Grenada Development Bank

2013

ANNUAL REPORT

"Development Through Financing"

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.

Vision

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

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 socio-economic development.

Contents

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. Mike Sylvester, *MSc(Hons), BBA*	-	Director
Ms. Sheila M Harris, *LLB(Hons), LLM*	-	Director
Mr. Rupert Agostini, *FCCA*	-	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 – Assitant to the Manager/Administration & Human Resource
ROSEANN LEDLOW – Accountant
PATRICIA SIMON – Bank Secretary

AUDITORS:

PKF

SOLICITORS:

Renwick & Payne
Henry Hudson-Phillips & Co.
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, 2013.

Yours faithfully,

*Mr. Michael Archibald, **MBA, FICB, AICB***

Chairman's Message

Chairman's Message

Owing to sustained domestic and external constraints, 2013 continued to be challenging for operators in the banking industry. However, the Grenada Development Bank was able to surpass its 2012 operating profits by 226%.

Economic Review

Preliminary information from the Ministry of Finance indicated that economic activities in Grenada expanded in 2013 in contrast with a decline in 2012. Growth for 2013 was estimated at 2.74% which was driven mainly by Construction activities with support from increased output from Education and Manufacturing. Construction activities increased by 20% from $96.29M in 2012 to $115.55M in 2013, while Education and Manufacturing increased by 5% and 4% respectively. The overall expansion occurred within an environment of lower prices, as the consumer price index declined by 1.5 per cent.

In contrast, preliminary estimates for both Agriculture and Tourism activities showed a contraction of 1% and 5% respectively.

The Economy is expected to grow positively by just under 2% in 2014.

The Banking Sector

Based on information obtained from the Eastern Caribbean Central Bank for the period ended September 30, 2013, domestic credit fell by 7.4% on account of a reduction in private sector credit. Private sector borrowings fell by 4.8 per cent ($86.1m), associated mainly with an 11.5 percent ($71.7m) decline in lending to businesses. Also contributing to the overall reduction in credit was a 0.8% contraction in credit to households.

The sectoral distribution of credit showed a decline in all sectors except for the tourism sector where outstanding loans rose by 21.6 per cent ($28.2m), reflecting increased demand for investment capital mainly by two select industry players. The other critical sectors of the economy for example Manufacturing, Agriculture, Fisheries and Construction saw contractions in credit by 5.4%, 10% and 17.4% respectively.

GDB's Performance Summary

As aforementioned, the Bank's operating profit increased by 226% from $87.7K in 2012 to $286K in 2013 on account of a 10% increase in total revenue from $1.88M to $2.09M respectively . Net profit also showed a significant increase from $87.7K in 2012 to $1.6M in 2013 mainly on account of debt forgiveness from one of the Bank's financiers. This was in accordance with an initial contractual agreement which provided for such forgiveness once the beneficiary of the GDB's investment went into insolvent liquidation.

The Bank has also enhanced its focus on Management by results and therefore directed its key resources towards achieving its priority objectives in accordance with its Strategic Plan. Consequently, over 80% of these objectives were either met or surpassed. Essential in the accomplishment of these objectives was the Bank's success in obtaining funding of US$3M to aid in the development of the productive sectors.

The Bank also continued to focus intensely on its loan portfolio quality as this is fundamental to its enhanced performance and survival. Consequently, the Bank was able to surpass three of its five portfolio quality standards notwithstanding its inability to meet its non-performing benchmark as the economic conditions in which the Bank operates continued to be very challenging.

Looking Forward

Enhanced customer service, strategically focused and performance driven, will be guiding principles of the Grenada Development Bank as it seeks to transform the institution into the premiere provider of development financing in the tri-island state. The focus of 2014 will therefore be on, but not limited to, providing a superior customer service experience, addressing the legal framework to augment the Bank's corporate governance structure and to ensure that it fulfils the ever changing needs of its customers while simultaneously expanding its funding base. In addition, improving the overall performance and financial standing to better meet the needs of the customers will continue to be the focus in 2014. A total cultural change is therefore needed and the Bank will ensure that the process begins and that structures are in place for 2014 to manage the critical changes required to take it to the next level.

Appreciation

I want to take this opportunity to express my gratitude and deepest appreciation to my colleagues on the Board, for their support and cooperation during the period under review. We were strategically focused and we worked as a team.

To all our valued customers and stakeholders, I express my heartfelt thanks for your continued patronage and support in these turbulent times. Last but by no means least I will like to extend on behalf of the Board, my appreciation to the Management and staff of the Bank whose dedication and hard work was instrumental in its achievements for 2013.

Mr. Michael Archibald, MBA, FICB, AICB
Chairman

Management Discussion & Analysis

Management Discussion & Analysis

Overview of the Implementation of the 2012 – 2016 Business Plan

OVERVIEW

The year 2013 marked the second year of the implementation of the Bank's five year (2012- 2016) Business Plan which is geared to transform it into a more viable and sustainable development financial institution. 2013 can be seen as one of the most successful years in terms of the implementation of any Business Plan within the last decade as over 80% of the Priority Objectives were either met or surpassed. Fundamental in the accomplishment of these objectives was the Bank's success in obtaining approval of a new line of credit in the amount of US$3M from the Caricom Development Fund (CDF) to aid in funding capital expenditure for existing businesses within the critical sectors of the economy.

The following are the Priority objectives for 2013 and status of same:

OBJECTIVES	STATUS
FUNDING	
Obtain approval of a new line of credit from the CDF in the amount of US$3M by July 31.	Surpassed.
Act as a conduit for funding to commence at least one major development project by September 30.	Did not meet for reasons outside the Bank's control.
SUSTAINABILITY & PROFITABILITY	
Maintain the loan portfolio over EC$27M (was $27.3 as at December 31, 2012) once funding is obtained within the timeframe stated above or ensure that the portfolio is not reduced by more than 5% if no funding is obtained.	Met.
Further reduce the percentage of non-performing loans from 14.39% of the total loan portfolio to 12% by December 31.	Did not meet.
Maintain a Contamination Ratio of 21% or not exceeding 35% (based on the total portfolio).	Met.
Achieve a Collection Ratio on the current loan portfolio of ≥85% per month and increase the non-performing and written-off collection to meet the approved targets.	Surpassed.
Maintain at least a breakeven position.	Surpassed.

