



Accountants &  
business advisers

**GRENADA BUILDING AND LOAN ASSOCIATION**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31ST DECEMBER, 2006**



**GRENADA BUILDING AND LOAN ASSOCIATION**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST DECEMBER, 2006**

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## **REPORT OF THE AUDITORS TO THE MEMBERS OF GRENADA BUILDING AND LOAN ASSOCIATION**

We have audited the accompanying balance sheet at 31st December, 2006 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of those charged with governance. 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above as set out on pages 3 to 11, present fairly, in all material respects, the financial position of the Association at 31st December, 2006 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

GRENADA:

29<sup>th</sup> January, 2007



Accountants & Business Advisers:

**GRENADA BUILDING AND LOAN ASSOCIATION**

**BALANCE SHEET AT 31ST DECEMBER, 2006**

	Notes	<b>2006</b>	2005
<b>ASSETS</b>			
Cash reserves		224,360	505,968
Accounts receivable and prepayments		1,690,719	1,243,668
Investments	3	16,323,245	10,868,600
Mortgage loans	4	15,584,336	16,958,504
Fixed assets	5	<u>921,223</u>	<u>941,384</u>
Total Assets		<u>34,743,883</u>	<u>30,518,124</u>
<b>CURRENT LIABILITIES</b>			
Depositors' accounts	6	20,737,657	18,017,412
Accrued expenses		22,442	17,715
Provision for taxation		151,293	5,036
Members Hurricane Rehabilitation account		<u>1,683</u>	<u>20,353</u>
Total liabilities		<u>20,913,075</u>	<u>18,060,516</u>
<b>NET ASSETS</b>		<u>\$13,830,808</u>	<u>\$12,457,608</u>
<b>FINANCED BY:</b>			
<b>Shareholder's Equity</b>			
Stated capital	7	12,331,401	11,245,506
Appraisal excess	8	489,062	489,062
General reserve	9	900,000	780,000
(Accumulated Losses)/ Retained earnings		<u>110,345</u>	<u>(56,960)</u>
		<u>\$13,830,808</u>	<u>\$12,457,608</u>

The notes on pages 7 to 11 form part of these financial statements

:Director

:Director

**GRENADA BUILDING AND LOAN ASSOCIATION**

**STATEMENT OF INCOME  
FOR THE YEAR ENDED 31ST DECEMBER, 2006**

	<b>2006</b>	2005
<b>Gross Income</b>		
Loans - Interest and fines	1,967,770	1,825,524
Interest on investments	<u>993,940</u>	<u>830,735</u>
	2,961,710	2,656,259
Less: Interest on depositors' accounts	<u>844,490</u>	<u>769,633</u>
Operating interest income	2,117,220	1,886,626
Less: Provision for loan losses	<u>250,000</u>	<u>488,930</u>
Net interest income	1,867,220	1,397,676
Bad debts recovered	72,580	58,950
Other income	<u>20,730</u>	<u>16,600</u>
	<u>1,960,530</u>	<u>1,473,246</u>
General and administrative expenses	543,491	558,807
Depreciation	<u>96,704</u>	<u>89,051</u>
	<u>640,195</u>	<u>647,858</u>
Earnings before taxation	1,320,335	825,388
Less: Provision for income tax	<u>385,356</u>	<u>259,399</u>
Net earnings for year	<u>\$934,979</u>	<u>\$565,989</u>

The notes on pages 7 to 11 form part of these financial statements

**GRENADA BUILDING AND LOAN ASSOCIATION**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED 31ST DECEMBER, 2006**

	Stated Capital	Appraisal Excess	General Reserve	(Accumulated Losses)/ Retained Earnings	Total
Balance at January 1 <sup>st</sup> , 2005	10,771,415	489,062	780,000	63,847	12,104,324
Shares issued	474,092	-	-	-	474,092
Net earnings for the year	-	-	-	565,989	565,989
Dividends paid	<u>-</u>	<u>-</u>	<u>-</u>	<u>(686,796)</u>	<u>( 686,796)</u>
Balance at December 31 <sup>st</sup> , 2005	11,245,507	489,062	780,000	(56,960)	12,457,609
Shares issued	1,085,894	-	-	-	1,085,894
Prior year adjustment	-	-	-	14,697	14,697
Net earnings for the year	-	-	-	934,979	934,979
Dividends paid	-	-	-	(662,371)	(662,371)
Transfer to general reserve	<u>-</u>	<u>-</u>	<u>120,000</u>	<u>(120,000)</u>	<u>-</u>
Balance at December 31 <sup>st</sup> , 2006	<u>\$12,334,401</u>	<u>\$489,062</u>	<u>\$900,000</u>	<u>\$110,345</u>	<u>\$13,830,808</u>

