other designated support for the Executive Directors

CONCLUSION

The HRCC and the entire Board of Directors of the Company recognize that human capital is the most valuable resource of the TDC Group, and that skillful and effective management and a productive work force are essential to the success of the Group. We reiterate our commitment to that goal through service in the training, development and motivation of our employees and the maintenance of an attractive work environment.

AUDIT COMMITTEE REPORT TO SHAREHOLDERS

The Audit Committee hereby reports on the significant deliberations and activities undertaken during the 2022/2023 Financial Year.

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

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

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

Meetings

Meetings #51 through #53 were held during the year under review on April 5th, July 18th and November 17th, 2022.

Major Activities

The Committee fulfilled its mandate by supporting the Board of Directors in its oversight role with respect to the integrity of financial reporting, the effectiveness of risk management and the adequacy of internal controls and external audit processes. It also addressed related governance and compliance matters, while overseeing the effectiveness of the internal audit function and monitoring the Group's relationship with the External Auditor.

Capacity Development

To ensure that its responsibilities under the Charter were aligned with International Internal Auditing Standards, the Committee continued to support the Group Chief Internal Auditor (GCIA) in encouraging IAD staffers to advance their professional competencies and certification. During the period under review:

- one employee earned the Microsoft Office Excel Specialist certifications at the Associate and Expert levels;
- three employees were on track to complete the ACCA program during 2024 – 2025; and
- two employees enrolled in the CIA program with a view to completion in 2024.

The Committee applauded Charlene Stapleton CIA, the outgoing Group Chief Internal Auditor on successful and exemplary completion of the CRMA designation.

Financial Reporting

The Audit Committee continued to encourage the Board and Senior Management to radically improve financial reporting, so that future TDC AGMs are convened within 5 months of the end of each financial year. The Committee also continued to impress upon all concerned the importance of producing timely management accounts and undertook to conduct quarterly analyses of the Group's cash flow position.

The Draft Audited Financial Statements for the period ended 31 January 2023 were received on September 28, 2023. The Committee therefore met on October 4, 2023 and submitted forthwith its recommendations to the Board of Directors.

AUDIT COMMITTEE REPORT TO SHAREHOLDERS

Risk Management and Internal Control Oversight

The Committee paid sustained attention to risk management and internal control matters by encouraging implementation of succession plans and development strategies by subsidiaries. Closer attention was also paid to risk reduction and capacity strengthening within the insurance and reinsurance components, which are all a part of the Transformation process.

The Committee ratified the selection of Pelican Accounting and Business Solutions to conduct the independent assessment of the Internal Audit Department. The audit has been completed and was reviewed by the Committee, with recommendations discussed for further implementation.

Internal Audit Function

The Committee collaborated closely with the Internal Audit Department to enhance its independence, visibility, consistency, and efficiency by

- tracking implementation of the 2022/2023 IAD Work Schedule;
- approving the 2023/2024 IAD Work Schedule and resource requirements; and
- reviewing management responses to the recommendations made.

Considering the quality and frequency of reporting received and the level of impartiality displayed, the Committee expressed its satisfaction with the effectiveness of the IAD function.

Appointment of External Auditors

The AC endorsed the contracting of PKF Grenada as the new auditor for TDC Financial Services, for one year in the first instance.

Self-Assessment

The Committee presented the annual self-assessment report to the Board, confirming that it was operating in accordance with its Charter. Measures were immediately implemented to address identified opportunities for improvement.

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 observed throughout the TDC Group.



.....

Melvin R. Edwards

For and on behalf of the Audit Committee, TDC Group

Date: October 4, 2023

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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, 2023, 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, 2023, 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.

Key Audit Matters ...continued

(a) Loans to customers

Description of the Matter

As at January 31, 2023, loans to customers amounted to \$131,433,678, net of allowance for impairment of \$3,478,706 and represents 29% 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 challenged 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 formulae 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 formulae used in determining the expected credit losses; and

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, 2023, the insurance liabilities of the Group amounted to \$38,854,738. 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 to be 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.

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 Lisa Maryse Roberts.



Chartered Accountants

October 13, 2023

Basseterre, St. Kitts

St. Kitts Nevis Anguilla Trading and Development Company Limited

Consolidated Statement of Financial Position

As at January 31, 2023

(expressed in Eastern Caribbean dollars)

	Note	2023 \$	2022 \$
Assets			
Current assets			
Cash and cash equivalents	8	24,180,965	25,577,449
Investment securities	9	88,503,354	94,159,163
Loans to customers	10	23,533,531	22,920,483
Receivables	11	11,821,548	12,047,847
Reinsurance assets	20	20,797,977	7,639,088
Due from related parties	14	1,954,220	1,706,322
Inventories	12	44,770,877	47,828,787
Prepayments and other current assets	13	7,837,995	5,151,005
Income tax recoverable	23	468,557	60,294
Assets included in disposal group	15	4,525,672	256,052
Total current assets		228,394,696	217,346,490
Assets held for sale included in disposal group	15	947,900	–
Non-current assets			
Investment securities	9	10,872,663	8,994,436
Loans to customers	10	107,900,147	94,060,032
Receivables	11	5,020,023	5,620,305
Investment in associates	16	12,841,575	12,705,792
Property, plant and equipment	17	92,278,687	94,142,436
Intangible assets	18	97,140	233,736
Deferred tax assets	23	424,737	442,597
Assets included in disposal group	15	–	16,294,930
Total non-current assets		229,434,972	232,494,264
Total assets		458,777,568	449,840,754
Liabilities			
Current liabilities			
Borrowings	19	28,698,716	35,110,856
Insurance liabilities	20	38,854,738	23,031,067
Customers' deposits	21	137,876,780	135,381,615
Accounts payable and other liabilities	22	40,644,364	40,921,104
Income tax payable	23	699,654	1,713,977
Due to related parties	14	30,314	381,892
Liabilities included in disposal group	15	782,497	598,831
Total current liabilities		247,587,063	237,139,342
Non-current liabilities			
Borrowings	19	–	4,616,563
Customers' deposits	21	6,829,333	6,070,691
Accounts payable and other liabilities	22	1,933,538	1,977,917
Deferred tax liabilities	23	6,265,029	6,176,169
Total non-current liabilities		15,027,900	18,841,340
Total liabilities		262,614,963	255,980,682

St. Kitts Nevis Anguilla Trading and Development Company Limited
 Consolidated Statement of Financial Position ...*continued*
As at January 31, 2023

(expressed in Eastern Caribbean dollars)

	Note	2023 \$	2022 \$
Shareholders' equity			
Share capital	24	52,000,000	52,000,000
Other reserves	25	66,347,012	64,611,163
Retained earnings		72,685,256	72,242,550
		<u>191,032,268</u>	<u>188,853,713</u>
Non-controlling interests		<u>5,130,337</u>	<u>5,006,359</u>
Total shareholders' equity		<u>196,162,605</u>	<u>193,860,072</u>
Total liabilities and shareholders' equity		<u>458,777,568</u>	<u>449,840,754</u>

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

Approved for issue by the Board of Directors on October 10, 2023.


 Chairman


 Director

St. Kitts Nevis Anguilla Trading and Development Company Limited
 Consolidated Statement of Income
 For the year ended January 31, 2023

(expressed in Eastern Caribbean dollars)

	Note	2023 \$	2022 \$
Revenue	26	120,404,802	108,804,975
Cost of sales		<u>(88,444,608)</u>	<u>(80,945,651)</u>
Gross profit		31,960,194	27,859,324
Net interest income	32	8,634,456	8,072,199
Net underwriting income		5,454,992	5,958,442
Other income	27	<u>9,320,777</u>	<u>9,159,734</u>
Operating income before operating expenses		<u>55,370,419</u>	<u>51,049,699</u>
Operating expenses			
Employee costs	28	(23,356,836)	(21,534,157)
General and administrative	29	(17,525,976)	(15,138,651)
Depreciation and amortisation	30	(4,236,510)	(4,706,308)
Loss on liquidation of a subsidiary	15	<u>–</u>	<u>(165,107)</u>
		<u>(45,119,322)</u>	<u>(41,544,223)</u>
Operating profit		10,251,097	9,505,476
Share of income of associated companies	16	751,471	777,125
Finance charges	31	<u>(3,179,393)</u>	<u>(3,184,102)</u>
Profit before income tax from continuing operations		<u>7,823,175</u>	<u>7,098,499</u>
Profit before income tax from continuing operations attributable to:			
Parent company		7,687,672	6,716,744
Non-controlling interests		<u>135,503</u>	<u>381,755</u>
		7,823,175	7,098,499
Income tax expense	23	<u>(2,560,069)</u>	<u>(3,205,740)</u>
Profit for the year from continuing operations		5,263,106	3,892,759
Profit/(loss) for the year from discontinued operations	15	<u>(643,179)</u>	<u>888,354</u>
Profit for the year		<u>4,619,927</u>	<u>4,781,113</u>
Profit for the year attributable to:			
Parent company		4,504,024	4,426,793
Non-controlling interests		<u>115,903</u>	<u>354,320</u>
		<u>4,619,927</u>	<u>4,781,113</u>
Earnings per share			
Basic and diluted per share	33	<u>0.087</u>	<u>0.085</u>

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

St. Kitts Nevis Anguilla Trading and Development Company Limited
 Consolidated Statement of Comprehensive Income
 For the year ended January 31, 2023

(expressed in Eastern Caribbean dollars)