Management Discussion & Analysis

Overview of the Implementation of the 2012 – 2016 Business Plan

OBJECTIVES	STATUS
RELEVANCE AND IMAGE	
Reduce the timeframe for loan approvals in accordance with the Credit Policy and Credit Procedure Manual.	Did not meet.
Continue to articulate the Bank's revised Mission, new Vision and Core Values throughout the year.	Met.
Improve the customers' satisfaction level from 69.4% to a minimum of 75% for the external customers.	Surpassed.
Increase public awareness of the Bank and its products and services.	Surpassed.
NEW AND INNOVATIVE PRODUCTS AND SERVICES	
Introduce at least one new product or service to the market by September 30.	Surpassed.
Review and develop all the products and services by August 31, to be in line with best practices.	Surpassed.
INSTITUTIONAL STRENGTHENING AND CORPORATE GOVERNANCE	
Continue to strengthen the Bank's human resource capacity by expeditiously and systematically addressing performance gaps, increasing the level of training, and obtaining Board approval to implement the Incentive and Motivation Plan by June 30, and the Succession Plan by September 30.	Surpassed.
Obtain Board approval to implement a Health and Safety Policy by September.	Surpassed.
Contract a consultant by November 30 to lead the change management process needed to transform the Bank into the premier provider of development financing.	Grant funding approved.

The Bank will continue with its efforts in successfully implementing the Business Plan placing emphasis not only on the new objectives for 2014 but also on any objective that was not met in 2013.

FINANCIAL ANALYSIS

The Bank performed favourably in 2013 despite the onerous environment in which it operated. The results are analysed below.

Bank Performance

2013 marked the second year of profitability following net losses in 2010 and 2011 due to accounting for impairment losses. The Bank realised a net profit of $1.6M and operating surplus of $285K. The latter is due mainly to increased collection of bad debts and reduction of interest cost and general expense. The significant improvement in net profit was on account of the EIB honouring its initial contractual agreement to write off an impaired investment.

Management Discussion & Analysis

Overview of the Implementation of the 2012 – 2016 Business Plan

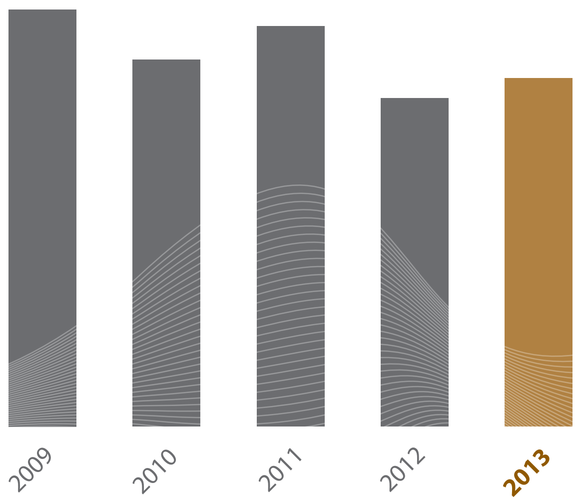
SELECTED FINANCIAL HIGHLIGHTS	**2013**	2012	2011	2010	2009
NET PROFIT /(LOSS)	**1,618,908**	87,651	(1,405,623)	(735,429)	266,516
OPERATING SURPLUS/ (DEFICIT)	**285,827**	87,651	(1,405,623)	(735,429)	355,355
TOTAL REVENUE	**2,601,031**	2,514,746	3,007,632	2,754,181	3,141,237
INTEREST INCOME	**2,057,338**	2,146,796	2,229,756	2,376,396	2,294,761
INVESTMENT INCOME	**88,296**	75,494	78,331	26,743	88,235
OTHER INCOME	**455,397**	292,456	699,456	351,042	758,241
TOTAL EXPENDITURE	**2,216,106**	2,427,095	2,535,992	2,593,328	2,785,882
BAD DEBTS	**110,034**	6,438	145,750	173,314	158,721
INTEREST EXPENSE	**508,389**	633,943	705,564	860,345	1,004,006
GENERAL EXPENSES	**1,530,607**	1,577,989	1,496,683	1,348,206	1,338,353

Revenue

Notwithstanding a very depressed economic and financial environment, the bank realised an increase in total revenue by 3.4% or $86K. This increase is mainly attributable to Investment Income and Other Income which increased by 17% & 56% respectively.

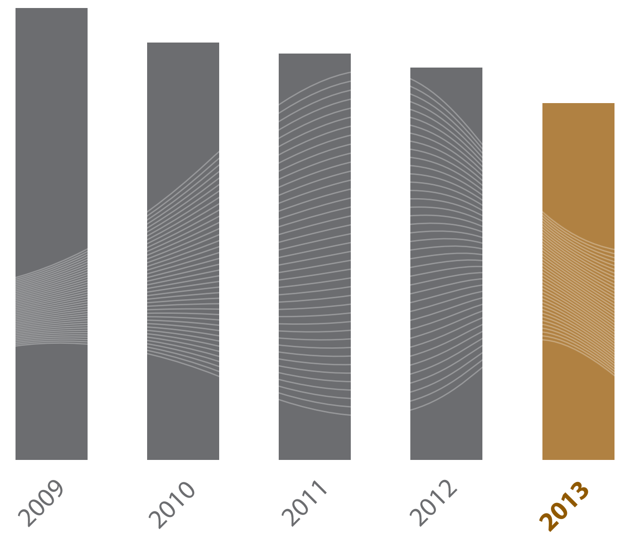
Expenditure

2013 marked the 5th year that the Bank has consistently controlled its expenditure, which has been decreasing by an average of 6% per year.



During the reporting period, total expenditure reduced by 8.7% or $211K to $2.2M in 2013 from $2.42M in 2012 resulting mainly from the movements on the following expenditure

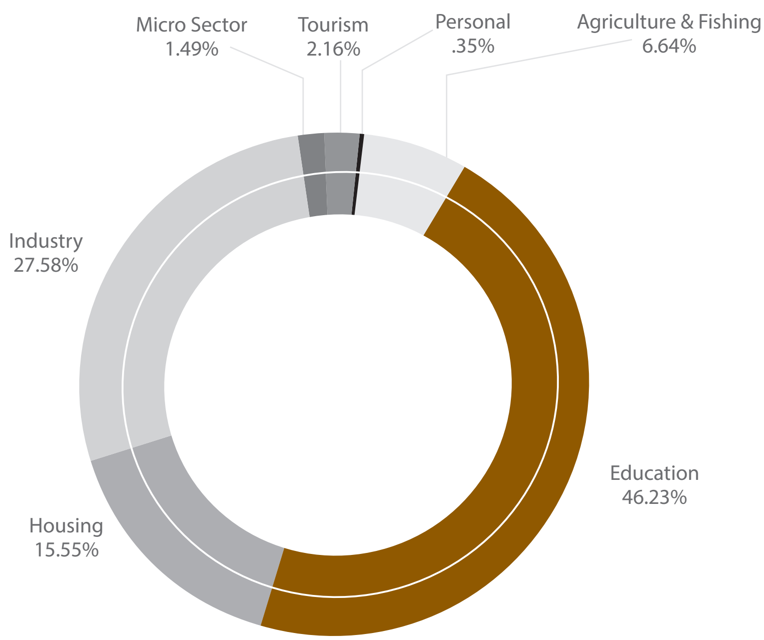
- Interest Expense decreased by 20% or $125k from $633K in 2012 to $508K in 2013;
- General Expenses decreased by $47K or 3% from $1.577M in 2012 to $1.530M in 2013.



