Grenada Development Bank

Annual Report 2014

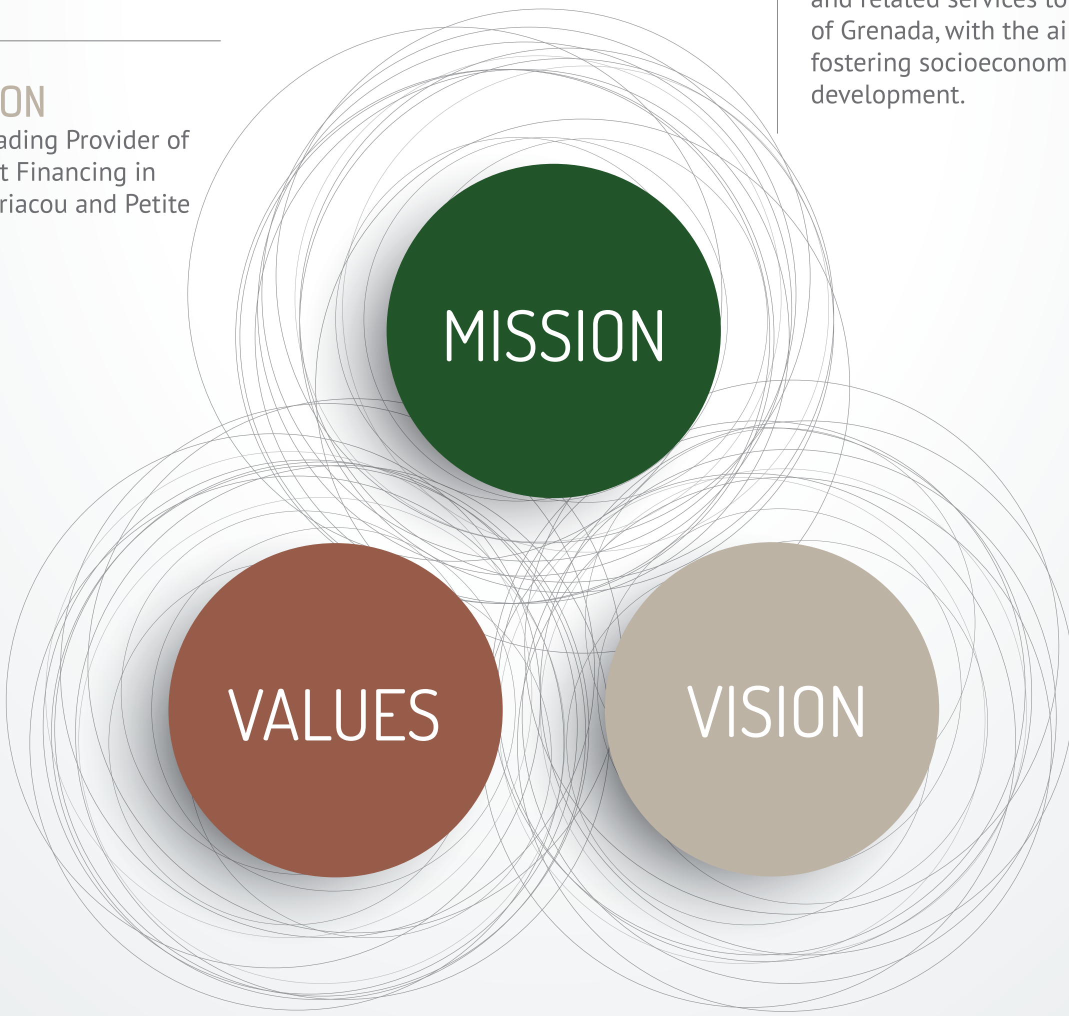
"Development Through Financing"

OUR MISSION

To be an innovative and viable development organization, providing high quality financial and related services to the state of Grenada, with the aim of fostering socioeconomic development.

OUR VISION

To be the Leading Provider of Development Financing in Grenada, Carriacou and Petite Martinique.



CORE VALUES

Development Focus:
Fostering the socio-economic development of the country is the reason why we exist.

Customer Focus:
We continuously strive to exceed our customers' expectations.

Innovation:
We offer products and services that would meet the changing needs of our customers.

Professionalism:
At all times, we would demonstrate high levels of integrity, respect for others, confidentiality, reliability, honesty and objectivity in our dealings.

Result Oriented:
We work as a team and are performance driven.

Accountability:
We are responsible for our actions that influence the lives of our customers, fellow workers and the resources that are in our care.

Motivation and Recognition:
We encourage and reward all staff for their accomplishments and promote continuous personal development.

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Board of Directors

From Left to Right:

Mr. Michael Archibald, *MBA, FICB, AICB*	-	Chairman
Mr. Stanford Simon	-	Deputy Chairman
Mr. Mervyn Lord, *MSc, BSc (Hons)*	-	Manager/ Director
Mr. Rupert Agostini, *FCCA*	-	Director
Ms. Sheila Harris, *LLB(Hons), LLM*	-	Director
Mr. Mike Sylvester, *MSc(Hons), BBA*	-	Director
Mr. Marlon St. Louis	-	Director
Ms. Lima Frederick, *BTHM, MSc*	-	Director
Mr. Marvin Andall	-	Director

Corporate Information

MANAGEMENT/ SUPERVISORY TEAM:

MERVYN LORD – Manager
DONALD WILLIAMS – Credit Manager
GENEVIEVE C. GIBBS – Systems Administrator
JANEL JEREMIAH – Administration & Human Resource Manager (A.g.)
ROSEANN LEDLOW – Accountant
PATRICIA SIMON – Bank Secretary

AUDITORS:

PKF

SOLICITORS:

Renwick & Payne
Danny Williams & Co.
Law Office of Alban M. John

BANKERS:

RBTT Bank Grenada Ltd
Republic Bank (Grenada) Ltd
Eastern Caribbean Central Bank

BANK SECRETARY:

Patricia Simon

REGISTERED OFFICE:

Grenada Development Bank
P.O. Box 2300
Melville Street
St. George
Grenada
Email: gdbbank@spiceisle.com
Website: www.grenadadevelopmentbank.com
Telephones:
PABX: (473) 440-2382/1620
Manager: (473) 440-9084
Credit Manager: (473) 442-6464
Telefax: (473) 440-6610

Chairman's Letter of Transmittal Information

Dr. The Right Honourable Keith C. Mitchell
Minister for Finance
Ministry of Finance
Financial Complex
The Carenage
St. George

Dear Minister,

Pursuant to Cap. 129, Section 18 of the Grenada Development Bank Act, I have the honour to submit to you the Annual Report and Audited Financial Statements of the Bank for the Financial Year ended December 31, 2014.

Yours faithfully,

Mr. Michael Archibald, MBA, FICB, AICB

Chairman's Message

The Domestic Economic Environment in 2014.

Economic activities is expected to have grown by 2.6% based on preliminary data obtained from the Ministry of Finance. This followed a revised estimated growth in 2013 of 3.1% over 2012. The continued recovery of the economy is mainly on account of expansions in Agriculture (23.08%), Hotels & Restaurants (14.43%) and Education (4.82%). Notwithstanding the growth in the aforementioned sectors, the overall growth was negatively affected by a decline in Construction (5%), Manufacturing (4%), Public Administration, Defence and Compulsory Social Security (3.8%) and Health and Social Work (2.58%).

