The St. Vincent Co-Operative Bank Limited

Financial Statements

Year Ended January 31, 2012

BDO

Contents

REGISTERED OFFICE

Cnr. Long Lane Upper & South River Road
Kingstown
St. Vincent and the Grenadines

DIRECTORS

Mrs. Margaret Hughes – Ferrari – President
Mr. G. Samuel Goodluck – Vice President
Mr. L. A. Douglas Williams
Mr. Kenneth E. Forde
Mr. Marcus Ballantyne
Mrs. Julie Lewis
Mr. Kenneth Minors
Mrs. Heather Sardine

SECRETARY

Mrs. Laverne Velox

SOLICITORS

Hughes & Company
Rochelle A. Forde, BSc. (Hons), LLB

AUDITORS

BDO
Chartered Accountants
Sergeant-Jack Drive
Arnos Vale
St. Vincent

Tel: 784-456-2300
Fax: 784-456-2184
www.bdo.vc

Sergeant Jack Drive
Arnos Vale
P.O. Box 35
Kingstown VC0100
St. Vincent

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
The St. Vincent Co-operative Bank Limited

Report on the Financial Statements

We have audited the accompanying financial statements of The **St. Vincent Co-operative Bank Limited**, which comprise the statement of financial position as of January 31, 2012, and the statements of changes in equity, comprehensive income and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Tel: 784-456-2300
Fax: 784-456-2184
www.bdo.vc

Sergeant Jack Drive
Arnos Vale
P.O. Box 35
Kingstown VC0100
St. Vincent

INDEPENDENT AUDITORS' REPORT CONT'D

To the Shareholders of
The St. Vincent Co-operative Bank Limited

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **St. Vincent Co-operative Bank Limited** as of January 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

April 18, 2012

Statement of Financial Position
As of January 31, 2012

	Notes	2012 $	2011 $
ASSETS			
Cash resources and balances with banks	6	6,533,763	10,381,226
Financial investments	7	32,275,743	31,540,301
Loans	8	97,366,799	86,433,755
Refundable taxes		0	596,074
Other assets	9	870,431	521,755
Property, plant and equipment	10	9,108,184	8,638,676
Deferred tax asset	11	1,760,357	2,762,843
Total Assets		147,915,277	140,874,630
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits	12	129,145,152	126,805,309
Other payables	13	3,230,606	1,273,976
Taxes payable		28,526	0
Dividend payable		231,510	231,510
Total Liabilities		132,635,794	128,310,795
Shareholders' Equity			
Stated capital	14	5,527,362	5,527,362
General reserve	15	5,527,362	5,400,806
Revaluation surplus		5,214,119	5,034,497
Accumulated deficit		(989,360)	(3,398,830)
		15,279,483	12,563,835
Total Liabilities and Shareholders' Equity		147,915,277	140,874,630

The accompanying notes form an integral part of these financial statements.

APPROVED ON BEHALF OF THE BOARD:-

Margaret Hughes-Ferrari
President

G. Samuel Goodluck
Vice President

Laverne Velox
Secretary

Statement of Changes in Equity
For the Year Ended January 31, 2012

	2012 $	2011 $
Stated Capital		
Beginning of year	5,527,362	5,527,362
At end of year	5,527,362	5,527,362
General Reserve		
Beginning of year	5,400,806	5,400,806
Appropriation of earnings	126,556	0
At end of year	5,527,362	5,400,806
Revaluation Surplus		
Beginning of year	5,034,497	5,034,497
Addition	179,622	0
At end of year	5,214,119	5,034,497
Retained Earnings		
Beginning of year	(3,398,830)	(401,221)
Less: appropriation to the general reserve	(126,556)	0
Net profit (loss) for the year	2,536,026	(2,997,609)
	(989,360)	(3,398,830)
Total Shareholders Equity	15,279,483	12,563,835

The accompanying notes form an integral part of these financial statements.

Statement of Comprehensive Income
For the Year Ended January 31, 2012

	Notes	2012 $	2011 $
Interest Income	16	11,182,614	9,990,955
Interest Expense	17	4,267,702	4,084,766
Net Interest Income		6,914,912	5,906,189
Less: Allowance for Impaired Loans	8.4	150,000	150,000
Impairment in financial investments		0	7,500,000
		6,764,912	(1,743,811)
Interest Levy		621,359	579,050
Selling Expenses	20	178,018	248,938
Administrative Expenses	21	822,287	980,899
Staff Costs	22	986,659	867,557
Depreciation	10	117,173	119,390
		4,039,416	(4,539,645)
Other Income			
Rental income		30,000	27,500
Fees and commission		93,696	77,853
Profit (Loss) before Income Tax		4,163,112	(4,434,292)
Income Tax	18	(1,627,086)	1,436,683
Net Profit (Loss) for the Year		2,536,026	(2,997,609)
Other Comprehensive Income			
Revaluation surplus		179,622	0
Total Other Comprehensive Income		179,622	0
Comprehensive Income (Loss) for the Year		2,715,648	(2,997,609)
Comprehensive Income (Loss) Attributable to:			
Owners of company		2,536,026	(2,997,609)
Earnings per Share	23	0.46	(0.54)