GDB's Financial Position

Total assets decreased by $504K to $32.7M in 2013 from $33.2M in 2012 mainly as a result of contraction of the loan portfolio by $266K from $27.3M in 2012 to $27.01M in 2013. The Bank's long term debt decreased by $4.3M or 34% from $12.7M in 2012 to $8.3M in 2013.

The debt to equity ratio (total debts to total equity) improved to 0.84:1 in 2013 compared with 1.10:1 in 2012. This is well within the standard which allows a maximum ratio of 4:1. This means that the Bank can borrow up to $56.1M without the need for additional equity. There was also an improvement in its gearing ratio (total debts to total assets) which was 44% in 2013 as compared to 52% in 2012.



Management Discussion & Analysis

Overview of the Implementation of the 2012 – 2016 Business Plan

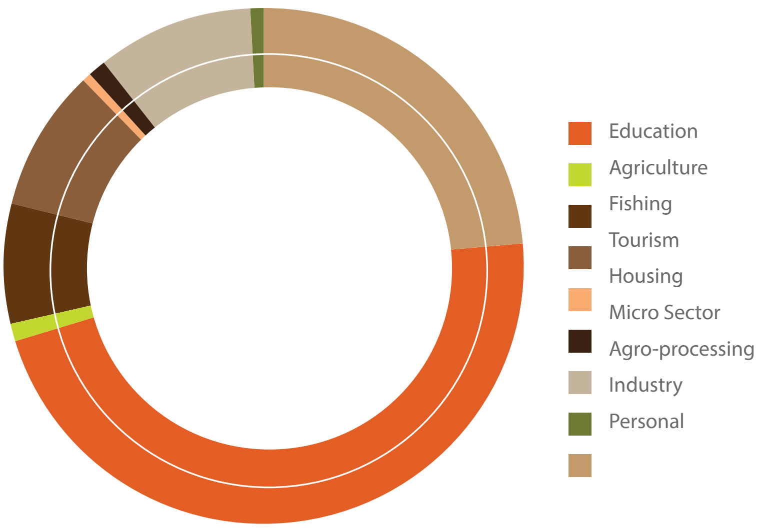
LOAN PORTFOLIO ANALYSIS

Loan Approvals

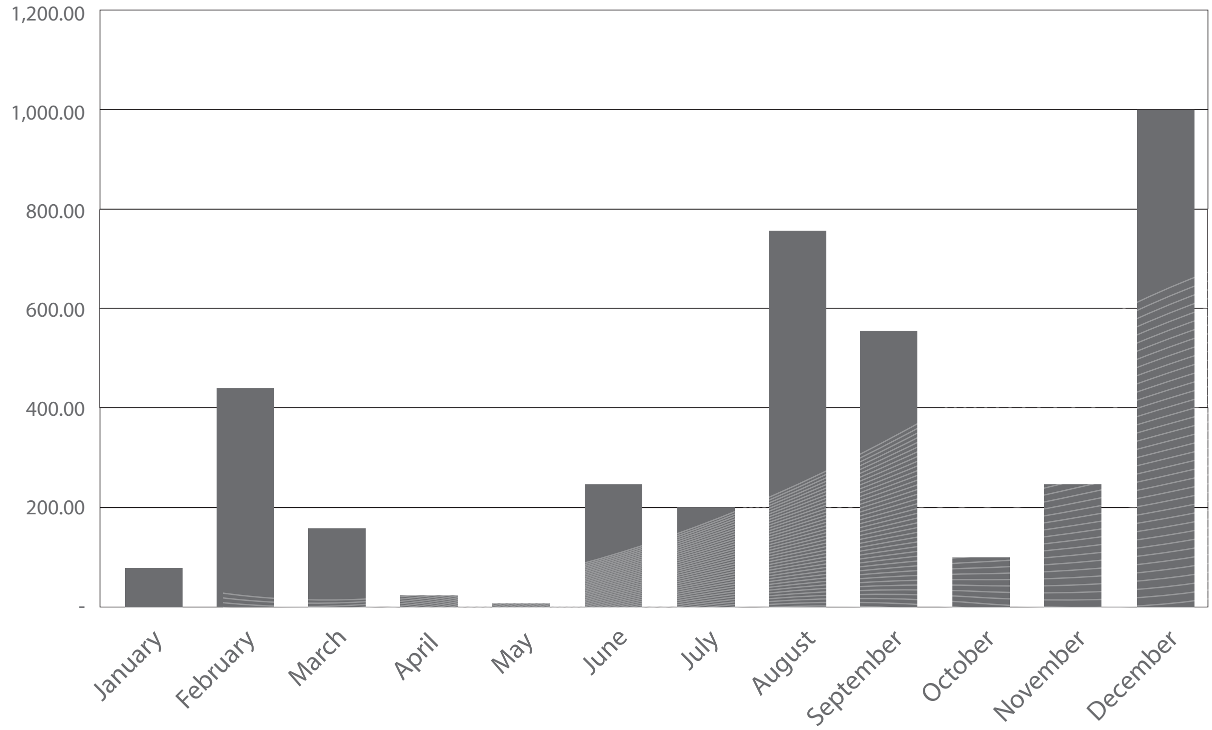
For the twelve months ended December 31, 2013, seventy-one (71) loans were approved with a total value of XCD 4.53 million. Education loans valued at XCD 2.09 million accounted for 46% while loans to the Industrial sector valued at XCD 1.25 million and Housing loans valued at XCD 0 .70 million combined accounted for 44% of the total approvals for the period. The cumulative loan approvals were 13.6% and 98.5% over that recorded for the same period 2011 and 2012 when loan approvals totalled XCD 3.99 million and XCD 2.28 million respectively.