Economic Outlook 2015.

The Ministry of Finance has projected growth of just under 2% for 2015. The main drivers are anticipated to be Agriculture, Construction, Tourism and Education.

The Bank's performance 2014.

The Bank continued to manoeuvre through the challenging economic times although limited by its access to financing. However, it remained steadfast in its vision to become the leading provider of development financing in the tri-island state of Grenada. Consequently, the Bank commenced the implementation of its Caricom Development Fund (CDF) Loan Programme and approved over $2M worth of much needed funding for the vital sectors of the economy namely Agriculture, Agro-processing, Manufacturing, Tourism, Health and Wellness and Cultural Arts.

Financial viability continued to be a major focus of the Bank and I am happy to declare the seventh straight year of operating profits, five of which yielded net profits.During the period 2012 – 2014, the Bank's revenue increased by just under 5% per annum from $2.4M in 2012 to $2.86M in 2014. Consequently, the Bank realised a net profit of $236K for 2014 with a net profit margin of just over 8%.

The non-performing ratio showed a slight improvement in 2014 (14.17%) over 2013 (14.42%) as the Bank remained focused on its loan portfolio quality, being cognizant of its importance to the viability and sustainability of the institution. The Bank has made significant progress in improving its Non-performing Ratio from over 25% prior to 2006.

The Bank also remained focused on ensuring that all the required policies and the strategic framework are in existence and current. Therefore, a new Human Resource Policy and a Productivity Plan were approved. The implementation of these will commence in 2015.

Looking Ahead.

2015 will mark the 50th Anniversary of the Bank and the Institution is planning to celebrate this important milestone with a special focus on its customers. To this end, the Bank will launch special products and activities to demonstrate its appreciation to its customers.

Emphasis will also be placed on loan portfolio growth and the further improvement of the portfolio quality.

The Bank would continue to reform its operations to provide additional resources and better services to its customers.

Appreciation.

I would like to thank our valued customers for their continued support, our shareholder the Government of Grenada for a number of positive steps taken to ensure the viability and sustainability of the Bank, the Directors on the Board for their commitment to the vision of the Bank and finally to the Management and Staff on whom we depend for our success.

Mr. Michael Archibald, MBA, FICB, AICB
Chairman

From Left: Genevieve C. Gibbs, Donald Williams, Janel Jeremiah, Johanne Francis, Patricia Simon

Front: Mervyn Lord

Management Discussion & Analysis

Overview.

2014 marked the seventh straight year that the Bank was able to realise operating profits and the fifth year since 2008 that net profits were attained. The direction of the Bank continued to be guided by a five year Strategic Plan (2012-2016) that focuses on transforming it into the premier provider of development financing in Grenada,Carriacou and Petit Martinique.

In accordance with the Priority Objectives for 2014, the following were accomplished under the five pillars of the Plan:-

Funding.

a. The Bank, in collaboration with the Government has commenced negotiations with the Caribbean Development Bank for a new line of Credit to support student loans and small to medium sized business development.

b. The Government increased its equity contribution by over $3.9M.

1. **Sustainability and Profitability.**

   a. The Non-performing Ratio reduced slightly from 14.42% in 2013 to 14.17% in 2014.

b. The Bank surpassed its Collection Target of ≥85% on its current loan portfolio by almost 2%.

c. The Contamination Ratio (total principal balance of all performing loans in arrears/ total performing loan portfolio) was surpassed with an actual ratio of 16.62% as compared with a maximum target of 30%.

d. The Bank more than doubled its profitability target of a minimum of $100k.

e. The Bank reviewed all its fees and charges making them closer to the current market rates. As a result, income from fees and charges increased by 42% from $96.8K in 2013 to $137.5K in 2014.

2. Relevance and Image.

a. The Bank significantly inproved its time frame for loan approvals.

b. In addition to the aforementioned, the Bank was able to commence and complete the remodelling of its Melville Street premises during the year thereby housing its offices on the first floor and leasing the ground floor. Consequently, the Bank was able to utilize wasted space to generate income. The Bank has subsequently received very positive feedback from its customers and other stakeholders on its new business environment. To use the words of one customer “I now feel like I am in a Bank”.

3. New and innovative Products and Services.

a. During the second quarter of 2014, the Bank, in collaboration with the Marketing and National Importing Board (MNIB) was able to formulate a new loan product for farmers which will be launched in 2015.

4. Institutional strengthening and Corporate Governance.

a. The Bank commenced two consultancies – Change Management to improve its change management process and the other – Bank Act review to review the legal framework of the Bank.

b. Continuing on its quest to strengthen the internal controls and policy construct of the Bank, a new Human Resource Policy was created as well as a Productivity Plan to improve the Bank’s productivity.

5. Challenges

Notwithstanding the aforementioned accomplishments, the following priority objectives were not met:-

- The Bank’s request for a new line of credit from the Caribbean Development Bank was not processed in 2014;
- The Bank failed to grow its loan portfolio to its projected $28M;
- While the Non performing Ratio reduced slightly, it was not reduced to the 12% target.

The Bank will however ensure that the objectives that were not met in 2014 are carried forward to 2015 and tremendous emphasis will be placed on achieving same.

Financial Analysis

The Bank realised a net profit of $236K in 2014 which marked another year of its ongoing commitment to engage in activities that result in profitable operations.

	2014	2013	2012	2011	2010
NET PROFIT/(LOSS)	236,100	1,618,908***	87,651	(1,386,963)*	(735,429)**
OPERATING SURPLUS/(DEFICIT)	236,100	285,827	87,651	490,300	160,853
TOTAL REVENUE	2,856,531	2,601,933	2,514,746	3,007,632	2,754,181
INTEREST INCOME	2,317,189	2,044,382	2,146,796	2,229,756	2,376,396
INVESTMENT INCOME	105,129	101,252	75,494	78,331	26,743
OTHER INCOME	434,213	456,299	292,456	699,456	351,042
TOTAL EXPENDITURE	2,620,431	2,316,106	2,427,095	2,517,332	2,754,181
BAD DEBTS	159,746	110,034	6,438	145,750	173,314
INTEREST EXPENSE	507,589	508,389	633,943	705,564	860,345
GENERAL EXPENSE	1,778,013	1,530,607	1,577,989	1,478,023	1,348,206

** Impairment of investment in the amount $1.9M*
*** Impairment of investment in the amount $896.2K*
**** Net Income for 2013 is reflective of a debt forgiveness by the European Investment Bank $1.3M*

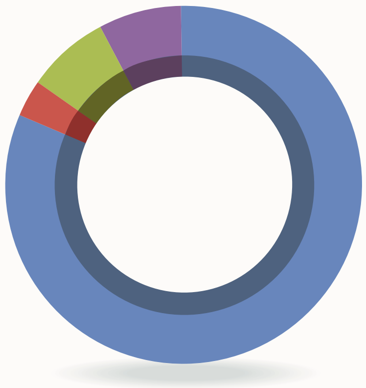
Revenue.

