PKF

Accountants &
business advisers

GRENADA DEVELOPMENT BANK

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER, 2009

PKF

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FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2009

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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, 2009 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 consolidated financial statements present fairly in all material respects, the financial position of the Bank as of 31st December, 2009 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

GRENADA:

PKF

1st June, 2010 Accountants & business advisers:

Partners: Henry A. Joseph FCCA (Managing), Pearlena J. Sylvester FCCA (Mrs.), Michelle A. Millet B.A. CGA (Mrs.)

STATEMENT OF FINANCIAL POSITION AT 31ST DECEMBER, 2009

ASSETS	Notes	2009	2008
Non-Current Assets			
Property, plant and equipment	4	4,387,915	4,341,414
Available-for-sale financial assets	5	1,713,500	1,713,500
Loans and receivable financial assets	5	-	1,620,000
		6,101,415	7,674,914
Loans receivable - Principal	6	28,978,205	30,254,,405
TOTAL NON-CURRENT ASSETS		35,079,620	37,929,319
Current Assets			
Loans receivable – Interest	6	174,894	387,736
Accounts receivable and prepayments	7	1,135,604	126,260
Cash and cash equivalents	8	2,755,008	1,454,240
		4,065,506	1,968,236
TOTAL ASSETS		$39,145,126	$39,897,555
EQUITY AND LIABILITIES			
Government's Equity			
Capital grants	9	1,040,000	1,040,000
Capital contribution	10	30,215,426	29,965,426
Reserve fund	11	466,209	377,370
Revaluation reserve	12	2,309,097	2,309,097
Accumulated deficit		(17,733,719)	(18,000,235)
		16,297,013	15,691,658
Non-Current Liabilities			
Long-term borrowings	14	19,728,668	19,616,317
Deferred exchange loss	13	(298,152)	(99,624)
		19,430,516	19,516,693
Current Liabilities			
Accounts payable and accruals	16	240,847	157,378
Short-term borrowings	14	2,438,325	3,844,694
Amount due to projects	17	738,425	687,132
		3,417,597	4,689,204
TOTAL LIABILITIES		22,848,113	24,205,897
TOTAL EQUITY AND LIABILITIES		$39,145,126	$39,897,555

The notes on pages 7 to 36 form an integral part of these financial statements

: Director : Director

GRENADA DEVELOPMENT BANK

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2009

	Notes	2009	2008
INTEREST INCOME			
Interest on loans	20	2,294,761	2,622,853
Interest on investments		88,235	124,874
		2,382,996	2,747,727
Interest expense	21	(1,004,006)	(1,352,683)
Net interest income		1,378,990	1,395,044
Other income	22	758,241	917,554
		2,137,231	2,312,598
EXPENDITURE			
Directors fees and expenses		(44,547)	(36,720)
General expenses		(1,338,353)	(1,518,547)
Pension and gratuities		(32,913)	(55,617)
Depreciation		(207,342)	(223,445)
Bad debts		(158,721)	(243,481)
		(1,781,876)	(2,077,810)
Operating surplus for the year		355,355	234,788
Less: Transfer to Reserve Fund		(88,839)	(58,697)
Net surplus for the year		$266,516	$176,091

The notes on pages 7 to 36 form an integral part of these financial statements

GRENADA DEVELOPMENT BANK

STATEMENT OF CHANGES IN GOVERNMENT'S EQUITY
FOR THE YEAR ENDED 31ST DECEMBER, 2009

	Reserve Fund	Capital Grant	Revaluation Reserve	Capital Contribution	Accumulated Deficit	Total
Balance at 1st January, 2008	318,673	1,040,000	2,012,797	27,003,345	(18,176,326)	12,198,489
Net movements in capital contribution	-	-	-	2,962,081	-	2,962,081
Net surplus for the year	-	-	-	-	234,788	234,788
Transfer from operations	-	-	-	-	(58,697)	(58,697)
Transfer to reserve account	58,697	-	-	-	-	58,697
Net movements in reserve account	-	-	296,300	-	-	296,300
Balance at 31st December, 2008	377,370	1,040,000	2,309,097	29,965,426	(18,000,235)	15,691,658
Net movement 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

