PKF

Accountants &
business advisers

GRENADA DEVELOPMENT BANK

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER, 2010

PKF

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FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2010

CONTENTS

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GRENADA DEVELOPMENT BANK

INDEPENDENT AUDITORS' REPORT
TO THE HONOURABLE MINISTER OF FINANCE

We have audited the accompanying financial statements of the Bank which comprise the statement of financial position at 31st December, 2010 and the related statements of comprehensive income, changes in Government's equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the financial position of the Bank as of 31st December, 2010 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

GRENADA:

PKF

March 14th, 2011

Accountants & business advisers:

GRENADA DEVELOPMENT BANK

PKF

STATEMENT OF FINANCIAL POSITION AT 31ST DECEMBER, 2010

ASSETS	Notes	**2010**	2009
Non-Current Assets			
Property, plant and equipment	4	4,283,263	4,387,915
Available-for-sale financial assets	5	1,713,500	1,713,500
Loans and receivable financial assets	5	874,800	-
		6,871,563	6,101,415
Loans receivable - Principal	6	27,458,748	28,978,205
TOTAL NON-CURRENT ASSETS		34,330,311	35,079,620
Current Assets			
Loans receivable – Interest	6	162,287	174,894
Accounts receivable and prepayments	7	267,552	1,135,604
Cash and cash equivalents	8	2,016,388	2,755,008
		2,446,227	4,065,506
TOTAL ASSETS		$36,776,538	$39,145,126
EQUITY AND LIABILITIES			
Government's Equity			
Capital grants	9	1,040,000	1,040,000
Capital contribution	10	30,315,426	30,215,426
Reserve fund	11	466,209	466,209
Revaluation reserve	12	2,309,097	2,309,097
Accumulated deficit		(18,469,148)	(17,733,719)
		15,661,584	16,297,013
Non-Current Liabilities			
Long-term borrowings	14	17,628,980	19,728,668
Deferred exchange loss	13	(160,205)	(298,152)
		17,468,775	19,430,516
Current Liabilities			
Accounts payable and accruals	16	214,905	240,847
Short-term borrowings	14	2,664,050	2,438,325
Amount due to projects	17	767,224	738,425
		3,646,179	3,417,597
TOTAL LIABILITIES		21,114,954	22,848,113
TOTAL EQUITY AND LIABILITIES		$36,776,538	$39,145,126

The notes on pages 7 to 34 form an integral part of these financial statements

: Director

: Director

GRENADA DEVELOPMENT BANK

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2010

	Notes	**2010**	2009
INTEREST INCOME			
Interest on loans	20	2,376,396	2,294,761
Interest on investments		26,743	88,235
		2,403,139	2,382,996
Interest expense	21	(860,345)	(1,004,006)
Net interest income		1,542,794	1,378,990
Other income	22	351,042	758,241
		1,893,836	2,137,231
EXPENDITURE			
Directors fees and expenses		(47,619)	(44,547)
General expenses		(1,348,206)	(1,338,353)
Pension and gratuities		(25,063)	(32,913)
Depreciation		(138,781)	(207,342)
Bad debts		(173,314)	(158,721)
		(1,732,983)	(1,781,876)
Operating surplus for the year before impairment loss		160,853	355,355
Less: Impairment loss	23	896,282	-
		(735,429)	355,355
Less: Transfer to reserve fund		-	(88,839)
Net (loss)/surplus for the year		$(735,429)	$266,516

The notes on pages 7 to 34 form an integral part of these financial statements

GRENADA DEVELOPMENT BANK

STATEMENT OF CHANGES IN GOVERNMENT'S EQUITY
FOR THE YEAR ENDED 31ST DECEMBER, 2010

	Reserve Fund	Capital Grant	Revaluation Reserve	Capital Contribution	Accumulated Deficit	Total
Balance at 1st January, 2009	377,370	1,040,000	2,309,097	29,965,426	(18,000,235)	15,691,658
Net movements in capital contribution	-	-	-	250,000	-	250,000
Net surplus for the year	-	-	-	-	355,355	355,355
Transfer from operations	-	-	-	-	(88,839)	(88,839)
Transfer to reserve account	88,839	-	-	-	-	88,839
Balance at 31st December, 2009	466,209	1,040,000	2,309,097	30,215,426	(17,733,719)	16,297,013
Net movement in capital contribution	-	-	-	100,000	-	100,000
Net loss for the year	-	-	-	-	(735,429)	(735,429)
Balance at 31st December, 2010	$466,209	$1,040,000	$2,309,097	$30,315,426	$(18,469,148)	$15,661,584