	Note	2023 \$	2022 \$
Profit for the year		4,619,927	4,781,113
Other comprehensive income:			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Fair value gains/(losses) on investment securities	9	282,606	(82,117)
Share in associated companies' other comprehensive income	16	–	630,516
Total comprehensive income for the year		<u>4,902,533</u>	<u>5,329,512</u>
Total comprehensive income for the year attributable to:			
Parent company		4,778,555	4,994,804
Non-controlling interests		<u>123,978</u>	<u>334,708</u>
		<u>4,902,533</u>	<u>5,329,512</u>

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Consolidated Statement of Changes in Shareholders' Equity For the year ended January 31, 2023

(expressed in Eastern Caribbean dollars)

	Note	Share capital \$	Other reserves \$	Retained earnings \$	Subtotal \$	Non-controlling interests \$	Total \$
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	25	–	654,091	(654,091)	–	–	–
Transfer from retained earnings	25	–	141,462	(141,462)	–	–	–
Revaluation surplus transfer to retained earnings	25	–	(1,922,779)	1,922,779	–	–	–
Other comprehensive income							
Fair value losses on investment securities	9	–	(62,505)	–	(62,505)	(19,612)	(82,117)
Share in associated companies' other comprehensive income	16	–	630,516	–	630,516	–	630,516
Transactions with owners							
Dividends	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
Comprehensive income							
Profit for the year		–	–	4,504,024	4,504,024	115,903	4,619,927
Transfer to reserve fund	25	–	618,992	(618,992)	–	–	–
Transfer from retained earnings	25	–	1,096,279	(1,096,279)	–	–	–
Transfers of revaluation surplus to retained earnings on disposal of property	25	–	(253,953)	253,953	–	–	–
Other comprehensive income							
Fair value gains on investment securities	9	–	274,531	–	274,531	8,075	282,606
Transactions with owners							
Dividends	24	–	–	(2,600,000)	(2,600,000)	–	(2,600,000)
Balance at January 31, 2023		52,000,000	66,347,012	72,685,256	191,032,268	5,130,337	196,162,605

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, 2023

(expressed in Eastern Caribbean dollars)

	Note	2023 \$	2022 \$
Cash flows from operating activities			
Profit before income tax from continuing operations		7,823,175	7,098,499
Items not affecting cash:			
Interest expense		7,086,804	6,947,564
Depreciation and amortisation		4,641,610	5,140,075
Impairment losses of loans to customers, net		859,911	21,263
Impairment losses of receivables		417,231	876,850
Losses/(gains) on disposals of property and equipment		218,994	(295,873)
Impairment losses/(recoveries) of investment securities		46,953	(94,901)
Loss on liquidation of a subsidiary		–	165,107
Dividend income		(237,144)	(342,974)
Share of income of associated companies		(751,471)	(777,125)
Interest income		(13,366,419)	(12,683,010)
Cash flows from operations before changes in operating assets and liabilities		6,739,644	6,055,475
Increase in loans to customers		(15,336,924)	(6,847,264)
Decrease/(increase) in receivables		409,350	(1,683,843)
(Increase)/decrease in reinsurance assets		(13,158,889)	535,365
Increase in due from related parties		(247,898)	(414,437)
Decrease/(increase) in inventories		3,057,910	(7,793,811)
(Increase)/decrease in prepayments and other assets		(2,686,990)	789,651
Increase in insurance liabilities		15,823,671	2,853,908
Increase in customers' deposits		3,301,913	5,411,300
(Decrease)/increase in accounts payable and other liabilities		(190,099)	948,271
(Decrease)/increase in due to related parties		(351,578)	377,892
Net cash (used in)/generated from operating activities before interest receipts and payments and tax		(2,639,890)	232,507
Interest received		10,841,547	9,739,767
Taxes paid	23	(3,875,935)	(2,300,733)
Interest paid		(5,219,405)	(4,777,408)
Net cash (used in)/from operating activities from continuing operations		(893,683)	2,894,133
Net cash (used in)/from operating activities from discontinued operations	15	(1,813,853)	44,311
Net cash (used in)/from operating activities		(2,707,536)	2,938,444

St. Kitts Nevis Anguilla Trading and Development Company Limited

Consolidated Statement of Cash Flows ...continued

For the year ended January 31, 2023

(expressed in Eastern Caribbean dollars)

	Note	2023 \$	2022 \$
Cash flows from investing activities			
Redemption/(purchase) of investment securities, net		3,895,744	(6,131,424)
Interest received		2,666,213	2,180,999
Dividends received		852,832	592,974
Proceeds from disposals of property and equipment		261,577	6,083,942
Purchase of intangible assets		(30,000)	(166,656)
Purchase of property, plant and equipment		(3,091,836)	(2,310,059)
Net cash from investing activities from continuing operations		4,554,530	249,776
Net cash from investing activities from discontinued operations	15	16,760,910	2,151,003
Net cash from investing activities		21,315,440	2,400,779
Cash flows from financing activities			
(Repayments of)/proceeds from borrowings, net		(11,028,703)	3,262,801
Dividends paid	24	(2,600,000)	(3,380,000)
Interest paid on borrowings		(1,824,035)	(1,927,074)
Repayments of lease liabilities, net		(131,020)	(124,651)
Interest paid on lease liabilities		(91,470)	(97,839)
Net cash used in financing activities from continuing operations		(15,675,228)	(2,266,763)
Net cash used in financing activities from discontinued operations		–	–
Net cash used in financing activities		(15,675,228)	(2,266,763)
Net increase in cash and cash equivalents		2,932,676	3,072,460
Cash and cash equivalents at beginning of year		25,758,783	22,686,323
Cash and cash equivalents at end of year		28,691,459	25,758,783
Represented by:			
Cash and cash equivalents	8	24,180,965	25,577,449
Cash under assets included in disposal group	15	4,510,494	181,334
Cash and cash equivalents at end of year		28,691,459	25,758,783

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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, real estate development and shipping services.

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.

3 New or revised standards or interpretations

New standards and amended standards effective for the financial year beginning February 1, 2022

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:

- Reference to the Conceptual Framework (Amendments to IFRS 3);
- COVID-19 – Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16);
- Property, Plant and Equipment: Proceeds Before Intended Use (Amendments to IAS 16);
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Annual Improvements (2018-2020 Cycle):
 - Subsidiary as a First-time Adopter (Amendments to IFRS 1);
 - Fees in the ‘10 per cent’ Test for Derecognition of Liabilities (Amendments to IFRS 9);
 - Lease Incentives (Amendments to IFRS 16); and
 - Taxation in Fair Value Measurements (Amendments to IAS 41).

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 2023.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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

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.

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 an option 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 but has not yet assessed the impact.

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.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases 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, 2023. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of January 31.

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

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

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

b) Investment in associates

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

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

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

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ...continued

b) Investment in associates ...continued

If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Impairment loss on investments' in the consolidated statement of income.

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

c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Group, using the exchange rates prevailing at the dates of the transactions. 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 three main operating segments: general trading and services, insurance and financing 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.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ...continued

e) Revenue recognition

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

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

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

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

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

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

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

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

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ...continued

e) Revenue recognition ...continued

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

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

Premium income

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

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

Interest income

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

Commission income

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

Dividend income

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

Rental income

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

Other income

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

f) Expenses

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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 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.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ...continued

I) 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.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ...continued

1) 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 the initial application of IFRS 9.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ...continued

1) 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 impairment methodology 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 scope include 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 and third categories.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ...continued

I) 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 expected credit loss approach in accounting for due from related parties, reinsurance assets and statutory deposits, 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).

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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 measurement

The Group's financial liabilities include borrowings, customer's deposits, insurance liabilities, accounts payable and other liabilities and due to related parties.

Financial liabilities are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

All related-interest charges are included within finance charges in the consolidated statement of income.

(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.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ...continued

n) Insurance contracts ...continued

Recognition and measurement

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

Short-term insurance contracts

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

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

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.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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 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, 2023 is \$16,841,571 (2022: \$17,668,152).

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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%
	\$	\$	\$
<i>Loans to customers</i>			
Impact of provision based on changes in the time to sell	3,472,763	3,478,706	3,484,564
Impact of provision based on changes in the fair value of underlying collateral	3,524,162	3,478,706	3,458,100
	-0.05%	Base case	+0.05%
	\$	\$	\$
Determination of loss rates			
<i>Loans to customers</i>	3,476,728	3,478,706	3,480,685
<i>Investment securities</i>	283,203	253,345	283,486

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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 +/- \$4,020 (2022: +/- 3,950).