The Bank's total Revenue increased by 9.8% or $254.6K from $2.6M in 2013 to $2.86M in 2014. The main factors driving this growth were:

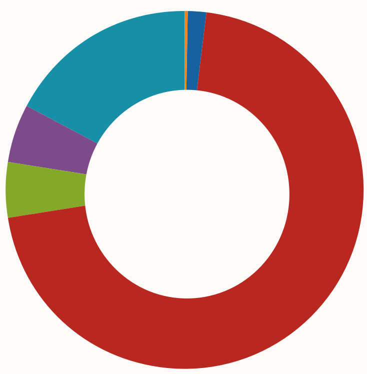
a. Interest Income (81% of revenue) which increased by 13% or $272.8K from $2.04M in 2013 to $2.3M in 2014.

b. Sundry Income (8% of revenue) which increased by 156% or $131.7K from $84.6K in 2013 to $216.3K in 2014. This increase in sundry income was mainly due to Rental Income which commenced in 2014 and an increase in fees collected of $53.7K or 63% from $84.6K in 2013 to $138.3K in 2014.

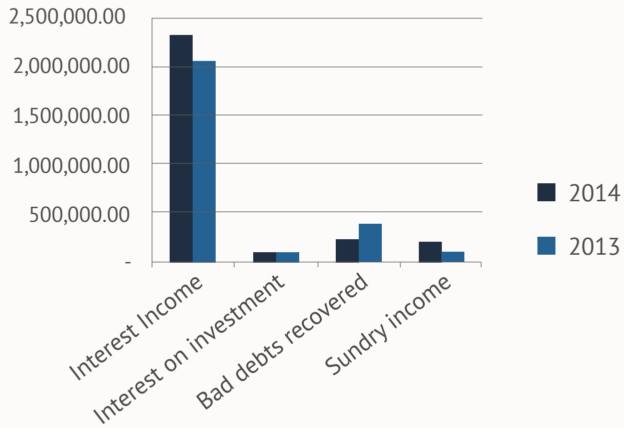
2014 Revenue components



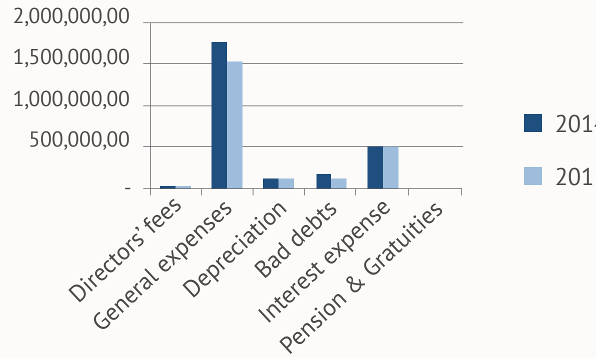
Expenditure categories 2014



Revenue for 2014 compared to 2013



Total Expenditure 2014 compared to 2013



Recurrent Expenditure.

Total expenditure of $2.6M increased by 13% or $304K, when compared to 2013 resulting mainly from adverse movements in the following expenditure:

» Bad debts which increased by 45% or $49.7K from $110K in 2013 to $159K in 2014.

» General expenses which accounted for 68% of total expenditure, increased by 16% or $247K from $1.5M in 2013 to $1.8M in 2014. This was mainly due to relocation expenses during the remodelling/ renovation of the Bank's Building on Melville Street.

GDB's Financial Position.

As at December 31st 2014, GDB's Total Assets were $35.8M compared to $32.7M in 2013. This growth in total assets of $3.1M or 10% was mainly due to:

» The remodelling/ renovation of the Bank's building on Melville Street. On completion, the building was valued at $5.13M as compared to $3.5M in 2013.

» Cash injection from the CDF New line.

The Debt to Equity Ratio (total debt to total equity) improved to 0.60:1 in 2014 compared to 0.84:1 in 2013.

The standard requires a maximum ratio of 4:1, so the Bank can therefore borrow up to $76M without the need for additional equity.

There was an improvement in the Gearing Ratio (total debt to total assets) which was 38% in 2014 as compared to 44% in 2013.

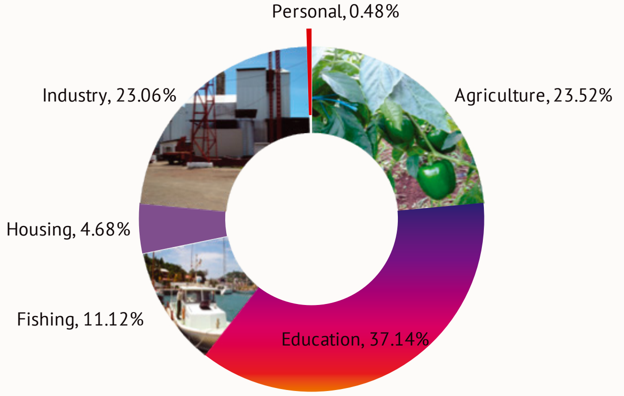
Loan Portfolio

Loan Approvals.

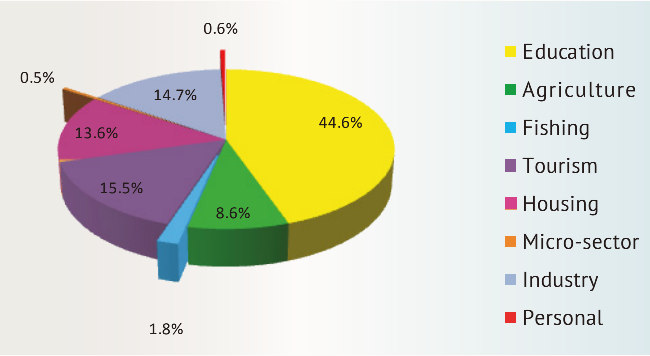
For the twelve months ended December 31, 2014, loan approvals totalled XCD 4,620,466. Education loans valued at XCD 1,716,020 accounted for 37% while loans to the Industrial sector valued at XCD 1,065,491 and Agriculture loans valued at XCD 1,086,956 combined accounted for 47 % of the total approvals for the period. The total loan approvals were 2% over that recorded for the same period 2013 when loan approvals totalled XCD 4,527,418.

The distribution of loan approvals for the year under review is presented in the chart indicated:

Graph 1: Loan approvals by sector 2014

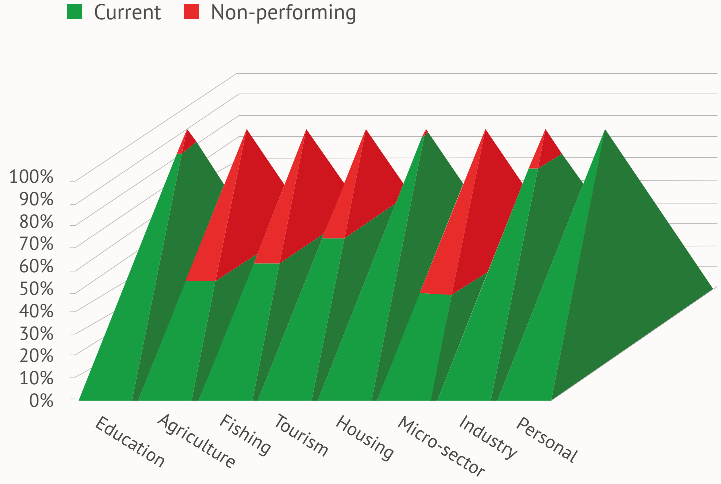


The following chart shows the portfolio distribution as at December 31st 2014:



Non-performing Loans.