The notes on pages 7 to 34 form an integral part of these financial statements

GRENADA DEVELOPMENT BANK

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER, 2010

	Note	2010	2009
OPERATING ACTIVITIES			
Net (loss)/surplus for the year		(735,429)	355,355
Adjustment for:			
Depreciation		138,781	207,342
Change in non-cash items		(596,648)	562,697
Decrease in loans receivable		1,532,064	1,489,042
Decrease/(decrease) in accounts receivables and prepayments		868,052	(1,009,345)
Decrease/(increase) in deferred loss on exchange		137,947	(198,528)
Increase in accounts payable and accruals		2,857	134,763
Net cash provided by operating activities		1,944,272	978,629
INVESTING ACTIVITIES			
(Increase)/decrease in loans and receivable financial assets		(874,800)	1,620,000
Purchase of property, plant and equipment		(34,129)	(253,843)
Net cash (used in)/provided by investing activities		(908,929)	1,366,157
FINANCING ACTIVITIES			
Increase in Government Capital Contribution		100,000	(250,000)
Decrease in long-term borrowings		(1,873,963)	(1,294,018)
Net cash used in financing activities		(1,773,963)	(1,044,018)
Net (decrease)/increase in cash and cash equivalents		(738,620)	1,300,768
Cash and cash equivalents - at beginning of year		2,755,008	1,454,240
- at end of year	8	$2,016,388	$2,755,008

The notes on pages 7 to 34 form an integral part of these financial statements

1. CORPORATE INFORMATION

The Bank was established by the Grenada Agricultural and Industrial Development Act, 1976 for the purpose of granting loans and providing other forms of financial assistance for industrial and tourism development, housing, higher education, agricultural development and other development projects.

The corporate name Grenada Agricultural and Industrial Development Corporation was changed to the Grenada Development Bank by proclamation of People's Law No. 33 of 1980 which became effective on 18th July, 1980.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and are expressed in Eastern Caribbean Currency Dollars. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and building.

The preparation of financial statements in conformity with IFRS's requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(b) New Accounting Standards and Interpretations

New standards, amendments and interpretations to existing standards effective 2010 that were adopted by the Bank:

IFRS 7 Financial instruments - Disclosures

IAS 1 Presentation of financial statements

Standards, amendments and interpretations to existing standards effective in 2010 that are not relevant to the activities of the Bank or have no material impact on its financial statements.

IFRS 1 First-time Adoption of IFRS – Cost of an investment in a subsidiary, Jointly Controlled Entity or Associate.

IFRS 2 Share-based Payment – Vesting conditions and cancellations

IFRS 8 Operating segments

IAS 39 Financial Instruments: Recognition and Measurement – Eligible hedged items

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New Accounting Standards and Interpretations (continued)

IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 16	Hedges of a net Investment in a Foreign Operation
IFRIC 17	Distribution of Non-cash Assets to Owners
IFRIC 18	Transfer of Assets from Customers

Standards, amendments and interpretations to existing standards that are not yet effective which either do not apply to the activities of the Bank or have no material impact on its financial statements:

IAS 7	Statement of Cash Flows – Classification of expenditures on unrecognized assets
IAS 17	Leases – Classification on Land and Buildings
IAS 18	Revenue – Determining whether an Entity is acting as Principal or Agent
IAS 24	Related Party Disclosures
IAS 36	Impairment of Assets – Unit of Accounting for Goodwill impairment.
IAS 38	Intangible Assets – Consequential amendments arising from IFRS 3. Measuring the fair value of an intangible asset acquired in a Business Combination.
IFRS 1	First-time Adoption – Additional exemptions for first-time adoption
IFRS 2	Share-based Payments – Group cash-settled share based payment transactions
IFRS 5	Non-current Assets held for sale and discontinued operations
IFRS 8	Segment reporting – Disclosures of Segment Assets
IFRS 9	Financial Instruments – Classification and Measurement of Financial Asset
IFRS 39	Financial Instruments – Recognition and Measurement: Assessment of loan prepayment penalties as embedded derivative. Scope of exemption of Business of Combination contracts. Cash flow hedge accounting.
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Foreign Currency Transactions

Transactions in foreign currencies are converted at the rates ruling on the dates of the transactions. Liabilities outstanding at the statement of financial position date are translated to Eastern Caribbean Currency Dollars at the rate of exchange ruling at that date. Differences on exchange on current liabilities are reflected in the comprehensive income statement in arriving at net income for the year, while differences on long term loans are deferred until realised.