The notes on pages 7 to 11 form part of these financial statements

**GRENADA BUILDING AND LOAN ASSOCIATION**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31ST DECEMBER, 2006**

	<b>2006</b>	2005
<b>Cash flows from operating activities</b>		
Net earnings for the year	934,979	565,989
Adjustments for:		
Depreciation	96,704	89,051
Prior year adjustment	14,697	-
<b>Operating profit before working capital changes</b>	1,046,380	655,040
Increase in accounts receivable and prepayments	(447,052)	(207,456)
Increase/(decrease) in accrued expenses and taxation	<u>132,314</u>	<u>(1,341,938)</u>
Net cash generated by/ (used in) operating activities	<u>731,642</u>	<u>(894,354)</u>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(121,815)	(470,478)
Assets disposed	45,272	6,689
Decrease/(increase) in loans	1,374,169	(1,475,559)
(Increase)/decrease in investments	<u>(5,454,645)</u>	<u>824,455</u>
Net cash used in investing activities	<u>(4,157,019)</u>	<u>(1,114,893)</u>
<b>Cash flows from financing activities</b>		
Dividends paid to shareholders	(662,371)	(686,796)
Proceeds of issuance of shares	1,085,894	474,092
Increase in depositors' accounts	<u>2,720,246</u>	<u>825,100</u>
Net cash generated by financing activities	<u>3,143,769</u>	<u>612,396</u>
Net decrease in cash	(281,608)	(1,396,851)
Cash balance - beginning of year	<u>505,968</u>	<u>1,902,819</u>
- end of year	<u>\$224,360</u>	<u>\$505,968</u>

The notes on pages 7 to 11 form part of these financial statements

**GRENADA BUILDING AND LOAN ASSOCIATION**

**NOTES TO THE FINANCIAL STATEMENTS  
AT 31ST DECEMBER, 2006**

**1. PRINCIPAL ACTIVITY**

The Association was registered on October 8, 1925, under the Building Societies Ordinance No. 8 of 1887.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**(A) BASIS OF ACCOUNTING**

These financial statements have been prepared in compliance with International Accounting Standards and in accordance with the historical cost convention and are expressed in Eastern Caribbean Currency Dollars.

**(B) DEPRECIATION**

Depreciation is calculated on the straight line basis, so as to write off the cost of fixed assets over the period of their estimated useful lives. The rates used are as follows:

	Per annum
Furniture and fittings	10%
Computer equipment	16 2/3%
Freehold building	5%
Air condition units	16 2/3%

**(C) REVENUE RECOGNITION**

The Association accounts for interest on loans on the accruals basis.

**(D) PROVISION FOR LOAN LOSSES**

Specific allowances are made against loans where in the opinion of Management, recovery is doubtful. Bad debts are written off when the extent of the loss is confirmed.



**GRENADA BUILDING AND LOAN ASSOCIATION**

**NOTES TO THE FINANCIAL STATEMENTS  
AT 31ST DECEMBER, 2006  
(continued)**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(E) INVESTMENTS**

- i) Investments classified as held-to-maturity are non-derivative financial assets with fixed or determinable payments, and fixed maturities that the Association has both the intent and the ability to hold to maturity.
- ii) Investments classified as available for sale are those intended to be held for an indefinite period of time which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Held-to-maturity investments comprises Government bonds and fixed deposits and are stated at cost.

Available-for-sale investments are stated at cost as fair market values are not available.

**(F) FOREIGN CURRENCIES**

Foreign currency transactions during the year have been effected at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are expressed in Eastern Caribbean Currency dollars at rates of exchange ruling on the balance sheet date. All revenue and expenditure transactions denominated in foreign currencies are translated at mid-exchange rates and the resulting profits and losses on exchange from these trading activities are dealt with in the statement of income.

