The St. Vincent Co-operative Bank Limited

Financial Statements
Year Ended January 31, 2016

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
Mrs. Heather Sardine
Mrs. Suzanne Joachim
Mrs. Zhinga A. Horne-Edwards

SECRETARY

Mrs. Laverne Velox

SOLICITORS

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

AUDITORS

BDO
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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, 2016, and the statement of changes in equity, statement of profit or loss and other comprehensive income and statement of 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 presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 controls 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 expressing an opinion on the effectiveness of the entity's internal controls. 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.

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, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

BDO

April 7, 2016

The St. Vincent Co-operative Bank Limited

Statement of Financial Position
As of January 31, 2016
(in Eastern Caribbean dollars)

	Notes	2016 $	2015 $
ASSETS			
Cash resources	7	38,622,317	29,042,348
Financial investments	8	37,081,122	31,018,090
Loans	9	100,034,159	102,313,651
Other assets	10	759,885	580,147
Property, plant and equipment	11	9,578,305	9,350,677
Deferred tax asset	12	150,335	464,870
Total Assets		186,226,123	172,769,783
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits	13	164,200,974	151,128,160
Other payables	14	1,676,827	1,337,847
Taxes payable		39,565	0
Dividend payable		2,494	10,106
Total Liabilities		165,919,860	152,476,113
Shareholders' Equity			
Stated capital	15	5,527,362	5,527,362
General reserve	16	5,527,362	5,527,362
Revaluation surplus		5,214,119	5,214,119
Retained earnings		4,037,420	4,024,827
		20,306,263	20,293,670
Total Liabilities and Shareholders' Equity		186,226,123	172,769,783

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, 2016
(in Eastern Caribbean dollars)

	2016 $	2015 $
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	5,527,362	5,527,362
At end of year	5,527,362	5,527,362
Revaluation Surplus		
Beginning of year	5,214,119	5,214,119
At end of year	5,214,119	5,214,119
Retained Earnings		
Beginning of year	4,024,827	3,491,506
Net profit for the year	288,304	809,032
Dividend paid	(275,711)	(275,711)
	4,037,420	4,024,827
Total Shareholders' Equity	20,306,263	20,293,670

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

Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended January 31, 2016
(in Eastern Caribbean dollars)

	Notes	2016 $	2015 $
Interest Income	17	9,766,930	10,055,279
Interest Expense	18	4,035,559	4,574,256
Net Interest Income		5,731,371	5,481,023
Less: Allowance for Impaired Loans	9.4	1,242,000	730,500
		4,489,371	4,750,523
Interest Levy		854,331	718,073
Selling Expenses	19	263,598	260,517
Administrative Expenses	20	1,153,747	1,221,547
Staff Costs	21	1,481,958	1,427,602
Depreciation	11	197,358	139,523
		538,379	983,261
Other Income			
Fees and commission		154,918	94,267
Loss on disposal of fixed assets		(3,700)	(4,438)
Miscellaneous income		4,487	46,662
Profit before Income Tax		694,084	1,119,752
Income Tax	22	(405,780)	(310,720)
Net Profit for the Year		288,304	809,032
Comprehensive Income Attributable to:			
Owners of company		288,304	809,032
Earnings per Share	24	0.05	0.15

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

Statement of Cash Flows
For the Year Ended January 31, 2016
(in Eastern Caribbean dollars)

	2016 $	2015 $
Operating Activities		
Profit before income tax	694,084	1,119,752
Adjustments for		
Depreciation	197,358	139,523
Loss on disposal of fixed assets	3,700	4,438
Net Profit before Changes in Operating Assets and Liabilities	895,142	1,263,713
Decrease in loans	2,279,492	1,039,261
(Increase) decrease in other assets	(231,418)	261,131
Increase in deposits	13,072,814	10,403,264
Increase in other payables	338,980	59,120
Cash Generated from Operations	16,355,010	13,026,489
Income taxes paid	0	(282,640)
Net Cash Generated from Operating Activities	16,355,010	12,743,849
Investing Activities		
Additions to property, plant and equipment	(448,686)	(41,510)
Purchase of financial investments	(18,249,431)	(14,954,200)
Proceed from disposal of property, plant and equipment	20,000	0
Redemption of financial investments	12,186,399	13,948,062
Net Cash Used in Investing Activities	(6,491,718)	(1,047,648)
Financing Activity		
Dividend Paid	(283,323)	(483,046)
Net Cash Used in Financing Activity	(283,323)	(483,046)
Net Movement in Cash Resources	9,579,969	11,213,155
Cash Resources - Beginning of Year	29,042,348	17,829,193
Cash Resources - End of Year	38,622,317	29,042,348