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 of policy cash flows of life insurance consist 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.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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)	
		2023 \$	2022 \$
Increase in mortality	10%	(13,871)	(14,906)
Decrease in mortality	10%	14,865	15,740
Increase in lapse margin	15%	28,422	32,302
Increase in expenses	10%	12,020	10,547
Parallel decrease in valuation	1%	111,780	133,886

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.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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, 2023 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 \$1,890,564 lower/higher (2022: \$1,979,700), mainly as a result of higher/lower interest expense. If at January 31, 2023 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 \$112,167 higher/lower (2022: \$105,220), 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, 2023 had been 10% higher/lower with all other variables held constant, the change in equity securities would have been insignificant.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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:

Country	Type	Local/Foreign	Rating			PD	
			Caricris	Moody's	S&P	1 year	10 years
St. Kitts and Nevis	Sovereign	Foreign	BBB-	B3	B-	2.435%	
St. Kitts and Nevis	Sovereign	Local	BBB-	B3	B-	2.435%	
St. Kitts and Nevis	Corporate	Local	BBB-	B3	B-	3.163%	
St. Lucia	Sovereign	Local	BBB-	B3	B-	2.435%	
Anguilla	Sovereign	Local	BBB+	B3	B+		2.435%

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.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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 2023			Total \$
	Stage 1 \$	Stage 2 \$	Stage 3 \$	
Mortgage loans	53,501,262	1,698,541	4,347,406	59,547,209
Vehicle loans	30,662,556	1,553,319	436,451	32,652,326
Promotional loans	32,005,633	1,134,831	831,709	33,972,173
Personal loans	7,743,173	462,852	534,651	8,740,676
Gross carrying amount	123,912,624	4,849,543	6,150,217	134,912,384
Loss allowance	(797,628)	(208,998)	(2,472,080)	(3,478,706)
Net carrying amount	123,114,996	4,640,545	3,678,137	131,433,678

	ECL staging 2022			Total \$
	Stage 1 \$	Stage 2 \$	Stage 3 \$	
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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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:

	Note	2023 \$	2022 \$
Balance at beginning of year		2,842,378	3,418,306
Impairment charge during the year	29	954,805	35,651
Write-offs for the year		(318,477)	(611,579)
Balance at end of year		<u>3,478,706</u>	<u>2,842,378</u>

During the year, certain loans to customers previously written-off amounting to \$94,894 (2022: \$14,388) 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 \$3,469,898 as at January 31, 2023 (2022: \$2,683,726).

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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, 2023

	Gross exposure \$	Impairment allowance \$	Carrying amount \$	Fair value of collateral held \$
Credit-impaired assets				
Loans to customers				
Mortgage	4,347,406	(867,902)	3,479,504	8,312,650
Vehicle	534,651	(403,137)	131,514	67,118
Promotional	831,709	(821,390)	10,319	–
Personal	436,451	(379,651)	56,800	–
Total credit-impaired assets	6,150,217	(2,472,080)	3,678,137	8,379,768

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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, 2023

LTV distribution	Credit-impaired (Gross carrying amount)				
	Mortgage loans portfolio	Vehicle loans portfolio	Promotional loans portfolio	Personal loans portfolio	Total
	\$	\$	\$	\$	\$
Lower than 50%	1,044,336	–	–	–	1,044,336
50% to 60%	1,063,683	–	–	–	1,063,683
60% to 70%	238,522	–	–	–	238,522
70% to 80%	–	–	–	63,906	63,906
80% to 90%	–	–	–	–	–
90% to 100%	139,454	–	–	–	139,454
Higher than 100%	1,861,411	436,451	831,709	470,745	3,600,316
Total	4,347,406	436,451	831,709	534,651	6,150,217

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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.

St. Kitts Nevis Anguilla Trading and Development Company Limited
Notes to Consolidated Financial Statements
January 31, 2023

(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:

2023				
Loans to customers				
Changes in financial assets impacting expected credit losses by stage				
	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	
	ECL	ECL	ECL	Total
	\$	\$	\$	\$
Balance as at February 1, 2022	105,739,297	7,055,425	7,028,171	119,822,893
Transfers:				
Transfers from stage 1 to stage 2	(3,025,918)	2,533,987	–	(491,931)
Transfers from stage 1 to stage 3	(996,541)	–	795,388	(201,153)
Transfers from stage 2 to stage 1	1,987,639	(2,393,657)	–	(406,018)
Transfers from stage 2 to stage 3	–	(473,146)	431,537	(41,609)
Transfers from stage 3 to stage 1	1,056,899	–	(1,071,291)	(14,392)
New financial assets originated or purchased	45,455,186	772,502	69,787	46,297,475
Changes in PDs/LGDs/EADs	(10,901,967)	(195,782)	264,111	(10,833,638)
Financial assets derecognized during the year	(15,401,971)	(2,449,786)	(1,049,009)	(18,900,766)
Total net profit or loss charge during the year	18,173,327	(2,205,882)	(559,477)	15,407,968
Write-offs	–	–	(318,477)	(318,477)
Balance as at January 31, 2023	123,912,624	4,849,543	6,150,217	134,912,384

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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

	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)
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)
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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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, 2023

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Total \$
Loss allowance as at February 1, 2022	530,585	278,869	2,032,924	2,842,378
Transfers:				
Transfers from stage 1 to stage 2	(16,931)	79,214	–	62,283
Transfers from stage 1 to stage 3	(7,013)	–	619,810	612,797
Transfers from stage 2 to stage 1	12,145	(97,789)	–	(85,644)
Transfers from stage 2 to stage 3	–	(13,899)	367,737	353,838
Transfers from stage 3 to stage 1	961	–	(127,561)	(126,600)
New financial assets originated or purchased	408,210	55,802	69,787	533,799
Changes in loss rates/ LGDs/EADs	(14,514)	(11,204)	265,984	240,266
Financial assets derecognised during the year	(115,815)	(81,995)	(438,124)	(635,934)
Total net P&L charge during the year	267,043	(69,871)	757,633	954,805
Write-offs	–	–	(318,477)	(318,477)
Loss allowance as at January 31, 2023	797,628	208,998	2,472,080	3,478,706

St. Kitts Nevis Anguilla Trading and Development Company Limited
Notes to Consolidated Financial Statements
January 31, 2023

(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, 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)
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)
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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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, 2023 was \$318,477 (2022: \$611,759).

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, 2023 was \$139,906 (2022: \$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.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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, 2023

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-	0.5465	52,670,743	287,837
Fixed deposits	Stage 2	BBB+	B3	B+	0.7326	1,919,562	140,631
Corporate bonds	Stage 1	BBB-	B3	B-	0.7269	27,753,420	201,751
Treasury bills and bonds	Stage 1	BBB-	B3	B-	1.7518	10,958,932	191,975
						93,302,657	822,194

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-	0.8663	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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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, 2023

	Note	Parent company \$	Non- controlling interests \$	Total \$
Balance at beginning of year		726,084	49,157	775,241
Loss allowance for the year	29	58,823	(11,870)	46,953
Balance at end of year		784,907	37,287	822,194

January 31, 2022

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

St. Kitts Nevis Anguilla Trading and Development Company Limited
Notes to Consolidated Financial Statements
January 31, 2023

(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

Financial risk factors ...continued

b) Credit risk ...continued

Expected credit loss measurement ...continued

Receivables

	Stage 1 \$	ECL staging Stage 2 \$	Stage 3 \$	Total \$
January 31, 2023				
Expected credit loss rate	4.27%	6.18%	100%	
Gross carrying amount	15,921,573	1,705,911	9,564,516	27,192,000
Lifetime expected credit loss	680,537	105,376	9,564,516	10,350,429
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

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

	Note	2023 \$	2022 \$
Balance at beginning of year		10,475,325	9,612,418
Charge of allowance for the year	29	509,362	1,042,296
Recoveries	29	(92,131)	(165,446)
Written-off during the year		(532,077)	(13,943)
Other adjustments		(10,050)	–
Balance at end of year		10,350,429	10,475,325

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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 not 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:

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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, 2023				
Financial liabilities				
Borrowings	22,571,775	6,904,044	–	29,475,819
Customers' deposits	137,876,780	3,051,399	5,956,114	146,884,293
Insurance liabilities	38,854,738	–	–	38,854,738
Accounts payable and other liabilities	36,255,794	912,986	1,583,788	38,752,568
Due to related parties	30,314	–	–	30,314
Liabilities included in disposal group	782,497	–	–	782,497
Total financial liabilities	236,371,898	10,868,429	7,539,902	254,780,229
Financial assets held to managed liquidity risk	179,547,644	74,000,815	48,215,687	301,764,146
Net liquidity gap	(56,824,254)	63,132,386	40,675,785	46,983,917
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

6 Management of insurance and financial risks

a) Insurance risk

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

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

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

Type of risk	2023		2022	
	Gross \$	Net \$	Gross \$	Net \$
Motor	4,614,565	4,307,456	4,735,068	4,377,960
Property	15,864,905	630,814	879,390	395,297
	20,479,470	4,938,270	5,614,458	4,773,257
Add:				
Claims incurred but not reported	402,000	402,000	395,000	395,000
Unallocated loss adjustment expenses	316,000	316,000	356,000	356,000
	21,197,470	5,656,270	6,365,458	5,524,257

i) Property insurance

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

Frequency and severity of claims

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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	2023	2022
\$0 - \$200,000	77%	76%
\$200,001 - \$400,000	23%	19%
\$400,001 - \$800,000	0%	5%

The risk is concentrated in the first 2 categories.

Net individual life insurance benefit insured for life policies within the range of \$0 – \$200,000 per policy as at January 31, 2023 is 100% (2022: 100%).

