Consolidated Financial Statements

National Commercial Bank of Anguilla Limited

October 31, 2017
(Expressed in Eastern Caribbean dollars)

National Commercial Bank of Anguilla Limited

Contents

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Independent Auditors' Report

To the Shareholder of National Commercial Bank of Anguilla Limited

Opinion

We have audited the consolidated financial statements of the National Commercial Bank of Anguilla Limited (the "Bank"), which comprise the consolidated statement of financial position as at October 31, 2017, consolidated statement of loss, consolidated statement of comprehensive loss and consolidated statement of changes in equity and consolidated statement of cash flows from April 22, 2016 to October 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Bank as at October 31, 2017, and its financial performance and its cash flows for the 18-month period ended October 31, 2017, in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Deloitte.

Independent Auditors' Report (continued)

To the Shareholder of National Commercial Bank of Anguilla Limited

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

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

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

Other matter

This report, including the opinion, has been prepared for and only for the Bank and the Bank's shareholder as a body in accordance with the terms of our engagement letter and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's shareholder as a body for our audit work, for this report, or for the opinion we have formed.

Deloitte & Touche

April 5, 2021

National Commercial Bank of Anguilla Limited

Consolidated Statement of Financial Position

As of October 31, 2017

(Expressed in Eastern Caribbean dollars)

	2017 $
Assets	
Cash and balances with the Central Bank (notes 6)	78,847,608
Due from banks and other financial institutions - net (note 7)	40,256,255
Loans and advances (note 11)	399,384,433
Investment securities - net (note 8)	42,881,984
Reinsurance assets (note 18)	12,315,658
Inventory property (note 14)	7,618,259
Investment properties (note 13)	2,356,717
Investment in associate (note 12)	1,434,250
Property, plant and equipment (note 16)	53,748,060
Intangible assets (note 15)	872,972
Statutory deposits (note 9)	7,997,836
Other assets (note 10)	30,661,955
Total assets	**678,375,987**
Liabilities	
Deposits from customers (note 17)	634,452,275
Accounts and other payables (note 20)	5,592,466
Insurance liabilities (note 18)	19,000,386
Due to other financial institutions (note 19)	5,692,541
Total liabilities	**664,737,668**
Shareholder's equity	
Share capital (note 22)	12,000,000
Revaluation Reserve	(11,524)
Reserve for unexpired risk (note 23)	2,541,699
Accumulated deficit	(7,161,047)
Attributable to owners of parent	7,369,128
Non-controlling interest (note 24)	4,164,303
Reserve for unexpired risk (note 23)	2,104,888
Attributable to non-controlling interest	6,269,191
Total shareholder's equity	**13,638,319**
Total liabilities and shareholder's equity	**678,375,987**

Approved by the Board of Directors on March 30, 2021

Chairman

Director

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

National Commercial Bank of Anguilla Limited
Consolidated Statement of Loss
For the 18-month period ended October 31, 2017
(Expressed in Eastern Caribbean dollars)

	2017 **$**
Interest income	46,745,082
Interest expense	(15,975,100)
Net interest income (note 25)	**30,769,982**
Fees and commission income	10,351,714
Insurance premium revenue – net (note 32)	4,601,538
Dividend Income	1,193,156
Gain on foreign exchange	513,539
Other income (note 26)	17,279,598
Operating income	**64,709,527**
Operating expenses	
General and administrative expenses (note 31)	(36,726,188)
Impairment loss - loans	(17,782,606)
- Other	(1,687,562)
Insurance claims incurred - net (note 32)	(5,718,280)
Depreciation	(3,410,214)
Correspondent bank charges	(1,522,990)
Directors' fees and expenses	(1,301,802)
Amortisation	(688,732)
Total Operating expenses	**(68,838,374)**
Operating loss from operations	**(4,128,847)**
Share of loss of associates	(932,729)
Loss on sale of inventory property	(501,546)
Loss on disposal of fixed assets	(104,006)
Loss before tax	**(5,667,128)**
Taxation (note 21)	
Current tax expense	(1,374,468)
Loss for the period	**(7,041,596)**
Loss per share (note 27)	**(0.59)**
Loss attributable to:	
Owners of the Group	(4,619,348)
Non-controlling interest	(2,422,248)
	(7,041,596)

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

National Commercial Bank of Anguilla Limited
Consolidated Statement of Comprehensive Loss
For the 18-month period ended October 31, 2017
(Expressed in Eastern Caribbean dollars)

	2017 **$**
Loss for the period	**(7,041,596)**
Other comprehensive loss:	
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:	
Net change in market value of investment securities	(11,524)
Total other comprehensive loss for the period	**(11,524)**
Total comprehensive loss for the period	**(7,053,120)**
Total comprehensive loss attributable to:	
Owners of the Group	(4,630,872)
Non-controlling interest	(2,422,248)
	(7,053,120)

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

National Commercial Bank of Anguilla Limited

Consolidated Statement of Changes in Equity

For the 18-month period ended October 31, 2017

(Expressed in Eastern Caribbean dollars)

	Share capital $	Revaluation reserves $	Reserve for unexpired risk $	Accumulated deficit $	Attributable to owners of parent $	Non-controlling interest $	Reserve for unexpired risk $	Attributable to non-controlling interest $	Total $
Balance April 25, 2016	-	-	-	-	-	-	-	-	-
Net Loss for the period	-	-	-	(4,619,348)	**(4,619,348)**	(2,422,248)	-	**(2,422,248)**	**(7,041,596)**
Other comprehensive loss	-	(11,524)	-	-	**(11,524)**	-	-	-	**(11,524)**
Total comprehensive loss for the period	-	(11,524)	-	(4,619,348)	**(4,630,872)**	(2,422,248)	-	**(2,422,248)**	**(7,053,120)**
Non-controlling interest (NCI)	-	-	-	-	-	8,691,439	-	**8,691,439**	**8,691,439**
Reserve for unexpired risk	-	-	2,541,699	(2,541,699)	-	(2,104,888)	2,104,888	-	-
Issuance of ordinary shares	12,000,000	-	-	-	**12,000,000**	-	-	-	**12,000,000**
Balance October 31, 2017	12,000,000	(11,524)	2,541,699	(7,161,047)	**7,369,128**	4,164,303	2,104,888	**6,269,191**	**13,638,319**

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

National Commercial Bank of Anguilla Limited

Consolidated Statement of Cash Flows

For the 18-month period ended October 31, 2017

(Expressed in Eastern Caribbean dollars)

	2017
	$
Cash flows from operating activities	
Operating loss for the period before income tax	(5,667,128)
Items not affecting cash	
Impairment of loans to customers	17,782,606
Impairment of intangible assets	43,772
Depreciation	3,410,214
Amortisation	688,732
Fair value change in investments	(11,524)
Recovery of bad debt expenses	(37,722)
Impairment loss on other assets	965,407
Impairment loss on investment property	678,383
Loss on disposal of inventory property	501,546
Loss on disposal of property and equipment	104,006
Dividend income	(1,193,156)
Interest income	(46,745,082)
Interest expense	15,975,100
Share of loss of associate	932,729
Cash flows used in operating income before changes in operating assets and liabilities	**(12,572,117)**
Net change in operating assets and liabilities	
Loans and advances	(415,794,838)
Mandatory deposits with Central Bank	(38,997,857)
Other assets	(31,589,640)
Re-insurance assets	(12,315,658)
Deposits from customers	630,899,195
Increase in insurance liabilities	19,000,386
Accounts and other payables	5,592,465
Cash from operations before interest and tax	**144,221,936**
Interest received	45,093,308
Interest paid	(12,422,020)
Tax on assets paid	(1,374,468)
Net cash from operating activities	**175,518,756**
Cash flows used in investing activities	
Acquisition of property, plant and equipment	(57,289,280)
Proceeds from disposal of property, plant and equipment	27,000
Purchase of intangible assets	(1,605,476)
Acquisition of inventory properties	(9,365,185)
Disposal of inventory Properties	1,245,380
Dividends received	1,193,156
Net acquisition of investment securities	(43,769,911)
Acquisition of investment properties	(3,035,100)
Acquisition of long-term fixed deposits	(7,503,952)
Acquisition of investment in associates	(2,366,979)
Net cash used in investing activities	**(122,470,347)**

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

National Commercial Bank of Anguilla Limited
Consolidated Statement of Cash Flows (Continued)
For the 18-month period ended October 31, 2017
(Expressed in Eastern Caribbean dollars)

	2017 $
Cash flows from financing activities	
Proceeds from share issuance	12,000,000
Proceeds from non-controlling interest investments	8,691,439
Proceeds from borrowings	5,692,542
Net cash from financing activities	**26,383,981**
Increase in cash and cash equivalents	**79,432,390**
Cash and cash equivalents, beginning of period	-
Cash and cash equivalents, end of period (note 30)	**79,432,390**

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

1 Incorporation and principal activity

National Commercial Bank of Anguilla Limited (the "Bank") was incorporated under the provisions of the Anguilla Companies Act, Cap C.65 and operates on the island of Anguilla as a Bridge Bank, subject to the provisions of the Banking Act of 2015 and a Memorandum of Understanding with the Eastern Caribbean Central Bank. The Bridge Bank status was to be retained for an initial period of (12) months but has subsequently been extended for a further four (4) years ending April 25, 2021 pursuant to Section 185 (2) of the Banking (Amendment) Act of Anguilla. The Bank's status may be changed depending on whether the bank's management and Board of Directors are able to meet several key performance matrices and objectives in the subsequent period(s).