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flows
For the Year Ended January 31, 2012

	2012 $	2011 $
Operating Activities		
Profit (loss) before income tax	4,163,112	(4,434,292)
Adjustments for		
Depreciation	117,173	119,390
Impairment in financial investments	0	7,500,000
Net Profit before Changes in Operating Assets and Liabilities	4,280,285	3,185,098
Increase in loans	(10,933,044)	(12,005,758)
(Increase) decrease in other assets	(348,676)	328,481
Increase in deposits	2,339,843	6,642,448
Increase in other payables	1,956,630	357,097
Cash Used in Operations	(2,704,962)	(1,492,634)
Income taxes paid	0	0
Net Cash Used in Operating Activities	(2,704,962)	(1,492,634)
Investing Activities		
Additions to property, plant and equipment	(407,059)	(10,999)
Purchase of financial investments	(4,274,540)	(11,631,623)
Sale of financial investments	3,539,098	18,128,396
Net Cash (Used in) Generated from Investing Activities	(1,142,501)	6,485,774
Net Movement in Cash Resources	(3,847,463)	4,993,140
Cash Resources - Beginning of Year	10,381,226	5,388,086
Cash Resources - End of Year	6,533,763	10,381,226

The accompanying notes form an integral part of these financial statements.

1. Incorporation and Principal Activities

The Bank is incorporated under the laws of St. Vincent and the Grenadines as company 22 of 1994. The Bank's activities are regulated by the provisions of the Banking Act No. 20 of 33 of 2006. The Bank operates under a licence issued by the Eastern Caribbean Central Bank. The Bank is engaged in retail banking and mortgage financing activities.

2. Date of Authorisation for Issue

These financial statements have been authorized for issue by the Board of Directors on April 18, 2012.

3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis of Presentation

These financial statements are prepared in International Financial Reporting Standards (IFRS).

These standards require the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Although these estimates are based on management's best knowledge of current events and conditions, actual results could differ from these estimates. The areas involving a higher degree of judgement and or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

In accordance with IFRS assets are initially recognised at the amount of cash or cash equivalent paid or the fair value of the consideration given to acquire them at the time of acquisition. Liabilities are initially recongised at the amount of the proceeds received in exchange for the obligation, or in some circumstances, at the present value of cash and cash equivalent expected to be paid to satisfy the liability in the normal course of business. Certain assets are required to be carried at cost while others are required to be re-measured and carried at fair value.

The movement in fair value of non-financial assets and equity investment which are available for sale, except investment properties, accounted through other comprehensive income. The movement in fair value simple financial assets is accounted for through profit and loss.

Standards, amendments and interpretations effective on or after 1 January 2011

The following standards, amendments and interpretations, which became effective in 2011, are relevant to the Bank:

Standard /interpretation	Content	Applicable for financial years beginning on/after
IAS 1	Presentation of Financial Statements	1 July 2012

- **IAS 1 - 'Presentation of financial statements'**

  The amendment clarifies that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements.

3. Summary of Significant Accounting Policies (Cont'd)

a. Basis of Presentation (Cont'd)

Standards, amendments and interpretations effective on or after 1 January 2011 (Cont'd)

The following interpretations became effective in 2011, but are not relevant for the Bank's operations:

Standard /interpretation	Content	Applicable for financial years beginning on/after
IAS 32	Financial Instruments: Presentation	1 February 2010
IFRIC 14	Prepayment of a Minimum Funding Requirement	1 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

- **IAS 32 - 'Financial Instruments: Presentation'**

  The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity of the holders to acquire a fixed number of the entity's instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer if made pro rata to all of its existing owners of the same class of its non-derivative equity instruments.

- **IFRIC 14 - 'Prepayment of a Minimum Funding Requirement**

  The standard addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions.

- **IFRIC 19 – 'Prepayment Extinguishing Financial Liabilities with Equity Instruments"**

  The interpretation provides guidance on the accounting for the extinguishing of a financial liability by the issue of equity instruments. Specifically under IFRIC 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognized in profit or loss.

3. Summary of Significant Accounting Policies (Cont'd)

a. Basis of Presentation (Cont'd)

Standards and interpretations issued but not yet effective

The following standard and interpretation has been issued and is expected to be relevant to the Bank:

Standard /interpretation	Content	Applicable for financial years beginning on/after
IAS 1	Presentation of Financial Statements	1 July 2012
IFRS 7	Financial Instruments: Disclosures	1 July 2011
IFRS 9	Financial Instruments	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2012

- **IAS 1 (Amendment) – 'Presentation of Financial Statements' (Effective July 1, 2012)**

  The amendments require additional disclosures to be made in the comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

- **IFRS 7 (Amendment) – 'Financial Instruments: Disclosures' (Effective July 1, 2011)**

  The amendment clarifies the interaction between qualitative and quantitative disclosures in a way that better enable users to evaluate an entity's exposure to risk. It also requires disclosures where transfers of financial assets are not evenly distributed throughout the period.