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 1944. The Bank's activities are regulated under the provisions of the Banking Act No. 4 of 2015. 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 7, 2016.

3. Basis of Preparation

The principal accounting policies adopted in the preparation of these financial statements are set out in note 4. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS), International Accounting Standards, and Interpretations (collectively) IFRS.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas where significant judgment and estimates have been made in preparing the financial statements and their effect are disclosed in note 6.

Basis of Measurement

The financial statements have been prepared on a historical cost basis; except for the following items (refer to individual accounting policies for details):

- Financial instruments – fair value through profit or loss
- Financial instruments – available for sale
- Contingent consideration
- Investment property
- Revalued property, plant and equipment
- Cash settled share-based payment liabilities

Change in Accounting Policies

a. ***New Standards, Interpretations and Amendments Effective from January 1, 2015***

The Bank has applied the following standards and amendments for the first time for their annual reporting period commencing 1 February 2015:

- **Annual Improvements to IFRS – 2010 – 2012 Cycle and 2011 – 2013 Cycle**
- **IAS 19 – Employee Benefits -** In November 2013 IAS 19 was amended by *Defined Benefit Plans: Employee Contributions* (Amendments to IAS 19). The amendments simplified the requirements for contributions from employees or third parties to a defined benefit plan, when those contributions are applied to a simple contributory plan that is linked to service.

  Other Standards have made minor consequential amendments to IAS 19, including *Annual Improvements to IFRSs 2012-2014 Cycle* (issued September 2014).

The adoption of these amendments did not have any impact on any prior period and is not likely to affect future periods.

b. ***New Standards, Amendments and Interpretations not yet Effective and have not been Early Adopted***

The following new standards, interpretations and amendments, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the Bank's future financial statements which will be effective for the accounting periods beginning on or after 1 January 2016.

3. Basis of Preparation (Cont'd)

Change in Accounting Policies (Cont'd)

b. *New Standards, Amendments and Interpretations not yet Effective and have not been Early Adopted (Cont'd)*

IFRS 9 - Financial Instruments

IFRS 9 *Financial Instruments,* which becomes effective for annual periods beginning on or after 1 January 2018, sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items; and replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

The Bank plans to implement IFRS 9 in reporting period beginning January 1, 2018, and anticipates that its application in future will not have a significant impact on the amounts reported in respect of assets and liabilities.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 *Revenue from Contracts with Customers,* which becomes effective for annual reporting periods beginning on or after 1 January 2017, was issued in May 2014. It establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise. The core principle in that framework is that an entity should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Standard sets out five steps to follow: identify the contract(s) with a customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contract; and recognise revenue when (or as) the entity satisfies a performance obligation. IFRS 15 replaces IAS 11 *Construction Contracts* and IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreement for the Construction of Real Estate* and IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue—Barter Transactions Involving Advertising Services.*

The Bank plans to implement IFRS 15 in the reporting period beginning February 1, 2017 and anticipates that in future it will not have a significant impact on the amounts reported in respect of assets and liabilities.

IFRS 11 - Accounting for Acquisitions of Interest in Joint Operations

Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*, which becomes effective for period beginning on or after 1 January 2016; was originally issued in May 2014 and addresses the accounting for interests in joint ventures and joint operations. The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. Earlier application is permitted.

The Bank anticipates that the amendments to IRFS 11 in future will not have a significant impact on the amounts reported in respect of assets and liabilities.

IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to IAS 16 and IAS 38, which become effective for reporting periods beginning on or after 1 January 2016, and the *Clarification of Acceptable Methods of Depreciation and Amortisation*, were issued in May 2014. IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. Earlier application is permitted.