(d) Provision for Doubtful Loans (Classified debts)

Provision is made based on the specific identification of doubtful receivables. As loans become uncollectible, they are written off against the provision. The total provision at 31st December, 2010 amounted to $1,993,114 (2009: $1,933,324).

(e) Property, Plant and Equipment

Land and building are stated at 2008 valuation less subsequent depreciation on building. However, additions to building thereafter are stated at cost. Depreciation is provided on the straight-line basis at varying rates sufficient to write off the cost or valuation of the assets over the period of their estimated useful lives. No depreciation is charged on land. The rates used are as follows:

Building	2.5%
Furniture, fixtures and equipment	10% to 20%
Motor vehicles	25%
Computers	33 1/3%

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at statement of financial position date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, Plant and Equipment (continued))

The cost of property, plant and equipment replaced, retired or otherwise disposed of and the accumulated depreciation thereon are eliminated from the accounts and the resulting gain or loss reflected in current operations.

(f) Cash and Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprises cash on hand and at bank.

(g) Interest

Accrued interest on loans is recorded in the statement of financial position in the related asset category. No credit is taken for interest due but uncollected after three months.

(h) Financial Assets

The Bank classifies its financial assets into the following categories: loans and receivables, held-to-maturity and available-for-sale. Management determines the appropriate classification of its financial assets at the time of purchase and re-evaluates this designation at every reporting date.

Available-for-sale

Investments are classified as available-for-sale as they are intended to be held for an indefinite period of time. These investments may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. These investments are stated at cost as fair market values are not available.

Loans and receivables

Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in active markets. They are included in financial investments and are classified as assets in the statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial Assets (continued)

Fair value

Fair value amounts represent the approximate value at which financial instruments could be exchanged in current transactions between willing parties. However, the bank's financial instruments lack an available trading market and therefore it is not possible to determine independently the estimated fair values. The fair values of the financial instruments are therefore considered to approximate their book value.

(i) Accounts Payable

Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

(j) Borrowings

Borrowings are recognised at fair value net of transaction cost incurred. Borrowings are subsequently stated at amortized cost: any difference between the proceeds, net of transaction cost, and the redemption value is recognised in the statement of comprehensive income over the period of borrowings. Borrowings are classified as current liabilities unless the Bank has an unconditional right to defer settlement of the liability for at least twelve (12) months after the statement of financial position date.

(k) Pension Benefits

The Bank operates a defined benefit pension plan which is administered by a registered insurance company in Grenada. The Bank pays fixed contributions into the fund and has no legal or constructive obligation to pay further contributions. The Bank's contribution is recorded as an expense in the statement of comprehensive income.

(l) Financial Instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised on the Bank's statement of financial position when the bank becomes a party to the contractual provision of the instrument.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial Instruments

Recognition and measurement

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date that is the date on which the Bank commits itself to purchase or sell an asset. A regular way purchase and sale of financial assets is a purchase or sale of an asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned.

When financial assets are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the asset. Financial assets are derecognised when the contractual rights to receive the cash flows expire or where the risks and rewards of ownership of the assets have been transferred.

Impairment of financial assets

The Bank assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or group of financial assets is impaired and impairment losses are incurred if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that event (or events) has an impact on the estimated future cash flows of the financial asset or group or financial assets that can be reliably estimated.

Objective evidence that a financial assets or group of financial assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

(i) Significant financial difficulty of the issuer or obligor.

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

(iii) It is becoming probable that the borrower will enter in bankruptcy or other financial organization.

(iv) The disappearance of an active market for that financial asset because of financial difficulties.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial Instruments (continued)

Impairment of financial assets (continued)

(v) Observable data indicating that there is a measurable decrease in the estimated cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with individual financial assets in the group, including adverse changes in the payment status of borrowers in the Bank or national or economic conditions that correlate with defaults on assets in the Bank.

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

Impairment losses are recorded in an allowance account and are measured and recognised as follows:

(i) Financial assets measured at amortised cost

The difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate is recognised in the statement of income.

If, 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 improvement in the debtor's credit rating), the previously recognised loss is reversed to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised at the date that the impairment is reversed. The amount of the reversal is recognised in the statement of comprehensive income.