The Bank commenced banking operations on the April 25, 2016, three days after it had purchased certain assets and liabilities held on the books of the closed National Bank of Anguilla Ltd (NBA) and Caribbean Commercial Bank (Anguilla) Limited (CCB) under receivership. The Bank's purchase and assumption of the assets and liabilities were done via two separate Purchase and Assumptions Agreements dated April 22, 2016, and at their book values as at April 15, 2016. Not all of the assets and liabilities of the closed entities under receivership were purchased by the Bank. Total assets and liabilities purchased with respect to NBA amounted to $389.41M and $420.58M respectively, while those purchased with respect to CCB amounted to $335.4M and $303.92M, respectively.

Included in the acquisition were inventory properties (note 14) which comprises of properties originally acquired for resale and acquired by the Group prior to the commencement of the Banking Act of Anguilla. For the purpose of Section 54 of the Banking (Amendment) Act of Anguilla, the Group has a period of three years in order to dispose these properties. Management is in direct communication with the Eastern Caribbean Central Bank on this matter and is currently actively seeking to dispose of these properties acquired under the purchase and assumption agreement.

Also, included in the acquisition were the following companies which are subsidiaries of the Bank (See also note 13):

The Subsidiaries
Malliouhana-Anico Insurance Company Limited is a company incorporated in Anguilla under the provisions of the Companies Act, Chapter 335, and continued under the Companies Ordinance 1994 (now the Companies Act, I.R.S.Ac.1). The Company is also licensed in Anguilla under the provisions of the Insurance Act of 1968, which was superseded by the Insurance Act of 2004 (R.S.A.C.l). Its principal activity is the provision of property and casualty insurance services.

National Commercial Data Services (Anguilla) Limited was incorporated in Anguilla under the provisions of the Companies Act, R.S.A.c.1., 2000 on March 28, 1996. It started business operations in December 1998. Its principal activity is the provision of information technology facilities to its clients.

The Bank and its subsidiary companies are collectively called '***the Group***' in these consolidated financial statements.

2 Adoption and amendments of published accounting standards and interpretations

Standards, amendments and interpretations effective on or after April 25, 2016
Several new and revised accounting standards came into effect during the current period. The adoption of these new and revised accounting standards did not have a material impact on these financial statements:

Standards, amendments and interpretations effective on or after April 25, 2016

- IFRS 7 – Financial Instruments: Disclosures – Amendments: Annual improvements (effective January 1, 2016)
- IFRS 10 – Consolidated Financial Statements – Amendments: Application of the Consolidation Exception (effective January 1, 2016)
- IFRS 12 – Disclosure of Interests in Other Entities – Amendments: Application of Consolidation Exception (effective January 1, 2016)

2 Adoption and amendments of published accounting standards and interpretations (continued)

Standards, amendments and interpretations effective on or after April 25, 2016 (continued)

- IAS 1 – Presentation of Financial Statements – Amendments resulting from the disclosure initiative (effective January 1, 2016)
- IAS 16 – Property, Plant, and Equipment – Amendments: Clarification of Acceptable Methods of Depreciation and Amortisation (effective January 1, 2016)
- IAS 27 – Separate Financial Statements – Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures, and associates in an entity's separate financial statements (effective January 1, 2016)
- IAS 38 – Intangible Assets – Amendments: Clarification of Acceptable Methods of Depreciation and Amortisation (effective January 1, 2016)

Standards, amendments and interpretations issued but not yet effective

The following new and revised accounting standards which are relevant to the Group have been issued, but are not yet effective. With the exception of IFRS 9, as highlighted below, these standards are not expected to have a material impact on the Group's financial statements.

- IFRS 9 – Financial Instruments Classification and Measurement, Impairment, General Hedge Accounting, and Derecognition (effective January 1, 2018). The standard is expected to have a significant impact on the Group's financial statements. The standard includes revised guidance for the classification and measurement of financial assets and financial liabilities, whereby all recognised financial instruments currently within the scope of IAS 39 will be subsequently measured at either amortised cost or fair value. Also, the impairment model under IFRS 9 reflects ***expected*** credit losses, as opposed to ***incurred*** credit losses currently applied under IAS 39. Under IFRS 9, it will no longer be necessary for a credit event to have occurred before credit losses are recognised, as the Group will be required to account for expected credit losses and changes in those expected losses at each reporting date.

- IFRS 15 – Revenue from contracts with customers (effective January 1, 2018)
  The new revenue standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard is effective for annual reporting periods beginning on or after January 1, 2018. The Group's management has yet to fully assess the impact of IFRS 15 on these consolidated financial statements, and is not yet in a position to provide quantified information. It is not yet applicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

- IFRS 16 - Leases (effective January 1, 2019)
  IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-statement of financial position finance leases and off-statement of financial position operating leases. Instead, there is a single, on-statement of financial position accounting model that is similar to current finance lease accounting.

  Lessor accounting remains similar to current practice i.e. lessors continue to classify leases as finance and operating leases. For lessees, the lease becomes an on-statement of financial position liability that attracts interest, together with a right to use assets also being recognised on the consolidated statement of financial position. In other words, lessees will appear to become more asset-rich but also more heavily indebted.

2 Adoption and amendments of published accounting standards and interpretations (continued)

Standards, amendments and interpretations issued but not yet effective (continued)

- IFRS 16 - Leases (effective January 1, 2019) continued
  The impacts are not limited to the consolidated statement of financial position. There are also changes in accounting over the life of the lease. In particular, companies will now recognise a front-loaded pattern of expense for most leases, even when they pay constant annual rentals. The new standard is effective for annual account periods beginning on or after January 1, 2019. The impact of IFRS 16 is being assessed by the Group.

  There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Bank.

3 Significant accounting policies

3.1 Statement of compliance

The Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

These financial statements have been prepared for a period of eighteen months, which covers the period from the incorporation of the Bank on April 25, 2016 to October 31, 2017. The extended initial financial period was necessary to accommodate the completion of the transfer of assets and liabilities from National Bank of Anguilla and Caribbean Commercial Bank Anguilla.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

The Group

The consolidated financial statements include the accounts of the Bank and its subsidiaries: Malliouhana-Anico Insurance Company and National Commercial Data Services Subsidiaries are all entities in which the Bank directly or indirectly holds the majority of the voting rights and where it determines their financial and business policies and is able to exercise control over them in order to benefit from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are de-consolidated from the date that control ceases.

The results of the subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive loss from the effective acquisition date or up to the effective date on which control ceases, as appropriate.

Where necessary, adjustments were made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Inter-company transactions, balances and intra-group gains on transactions between group companies are eliminated. Intra-group losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

The integration of the subsidiaries into the consolidated financial statements is based on consistent accounting and valuation methods for similar transactions and other occurrences under similar circumstances.

3 Significant accounting policies (continued)

3.2 Basis of preparation (continued)

Transactions with non-controlling interests
The Bank applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Bank. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity. Interests in the equity of subsidiaries not attributable to the parent are reported in consolidated equity as non-controlling interest. Profits or losses attributable to non-controlling interests are reported in the consolidated comprehensive loss as profit or loss attributable to non-controlling interests.

Associates
Associates are all entities over which the Bank has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Bank's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Bank's share of its associates' post-acquisition profits or losses is recognised in the consolidated statement of comprehensive loss; its share of post-acquisition reserve movements is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Bank's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Bank does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Intra-group gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Intra-group losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. For the preparation of consolidated financial statements, consistent accounting policies for similar transactions and other events in similar circumstances are used. Dilution gains and losses in associates are recognised in the consolidated statement of comprehensive loss. For summarised financial information on the Group's associates accounted for using the equity method, see note 12 to these consolidated financial statements.

3.3 Foreign currency translation

Functional and presentation currency
Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates (the "functional currency"). The financial statements are presented in Eastern Caribbean dollars, which is the Group's functional and presentation currency.

Transactions and balances
Monetary assets and liabilities denominated in foreign currencies are translated into Eastern Caribbean dollars at the closing rates of exchange prevailing at the reporting date. Foreign currency transactions are translated at the rates prevailing on the transaction dates. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

3. Significant accounting policies (continued)

3.4 Financial assets

The Group classifies its financial assets into the following specified categories: 'loans and receivables' and 'available-for-sale'. Management determines the classification of its financial instruments at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including amounts due from banks and other financial institutions, loans and advances, investment securities and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment.

Interest income on loans and receivables is recognised by applying the effective interest rate, and is included in the statement of income.

(b) Available-for-sale financial assets

Available-for-sale instruments are non-derivative financial assets that are 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, or that are not classified as loans and receivables.

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value. Changes in the carrying amount of available-for-sale financial assets relating to changes in foreign currency rates are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of 'revaluation reserves'. Where the financial asset is disposed of or determined to be impaired, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss.

Available-for-sale financial assets that do not have a quoted market price, and whose fair value cannot be reliably measured, are measured at cost less any impairment losses at the end of each reporting period.

Dividends on available-for-sale financial assets are recorded in the statement of income when the Group's right to receive the dividends is established. Interest income on available-for-sale financial assets is calculated using the effective interest method, and recognised in the statement of income.

3.4.1 Impairment of financial assets

At the end of each reporting period, the Group's financial assets are assessed for indicators of impairment. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been affected.