The Bank plans to implement the amendments to IAS 16 and 38 in the reporting period beginning February 1, 2016, and anticipates that the application of these amendments in future will not have a significant impact on the amounts reported in respect of assets and liabilities.

IAS 27 - Equity Method in Separate Financial Statements

Amendments to IAS 27 *Equity Method in Separate Financial Statements*, which become effective for reporting periods beginning on or after 1 January 2016, were issued in August 2014. The amendments to IAS 27, *Separate Financial Statements,* will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments are required to be applied retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Earlier application is permitted.

The Bank anticipates that the application of the amendments to IAS 27 in future will not have a significant impact on the amounts reported in respect of assets and liabilities.

4. Basis of Preparation (Cont'd)

Change in Accounting Policy (Cont'd)

b. ***New Standards, Amendments and Interpretations not yet Effective and have not been Early Adopted (Cont'd)***

IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, which are effective for annual reporting periods beginning on or after 1 January 2016, were issued in September 2014. The amendments address the conflict between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, when accounting for the sale or contribution of a subsidiary to a joint venture or associate (resulting in the loss of control of the subsidiary). Earlier application is permitted.

The Bank anticipates that the application of the amendments to IFRS 10 and IAS 28 in future will not have a significant impact on the amounts reported in respect of assets and liabilities.

IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception

Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*, which is effective for annual reporting periods beginning on or after 1 January 2016, was issued in December 2014. The amendments clarify which subsidiaries of an investment entity should be consolidated instead of being measured at fair value through profit or loss. The amendments also clarify that the exemption from presenting consolidated financial statements continues to apply to subsidiaries of an investment entity that are themselves parent entities. This is so even if that subsidiary is measured at fair value through profit or loss by the higher level investment entity parent. In addition, the amendments provide relief whereby a non-investment entity investor can, when applying the equity method, choose to retain the fair value through profit or loss measurement that is applied by its investment entity associates and joint ventures to their subsidiaries. Earlier application is permitted.

The Bank anticipates that the application of the amendments to IFRS 10, 12 and IAS 28 in future will not have a significant impact on the amounts reported in respect of assets and liabilities.

IAS 1 - Disclosure Initiative

Disclosure Initiative (Amendments to IAS 1) was issued in December 2014. The amendments address concerns expressed about some of the existing presentation and disclosure requirements in IAS 1 *Presentation of Financial Statements* and ensure that entities are able to use judgement when applying those requirements. As a result, it introduces five, narrow-focus improvements to the disclosure requirements that relate to materiality, order of the notes, subtotals, accounting policies and disaggregation. The amendments also clarify the requirements in paragraph 82A of IAS 1 for presenting an entity's share of items of other comprehensive income of associates and joint ventures accounted for using the equity method. These amendments are required to be applied for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

Annual improvements to IFRS's which will be effective for accounting periods beginning on or after 1 January 2016 are as follows: -

- IFRS 5 – Changes in methods of disposal
- IFRS 7 – Servicing contracts
- IFRS 7 – Applicability of the amendments to IFRS 7 to condensed interim financial statements
- IAS 19 – Discount rate: Regional market issue
- IAS 34 – Disclosure of information "elsewhere in the interim financial report"

4. Summary of Significant Accounting Policies

a. 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.

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

b. 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 reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

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 or loss, and other changes in the carrying amount are recognised in equity.

c. Offsetting Financial Instruments

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

d. Loans to Customers

Loans are stated net of allowance for loan losses. The allowance for losses is based on an annual appraisal of loans. Specific and general allowance for loan losses is based on the year-end appraisal of loans. The specific element relates to identified loans whereas the general element relates to latent bad and doubtful loans which are present in any loan portfolio but have not been specifically identified. Loans are written down to estimated realizable value when the normal financial relationship with the member has ceased; interest on the loan up to that time is credited to operations and allowance is made where appropriate.

e. Interest Income and Expense

Interest income and expense are recognised in the statement of profit or loss for all instruments measured at amortised cost using the accrual method, except for held-to-maturity investments which use 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.

f. Revenue on Non-Productive Loans

Revenue is recognised on loans categorised as non-productive only to the extent that interest payments have been received.

g. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are recognized initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

h. 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.