As at December 31st 2014, non-performing loans were 14.17 % of total loans outstanding. At the same time in 2013, non-performing loans were 14.42% of total loans outstanding. Personal loans, Housing, Education and Industry were the best performing sectors for the Bank, with 0%, 2%, 9% and 15% Non-performing Ratios respectively, whereas, Micro-sector, Agriculture and Fishing accounted for the highest Non-performing Ratios with 61%, 56% and 50% respectively.



Loan Portfolio.

At the end of December 2014, the principal outstanding in the Bank's loan portfolio totalled XCD 26.43 million compared to XCD 27.08 million as at December 31, 2013. This represents a decrease of 2.4%. The portfolio distribution continues to be highly skewed with Education comprising over 44% of the portfolio.

Human Resource Development

Overview.

The Grenada Development Bank's focus this year was on increasing productivity and efficiency levels, strengthening the capacity of the staff in the Credit Department, commencing a change management programme and continuing to build a culture of reward and recognition throughout the Bank.

The Bank's challenges surrounded the need to continue to excel in it customer service delivery, especially amidst the launching of a new line of credit from the Caricom Development Fund (CDF), and the continued management of the Small Business Development Fund (SBDF) (established - 2013) and the Project Office, which had its own unique needs.

Additionally, the Chickungunya Virus significantly affected the Bank's workforce; over 50% of its employees succumbed to the Virus. The Bank saw it fit to invite a medical practitioner to provide information to staff helping them to understand the Virus and to manage its symptoms.

The Bank continued working towards achieving the goals of its Strategic Plan (2012-2016) and this required a continuous assessment and re-assessment of its staff, identifying weak areas and providing the necessary tools for achieving growth.

Staffing.

Three persons were employed on short-term contracts filling the positions of Projects Officer, Administrative Assistant and Collections Officer. They were all assigned to the SBDF Project Office.

As mentioned earlier, the Bank focused on strengthening the Credit Department. It embraced the reality that GDB still had a significant role to play in the economic development of Grenada, and it was therefore paramount to put measures in place, that would lead to increased efficiency. The Credit Department, as the core department of the Bank, was therefore the topic of many discussions at the Board and Management level.

Consequently, changes were made in the structure of the Department; the Loans Administration Officer's position was removed and the new position of "Loans Clerk" was created. After conducting interviews in October, the Bank appointed Ms. Calesha Noel to the position of Loans Clerk. Ms. Noel previously worked with the Government of Grenada as a Grenada Youth Enterprise Initiative (GYEI) Officer and is currently pursuing Certified Accounting Technician (CAT) qualifications.

Earlier in 2014, a new Loan Officer, Mrs. Antonnette Charles-McSween was also hired.

Mrs. Mc Sween has a BA(Hons) in Business Studies and over ten (10) years experience in Banking. The Bank currently has two Loan Officers and has plans to recruit a third. As the year came to a close, a Human Resource audit of the Department was conducted, designed to identify possible gaps and to work towards addressing same. All these efforts were made in an attempt to better equip the Credit Department to deliver the standard of service required.

Within the Finance & Operations Department, the Bank welcomed one other new employee; Ms. Johanne Francis, who joined the Institution in August, as its Accountant. Ms.Francis has a BSc (Hons) in Accounting, is a member of the Chartered Institute of Management Accountants and carries other professional accounting designations such as ACMA and CGMA. Additionally, she has over 15 years experience in the field of accounting.

Ms. Francis replaces Mrs. Rose-Ann Fleming-Ledlow, who served the Bank from March 1st, 2013 - June 5th, 2014 and contributed significantly to its development.

Three other appointments were made involving existing staff which included two promotions. Generally, the Bank enjoyed very low staff turn-over during the year.

Reward and Recognition.

The Bank continued to highlight outstanding performance and significant achievements of its staff, being guided by its "Reward & Recognition Policy". Mr. Davis Phillip, Loans Officer, was recognised for achieving 25 years of dedicated service to the GDB, having achieved this milestone on October 16th, 2014. Mr. Phillip was awarded a plaque in recognition for his years of service.

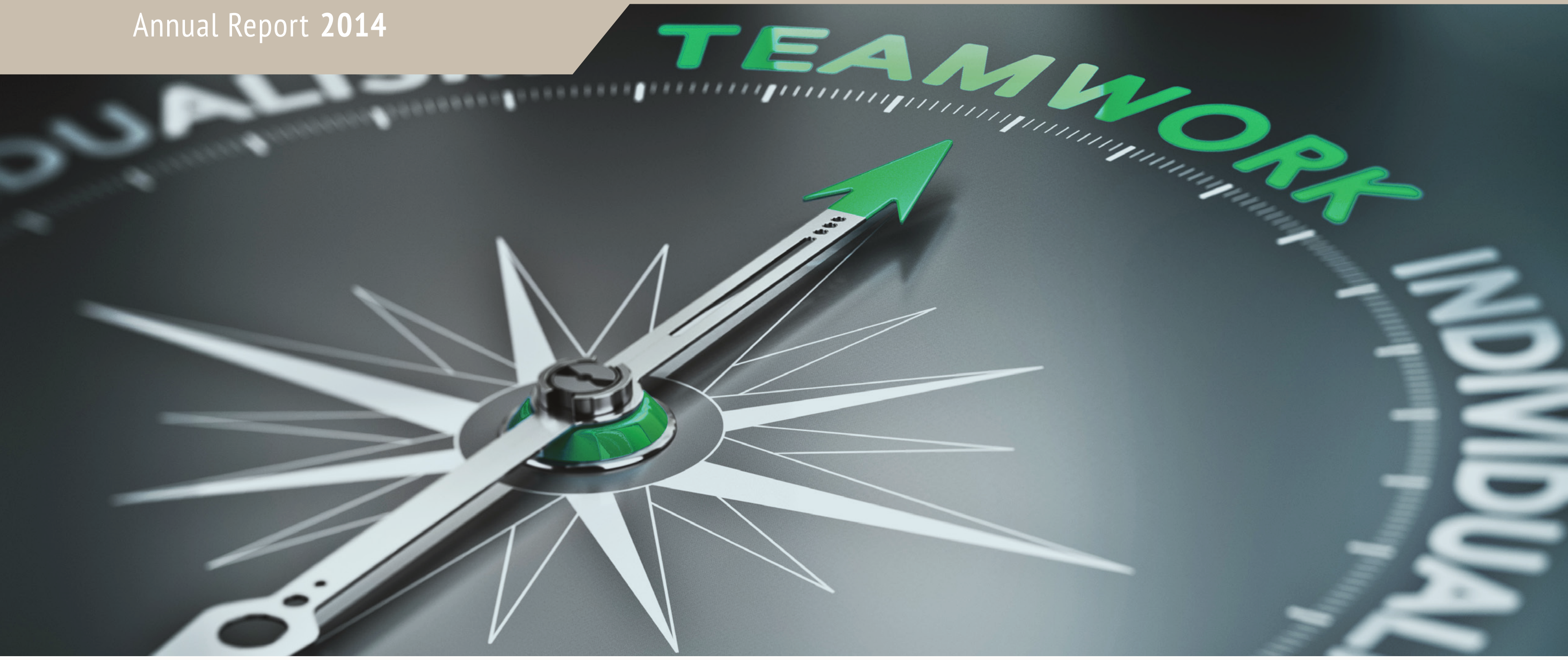
Perfect attendance is also encouraged and the Bank was pleased to recognise one of its youngest employees, Jinaele Douglas, for achieving a perfect attendance award for the period.