Comparison of actual and expected claims of life insurance risk

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

Year	2023		2022	
	Actual claims \$	Expected claims \$	Actual claims \$	Expected claims \$
2009	–	113,000	–	113,000
2010	45,000	106,000	45,000	106,000
2011	93,000	103,000	93,000	103,000
2012	8,000	98,000	8,000	98,000
2013	–	93,000	–	93,000
2014	–	87,000	–	87,000
2015	–	82,000	–	82,000
2016	–	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	–	43,000	–	41,000
2023	90,000	41,000	–	–

St. Kitts Nevis Anguilla Trading and Development Company Limited
Notes to Consolidated Financial Statements
January 31, 2023

(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, 2023				
Net reserve	198	5,800	1,040,809	1,046,807
Fund balance	–	–	134,952	134,952
Supplementary benefits	39	–	–	39
Total liabilities, January 31, 2023	237	5,800	1,175,761	1,181,798
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

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.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements
January 31, 2023

(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

	Brought forward	2019	2020	2021	2022	2023	Total
	\$	\$	\$	\$	\$	\$	\$
Motor – gross							
Loss year							
- At end of reporting year	16,051,332	447,125	843,686	(8,116)	912,976	2,991,020	21,238,023
- One year later	(682,605)	–	–	–	160,740	–	(521,865)
- Two years later	152,075	–	–	9,406	–	–	161,481
- Three years later	(54,317)	–	(29,135)	–	–	–	(83,452)
- Four years later	(41,334)	73,003	–	–	–	–	31,669
- Five years and over	(485,986)	–	–	–	–	–	(485,986)
Current estimate of cumulative claims	14,939,165	520,128	814,551	1,290	1,073,716	2,991,020	20,339,870
Cumulative payments to date	(12,473,734)	(306,994)	(5,579)	(26,127)	(841,544)	(2,071,327)	(15,725,305)
Liability recognised in the statement of financial position	2,465,431	213,134	808,972	(24,837)	232,172	919,693	4,614,565
Motor – net							
- At end of reporting year	16,051,332	443,775	638,303	(58,116)	814,601	2,991,020	20,880,915
- One year later	(682,605)	–	–	–	210,740	–	(471,865)
- Two years later	152,075	–	–	9,406	–	–	161,481
- Three years later	(54,317)	–	(8,624)	–	–	–	(62,941)
- Four years later	(41,334)	76,353	–	–	–	–	35,019
- Five years and over	(509,848)	–	–	–	–	–	(509,848)
Current estimate of cumulative claims	14,915,303	520,128	629,679	(48,710)	1,025,341	2,991,020	20,032,761
Cumulative payments to date	(12,473,734)	(306,994)	(5,579)	(26,127)	(841,544)	(2,071,327)	(15,725,305)
Liability recognised in the statement of financial position	2,441,569	213,134	624,100	(74,837)	183,797	919,693	4,307,456

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements
January 31, 2023

(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

	Brought forward	2019	2020	2021	2022	2023	Total
	\$	\$	\$	\$	\$	\$	\$
Loss year							
- At end of reporting year	9,595,407	42,052	9,771	1,813	743,977	15,108,786	25,501,806
- One year later	1,580	–	–	–	(9,726)	–	(8,146)
- Two years later	(13,864)	–	–	(17,633)	–	–	(31,497)
- Three years later	(64,000)	–	(714)	–	–	–	(64,714)
- Four years later	(3,000)	29,735	–	–	–	–	26,735
- Five years later	(1,761,363)	–	–	–	–	–	(1,761,363)
Current estimate of cumulative claims	7,754,760	71,787	9,057	(15,820)	734,251	15,108,786	23,662,821
Cumulative payments to date	(7,688,439)	(84,885)	–	(15,256)	(9,336)	–	(7,797,916)
Liability recognised in the statement of financial position	66,321	(13,098)	9,057	(31,076)	724,915	15,108,786	15,864,905

Property – net

- At end of reporting year	7,825,407	42,052	9,771	1,813	283,977	358,788	8,521,808
- One year later	1,580	–	–	–	(9,726)	–	(8,146)
- Two years later	(13,864)	–	–	(17,633)	–	–	(31,497)
- Three years later	(64,000)	–	(714)	–	–	–	(64,714)
- Four years later	(3,000)	29,735	–	–	–	–	26,735
- Five years later	(15,456)	–	–	–	–	–	(15,456)
Current estimate of cumulative claims	7,730,667	71,787	9,057	(15,820)	274,251	358,788	8,428,730
Cumulative payments to date	(7,688,439)	(84,885)	–	(15,256)	(9,336)	–	(7,797,916)
Liability recognised in the statement of financial position	42,228	(13,098)	9,057	(31,076)	264,915	358,788	630,814

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements
January 31, 2023

(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	
	2023	2022	2023	2022
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	24,180,965	25,577,449	24,180,965	25,577,449
Investment securities	99,376,017	96,540,650	99,376,017	96,540,650
Loans to customers	131,433,678	116,980,515	131,433,678	116,980,515
Receivables	16,841,571	17,668,152	16,841,571	17,668,152
Reinsurance assets	16,979,973	3,771,541	16,979,973	3,771,541
Statutory deposits	2,911,449	2,882,148	2,911,449	2,882,148
Due from related parties	1,954,220	1,706,322	1,954,220	1,706,322
	293,677,873	265,126,777	293,677,873	265,126,777
Financial liabilities				
Borrowings	28,698,716	39,727,419	28,698,716	39,727,419
Customers' deposits	144,706,113	141,452,306	144,706,113	141,452,306
Insurance liabilities	29,632,623	14,679,102	29,632,623	14,679,102
Accounts payable and other liabilities	39,721,708	40,241,656	39,721,708	40,241,656
Due to related parties	30,314	381,892	30,314	381,892
	242,789,474	236,482,375	242,789,474	236,482,375

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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.

	Note	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets 2023					
Financial assets at FVOCI	9	20,628	3,983,472	2,891,454	6,895,554
Financial assets 2022					
Financial assets at FVOCI	9	20,628	3,927,227	2,665,094	6,612,949

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, 2023	–	–	81,753,250	81,753,250
Land and buildings – January 31, 2022	–	–	82,543,859	82,543,859

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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, 2023, the Group's net debt amounted to \$4,517,751 (2022: \$14,149,970), while its equity amounted to \$196,162,605 (2022: \$193,860,072).

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 intercompany balance elimination in the amount of \$4,395,937 (2022: \$4,366,641) in the form of term deposits and bonds are currently held by the insurance subsidiary to satisfy the above requirement.

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

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

St. Kitts Nevis Anguilla Trading and Development Company Limited
 Notes to Consolidated Financial Statements
January 31, 2023

(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risks ...continued

d) Capital risk management ...continued

	2023	2022
	\$	\$
<i>General insurance business</i>		
20% of net premium income of the preceding year (2023: \$9,183,607; 2022: \$7,504,680)	1,836,721	1,500,936
<i>Long-term insurance business</i>		
5% of life policyholders' benefits of the current year (2023: \$1,181,798; 2022: \$1,381,337)	59,090	69,067
	1,895,811	1,570,003

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

	2023	2022
	\$	\$
Total assets	82,777,352	65,559,945
Total liabilities	(34,322,281)	(18,944,835)
Margin of solvency	48,455,071	46,615,110
Required minimum margin of solvency	(1,895,811)	(1,570,003)
Margin of solvency in excess of requirement	46,559,260	45,045,107

The margin of solvency was met and exceeded by the insurance subsidiary in 2023 and 2022.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(expressed in Eastern Caribbean dollars)

6 Management of insurance and financial risks ...continued

d) Capital risk management ...continued

In accordance with Section 3 of the Insurance Act of 2014 (the “Act”), the reinsurance subsidiary is required to have a minimum share capital of \$540,000 fully paid up in cash. Further, Section 8 of the Act requires the reinsurance subsidiary to deposit an amount at least equal to the total of its unearned premium reserves and outstanding claims reserves at a domestic bank in Anguilla. As at January 31, 2023, unearned premiums and outstanding claims amounted to \$2,726,207 (2022: \$2,552,511) and \$17,802,209 (2022: \$2,900,341), respectively. Term deposits held at domestic banks in Anguilla amounted to \$1,919,562 as at January 31, 2023 (2022: \$2,285,193) and demand deposits of \$6,686,048 (2022: \$6,195,948) to satisfy the above requirement.

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 Company does not exceed US\$5,000,000, 20% of Net Retained Annual Premium.

	2023 \$	2022 \$
<i>General insurance business</i>		
20% of net premium income (2023: \$1,775,971; 2022: \$2,113,142)	<u>355,194</u>	<u>422,628</u>

Compliance with minimum margin of solvency is determined as follows:

	2023 \$	2022 \$
Total assets	48,674,752	31,007,233
Total liabilities	<u>(26,541,994)</u>	<u>(9,592,366)</u>
Margin of solvency	22,132,758	21,414,867
Required minimum margin of solvency	<u>(540,000)</u>	<u>(540,000)</u>
Margin of solvency in excess of requirement	<u>21,592,758</u>	<u>20,874,867</u>

The margin of solvency was met and exceeded by the reinsurance subsidiary in 2023 and 2022.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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.

	2023	2022
	\$	\$
Tier 1 capital		
Share capital	12,000,000	12,000,000
Statutory reserve	8,355,337	7,815,572
Other reserves	2,096,705	886,817
Retained earnings	18,591,276	17,607,723
Total qualifying Tier 1 capital	41,043,318	38,310,112
Tier 2 capital		
Accumulated impairment allowance	3,478,706	3,133,676
Total regulatory capital	44,522,024	41,443,788

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 segment operating results.