(a) Assets classified as available-for-sale

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- the Group granting to the issuer or counterparty, for economic or legal reasons related to the issuer's/counterparty's financial difficulty, a concession that the Group would not otherwise consider; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation;
- the disappearance of an active market for that financial asset because of financial difficulties.

3. Significant accounting policies (continued)

3.4 Financial Assets (continued)

3.4.1 Impairment of financial assets (continued)

(a) Assets classified as available-for-sale (continued)

- 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:
  I. adverse changes in the payment status of borrowers in the group
  II. national or local economic conditions that correlate with defaults on the assets in the group

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of 'revaluation reserves'.

In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

(b) Assets carried at amortised cost
Loans and receivables are assessed on both individual and collective bases. Objective evidence of impairment of a portfolio of loans and receivable could include the Group's past experience of payment within the portfolio, as well as observable changes in national or local economic conditions that correlate with defaults on loans and receivables.

If there is objective evidence that an impairment loss on as asset carried at amortised cost exists, 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 a 'provision for loan loss' account and the amount of the loss is recognised in the statement of income. If an asset carried at amortised cost has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price. Statutory and other regulatory loan loss reserve requirements that exceed these amounts are recognised in other reserves as an appropriation of retained earnings.

The calculation of the present value of the estimated future cash flows of a collateralised 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.

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 recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of income.

When a loan is uncollectible, it is written off against the related provision for loan losses. Such loans are written off after all of the available options have been exhausted, the necessary procedures have been completed and the amount of the loss has been determined. If in a subsequent period, amounts previously written off are recovered, the amounts collected are recognised in profit or loss through the 'bad debts recovered' account.

3 Significant accounting policies (continued)

3.4 Financial assets (continued)

3.4.1 Impairment of financial assets (continued)

(c) *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 and disclosed only if renegotiated again.

3.4.2 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to receive the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all of the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under the continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3.5 Financial liabilities and equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual agreements and the definitions of financial liability and on equity instrument.

3.5.1 Equity Instruments
An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

3.5.1.1 Ordinary shares
Ordinary shares are classified in the financial statements as equity.

3.5.1.2 Dividends on ordinary shares
Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Group's shareholder. Dividends for the period which are approved after the date of the statement of financial position are disclosed in the notes to the financial statements.

3 Significant accounting policies (continued)

3.5 Financial liabilities and equity instruments (continued)

3.5.2 Other financial liabilities

Financial liabilities are classified as 'other financial liabilities', and are initially recognised at cost. Other financial liabilities (including customers' deposits and amounts due to related parties) are subsequently recognised at amortised cost using the effective interest method.

3.5.3 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.6 Interest income and expense

Interest income and expenses are recognised in the statement of income for all interest bearing financial assets and liabilities using 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 liability on initial recognition. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a 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 to discount the future cash flows for the purpose of measuring the impairment loss.

3.7 Insurance premium revenue

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

3.8 Fees and commission income

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

Commission and fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the acquisition of shares or other securities are recognised on completion of the underlying transaction. Commissions earned on reinsurance premiums ceded are recognised in the statement of comprehensive income on the same basis as the underlying reinsurance premiums are expensed.

3.9 Revenue from services

Revenue from the sale of services is recognized in the statement of income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or possible return goods.

3.10 Dividend income

Dividend income from investment securities is recognised in the statement of income when the Group's right to receive the payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

3 Significant accounting policies (continued)

3.11 Insurance contracts

i) Classification

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

ii) Recognition and measurement

Insurance contracts issued are classified as short-term insurance contracts. These contracts are property, motor and liability, which are generally one year renewable contracts.

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

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

Liability insurance contracts mainly compensate injured individuals to include employees or members of the public.

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

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

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

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

iii) Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group are classified as reinsurance contracts held. The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. The reinsurance premiums incurred are deferred and expensed over the period of risk of the underlying contract. These assets consist of short-term balances due from reinsurers as well as longer-term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and are in accordance with the terms of each reinsurance contract.

Reinsurance payables are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

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

3 Significant accounting policies (continued)

3.11 Insurance contracts (continued)

iv) Receivables and payables related to insurance contracts
Receivables and payables are recognised when due. These include amounts due to and from insurance contract holders.

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

v) Subrogation reimbursements
The Group has the right to pursue third parties for payment of some or all costs (for example, subrogation). Subrogation reimbursements are considered as an allowance in the measurement of the insurance liability for claims and are recognised in premium receivables until the liability is settled. The allowance is the amount of the assets that can be recovered from the action against the liable third party.

3.12 Plant and equipment and depreciation

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Depreciation is charged on the following basis:

Buildings:	40 years
Equipment, fittings, fixtures and Motor vehicles:	5 - 10 years

All repairs and maintenance to plant and equipment are charged to operating expenses during the financial period in which they are incurred.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.13 Intangible assets

Acquired computer software is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful lives of the computer software, which is three to five years, using the straight line method. The estimated useful lives and method of amortisation are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Costs associated with maintaining computer software programs are charged to operating expenses during the financial period in which they are incurred.

3 Significant accounting policies (continued)

3.14 Impairment of plant, equipment, investment property and intangible assets

Plant, equipment, investment property and intangible assets are periodically reviewed for impairment. An impairment loss is recognised for the amount by which the carrying amount of the asset is greater than its estimated recoverable amount. The recoverable amount of an asset is the higher of fair value less costs to sell, and value in use.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.15 Investment property

Investment property is property held either to earn rental income or for capital appreciation, or for both. An investment property wherein a portion is held for rentals or capital appreciation and another portion is held for administrative purposes is classified as investment property only if the portion held for administrative purposes is insignificant and that both portions could be sold separately. The Group owns a building and land where the MAICO the subsidiary is situated. A portion of the building is used as an office and the rest of the building is leased out under operating leases. The Subsidiary uses approximately twenty-eight percent (28%) of the total area of the building for administrative purposes while the remaining seventy-two percent (72%) is leased to tenants.

As such, the Subsidiary's building and the land where the building is situated are classified as property, plant and equipment. The Subsidiary's vacant land is classified as investment property. The investment property is initially measured at cost and is subsequently measured at cost less accumulated depreciation and accumulated impairment loss. As all of the investment property is land, no depreciation is charged.

3.16 Inventory property

Inventory Property is measured at the lower of cost or net realizable value (NRV). The cost of inventory property comprises all costs incurred in bringing the properties to their present condition. NRV represents the estimated selling price less all estimated costs necessary to make the sale.

3.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3 Significant accounting policies (continued)

3.18 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three month's maturity from the date of acquisition. These include cash, unrestricted balances with Groups and other financial institutions, treasury bills, and other short term highly liquid investment securities.

3.19 Taxation

a) Income tax
No provision is made for income tax since Anguilla does not have any form of income tax.

b) Tax on Assets
Tax on assets is calculate on total assets for the period, based on the enacted tax rate of 0.3%. Tax on assets is recognized as an expense in the period to which it relates.

3.20 Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive loss on a straight line basis over the period of the lease.

3.21 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive loss over the period of the borrowings using the effective interest method.

3.21 Equity

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction net of tax, from the proceeds.

Reserve for unexpired risks
Reserves for unexpired risks represent cumulative amounts appropriated from the retained earnings of the Group based on the discretion of the Group's Board of Directors as part of the Group's risk management strategies to mitigate against catastrophic events. This reserve is in addition to the catastrophic reinsurance cover.

Revaluation reserves – unrealized gains and losses from the fair value of available-for-sale investment securities,

Accumulated deficit - includes all current and prior period losses as reported in the consolidated statement of comprehensive income, net of dividends.

4 Financial and insurance risk management

The Group's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Group's risk management are to identify all key risks for the Group, measure these risks, manage the risk positions and determine capital allocations. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance. The Group defines risk as the possibility of losses of profits foregone, which may be caused by internal or external factors.

Risk Management is carried out by the Risk and Compliance Department together with Finance under policies approved by the Board of Directors.

4 Financial and insurance risk management (continued)

4.1 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfill their contractual obligations to the Group. Credit risk arises mainly from commercial and consumer loans and advances, credit cards, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as financial guarantees, letters of credit, endorsements and acceptances.

The Group is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures'), including non-equity trading portfolio assets and settlement balances with market counterparties.

Credit risk is the single largest risk for the Group's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a credit risk management team, which reports to the Board of Directors and head of each business unit regularly.

4.1.1 Credit risk measurement

(a) Loans and advances

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

The Group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of the counterparty. Customers of the Group are segmented into five rating classes. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The ratings tools are kept under review and upgraded as necessary.

Group's rating	Description of the grade
1	Pass
2	Special mention
3	Substandard
4	Doubtful
5	Loss

4.1.2 Risk limit control and mitigation policies

The Group manages limits and controls concentrations of credit risk wherever they are identified, in particular to individual counterparties and groups, and to industries and countries. The Group 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 industry segments. Such risks are monitored on a revolving basis and subject to regular review by the Board of Directors.

The exposure to any one borrower, including Groups and brokers is further restricted by sub-limits covering on and off balance sheet exposures, and daily delivery risk limits in relation to trading items. Actual exposures against limits are monitored. 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.

4 Financial and insurance risk management (continued)

4.1.2 Risk limit control and mitigation policies (continued)

Some other specific control and mitigation measures are outlined below:

(a) Collateral

The Group 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 a common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are as follows:

- Mortgages over properties
- Charges over business assets such as premises, inventory and accounts receivable
- Charges over financial instruments such as debt securities and equities

Longer-term finance and lending to corporate entities are generally secured; individual credit facilities are generally secured. In addition, in order to minimize the credit loss, the Group will seek additional collateral from the counterparty as soon as there are impairment indicators for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

(b) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to customers as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit which are written undertakings by the group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions are collateralized by the underlying shipment of goods to which they relate, and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter term commitments.