- **IFRS 9 (Amendment) – 'Financial Instruments' (Effective January 1, 2013)**

  The amendment requires all recognized financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently at amortized cost or fair value. The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit and loss) attributable to changes in the credit risk of that liability.

- **IFRS 13 – 'Fair Value Measurement' (Effective January 1, 2012)**

  The standard establishes a single source of guidance for fair value measurements and disclosures about fair value measurement. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. It applies to both financial instrument items and non-financial instrument items which other IFRS require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances.

b. Cash, Cash Equivalents and Short-term Investment Securities

Cash equivalents include highly liquid investments with insignificant interest rate risk and original maturities of ninety (90) days or less at the date of purchase. Investments with maturities between ninety (90) days and one year at the date of purchase are considered to be short-term investment securities. Short-term investment securities consist primarily of investment grade commercial paper, bankers acceptances, and certificates of deposit.

3. Summary of Significant Accounting Policies (Cont'd)

c. Foreign Currency Translation

These financial statements are expressed in Eastern Caribbean dollars, the Bank's functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of earnings.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit and loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary items, such as equities held at fair value are recognised in other comprehensive income, and are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

d. Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

e. Interest Income and Expense

Interest income and expense are recognised in the statement of comprehensive income for all instruments measured at amortised cost using the accrual method, except for held-to-maturity investments which used the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or discounts received between parties to the contract that are an integral part of the effective interest rate.

Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

3. Summary of Significant Accounting Policies (Cont'd)

f. Fee and Commission Income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan.

g. Property, Plant and Equipment

All property, plant and equipment are stated at cost less depreciation except land, and buildings which are revalued at fair value and are carried at fair value less subsequent depreciation.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measure reliably.

The carrying value of items of property, plant and equipment is amortised and charged as depreciation through the profit and loss. The depreciation of items of property, plant and equipment is determined each reporting period by reference to the rate of utilization of the items relative to their expected service life to the Bank less any expected realized value on retirement. The main classification of property, plant and equipment are depreciated on a declining balance basis using the following rate:

Buildings	2%
Furniture and fixtures	15%
Equipment	15 – 20%
Generator	20%
Motor vehicle	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. Assets that are subject to amortization (depreciation) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains or losses on disposals, which are determined by comparing proceeds with carrying amount. These are included in other operating expenses in the profit and loss. Any gains or losses arising on the remeasured value of the Bank's property is included in other comprehensive income.

3. Summary of Significant Accounting Policies (Cont'd)

h. Financial Assets

The Bank classified its financial assets in the following categories:

(i) financial assets at fair value through profit or loss;

(ii) loans and receivables;

(iii) held-to-maturity investments; and

(iv) available-for-sale financial assets.

Management determines the classification of its investments at initial recognition.

i) *Financial Assets at Fair Value through Profit or Loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Financial assets and financial liabilities are designated at fair value through profit or loss when:

- Doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost, such as loans and advances to customers or banks, and debt securities in issue;
- Certain investments, such as equity investments, that are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis, are designated at fair value through profit and loss; and
- Financial instruments, such as debt securities held, containing one or more embedded derivatives that significantly modify the cash flows, are designated at fair value through profit and loss.

Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or financial liabilities are included in ‘net income from financial instruments designated at fair value.’

ii) *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the entity intends to sell immediately or in the short-term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (b) those that the entity upon recognition designates as available-for-sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

3. Summary of Significant Accounting Policies (Cont'd)

h. Financial Assets (Cont'd)

iii) *Held-to-Maturity Investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determine payments and fixed maturities that the Bank's management has positive intention and ability to hold to maturity. If the Bank were to sell a significant amount of held-to-maturity assets, the entire category would be reclassified as available-for-sale.

iv) *Available-for-Sale Financial Assets*

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Regular-way purchases and sales of financial assets at fair value through profit or loss, held-to-maturity and available-for-sale are recognised on trade-date – the date on which the Bank commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transactions costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value, and transactions costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in equity is recognised in profit or loss. However, interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available-for-sale recognised in the statement of comprehensive income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income when the entity's right to receive payment is established.

The fair value of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the Bank establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation commonly used by market participants.

3. Summary of Significant Accounting Policies (Cont'd)

i. Impairment of Financial Assets

Assets Carried at Amortized Cost

At each balance sheet date, the Bank assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence that impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about the following events: -

i) Significant financial difficulty of the issuer or obligor;

ii) A breach of contract, such as a default or delinquency in interest or principal payments;

iii) The Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

iv) It becoming probable that the borrower will enter bankruptcy or other financial reorganization;

v) The disappearance of an active market for that financial asset because of financial difficulties; or

vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

   a. adverse changes in the payment status of borrowers in the group; or

   b. national or local economic conditions that correlate with defaults on the assets in the group.

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

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

3. Summary of Significant Accounting Policies (Cont'd)

i. Impairment of Financial Assets (Cont'd)

Assets Carried at Amortized Cost (Cont'd)

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank, and historical loss experience for assets with credit risk characteristics similar to those in the Bank. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the statement of comprehensive income.

