

GRENADA BUILDING AND LOAN ASSOCIATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER, 2007

GRENADA BUILDING AND LOAN ASSOCIATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2007

CONTENTS

	Page
AUDITORS' REPORT	2
BALANCE SHEET	3
STATEMENT OF INCOME	4
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	5
STATEMENT OF CASH FLOWS	6
NOTES TO THE FINANCIAL STATEMENTS	7 to 12
MANAGEMENT INFORMATION SCHEDULE	13

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GRENADA BUILDING AND LOAN ASSOCIATION

We have audited the accompanying financial statements of the company which comprise the balance sheet at 31st December, 2007 and the related statement of income, statement of changes in shareholders' 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 statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements present fairly in all material respects, the financial performance of the Company as of 31st December, 2007 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

GRENADA:

February 8th, 2008



Accountants & business advisers:

GRENADA BUILDING AND LOAN ASSOCIATION

BALANCE SHEET AT 31ST DECEMBER, 2007

	Notes	2007	2006
ASSETS			
Cash reserves		1,020,675	224,360
Accounts receivable and prepayments		1,590,465	1,690,719
Investments	4	20,611,163	16,323,245
Mortgage loans	5	17,006,217	15,584,336
Fixed assets	6	<u>841,875</u>	<u>921,223</u>
Total Assets		<u>41,070,395</u>	<u>34,743,883</u>
CURRENT LIABILITIES			
Depositors' accounts	7	26,367,880	20,737,657
Accrued expenses		33,545	22,442
Provision for taxation		64,014	151,293
Members Hurricane Rehabilitation account		<u>-</u>	<u>1,683</u>
Total liabilities		<u>26,465,439</u>	<u>20,913,075</u>
NET ASSETS		<u>\$14,604,956</u>	<u>\$13,830,808</u>
FINANCED BY:			
Shareholder's Equity			
Stated capital	8	12,833,824	12,331,401
Appraisal excess	9	489,062	489,062
General reserve	10	1,000,000	900,000
Retained earnings		<u>282,070</u>	<u>110,345</u>
		<u>\$14,604,956</u>	<u>\$13,830,808</u>

The notes on pages 7 to 12 form part of these financial statements

:Director

:Director

GRENADA BUILDING AND LOAN ASSOCIATION

**STATEMENT OF INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2007**

	Notes	2007	2006
Gross Income			
Loans - Interest and fines		1,709,812	1,967,770
Interest on investments	12	<u>1,567,165</u>	<u>993,940</u>
		3,276,977	2,961,710
Less: Interest on depositors' accounts		<u>1,117,500</u>	<u>844,490</u>
Operating interest income		2,159,477	2,117,220
Less: Provision for loan losses		<u>132,490</u>	<u>250,000</u>
Net interest income		2,026,987	1,867,220
Bad debts recovered		7,700	72,580
Other income	13	<u>19,280</u>	<u>20,730</u>
		<u>2,053,967</u>	<u>1,960,530</u>
General and administrative expenses		561,397	543,491
Depreciation		<u>112,263</u>	<u>96,704</u>
		<u>673,660</u>	<u>640,195</u>
Earnings before taxation		1,380,307	1,320,335
Less: Provision for income tax		<u>414,225</u>	<u>385,356</u>
Net earnings for year		<u>\$966,082</u>	<u>\$934,979</u>

The notes on pages 7 to 12 form part of these financial statements

GRENADA BUILDING AND LOAN ASSOCIATION
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31ST DECEMBER, 2007

	Stated Capital	Appraisal Excess	General Reserve	(Accumulated Losses)/ Retained Earnings	Total
Balance at January 1 st , 2006	11,245,507	489,062	780,000	(56,960)	13,457,609
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 st , 2006	12,331,401	489,062	900,000	110,345	13,830,808
Shares issued	502,423	-	-	-	502,423
Net earnings for the year	-	-	-	966,082	966,082
Dividends paid	-	-	-	(695,557)	(695,557)
Profit on preference share repurchased	-	-	-	1,200	1,200
Transfer to general reserve	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>
Balance at December 31 st , 2007	<u>\$12,833,824</u>	<u>\$489,062</u>	<u>\$1,000,000</u>	<u>\$282,070</u>	<u>\$14,604,956</u>