Then there was the anticipated "Employee of the Year Award" which was awarded to Mr. Donald Williams, Manager of the Credit Department. The 1st Runner-up Spot was taken by Ms. Jinaele Douglas, Administrative Clerk. This is the fourth year since the Bank commenced the "Employee of the Year Award" one of its "end-of-year" highlights.

Training and Development.

On October 20th, 2014, the Bank signed-off on a Change Management contract, made possible through a grant provided by CDF. This programme is for a duration of six months and is designed to:

- facilitate the change process necessary to successfully execute the Bank's Strategic Plan;
- change the mind-set of all employees, building a culture of interdependency, personal



accountability and productivity;

- equip managers and supervisors to effectively manage change;
- improve the efficiency and sustainability of the GDB;
- reposition and rebrand the Bank in line with its new vision, revised mission and core values.

Management and staff anticipate the success of this programme as the Bank will endeavour to achieve the desired results.

Training continued in the form of coaching, internal development sessions as well as staff attendance in training seminars held externally.
Internally:

The following areas were covered:

- Assertiveness.
- Teamwork.
- Making critical decisions (for managers).
- Customer Service.
- Portfolio Risk Management (Webinar).
- Improving Negotiation Skills (Webinar).
- Recovery & Collections.
- Filing personal income tax returns.

For the first time, certificates were presented to employees who participated in training sessions held internally. This initiative was welcomed by the staff.

Training attended externally:

- Corporate Governance in Financial and Non-Financial Sectors.
- Detecting Fraud.
- Effective Loan Collection Techniques.

Personal Achievement.

At GDB, the employees are encouraged to take responsibility for their personal development and with this in view, the Bank wishes to highlight Irva Frank, one of its Loans Officers, who was successful in completing her Masters in Business Administration.

Ms. Irva Frank

GDB's Productivity Drive

It became inevitable that there was a need for the Bank to pursue a drive to improve its productivity and efficiency levels, minimising wastage from all angles. This vision led to a brainstorming session among the entire staff who embraced the opportunity to contribute to the Bank's development. Management was very pleased with the level of staff involvement in this process. These sessions led to the Bank having an approved Productivity Plan which would be implemented in 2015.

Audited Financial Statement 2014

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Independent Auditors' Report

To the Honorable Minister of Finance

We have audited the accompanying financial statements of the Bank which comprise the statement of financial position at 31st December, 2014 and the related statements of comprehensive income, changes in Governments' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free 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 financial statements present fairly in all material respects, the financial position of the Bank as of 31st December, 2014 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PKF

GRENADA:

March 17th, 2015

Accountants & business advisers:

Statement of Financial Position

At 31st December, 2014

	Notes	2014	2013
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	6,134,863	4,313,858
Available-for-sale financial assets	5	25,001	25,001
Held-to-maturity financial assets	5	1,000,000	1,000,000
Loans receivable - Principal	6	7,159,864	5,338,859
TOTAL NON-CURRENT ASSETS		24,727,139	25,362,621
		31,887,003	30,701,480
Current Assets			
Loans receivable - Interest	6	204,718	144,750
Other assets	7	170,622	150,776
Loans and receivables financial assets	5	329,428	980,559
Cash and cash equivalents	8	3,251,125	754,637
TOTAL ASSETS		3,955,893	2,030,722
		$35,842,896	$32,732,202
EQUITY AND LIABILITIES			
Government's Equity			
Capital grants	9	1,040,000	1,040,000
Capital contribution	10	15,913,326	11,931,969
Reserve fund	11	951,874	892,849
Revaluation reserve	12	3,060,353	2,597,791
Retained earnings		1,420,500	1,243,425
		22,386,053	17,706,034
Non-Current Liabilities			
Long-term borrowings	13	9,954,600	8,397,545
Current Liabilities			
Other liabilities	15	1,050,617	4,131,531
Short-term borrowings	13	2,229,591	2,294,681
Amount due to projects	16	222,035	202,411
		3,502,243	6,628,623
TOTAL LIABILITIES		13,456,843	15,026,168
TOTAL EQUITY AND LIABILITIES		$35,842,896	$32,732,202

The notes on pages 22 to 47 form an integral part of these financial statements

: Director

: Director

Statement of Comprehensive Income
For the year ended 31st December, 2014

	Notes	2014	2013
INTEREST INCOME			
Interest on loans	19	2,317,189	2,044,382
Interest on investments		105,129	101,252
		2,422,318	2,145,634
Interest expense	20	(507,589)	(508,389)
Net interest income		1,914,729	1,637,245
Other income	21	434,213	456,299
		2,348,942	2,093,544
EXPENDITURE			
Directors fees and expenses		(48,129)	(44,770)
General expenses	24	(1,778,013)	(1,530,607)
Pension and gratuities		(8,166)	(8,166)
Depreciation		(118,788)	(114,140)
Bad debts		(159,746)	(110,034)
		(2,112,842)	(1,807,717)
Operating surplus for the year		236,100	285,827
Debt forgiveness	22	-	1,333,081
Surplus for the year		236,100	1,618,908
Transfer to reserve fund		(59,025)	(404,727)
Net surplus for the year		$177,075	$1,214,181

The notes on pages 22 to 47 form an integral part of these financial statements

Statement of changes in Government's Equity

For the year ended 31st December, 2014

	Reserve Fund	Capital Grant	Revaluation Reserve	Capital Contribution	Retained Earnings/ (Accumulated Deficit)	Total
Balance at 1st January, 2013	488,122	1,040,000	2,597,791	11,559,315	29,244	15,714,472
Net movement in capital contribution	-	-	-	372,654	-	372,654
Surplus for the year	-	-	-	-	1,618,908	1,618,908
Allocation to reserve	404,727	-	-	-	(404,727)	-
Balance at 31st December, 2013	892,849	1,040,000	2,597,791	11,931,969	1,243,425	17,706,034
Revaluation	-	-	462,562	-	-	462,562
Net movement in capital contribution	-	-	-	3,981,357	-	3,981,357
Surplus for the year	-	-	-	-	236,100	236,100
Allocation to reserve	59,025	-	-	-	(59,025)	-
Balance at 31st December, 2014	$951,874	$1,040,000	$3,060,353	$15,913,326	$1,420,500	$22,386,053