4.1.3 Impairment and provisioning policies

The Group's internal rating system focuses more on credit quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the balance sheet date based on the objective evidence of impairment. Due to the different methodologies applied, 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 Grouping regulation purposes.

4 Financial and insurance risk management (continued)

4.1 Credit risk (continued)

4.1.3 Impairment and provisioning policies

The impairment provision shown in the separate statement of financial position at period end is derived from each of the five rating grades. The following table shows the percentage of the Group's separate statement of financial position items relating to loans and advances and the associated impairment provision for each of the Group's internal rating categories.

		2017	
Group's rating		**Loans and advances (%)**	**Impairment provision (%)**
1	Pass	35.30	-
2	Special mention	41.05	30.52
3	Sub-standard	22.41	66.35
4	Doubtful	0.99	1.15
5	Impaired	0.25	1.98
Total		**100.00**	**100.00**

4.1.4 Maximum Exposure to Credit Risk before Collateral held or other Credit Commitments

	2017 $
Credit risk exposures relating to on-statement of financial position assets:	
Cash and balances with the Central Bank*	25,479,989
Due from banks and other financial institutions	40,256,255
Investment securities:	
– Bonds and other debt instruments	10,522,366
Loans and advances	399,384,433
Reinsurance assets	12,315,658
Other assets	30,088,600
	518,047,301
Credit exposures relating to off-statement of financial position items:	
Credit commitments	19,418,742
Total	**537,466,043**

**Excluding cash on hand and mandatory deposits with Central Bank.*

4 Financial and insurance risk management (continued)

4.1. Credit risk (continued)

4.1.5 Credit quality of loans and advances

Loans and advances are summarised as follows:

	2017 $
Neither past due nor impaired	189,614,599
Past due but not impaired	107,343,829
Impaired	118,836,411
Gross	**415,794,839**
Interest receivable	1,372,200
Less: allowance for impairment	(17,782,606)
Net	**399,384,433**

(a) *Loans and advances neither past due nor impaired*
The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Group.

As at October 31, 2017

Grades	**Overdrafts** $	**Personal** $	**Commercial** $	**Total** $
1 Pass	19,734,854	46,165,610	61,559,587	127,460,051
2 Special Mention	3,977,532	32,775,706	25,401,310	62,154,548
3 Sub-standard	-	-	-	-
Gross	**23,712,386**	**78,941,316**	**86,960,897**	**189,614,599**

(b) *Loans and advances past due but not impaired*

Loans and advances less than 90 days past due are not considered impaired unless other information is available to indicate the contrary. The gross amount of loans and advances by class that were past due but not impaired were as follows:

	Overdrafts $	**Personal** $	**Commercial** $	**Specially Acquired Loans** $	**Total** $
As at October 31, 2017					
Up to 30 days past due	11,899	14,529,183	24,048,294	-	38,589,376
Over 30 to 60 days past due	3,121,143	16,487,893	22,715,023	1,939,806	44,263,865
Over 60 to 90 days past due	4,708,450	10,535,563	8,210,691	1,035,884	24,490,588
Gross	**7,841,492**	**41,552,639**	**54,974,008**	**2,975,690**	**107,343,829**
Fair value of collateral	**14,353,900**	**104,105,635**	**100,072,565**	**7,758,990**	**226,291,090**

*Specially acquired loans are loans obtained from the Receiver on completion of the asset exchange in accordance with the purchase and assumption agreement as disclosed in note 1.

4 Financial and insurance risk management (continued)

4.1 Credit risk (continued)

4.1.5 Credit quality of loans and advances (continued)

Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, the fair value is updated by reference to market price or indexes of similar assets sales in the same geographical area.

(c) Loans and advances individually impaired

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is $118,835,263. The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Group as security is as follows:

	Overdraft	Personal	Commercial	Specially Acquired Loans	Total
	$	$	$	$	$
As at October 31, 2017					
Individually impaired	11,373,649	26,036,007	34,854,824	46,571,931	118,836,411
Gross	**11,373,649**	**26,036,007**	**34,854,824**	**46,571,931**	**118,836,411**
Fair value of collateral	**17,374,815**	**71,204,938**	**88,148,381**	**113,039,898**	**289,768,032**

(d) Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans, in particular customer finance loans.

4.1.6 Debt securities, treasury bills and other eligible bills

The tables below represent an analysis of debt securities and other eligible bills by rating agency designation at October 31, 2017, based on Standard & Poor's rating or equivalent:

	Bonds and other debt instruments	Available-for-sale	Total
	$	$	$
Higher than A-	-	-	-
Lower than A-	10,522,366	-	10,522,366
Unrated	-	-	-
Total as at October 31, 2017	**10,522,366**	**-**	**10,522,366**

4 Financial and insurance risk management (continued)

4.1.7 Repossessed collateral

During the period ended October 31, 2017, the Group did not take possession of any collateral securing facilities.

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

4.1.8 Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors
The following table breaks down the Group's main credit exposure at their carrying amounts, (without taking into account any collateral held or other credit support) as categorised by geographical region as at October 31, 2017. The Group has allocated exposures to regions based on country of domicile of its counterparties.

	Anguilla $	Other Caribbean $	North America $	Europe $	Total $
Credit risk exposures relating to on-balance sheet assets:					
Cash and balances with the Central bank	-	25,479,989	-	-	25,479,989
Due from banks and other financial institutions	1,574,043	26,297,826	30,891	12,353,495	40,256,255
Investment securities:					
– Bonds and other debt instruments	1,229,704	9,241,548	51,114	-	10,522,366
Loans and advances	399,384,433	-	-	-	399,384,433
Reinsurance assets	12,315,658	-			12,315,658
Other assets	30,088,600	-	-	-	30,088,600
	444,592,438	**61,019,363**	**82,005**	**12,353,495**	**518,047,301**
Credit exposures relating to off-balance sheet items:					
Credit commitments	19,418,742	-	-	-	19,418,742
As at October 31, 2017	**464,011,180**	**61,019,363**	**82,005**	**12,353,495**	**537,466,043**

4 Financial and insurance risk management (continued)

4.1 Credit risk (continued)

4.1.8 Concentration of risks of financial assets with credit risk exposure (continued)

(b) Economic sectors

Economic risk concentrations within the customer loan portfolio were as follows:

	2017 $	%
Public Sector	14,234,499	3.4
Construction & land development	196,555,159	46.8
Tourism, entertainment & catering	54,222,312	12.9
Professional and other services	27,976,171	7.7
Financial Institutions	1,508,786	0.4
Personal	50,088,213	11.9
Distributive trades, transportation, storage	71,209,699	16.9
Total	**415,794,839**	**100.0**

Economic risk concentration of other financial assets are with financial institutions except for $5,309,141 which is concentrated on distributive trades, transportation and storage.

4.2 Market risk

The Group takes on exposure to market risk, 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 Group separates exposures to market risk into either trading or non-trading portfolios. The market risks arising from trading and non-trading portfolios are monitored by the Risk Management Committee and by management. Regular reports are submitted to the Board of Directors and department heads.

4.2.1 Price risk

The Group is exposed to securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as available-for-sale. To manage this price risk arising from investments in equity securities, the Group diversifies its investment portfolio by purchasing varying types of investment securities across different geographic locations and economic sectors as disclosed in the tables in note 4.1.8.

4.2.2 Foreign currency risk

The Group takes on exposure to the fluctuations in the prevailing foreign currency rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions which are monitored daily. In addition, this is further mitigated due to the fact that the XCD to USD rate of exchange is fixed at 2.70:1 so there is limited foreign exchange rate exposure risk.

The following table summarises the Group's exposure to foreign currency risk at October 31, 2017. Included in the table are the Group's financial instruments at carrying amounts categorised by currency:

4 Financial and insurance risk management (continued)

4.2 Market risk (continued)

4.2.2 Foreign currency risk (continued)

	XCD $	USD $	EUR $	GBP $	OTHER $	Total $
As at October 31, 2017						
Assets						
Cash and balances due from Central bank	9,366,172	67,814,804	3,283	199,835	1,463,514	78,847,608
Due from banks and other financial institutions	6,238,460	31,945,918	379,602	1,692,275	-	40,256,255
Investment securities:						
– Bonds and other debt instruments	4,838,827	5,683,539	-	-	-	10,522,366
– Available-for-sale - quoted	32,089,618	270,000	-	-	-	32,359,618
Loans and advances to customers	102,832,517	296,551,916	-	-	-	399,384,433
Re-insurance asset	12,315,658	-	-	-	-	12,315,658
Other assets	24,582,385	5,506,215	-	-	-	30,088,600
Total financial assets	**192,263,637**	**407,772,392**	**382,885**	**1,892,110**	**1,463,514**	**603,774,538**
Liabilities						
Customer deposits	216,222,517	412,839,690	471,563	4,733,469	185,036	634,452,275
Notes payable	4,471,839	1,220,702	-	-	-	5,692,541
Insurance liabilities	19,000,386	-	-	-	-	19,000,386
Accounts and other payables	3,398,507	2,114,762	41,199	37,998	-	5,592,466
Total financial liabilities	**243,093,249**	**416,175,154**	**512,762**	**4,771,467**	**185,036**	**664,737,668**
Net on-balance sheet position	**(50,829,612)**	**(8,402,762)**	**(129,877)**	**(2,879,357)**	**1,278,478**	**(60,963,130)**
Credit commitments	**8,848,977**	**10,569,765**	**-**	**-**	**-**	**19,418,742**

4 Financial and insurance risk management (continued)

4.2 Market risk (continued)

4.2.2 Foreign currency risk (continued)

The contribution to profit before taxation of foreign exchange gains/losses arising from assets and liabilities held and transactions denominated in foreign currency is a gain of $500,559.