The notes on pages 7 to 12 form part of these financial statements

GRENADA BUILDING AND LOAN ASSOCIATION

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER, 2007**

	2007	2006
Cash flows from operating activities		
Net earnings for the year	966,082	934,979
Adjustments for:		
Depreciation	112,263	96,704
Prior year adjustment	<u> -</u>	<u>14,697</u>
Operating profit before working capital changes	1,078,345	1,046,380
Decrease/(increase) in accounts receivable and prepayments	100,254	(447,052)
(Decrease)/increase in accrued expenses and taxation	<u>(77,859)</u>	<u>132,314</u>
Net cash generated by operating activities	<u>1,100,740</u>	<u>731,642</u>
Cash flows from investing activities		
Purchase of fixed assets	(33,153)	(121,815)
Assets disposed	243	45,272
(Increase)/decrease in loans	(1,421,886)	1,374,169
Increase in investments	<u>(4,287,918)</u>	<u>(5,454,645)</u>
Net cash used in investing activities	<u>(5,742,714)</u>	<u>(4,157,019)</u>
Cash flows from financing activities		
Dividends paid to shareholders	(695,557)	(662,371)
Proceeds of issuance of shares	502,423	1,085,894
Increase in depositors' accounts	5,630,223	2,720,246
Profit on repurchase of preference shares	<u>1,200</u>	<u> -</u>
Net cash generated by financing activities	<u>5,438,289</u>	<u>3,143,769</u>
Net increase/(decrease) in cash	796,315	(281,608)
Cash balance - beginning of year	<u>224,360</u>	<u>505,968</u>
- end of year	<u>\$1,020,675</u>	<u>\$224,360</u>

The notes on pages 7 to 12 form part of these financial statements

GRENADA BUILDING AND LOAN ASSOCIATION

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2007**

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

The financial statements of Grenada Building and Loan Association have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and financial investments.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company'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.

Standards, interpretations and amendments to published standards effective in financial year 2007

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The company's management has assessed the relevance of all such new standards, interpretations and amendments and have applied those that are relevant to its operations.

(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%

GRENADA BUILDING AND LOAN ASSOCIATION

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2007
(continued)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(E) INVESTMENTS

The Association classifies its financial investments into two categories: available for sale and loans and receivables. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates this designation at every reporting date.

Available-for-sale

Investments classified as available-for-sale are those securities 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. Available-for-sale securities are initially recognised at cost (which includes transaction costs) and are subsequently re-measured at fair value based on quoted market prices where available. However, where a reliable measure is not available, the investment is carried at cost.

Loans and receivables

Loans and receivables are non-derivative financial investments with fixed or determinable payments that are not quoted in active market. They are included in financial investments and are classified as assets in the balance sheet. These assets are carried at amortized cost less provision for impairment.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount and there is objective evidence of impairment. The recoverable amount of an instrument measured at fair value is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset.

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2007
(continued)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Valuation of property

The Association does not utilise professional appraisers to determine the fair value of its properties. The directors determined the revaluation.

Fair value of available-for-sale investments

The fair values of financial instruments that are not quoted in active markets are determined using the last traded value for the investment. Where no such value exists the investment is carried at cost.

GRENADA BUILDING AND LOAN ASSOCIATION



**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2007**

(continued)

4. INVESTMENTS

	2007	2006
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>250,000</u>
	840,400	840,400
b) Loans and Receivables		
RBTT Bank Grenada Limited	1,139,807	1,100,000
Grenada Co-operative Bank Limited	-	500,000
CLICO International Life Insurance Limited	3,750,000	3,083,200
British American Insurance Company Limited	<u>14,536,928</u>	<u>10,550,000</u>
	20,267,135	16,073,600
c) Held to maturity		
Government of Grenada – 365 day treasury bills	<u>344,028</u>	<u>249,645</u>
	<u>\$20,611,163</u>	<u>\$16,323,245</u>

5. 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.