Operating segments are combined below under the "Other" segment. These are rentals and hire purchase, airline agents, real estate development and shipping services.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements
January 31, 2023

(expressed in Eastern Caribbean dollars)

7 Segment reporting ...continued

Segment information for the reporting period is as follows:

2023	General trading \$	Insurance \$	Financing \$	Other \$	Eliminations \$	Total \$
Revenue						
From external customers:						
Revenue	113,058,385	—	—	7,346,417	—	120,404,802
Net interest income	891,155	1,428,205	6,283,826	31,270	—	8,634,456
Net underwriting income	—	5,454,992	—	—	—	5,454,992
Other income	7,162,940	2,426,797	719,974	649,765	(1,638,699)	9,320,777
From other segments	14,024,282	1,473,766	62,957	74,391	(15,635,396)	—
Cost of sales	135,136,762	10,783,760	7,066,757	8,101,843	(17,274,095)	143,815,027
	(96,776,221)	—	—	(2,851,016)	11,182,629	(88,444,608)
Gross profit	38,360,541	10,783,760	7,066,757	5,250,827	(6,091,466)	55,370,419
Employee costs	(17,877,159)	(2,092,734)	(1,393,408)	(1,999,830)	6,295	(23,356,836)
General and administrative expenses	(13,352,119)	(3,226,767)	(2,090,213)	(2,814,912)	3,958,035	(17,525,976)
Depreciation and amortisation	(4,498,985)	(517,836)	(198,055)	(603,193)	1,581,559	(4,236,510)
Finance charges, net	(3,580,252)	71,401	2,128	216,933	110,397	(3,179,393)
Share of income on associated companies	—	—	—	—	751,471	751,471
	(39,308,515)	(5,765,936)	(3,679,548)	(5,201,002)	6,407,757	(47,547,244)
Segment profit/(loss) before income tax	(947,974)	5,017,824	3,387,209	49,825	316,291	7,823,175
Segment assets	201,233,795	129,762,985	193,957,565	36,544,749	(102,721,526)	458,777,568
Segment liabilities	98,834,044	59,175,155	152,914,247	20,001,918	(68,310,401)	262,614,963

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements
January 31, 2023

(expressed in Eastern Caribbean dollars)

7 Segment reporting ...continued

2022	General trading \$	Insurance \$	Financing \$	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
	(90,928,704)	–	–	(1,869,073)	11,852,126	(80,945,651)
Cost of sales	37,210,389	11,203,021	6,323,305	3,369,016	(7,056,032)	51,049,699
Gross profit	(17,167,451)	(1,934,498)	(1,096,297)	(1,341,962)	6,051	(21,534,157)
Employee costs	(12,271,810)	(2,763,839)	(1,210,087)	(2,368,840)	3,475,925	(15,138,651)
General and administrative expenses	(4,770,511)	(599,575)	(201,943)	(755,064)	1,620,785	(4,706,308)
Depreciation and amortisation	(165,107)	–	–	–	–	(165,107)
Loss on disposal of a subsidiary	(3,877,253)	27,182	47,841	211,649	406,479	(3,184,102)
Finance charges, net	–	–	–	–	777,125	777,125
Share of income on associated companies	(38,252,132)	(5,270,730)	(2,460,486)	(4,254,217)	6,286,365	(43,951,200)
	(1,041,743)	5,932,291	3,862,819	(885,201)	(769,667)	7,098,499
Segment profit/(loss) before income tax	204,882,441	96,567,178	188,447,443	48,688,032	(88,744,340)	449,840,754
Segment assets	111,119,483	28,549,072	150,137,331	31,283,076	(65,108,280)	255,980,682
Segment liabilities						

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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

	2023 \$	2022 \$
Cash at banks	15,961,421	18,237,894
Treasury bills and term-deposits	7,026,424	7,300,220
Undeposited funds	1,152,035	–
Cash on hand	41,085	39,335
	<u>24,180,965</u>	<u>25,577,449</u>

Cash at banks is held with several local commercial banks in non-interest-bearing current 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. The interest rate on treasury bills is 4.0% per annum (2022: 4%) while the interest rate on short-term deposits is 1% per annum (2022: 1%).

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(expressed in Eastern Caribbean dollars)

9 Investment securities

	2023 \$	2022 \$
Financial assets at FVOCI		
Quoted securities	4,004,100	3,947,855
Unquoted securities	2,891,454	2,665,094
	<u>6,895,554</u>	<u>6,612,949</u>
Amortised cost		
Fixed deposits	53,784,248	57,878,209
Corporate bonds	27,550,000	27,550,000
Government treasury bills and bonds	10,945,142	10,746,924
	<u>92,279,390</u>	<u>96,175,133</u>
Interest receivable	1,023,267	1,140,758
	<u>93,302,657</u>	<u>97,315,891</u>
Allowance for impairment	(822,194)	(775,241)
	<u>92,480,463</u>	<u>96,540,650</u>
	<u>99,376,017</u>	<u>103,153,599</u>
Current	88,503,354	94,159,163
Non-current	10,872,663	8,994,436
	<u>99,376,017</u>	<u>103,153,599</u>

The movement in investment securities may be summarised as follows:

	Note	Amortised cost \$	Financial assets at FVOCI \$	Total \$
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	29	94,901	–	94,901
		<u>96,540,650</u>	<u>6,612,949</u>	<u>103,153,599</u>
Balance at January 31, 2022		96,540,650	6,612,949	103,153,599
Additions		18,233,178	–	18,233,178
Redemptions		(22,128,921)	–	(22,128,921)
Movement in interest receivable		(117,491)	–	(117,491)
Fair value gains		–	282,605	282,605
Impairment loss	29	(46,953)	–	(46,953)
		<u>92,480,463</u>	<u>6,895,554</u>	<u>99,376,017</u>
Balance at January 31, 2023		92,480,463	6,895,554	99,376,017

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(expressed in Eastern Caribbean dollars)

9 Investment securities ...continued

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

	Note	2023 \$	2022 \$
Parent company	25	242,231	(62,505)
Non-controlling interests		40,375	(19,612)
		<u>282,606</u>	<u>(82,117)</u>

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

Fixed deposits

Fixed deposits consist of one to two years term deposits at local and regional financial institutions bearing interest at rates ranging from 1.0% to 3.5% per annum (2022: 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 2023, the Group received payments totalling \$415,213 including interest amounting to \$42,890 (2022: \$50,191)

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.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(expressed in Eastern Caribbean dollars)

9 Investment securities ...continued

As at January 31, 2023, the Group held an outstanding principal of \$1,916,368 (2022: \$2,281,391) and interest receivable of \$3,194 (2022: \$3,802).

Corporate bonds

Corporate bonds are held with Eastern Caribbean Home Mortgage Bank for a period of twelve months at an interest rate of 2.5% per annum (2022: 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. The interest rates on treasury bills range from 4% to 4.5% per annum (2022: 4% to 4.5%) while the interest rates on bonds is 2.5% per annum (2022: 2.5%).

10 Loans to customers

	2023	2022
	\$	\$
Performing	123,530,162	105,282,884
Under performing	4,801,741	6,978,496
Non-performing	5,297,862	6,255,044
Interest receivable	1,282,619	1,306,469
	<hr/>	<hr/>
Gross loans	134,912,384	119,822,893
Allowance for loan impairment	(3,478,706)	(2,842,378)
	<hr/>	<hr/>
Total loans to customers	131,433,678	116,980,515
	<hr/>	<hr/>
Current	23,533,531	22,920,483
Non-current	107,900,147	94,060,032
	<hr/>	<hr/>
	131,433,678	116,980,515

The weighted average effective interest rate on performing and under performing loans and advances at amortised cost at January 31, 2023 was 7.61% (2022: 7.65%).

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 \$4,574,985 (2022: \$2,368,927). 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, 2023, the loan loss provision calculated under IFRS was lower than the ECCB provision. Therefore, a specific reserve through equity was required at the reporting date (see note 25).

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(expressed in Eastern Caribbean dollars)

10 Loans to customers ...continued

Non-performing loans as at January 31, 2023 amounted to \$5,297,862 (2022: \$6,255,044) and interest taken to income on credit-impaired loans during the year resulted in a derecognition of \$79,227 (2022: \$141,462). The interest receivable on loans that would not be recognised under ECCB guidelines as at January 31, 2023 amounted to \$852,354 (2022: \$773,127), 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 \$2,751,218 (2022: \$2,193,451).

11 Receivables

	2023 \$	2022 \$
Accounts receivable	18,120,496	17,807,249
Finance lease receivables	5,694,563	6,528,400
Loan receivable	2,275,799	2,391,210
Other receivables	1,101,142	1,416,618
	<u>27,192,000</u>	<u>28,143,477</u>
Less: provision for impairment	(10,350,429)	(10,475,325)
	16,841,571	17,668,152
Less: non-current portion of receivables	(5,020,023)	(5,620,305)
Current portion of receivables	<u>11,821,548</u>	<u>12,047,847</u>

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).

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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:

	2023		2022	
	Future MLPR \$	PV of NMLPR \$	Future MLPR \$	PV of NMLPR \$
Within one year	4,831,530	3,325,885	5,911,980	4,068,232
After one year but not more than five years	3,129,230	2,152,381	3,164,653	2,176,747
More than five years	314,462	216,297	412,050	283,421
Total MLPR	8,275,222	5,694,563	9,488,683	6,528,400
Amounts representing finance income	(2,580,659)	–	(2,960,283)	–
PV of MLPR	5,694,563	5,694,563	6,528,400	6,528,400

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, 2023, the provision for impairment of finance lease receivables included a provision for uncollectible minimum lease payment receivables amounting to \$1,888,368 (2022: \$2,036,145).