(ii) Financial assets measured at cost

The difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the current market's rate of return for similar financial assets is recognised in the statement of comprehensive income. These losses are not reversed.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial Instruments (continued)

Financial liabilities

When financial liabilities are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the liability. Financial liabilities are re-measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when they are extinguished that is when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability extinguished and the consideration paid is recognised in the statement of comprehensive income.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The development of estimates and the exercise of judgement in applying accounting policies may have a material impact on the Bank's reported assets, liabilities, revenues and expenses. The items which may have the most effect on these financial statements, are set out below.

Valuation of property

The Bank utilises professional valuators to determine the fair value of its properties. Valuations are determined through the application of a variety of different valuation methods which are all sensitive to the underlying assumptions chosen.

Property, plant and equipment

Management exercises judgment in determining whether future economic benefits can be derived from expenditures to be capitalized and in estimating the useful lives and residual values of these assets

Impairment of loans receivable

Provision is made for doubtful debts based on specific identification of doubtful balances. As debts become uncollectible they are written off against the provision.

GRENADA DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2010
(continued)

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Furniture Fixtures and Equipment	Computers	Motor Vehicle	Total
Cost/Valuation						
Balance at 1st January, 2010						
- Cost	-	224,653	401,165	1,161,045	75,000	1,861,863
- Valuation	900,000	3,360,000	-	-	-	4,260,000
	900,000	3,584,653	401,165	1,161,045	75,000	6,121,863
- Additions at cost	-	21,488	6,901	5,740	-	34,129
Balance at 31st December, 2010						
- Cost	-	246,141	408,066	1,166,785	75,000	1,895,992
- Valuation	900,000	3,360,000	-	-	-	4,260,000
	900,000	3,606,141	408,066	1,166,785	75,000	6,155,992
Accumulated Depreciation						
Balance at 1st January, 2010						1,565,948
- Cost	-	5,616	383,207	1,102,125	75,000	168,000
- Valuation	-	168,000	-	-	-	
						1,733,948
	-	173,616	383,207	1,102,125	75,000	
Charge for the year						54,781
- Cost	-	6,154	6,291	42,336	-	84,000
- Valuation	-	84,000	-	-	-	
						138,781
	-	90,154	6,291	42,336	-	
Balance at 31st December, 2010						1,620,729
- Cost	-	11,770	389,498	1,144,461	75,000	252,000
- Valuation	-	252,000	-	-	-	
						1,872,729
	-	263,770	389,498	1,144,461	75,000	
NET BOOK VALUE - 2010						275,263
Cost	-	234,371	18,568	22,324	-	4,008,000
Valuation	900,000	3,108,00	-	-	-	
						$4,283,263
	$900,000	$3,342,371	$18,568	$22,324	$ -	
NET BOOK VALUE – 2009						295,915
Cost	-	219,037	17,958	58,920	-	4,092,000
Valuation	900,000	3,192,000	-	-	-	
						$4,387,915
	$900,000	$3,411,037	$17,958	$58,920	$ -	

5. FINANCIAL ASSETS

	2010	2009
AVAILABLE-FOR-SALE		
Liberty Club Limited 1,688,499 ordinary shares of $1.00 each - cost	1,688,499	1,688,499
Eastern Caribbean Securities Exchange 2,500 class c shares at $10.00 each - cost	25,000	25,000
Financial Data Systems Limited 60,000 shares of common stock at $1.00 each - cost	60,000	60,000
	1,773,499	1,773,499
Less: Provision for diminution in value of shares in Financial Data Systems Limited	59,999	59,999
	$1,713,500	$1,713,500
LOANS AND RECEIVABLES		
RBTT Bank Grenada Limited – fixed deposits	$874,800	$ -

6. LOANS RECEIVABLE - INTEREST

	2010	2009
Loans receivable – principal	29,451,862	30,911,529
Less: Provision for doubtful debts	1,993,114	1,933,324
	$27,458,748	$28,978,205
Accrued interest (3 months)	$162,287	$174,894

6. LOANS RECEIVABLE (continued)

Movements in provision for loan losses are as follows:

	2010	2009
Balance at the beginning of the year	1,933,324	2,337,774
Bad debts recovered	(113,345)	(543,620)
Increase in provision	173,135	139,170
Balance at end of the year	$1,933,114	$1,933,324

Allowance for impairment losses by sector

Agriculture	316,436	530,683
Agro processing	383,364	198,750
Education	241,486	201,567
Fishing	177,011	122,782
Housing	52,751	45,220
Industry	447,624	447,688
Micro sector	91,867	79,666
Tourism	282,575	306,968
	$1,933,114	$1,933,324