6. FIXED ASSETS

	Land and Building (cost)	Land and Building (Valuation)	Furniture and Equipment	Computer equipment	Motor Vehicle	Total
COST OR VALUATION						
Balance at 1 st January, 2007	599,035	600,000	106,550	271,363	102,661	1,679,609
Additions	-	-	9,642	23,511	-	33,153
Disposals	-	-	(400)	-	-	(400)
Balance at 31 st December, 2007	<u>599,035</u>	<u>600,000</u>	<u>115,792</u>	<u>294,874</u>	<u>102,661</u>	<u>1,712,362</u>
ACCUMULATED DEPRECIATION						
Balance 1 st January, 2007	71,462	390,000	61,722	218,666	16,536	758,386
Charge for year	29,952	30,000	9,905	21,874	20,532	112,263
Disposals	-	-	(162)	-	-	(162)
Balance at 31 st December, 2007	<u>101,414</u>	<u>420,000</u>	<u>71,465</u>	<u>240,540</u>	<u>37,068</u>	<u>870,487</u>
Net Book Value-2007	<u>\$497,621</u>	<u>\$180,000</u>	<u>\$44,327</u>	<u>\$54,334</u>	<u>\$65,593</u>	<u>\$841,875</u>
Net Book Value-2006	<u>\$527,573</u>	<u>\$210,000</u>	<u>\$44,828</u>	<u>\$52,697</u>	<u>\$86,125</u>	<u>\$921,223</u>

GRENADA BUILDING AND LOAN ASSOCIATION

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2007
(continued)**

7. DEPOSITORS' ACCOUNTS

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

8. STATED CAPITAL

	2007	2006
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)	1,286,000	1,254,800
Subscription shares - (Note ii)	<u>11,547,824</u>	<u>11,076,601</u>
	<u>\$12,833,824</u>	<u>\$12,331,401</u>

(i.) During the year 312 shares were issued for cash (2006 – 509 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.

9. 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.

10. GENERAL RESERVE

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

11. 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.

12. INVESTMENT INCOME

	2007	2006
Grenada Government – bonds	6,356	8,435
Grenada Government – Treasury bills	19,729	22,490
St. Lucia - bonds	16,388	14,896
St. Kitts Government - bonds	37,500	37,500
Fixed deposits	1,485,252	908,679
ECHMB dividend	<u>1,940</u>	<u>1,940</u>
	<u>\$1,567,165</u>	<u>\$993,940</u>

GRENADA BUILDING AND LOAN ASSOCIATION

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2007
(continued)**

	2007	2006
13. OTHER INCOME		
Fees	9,380	10,905
Rent	<u>9,900</u>	<u>9,825</u>
	\$19,280	\$20,730
 14. APPROPRIATIONS		
Dividends on Preference Shares:		
Interim - 4% (2006- 4%)	50,763	48,955
Final - 4% (2006- 4%)	50,877	49,741
Dividends on Subscription Shares:		
Interim – 3.5(2006 - 3%)	295,324	234,105
Final – 3.5% (2006 - 4%)	<u>298,593</u>	<u>329,570</u>
	\$695,557	\$662,371

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
FOR THE YEAR ENDED 31ST DECEMBER, 2007**

STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES

	2007	2006
Salaries and wages	287,780	272,791
Bonus to staff	47,680	46,020
National insurance contributions	9,829	8,895
AGM expense	6,766	4,728
Directors' fees	29,400	27,300
Auditor's fees	14,000	14,000
Advertising	6,982	3,592
General consumption tax	700	700
Repairs and maintenance		
- computer	7,615	8,448
- equipment	2,960	2,359
- building	4,840	10,797
Counsel retainer's fee	126	126
Miscellaneous expenses	743	7,635
Rates and taxes	11,369	11,233
Insurance	16,981	18,024
Postage revenue stamps	2,185	1,273
Stationery, books and office supplies	16,430	12,071
Telephone	19,535	16,863
Electricity	16,113	15,599
Travelling expenses	2,484	2,400
Staff training	1,781	6,198
Donations	4,637	3,832
Health insurance	6,753	6,753
Pension contributions	21,384	20,499
Motor vehicle expense	10,080	7,760
Uniforms	7,136	4,869
Customer appreciation	4,780	2,614
Interest and bank charges	85	840
Loss on asset disposal	243	5,272
	<u>\$561,397</u>	<u>\$543,491</u>