The notes on pages 22 to 47 form an integral part of these financial statements

Statement of Cash Flows
For the year ended 31st December, 2014

	Notes	2014	2013
OPERATING ACTIVITIES			
Surplus for the year		236,100	1,618,908
Adjustment for:			
Depreciation		118,788	114,125
Loss on disposal		467	-
Change in non-cash items		355,355	1,733,033
Decrease in loans receivable		575,514	324,161
Increase in other assets		(19,846)	(34,597)
Decrease in deferred loss on exchange		-	102,131
(Decrease)/increase in other liabilities		(3,080,914)	2,464,502
Increase/(decrease) in amounts due to project		19,624	(235,938)
Net cash (used in)/provided by operating activities		(2,150,267)	4,353,292
INVESTING ACTIVITIES			
Decrease in available-for-sale financial assets		-	1
Decrease/(increase) in loans and receivable financial assets		651,131	(27,480)
Purchase of property, plant and equipment		(1,477,698)	(19,848)
Net cash used in investing activities		(826,567)	(47,327)
FINANCING ACTIVITIES			
Increase in Government Capital Contribution		3,981,357	372,654
Increase/(decrease) in borrowings		1,491,965	(4,813,397)
Net cash provided by/(used in) financing activities		5,473,322	(4,440,743)
Net increase/(decrease) in cash and cash equivalents		2,496,488	(134,778)
Cash and cash equivalents - at beginning of the year		754,637	889,415
- at end of the year	8	$3,251,125	$754,637

The notes on pages 22 to 47 form an integral part of these financial statements

Notes to the Financial Statements
For the year ended 31st December, 2014

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, Amendments and Interpretations

i. There are no new standards, amendments or interpretations that are effective for the first time for the financial year beginning on or after 1st January, 2014 that would be expected to have a material impact on the Bank financial statement.

ii. New standards, amendments and interpretations issued but not effective for the financial year beginning 1st January, 2014 and not early adopted. These either do not apply to the activities of the Bank or have no material impact on its financial statements.

IAS 1	Presentation of Financial Statements – Disclosure Initiative Equity Method – Effective for annual periods beginning on or after 1st January, 2016.
IAS 16	Property, plant and equipment – Clarification of Acceptable Methods of Depreciation and Amortization – Effective for annual periods beginning on or after 1st January, 2016.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. New Accounting Standards, Amendments and Interpretations (continued)

IAS 16	Property, plant and equipment – Bearer Plants – Effective for annual periods beginning on or after 1st January, 2016.
IAS 19	Employee benefits – Effective for annual periods beginning on or after 1st July, 2014.
IAS 27	Separate financial statements – Investment Entities – Effective for annual periods beginning on or after 1st January, 2016.
IAS 28	Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and it's Associate or Joint Venture – Effective for annual periods beginning on or after 1st January, 2016.
IAS 38	Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization – Effective for annual periods beginning on or after 1st January, 2016.
IAS 41	Agriculture – Bearer Plants – Effective for annual periods beginning on or after 1st January, 2016.
IAS 9	Financial Instruments – Classification, Impairment, Hedge Accounting and De-recognition – Effective for annual periods beginning on or after 1st January, 2018.
IFRS 10	Consolidated financial statements – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Effective for annual periods beginning on or after 1st January, 2016.
IFRS 10	Consolidated financial statements – Applying the Consolidation Exception – Effective for annual periods beginning on or after 1st January, 2016.
IFRS 12	Disclosure of Interest in Other Entities – Applying the Consolidation Exception – Effective for annual periods beginning on or after 1st January, 2016.
IFRS 11	Joint Arrangements – Accounting for Acquisition of Interest in Joint Operations – Effective for annual periods beginning on or after 1st January, 2016.
IFRS 14	Regulatory Deferral Accounts – Effective for annual periods beginning on or after 1st January, 2016.
IAS 36	Impairment of assets – Recoverable amount disclosures for non-financial assets – Effective for annual period beginning on or after 1st January, 2014.
IFRS 15	Revenue from Contracts with Customers – Effective for annual periods beginning on or after 1st January, 2017.

Notes to the Financial Statements
For the year ended 31st December, 2014

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 trans- lated 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, 2014 amounted to $1,704,413 (2013: $1,721,522).

e. *Property, Plant and Equipment*

Land and building are stated at 2014 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	33⅓%

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.

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.

Notes to the Financial Statements
For the year ended 31st December, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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: held-to-maturity, loans and receivables 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.

Held-to-maturity
Investments classified as held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company has both the intent and the ability to held-to-maturity. These investments are stated at cost.

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 the approximate their book value.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i. 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.

j. 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.

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 of financial assets that can be reliably estimated.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j. *Financial Instruments (continued)*

Impairment of financial assets *(continued)*

Objective evidence that a financial asset 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 into bankruptcy or other financial organization.

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

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 in the statement of comprehensive income.

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 judgment 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.

Notes to the Financial Statements
For the year ended 31st December, 2014

4. 4. PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Furniture, Fixtures and Equipment	Computers	Motor Vehicles	Total
Balance at 1st January, 2014						
Cost	-	-	423,228	677,147	75,000	1,175,375
Valuation	923,780	3,525,000	-	-	-	4,448,780
Accumulated depreciation	-	(176,250)	(403,958)	(655,089)	(75,000)	(1,310,297)
NET BOOK VALUE	$923,780	$3,348,750	$19,270	$22,058	$ -	$4,313,858
For the year ended 31st December, 2014						
Opening book value						
Cost	-	-	19,270	22,058	-	41,328
Valuation	923,780	3,348,750	-	-	-	4,272,530
	923,780	3,348,750	19,270	22,058	-	4,313,858
Additions for the year	-	1,412,699	21,389	43,610	-	1,477,698
Disposals during the year	-	-	(467)	-	-	(467)
Depreciation charge for the year						
-Cost	-	(5,886)	(6,264)	(18,513)	-	(30,663)
-Valuation	-	(88,125)	-	-	-	(88,125)
- Revaluation adjustments	-	462,562	-	-	-	462,562
NET BOOK VALUE	$923,780	$5,130,000	$33,928	$47,155	$ -	$6,134,863
Balance at 31st December, 2014						
Cost	-	-	443,330	710,699	75,000	1,229.029
Valuation	923,780	5,130,000	-	-	-	6,053,780
Accumulated depreciation	-	-	(409,402)	(663,544)	(75,000)	(1,147,946)
NET BOOK VALUE	$923,780	$5,130,000	$33,928	$47,155	$ -	$6,134,863

Notes to the Financial Statements
For the year ended 31st December, 2014

4. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land	Building	Furniture, Fixtures and Equipment	Computers	Motor Vehicles	Total
Balance at 1st January, 2013						
Cost	-	-	411,595	668,932	75,000	1,155,527
Valuation	923,780	3,525,000	-	-	-	4,448,780
Accumulated depreciation	-	(88,125)	(398,668)	(634,379)	(75,000)	(1,196,172)
NET BOOK VALUE	$923,780	$3,436,875	$12,927	$34,553	$ -	$4,408,135
For the year ended 31st December, 2013						
Opening book value						
Cost	-	-	12,927	34,553	-	47,480
Valuation	923,780	3,436,875	-	-	-	4,360,655
	923,780	3,436,875	12,927	34,553	-	4,408,135
Additions for the year	-	-	11,633	8,215	-	19,848
Depreciation charge for the year						
Cost	-	-	(5,290)	(20,710)	-	(26,000)
Valuation	-	(88,125)	-	-	-	(88,125)
NET BOOK VALUE	$923,780	$3,348,750	$19,270	$22,058	$ -	$4,313,858