7. ACCOUNTS RECEIVABLE AND PREPAYMENTS

Matured investment	810,000	810,000
Interest receivable	105,988	86,281
Accounts receivables	188,765	190,477
Prepayments	59,081	48,846
	1,163,834	1,135,604
Less: Impairment provision	896,282	-
	$267,552	$1,135,604

GRENADA DEVELOPMENT BANK

8. CASH AND CASH EQUIVALENTS

	2010	2009
Cash on hand	1,200	1,000
Cash at bank	2,015,188	2,754,008
	$2,016,388	$2,755,008

9. GOVERNMENT CAPITAL GRANTS

(a) $40,000

This amount represents Government's counterpart contribution under the terms of the Small Industry Credit Loan Agreement dated 30th September, 1974 with the Caribbean Development Bank.

(b) $1,000,000

This amount represents Government's counterpart contribution under the terms of the "Second Consolidated Line of Credit - AIC/MF/SLS Loan Agreement dated 2nd September, 1988 with the Caribbean Development Bank.

10. GOVERNMENT CAPITAL CONTRIBUTION

During the year $100,000 was received from the Government of Grenada.

11. RESERVE FUND

Pursuant to the Grenada Development Bank Act, the Bank is required to transfer a minimum of 25% of its net profit to a reserve fund to meet contingencies and for such other purposes as the Bank deems fit.

12. REVALUATION RESERVE

	2010	2009
Revaluation surplus	$2,309,097	$2,309,097

In August 2008, the Bank's property was re-valued by Joseph John and Associates Limited. The excess of the revaluation over the carrying value totalled $296,300.

13. DEFERRED EXCHANGE LOSS

Loss arising on the translation of the European Investment Bank loan.

The loan due to the European Investment Bank and repayable in Euros has been translated at the rate of exchange ruling at the end of the financial year. The translation of the amount repayable resulted in a difference of $160,205 which is reflected in the statement of financial position as a deferred loss in foreign exchange. This amount would be written off to revenue on repayment of the loan.

14. BORROWINGS

	2010	2009
(a) Caribbean Development Bank (note 15)	14,022,571	15,358,987
(b) National Insurance Board	4,421,755	4,821,355
(c) European Investment Bank	1,848,704	1,986,651
	20,293,030	22,166,993
Less: Short-term portion	2,664,050	2,438,325
Long-term portion	$17,628,980	$19,728,668

These loans are secured by guarantees from the Government of Grenada except for National Insurance Board - loan (v) which is secured by a mortgage on the Bank's property at Melville Street.

14. BORROWINGS (Continued)

(b) There are two (2) National Insurance Board loans as follows:

(i) Loan 4 - Renovation loan

The sum of $1,000,000 was authorised and withdrawn. It is repayable over twenty-five (25) years by equal monthly instalments of $7,067.79 inclusive of interest, beginning December 31st, 1999. Interest is charged at the rate of 7% per annum.

(ii) Loan 2

The sum of $4,273,556.00 was authorised and $4,232,506.69 withdrawn. It is repayable over ten (10) years at rates of interest of 6% for the first five (5) years and 8% for the next five (5) years. The monthly repayment is $47,445.22 inclusive of interest. Repayment began in may 2009.

(c) The sum of 500,000 Ecu's was authorised and withdrawn on the EIB loan. The loan was used for purchasing shares in Liberty Club Limited. It is repayable in five (5) equal annual instalments originally from October 2007 to 2011. The commencement date for repayment of this loan has however been extended. The date at which repayment is to commence has not yet been established. The loan is interest free.

15. CARIBBEAN DEVELOPMENT BANK - LOANS

			Foreign Currency	**2009 EC$**	2008 EC$
(a) 26/SFR-GR	Fifth student loan	US$	-	-	110,222
(b) 3/SFR-OR-GR	Second consolidated line of credit	EC$	613,769	1,662,333	2,216,444
(c) OCR-SFR-GR	Loan/mortgage/micro sector	US$	1,817,425	4,922,314	5,717,109
(d) 11/SFR - GR	Sixth student loan (see note below)	US$	2,746,243	7,437,924	7,315,212
				$14,022,571	$15,358,987

Note: This Loan is in the name of the Government of Grenada with the Bank as the executing Agency.

15. CARIBBEAN DEVELOPMENT BANK LOANS (continued)

	Principal	Interest
(a)	Paid off during the year	
(b)	80 consecutive quarterly instalments as of 31st December, 1993.	2% per annum payable quarterly, as of 31st December, 1988.
(c)	SFR portion – 40 equal quarterly instalments. OCR portion – 40 equal quarterly instalments. Repayments started December 2008.	2.5%/5.75% per annum. Payable quarterly.