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

Loan Approvals by Sector 2013



Monthly Loan Approvals for 2013

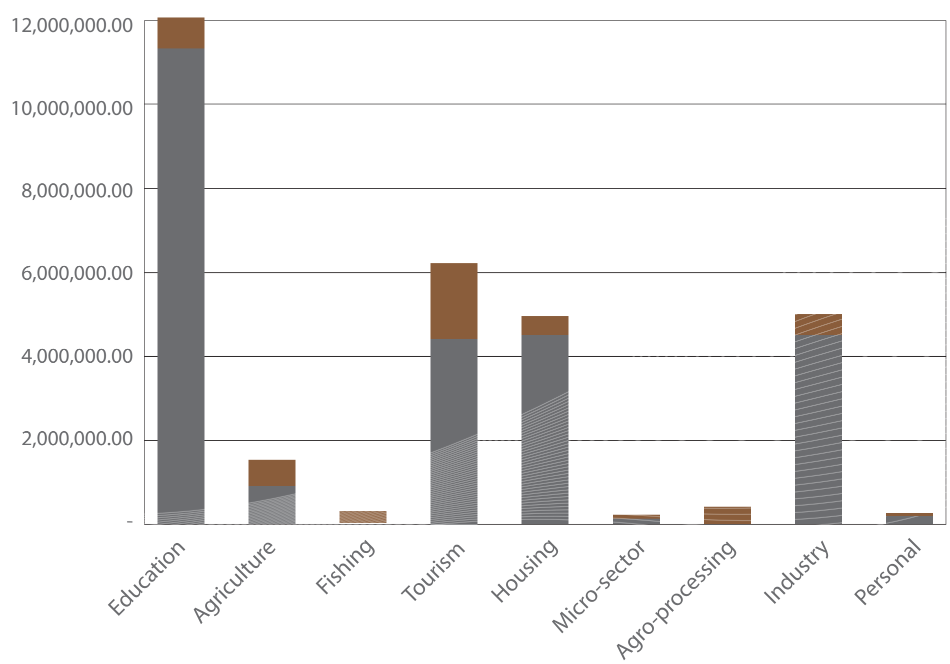


Non-performing Loans

As at December 31st 2013, non-performing loans totalled XCD 3.91 million or 14.42% of total loans outstanding of XCD 27.08 million. For the corresponding period ending December 31, 2012, non-performing loans totalled XCD 3.93 million or 14.39% of total loans outstanding. Housing, Education, Industry and Personal loans were the best performing sectors for the Bank, with 6%, 4%, 4% and 0% non-performing ratios respectively, whereas, Agro-processing, Fishing and Micro-sector accounted for the highest non-performing ratios with 100%, 94% and 45% respectively. However, these sectors together make up only 3% of the total portfolio. The fourth worst performing sector is Agriculture with 41% non-performing.

The following chart depicts the portfolio quality by sector.

Portfolio Quality by Sector

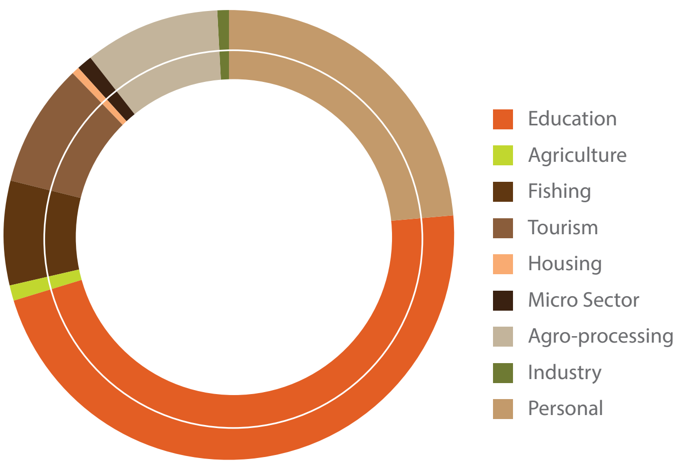


Loan Portfolio

At the end of December 2013, the principal outstanding on the Bank's loan portfolio totalled XCD 27.08 million compared to XCD 27.30 million as at December 31, 2012. This represents a decrease of 0.78%. The portfolio distribution continues to be of concern with Education comprising over 44% of the portfolio.

The following chart shows the portfolio distribution as at December 31st 2013:-

Portfolio Distribution as at December 31st 2013



Management Discussion & Analysis

Overview of the Implementation of the 2012 – 2016 Business Plan

HUMAN RESOURCE DEVELOPMENT

General Overview

Being faced with a down-turn in the economy, many organizations were forced to make the tough decision to reduce their staff complement. For the Grenada Development Bank it was different and despite external and internal constraints, it was able to retain all of its employees and continue to motivate and build their morale through coaching, training and involvement in decision-making. During 2013, employees were reminded to remain focused on the Bank's Mission and Priority Objectives. Managers and Supervisors were encouraged to become better leaders and coaches and in some cases, persons were exposed to Supervisory Skills training.

For 2013, the focus was on management by objectives and with the hard work of its staff, the Bank was able to realize in excess of 80% of its Priority Objectives.

Key policies and plans were also approved during the period in question, which included a Succession Plan, Sexual Harassment Policy, Health and Safety Policy and Recognition Plan.

Staffing

There were a few changes in the staff complement. In March of 2013, Mrs. Rose-Ann Fleming-Ledlow (F.C.C.A), assumed the position of Accountant, within the Finance & Operations Department, thereby strengthening its human resource capacity. Her wealth of knowledge and experience in the field of accounting was definitely an asset to the Bank. Shortly after Mrs. Ledlow's appointment, Mr. Trevor Baptiste was transferred from the Credit Department to the Finance & Operations Department to fill the position of Accounts Officer.

With the launch of the Government's Small Business Development Fund, a Project Office was established within the Bank and two new officers were appointed - Alister Bain and Richard Mc Phail, Senior Project Officer and Project Officer respectively. Both Officers commenced work in September, 2013.

With the approval of the Succession Plan, the Bank looks forward to further strengthening its Human Resource capacity, allowing each department to become more efficient in its processes and to better cope with sick days and staff emergencies. The goal of the Succession Plan is to identify and develop talent within the Bank to fill key positions in the future.

Training & Development

The Bank continued its emphasis on training, with the approach being on a three dimensional level in-house training, which was facilitated by external trainers/facilitators, online and external.

1. In-house training topics included:
   - Customer Service.
   - Performance Management/Coaching.
   - Mental Health Awareness.
   - Disaster Preparedness.
   - Stress Management.
   - Team Building.
2. Online training: webinars:

   The Bank continued to maximize on available webinars which were mostly designed for senior members of staff.
3. Other training (external):
   - Supervisory Training.
   - Using e-services for yourself and Clients.

Personal Development

A number of employees are currently pursuing courses/degrees/educational programmes related to the Bank and their personal careers.

Customer Service Delivery

The Bank's 2013 Customer Satisfaction Survey showed a positive movement in its Customer Service Index which increased from 69.4% in 2010 to 86.2% in 2013. Further, customers were extremely satisfied with the service provided by the Customer Service Representatives, and a 96.6% satisfaction level was recorded.

Notwithstanding the aforementioned, the survey also highlighted a few weak areas that the Bank must address and in 2014, efforts will be made to improve in the areas identified.

Embracing our Corporate Responsibility

Once again, the Bank supported the Eastern Caribbean Central Bank's (ECCB's) Financial Literacy Month held in October, and participated in its Financial Fair, which was held in Morne Rouge, Grand Anse.

Management Discussion & Analysis

Overview of the Implementation of the 2012 – 2016 Business Plan

The Bank also had the opportunity to assist several persons/organizations by supporting the development of sports, education, health and art. Some of these included the Resource Centre for the Blind, Concord Government School, St. John's R.C. School, The T A Marryshow Community College's (TAMCC's) Academic Award in Social Science, Teddy Frederick's Floatography Exhibition, the Programme for Adolescent Mothers' Fund-raising Dinner and the National Disaster Management's (NADMA's) Comprehensive Disaster Management Youth Championship.