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

i. 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 measured reliably.

The carrying value of items of property, plant and equipment is amortised and charged as depreciation through the profit or 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 realizable 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 fittings	15%
Equipment	15 – 20%
Generator	20%
Motor vehicle	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 are determined by comparing proceeds with carrying amount. These are included in other operating expenses in the profit or loss. Any gains or losses arising on the remeasured value of the Bank's property is included in other comprehensive income.

j. 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 or 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 or loss.

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

j. Financial Assets (Cont'd)

i) *Financial Assets at Fair Value through Profit or Loss (Cont'd)*

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.

iii) *Held-to-Maturity Investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable 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 or loss are initially recognised at fair value, and transactions costs are expensed in the statement of profit or loss. 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 statement of profit or loss 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 are recognised in the statement of profit or loss. Dividends on available-for-sale equity instruments are recognised in the statement of profit or loss when the entity's right to receive payment is established.

The fair value of quoted investments in active markets is 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.

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

k. Impairment of Financial Assets

Assets Carried at Amortized Cost

At each reporting 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 of 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 profit or loss. 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.

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 allowance 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 allowance for loan impairment in the statement of profit or loss.

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 profit or loss.

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

l. Impairment of Financial Assets (Cont'd)

Assets Carried at Fair Value

At each reporting 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 profit or loss. Impairment losses recognized in the statement of profit or loss on equity instruments are not reversed through the statement of profit or loss. 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 profit or loss.

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 the basis of the renegotiated terms and conditions.

m. 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 not 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 reporting 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 reporting 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.

n. 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.

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

o. 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 reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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 reporting 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.

p. 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 measured 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.

q. 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.

5. 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.

5. Financial Risk Management (Cont'd)

5.1. 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-reporting 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: -

	2016 $	2015 $
Deposits with commercial banks	36,779,152	27,402,092
Investment securities	37,081,122	31,018,090
Loans	100,034,159	102,313,651
Interest receivable on held to maturity financial assets	602,382	491,220
	174,496,815	161,225,053

5.1.1 Credit Risk Measurement

Loans and Advances

In measuring credit risk of loans 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 derives 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 reporting date (the 'incurred loss model') rather than expected losses.

(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.

5.1.2 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.

5. Financial Risk Management (Cont'd)

5.1.3 Risk Limit Control and Mitigation Policies

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;

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.

5.1.4. Impairment and Allowance Policies

Impairment allowances are recognised for financial reporting purposes only for losses that have been incurred at the reporting 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.

5.2. Market Risk

The Bank reviews its 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 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.

5. Financial Risk Management (Cont'd)

5.2.1. 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.

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, 2016					
Assets	58,909,219	24,186,180	91,351,434	1,893,147	176,339,980
Liabilities	165,455,594	0	0	424,701	165,880,295
Interest Sensitivity Gap	(106,546,375)	24,186,180	91,351,434		8,921,239
As of January 31, 2015					
Total Assets	43,176,858	13,581,297	104,416,916	1,690,238	162,865,309
Total Liabilities	152,278,645	0	0	197,468	152,476,113
Interest Sensitivity Gap	(109,101,787)	13,581,297	104,416,916		8,896,426

5.3. 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.

5.3.1 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 reporting 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.

	Up to One Year $	One to Five Years $	Over Five Years $	Total $
As at January 31, 2016				
Assets	60,802,366	24,186,180	91,351,434	176,339,980
Liabilities	165,880,295	0	0	165,880,295
Net Liquidity Gap	(105,077,929)	24,186,180	91,351,434	10,459,685
As at January 31, 2015				
Total Assets	44,867,096	13,581,297	104,416,916	162,865,309
Total Liabilities	152,476,113	0	0	152,476,113
Net Liquidity Gap	(107,609,017)	13,581,297	104,416,916	10,389,196

5. Financial Risk Management (Cont'd)

5.3.2. Funding Approach

Sources of liquidity are regularly reviewed by executive management.

5.4. Capital Management

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

- To comply with the capital requirements of the Banking Act 2015;
- 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.