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

Assets Carried at Fair Value

At each balance sheet date, the Bank assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in equity – is removed from equity and recognized in the statement of comprehensive income. Impairment losses recognized in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. If in subsequent period, the fair value of debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in operations, the impairment loss is reversed through the statement of comprehensive income.

Renegotiated Loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the asset is considered to be past due on basis of the renegotiated terms and conditions.

3. Summary of Significant Accounting Policies (Cont'd)

j. Impairment of Other Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may be recoverable. An impairment loss is recognized 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).

Impairment and Allowance Policies

Impairment allowances are recognized for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment. Due to different methodologies employed, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

The impairment allowance reflected in the financial statements at balance sheet date is derived from the internal rating classifications. For financial statement purposes the allowance for impairment is estimated after comparing the carrying value of the loan to the fair value of the security, if any, held by the Bank less any cost of realization of the security.

k. Employee Benefits

Pension Obligation

The Bank operates a defined contribution pension scheme. The scheme is generally funded through payments to trustee-administered funds, determined by the provisions of the plan.

A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Bank pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

l. Deferred Income Tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

3. Summary of Significant Accounting Policies (Cont'd)

l. Deferred Income Tax (Cont'd)

The principal temporary differences arise from depreciation of property, plant and equipment, provisions for pensions and other post-retirement benefits and tax losses carried forward; and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base. The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The tax effects of income tax losses available for carry-forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

m. Provisions

Provisions for restructuring costs and legal claims are recognised when: the Bank has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

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. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measures at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

n. Stated Capital

a) Share Issue Cost

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of the Bank's own shares are shown in equity as a deduction from the proceeds.

b) Dividends on Ordinary Shares

Dividends on ordinary shares are recognized in equity in the period in which they are approved or declared by the Bank's shareholders.

Dividends for the year that are declared after reporting date are dealt with in the subsequent events note.

4. Financial Risk Management

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by Management under policies approved by the Board of Directors. The Bank's Management identifies, evaluates and hedges financial risks in close co-operation with the Bank's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and non-derivative financial instruments. The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

4.1. Credit Risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Bank's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The credit risk management and control are centralised in the management team of the Bank and reported to the Board of Directors regularly.

The following summarises the maximum credit risk: -

	2012 $	2011 $
Deposits with commercial banks	5,373,880	9,245,353
Investment securities	32,275,743	31,540,301
Loans	97,366,799	86,433,755
Interest receivable on held to maturity financial assets	823,081	493,902
	135,839,503	127,713,311

4.1.1 Credit Risk Measurement

Loans and Advances

In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Bank reflects three components:

(i) the 'probability of default' by the client or counterparty on its contractual obligations;

(ii) current exposures to the counterparty and its likely future development, from which the Bank derive the 'exposure at default'; and

(iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

These credit risk measurements, which reflect expected loss (the 'expected loss model') and are required by the Eastern Caribbean Central Bank Regulations (Prudential Credit Guidelines), are embedded in the Bank's daily operational management. The operational measurements can be contrasted with impairment allowances required under IAS 39, which are based on losses that have been incurred at the balance sheet date (the 'incurred loss model') rather than expected losses.

4. Financial Risk Management (Cont'd)

4.1.1 Credit Risk Measurement (Cont'd)

Loans and Advances (Cont'd)

(i) The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of the counterparty. They have been developed internally and combine statistical analysis with credit officer judgement and are validated, where appropriate, by comparison with externally available data. Clients of the Bank are segmented into classes. The Bank's rating scale complies with guidelines issued by the Eastern Caribbean Central Bank.

(ii) Exposure at default is based on the amounts the Bank expects to be owed at the time of default. For example, for a loan this is the face value. For a commitment, the Bank includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

(iii) Loss given default or loss severity represents the Bank's expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit mitigation.

4.1.2 Risk Limit Control and Mitigation Policies

The Bank manages, limits and controls concentrations of credit risk whenever they are identified, in particular to individual counterparties and groups, and industries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, and industry sector are approved quarterly by the Board of Directors.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

i. Mortgages over residential properties;

ii. Charges over business assets such as premises, inventory and accounts receivable;

iii. Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured. In addition, in order to minimise credit loss, the Bank seeks additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

4. Financial Risk Management (Cont'd)

4.1.3. Impairment and Provisioning Policies

Impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment, based on the results of its internal rating tools, as described in credit risk measurement.

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Bank:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

The Bank's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the statement of financial position date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

4.2. Market Risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Bank separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are regularly reported to the Board of Directors.

The Bank is not engaged in any market trading activities on behalf of any client or customer.

Non-trading portfolios primarily arise from the interest rate management of the entity's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the Bank's held-to-maturity and available-for-sale investments.

4.2.1. Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

4. Financial Risk Management (Cont'd)

4.2. Market Risk (Cont'd)

4.2.1. Interest Rate Risk (Cont'd)

The table below summarizes the Bank's exposure to interest rate risks.