Social Activities

There were a few instances where the Bank's employees had the opportunity to shift the focus from work to relaxation.

An Independence Luncheon was held on February 6th, 2013, to celebrate Grenada's Independence and featured the national dish, "Oil Down". Later that year, the staff dined together at the Roof Top Restaurant where special remarks were made by the Manager, Mr. Mervyn Lord.

Reward and Recognition

The Bank recognised Mr. Trevor Baptiste as "Employee of the Year". Mr. Baptiste showed development and commitment over the years when he served in both the Finance & Operations Department and the Credit Department as Accounts Clerk and Securities Officer respectively. More recently, Mr. Baptiste served the Finance Department as the Officer in Charge of Accounts and later as Acting Accountant.

Trevor Baptiste
- Employee of the Year -

During the year, other employees were recognized for their outstanding performance in various areas as follows:-

- Ms. Irva Frank, Loan Officer & Ms. Jinaele Douglas, Administrative Clerk, were recognized for having a perfect attendance record for three of the four quarters of the year. There were also other members of staff who achieved a perfect attendance record for one or two quarters.
- Mr. Trevor Baptiste was awarded the Star Leader Award for leading the Finance & Operations Department through a successful financial audit in the absence of an Accountant.
- A number of "on the spot" rewards were also extended to staff members for being outstanding in various areas.

The Grenada Development Bank looks forward to further strengthening its human resource capacity by developing each individual to achieve the highest level of performance possible.

SMALL BUSINESS DEVELOPMENT FUND

The Government of Grenada in collaboration with the Grenada Development Bank entered into a Memorandum of Understanding for the establishing of the Small Business Development Fund. This was with a view to improve access to financing for small and micro businesses to foster job creation and economic stimulation.

A Management Committee was also appointed by Cabinet as the body responsible for the overall management of the Fund and is the final approving authority for small business development loans.

The Fund was officially launched on September 17, 2013 with an initial injection of $1,000,000 and has had an immediate impact on the small and micro business sectors as well as a very positive response.

For the period September 17 to December 31, 2013 a total of eighty five (85) loans were approved valued at $860,289.00. The following is a sectorial representation of the loans approved:-

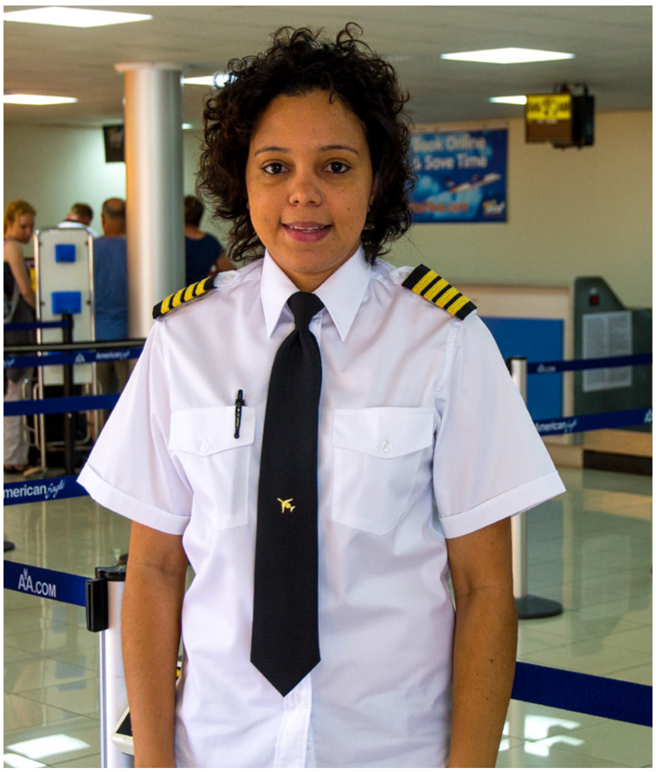
SECTORS	AMT APPROVED
Retail Grocery	$ 195,730.00
Retail Clothes	$ 134,500.00
Fishing	$ 77,000.00
Support Services	$ 67,200.00
Retail Other	$ 67,130.00

SECTORS	AMT APPROVED
Light Manufacturing	$ 56,000.00
Catering	$ 52,500.00
Hair Dressing/Beauty	$ 51,000.00
Cruise Ship Assistance	$ 38,629.00
Tourism	$ 36,000.00
Agriculture	$ 29,500.00
Import & Distribution	$ 25,000.00
Social Services	$ 25,000.00
Construction	$ 5,100.00
Grand Total	$ 860,289.00

The Bank, together with the Small Business Development Fund Management Committee and the Project Officers are now in the process of developing training, mentoring and hand holding services for the recipients of the loans to ensure the success of both their respective businesses and the Program.

Success Story

Shereen Haywood



"When I was about 8 years old, my godmother took me to Antigua where she was based as a pilot. On that visit, she showed me around one of the planes that she flew. I was amazed by the cockpit and I remember thinking that the lights were pretty. I loved being in that plane and from that day I knew that I wanted to be a pilot. About a year ago, with the help of my parents, I came up with a plan to make my lifelong dream come true.

Attending flight school was an expensive venture but the Grenada Development Bank made it possible. Apart from offering me the best interest rate on a loan, GDB also provided personalized service in the person of Ms. Irva Frank. Ms. Frank was businesslike but friendly. She explained everything to me, provided answers to my many questions, and walked me through the entire loan process. Once I had flown to Florida for my flight training, she was always readily available via telephone and/or email.

My time at flight school was probably the happiest and most rewarding time of my life. I have never worked so hard at anything. My first flight experience was nerve-wracking and amazing at the same time. It felt like I was in a dream. Within a month of my first flight, I did my first solo flight. I was very nervous because I was in the plane by myself with no one to talk to and no one to guide me; but I was confident at the same time because I actually knew what I was doing.

When I finally became a commercial multi-rated pilot, I was very proud of myself and a bit surprised that I actually had it in me. It was one thing always wanting to fly planes but it was another thing when I realized that I was actually good at it. Words cannot express how I feel when I am flying. It is simply amazing and I could not be happier.

The next step is to get a pilot job at a commercial airline or a private corporation, and then to someday become a senior captain. Thanks to GDB, Ms. Irva Frank, and the support of my family, I can now live my dream of being a pilot.