The notes on pages 7 to 36 form an integral part of these financial statements

GRENADA DEVELOPMENT BANK

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER, 2009

	Note	2009	2008
OPERATING ACTIVITIES			
Net surplus for the year		355,355	234,788
Adjustment for:			
Depreciation		207,342	223,445
Change in non-cash items		562,697	458,233
Decrease in loans receivable		1,489,042	1,653,104
Increase in accounts receivables and prepayments		(1,009,345)	(15,401)
(Increase)/decrease in deferred loss on exchange		(198,528)	172,274
Increase/(decrease) in accounts payable and accruals		134,763	(442,056)
Net cash provided by operating activities		978,629	1,826,154
INVESTING ACTIVITIES			
Decrease/(increase) in loans and receivable financial assets		1,620,000	(120,000)
Purchase of property, plant and equipment		(253,843)	-
Net cash provided by/(used in) investing activities		1,366,157	(120,000)
FINANCING ACTIVITIES			
Increase in Government Capital Contribution		(1,294,018)	(1,974,178)
Decrease in long-term borrowings		250,000	2,962,082
Net cash (used in)/provided by financing activities		(1,044,018)	987,904
Net increase in cash and cash equivalents		1,300,768	2,694,058
Cash and cash equivalents - at beginning of year		1,454,240	(1,239,818)
- at end of year	8	$2,755,008	$1,454,240

The notes on pages 7 to 36 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

(a) Basis of Preparation

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.

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

(i) Certain new standards have been adopted in the year that are relevant to the Bank. These are as follows:

IFRS 7(amended) Financial instruments disclosures

IAS 1(revised) Presentation of financial statements

(ii) The Bank has not applied the following International Financial Reporting interpretations Committee (IFRIC) interpretations that became effective during the current year as they no not apply to the activities of the bank or have no material impact on its financial statements.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Amendment relating to cost of an investment on first time adoption (effective for accounting periods beginning on or after January 1, 2009).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New Accounting Standards and Interpretations (continued)

IFRS 2	Share-based Payment – Amendment relating to vesting conditions and cancellations (effective for accounting periods beginning on or after January 1, 2009).
IFRS 8	Operating segments (effective for accounting periods beginning on or after January 1, 2009).
IAS 16	Property, plant and equipment – Amendments resulting from May 2008 annual improvements to IFRSs (effective for accounting periods beginning on January 1, 2009).
IAS 19	Employee Benefits - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).
IAS 20	Government Grants and Disclosure of Government Assistance - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).
IAS 23	Borrowing Costs - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).
IAS 27	Consolidated and Separate Financial Statements - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).
IAS 29	Financial Reporting in Hyperinflationary Economies - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New Accounting Standards and Interpretations (continued)

IAS 32 Financial Instruments: Presentation – Amendments relating to puttable instruments and obligations arising on liquidation (effective for accounting periods beginning on or after 1 January 2009).

IAS 36 Impairment of Assets - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).

IAS 38 Intangible Assets - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).

IAS 40 Investment Property - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).

IAS 41 Agriculture - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).

IFRIC 15 Agreements for the Construction of Real Estate (effective for accounting periods beginning on or after 1st January 2009).

(iii) The Bank has not applied the following standards, revised standards and interpretations that have been issued but are not yet effective as they either do not apply to the activities of the Bank or have no material impact on its financial statements.

IAS 39 Financial Instruments: Recognition and Measurement - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 July 2009).

IFRS 5 Non-current assets held-for-sale and discontinued operations-Amendments resulting from May 2008 annual improvements to IFRSs (effective for accounting periods beginning on or after July 1, 2009).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New Accounting Standards and Interpretations (continued)

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction effective for accounting periods beginning on or after 1 January 2011).

IFRIC 18 Transfer of Assets from Customers (effective for accounting periods beginning on or after 1 July 2009).

IFRIC 17 Distributions of Non-Cash Assets to Owners (effective for accounting periods beginning on or after 1 July 2009).

(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, 2009 amounted to $1,933,324 (2008: $2,337,775).

(e) Property, Plant and Equipment

Land and building are stated at 2008 valuation less subsequent depreciation on building. However, additions to building in 2009 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 balance sheet 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.