	Up to One Year $	One to Five Years $	Over Five Years $	Non-Interest Bearing $	Total $
As of January 31, 2012					
Assets	36,310,661	27,766,203	67,656,245	4,443,196	136,176,305
Liabilities	129,908,143	0	0	2,426,615	132,334,758
Interest Sensitivity Gap	(93,597,482)	27,766,203	67,656,245		1,824,966
As of January 31, 2011					
Total Assets	30,183,549	30,054,569	59,288,792	8,828,372	128,355,282
Total Liabilities	126,805,309	0	0	1,273,976	128,079,285
Interest Sensitivity Gap	(96,621,760)	30,054,569	59,288,792		(7,278,399)

4.3. Liquidity Risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

4.3.1 Liquidity Risk Management Process

The Bank's liquidity management process, as carried out within the Bank and monitored by Management, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Management also monitors unmatched medium-term assets, the level and type of undrawn lending commitments and the usage of overdraft facilities.

4. Financial Risk Management (Cont'd)

4.3.1 Liquidity Risk Management Process (Cont'd)

	Up to One Year $	One to Five Years $	Over Five Years $	Total $
As at January 31, 2012				
Assets	40,753,857	27,766,203	67,656,245	136,176,305
Liabilities	132,334,758	0	0	132,334,758
Net Liquidity Gap	(91,580,901)	27,766,203	67,656,245	3,841,547
As at January 31, 2011				
Total Assets	39,011,921	30,054,569	59,288,792	128,355,282
Total Liabilities	128,079,285	0	0	128,079,285
Net Liquidity Gap	(89,067,364)	30,054,569	59,288,792	275,997

4.3.2. Funding Approach

Sources of liquidity are regularly reviewed by executive management.

4.4. Capital Management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

- To comply with the capital requirements of the Banking Act 2006;
- To comply with the capital requirements set by the Eastern Caribbean Central Bank;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee and the European Community Directives, as implemented by the Eastern Caribbean Central Bank, for supervisory purposes. The required information is filed with the ECCB on a quarterly basis.

5. Critical Accounting Estimates and Judgements

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. 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.

a. Impairment Losses on Loans and Advances

The Bank reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Bank makes judgement as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

b. Impairment of Available-for-Sale Equity Investments

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Bank evaluates, among other factors, when there is evidence of deterioration in the financial health of the investee industry and sector performance, changes in technology and operational and financing cash flows. There were no declines in fair value below cost considered significant or prolonged as at January 31, 2010.

c. Held-to-Maturity Investments

The Bank follows the IAS 39 guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire category as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

6. Cash Resources and Balances with Banks

	2012 $	2011 $
Cash on hand	757,935	902,815
Cheques and other items in transit	401,948	233,058
Deposits with other banks	5,373,880	9,245,353
	6,533,763	10,381,226

The Bank's cash resources and balances with banks are denominated in Eastern Caribbean currency.

7. Financial Investments

	2012 $	2011 $
Securities Held-for-Trading		
Government of St. Lucia		
Treasury Bill	2,000,000	0
	2,000,000	0
Government of Grenada		
Treasury Bill	1,970,082	0
	1,970,082	0
Government of St. Vincent and the Grenadines		
Treasury Bills	0	2,000,000
	0	2,000,000
Total Securities Held-for-Trading	3,970,082	2,000,000
Securities Held-to-Maturity		
Government of St. Vincent and the Grenadines		
7% Development Bank bond, maturity on March 16, 2013	3,000,000	3,000,000
7% Bonds, to mature on August 10, 2014	3,000,000	3,000,000
7.5% Bonds, to mature on August 17, 2016	3,552,631	4,263,158
7.5% Bonds, to mature on September 26, 2017	2,400,000	2,800,000
8% Bonds, to mature on March 12, 2016	1,285,714	1,571,429
8% Bonds, to mature on March 12, 2016	642,858	785,714
	13,881,203	15,420,301
Government of St. Lucia		
7.15% Bonds, to mature on July 31, 2015	2,000,000	2,000,000
7.5% Bonds, to mature on July 31, 2018	5,000,000	5,000,000
	7,000,000	7,000,000
RBTT Bank Caribbean Ltd.		
3% Certificate of deposit, to mature on December 23, 2012	3,244,458	3,120,000
	3,244,458	3,120,000
Bank of Nova Scotia		
3.75% (2011: 4.5%) Certificate of deposit, due to mature on February 3, 2012	4,180,000	4,000,000
	4,180,000	4,000,000
Total Securities Held-to-Maturity	28,305,661	29,540,301
	32,275,743	31,540,301

The effective yield on securities held to maturity at balance sheet date were as follows:-

	2012 %	2011 %
Government of St. Vincent & The Grenadines bonds	7.64	7.59
Government of St Vincent & The Grenadines Treasury bills	0.00	4.84
Government of St. Vincent & the Grenadines Development Bank bonds	7.12	7.23
RBTT Bank Caribbean Ltd.	3.04	4.07
Bank of Nova Scotia certificate of deposits	3.81	4.59