6. 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 profit or loss, 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 reporting date.

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.

7. Cash Resources

	2016 $	2015 $
Cash on hand	1,843,165	1,234,070
Cheques and other items in transit	307,513	406,186
Deposits with other banks	36,471,639	27,402,092
	38,622,317	29,042,348

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

8. Financial Investments

	2016 $	2015 $
Securities Held-to-Maturity		
Government of St. Vincent and the Grenadines		
7.5% Bonds, to mature on August 17, 2016	710,524	1,421,053
7.5% Bonds, to mature on September 26, 2017	800,000	1,200,000
7.5% Bonds, to mature April 29, 2022	1,300,000	1,500,000
8% Bonds, to mature on March 12, 2016	71,429	428,571
8% Bonds, to mature on March 12, 2016	142,856	214,285
7% Bonds, to mature on March 20, 2023	3,750,000	4,250,000
7% Bonds, to mature on August 21, 2021	3,000,000	3,000,000
6.5% Treasury Note, to mature November 4, 2018	3,000,000	0
4.82% Treasury Bill, to mature April 7, 2016	1,975,966	0
	14,750,775	12,013,909
Government of St. Lucia		
7.15% Bonds, to mature on July 31, 2015	0	2,000,000
7.5% Bonds, to mature on July 31, 2018	5,000,000	5,000,000
	5,000,000	7,000,000
Government of Antigua		
4.95% Bonds, to mature September 28, 2017	2,000,000	0
	2,000,000	0
RBTT Bank Caribbean Ltd.		
0.51% Certificate of deposit, due December 23, 2016	3,477,521	3,459,876
	3,477,521	3,459,876
Bank of Nova Scotia		
0.25% Certificate of deposit, due February 17, 2016 (2015: 0.75%)	271,344	269,323
	271,344	269,323
Bank of St. Vincent and the Grenadines		
3% Certificate of deposit, due September 13, 2016 (2015:4%)	5,434,000	5,225,000
2.5% Certificate of deposit due November 30, 2016	3,000,000	0
	8,434,000	5,225,000
First Citizens Investment Services Limited		
2% Certificate of deposit, due April 22, 2016 (2015:3.25%)	3,097,500	3,000,000
	3,097,500	3,000,000
Total Securities Held-to-Maturity	37,031,140	30,968,108
Securities Available-for-Sale		
5,785 ordinary Bank of St. Vincent and the Grenadines Limited shares, at fair value	49,982	49,982
Total Securities Available-for-Sale	49,982	49,982
	37,081,122	31,018,090

The effective yields on securities held to maturity at reporting date were as follows:-

	2016 %	2015 %
Government of St. Vincent & The Grenadines bonds	6.72	7.35
Government of St. Lucia bonds	7.50	0
RBTT Bank Caribbean Ltd. certificate of deposit	0.51	0.51
Bank of Nova Scotia certificate of deposit	0.75	0.75
Bank of St. Vincent & the Grenadines certificate of deposit	2.82	4.00
First Citizens Investment Services certificate of deposit	2.00	3.25
Government of Antigua Bonds	4.95	0

8. Financial Investments (Cont'd)

The movement in investment securities is summarised as follows: -

	Available for Sale $	Held for Trading $	Held to Maturity $	Total $
At February 1, 2015	49,982	0	30,968,108	31,018,090
Additions	0	0	18,249,431	18,249,431
Disposal/redemption	0	0	(12,186,399)	(12,186,399)
At January 31, 2016	49,982	0	37,031,140	37,081,122

	Available for Sale $	Held for Trading $	Held to Maturity $	Total $
At February 1, 2014	49,982	0	29,961,970	30,011,952
Additions	0	0	14,954,200	14,954,200
Disposal/redemption	0	0	(13,948,062)	(13,948,062)
At January 31, 2015	49,982	0	30,968,108	31,018,090

As of reporting date, the maturity distribution of the held to maturity securities was as follows:-

	2016 $	2015 $
One year	18,181,140	13,954,199
From 1 to 5 years	10,800,000	8,263,909
Over 5 years	8,050,000	8,750,000
	37,031,140	30,968,108

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

	2016 $	2015 $
Eastern Caribbean currency	37,081,122	31,018,090

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.