(f) Cash and Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprises cash on hand and at bank and short-term deposits with maturity dates of three (3) months or less.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial Assets (continued)

Loans and receivables

Management determines the classification of its investments at the time of purchase and re-evaluates this designation at every reporting date. 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.

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) Employee Benefits

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 date 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 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 become 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 o f 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 id 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.

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Furniture Fixtures and Equipment	Computers	Motor Vehicle	Total
Cost/Valuation						
Balance at 1st January, 2009						
- Cost	-	-	398,979	1,134,041	75,000	1,608,020
- Valuation	900,000	3,360,000	-	-	-	4,260,000
	900,000	3,360,000	398,989	1,134,041	75,000	5,868,020
- Additions at cost	-	224,653	2,186	27,004	-	253,843
Balance at 31st December, 2009	900,000	3,584,653	401,165	1,161,045	75,000	6,121,863
Accumulated Depreciation						
Balance at 1st January, 2009						
- Cost	-	-	371,088	996,518	75,000	1,442,606
- Valuation	-	84,000	-	-	-	84,000
	-	84,000	371,088	996,518	75,000	1,526,606
Charge for the year						
- Cost	-	5,616	12,119	105,607	-	123,342
- Valuation	-	84,000	-	-	-	84,000
	-	89,616	12,119	105,607	-	207,342
Balance at 31st December, 2009						
- Cost	-	5,616	383,207	1,102,125	75,000	1,565,948
- Valuation	-	168,000	-	-	-	168,000
	-	173,616	383,207	1,102,125	75,000	1,733,948
NET BOOK VALUE - 2009						
Cost	-	219,037	17,958	58,920	-	295,915
Valuation	900,000	3,192,000	-	-	-	4,092,000
	$900,000	$3,411,037	$17,958	$58,920	$ -	$4,387,915
NET BOOK VALUE - 2008	$900,000	$3,276,000	$27,891	$137,523	$ -	$4,341,414

5. FINANCIAL ASSETS

	2009	2008
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		
Clico-Executive Flexible – annuity deposit	$ -	$1,620,000

6. LOANS RECEIVABLE - INTEREST

	2009	2008
Loans receivable – principal	30,911,529	32,592,180
Less: Provision for doubtful debts	1,933,324	2,337,775
	$28,978,205	$30,254,405
Accrued interest (3 months)	$174,894	$387,736

6. LOANS RECEIVABLE (continued)

Movements in provision for loan losses are as follows:

	2009	2008
Balance at the beginning of the year	2,337,774	2,450,696
Bad debts recovered	(543,620)	(356,405)
Increase in provision	139,170	243,484
Balance at end of the year	$1,933,324	$2,337,775

Allowance for impairment losses by sector

Agriculture	530,683	546,247
Agro processing	198,750	448,979
Education	201,567	280,569
Fishing	122,782	197,142
Housing	45,220	55,058
Industry	447,688	429,816
Micro sector	79,666	75,014
Tourism	306,968	304,950
	$1,933,324	$2,337,775

7. ACCOUNTS RECEIVABLE AND PREPAYMENTS

Matured investment	810,000	-
Interest receivable	86,281	62,847
Accounts receivables	190,477	13,076
Prepayments	48,846	50,337
	$1,135,604	$126,260

8. CASH AND CASH EQUIVALENTS

	2009	2008
Cash on hand	1,000	1,000
Cash at bank	2,754,008	1,453,240
	$2,755,008	$1,454,240

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 $250,000 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 thinks fit.

12. REVALUATION RESERVE

	2009	2008
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 $298,152 which is reflected in the balance sheet as a deferred loss in foreign exchange. This amount would be written off to revenue on repayment of the loan.