16. ACCOUNTS PAYABLE AND ACCRUALS

	2010	2009
Accrued interest	133,960	167,833
Other payables	80,945	73,014
	$214,905	$240,847

17. AMOUNT DUE TO PROJECTS

	2010	2009
Poultry project	330,987	330,987
Youth enterprise initiative	402,830	374,031
Agricultural diversification	33,407	33,407
	$767,224	$738,425

These funds are disbursed for on-lending to the respective micro-businesses.

18. COMMITMENTS

At the statement of financial position date un-disbursed loans committed amounted to $618,874 (2009: $1,563,940).

19. FINANCIAL RISK MANAGEMENT

The Bank's activities expose it to the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Currency risk
- Interest rate risk
- Operational risk

Risk is inherent to the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for risk exposures relating to their responsibilities.

Risk management structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies, principles, policies and procedures. Day to day adherence to risk principles is carried out by the management of the Bank in compliance with the policies approved by the Board of Directors.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board has established two (2) committees, the Audit Committee and the Internal Loan Committee, which are responsible for developing and monitoring the Bank's risk management policies in their specified areas. These committees report to the Board of Directors.

19. FINANCIAL RISK MANAGEMENT (continued)

Audit Committee

The Audit Committee has oversight for the integrity of the financial statements and reviews the adequacy and effectiveness of internal controls and risk management procedures.

Internal Loan Committee

This committee reviews application for loans over $50,000 and approves loans up to $100,000. The Board of Directors approves loans over $100,000 based on recommendation from the Internal Loan Committee. Loans under $50,000 are approved by the Manger of the Bank.

Credit Risk

Credit risk is the risk of financial loss to the Bank if a borrower or counter party to a financial instrument fails to meet its contractual obligations in accordance with agreed terms. The objective of the Bank's credit risk management function is to maintain credit risk exposure within acceptable parameters as the effective management of credit risk is a key comprehensive approach to risk management and is considered essential to the long-term success of the Bank. The Bank's exposure to credit risk arises primarily from the Bank's loans receivable which are given for national developmental purposes in all areas of industrial development. The priority areas for industrial development are identified by the Government of Grenada each year.

Significant changes in the economy or in the state of a particular industry segment that represents a concentration in the Bank's portfolio could result in losses that are different from those provided at the statement of financial position date.

Concentration of credit risk exists if a number of customers are engaged in similar activities or are located in the same industry sector or have similar economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

Management of credit risk

Loans

The management and oversight of credit risk of loans is executed by the management of the Bank, the Internal Loan Committee and the Board of Directors. There is a documented credit policy in place, which guides the bank's credit processes.

19. FINANCIAL RISK MANAGEMENT (continued)

Management of credit risk (continued)

Loans (continued)

The Bank structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers and to industry segments. Such risk is monitored on a revolving basis and is subject to an annual or more frequent review. The level of risk is set against economic factors and government priority areas.

Exposure to credit risk is managed through regular analysis of the ability of the borrower to meet interest and capital repayment obligations, obtaining collateral and corporate and personal guarantees, and by changing lending limits and adjusting interest rates within approved ranges where appropriate.

Other financial assets

With respect to credit risk arising from the other financial assets of the bank, which comprise accounts receivable and prepayments, cash and cash equivalents and investments, the Bank's exposure to credit risk arises from default of the counter-party with regards to cash and cash equivalents and investments. The Bank seeks to hold its funds with financial institutions which management regards as sound and the market for investments are monitored regularly to ensure that returns are realized.

Exposure to credit risk

The following table shows the maximum exposure to credit risk for the components of the statement of financial position, without taking account of any collateral held or other credit enhancements.

	Maximum exposure	
	2010	2009
Available-for-sale financial assets	1,713,500	1,713,500
Loans and receivable financial assets	874,800	-
Loans receivable – Principal	27,458,748	28,978,205
Loans receivable - Interest	162,287	174,894
Accounts receivable and prepayments	267,552	1,135,604
Cash and cash equivalents	2,016,388	2,755,008
	$32,493,275	$34,757,211