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

9. Loans

	2016 $	2015 $
Residential mortgages	18,578,147	19,258,304
Other mortgages	75,771,281	76,754,766
Consumer loans	9,839,627	10,202,600
	104,189,055	106,215,670
Less: allowance for impairment (Note 9.3)	4,532,114	4,440,090
	99,656,941	101,775,580
Interest receivable net	377,218	538,071
	100,034,159	102,313,651
Due within one year	3,346,545	1,329,347
Due after one year	96,687,614	100,984,304
	100,034,159	102,313,651

The effective interest yield during the year on loans and advances was 7.47% (2015: 7.79%).

At reporting date, loans and advances, net of allowance for impairment, on which interest accrual has been suspended, amount to $19,508,458 (2015: $18,618,827).

9. Loans (Cont'd)

9.1. Sectoral Analysis

At reporting date, 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 2016 $000's	Total 2015 $000's
Agriculture	0	52	1,059	1,111	1,143
Manufacturing	3	115	825	943	941
Tourism	0	276	1,122	1,398	1,403
Construction	696	2,814	5,288	8,798	9,332
Other services	0	1,161	8,237	9,398	6,698
Distributive trades	6	567	14,032	14,605	14,815
Personal	143	6,209	61,584	67,936	71,884
	848	11,194	92,147	104,189	106,216
Less: Allowance for losses on loans and advances (Note 9.3)				4,532	4,440
Add: interest receivable, net				377	538
				100,034	102,314

9.2. Loans and Advances Impairment Analysis

Loans to customers are summarised as follows: -

	2016 $	2015 $
Neither past due nor impaired	64,686,825	60,547,391
Past due but not impaired	16,272,917	23,945,311
Impaired	23,229,313	21,722,968
Gross	104,189,055	106,215,670
Less: allowance for impairment	4,532,114	4,440,090
	99,656,941	101,775,580
Interest receivable	377,218	538,071
	100,034,159	102,313,651

At reporting date, loan impairment allowance amounts to $4,532,114 (2015: $4,440,090) of which $3,885,246 (2015: $3,834,616) represents the individually impaired loans and the remaining $646,868 (2015: $605,474) 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, 2016	Residential Mortgages $	Other Mortgages $	Consumer Loans $	Total $
Past due up to 30 days	2,144,554	6,621,677	1,069,605	9,835,836
Past due 30 – 60 days	249,330	3,439,003	917,388	4,605,721
Past due 60 – 90 days	0	1,697,467	133,893	1,831,360
	2,393,884	11,758,147	2,120,886	16,272,917

31 January, 2015	Residential Mortgages $	Other Mortgages $	Consumer Loans $	Total $
Past due up to 30 days	2,217,308	10,904,742	1,324,461	14,446,511
Past due 30 – 60 days	1,455,098	3,844,108	1,106,255	6,405,461
Past due 60 – 90 days	0	2,924,326	169,013	3,093,339
	3,672,406	17,673,176	2,599,729	23,945,311

9. Loans (Cont'd)

9.2. Loans and Advances Impairment Analysis (Cont'd)

Loans Individually Impaired

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

	2016 $	2015 $
Residential mortgages	2,676,691	2,959,783
Other mortgages	19,913,735	17,998,009
Consumer loans	638,887	765,176
	23,229,313	21,722,968

9.3. Allowance for Impairment

	2016 $	2015 $
Balance, beginning of year	4,440,090	3,897,203
Allowance for impairment (Note 9.4)	1,242,000	730,500
Bad debts written off	1,149,976	187,613
Balance, end of year	4,532,114	4,440,090

9.4. Loan Loss Expense

	2016 $	2015 $
Specific allowance for loan loss (note 9.3)	1,242,000	730,500

10. Other Assets

	2016 $	2015 $
Interest receivable on held to maturity financial assets	602,382	491,220
Prepaid expenses	157,503	35,647
Refundable tax	0	51,680
Other receivables	0	1,600
	759,885	580,147