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, 2023, the amounts disbursed amounted to US\$851,534 or EC\$2,299,142 (2022: US\$865,906 or EC\$2,337,948).

The interest income recognised for the year amounted to US\$39,189 or EC\$105,811 (2022: US\$ 32,347 or EC\$ 105,844) is shown as part of interest income in the consolidated statement of income.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(expressed in Eastern Caribbean dollars)

11 Receivables ...continued

Loan receivable ...continued

The loan receivable balance including accrued interest as at January 31, 2023 from SCASPA amounted to US\$842,889 or EC\$2,275,799 (2022: US\$885,634 or EC\$2,391,210) is shown as part of loan receivables under receivables account.

12 Inventories

	2023 \$	2022 \$
General trading stock on hand	25,571,303	27,785,330
Land held for future development	11,647,503	11,647,503
Dewar properties – land	2,752,165	2,758,493
Sunrise Hills Villas – land	2,658,607	2,658,607
Work-in-progress	803,756	1,493,059
Real estate units available for sale	784,596	784,596
Stock in transit	552,947	701,199
	44,770,877	47,828,787

13 Prepayments and other current assets

	2023 \$	2022 \$
Prepayments	4,728,805	2,075,236
Statutory deposits	2,911,449	2,882,148
Right of return assets	186,708	193,621
Other assets	11,033	–
	7,837,995	5,151,005

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, 2023 and 2022, statutory deposits were held in the form of term deposits with local commercial banks, with original terms to maturity of one year, bearing interest at a rate of 1% per annum (2022: 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.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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:

	2023	2022
	\$	\$
Due from related parties		
Associated companies	<u>1,954,220</u>	1,706,322

	2023	2022
	\$	\$
Due to related parties		
Associated companies	<u>30,314</u>	381,892

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

	2023	2022
	\$	\$
Revenues		
Sale of goods	<u>6,394,238</u>	7,521,630
Management fees	<u>48,000</u>	49,000

Expenses		
Reinsurance premium expense	<u>2,987,857</u>	2,659,981
Expenses	<u>2,329,063</u>	3,016,521

Shares owned by Group directors

	2023	2022
	\$	\$
4,501,097 shares at \$1 per share (2022: 4,493,097 shares at \$1 per share)	<u>4,501,097</u>	4,493,097

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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.

	2023 \$	2022 \$
Loans to directors	<u>667,316</u>	<u>1,036,766</u>
Deposits from directors	<u>2,882,956</u>	<u>1,548,859</u>

Advances from directors are repayable on demand and bear interest ranging from 3% to 4% per annum (2022: 3% to 4%) and are included in accounts payable and other liabilities on the consolidated statement of financial position.

	2023 \$	2023 \$
Advances from directors	<u>1,068,885</u>	<u>1,223,732</u>

Key management compensation

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

	2023 \$	2022 \$
Salaries	1,831,311	1,650,105
Directors' fees	603,200	536,500
Gratuity	375,285	341,702
Social security	110,368	112,209
Allowances	170,537	104,370
Pension	127,628	101,058
	<u>3,218,329</u>	<u>2,845,944</u>

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements
January 31, 2023

(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	
			2023	2022
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 (permanently ceased its commercial operations since March 2020)	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 (permanently ceased its commercial operations since December 2016)	51.67%	51.67%
TDC Financial Services Company Limited	St. Kitts	accepting deposits from customers, providing loans to customers and investing in debt and equity securities	100%	100%
TDC Insurance Company Limited	St. Kitts	the business of underwriting all classes of general insurance	100%	100%
TDC Airline Services Limited	St. Kitts	airline, shipping, chartering and travel agents	100%	100%

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements
January 31, 2023

(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	2023	2022
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 (permanently ceased its commercial operations since March 2020)	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%
East Caribbean Reinsurance Company Limited	Anguilla	the business of reinsurance for all classes of general insurance	80%	80%

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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:

	2023	2022
	\$	\$
Current assets		
Cash	4,510,494	181,334
Receivables	6,841	43,879
Prepayments	8,337	18,894
Income tax recoverable	–	11,945
Current assets included in disposal group	4,525,672	256,052
Assets held for sale included in disposal group	947,900	–
Non-current assets		
Property and equipment	–	16,294,930
Total assets included in disposal group	5,473,572	16,550,982
Current liabilities		
Accounts payable and other liabilities	734,944	572,647
Income tax payable	47,553	26,184
Liabilities included in disposal group	782,497	598,831

St. Kitts Nevis Anguilla Trading and Development Company Limited
Notes to Consolidated Financial Statements
January 31, 2023

(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:

	2023	2022
	\$	\$
Revenue	–	–
Cost of sales	–	–
Gross loss	–	–
Other income	1,613,167	1,763,960
Employee costs	(116,498)	(131,146)
General and administrative expenses	(2,203,331)	(710,315)
Impairment recovery on property and equipment	133,000	–
Write-off of non-recoverable assets	(7,718)	–
Finance charges	(2,301)	(3,523)
(Loss)/profit before tax	(583,681)	918,976
Income tax expense	(59,498)	(30,622)
Net (loss) income for the year	(643,179)	888,354

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

	2023	2022
	\$	\$
Cash flows (used in)/from operating activities	(1,813,853)	44,311
Cash flows from investing activities	16,760,910	2,151,003

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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	
		2023	2022	2023	2022
		%	%	\$	\$
St. Kitts Masonry Products Limited	St. Kitts	50%	50%	9,345,399	9,388,376
Malliouhana-Anico Insurance Company Limited	Anguilla	25%	25%	3,401,724	3,181,443
Port Services Limited	St. Kitts	33%	33%	94,452	135,973
				12,841,575	12,705,792

Movements in the investment in associates account are as follows:

	Note	2023 \$	2022 \$
Balance at beginning of year		12,705,792	11,548,151
Share of income/(loss) of associated companies			
Profit or loss		751,471	777,125
Other comprehensive income – FVOCI financial assets	25		(3,750)
Other comprehensive income – Revaluation reserve – property	25	–	634,266
Dividends received		(615,688)	(250,000)
Balance at end of year		12,841,575	12,705,792

St. Kitts Masonry Products Limited

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

Other associated companies

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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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, 2023

	St. Kitts Masonry Products Limited \$	Other Associated companies \$
Current assets	6,280,435	12,921,053
Non-current assets	15,851,665	14,834,847
Current liabilities	(3,544,166)	(5,156,034)
Non-current liabilities	–	(4,924,988)
Net assets	18,587,934	17,674,878
Revenue	10,929,834	5,003,537
Costs and expenses	(10,083,581)	(3,984,237)
Net income	846,253	1,019,300

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

During the year, dividends received from St. Kitts Masonry Products Limited and Malliouhana-Anico Insurance Company Limited amounted to \$550,00 and \$65,688, respectively (2022: \$250,000 and \$nil).

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements
January 31, 2023

(expressed in Eastern Caribbean dollars)

17 Property, plant and equipment

Note	Land and buildings	Furniture and fittings	Plant and machinery	Containers	Motor vehicles	Computers and equipment	Right-of-use assets	Total
	\$	\$	\$	\$	\$	\$	\$	\$
At January 31, 2021								
Cost or valuation	90,452,862	4,476,658	15,360,509	676,686	14,782,435	8,393,246	2,263,297	136,405,693
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
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	(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

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(expressed in Eastern Caribbean dollars)

17 Property, plant and equipment ...continued

	Note	Land and buildings	Furniture and fittings	Plant and machinery	Containers	Motor vehicles	Computers and equipment	Right-of-use assets	Total
		\$	\$	\$	\$	\$	\$	\$	\$
Year ended January 31, 2023									
Opening 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
Additions		1,129,406	99,387	460,289	—	988,399	414,355	—	3,091,836
Disposals		(596,194)	(5,561)	(3,334)	(6,027)	(220,375)	(7,553)	—	(839,044)
Writeback on disposals		126,983	3,574	1,074	4,499	217,559	4,784	—	358,473
Depreciation charge	30	(1,450,804)	(215,220)	(867,037)	(26,897)	(1,195,574)	(562,183)	(157,299)	(4,475,014)
Closing net book amount		81,753,250	1,001,612	2,968,029	104,124	3,806,717	1,016,954	1,628,001	92,278,687
At January 31, 2023									
Cost or valuation		86,027,672	4,603,891	16,223,185	579,357	15,046,143	8,071,259	2,263,297	132,814,804
Accumulated depreciation		(4,274,422)	(3,602,279)	(13,255,156)	(475,233)	(11,239,426)	(7,054,305)	(635,296)	(40,536,117)
Net book amount		81,753,250	1,001,612	2,968,029	104,124	3,806,717	1,016,954	1,628,001	92,278,687

St. Kitts Nevis Anguilla Trading and Development Company Limited
Notes to Consolidated Financial Statements
January 31, 2023

(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:

	2023	2022
	\$	\$
Proceeds from disposals of property and equipment	261,587	6,083,942
Carrying amount of property and equipment	(480,581)	(5,788,069)
	(218,994)	295,873

(Loss)/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, 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
At January 31, 2023			
Opening net book value	18,342,054	49,415,834	67,757,888
Additions	–	1,129,406	1,129,406
Disposal	–	(316,970)	(316,970)
Depreciation	–	(985,126)	(985,126)
Closing net book value	18,342,054	49,243,144	67,585,198

St. Kitts Nevis Anguilla Trading and Development Company Limited
 Notes to Consolidated Financial Statements
January 31, 2023

(expressed in Eastern Caribbean dollars)

18 Intangible assets

	Note	Computer software \$
At January 31, 2021		
Cost		2,342,929
Accumulated amortisation		<u>(1,963,577)</u>
Net book amount		<u>379,352</u>
Year ended January 31, 2022		
Opening net book amount		379,352
Additions		166,656
Amortisation	30	<u>(312,272)</u>
Closing net book amount		<u>233,736</u>
At January 31, 2022		
Cost		2,509,585
Accumulated amortisation		<u>(2,275,849)</u>
Net book amount		<u>233,736</u>
Year ended January 31, 2023		
Opening net book amount		233,736
Additions		30,000
Amortisation	30	<u>(166,596)</u>
Closing net book amount		<u>97,140</u>
At January 31, 2023		
Cost		2,539,585
Accumulated amortisation		<u>(2,442,445)</u>
Net book amount		<u>97,140</u>

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(expressed in Eastern Caribbean dollars)

19 Borrowings

	2023 \$	2022 \$
Bank term loans	15,148,033	16,878,910
Bank overdrafts	13,550,683	16,895,319
Other	–	5,953,190
Total borrowings	28,698,716	39,727,419
Current	28,698,716	35,110,856
Non-current	–	4,616,563
	28,698,716	39,727,419

Bank overdrafts carry interest rates varying from 4.5% to 6% (2022: 4.5% to 6%).