**(G) FINANCIAL INSTRUMENTS**

Financial instruments consist of cash and cash equivalents, loans to members, accounts receivable, members' deposits and accounts payable. The Association does not engage in any significant transactions which are speculative in nature.

**GRENADA BUILDING AND LOAN ASSOCIATION**



**NOTES TO THE FINANCIAL STATEMENTS  
AT 31ST DECEMBER, 2006  
(continued)**

**3. INVESTMENTS**

	<b>2006</b>	2005
a) Available for sale		
Eastern Caribbean Home Mortgage Bank		
194 shares at \$100 each	19,400	19,400
6% Government of Grenada - bonds	71,000	71,000
7.5% Government of St. Kitts – bonds	500,000	500,000
6.5% Government of St. Lucia – bonds	<u>250,000</u>	<u>-</u>
	840,400	590,400
b) Held to maturity		
RBTT Bank Grenada Limited	1,100,000	-
Grenada Co-operative Bank Limited	500,000	-
CLICO International Life Insurance Limited	3,083,200	2,083,200
Colonial Life Insurance Company (Trinidad) Limited	-	1,000,000
British American Insurance Company Limited	10,550,000	6,960,000
Government of Grenada – 365 day treasury bills	<u>249,645</u>	<u>235,000</u>
	<u>\$16,323,245</u>	<u>\$10,868,600</u>

**4. MORTGAGE LOANS**

These loans are granted for individual maximum amounts of \$400,000 and bear interest at rates varying between 9% and 9.5% per annum. The loans are repayable over a maximum period of twenty (20) years.

**5. FIXED ASSETS**

	Land and Building (cost)	Land and Building (Valuation)	Furniture and Equipment	Computer equipment	Motor Vehicle	Total
<b>COST OR VALUATION</b>						
Balance at 1 <sup>st</sup> January, 2006	599,035	600,000	98,239	271,952	104,476	1,673,702
Additions	-	-	9,568	9,586	102,661	121,815
Disposals	<u>-</u>	<u>-</u>	<u>(1,257)</u>	<u>(10,175)</u>	<u>(104,476)</u>	<u>(115,908)</u>
Balance at 31 <sup>st</sup> December, 2006	<u>599,035</u>	<u>600,000</u>	<u>106,550</u>	<u>271,363</u>	<u>102,661</u>	<u>1,679,609</u>
<b>ACCUMULATED DEPRECIATION</b>						
Balance 1 <sup>st</sup> January, 2006	41,510	360,000	56,727	211,395	62,686	732,318
Charge for year	29,952	30,000	5,372	14,844	16,536	96,704
Disposals	<u>-</u>	<u>-</u>	<u>(377)</u>	<u>(7,373)</u>	<u>(62,686)</u>	<u>(70,259)</u>
Balance at 31 <sup>st</sup> December, 2006	<u>71,462</u>	<u>390,000</u>	<u>61,722</u>	<u>218,666</u>	<u>16,536</u>	<u>758,386</u>
<b>Net Book Value-2006</b>	<u>\$527,573</u>	<u>\$210,000</u>	<u>\$44,828</u>	<u>\$52,697</u>	<u>\$86,125</u>	<u>\$921,223</u>
<b>Net Book Value-2005</b>	<u>\$557,525</u>	<u>\$240,000</u>	<u>\$41,512</u>	<u>\$60,557</u>	<u>\$41,790</u>	<u>\$941,384</u>

**GRENADA BUILDING AND LOAN ASSOCIATION**

**NOTES TO THE FINANCIAL STATEMENTS  
AT 31ST DECEMBER, 2006  
(continued)**

**6. DEPOSITORS' ACCOUNTS**

Interest is payable on these accounts at varying rates of between 3% and 7.5% per annum.

**7. STATED CAPITAL**

	<b>2006</b>	2005
6% to 10% preference shares:		
Authorised - 20,000 shares of \$100 each	<u>\$2,000,000</u>	<u>\$2,000,000</u>
Issued and fully paid		
12,548 shares - (Note i)	1,254,800	1,203,900
Subscription shares - (Note ii)	<u>11,076,601</u>	<u>10,041,606</u>
	<u>\$12,331,401</u>	<u>\$11,245,506</u>

(i.) During the year 509 shares were issued for cash (2005 – 1,214 shares).