Audited Financial Statement 2013

Contents

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, 2013 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, 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

GRENADA:

April, 2014

Accountants & business advisers:

Statement of Financial Position

At 31st December, 2013

ASSETS	Notes	2013	2012
Non-Current Assets			
Property, plant and equipment	4	4,313,858	4,408,135
Available-for-sale financial assets	5	25,001	25,002
Held-to-maturity financial assets	5	1,000,000	1,000,000
		5,338,859	5,433,137
Loans receivable - Principal	6	25,362,621	25,628,729
TOTAL NON-CURRENT ASSETS		30,701,480	31,061,866
Current Assets			
Loans receivable - Interest	6	144,750	202,804
Other assets	7	150,776	116,179
Loans and receivables financial assets	5	980,559	953,080
Cash and cash equivalents	8	754,637	889,415
		2,030,722	2,161,478
TOTAL ASSETS		$32,732,202	$33,223,344
EQUITY AND LIABILITIES			
Government's Equity			
Capital grants	9	1,040,000	1,040,000
Capital contribution	10	11,931,969	11,559,315
Reserve fund	11	892,849	488,122
Revaluation reserve	12	2,597,791	2,597,791
Retained earnings		1,243,425	29,244
		17,706,034	15,714,472
Non-Current Liabilities			
Long-term borrowings	14	8,397,545	12,772,061
Deferred exchange loss	13	-	(102,131)
		8,397,545	12,669,930
Current Liabilities			
Other liabilities	16	4,131,531	1,667,030
Short-term borrowings	14	2,294,681	2,733,563
Amount due to projects	17	202,411	438,349
		6,623,623	4,838,942
TOTAL LIABILITIES		15,026,168	17,508,872
TOTAL EQUITY AND LIABILITIES		$32,732,202	$33,223,344

The notes on pages 30 to 55 form an integral part of these financial statements

: Director

: Director

Statement of Comprehensive Income

For the year ended 31st December, 2013

	Notes	2013	2012
INTEREST INCOME			
Interest on loans	20	2,044,382	2,146,796
Interest on investments		101,252	75,494
		2,145,634	2,222,290
Interest expense	21	(508,389)	(633,943)
Net interest income		1,637,245	1,588,347
Other income	22	456,299	292,456
		2,093,544	1,880,803
EXPENDITURE			
Directors fees and expenses		(44,770)	(50,781)
General expenses	26	(1,530,607)	(1,577,989)
Pension and gratuities		(8,166)	(39,666)
Depreciation		(114,140)	(118,278)
Bad debts		(110,034)	(6,438)
		(1,807,717)	(1,793,152)
Operating surplus for the year before impairment		285,827	87,651
Debt forgiveness	23	1,333,081	-
Net surplus for the year		1,618,908	87,651
Transfer to reserve fund		(404,727)	(21,913)
Net surplus for the year		$1,214,181	$65,738

Statement of changes in Government's Equity

For the year ended 31st December, 2013

	Reserve Fund	Capital Grant	Revaluation Reserve	Capital Contribution	Retained Earnings/ (Accumulated Deficit)	Total
Balance at 1st January, 2012	466,209	1,040,000	2,309,097	30,415,426	(19,892,605)	14,338,127
Revaluation	-	-	288,694	-	-	288,694
Net movement in capital contribution	-	-	-	(18,856,111)	19,856,111	1,000,000
Allocation to reserve	21,913	-	-	-	(21,913)	-
Net surplus for the year – previously reported	-	-	-	-	135,573	135,573
Prior year adjustment (Note 25)	-	-	-	-	(47,922)	(47,922)
Balance at 31st December, 2012 - restated Net	488,122	1,040,000	2,597,791	11,559,315	29,244	15,714,472
movement in capital contribution	-	-	-	372,654	-	372,654
Allocation to reserve	404,727	-	-	-	(404,727)	-
Net surplus for the year	-	-	-	-	1,618,908	1,618,908
Balance at 31st December, 2013	$892,849	$1,040,00	$2,597,791	$11,931,969	$1,243,425	$17,706,034

Statement of Cash Flows

For the year ended 31st December, 2013

	Notes	2013	2012
OPERATING ACTIVITIES			
Net surplus for the year		1,618,908	87,651
Adjustment for:			
Depreciation		114,125	118,278
Change in non-cash items		1,733,033	205,929
Decrease in loans receivable		324,161	924,766
Increase in accounts receivable and prepayments		(34,597)	(44,567)
Decrease/(increase) in deferred loss on exchange		102,131	(599)
Increase in accounts payable and accruals		2,464,502	1,439,332
Decrease in amounts due to project		(235,938)	(120,136)
Net cash provided by operating activities		4,353,292	2,404,725
INVESTING ACTIVITIES			
Decrease in available-for-sale financial assets		1	-
Increase in loans and receivable financial assets		(27,480)	(34,540)
Increase in held-to-maturity financial assets		-	(1,000,000)
Purchase of property, plant and equipment		(19,848)	(19,621)
Net cash used in investing activities		(47,327)	(1,054,161)
FINANCING ACTIVITIES			
Increase in Government Capital Contribution		372,654	1,000,000
Decrease in borrowings		(4,813,397)	(2,460,614)
Net cash used in financing activities		(4,440,743)	(1,460,614)
Net decrease in cash and cash equivalents		(134,778)	(110,050)
Cash and cash equivalents – at beginning of the year		889,415	999,465
– at end of the year	8	$754,637	$889,415

Notes to the Financial Statements

For the year ended 31st December, 2013

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, 2013 that would be expected to have a material on the Company's financial statement.

ii. Amendments and interpretations issued but not effective for the financial year beginning 1st January, 2013 and not early adopted. These either do not apply to the activeties of the Company or have no material impact on its financial statements.

IFRS 10 Consolidated financial statements- Investments Entities – Effective for annual periods beginning on or after 1st January, 2014.

IFRS 12 Disclosure of interest in other entities- Investment Entities – Effective for annual periods beginning on or after 1st January, 2014.

Notes to the Financial Statements

For the year ended 31st December, 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

IAS 19 Employee Benefits Defined benefit Plans – Employee Contributions - Effective for annual periods beginning on or after 1st January, 2014.

IAS 27 Separate financial statements – Effective for annual periods beginning on or after 1st January, 2014.

IAS 32 Financial instruments: Presentation – Offsetting financial assets and financial liabilities – Effective for annual periods beginning on or after 1st January, 2014.

IAS 36 Impairment of assets – Recoverable amount disclosures for non-financial assets - Effective for annual period beginning on or after 1st January, 2014.

IAS 39 Financial instruments: Presentation recognition and measurement - Novation of Derivatives and continuation of hedge accounting – Effective for annual period beginning on or after 1st January, 2014.

IFRIC 21 Levies – Effective for annual periods beginning on or after 1st January, 2014.

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, 2013 amounted to $1,721,522 (2012: $1,716,235).

Land and building are stated at 2012 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%

Notes to the Financial Statements

For the year ended 31st December, 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Property, Plant and Equipment

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.

f) Cash and Cash Equivalents

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

g) Interest

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

h) Financial Assets

The Bank classifies its financial assets into the following categories: loans and receivables 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.

Notes to the Financial Statements

For the year ended 31st December, 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Financial Assets (continued)

Fair value

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

i) 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.