Bank term loans carry interest rate of 5% (2022: 5%) and are repayable in regular instalments of principal and interest, maturing at various intervals from one to fourteen years through 2024 to 2029 (2022: through 2023 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.

During the year, the Group paid the outstanding balance of \$5,953,190, including interest of \$261,337.

Collateral security for indebtedness

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

St. Kitts Nevis Anguilla Trading and Development Company Limited
Notes to Consolidated Financial Statements
January 31, 2023

(expressed in Eastern Caribbean dollars)

20 Insurance liabilities

	2023 \$	2022 \$
Claims reported and outstanding		
Insurance	20,479,470	5,614,457
Reinsurance	1,363,092	2,900,341
Unearned premiums	9,222,115	8,351,965
Life policyholders' benefits	1,181,798	1,381,337
Due to reinsurers	5,826,263	3,967,967
Claims incurred but not reported	402,000	395,000
Unallocated loss adjustment expenses		
Insurance	316,000	356,000
Reinsurance	64,000	64,000
Total insurance liabilities (gross)	38,854,738	23,031,067
Reinsurance assets		
Claims reported and outstanding		
Insurance	791,200	841,200
Reinsurance	16,188,773	2,930,341
Unearned reinsurance premiums	3,818,004	3,867,547
Total reinsurance assets (gross)	20,797,977	7,639,088
Claims reported and outstanding		
Insurance	19,688,270	4,773,257
Reinsurance	(14,825,681)	(30,000)
Unearned premiums	5,404,111	4,484,418
Life policyholders' benefits	1,181,798	1,381,337
Due to reinsurers	5,826,263	3,967,967
Claims incurred but not reported	402,000	395,000
Unallocated loss adjustment expenses		
Insurance	316,000	356,000
Reinsurance	64,000	64,000
Total insurance liabilities (net)	18,056,761	15,391,979

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

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

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

St. Kitts Nevis Anguilla Trading and Development Company Limited
Notes to Consolidated Financial Statements
January 31, 2023

(expressed in Eastern Caribbean dollars)

20 Insurance liabilities ...continued

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

	2023 \$	2022 \$
Life policyholders' benefits		
Balance at beginning of year	1,381,337	1,422,224
Inforce reserve change (deaths, lapses and actives)	(239,763)	(40,927)
Change of assumption impact		
Interest	13,641	2,411
Expense	26,583	(2,371)
Total life policyholders' benefits (net)	1,181,798	1,381,337

21 Customers' deposits

	2023 \$	2022 \$
Fixed deposits	128,958,713	127,189,788
Savings deposits	13,834,080	12,301,092
	142,792,793	139,490,880
Interest payable	1,913,320	1,961,426
Total customers' deposits	144,706,113	141,452,306
Current	137,876,780	135,381,615
Non-current	6,829,333	6,070,691
	144,706,113	141,452,306

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 \$4,731,963 (2022: \$4,610,811). The average effective rate of interest paid on customers' deposits was 3.27% (2022: 3.37%).

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(expressed in Eastern Caribbean dollars)

22 Accounts payable and other liabilities

	2023	2022
	\$	\$
Credit accounts	17,564,910	16,790,227
Accounts payable	10,444,996	10,097,374
Accrued expenses	6,957,788	6,823,117
Advance deposits	1,973,959	2,657,365
Lease liabilities	1,754,866	1,885,883
Dividend payable	1,721,512	1,723,966
Other liabilities	1,277,636	1,649,420
Contract liabilities	882,235	1,271,669
Total accounts payable and other liabilities	42,577,902	42,899,021
Current	40,644,364	40,921,104
Non-current	1,933,538	1,977,917
	42,577,902	42,899,021

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 (2022: 3% to 4% per annum).

Leases

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

	2023	2022
	\$	\$
Current	137,716	131,020
Non-current	1,617,150	1,754,863
	1,754,866	1,885,883

The Group has leases for the office buildings and land and these 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. The 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 contracts.

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(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, 2023

Right-of-use asset	No. of right-of-use assets 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	6 years	6 years	–	–	–	–
Land	2	28 years	28 years	–	–	–	–

January 31, 2022

Right-of-use asset	No. of right-of-use assets 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	–	–	–	–

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

January 31, 2023

	Within 1 year \$	1 – 5 years \$	More than 5 years \$	Total \$
Lease payments	222,490	912,986	1,583,788	2,719,264
Finance charges	(84,774)	(267,653)	(611,971)	(964,398)
Net present values	137,716	645,333	971,817	1,754,866

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(expressed in Eastern Caribbean dollars)

22 Accounts payable and other liabilities ...continued

Leases ...continued

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

The Group did not enter into any short-term lease arrangements during the year and there were no other commitments as at January 31, 2023.

As at January 31, 2023, 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, 2023 were \$131,020 and \$91,470, respectively (2022: \$124,651 and \$97,839).

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:

	2023 \$	2022 \$
Customer loyalty programme	365,154	707,245
Refund liability	281,200	311,559
Maintenance services	338,438	252,865
	984,792	1,271,669

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.

St. Kitts Nevis Anguilla Trading and Development Company Limited
Notes to Consolidated Financial Statements
January 31, 2023

(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, 2023

	Customer loyalty programme \$	Refund liability \$	Maintenance services \$	Total \$
Balance at beginning of year	707,245	311,559	252,865	1,271,669
Revenue recognised that was included in contract liabilities at beginning of year	(707,245)	(311,559)	(252,865)	(1,271,669)
Increase due to cash received excluding amount recognised as revenue during the year	365,154	281,200	338,438	984,792
Balance at end of year	365,154	281,200	338,438	984,792

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

St. Kitts Nevis Anguilla Trading and Development Company Limited
Notes to Consolidated Financial Statements
January 31, 2023

(expressed in Eastern Caribbean dollars)

23 Taxation

	2023 \$	2022 \$
Income tax expense		
Profit before income tax from continuing operations	7,823,176	7,098,499
Income tax expense at 33%	2,581,648	2,342,505
Effect of permanent differences	1,924,540	2,827,805
Over provision in prior year	(9,655)	(342,297)
Effect of change in lower tax rate	(609,659)	(324,146)
Effect of income not assessable for taxation	(1,326,805)	(1,298,127)
	2,560,069	3,205,740
	2023 \$	2022 \$
Current tax expense for the year	2,453,349	2,957,204
Net deferred tax expense for the year	106,720	248,536
Total income tax expense for the year	2,560,069	3,205,740

On March 24, 2020, the Government of St. Kitts and Nevis 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 December 2023. Corporate income tax rate was reduced from 33% to 25% for the forty-five-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

The deferred tax expense recognised under deferred tax assets and deferred tax liabilities accounts is shown below.

	2023 \$	2022 \$
Decrease/(increase) in deferred tax assets	108,704	(141,837)
(Decrease)/increase in deferred tax liabilities	(1,984)	390,373
	106,720	248,536

St. Kitts Nevis Anguilla Trading and Development Company Limited
Notes to Consolidated Financial Statements
January 31, 2023

(expressed in Eastern Caribbean dollars)

23 Taxation ...continued

Deferred tax expense ...continued

The details of deferred tax expense are as follows:

	2023 \$	2022 \$
<i>Continuing operations</i>		
Deferred tax on depreciation of property, plant and equipment	422,812	(102,552)
Deferred tax on capital allowances	(349,918)	351,088
Deferred tax are utilised of tax losses	33,826	–
Total deferred tax expense on continuing operations	106,720	248,536
Deferred tax on unutilised capital allowances attributable to a liquidated subsidiary	–	2,713
	106,720	251,249

Deferred tax (assets)/liabilities, net

The deferred tax (assets)/liabilities, net is analysed as follows:

	2023 \$	2022 \$
Depreciation of property, plant and equipment	3,801,329	3,378,517
Unutilised capital allowances	2,038,963	2,388,881
Unutilised tax losses	–	(33,826)
	5,840,292	5,733,572

Deferred tax (assets)/liabilities, gross

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

	2023 \$	2022 \$
Deferred tax assets	(424,737)	(442,597)
Deferred tax liabilities	6,265,029	6,176,169
	5,840,292	5,733,572

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(expressed in Eastern Caribbean dollars)

23 Taxation ...continued

Deferred tax asset, gross

The movement in the deferred tax assets is as follows:

	2023	2022
	\$	\$
Balance at beginning of year	(442,597)	(303,473)
Deferred tax credit for the year	108,704	(141,837)
Deferred tax on unutilised capital allowances attributable to a liquidated subsidiary	–	2,713
Reclassified from deferred tax liabilities	(90,844)	–
Balance at end of year	<u>(424,737)</u>	<u>(442,597)</u>

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:

	2023	2022
	\$	\$
Balance at beginning of year	6,176,169	5,785,796
Deferred tax (credit)/expense for the year	(1,984)	390,373
Reclassified to deferred tax assets	90,844	–
Balance at end of year	<u>6,265,029</u>	<u>6,176,169</u>

The deferred tax liabilities arise from accelerated depreciation.