19. FINANCIAL RISK MANAGEMENT (continued)

Concentration of credit risk at 31st December, 2010

	Available-for-sale Financial assets	Loans and Receivable Financial Assets	Loans Receivable Principal	Loans Receivable Interest	Accounts Receivable and Prepayments	Cash and Cash Equivalents	Total
Education	-	-	12,414,952	128,563	-	-	12,543,515
Agriculture	-	-	1,440,935	479	-	-	1,441,414
Fishing	-	-	124,170	-	-	-	124,170
Tourism	1,688,499	-	4,732,809	5,696	-	-	6,427,004
Housing	-	-	3,163,803	12,539	-	-	3,176,342
Micro- sector	-	-	61,636	279	-	-	61,915
Agro-processing	-	-	23,486	-	-	-	23,486
Industry	-	-	5,084,254	13,492	-	-	5,097,746
Personal	-	-	412,709	1,239	-	-	413,942
Other	25,001	874,800	-	-	267,552	2,016,388	3,183,741
Balance at 31st December, 2010	$1,713,500	$874,800	$27,458,748	$162,287	$267,552	$2,016,388	$32,493,275

GRENADA DEVELOPMENT BANK

19. FINANCIAL RISK MANAGEMENT (continued)

Concentration of credit risk at 31st December, 2009

	Available-for-sale Financial assets	Loans and Receivable Financial Assets	Loans Receivable Principal	Loans Receivable Interest	Accounts Receivable and Prepayments	Cash and Cash Equivalents	Total
Education	-	-	12,572,121	138,066	-	-	12,710,187
Agriculture	-	-	1,186,901	(6,801)	-	-	1,180,100
Fishing	-	-	224,255	-	-	-	224,255
Tourism	1,688,499	-	5,331,540	11,085	-	-	7,031,124
Housing	-	-	3,296,891	13,474	-	-	3,310,365
Micro-processing	-	-	156,679	1,023	-	-	157,702
Agro-processing	-	-	220,100	-	-	-	220,100
Industry	-	-	5,208,859	14,230	-	-	5,223,089
Personal	-	-	780,859	3,817	-	-	784,676
Other	25,001	-	-	-	1,135,604	2,755,008	3,915,613
Balance at 31st December, 2009	$1,713,500	$ -	$28,978,205	$174,894	$1,135,604	$2,755,008	$34,757,211

19. FINANCIAL RISK MANAGEMENT (continued)

Analysis of loans past due but not impaired before provision for loan losses:

	Neither past due nor impaired $	Past due but not impaired: 1-3 months $	3-6 months $	6-12 months $	Over 12 months $	Total $
2010	24,998,302	1,903,372	112,602	1,283,228	1,154,358	29,451,862
2009	19,854,733	4,136,815	255,945	2,002,946	4,661,090	30,911,529

Individually impaired financial assets at 31st December, 2010:

	Carrying Value	Provision for Impairment	Net book value 2010	Net book value 2009
Loans	$2,617,245	$1,993,114	$624,131	$787,537
Available-for-sale financial assets	$60,000	$59,999	$ 1	$ 1

Collateral

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The Bank has guidelines that set out the acceptability of different types of collateral and valuation parameters. The types of collateral held by the Bank are mortgage over properties, bill of sales over motor vehicles and other assets, liens over cash, bonds and shares, covenants over assets, and personal guarantees.

Estimates of fair values are based on value of collateral assessed at the time of borrowing and are generally not updated except when a loan is individually assessed as impaired.

Management monitors the market value of collateral, request additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

It is the Bank's policy to dispose of repossessed properties of which the proceeds are used to repay outstanding balances on loans.

19. FINANCIAL RISK MANAGEMENT (continued)

Impairment

Impaired financial assets are assets for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms. The main consideration for impairment assessment for loans receivable is known difficulties in the cash flows of the counterparty, or infringement of the original terms of the loan agreement.

Impairment allowances on individually assessed accounts are determined by an evaluation at the statement of financial position date on a case-by-case basis. The assessment normally encompasses collateral held and the anticipated receipts for the individual account.

Past due and not impaired

These are loans where the contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate based on the quality and value of security available or the stage of collection of amounts owed to the Bank.

Write off policy

The Bank writes off a loan when it determines that the loan is uncollectible after considering information such as the occurrence of significant changes in the borrower's statement of financial position such that the borrower can no longer pay the obligation, and that proceeds from collateral will not be sufficient to recover the entire exposure.

Liquidity risk

Liquidity risk is the risk that the Bank will have difficulty in meeting its obligations from its financial liabilities.

Management of liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

The Bank monitors its risks of a shortage of funds by considering the maturity of both its investments and the projected cash flow from operations to ensure that it is able to honour all its commitments when they fall due.