14. BORROWINGS

	2009	2008
(a) Caribbean Development Bank (note 15)	15,358,987	16,449,264
(b) National Insurance Board	4,821,355	5,223,625
(c) European Investment Bank	1,986,651	1,788,122
	22,166,993	23,461,011
Less: Short-term portion	2,438,325	3,844,694
Long-term portion	$19,728,668	$19,616,317

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, beginning December 31st, 1999 to December 1st, 2024. 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. 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$	40,696	110,222	192,888
(b) 3/SFR-OR-GR	Second consolidated line of credit	US$	818,359	2,216,444	2,530,463
(c) 3/SFR-OR-GR	Second consolidated line of credit	US$	-	-	101,565
(d) 7/OCR-SFR-GR	Agricultural and industrial credit/student	EC$	-	-	67,512
	loan/mortgage/micro sector	US$	2,110,880	5,717,109	6,245,692
(e) 11/SFR - GR	Sixth student loan (note)	US$	2,700,935	7,315,212	7,311,144
				$15,358,987	$16,449,264

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)	60 equal and consecutive quarterly instalments of $10,174.08 from December 31st, 1995 to September 30th, 2010.	3% per annum payable quarterly, as of 31st March, 1988
(b)	80 consecutive quarterly instalments as of 31st December, 1993.	2% per annum payable quarterly, as of 31st December, 1988.
(c)	SFR portion - 60 equal quarterly instalments.	2.5%/6.68% per annum.
	OCR portion - 44 equal quarterly instalments. ary	Payable quarterly as of Janu-
	Repayments commence January 2005 for the SFR portion and July 2009 for the OCR portion (still being drawn down).	31st, 1997.
(d)	SFR portion – 40 equal quarterly instalments. OCR portion – 40 equal quarterly instalments. Repayments will commence December 2008 (the Loan is still being drawn down).	2.5%/5.75% per annum. Payable quarterly.

16. ACCOUNTS PAYABLE AND ACCRUALS

	2009	2008
Accrued interest	167,833	69,555
Other payables	73,014	87,823
	$240,847	$157,378

The overdraft facility is $1,500,000 and bears interest at the rate of 8.5% per annum. The facility is secured by hypothecation of a term deposit.

17. AMOUNT DUE TO PROJECTS

	2009	2008
Poultry project	330,987	326,691
Youth enterprise initiative	374,031	327,034
Agricultural diversification	33,407	33,407
	$738,425	$687,132

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

NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2009
(continued)

18. COMMITMENTS

At the statement of financial position date un-disbursed loans committed amounted to $1,563,940 (2008: $10,522,595).

19. FINANCIAL RISK MANAGEMENT

The Bank's activities exposure it to the following risk 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 the 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 Banks 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	
	2009	2008
Available-for-sale financial assets	1,713,500	1,713,500
Loans and receivable financial assets	-	1,620,000
Loans receivable – Principal	28,978,205	30,254,405
Loans receivable - Interest	174,894	387,736
Accounts receivable and prepayments	1,135,604	126,260
Cash and cash equivalents	2,755,008	1,454,240
	$34,757,211	$35,556,141

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)

	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	-	-	12,766,114	205,400	-	-	12,971,514
Agriculture	-	-	1,268,814	670	-	-	1,269,484
Fishing	-	-	270,370	8	-	-	270,378
Tourism	1,688,499	-	5,209,801	81,249	-	-	6,979,549
Housing	-	-	4,012,607	18,703	-	-	4,031,310
Micro- sector	-	-	280,848	2,184	-	-	283,032
Agro-processing	-	-	720,116	65,584	-	-	785,700
Industry	-	-	4,852,059	12,768	-	-	4,864,827
Personal	-	-	873,676	1,170	-	-	874,846
Other	25,001	1,620,000	-	-	126,260	1,454,240	3,225,501
Balance at 31st December, 2008	$1,713,500	$1,620,000	$30,254,405	$387,736	$126,260	$1,454,240	$35,556,141

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 and not impaired: 1-3 months $	3-6 months $	6-12 months $	Over 12 months $	Total $
2009	19,854,733	4,136,815	255,945	2,002,946	4,661,090	30,911,529
2008	19,862,586	5,865,130	2,042,289	1,030,652	3,791,523	32,592,180

Individually impaired financial assets at 31st December, 2009:

	Carrying Value	Provision for Impairment	Net book value 2009	Net book value 2008
Loans	$2,720,861	$1,933,324	$787,537	$910,044
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 counter-party. 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 form 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)