4.2.3 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 fair value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing level of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by The Finance Department.

4 Financial and insurance risk management (continued)

4.2 Market risk (continued)

4.2.3 Interest rate risk (continued)

The table summarises the Group's exposure to interest rate risks. It includes the Group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

As at October 31, 2017	Under 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
Assets							
Cash and balances due from Central bank	78,847,608	-	-	-	-	-	78,847,608
Due from banks and other financial institutions	-	40,254,783	-	-	-	1,472	40,256,255
Investment securities:							
– Bonds and other debt instruments	-	-	-	4,701,129	5,821,237	-	10,522,366
– Available for sale securities - quoted	-	-	-	-	-	32,359,618	32,359,618
Loans and advances to customers	38,220,053	65,732	77,135	12,702,534	348,318,979	-	399,384,433
Re-insurance assets					-	12,315,658	12,315,658
Other assets	-	-	-	-	-	30,088,600	30,088,600
Total financial assets	**117,067,661**	**40,320,515**	**77,135**	**17,403,663**	**354,140,216**	**74,765,348**	**603,774,538**
Liabilities							
Customer deposits	376,797,853	6,796,147	95,650,718	142,550,831	12,656,726	-	634,452,275
Due to other financial institutions	-	-	5,692,541	-	-	-	5,692,541
Insurance liabilities	-		-			19,000,386	19,000,386
Other liabilities and accrued expenses	-	-	-	-	-	5,592,466	5,592,466
Total financial liabilities	**376,797,853**	**6,796,147**	**101,343,259**	**142,550,831**	**12,656,726**	**24,592,852**	**664,737,668**
Total interest repricing gap	**(259,730,192)**	**33,524,368**	**(101,266,124)**	**(125,147,168)**	**341,483,490**	**50,172,496**	**(60,963,130)**

4 Financial and insurance risk management (continued)

4.3 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sales of assets, or potentially an inability to fulfil lending commitments. The risk that the Group will be unable to do so is inherent in all Grouping operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

4.3.1 Liquidity risk management process

The Group's liquidity management process is carried out within the Group by the Accounting and Investment Department, and monitored by management. Oversight includes the following:

- 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;
- Monitoring liquidity ratios of the statement of financial position 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 these projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The Finance Department also monitors unmatched medium term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

4.3.2 Funding approach

Sources of liquidity are regularly reviewed by management and the Board of Directors. Assets currently held for managing liquidity risk include the following:

- Cash and balances with Central bank;
- Due from banks and other financial institutions;
- Loans and advances; and
- Available-for-sale investment securities

4 Financial and insurance risk management (continued)

4.3 Liquidity risk (continued)

4.3.3 Cash flows

The table below analyses the assets and liabilities of the Group into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

	Under 1 month $	1-3 months $	3-12 months $	1 to 5 years $	Over 5 years $	Total $
As at October 31, 2017						
Cash and balances with Central Bank	78,847,608		-	-	-	78,847,608
Due from banks and other financial institutions	-	40,256,255	-	-	-	40,256,255
Investment Securities						
- Bonds and other debt instruments	-	-	-	4,701,128	5,821,238	10,522,366
Loans and advances to customers	38,143,436	203,292	136,840	12,752,841	365,930,630	417,167,309
Re-insurance assets	-	-	-	12,315,658	-	12,315,658
Other assets	2,506,399	3,207,995	6,472	23,362,531	1,005,203	30,088,600
Assets held to manage liquidity risk	**119,497,443**	**43,667,542**	**143,312**	**53,132,158**	**372,757,071**	**589,197,796**
Financial Liabilities						
Deposits from customers	407,667,909	29,016,068	116,746,481	78,955,207	2,066,610	**634,452,275**
Due to other financial institutions	-	-	5,692,541	-	-	**5,692,541**
Insurance liabilities	19,000,386					**19,000,386**
Other liabilities and accrued expenses	979,454	912,291	3,132,855	88,205	479,661	**5,592,466**
Total financial liabilities	**427,647,749**	**29,928,359**	**125,571,877**	**79,043,412**	**2,546,271**	**664,737,668**

4 Financial and insurance risk management (continued)

4.3.4 Off-balance sheet items

(a) Loan commitments

The dates of the contractual amounts of the Group's off statement of financial position financial instruments that commit to extend credit to customers and other facilities are summarised in the table below.

	Up to 1 year **$**	**Total** **$**
As at October 31, 2017		
Credit commitments	19,418,742	19,418,742
	19,418,742	**19,418,742**

(b) Financial guarantees and other financial facilities
The Group had no financial guarantees as at October 31, 2017.

(c) Operating lease commitments
The Group had no operating lease commitments as at October 31, 2017.

(d) Capital commitments
The Group had no capital commitments as at October 31, 2017.

4 Financial and insurance risk management (continued)

4.4 Fair value of financial assets and liabilities

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

	Carrying value 2017 $	Fair value 2017 $
Financial assets		
Cash and balances with Central bank	78,847,608	78,847,608
Due from banks and other financial institutions	40,256,255	40,256,255
Investment securities		
– Bonds and other debt instruments	10,522,366	10,522,366
– Available-for-sale – quoted	32,359,618	32,359,618
Loans and advances	399,384,433	511,683,610
Re-insurance assets	12,315,658	12,315,658
Other assets	30,088,600	30,088,600
Total	**603,774,538**	**716,073,715**
Financial liabilities		
Customer deposits	634,452,275	634,452,275
Other payables and accrued expenses	5,692,541	5,692,541
Insurance liabilities	19,000,386	19,000,386
Notes payable	5,592,466	5,592,466
Total	**664,737,668**	**664,737,668**

4 Financial and insurance risk management (continued)

4.4 Fair value of financial assets and liabilities (continued)

(i) Due from other banks
Due from other bank includes inter-bank placements and items in the course of collection. It is assumed that the carrying value of this category of financial assets is a reasonable estimate of the fair value due to the relatively short term maturities.

(ii) Loans and advances to customers
Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine their value.

(iii) Investment securities
Investment securities include assets classified as available-for-sale which are measured at fair value are based on quoted market prices. For equity investment securities for which no active market exists and whose fair value cannot be reliably measured, are carried at cost, net of any assessed impairment.

(iv) Due to other banks and customers, other depositors and other borrowings
The estimated value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The fair value of fixed-interest bearing deposits and other borrowings is assumed to be an approximation of the carrying value.

4.4.1 Fair value hierarchy

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

- Level 1 – Quoted prices in active markets for identical assets or liabilities. This level includes debt instruments listed on exchanges;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3 – Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.
- The standard requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

	Level 1	Level 3	Total
	$	$	$
Financial assets at fair value			
Investment securities			
– Equity security	23,861,039	-	23,861,039
Total as October 31, 2017	**23,861,039**	**-**	**23,861,039**

4 Financial and insurance risk management (continued)

4.5 Capital management

The Group regulator (ECCB) sets the capital requirements for the Group and this is monitored daily by the Group's management and quarterly by the ECCB. The Group's regulatory capital is analyzed into two tiers:

- Tier 1 capital which includes ordinary share capital and accumulated deficit.
- Tier 2 capital includes unrealized gain on investments classified as available-for-sale securities or other hybrid capital instruments and other reserves.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-statement of financial position exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The Central Bank requires each bank to: (a) hold the minimum level of the regulatory capital of $20M and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the 'Basel ratio') at or above the international agreed minimum of 8%.

The table below summarises the composition of regulatory capital and the Basel ratios of the Group for the period ended October 31, 2017.

	2017 **$**
Tier 1 capital	
Share capital	12,000,000
Accumulated deficit	(7,161,047)
Total qualifying tier 1 capital	**4,838,953**
Tier 2 capital	
Unrealized loss on investments	(11,524)
Reserve	4,646,587
Total qualifying Tier 2 capital	**4,635,063**
Total regulatory capital	**9,474,016**
Risk weighted assets	
On-statement of financial position	542,903,815
Off-statement of financial position	6,341,111
Total risk weighted assets	**549,244,926**
Basel ratio	**1.72%**

The Bank has not met the regulatory capital requirements outlined above during its first 18 months of operations. The initial capital injection was $12,000,000 in the eighteen month to October 31, 2017 and increased to 59,400,000 in the 2017/2018 financial year.

4 Financial and insurance risk management (continued)

4.6 Financial assets and liabilities by category

The table below analyses the Group's financial assets and liabilities by category:

	Loans and receivables $	Available-for- sale $	Total $
As at October 31, 2017			
Assets			
Cash and balances with Central bank	78,847,608	-	78,847,608
Due from banks and other financial institutions	40,256,255	-	40,256,255
Investment securities	10,522,366	32,359,618	42,881,984
Loans and advances	399,384,433	-	399,384,433
Re-insurance assets	12,315,658		12,315,658
Other assets	30,088,600	-	30,088,600
Total financial assets	**571,414,920**	**32,359,618**	**603,774,538**
Liabilities			
Customer deposits	634,452,275	-	634,452,275
Due to other financial institutions	5,692,541	-	5,692,541
Insurance liabilities	19,000,386	-	19,000,386
Other liabilities and accrued expenses	5,592,466	-	5,592,466
Total financial liabilities	**664,737,668**	**-**	**664,737,668**

4.7 Insurance risk

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

To limit the Group's exposure of potential loss on an insurance policy, the Group cedes certain levels of risk to a reinsurer, East Caribbean Reinsurance Group Limited.