7. Financial Investments (Cont'd)

The movement in investment securities may be summarised as follows: -

	Held for Trading $	Held to Maturity $	Total $
At February 1, 2011	2,000,000	29,540,301	31,540,301
Additions	3,970,082	304,458	4,274,540
Disposal/redemption	(2,000,000)	(1,539,098)	(3,539,098)
At January 31, 2012	3,970,082	28,305,661	32,275,743

	Held for Trading $	Held to Maturity $	Total $
At February 1, 2010	4,000,000	41,537,074	45,537,074
Additions	2,000,000	9,631,623	11,631,623
Impairment	0	(7,500,000)	(7,500,000)
Disposal/redemption	(4,000,000)	(14,128,396)	(18,128,396)
At January 31, 2011	2,000,000	29,540,301	31,540,301

As of January 31, 2012, the maturity distribution of the securities was as follows:-

	2012 $	2011 $
From 1 to 3 months	8,150,082	2,000,000
Over 3 months	24,125,661	29,540,301
	32,275,743	31,540,301

The carrying amounts of the Bank's securities are denominated in the following currencies:

	2012 $	2011 $
Eastern Caribbean currency	30,275,743	31,540,301
United States currency	2,000,000	0
	32,275,743	31,540,301

British American Insurance Company Limited has defaulted on its flexible annuity securities and it is under judicial management.

The Bank holds British American Insurance Company Limited flexible annuity securities having a nominal value of $12,000,000, which are deemed to be fully impaired.

8. Loans

	2012 $	2011 $
Residential mortgages	17,953,170	17,401,641
Other mortgages	71,048,512	61,359,185
Consumer loans	11,440,719	10,922,392
	100,442,401	89,683,218
Less: allowance for impairment (Note 8.3)	3,954,853	4,018,968
	96,487,548	85,664,250
Interest receivable net	879,251	769,505
	97,366,799	86,433,755
Due within one year	1,009,000	491,000
Due after one year	96,357,799	85,942,755
	97,366,799	86,433,755

The effective interest yield during the year on loans and advances was 9.80% (2011: 9.8%).

At year end, loans and advances, net of provision, on which interest accrual has been suspended, amount to $10,273,547 (2011: $13,540,742).

An estimate made at the time of borrowing of the fair value of collateral and other security enhancements held against loans and advances to customers is shown below: -

	Loans and Advances to Customers	
	2012 $000's	2011 $000's
Against individually impaired:		
Property	2,331	1,822
Debt securities	885	449
Equities	238	289
Other	175	213
Against collectively impaired:		
Property	1,205	1,065
Debt securities	438	344
Equities	227	156
Other	102	247
Against past due but not impaired:		
Property	327	188
Debt securities	221	0
Other	74	136
Against neither past due nor impaired:		
Property	38,992	36,221
Debt securities	11,022	9,095
Equities	2,210	2,325
Other	1,530	1,721
Against fair value through profit or loss:		
Property	1,100	1,243
Debt securities	432	502
Equities	83	98
Other	10	11
	61,602	56,125

8. Loans (Cont'd)

8.1. Sectoral Analysis

At January 31, 2012, the concentration and maturity distribution of the loans and advances were as follows:-

	Up to 1 Year $000's	1 – 5 Years $000's	Over 5 Years $000's	Total 2012 $000's	Total 2011 $000's
Agriculture	24	48	459	531	391
Manufacturing	0	206	934	1,140	1,133
Tourism	0	0	1,086	1,086	1,339
Construction	373	604	8,001	8,978	8,787
Other services	83	1,024	8,383	9,490	8,270
Distributive trades	56	540	6,818	7,414	4,216
Personal	473	10,993	60,338	71,804	65,547
	1009	13,415	86,019	100,443	89,683
Less: Allowance for losses on loans and advances (Note 8.3)				(3,955)	(4,019)
Add: interest receivable				879	770
				97,367	86,434

8.2. Loans and Advances Impairment Analysis

Loans to customers are summarised as follows: -

	2012 $	2011 $
Neither past due nor impaired	69,254,576	61,499,785
Past due but not impaired	18,080,943	11,359,433
Impaired	13,106,882	16,824,000
Gross	100,442,401	89,683,218
Less: allowance for impairment	3,954,853	4,018,968
	96,487,548	85,664,250
Interest receivable	879,251	769,505
	97,366,799	86,433,755

The total impairment provision for loans is $3,954,853 (2011: $4,018,968) of which $2,833,335 (2011: $3,836,539) represents the individually impaired loans and the remaining $1,121,518 (2011: $182,429) represents the portfolio's general provision.