	On Demand	Up to 1 year	1 to 5 years	Over 5 years	Total
Long-term borrowings	-	-	13,462,528	6,266,140	19,728,668
Accounts payable and accruals	214,1945	26,652	-	-	240,847
Short-term borrowings	-	2,438,325	-	-	2,438,325
Balance at 31st December, 2009	$214,195	$2,464,977	$13,462,528	$6,266,140	$22,407,840
Long-term borrowings	-	-	14,757,752	4,858,565	19,616,317
Accounts payable and accruals	132,378	25,000	-	-	157,378
Short-term borrowings	-	3,844,694	-	-	3,844,694
Balance at 31st December, 2008	$132,378	$3,869,694	$14,757,752	$4,858,565	$23,618,389

Currency risk

Currency risk is the risk that the value of cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank operates primarily in the Eastern Caribbean Dollars and is therefore not subject to significant foreign currency risk. However, some of the Bank's transactions are in United States Dollars but as the Eastern Caribbean Dollar is pegged to the United States Dollar, there is no significant currency risk exposure. The Bank is also exposed to a minimum amount of currency risk from its EURO loan.

19. FINANCIAL RISK MANAGEMENT (continued)

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

	EC$	US$	EURO	Total
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
	4,745,401	11,810	-	34,757,211
Liabilities				
Long-term borrowings	4,453,934	13,288	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
Balance at 31st December, 2008				
Assets				
Available-for-sale financial assets	1,713,500	-	-	1,713,500
Loans and receivable financial assets	1,620,000	-	-	1,620,000
Loans receivable-principal	30,254,405	-	-	30,254,405
Loans receivable-interest	387,736	-	-	387,736
Accounts receivable and prepayments	126,260	-	-	126,260
Cash and cash equivalents	1,442,570	11,670	-	1,454,240
	35,544,471	11,670	-	35,556,141
Liabilities				
Long-term borrowings	3,524,998	14,303,197	1,788,122	19,616,317
Accounts payable and accruals	157,378	-	-	157,378
Short-term borrowings	1,698,627	2,146,067	-	3,844,694
Amount due to projects	687,132	-	-	687,132
	6,068,135	16,449,264	1,788,122	24,305,521
Net currency exposure	$29,476,336	$(16,437,594)	$(1,788,122)	$11,250,620

GRENADA DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS

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

	2009	2008
Caribbean Development Bank loans	919,050	1,115,845
Local loans	844,232	941,277
Business reactivation loan	495,057	500,976
National Insurance Scheme loans	36,422	64,755
	$2,294,761	$2,622,853

21. INTEREST EXPENSE

Caribbean Development Bank	689,514	1,009,830
National Insurance Scheme	314,492	342,853
	$1,004,006	$1,352,683

22. OTHER INCOME

Sundry income	95,975	98,396
Bad debts recoveries	662,266	819,158
	$758,241	$917,554

23. RELATED PARTY TRANSACTIONS

i) Compensation of key management personnel of the company

	2009	2008
Salaries and staff benefits	$226,022	$219,800

ii) Loans receivable from key management personnel and directors	$878,097	$954,450

iii) Interest income from key management personnel and directors	$54,079	$58,370

24. GENERAL EXPENSES

	2009	2008
Salaries, wages and allowances	644,323	644,111
National Insurance contributions	23,277	22,812
Security	20,698	20,536
Computer expenses	22,160	59,408
Subscription and donations	14,686	12,142
Postage	3,166	2,735
Office expenses	22,008	18,164
Advertising	4,389	8,748
Audit and accounting	21,396	21,366
Professional services	15,600	40,463
Bank charges	2,884	77,408
Entertainment	16,198	14,111
Motor vehicle expenses	8,147	8,224
Legal fees	44,735	8,468
Stationery and printing	27,063	73,318
Telephone and cables	51,661	54,479
Miscellaneous	5,928	9,418
Commitment fees	8,187	3,425
Repairs and maintenance	57,111	33,417
Staff uniforms	15,569	14,606
Travelling and subsistence	70,922	48,831
Electricity	142,166	180,092
Water and sewerage	4,346	32,120
Staff training	7,779	3,854
Insurance	47,511	49,949
Recruitment cost	22,179	11,940
Library expenses	728	865
Corporate image and product development	13,536	16,537
Staff benefits	-	27,000
	$1,338,353	$1,518,547