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

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

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

4 Financial and insurance risk management (continued)

4.7 Insurance risk

	2017 Gross $	2017 Net $
Type of risk		
Motor	1,220,632	1,220,632
Property	15,230,332	3,147,830
	16,450,964	**4,368,462**

i) Property insurance

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

Frequency and severity of claims

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

The Group has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claim payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from fire, hurricane and earthquake damage. The Group has reinsurance cover for such damage to limit losses to $5 million in any one occurrence, per individual property risk.

Sources of uncertainty in the estimation of future claim payments

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

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

ii) Casualty insurance

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

Frequency and severity of claims

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

4 Financial and insurance risk management (continued)

4.7 Insurance risk (continued)

The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Furthermore, the Group's strategy limits the total exposure to the Group by the use of reinsurance treaty arrangements. The reinsurance arrangements include excess of loss cover. The effect of such reinsurance arrangements is that the Group should not suffer total net insurance loss of more than $5 million per risk for casualty insurance.

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

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

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

4. Financial and insurance risk management (continued)

4.7 Insurance risk (continued)

iii) Claims development *(continued)*

Motor – gross

Loss year	Beginning Balance $	12 months $	24 months $	36 months $	48 months $	60 months $	Current estimate of cumulative claims $	Cumulative payments to date $	Liability recognised in the statement of financial position $
2013	723,585	1,156,106	2,541	–	–	–	**1,882,232**	**723,357**	**1,158,875**
2014	1,158,875	699,620	(163,229)	521,976	–	(2,710)	**2,214,532**	**1,306,153**	**908,379**
2015	908,379	677,124	70,339	1,523	167,527	–	**1,824,892**	**922,276**	**902,616**
2016	902,616	416,108	77,988	(60,000)	–	–	**1,336,712**	**854,037**	**482,675**
2017	482,675	807,962	324,284	17,740	(4,000)	–	**1,628,661**	**408,029**	**1,220,632**
Total liability included in the statement of financial position									**1,220,632**

4. Financial and insurance risk management (continued)

4.7 Insurance risk (continued)

iii) Claims development *(continued)*

Motor – net

Loss year	Beginning Balance $	12 months $	24 months $	36 months $	48 months $	60 months $	Current estimate of cumulative claims $	Cumulative payments to date $	Liability recognised in the statement of financial position $
2013	723,585	1,156,106	2,541	–	–	–	**1,882,232**	**723,357**	**1,158,875**
2014	1,158,875	699,620	(163,229)	521,976	–	(2,710)	**2,214,532**	**1,306,153**	**908,379**
2015	908,379	677,124	70,339	1,523	167,527	–	**1,824,892**	**922,276**	**902,616**
2016	902,616	416,108	77,988	(60,000)	–	–	**1,336,712**	**854,037**	**482,675**
2017	482,675	807,962	324,284	17,740	(4,000)	–	**1,628,661**	**408,029**	**1,220,632**
Total liability included in the statement of financial position									**1,220,632**

4. Financial and insurance risk management (continued)

4.7 Insurance risk (continued)

iii) Claims development *(continued)*

Others – gross

Loss year	Beginning Balance $	12 months $	24 months $	36 months $	48 months $	60 months $	Current estimate of cumulative claims $	Cumulative payments to date $	Liability recognised in the statement of financial position $
2013	–	–	–	–	–	–	–	–	–
2014	–	–	1,598	–	–	–	**1,598**	**1,598**	–
2015	–	16,661	–	–	–	–	**16,661**	**16,661**	–
2016	–	–	–	–	–	–	–	–	–
2017	–	–	–	–	–	–	–	–	–
Total liability included in the statement of financial position									–

4. Financial and insurance risk management (continued)

4.7 Insurance risk (continued)

iii) Claims development *(continued)*

Others – net

Loss year	Beginning Balance $	12 months $	24 months $	36 months $	48 months $	60 months $	Current estimate of cumulative claims $	Cumulative payments to date $	Liability recognised in the statement of financial position $
2013	–	–	–	–	–	–	–	–	–
2014	–	–	1,598	–	–	–	**1,598**	**1,598**	–
2015	–	16,661	–	–	–	–	**16,661**	**16,661**	–
2016	–	–	–	–	–	–	–	–	–
2017	–	–	–	–	–	–	–	–	–
Total liability included in the statement of financial position									–

4. Financial and insurance risk management (continued)

4.7 Insurance risk (continued)

iii) Claims development *(continued)*

Property – gross

Loss year	Beginning Balance $	12 months $	24 months $	36 months $	48 months $	60 months $	Current estimate of cumulative claims $	Cumulative payments to date $	Liability Recognised in the statement of financial position $
2013	–	5,164	–	–	–	–	5,164	5,164	–
2014	–	–	–	–	–	–	–	–	–
2015	–	–	–	–	–	–	–	–	–
2016	–	–	–	–	–	–	–	–	–
2017	–	16,582,502	–	–	–	–	16,582,502	1,352,170	15,230,332
Total liability included in the statement of financial position									15,230,332

4. Financial and insurance risk management (continued)

4.7 Insurance risk (continued)

iii) Claims development *(continued)*

Property – net

Loss year	Beginning Balance $	12 months $	24 months $	36 months $	48 months $	60 months $	Current estimate of cumulative claims $	Cumulative payments to date $	Liability recognised in the statement of financial position $
2013	–	5,164	–	–	–	–	5,164	5,164	–
2014	–	–	–	–	–	–	–	–	–
2015	–	–	–	–	–	–	–	–	–
2016	–	–	–	–	–	–	–	–	–
2017	–	4,500,000	–	–	–	–	4,500,000	1,352,170	3,147,830
Total liability included in the statement of financial position									**3,147,830**

5 Critical accounting estimates, and judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgments 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.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of available-for-sale investments
The Group follows the guidelines of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

(b) Impairment losses on loans and advances
The Group reviews its loan portfolios to assess impairment on a periodic basis. In determining whether an impairment loss should be recorded in the consolidated statement of comprehensive loss, the Group makes judgments 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, 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.

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

However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported (“IBNR”) is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insurer until many years after the event giving rise to the claims has happened.
If the IBNR rates were adjusted by +/- 1%, the change in the statement of comprehensive income would be to decrease or increase reported profits by approximately -/+$1,951.

(expressed in United States dollars)

5 Critical accounting estimates, and judgements in applying accounting policies and key sources of estimation uncertainty (continued)

c) The ultimate liability arising from claims made under insurance contracts (continued)

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

d. Impairment of other receivables

The Group maintains an allowance for impairment of receivables at a level considered adequate to provide for uncollectible receivables. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with debtors, their payment behaviour and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgements or utilised different estimates. An increase in the Group's allowance for impairment on accounts receivable would increase the Group's recorded operating expenses and decrease current assets.

6 Cash and Balances with the Central Bank

	2017
	$
Cash on hand	14,712,619
Balances with Central Bank other than mandatory deposits	25,137,132
Included in cash and cash equivalent (note 30)	**39,849,751**
Mandatory deposits with the Central Bank	38,997,857
	78,847,608
Current	78,504,751
Non-current	342,857
	78,847,608

The Bank is required to maintain an Automated Clearing Housing (ACH) collateral amount with the Central Bank. At October 31, 2017, the Bank's collateral amount held with the Central Bank amounted to $342,857.

Commercial banks are also required under Section 57 of the Banking Act, 2015 to maintain a mandatory deposit with the Central Bank equivalent to 6 percent of their total customer deposits. This reserve deposit is not available to finance the Bank's day-to-day operations.

Cash and balances with the Central Bank, which include mandatory and ACH collateral deposits, are not interest bearing.

(expressed in United States dollars)

7 Due from Banks and other financial institutions

	2017 $
Current accounts with other Banks	37,897,074
Items in the course of collections	1,685,565
Included in cash and cash equivalents (note 30)	**39,582,639**
Restricted deposits	4,688,764
Special Term deposits	2,815,188
Total due from Banks and other financial institutions before interest receivable	**47,086,591**
Interest receivable	42,500
Total due from Banks and other financial institutions (gross)	**47,129,091**
Current	39,582,639
Non-current	7,546,452
	47,129,091
Breakdown as to allocation:	
Gross	47,129,091
Allocated to statutory deposits (Note 9)	(6,872,836)
Due from banks and other financial institutions (net)	**40,256,255**

Restricted term deposits are interest bearing fixed deposits collateral used as security for the Group's card operations. These deposits are not available for use in the day-to-day operations of the Group.

Special term deposits are interest bearing fixed deposits with a maturity period longer than 3 months.

Interest earned on both 'Restricted term deposits' and 'Special term deposits' is credited to income.