Notes to the Financial Statements

For the year ended 31st December, 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial Instruments (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 reognised 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 comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improvement in the debtor's credit rating), the previously recognised loss is reversed to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised at the date that the impairment is reversed. The amount of the reversal is recognised in the statement of comprehensive income.

ii. Financial assets measured at cost

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

Notes to the Financial Statements

For the year ended 31st December, 2013

2. SIGNIFICANT ACCOUNTING POLICIES (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 remeasured 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, 2013

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Furniture, Fixtures and Equipment	Computers	Motor Vehicles	Total
For the year ended 31st December, 2012						
Opening book value						
Cost	-	228,220	17,208	48,670	-	294,098
Valuation	900,000	3,024,000	-	-	-	3,924,000
	900,000	3,252,220	17,208	48,670	-	4,218,098
Additions during the year – cost	-	7,866	-	11,755	-	19,621
Revaluation during the year	23,780	264,914	-	-	-	288,694
Depreciation charge for the year						
-Cost	-	-	(4,281)	(25,872)	-	(30,153)
-Valuation	-	(88,125)	-	-	-	(88,125)
NET BOOK VALUE	**$923,780**	**$3,436,875**	**$12,927**	**$34,553**	**$ -**	**$4,408,135**
Balance at 31st December, 2012						
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**

Notes to the Financial Statements

For the year ended 31st December, 2013

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
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
Balance at 31st December, 2013						
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

Notes to the Financial Statements

For the year ended 31st December, 2013

5. FINANCIAL ASSETS

	2013	2012
AVAILABLE-FOR-SALE		
Liberty Club Limited		
1,688,499 ordinary shares of $1.00 each - cost	-	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
	85,000	1,773,499
Less: Provision for diminution in value of shares	59,999	1,748,497
	$25,001	$25,002
LOANS AND RECEIVABLES		
Grenada Co-operative Bank Limited – fixed deposits	980,559	-
RBTT Bank Grenada Limited – fixed deposits	-	953,080
	$980,559	$953,080
HELD-TO-MATURITY		
Government of Grenada - 6% 2016 bond	$1,000,000	$1,000,000

6. LOANS RECEIVABLE

	2013	2012
Loans receivable – principal	27,084,143	27,344,964
Less: Provision for doubtful debts	1,721,522	1,716,235
	$25,362,621	$25,628,729
Accrued interest (3 months)	$144,750	$202,804

Movements in provision for loan losses are as follows:

	2013	2012
Balance at the beginning of the year	1,716,235	1,764,300
Bad debts recovered	(104,746)	(54,504)
Increase in provision	110,033	6,439
Balance at end of the year	$1,721,522	$1,716,235

Notes to the Financial Statements

For the year ended 31st December, 2013

6. LOANS RECEIVABLE (continued)

Allowance for impairment losses by sector

	2013	2012
Agriculture	501,990	489,613
Agro processing	183,772	176,174
Education	309,303	278,481
Fishing	152,606	152,606
Housing	30,699	29,174
Industry	163,967	217,081
Micro sector	97,315	91,243
Tourism	281,870	281,863
	$1,721,522	$1,716,235

7. OTHER ASSETS

Matured investment – CLICO investment	810,000	810,000
Interest receivable	142,823	142,007
Accounts receivable	188,765	188,765
Prepayments	94,235	60,454
	1,235,823	1,201,226
	1,085,047	1,085,047
Less: Impairment provision	$150,776	$116,179

8. CASH AND CASH EQUIVALENTS

Cash on hand	1,200	1,200
Cash at bank	753,437	888,215
	$754,637	$889,415

Notes to the Financial Statements

For the year ended 31st December, 2013

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

	2013	2012
Balance at 1st January, 2013	11,559,315	30,415,426
Contribution during the year	372,654	1,000,000
Transfer of accumulated losses at 31st December, 2011	-	(19,856,111)
- previously reported	$11,931,969	$11,559,315
Balance at 31st December, 2013		

The amount of $1,000,000 contributed in 2012 was placed on a 6% Government of Grenada Bond to mature in 2016.

During 2012, the Bank received approval from the Government to write-off the accumulated losses to the Capital Contribution account.

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.

Notes to the Financial Statements

For the year ended 31st December, 2013

12. REVALUATION RESERVE

	2013	2012
Revaluation surplus	$2,597,791	$2,597,791

The Bank's property was last re-valued in July 2012 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 $288,694.

13. DEFERRED EXCHANGE LOSS

Loss arising on the translation of the European Investment Bank loan.
The balance as at 31st December, 2012 was written off to the statement of comprehensive income during 2013.

14. BORROWINGS

	2013	2012
a) Caribbean Development Bank (Note 15)	7,621,939	10,334,059
b) National Insurance Board	3,070,287	3,546,860
c) European Investment Bank	-	1,624,705
	10,692,226	15,505,624
Less: Short-term portion	2,294,681	2,733,563
Long-term portion	$8,397,545	$12,772,061

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

ii. Loan 2

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

c) The debt to European Investment Bank was forgiven during the year.

Notes to the Financial Statements
For the year ended 31st December, 2013

15. CARIBBEAN DEVELOPMENT BANK - LOANS

			Foreign Currency	2013 $	2012 $
(a) 3/SFR-OR-GR	Second consolidated line of credit –				
(b) OCR-SFR-GR	Agricultural and industrial credit/student	US$	-	-	831,166
(c) 11/SFR - GR	Loan/mortgage/micro sector	US$	937,060	2,537,933	3,372,080
	Sixth student loan (see note below)	US$	1,877,125	5,084,006	6,130,813
				$7,621,939	$10,334,059

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, 2013

15. CARIBBEAN DEVELOPMENT BANK LOANS (continued)

Principal	Interest
a) 80 consecutive quarterly instalments as of 31st December, 1993.	2% per annum payable quarterly, as of 31st December, 1988.
b) 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%/3.66% per annum. Payable quarterly.
c) SFR portion – 40 equal quarterly instalments. OCR portion – 40 equal quarterly instalments. Repayments started December 2008. SF	2.5%/3.66% per annum. Payable quarterly.

16. OTHER LIABILITIES

	2013	2012
Amount due to Government of Grenada	3,981,356	1,400,608
Accrued interest	72,834	109,102
Accounts payable	77,331	157,320
	$4,131,521	$1,667,030

17. AMOUNT DUE TO PROJECTS

Poultry project	-	330,987
Youth enterprise initiative	162,737	67,688
Agricultural diversification	39,674	39,674
	$202,411	$438,349

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

18. COMMITMENTS

At the statement of financial position date un-disbursed loans committed amounted to $1,007,554 (2012: $1,436,612).

Notes to the Financial Statements

For the year ended 31st December, 2013

19. FINANCIAL RISK MANAGEMENT

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

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

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

Risk management structure

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

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

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

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, 2013

19. 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.