(ii.) These shares are of a total value of \$150 each, and are payable by the subscriber at the minimum rate of \$12 per share per annum. The shares are transferred to the deposit accounts when they are fully paid.

**8. APPRAISAL EXCESS**

The Association's real estate was revalued by the directors at \$600,000 as at December 31, 1993, resulting in an excess on appraisal of \$489,062.

**9. GENERAL RESERVE**

The transfer of funds to the General Reserve account is at the sole discretion of the directors.

**10. BANK SECURITY**

The Association has granted a registered demand debenture to RBTT Bank Grenada Limited, creating a first charge on all fixed and floating assets stamped to secure \$300,000 as security for any bank facilities which may be required. At the balance sheet date this facility was unused.

**11. INVESTMENT INCOME**

	<b>2006</b>	2005
Grenada Government – bonds	8,435	10,185
Grenada Government – Treasury bills	22,490	-
St. Lucia - bonds	14,896	-
St. Kitts Government - bonds	37,500	37,500
Fixed deposits	908,679	781,110
ECHMB dividend	<u>1,940</u>	<u>1,940</u>
	<u>\$993,940</u>	<u>\$830,735</u>

**GRENADA BUILDING AND LOAN ASSOCIATION**



**NOTES TO THE FINANCIAL STATEMENTS  
AT 31ST DECEMBER, 2006  
(continued)**

	<b>2006</b>	2005
<b>12. OTHER INCOME</b>		
Fees	10,905	7,525
Rent	<u>9,825</u>	<u>9,075</u>
	<u>\$20,730</u>	<u>\$16,600</u>
<b>13. APPROPRIATIONS</b>		
Dividends on Preference Shares:	48,955	44,639
Interim - 4% (2005 - 4%)	49,741	47,163
Final - 4% (2005 - 4%)		
Dividends on Subscription Shares:	234,105	253,154
Interim - 3% (2005 - 3.5%)	<u>329,570</u>	<u>341,840</u>
Final - 4% (2005 - 4%)		
	<u>\$662,371</u>	<u>\$686,796</u>
<b>14. PRIOR YEAR ADJUSTMENT</b>		
Provision for income tax overstated	<u>\$14,697</u>	\$ -

**15. FINANCIAL INSTRUMENTS**

i) Credit Risk

Credit risk arises from the possibility that counter parties may default on their obligations to the Association. The maximum credit risk exposure of financial assets recognized in the balance sheet is represented by the carrying amount of the financial assets.

Concentration of credit risk exist if a number of clients 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 Association's performance to developments affecting a particular industry or geographical location. Management does not believe that the concentration is unusual or provide undue risk.

ii) Interest rate risk

Interest rate risk mainly arises through interest bearing liabilities and assets. Fluctuations in interest rates on the Association's financial assets may expose it to interest rate risk.

iii) Fair Value

Fair value amounts represent the approximate values at which financial instruments could be exchanged in current transactions between willing parties. However, the Association'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 values.

**GRENADA BUILDING AND LOAN ASSOCIATION**

**MANAGEMENT INFORMATION SCHEDULE**

**AT 31ST DECEMBER, 2006**

**STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>2006</b>	2005
Salaries and wages	272,791	262,520
Bonus to staff	46,020	44,100
National insurance contributions	8,895	8,041
AGM expense	4,728	820
Directors' fees	27,300	27,300
Auditor's fees	14,000	14,000
Advertising	3,592	4,183
General consumption tax	700	670
Repairs and maintenance		
- computer	8,448	18,232
- equipment	2,359	3,723
- building	10,797	925
Counsel retainer's fee	126	126
Miscellaneous expenses	7,635	8,806
Relocation expenses	-	31,822
Rates and taxes	11,233	10,032
Insurance	18,024	12,453
Postage revenue stamps	1,273	1,757
Stationery, books and office supplies	12,071	11,715
Telephone	16,863	20,702
Electricity	15,599	14,244
Travelling expenses	2,400	2,800
Staff training	6,198	6,078
Donations	3,832	9,220
Health insurance	6,753	5,526
Pension contributions	20,499	19,834
Motor vehicle expense	7,760	8,502
Uniforms	4,869	3,987
Staff benefits	2,614	6,689
Interest and bank charges	840	-
Loss on asset disposal	5,272	-
	<u>\$543,491</u>	<u>\$558,807</u>