Notes to the Financial Statements

For the year ended 31st December, 2014

5. FINANCIAL ASSETS

	2014	2013
AVAILABLE-FOR-SALE		
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
	85,000	85,000
Less: Provision for diminution in value of shares	59,999	59,999
	$25,001	$25,001
LOANS AND RECEIVABLES		
Grenada Co-operative Bank Limited – Fixed deposits	-	980,559
Grenada Public Service Co-operative Credit Union Limited – Fixed deposits	329,428	-
	$329,428	$980,559
HELD-TO-MATURITY		
Government of Grenada - 6% 2016 bond	$1,000,000	$1,000,000

6. LOANS RECEIVABLE

	2014	2013
Loans receivable – principal	26,431,552	27,084,143
Less: Provision for doubtful debts	1,704,413	1,721,522
	$24,727,139	$25,362,621
Accrued interest (3 months)	$204,718	$144,750

Movements in provision for loan losses are as follows:

	2014	2013
Balance at the beginning of the year	1,721,522	1,716,235
Bad debts recovered	(88,024)	(104,746)
Increase in provision	70,915	110,033
Balance at end of the year	$1,704,413	$1,721,522

Notes to the Financial Statements
For the year ended 31st December, 2014

6. LOANS RECEIVABLE (continued)

Allowance for impairment losses by sector

	2014	2013
Agriculture	490,301	501,990
Agro processing	185,085	183,772
Education	343,359	309,303
Fishing	125,683	152,606
Housing	18,022	30,699
Industry	161,109	163,967
Micro sector	87,296	97,315
Tourism	293,558	281,870
	$1,704,413	$1,721,522

7. 7. OTHER ASSETS

Matured investment – CLICO investment	810,000	810,000
Interest receivable	125,289	142,823
Accounts receivable	188,765	188,765
Prepayments	131,615	94,235
	1,255,669	1,235,823
Less: Impairment provision	1,085,047	1,085,047
	$170,622	$150,776

8. 8. CASH AND CASH EQUIVALENTS

Cash on hand	1,200	1,200
Cash at bank	3,249,925	753,437
	$3,251,125	$754,637

Notes to the Financial Statements
For the year ended 31st December, 2014

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

	2014	2013
Balance at 1st January, 2014	11,931,969	11,559,315
Contribution during the year	3,981,357	372,654
Balance at 31st December, 2014	$15,913,326	$11,931,969

11. RESERVE FUND

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

12. REVALUATION RESERVE

Revaluation surplus	$3,060,353	$2,597,791

The Bank's property was last re-valued in December 2014 by Joseph John and Associates Limited, professional valuators. The valuation was carried out using the open market value method. The excess of the revaluation over the carrying value totalled $462,562.

Notes to the Financial Statements
For the year ended 31st December, 2014

13. BORROWINGS

	2014	2013
(a.) Caribbean Development Bank (Note 14)	5,817,845	7,621,939
(b.) National Insurance Board	3,705,028	3,070,287
(c.) CARICOM Development Fund	2,661,318	-
	12,184,191	10,692,226
Less: Short-term portion	2,229,591	2,294,681
Long-term portion	$9,954,600	$8,397,545

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

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, which began December 31st, 1999. Interest is charged at the rate of 7% per annum.

ii. Loan 2

This loan was refinanced during the year. It is to be repaid over seven (7) years at a rate of interest of 7%. The monthly repayment is $49,121.75 inclusive of interest and is to begin in January 2015. Interest only is being paid.

c. The sum of $8,064,000 was made available and $2,661,318 withdrawn as at the year-end. Interest only is payable at the rate of 3% per annum, with principal payments commencing in March 2016 over forty (40) equal quarterly instalments.

14. CARIBBEAN DEVELOPMENT BANK - LOANS

			Foreign Currency		
(a.) OCR-SFR-GR	Loan/mortgage/micro sector	US$	643,604	1,743,138	2,537,933
(b.) 11/SFR - GR	Sixth student loan (see note below)	US$	1,604,470	4,074,707	5,084,006
				$5,817,845	$7,621,939

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

Notes to the Financial Statements
For the year ended 31st December, 2014

14. CARIBBEAN DEVELOPMENT BANK - LOANS (continued)

	Principal	Interest
(a.)	SFR portion – 60 equal quarterly instalments. OCR portion – 44 equal quarterly instalments. Repayments commenced January 2005 for the SFR portion and July 2009 for the OCR portion	2.5%/3.95% per annum. Payable quarterly.
(b.)	SFR portion – 40 equal quarterly instalments. OCR portion – 40 equal quarterly instalments. Repayments started December 2008. SF	2.5%/3.95% per annum. Payable quarterly.

15. OTHER LIABILITIES

	2014	2013
Amount due to Government of Grenada	500,000	3,981,356
Accrued interest	52,287	72,834
Accounts payable	498,330	77,331
	$1,050,617	$4,131,521

16. AMOUNT DUE TO PROJECTS

Youth enterprise initiative	176,231	162,737
Agricultural diversification	45,804	39,674
	$222,035	$202,411

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

17. COMMITMENTS

At the statement of financial position date un-disbursed loans committed amounted to $2,024,440 (2013: $1,007,554).

Notes to the Financial Statements
For the year ended 31st December, 2014

18. 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.

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 applications for loans up to $300,000. The Board of Directors approves loans over $300,000 on recommendation from the Internal Loan Committee. Loans under $100,000 are approved by the Manager.

Notes to the Financial Statements

For the year ended 31st December, 2014

18. FINANCIAL RISK MANAGEMENT (continued)

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.

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.

18. FINANCIAL RISK MANAGEMENT (continued)

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	
	2014	2013
Held-to-maturity financial assets	1,000,000	1,000,000
Available-for-sale financial assets	25,001	25,001
Loans and receivable financial assets	329,428	980,559
Loans receivable – Principal	24,727,139	25,362,621
Loans receivable - Interest	204,718	144,751
Other assets	170,622	150,776
Cash and cash equivalents	3,251,125	754,637
	$29,708,033	$28,418,345

18. FINANCIAL RISK MANAGEMENT (continued)

Concentration of credit risk at 31st December, 2014

	Held-to-Maturity Financial Assets	Available-for-Sale Financial Assets	Loans and Receivables Financial Assets	Loan Receivable Principal	Loan Receivable Interest	Accounts Receivables and Prepayment	Cash and Cash Equivalents	Total
Education	-	-	-	11,451,439	108,259	-	-	11,559,698
Agriculture	-	-	-	1,388,507	2,219	-	-	1,390,726
Fishing	-	-	-	356,090	162	-	-	356,252
Tourism	-	-	-	3,796,738	53,758	-	-	3,850,496
Housing	-	-	-	3,584,037	20,365	-	-	3,604,402
Micro- sector	-	-	-	56,256	473	-	-	56,729
Agro-processing	-	-	-	221,094	-	-	-	221,094
Industry	-	-	-	3,720,392	19,086	-	-	3,739,478
Personal	-	-	-	152,586	396	-	-	152,982
Other	1,000,000	25,001	329,428	-	-	170,622	3,251,125	4,776,176
	$1,000,000	$25,001	$329,428	$24,727,139	$204,718	$170,622	$3,251,125	$29,708,033