Loans Past Due but not Impaired

Loans less than 90 days past due, are not considered impaired, unless other information is available to indicate the contrary. Gross amounts of loans by class that were past due but not impaired were as follows: -

31 January, 2012	Residential Mortgages $	Other Mortgages $	Consumer Loans $	Total $
Past due up to 30 days	1,403,141	10,005,542	814,480	12,223,163
Past due 30 – 60 days	0	4,467,643	340,366	4,808,009
Past due 60 – 90 days	30,235	888,431	131,105	1,049,771
	1,433,376	15,361,616	1,285,951	18,080,943

8. Loans (Cont'd)

8.2. Loans and Advances Impairment Analysis

31 January, 2011	Residential Mortgages $	Other Mortgages $	Consumer Loans $	Total $
Past due up to 30 days	1,045,506	5,945,184	565,295	7,555,985
Past due 30 – 60 days	453,686	2,226,428	226,884	2,906,998
Past due 60 – 90 days	154,906	549,297	192,247	896,450
	1,654,098	8,720,909	984,426	11,359,433

Loans Individually Impaired

The breakdown of the gross amount of individually impaired loans and advances by class are as follows:

	2012 $	2011 $
Residential mortgages	2,042,047	3,982,195
Other mortgages	10,141,182	11,421,195
Consumer loans	923,653	1,420,610
	13,106,882	16,824,000

8.3. Allowance for Impairment

	2012 $	2011 $
Balance, beginning of year	4,018,968	3,868,968
Allowance for impairment (Note 8.4)	150,000	150,000
Bad debts written off	214,115	0
Balance, end of year	3,954,853	4,018,968

8.4. Loan Loss Expense

	2012 $	2011 $
Specific allowance for loan loss	150,000	150,000

9. Other Assets

	2012 $	2011 $
Interest receivables on held to maturity financial assets	823,081	493,902
Prepaid expenses	45,750	26,253
Other receivables	1,600	1,600
	870,431	521,755

10. Property, Plant and Equipment

	Land $	Building $	Furniture & Fittings $	Office Equipment $	Motor Vehicle $	Generator $	Total $
At January 31, 2010							
Cost or valuation	6,615,300	1,800,158	215,111	1,413,337	121,092	33,349	10,198,347
Accumulated depreciation	0	100,158	161,012	1,103,884	52,978	33,248	1,451,280
Net book amount	6,615,300	1,700,000	54,099	309,453	68,114	101	8,747,067
Year Ended January 31, 2011							
Opening net book amount	6,615,300	1,700,000	54,099	309,453	68,114	101	8,747,067
Additions	0	0	10,350	649	0	0	10,999
Depreciation charge	0	(34,000)	(8,847)	(59,494)	(17,029)	(20)	(119,390)
Closing net book amount	6,615,300	1,666,000	55,602	250,608	51,085	81	8,638,676
At January 31, 2011							
Cost or valuation	6,615,300	1,800,158	225,461	1,413,986	121,092	33,349	10,209,346
Accumulated depreciation	0	134,158	169,859	1,163,378	70,007	33,268	1,570,670
Net book amount	6,615,300	1,666,000	55,602	250,608	51,085	81	8,638,676
Year Ended January 31, 2012							
Opening net book amount	6,615,300	1,666,000	55,602	250,608	51,085	81	8,638,676
Revaluations	0	179,622	0	0	0	0	179,622
Additions	0	223,815	22,069	161,175	0	0	407,059
Depreciation charge	0	(36,520)	(10,157)	(57,709)	(12,771)	(16)	117,173
Closing net book amount	6,615,300	2,032,917	67,514	354,074	38,314	65	9,108,184
At January 31, 2012							
Cost or valuation	6,615,300	2,050,000	247,530	1,575,161	121,092	33,349	10,642,432
Accumulated depreciation	0	17,083	180,016	1,221,087	82,778	33,284	1,534,248
Net book amount	6,615,300	2,032,917	67,514	354,074	38,314	65	9,108,184

On August 23, 2011, the Bank's building was valued by Chris Browne, an independent valuator, on an open market basis. The directors adopted the combined appraisal value of $8,665,300 in the Bank’s records on August 30, 2011. As a result, the excess of the revaluation of freehold land and building of $179,622 over the carrying value was credited to Revaluation Surplus and included in other comprehensive income.

10. Property, Plant and Equipment (Cont'd)

Depreciation expense of $117,173 (2011: $119,390) has been charged to the earnings (loss) before income tax in the statement of comprehensive income.

Lease rentals amounting to $30,000 (2011: $27,500) relating to the lease of property are included in the other income in the statement of comprehensive income.

11. Deferred Tax Asset

Deferred income taxes are calculated in full on temporary differences under the liability method using statutory tax rate, 32.5% (2011: 32.5%), which is expected to be in force during the upcoming financial year. Deferred tax assets comprises:-

	2012 $	2011 $
Temporary difference on capital assets	(41,207)	(28,996)
Taxed provision	1,801,564	2,791,839
	1,760,357	2,762,843

This balance includes the following: -

	2012 $	2011 $
Deferred tax assets to be settled after more than 12 months	1,760,357	2,762,843

The gross movement on the deferred income tax is as follows:-

	2012 $	2011 $
Balance at beginning of the year	2,762,843	1,326,160
Income statement release (Note 18)	1,002,486	1,436,683
Balance at end of the year	1,760,357	2,762,843

12. Deposits

	2012 $	2011 $
Payable after notice	92,775,948	90,292,149
Payable on a fixed date	36,369,204	36,513,160
	129,145,152	126,805,309

The effective interest rates at the balance sheet date were as follows:-

	2012 %	2011 %
Payable after notice	3.00	3.00
Payable on a fixed date	4.65	4.65

All customers' deposits are held in Eastern Caribbean Currency.