8 Investment securities

	2017 $
Loans and receivables	
Bonds and other debt instruments	9,092,028
Depositor protection trusts	1,193,264
Total loans and receivables	**10,285,292**
Available-for-sale	
Equity securities	33,484,618
Total investment securities before interest receivable	**43,769,910**
Interest receivable	237,074
Total investment securities (gross)	**44,006,984**

(expressed in United States dollars)

8 Investment securities (continued)

Current	-
Non-current	44,006,984
	44,006,984

Breakdown as to allocation

Gross	44,006,984
Allocated to statutory deposits (note 9)	(1,125,000)
Investment securities (net)	**42,881,984**

The movement in investment securities before interest receivable may be summarised as follows:

	Loans and receivables	**Available-for-sale**	**Total**
	$	**$**	**$**
Balance as per opening balance	-	-	-
Additions	10,285,292	33,496,142	43,781,434
Losses from change in fair value, net	-	(11,524)	(11,524)
Balance as of October 31, 2017	**10,285,292**	**33,484,618**	**43,769,910**

Investments held in Depositor Protection Trust

Deposits held with the Depositors Protection Trust is for a term of 10 years which commenced on June 30, 2016, at an interest rate of 2% per annum and with a maximum annual allowed withdrawal of 10% of the principal balance. The Trust Deeds between the Group and the Government of Anguilla in respect of these amounts were signed on June 30, 2017, with the first quarterly payment of principal and interest due on December 30, 2017.

9 Statutory deposits

The Group is registered to conduct business in Anguilla in accordance with the Insurance Act R.S.A. cI16, which prescribes the requirements with respect to deposits, investment of funds and solvency for the protection of policy holders. Accordingly, to satisfy these requirements the following investment securities have been pledged to the Anguilla Financial Services Commission (AFSC) and have been classified as statutory deposits in the consolidated statement of financial position.

	2017
	$
Restricted due from banks and other financial institutions (Note 7)	6,872,836
Investment securities	1,125,000
Total statutory deposits	**7,997,836**

(expressed in United States dollars)

10 Other assets

	2017 **$**
Prepayments	251,423
Insurance receivable	673,738
Inventories	246,302
Accounts receivable	1,693,182
Other receivables	28,762,717
	31,627,362
Allowance for impairment loss	(965,407)
Total other assets	**30,661,955**

11 Loans and advances

	2017 **$**
Reducing balance loans	415,794,839
Interest receivable	1,372,200
	417,167,039
Allowance for loan impairment	(17,782,606)
Total loans and advances	**399,384,433**
Current	38,483,568
Non-current	360,900,865
	399,384,433

Allowance for loan impairment

The movement in allowance for loan impairment is as follows:

Balance, beginning of period	-
Provision for the period	17,782,606
Balance, end of period	17,782,606

When the ECCB loan loss provision is greater than the loan loss provision calculated under IAS 39, the difference is set aside as a non-distributable reserve through equity. As of October 31, 2017, the impairment calculated under IAS 39 was more than the ECCB impairment in accordance with Prudential Credit Guidelines. Therefore, a non-distributable reserve through equity was not required as at the reporting date.

(expressed in United States dollars)

12 Investment in associate

	2017 $
Eastern Caribbean Reinsurance Company Ltd	2,566,979
Deduct share of loss	(932,729)
Less: Dividend income	(200,000)
Value of investment at end of period	**1,434,250**

Summary of financial information of the associate as at October 31, 2017 follows:

	2017
Assets	27,954,378
Liabilities	(10,631,034)
Equity	(17,323,344)
Revenue	2,463,778
Loss for the period	(4,489,439)
Other comprehensive loss	(32,471)
Total comprehensive loss	(4,521,910)

The Group used the October 31, 2017 18-month period unaudited management accounts of the associate to record the share of loss. The associate's year end is consistent with that of its parent, St. Kitts-Nevis-Anguilla Trading and Development Company Limited.

13 Investment properties

The Group has land which it has agreed to transfer to MAICO Holdings Limited, the wholly-owned subsidiary of Malliouhana-Anico Insurance Company. As of the audit report date, the transfer of land has not yet occurred. The Group believes that the transfer of the land will not result in an exchange of non-monetary assets with commercial substance and that MAICO Holdings Limited intends to hold this land for future development and eventually selling it as real estate.

As at acquisition date, the cost of these properties amounted to $3,035,100 (US$1,124,500) computed as follows:

(i) Land located at La Valle $756,000 - $823,500 (US$280,000 - $305,000) and
(ii) Land located at Little Harbour - $2,246,400 (US$832,000)

The cost at the time of acquisition was determined by an independent and qualified appraiser, Can Engineering Limited, using the investment approach and cost approach methods of valuation.

During the year, as per the latest valuation report, the properties were valued at $2,356,717. Considering the decline on the fair value of the Little Harbour property, the Group provided allowance for impairment losses amounting to $678,383, which is equivalent to the difference between the cost and fair value of the property.

		2017	
	Land-La Valle	Land-Little Harbour	**Total** **$**
Cost	126,957	2,908,143	**3,035,100**
Impairment loss	-	(678,383)	**(678,383)**
Net carrying amount	126,957	2,229,760	**2,356,717**

(expressed in United States dollars)

14 Inventory property

	2017 $
Balance at beginning of the year	-
Additions	9,365,159
Disposals	(1,746,900)
Net book amount	**7,618,259**
Details of the disposal:	
Cost of disposed inventory properties	1,746,900
Proceeds from disposed inventory property	(1,245,354)
Loss on disposal	**501,546**

A licensed financial institution may secure a debt on any real or immovable property and in default of repayment may acquire the property for resale as soon as possible, but not later than five years after the acquisition.

15 Intangible assets

	Computer Software $
Period ended October 31, 2017	
Opening net book amount	-
Additions	1,605,475
Impairment	(43,772)
Amortization charge	(688,731)
Closing net book amount	**872,972**
At October 31, 2017	
Cost	1,605,475
Accumulated impairment	(43,772)
Accumulated amortization	(688,731)
Net book amount	**872,972**

16 Property, plant and equipment

	Land & Buildings $	Furniture & fixtures $	Equipment $	Vehicles $	Work in Progress $	Total $
Periodended October 31, 2017						
Opening net book amount	-	-	-	-	-	-
Additions	53,137,414	1,783,348	1,683,619	412,776	272,123	57,289,280
Transfer	33,700	-	-	-	(33,700)	-
Disposals	(87,266)	-	-	(43,740)	-	(131,006)
Depreciation charge	(1,555,513)	(627,618)	(1,122,559)	(104,524)	-	(3,410,214)
Closing net book amount	**51,528,335**	**1,155,730**	**561,060**	**264,512**	**238,423**	**53,748,060**
At October 31, 2017						
Cost	53,083,848	1,783,348	1,683,619	369,036	238,423	57,158,274
Accumulated depreciation	(1,555,513)	(627,618)	(1,122,559)	(104,524)	-	(3,410,214)
Net book amount	**51,528,335**	**1,155,730**	**561,060**	**264,512**	**238,423**	**53,748,060**

17 Deposits from customers

	2017 $
Current accounts	127,522,914
Savings accounts	250,137,003
Time deposits	253,239,278
	630,899,195
Interest payable	3,553,080
Total deposits from customers	**634,452,275**
Current	**634,452,275**

Customers' deposits represent all deposit categories held by the Group on behalf of its customers. The deposits include current accounts, savings accounts and time deposits. Included in time deposits are balances for other financial institutions of $12,338,697.

18 Insurance liabilities and assets

	2017 $
Insurance liabilities	
Claims reported and outstanding	16,450,964
Unearned premiums	2,154,554
Due to reinsurers	199,811
Claims incurred but not reported	195,057
Total insurance liabilities (gross)	**19,000,386**

	2017 $
Insurance assets	
Claims reported and outstanding	12,082,502
Unearned reinsurance premiums	233,156
Total reinsurance assets (gross)	**12,315,658**
Total insurance liabilities and assets	
Claims reported and outstanding	4,368,462
Unearned premiums	1,921,398
Due to reinsurers	199,811
Claims incurred but not reported	195,057
Total insurance liabilities and assets (net)	**6,684,728**

The estimated cost of losses for each year is based on assessments made by management and professionals with expertise in the related fields, such as loss adjusters and actuaries. Losses are mainly categorised as property damage or injury/liability. For each policy where there is a loss, estimated losses are restricted to the lesser of the loss claimed and the maximum loss payable under the terms of the policy.

18 Insurance liabilities and assets (continued)

Reinsurance assets are in respect of net outstanding claims payments that are recoverable from reinsurers. The amounts are short-term in nature as the Group expects to be reimbursed by its reinsurers within twelve months.

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

The total gross claims incurred from catastrophes related to Hurricanes Irma amounted to $17,122,485 in 2017, of which $12,082,502 is recoverable from the reinsurers.

19 Due to other financial Institutions

	2017 $
Notes payable to ECHMB	**5,692,541**

As part of the purchase and assumption agreement (see note 1), the Group purchased the outstanding notes owed by the previous banks to the Eastern Caribbean Home Mortgage Bank amounting to $6,451,614.

The note payable related to a Deed of Sale and Administration agreement with the Eastern Caribbean Home Mortgage Bank from December 2008 with the previous borrowers, wherein they sold their rights to 100% of the cash flows arising on a portfolio of loans amounting to $40,531,512. It was previously determined that substantially all the risks and rewards of the said loan portfolio have been retained by the previous banks and consequently, the loans were not derecognized.

The Group accounted for this transaction as collateralized borrowing and recorded as notes payable at inception. The loans carry interest rates ranging from 8.5% - 11% per annum and the terms to maturity ranging from 2012 to 2037.