11. Property, Plant and Equipment

	Land $	Building $	Furniture & Fittings $	Office Equipment $	Motor Vehicle $	Generator $	Total $
At January 31, 2014							
Cost or valuation	6,615,300	2,313,869	359,257	1,679,983	121,092	33,349	11,122,850
Accumulated depreciation	0	100,665	208,281	1,347,074	99,540	33,308	1,788,868
Net book amount	6,615,300	2,213,204	150,976	332,909	21,552	41	9,333,982
Year Ended January 31, 2015							
Opening net book amount	6,615,300	2,213,204	150,976	332,909	21,552	41	9,333,982
Additions	0	0	22,666	18,844	0	0	41,510
Transfers	0	0	0	119,146	0	0	119,146
Disposals	0	0	(541)	(3,897)	0	0	(4,438)
Depreciation charge	0	(44,264)	(22,585)	(67,278)	(5,388)	(8)	(139,523)
Closing net book amount	6,615,300	2,168,940	150,516	399,724	16,164	33	9,350,677
At January 31, 2015							
Cost or valuation	6,615,300	2,313,869	381,314	1,811,482	121,092	33,349	11,276,406
Accumulated depreciation	0	144,929	230,798	1,411,758	104,928	33,316	1,925,729
Net book amount	6,615,300	2,168,940	150,516	399,724	16,164	33	9,350,677
Year Ended January 31, 2016							
Opening net book amount	6,615,300	2,168,940	150,516	399,724	16,164	33	9,350,677
Additions	0	0	28,894	308,921	110,871	0	448,686
Disposal	0	0	(8)	(11,232)	(12,460)	0	(23,700)
Transfers	0	0	0	(4,644)	0	4,644	0
Depreciation charge	0	(43,379)	(25,172)	(101,379)	(26,802)	(626)	(197,358)
Closing net book amount	6,615,300	2,125,561	154,230	591,390	87,773	4,051	9,578,305
At January 31, 2016							
Cost or valuation	6,615,300	2,313,869	410,017	1,943,817	110,871	37,993	11,431,867
Accumulated depreciation	0	188,308	255,787	1,352,427	23,098	33,942	1,853,562
Net book amount	6,615,300	2,125,561	154,230	591,390	87,773	4,051	9,578,305

On August 23, 2011, the Bank's land and building were 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 flowed through other comprehensive income.

Depreciation of $197,358 (2015: $139,523) was charged to the profit or loss before income tax.

12. Deferred Tax Asset

Deferred income taxes are calculated in full on temporary differences under the liability method using statutory tax rate, 32.5% (2015: 32.5%), which is expected to be in force in the upcoming financial year. Deferred tax asset comprises:-

	2016 $	2015 $
Temporary difference on capital assets	(59,879)	(51,910)
Benefit from unutilized tax losses	0	290,084
Taxed provision	210,232	226,696
	150,335	464,870

This balance includes the following: -

	2016 $	2015 $
Deferred tax assets to be settled after more than 12 months	150,335	464,870

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

	2016 $	2015 $
Balance at beginning of the year	464,870	612,494
Income statement release (Note 22)	314,535	147,624
Balance at end of the year	150,335	464,870

13. Deposits

	2016 $	2015 $
Payable after notice	123,557,229	112,214,067
Payable on a fixed date	40,643,745	38,914,093
	164,200,974	151,128,160

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

	2016 %	2015 %
Payable after notice	2.14	3.03
Payable on a fixed date	3.80	3.94

Customers' deposits are denominated in Eastern Caribbean Currency.

13.1. Sectoral Analysis

	2016 $	2015 $
Private sector	162,981,095	149,941,443
Financial institutions	1,219,879	1,186,717
	164,200,974	151,128,160

14. Other Payables

	2016 $	2015 $
Inter-bank clearings	185,153	250,873
Interest payable on deposits	400,289	135,626
Interest levy payable	854,331	718,073
Other accounts payable	237,054	233,275
	1,676,827	1,337,847

14. Other Payables (Cont'd)

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

	2016 $	2015 $
Eastern Caribbean currency	1,676,827	1,337,847
	1,676,827	1,337,847

15. Stated Capital

	2016 No. of Shares	2015 No. of Shares	2016 $	2015 $
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
End of year	5,514,211	5,514,211	5,527,362	5,527,362

16. General Reserve

	2016 $	2015 $
Balance – beginning of the year	5,527,362	5,527,362
Balance – end of the year	5,527,362	5,527,362

The general reserve is not available for distribution by way of dividend. The general reserve shall not be less than the Bank's paid-up capital.