Notes to the Financial Statements

For the year ended 31st December, 2013

19. FINANCIAL RISK MANAGEMENT (continued)

Management of credit risk (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	
	2013	2012
Held-to-maturity financial assets	1,000,000	1,000,000
Available-for-sale financial assets	25,001	25,002
Loans and receivable financial assets	980,559	953,080
Loans receivable – Principal	25,362,621	25,628,729
Loans receivable - Interest	144,751	202,804
Other assets	150,776	116,179
Cash and cash equivalents	754,637	889,415
	$28,418,345	$28,815,209

Notes to the Financial Statements

For the year ended 31st December, 2013

19. FINANCIAL RISK MANAGEMENT (continued)

Concentration of credit risk at 31st December, 2013

	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	-	-	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-processing	-	-	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	25,001	980,559	-	-	150,776	754,636	1,910,972
	$25,001	$980,559	$25,362,621	$144,751	$150,776	$754,636	$27,418,344

Notes to the Financial Statements

For the year ended 31st December, 2013

19. FINANCIAL RISK MANAGEMENT (continued)

Concentration of credit risk at 31st December, 2013

	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	-	-	-	11,837,373	146,532	-	-	11,983,905
Agriculture	-	-	-	1,069,014	657	-	-	1,069,671
Fishing	-	-	-	150,300	168	-	-	150,468
Tourism	-	-	-	4,029,914	5,675	-	-	4,035,589
Housing	-	-	-	3,408,404	19,559	-	-	3,427,963
Micro- sector	-	-	-	196,792	688	-	-	197,480
Agro-processing	-	-	-	220,105	-	-	-	220,105
Industry	-	-	-	4,502,091	28,811	-	-	4,530,902
Personal	-	-	-	214,736	714	-	-	215,450
Other	1,000,000	25,002	953,080	-	-	116,179	889,415	2,983,676
	$1,000,000	$25,002	$953,080	$25,628,729	$202,804	$116,179	$889,415	$28,815,209

Notes to the Financial Statements

For the year ended 31st December, 2013

19. FINANCIAL RISK MANAGEMENT (continued)

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

	Neither past due nor impaired	Past due but not impaired				
		1-3 months	3-6 months	6-12 months	Over 12 months	Total
	$	$	$	$	$	$
2013	20,619,718	2 ,634,871	207,270	51,967	3,570,317	27,084,143
2012	21,328,371	2,088,024	65,638	56,089	3,806,842	27,344,964

Individually impaired financial assets at 31st December, 2013:

	Carrying Value	Provision for Impairment	Net book value	
			2013	2012
Loans	$3,906,266	$1,721,522	$2,184,744	2,217,357
Available-for-sale financial assets	$85,000	$59,998	$25,001	$25,002
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.

Notes to the Financial Statements

For the year ended 31st December, 2013

19. FINANCIAL RISK MANAGEMENT (continued)

Impairment

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

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

Past due and not impaired

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

Write off policy

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

Liquidity risk

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

Management of liquidity risk

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

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

Notes to the Financial Statements

For the year ended 31st December, 2013

19. FINANCIAL RISK MANAGEMENT (continued)

Management of liquidity risk (continued)

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

	EC$	US$	Total
Balance at 31st December, 2012			
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

Notes to the Financial Statements

For the year ended 31st December, 2013

19. FINANCIAL RISK MANAGEMENT (continued)

Management of liquidity risk (continued)

	EC$	US$	EURO	Total
Balance at 31st December, 2012				
Assets				
Held –to-maturity financial assets	1,000,000	-	-	1,000,000
Available-for-sale financial assets	25,002	-	-	25,002
Loans and receivable financial assets	953,080	-	-	953,080
Loans receivable-principal	25,628,729	-	-	25,628,729
Loans receivable-interest	202,804	-	-	202,804
Other assets	116,179	-	-	116,179
Cash and cash equivalents	874,821	14,594	-	889,415
	28,800,615	14,594	-	28,815,209
Liabilities				
Long-term borrowings	3,086,263	8,061,093	1,624,705	12,772,061
Other liabilities	1,667,030	-	-	1,667,030
Short-term borrowings	437,889	2,295,674	-	2,733,563
Amount due to projects	438,349	-	-	438,349
	5,629,531	10,356,767	1,624,705	17,611,003
Net currency exposure	$23,171,084	$(10,342,173)	$(1,624,705)	$11,204,206

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.

Notes to the Financial Statements

For the year ended 31st December, 2013

19. FINANCIAL RISK MANAGEMENT (continued)

Management of liquidity risk (continued)

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.

20. INTEREST INCOME

	2013	2012
Caribbean Development Bank loans	657,981	759,015
Local loans	1,003,166	969,293
Business reactivation loans	368,315	398,480
National Insurance Scheme loans	14,920	20,008
	$2,044,382	$2,146,796

21. INTEREST EXPENSE

	2013	2012
Caribbean Development Bank	298,107	398,641
National Insurance Scheme	210,282	235,302
	$508,389	$633,943

Notes to the Financial Statements

For the year ended 31st December, 2013

22. OTHER INCOME

	2013	2012
Sundry income	84,641	87,093
Bad debts recoveries	371,658	205,363
	$456,299	$292,456

23. DEBT FORGIVENESS

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

24. RELATED PARTY TRANSACTIONS

	2013	2012
iii. Compensation of key management personnel of the Bank.	$472,564	$359,496
Salaries and staff benefits		
iv. Loans receivable from key management personnel and directors	$36,414	$39,361
v. Interest income from key management personnel and directors	$1,899	$4,287

25. PRIOR YEAR ADJUSTMENT

Under-accrual of expense	$47,922	$ 17,834

Notes to the Financial Statements

For the year ended 31st December, 2013

26. GENERAL EXPENSES

	2013	2012
Salaries, wages and allowances	784,398	808,346
National Insurance contributions	33,393	32,556
Security	33,839	25,667
Computer expenses	55,551	50,849
Subscription and donations	19,579	15,709
Postage	1,846	3,181
Office expenses	30,148	28,215
Advertising	17,849	14,284
Audit fees	23,500	23,500
Professional services	72,533	78,867
Bank charges	11,895	9,620
Entertainment	3,595	4,436
Motor vehicle expenses	7,323	8,954
Legal fees	29,607	46,550
Stationery and printing	50,045	59,556
Telephone and cables	46,099	54,283
Miscellaneous	4,440	4,606
Commitment fees	-	1,022
Repairs and maintenance	15,948	10,453
Staff uniforms	15,758	22,137
Travelling and subsistence	59,667	65,409
Electricity	145,023	136,964
Water and sewerage	1,964	2,198
Staff training	10,995	20,878
Insurance	40,262	47,259
Recruitment cost	1,206	2,645
Library expenses	100	(2,631)
Consultancy cost	3,951	-
Cash shortage	395	-
Corporate image and product development	9,698	2,476
	$1,530,607	$1,577,989

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

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