St. Kitts Nevis Anguilla Trading and Development Company Limited
Notes to Consolidated Financial Statements
January 31, 2023

(expressed in Eastern Caribbean dollars)

23 Taxation ...continued

Income tax payable

The movement in the income tax payable is as follows:

	2023	2022
	\$	\$
Balance beginning of year	1,713,977	1,139,265
Current tax expense for the year	2,462,169	3,127,316
Transferred to income tax recoverable	390,665	4,382
Current tax expense of a liquidated subsidiary	–	41,232
Income tax paid during the year of a liquidated subsidiary	–	(96,782)
Other adjustments	(11,871)	(219,459)
Income tax paid during the year	<u>(3,855,286)</u>	<u>(2,281,977)</u>
Balance at end of year	<u>699,654</u>	<u>1,713,977</u>

Income tax recoverable

The movement in the income tax recoverable is as follows:

	2023	2022
	\$	\$
Balance at beginning of year	60,294	86,502
Transferred from income tax payable	390,665	4,382
Income tax paid during the year	20,649	18,756
Current tax expense	<u>(3,051)</u>	<u>(49,346)</u>
Balance at end of year	<u>468,557</u>	<u>60,294</u>

24 Shareholders' equity

Share capital

	2023	2022
	\$	\$
Authorised:		
500,000,000 ordinary shares at \$1 per share	<u>500,000,000</u>	500,000,000
Issued and fully paid:		
52,000,000 ordinary shares at \$1 per share	<u>52,000,000</u>	52,000,000

Dividends

On December 20, 2022 the Company's Board of Directors approved the declaration of cash dividends amounting to \$2,600,000 (2022: \$3,380,000)

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(expressed in Eastern Caribbean dollars)

25 Other reserves

	2023 \$	2022 \$
Revaluation reserve – property	32,588,997	32,842,950
Claims equalisation reserve	20,763,237	20,763,237
Statutory reserve fund	8,355,337	7,815,572
Revaluation reserve – financial assets at FVOCI	2,690,808	2,416,277
Non-distributable reserve	1,948,633	773,127
	66,347,012	64,611,163

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:

	Note	2023 \$	2022 \$
Balance at beginning of year		32,842,950	34,131,463
Revaluation surplus	16	–	634,266
Transfer to retained earnings		(253,953)	(1,922,779)
Balance at end of year		32,588,997	32,842,950

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, 2023, total claims equalisation reserve amounted \$20,763,237 (2022: \$20,763,237).

Statutory reserve fund

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

	2023 \$	2022 \$
Balance at beginning of year	7,815,572	7,161,481
Appropriations during the year	539,765	654,091
Balance at end of year	8,355,337	7,815,572

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(expressed in Eastern Caribbean dollars)

25 Other reserves ...continued

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.

	Note	2023 \$	2022 \$
Balance at beginning of year		2,416,277	2,482,532
Fair value gains/(losses) during the year	9, 16	274,531	(66,255)
Balance at end of year		<u>2,690,808</u>	<u>2,416,277</u>

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.

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

	Note	2023 \$	2022 \$
Balance at beginning of year		773,127	631,665
Transfer from retained earnings	10	1,175,506	141,462
Balance at end of year		<u>1,948,633</u>	<u>773,127</u>

26 Revenue

All revenue of the Group in 2023 and 2022 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, 2023			
Transferred at point in time	115,148,706	94,251	115,242,957
Transferred over time	–	5,161,845	5,161,845
	<u>115,148,706</u>	<u>5,256,096</u>	<u>120,404,802</u>

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(expressed in Eastern Caribbean dollars)

26 Revenue ...continued

	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

27 Other income

	Note	2023 \$	2022 \$
Commission income		3,098,755	2,726,661
Rent		2,269,100	2,252,716
Shipping income		945,559	739,266
Equipment rental and repairs		391,971	374,437
Miscellaneous income		386,661	301,244
Truck operating income		376,087	414,588
Handling charges		329,008	289,631
Vehicle servicing		321,083	380,108
Damage insurance income		303,988	121,556
Photocopier income		294,582	279,215
Management and administration fees		294,533	270,965
Facility income		291,300	370,500
Dividend income		237,144	342,974
(Losses)/gains on disposals of property and equipment	17	(218,994)	295,873
		9,320,777	9,159,734

28 Employee costs

	2023 \$	2022 \$
Salaries and wages	18,506,970	16,597,246
Statutory contributions	1,680,074	1,555,526
Bonus and gratuity	1,022,159	1,243,767
Pension savings plan	887,102	829,951
Other staff costs	425,868	652,001
Staff scholarship and training	288,222	188,412
Directors' fees	282,135	212,400
Health insurance	263,706	254,854
	23,356,836	21,534,157

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(expressed in Eastern Caribbean dollars)

29 General and administrative expenses

	Note	2023 \$	2022 \$
Professional fees		2,158,340	3,040,039
Repairs and maintenance		2,320,432	1,944,618
General		1,602,063	828,844
Utilities		1,553,960	1,300,071
Computer installation and consultancy		1,253,810	1,274,056
Advertising and sales promotion		1,098,217	1,385,959
Taxes and licenses		902,892	678,872
Impairment losses of loans to customers, net	5	859,911	21,263
Motor vehicle		796,587	773,130
Communications		712,485	680,805
Supplies		518,915	318,539
Warranty		506,022	32,802
Freight, handling and truckage		449,610	139,039
Management fees		449,528	506,401
Impairment losses of receivables, net	5	417,231	876,850
Travel		369,551	141,368
Directors, secretary and consultancy fees		299,600	324,417
Entertainment		285,164	173,582
Subscriptions		280,845	156,248
Sewage, waste and landscaping		217,800	218,801
Security		189,483	282,233
Printing and stationery		148,341	100,833
Inventory write-down		68,587	—
Impairment losses/(recoveries) of investment securities	5, 9	46,953	(94,901)
Annual general meeting		19,649	34,782
		17,525,976	15,138,651

30 Depreciation and amortisation

	Note	2023 \$	2022 \$
Depreciation	17	4,475,014	4,827,803
Amortisation	18	166,596	312,272
		4,641,610	5,140,075

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(expressed in Eastern Caribbean dollars)

30 Depreciation and amortisation ...continued

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

	2023 \$	2022 \$
Cost of sales	405,100	314,239
Operating expenses	4,236,510	4,706,308
Loss on liquidation of a subsidiary	–	119,528
	<u>4,641,610</u>	<u>5,140,075</u>

31 Finance charges, net

	2023 \$	2022 \$
Interest expense		
Borrowings	1,824,035	2,242,496
Credit accounts	439,336	311,840
Right of use assets	91,470	97,839
	<u>2,354,841</u>	<u>2,652,175</u>
Bank charges	824,552	531,927
	<u>3,179,393</u>	<u>3,184,102</u>

32 Net interest income

	2023 \$	2022 \$
Interest income		
Loans to customers	9,486,822	8,851,559
Investments	2,548,722	2,559,975
Receivables	1,330,875	1,271,476
	<u>13,366,419</u>	<u>12,683,010</u>
Interest expense		
Savings account interest expense	(383,270)	(353,000)
Time deposits interest expense	(4,348,693)	(4,257,811)
	<u>(4,731,963)</u>	<u>(4,610,811)</u>
	<u>8,634,456</u>	<u>8,072,199</u>

St. Kitts Nevis Anguilla Trading and Development Company Limited

Notes to Consolidated Financial Statements

January 31, 2023

(expressed in Eastern Caribbean dollars)

33 Earnings per share

Basic and diluted earnings per share were computed as follows:

	2023 \$	2022 \$
Profit attributable to shareholders of parent company	4,504,024	4,426,793
Divided by weighted average number of outstanding ordinary shares	<u>52,000,000</u>	<u>52,000,000</u>
Basic and diluted earnings per share	<u>0.087</u>	<u>0.085</u>

The Group had no dilutive potential ordinary shares as of January 31, 2023 and 2022.

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, 2023, in respect of these claims as the amounts and outcomes are not presently determinable.

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

Contingent tax liability

On October 7, 2022, the Group received a correspondence from the Inland Revenue Department of Saint Kitts and Nevis regarding outstanding unpaid taxes, including penalties and interest for corporate income tax and value added tax totalling \$11,241,300. The Group's directors believe that there are strong grounds upon which to challenge the outstanding unpaid taxes and a formal request for the basis for those unpaid taxes was made on October 28, 2022. The outcome of this assessment is not presently determinable, and no provision has been made in these financial statements.

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