19. FINANCIAL RISK MANAGEMENT (continued)

The aggregate value of the Bank's financial assets and liabilities by currency is as follows:

	EC$	US$	EURO	Total
Balance at 31st December, 2010				
Assets				
Available-for-sale financial assets	1,713,500	-	-	1,713,500
Loans and receivable financial assets	874,800	-	-	874,800
Loans receivable-principal	27,458,748	-	-	27,458,748
Loans receivable-interest	162,287	-	-	162,287
Accounts receivable and prepayments	267,552	-	-	267,552
Cash and cash equivalents	2,004,537	11,851	-	2,016,388
	32,481,424	11,851	-	32,493,275
Liabilities				
Long-term borrowings	4,031,663	11,748,614	1,848,703	17,628,980
Accounts payable and accruals	214,905	-	-	214,905
Short-term borrowings	390,093	2,273,957	-	2,664,050
Amount due to projects	767,224	-	-	767,224
	5,403,885	14,022,571	1,848,703	21,275,159
Net currency exposure	$27,077,539	$(14,010,720)	$(1,848,703)	$11,218,116
Balance at 31st December, 2009				
Assets				
Available-for-sale financial assets	1,713,500	-	-	1,713,500
Loans receivable-principal	28,978,205	-	-	28,978,205
Loans receivable-interest	174,894	-	-	174,894
Accounts receivable and prepayments	1,135,604	-	-	1,135,604
Cash and cash equivalents	2,743,198	11,810	-	2,755,008
	34,745,401	11,810	-	34,757,211
Liabilities				
Long-term borrowings	4,453,934	13,288,083	1,986,651	19,728,668
Accounts payable and accruals	240,847	-	-	240,847
Short-term borrowings	367,421	2,070,904	-	2,438,325
Amount due to projects	738,425	-	-	738,425
	5,800,627	15,358,987	1,986,651	23,146,265
Net currency exposure	$28,944,774	$(15,347,177)	$(1,986,651)	$11,610,946

19. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Bank is exposed to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest bearing financial assets and liabilities, including loans.

The Bank's exposure is also managed through the matching of funding products with financial services and monitoring market conditions and yields.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those rising from legal and regulatory requirements and generally accepted standards of good corporate behaviour. Operational risks arise from all the Bank's operations. The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and for development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the periodic assessment of operational risks faced, as the adequacy of controls and procedures to address the risks identified.
- Training and professional development
- Risk mitigation, including insurance where this is effective.

20. INTEREST INCOME

	2010	2009
Caribbean Development Bank loans	980,589	919,050
Local loans	906,124	844,232
Business Reactivation loan	464,233	495,057
National Insurance Scheme loans	25,450	36,422
	$2,376,396	$2,294,761

21. INTEREST EXPENSE

Caribbean Development Bank	551,293	689,514
National Insurance Scheme	309,052	314,492
	$860,345	$1,004,006

22. OTHER INCOME

Sundry income	102,930	95,975
Bad debts recoveries	248,112	662,266
	$351,042	$758,241

23. IMPAIRMENT LOSS

Amount due from Colonial Life Insurance Company Limited for capital and accrued interest deemed doubtful.

24. RELATED PARTY TRANSACTIONS

i) Compensation of key management personnel of the company

	2010	2009
Salaries and staff benefits	$230,372	$226,022

ii) Loans receivable from key management personnel and directors	$1,076,395	$878,097
iii) Interest income from key management personnel and directors	$57,591	$54,079

25. GENERAL EXPENSES

	2010	2009
Salaries, wages and allowances	691,428	644,323
National Insurance contributions	26,960	23,277
Security	18,925	20,698
Computer expenses	48,084	62,547
Subscription and donations	13,130	14,686
Postage	4,824	3,166
Office expenses	18,291	22,008
Advertising	9,454	4,389
Audit and accounting	31,417	21,396
Professional services	10,534	15,600
Bank charges	5,342	2,884
Entertainment	7,720	16,198
Motor vehicle expenses	11,898	8,147
Legal fees	46,858	44,735
Stationery and printing	44,136	27,063
Telephone and cables	51,678	51,661
Miscellaneous	8,605	5,928
Commitment fees	13,386	8,187
Repairs and maintenance	2,162	16,724
Staff uniforms	10,533	15,569
Travelling and subsistence	67,550	70,922
Electricity	135,402	142,166
Water and sewerage	3,398	4,346
Staff training	7,334	7,779
Insurance	45,228	47,511
Recruitment cost	2,471	22,179
Library expenses	600	728
Corporate image and product development	10,858	13,536
	$1,348,206	$1,338,353