The agreement provides that the Group could repurchase and replace any loan included in the loan portfolio subject to the mutual agreement of the parties. Total principal collections during the 18-month period aggregated to $759,073 which resulted to an outstanding balance of the loan portfolio as at October 31, 2017 of $5,692,541. Total interest expense recognized amounted to $1,383,584 during the 18-month period.

20 Accounts and other payables

	2017 $
Accounts payable and accrued expenses	1,475,881
Managers cheques	2,945,566
Items in-transit	342,758
Other liabilities	828,261
Total accounts and other payables	**5,592,466**

21 Current tax expense

Under the Licensed Financial Institution Levy Act, every licensed financial institution shall pay on or before the first day of July in each year, a levy of 0.3% of the value of such total assets of the licensed financial institution as at December 31, in the calendar year immediately prior to the year of payment. Tax on assets expense for the period amounted to:

	2017 $
Amount for the period	**1,374,468**

22 Share capital

	2017 $
Authorised	
59,000,000 ordinary shares at no par value	59,400,000
Issued and fully paid	
12,000,000 ordinary shares at no par value	12,000,000

The Banking Act 2015, which came into effect in May 2016, increased the minimum capital requirement for licenced financial institutions from $5 million to $20 million, with allowance of 450 days from the effective date to achieve compliance. The Act further states that a licensed financial institution if deemed to be a holding company is required to have paid up capital of at least $60,000,000. As of October 31, 2017, the Group's paid up capital amounted to $12,000,000 but increased to $59,400,000 in August 2018 when consideration was received. The Eastern Caribbean Central Bank has granted permission to the Bank to operate as a Bridge Bank up to April 2021. In this regard, the Group is not required to be fully capitalized.

23 Reserve for unexpired risks

	2017 $
Property	2,475,969
Motor	2,042,543
Liability	128,075
	4,646,587

Breakdown of reserve as shown in the statement of changes in equity follow:

	2017 $
Transfer from accumulated deficit	2,541,699
Transfer from non-controlling interest	2,104,888
	4,646,587

24 Non-controlling interests

Details of non-wholly owned subsidiaries that have material non-controlling interests follows:

Name of subsidiaries	Principal place of business	Proportion of ownership interest	Proportion of ownership Amount
Malliouhana-Anico Insurance Company Ltd.	Anguilla	55%	**8,691,439**

The movement of non-controlling interest balance follows:

	2017 $
Initial investment	8,691,439
Loss allocated during the period	(2,422,248)
Transfer to reserve for unexpired risk	(2,104,888)
	4,164,303

25 Interest income

	2017 $
Interest income on loans and receivables	
Loans and advances to customers	44,677,126
Investment securities	2,067,956
Interest income for the period	**46,745,082**
Interest expense	
Time deposits	(9,373,344)
Savings deposits	(4,647,438)
Demand deposits	(570,734)
Borrowings	(1,383,584)
Interest expense for the period	**(15,975,100)**
Net interest income	**30,769,982**

26 Other income

	2017 $
Gain on the bargain purchase	8,813,863
Refund from receiver	3,576,518
Revenue from subsidiary services	1,269,837
Income from staled checks	2,271,622
Others	1,347,758
Total	**17,279,598**

27 Loss per share

Loss per share of $0.59 is calculated by reference to loss of $7,041,596 and the weighted average number of shares in issue during the period of 12,000,000.

28 Dividend Payments

No dividends have been declared during the period ended October 31, 2017.

29 Contingencies and commitments

Credit related commitments

The following table indicates the contractual amounts of the Group's off-statement of financial position financial instruments:

	2017
	$
Credit commitments	**19,418,742**

30 Cash and cash equivalents

	2017
	$
Cash and balances with the Central Bank (note 6)	39,849,751
Due from banks and other financial institutions (note 7)	39,582,639
Total cash and cash equivalents	**79,432,390**

31 General and administrative expenses

	2017
	$
Salaries and related costs	19,626,127
Occupancy costs	3,152,480
Public relations	530,898
Supplies	1,983,364
Other general and administrative expenses	4,396,100
Repairs and maintenance	2,854,705
Insurance	519,602
Communication	1,217,175
Professional and legal fees	2,445,737
Total general and administrative expenses	**36,726,188**

Salaries and related costs

	2017
	$
Salaries and wages	17,008,666
Other staff costs	720,767
Social security and other benefits	1,896,694
Total salaries and related costs	19,626,127

32 Underwriting income and expense

	Motor 2017 $	Property 2017 $	Miscellaneous 2017 $	Travel 2017 2017 $	Liability 2017 $	Burglary 2017 $	Total 2017 $
Insurance premium revenue	3,664,709	2,248,464	217,327	15,066	415,429	24,936	6,585,931
Insurance premium ceded to reinsurers	(207,631)	(1,608,115)	(217,327)	-	(141,317)	-	(2,174,390)
Net insurance premiums revenue	3,457,078	640,349	-	15,066	274,112	24,936	4,411,542
Change in unearned premiums	307,399	60,504	(112,321)	93,057	(158,643)	-	189,996
Net premium income	**3,764,477**	**700,853**	**(112,321)**	**108,123**	**115,469**	**24,936**	**4,601,538**
Insurance claims incurred and reported	(1,435,838)	(16,318,714)	-	-	-	-	(17,754,552)
Insurance claims recovered from reinsurers	-	12,082,502	-	-	-	-	12,082,502
Provision for claims incurred but not reported and unexpired risks	72,789	(79,293)	-	-	-	-	(6,504)
Net insurance benefits and claims	(1,363,049)	(4,315,505)	-	-	-	-	(5,678,554)
Commission on reinsurance premium ceded	-	(24,331)	(15,395)	-	-	-	(39,726)
Total benefits, claims and commission	**(1,363,049)**	**(4,339,836)**	**(15,395)**	**-**	**-**	**-**	**(5,718,280)**
Net underwriting (loss)/income	**2,401,428**	**(3,638,983)**	**(127,716)**	**108,123**	**115,469**	**24,936**	**(1,116,742)**

33 Due to related parties and related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions.

A number of Grouping transactions were entered into with related parties. These include loans, deposits and other transactions.

Year-end balances with related parties are summarised below:

	Interests Rates	2017 $
Public Sector		
Loans and advances	5.75%	13,077,631
Customers' deposits	0% - 2%	44,901,801
Interest on loans and advances		798,732
Interest on customers' deposits		54,947
Associated companies		
Re-insurance assets		12,082,502
Accounts and other payables		199,811
Reinsurance premium		2,174,389
Administrative income		89,643
Commission expense		39,726
Directors and shareholders		
Directors fees and short-term benefits		1,301,802
Other assets		30,152
Accounts and other payables		220,414
Loans and advances	8.5% - 9%	6,608,499
Customers' deposits	0.5% -3.375%	1,643,998
Dividend income		1,182,490
Interest on loans and advances		343,133
Interest on customers' deposits		10,269
Premium income		128,948
Claims expense		161,483
Key management		
Loans and advances	6%	1,478,238
Customers' deposits	0% - 2.125%	276,464
Other assets		6,348
Accounts and other payables		21,280
Interest on loans and advances		156,879
Interest on customers' deposits		1,250
Premium income		31,399
Claims expense		14,256
Salaries and allowances		3,920,118

33 Due to related parties and related party transactions (continued)

Loans and advances to directors are granted on commercial terms and are secured by cash and/or real estate mortgages.

Loans and advances to key management personnel are granted on terms outlined in the Bank's General Lending Policies, Practices and Procedures, which provide for the application of certain preferential terms, including interest rates and collateral arrangements. Collateral arrangements for loans and advances to key management personnel include cash and/or real estate mortgages.

34 Subsequent events

Share capital - resolution

On the July 17, 2018, the Board of Directors passed a resolution that the Government of Anguilla be issued in 12 million ordinary shares of the Bank after having giving good and valuable consideration in the sum of EC$12 million on May 2016.

It was also resolved that upon receiving good and valuable consideration in the sum of EC$47 million from the Government of Anguilla, a further 47 million ordinary shares of the Bank would be issued to them. The additional shares were issued in August 2018 when the aforementioned consideration was received.

COVID 19

On March 11, 2020, the coronavirus disease (COVID-19) was declared a global pandemic and has since developed rapidly, resulting in significant disruptions to businesses and slowdown of economies worldwide. To date it has not been possible to reliably estimate the full impact of COVID-19 on the bank as this will depend on future developments, including the duration and spread of the virus, as well as the potential seasonality of new outbreaks.

On March 30, 2020, Management implemented its business continuity/contingency plan which included:

- Activation of its staff rotation and remote work program;
- Introduction of reduced banking hours and limited service offerings at each branch;
- Use of various mediums to apprise customers of the Bank's COVID-19 response measures such as social distancing, use of facemask and hand sanitizers, change to business hours and use of alternative banking options;
- Assessment of the loans portfolio's exposure based on economic sector implications and potential risk, and subsequently offered a moratorium and loan restructuring to customers affected by the pandemic.
- Conducting stress testing of capital, liquidity and profitability based on several scenarios.

Based on the results of the assessment, management has determined that it will not require any liquidity or capital buffer through to July 2021. Liquidity and capital ratios are currently above regulatory benchmarks and are expected to remain so by the end of the calendar year and beyond. The Group will also remain profitable due largely to continued increases in investment income, lower costs of funds and operational efficiencies. Accordingly, the financial position and results of operations as of and for the period ended October 31, 2017 required no adjustments for the impact of COVID-19.