17. Interest Income

	2016 $	2015 $
Income from loans and advances	7,588,338	8,043,768
Income from investment securities	1,634,974	2,006,178
Income from deposits with other banks	543,618	5,333
	9,766,930	10,055,279

18. Interest Expense

	2016 $	2015 $
Interest on savings deposits	2,523,304	3,059,668
Interest on fixed deposits	1,512,255	1,514,588
	4,035,559	4,574,256

19. Selling Expenses

	2016 $	2015 $
Advertising and promotion	175,476	204,965
Other business promotion	88,122	55,552
	263,598	260,517

20. Administrative Expenses

The following summarises administrative expenses on a functional basis:

	2016 $	2015 $
Energy	96,840	113,626
Information technology costs	145,464	131,033
Communications	92,408	45,425
Other administrative costs	567,229	613,885
Property related expenditure	251,806	317,578
	1,153,747	1,221,547

21. Staff Costs

	2016 $	2015 $
Bonus	70,000	71,000
Health insurance	13,345	10,863
National Insurance Services	55,729	49,652
Pension	65,647	59,673
Salaries and allowances	1,209,829	1,157,409
Staff training	49,445	42,675
Uniforms	17,963	36,330
	1,481,958	1,427,602

At reporting date, the Bank's staff complement included 33 (2015: 33) full time employees.

22. Income Tax

	2016 $	2015 $
Current tax	91,245	163,096
Deferred tax expense	314,535	147,624
	405,780	310,720

Deferred tax expense for the year comprises: -

	2016 $	2015 $
Temporary differences in property, plant and equipment	24,431	3,070
Temporary differences in taxed provisions	289,922	144,554
Understatement in prior year's deferred tax	182	0
	314,535	147,624

The income tax charge differs from the amount computed by applying the tax statutes income tax rate, 32.5% (2015: 32.5%), to earnings before tax. The differences in the effective rate of tax are accounted for follows:-

	2016		2015	
	$	%	$	%
Profit before tax	694,084	100.00	1,119,752	100.00
Tax calculated at the statutory rate	225,577	32.50	363,919	32.50
Income not subject to taxation	(707,655)	(101.96)	(789,006)	(70.46)
Expenses not deductible for tax purposes	688,836	99.24	717,266	64.05
Understatement of prior year's current tax	0	0	22,166	1.98
Expired Tax Provision	198,840	28.65	0	0
Understatement of prior year's deferred tax	182	0.03	0	0.00
Tax credit	0	0	(3,625)	(0.32)
Tax charge	405,780	58.46	310,720	27.75

23. Subsequent Event

On April 7, 2016, the directors proposed a final dividend of $0.05 per share to shareholders of record as of January 31, 2016.

24. Tax Losses

The company has losses for tax purposes of $0 (2015: $892,566), which are available for relief against future years taxable (chargeable) income to a maximum of 50% of the current year's chargeable income. During the year, tax losses utilised and expired amounted to $280,752 (2015: $444,783) and $611,814 respectively.

25. 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.

	2016 $	2015 $
Profit attributable to equity holders of the Bank	288,304	809,032
Weighted average number of ordinary shares in issue	5,514,211	5,514,211
	0.05	0.15

26. Contingencies

On August 26, 2013, the Bank was subject to an assessment for additional interest levy of $670,092 and $713,829 in respect of the years 2012 and 2013 respectively. The Bank objected to the additional assessment. As of reporting date, no determination has been made in respect of the additional assessment. If upon final determination of the assessment the Bank is found liable for the additional interest levy, the effects will be charged to profit or loss.

27. Related Party Transactions

The following summarises transactions, in the ordinary course of business, with related parties: -

	2016 $	2015 $
Key management compensation	703,028	624,047
Directors' fees	165,000	139,500