12. Deposits (Cont'd)

12.1. Sectorial Analysis

	2012 $	2011 $
Private sector	105,230,000	105,417,654
Financial institutions	23,915,152	21,387,655
	129,145,152	126,805,309

13. Other Payables

	2012 $	2011 $
Inter-bank clearings	2,058,053	0
Interest payable on deposits	141,632	143,308
Interest levy payable	621,359	579,050
Other accounts payable	409,562	551,618
	3,230,606	1,273,976

The carrying amounts of the Bank's other payables are denominated in Eastern Caribbean currency.

14. Stated Capital

	2012	2011	2012	2011
	No. of Shares		$	$
Authorised Capital				
Ordinary voting shares	Unlimited	Unlimited	Unlimited	Unlimited
Issued Capital				
Ordinary voting shares				
Beginning of year	5,514,211	5,514,211	5,527,362	5,527,362
Bonus share issue	0	0	0	0
End of year	5,514,211	5,514,211	5,527,362	5,527,362

15. General Reserve

	2012 $	2011 $
Balance – beginning of the year	5,400,806	5,400,806
Appropriation during the year	126,556	0
Balance – end of the year	5,527,362	5,400,806

The general reserve, which is a statutory requirement, is not available for distribution by way of dividend. The general reserve shall not be less than the Bank's paid-up capital. The Bank is required in instances where the reserve fund is less than the paid-up capital, to appropriate the lesser of 20% of its annual profit or the short-fall between the paid-up capital and the general reserve, to the general reserve fund until the aforementioned requirement is satisfied.

16. Interest Income

	2012 $	2011 $
Income from loans and advances	8,683,636	7,781,677
Income from investment securities	2,492,232	2,205,423
Income from deposits with other banks	6,746	3,855
	11,182,614	9,990,955

17. Interest Expense

	2012 $	2011 $
Interest on savings deposits	2,605,822	2,391,791
Interest on fixed deposits	1,661,880	1,692,975
	4,267,702	4,084,766

18. Income Tax

	2012 $	2011 $
Current tax	624,600	0
Deferred tax expense (credit)	1,002,486	(1,436,683)
	1,627,086	(1,436,683)

Deferred tax credit for the year comprises: -

	2012 $	2011 $
Temporary differences in property, plant and equipment	(41,207)	(5,995)
Benefits from tax losses	1,921,848	(1,774,681)
(Understatement) overstatement in prior year's deferred tax	(253,555)	343,993
	1,627,086	(1,436,683)

The income tax charge differs from the amount computed by applying the tax statutes income tax rate, 32.5% (2011: 32.5%), profit (loss) to earnings before tax. The differences in the effective rate of tax is accounted for follows:-

	2012		2011	
	$	%	$	%
Profit (loss) before tax	4,163,112	100.00	(4,434,292)	100.00
Tax calculated at the statutory rate	1,353,011	32.50	(1,441,145)	(32.50)
Income not subject to taxation	(611,309)	(14.68)	(873,005)	(19.69)
Expenses not deductible for tax purposes	944,674	22.69	533,474	12.03
(Understatement) overstatement of prior year's deferred tax	(59,290)	(1.42)	343,993	7.76
Tax charge	1,627,086	39.09	(1,436,683)	(32.40)

19. Tax Losses

The company has losses for tax purposes of $6,668,427 (2011: $8,590,274), which is available for relief against future years taxable (chargeable) income to a maximum of 50% of the current year's chargeable income. During the year, the Bank utilized tax losses amounting to $1,921,848. The losses available to be carried forward are as follows:-

Income Year	$	Expiry Date
2010	1,207,868	January 31, 2015
2011	5,460,559	January 31, 2016
	6,668,427	

20. Selling Expenses

	2012 $	2011 $
Advertising and promotion	130,304	210,064
Other business promotion	47,714	38,874
	178,018	248,938

21. Administrative Expenses

	2012 $	2011 $
Energy	110,489	79,462
Impairment charges – non-banking	0	236,017
Information technology costs	96,572	90,520
Communications	38,803	31,093
Other administrative costs	479,319	428,921
Property, plant and equipment	97,104	114,886
	822,287	980,899

22. Staff Costs

	2012 $	2011 $
Bonus	125,000	60,000
Health insurance	10,658	10,837
National Insurance Scheme contribution	28,850	31,629
Pension	40,837	40,271
Salaries and allowances	750,703	703,179
Staff training	15,728	12,410
Uniforms	14,883	8,231
	986,659	867,557

At reporting date, the Bank's staff complement included 24 (2011: 23) full time employees.

23. Earnings per Share

Basic earning per share is calculated by dividing the profit attributable to equity shareholders of the Bank by the weighted average number of ordinary shares in issue during the year.

	2012 $	2011 $
Profit (loss) attributable to equity holders of the Bank	2,536,026	(2,997,609)
Weighted average number of ordinary shares in issue	5,514,211	5,514,211
	0.46	(0.54)