18. FINANCIAL RISK MANAGEMENT (continued)

Concentration of credit risk at 31st December, 2014

	Held-to-Maturity	Available-for-sale Financial Assets	Loans and Receivable Financial Assets	Loans Receivable Principal	Loans Receivable Interest	Other Assets	Cash and Cash Equivalents	Total
Education	-	-	-	11,653,793	71,584	-	-	11,725,377
Agriculture	-	-	-	1,016,593	1,977	-	-	1,018,570
Fishing	-	-	-	142,122	155	-	-	142,277
Tourism	-	-	-	4,016,376	30,775	-	-	4,047,151
Housing	-	-	-	3,803,538	17,562	-	-	3,821,100
Micro- sector	-	-	-	123,113	720	-	-	123,833
Agro-processing	-	-	-	221,094	-	-	-	221,094
Industry	-	-	-	4,203,426	20,842	-	-	4,224,268
Personal	-	-	-	182,566	1,136	-	-	183,702
Other	1,000,000	25,001	980,559	-	-	150,776	754,636	2,910,972
	$1,000,000	$25,001	$980,559	$25,362,621	$144,751	$150,776	$754,636	$28,418,344

18. FINANCIAL RISK MANAGEMENT (continued)

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

		Past due but not impaired				
	Neither past due nor impaired $	1-3 months $	3-6 months $	6-12 months $	Over 12 months $	Total $
2014	19,863,228	2,987,906	207,270	51,967	3,570,317	27,084,143
2013	20,619,718	2 ,634,871	169,035	687,600	2,723,783	26,431,552

Individually impaired financial assets at 31st December, 2013:

	Carrying Value	Provision for Impairment	Net book value 2014	2013
Loans	$2,513,762	$1,704,413	$809,349	$720,294
Available-for-sale financial assets	$85,000	$59,999	$25,001	$25,001
Matured financial assets	$810,000	$810,000	$ -	$ -
Interest receivable	$86,282	$86,282	$ -	$ -
Other receivable	$188,765	$188,765	$ -	$ -

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.

18. 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.

18. FINANCIAL RISK MANAGEMENT (continued)

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

	US$	EC$	Total
Balance at 31st December, 2013			
Assets			
Held-to-maturity financial assets	1,000,000	-	1,000,000
Available-for-sale financial assets	25,001	-	25,001
Loans and receivable financial assets	980,559	-	980,559
Loans receivable-principal	25,362,621	-	25,362,621
Loans receivable-interest	144,751	-	144,751
Other assets	150,796	-	150,796
Cash and cash equivalents	740,035	14,601	754,636
	28,403,743	14,601	28,418,344
Liabilities			
Long-term borrowings	2,579,700	5,817,845	8,397,545
Other liabilities	4,062,543	68,988	4,131,531
Short-term borrowings	490,587	1,804,094	2,294,681
Amount due to projects	202,411	-	202,411
	7,335,241	7,690,927	15,026,168
Net currency exposure	$21,068,502	$(7,676,326)	$13,392,176
Balance at 31st December, 2014			
Assets			
Held –to-maturity financial assets	1,000,000	-	1,000,000
Available-for-sale financial assets	25,001	-	25,001
Loans and receivable financial assets	329,428	-	329,428
Loans receivable-principal	24,727,139	-	24,727,139
Loans receivable-interest	204,718	-	204,718
Other assets	170,622	-	170,622
Cash and cash equivalents	3,249,578	1,547	3,251,125
	29,706,486	1,547	29,708,033
Liabilities			
Long-term borrowings	3,276,531	6,678,069	9,954,600
Other liabilities	998,330	52,287	1,050,617
Short-term borrowings	428,497	1,801,094	2,229,591
Amount due to projects	222,035	-	222,035
	4,925,393	8,531,450	13,456,843
Net currency exposure	$24,781,093	$(8,529,903)	$16,251,190

18. 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 to manage operational risk is assigned to senior management 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. 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.

Notes to the Financial Statements
For the year ended 31st December, 2014

19. INTEREST INCOME

	2014	2013
CARICOM Development Fund loan	22,836	-
Caribbean Development Bank loans	583,474	657,981
Local loans	998,726	1,003,166
Business reactivation loans	699,026	368,315
National Insurance Scheme loans	13,127	14,920
	$2,317,189	$2,044,382

20. INTEREST EXPENSE

Caribbean Development Bank	314,168	298,107
National Insurance Scheme	193,421	210,282
	$507,589	$508,389

21. OTHER INCOME

Rental income	78,000	-
Sundry income	138,298	84,641
Bad debts recoveries	217,915	371,658
	$434,213	$456,299

22. DEBT FORGIVENESS

This amount relates to the balance of the loan from The European Investment Bank which was forgiven during 2013.

Notes to the Financial Statements
For the year ended 31st December, 2014

23. RELATED PARTY TRANSACTIONS

	2014	2013
i. Compensation of key management personnel of the Bank.		
Salaries and staff benefits	$527,813	472,564
ii. Loans receivable from key management personnel and directors	$15,739	$36,414
iii. Interest income from key management personnel and directors	$1,338	$1,899

Notes to the Financial Statements
For the year ended 31st December, 2014

24. GENERAL EXPENSES

	2014	2013
Salaries, wages and allowances	875,209	784,398
National Insurance contributions	38,547	33,393
Security	34,734	33,839
Computer expenses	80,564	55,551
Subscription and donations	14,229	19,579
Postage	1,726	1,846
Office expenses	29,464	30,148
Advertising	8,516	17,849
Audit fees	23,500	23,500
Professional services	77,650	72,533
Bank charges	8,633	11,895
Entertainment	8,327	3,595
Motor vehicle expenses	12,056	7,323
Legal fees	44,698	29,607
Stationery and printing	46,095	50,045
Telephone and cables	56,760	46,099
Miscellaneous	3,632	4,440
Repairs and maintenance	5,018	15,948
Staff uniforms	24,635	15,758
Travelling and subsistence	64,243	59,667
Electricity	111,929	145,023
Water and sewerage	6,572	1,964
Staff training	7,828	10,995
Insurance	33,957	40,262
Recruitment cost	10,307	1,206
Library expenses	-	100
Consultancy cost	-	3,951
Cash shortage	575	395
Corporate image and product development	526	9,698
Relocation expenses	147,616	-
Loss on disposal	467	-
	$1,778,013	$1,530,607

Acknowledgements

The Board wishes to recognise all the public, private, local, regional and international organisations that have contributed to the operations of the Grenada Development Bank during the year. In particular, the Board of Directors wishes to thank the Government of Grenada for sustained financial support, the European Investment Bank, the Caribbean Development Bank and the National Insurance Scheme of Grenada for their continued financial and technical assistance.

The Board also recognises its Bankers, Republic Bank of Grenada Ltd. and the RBTT Bank Grenada Ltd for their continued service. It also recognises the firms of Renwick & Payne, Henry Hudson-Phillips & Company, Danny Williams & Company, and the Law Office of Alban M. John, for their legal services. The Bank also acknowledges its External Auditors, PKF.

Finally, a special thank you is expressed to the Management and Staff of the Grenada Development Bank for their efforts over the past year and to the Bank's clientele for their continued support.

Notes

Grenada Development Bank
P.O. Box 2300, Melville Street,
St. George's, Grenada

Phone: (473) 440-2382/1620
Fax: (473) 440-6610

eMail: gdbbank@spiceisle.com
Web: www.grenadadevelopmentbank.com