



Accountants &
business advisers

GRENREAL PROPERTY CORPORATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER, 2009

GRENREAL PROPERTY CORPORATION LIMITED



**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2009**

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Directors

Mr. Ambrose Phillip, Chairman, (Grenada)
Mr. Hendrik A. Van Dijk, CEO, (Netherlands)
Mr. Sükrü Errenngün (Netherlands)
Mr. Orrie Chandler, (Barbados)
Mr. Winston Whyte, (Grenada)
Mr. Ronald Hughes, (Grenada)
Mr. Nigel John, (from 21/01/09)
Mr. Alfred Logie, (from 21/01/09)
Mr. Philbert Lewis, (from 21/01/09)

Company Secretary

Mr. Ian Evans

Auditors

Messrs. PKF
Accountants and Business Advisers

Solicitors

Messrs. Renwick & Payne.
Attorneys-at-law, Conveyancers & Notary Public

Registered Office

Melville Street
P.O. Box 1950
St. George's
Grenada.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
GRENREAL PROPERTY CORPORATION LIMITED**

We have audited the accompanying financial statements of the company which comprise the statement of financial position at 31st December, 2009 and the related statement of comprehensive income, changes in equity and statement of 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 position of the company as of 31st December, 2009 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

GRENADA:

16th March, 2010



Accountants & business advisers:

GRENREAL PROPERTY CORPORATION LIMITED

STATEMENT OF FINANCIAL POSITION AT 31ST DECEMBER, 2008



ASSETS	Notes	2009	2008
Non-Current Assets			
Plant and equipment	4	46,116	67,948
Investment property	5	79,000,000	87,000,000
Public listing	6	<u>151,532</u>	<u>170,473</u>
		<u>79,197,648</u>	<u>87,238,421</u>
Current Assets			
Trade and other receivables	7	390,104	312,303
Cash and cash equivalents	8	<u>516,035</u>	<u>451,608</u>
		<u>906,139</u>	<u>763,911</u>
TOTAL ASSETS		<u>\$80,103,787</u>	<u>\$88,002,332</u>
EQUITY AND LIABILITIES			
Stated Capital	9	25,365,000	25,365,000
Retained earnings		<u>14,296,764</u>	<u>22,934,731</u>
TOTAL EQUITY		<u>39,661,764</u>	<u>48,299,731</u>
Non-Current Liabilities			
Long-term borrowings	10	36,173,052	34,990,000
Shareholders' loan	11	<u>683,307</u>	<u>-</u>
		<u>36,856,359</u>	<u>34,990,000</u>
Current Liabilities			
Trade and other payables	12	1,527,832	1,158,274
Short-term borrowings	10	1,462,048	-
Amount due to related parties	13	116,524	493,781
Proposed building improvement	14	<u>479,260</u>	<u>3,060,546</u>
		<u>3,585,664</u>	<u>4,712,601</u>
TOTAL LIABILITIES		<u>40,442,023</u>	<u>39,702,601</u>
TOTAL EQUITY AND LIABILITIES		<u>\$80,103,787</u>	<u>\$88,002,332</u>

The notes on pages 8 to 22 form part an integral of these financial statements

: Director

: Director

GRENREAL PROPERTY CORPORATION LIMITED



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

	Notes	2009	2008
Rental income – rental units		5,392,118	6,104,352
- kiosks		160,875	159,517
Service re-charge		258,616	272,233
Parking		<u>169,575</u>	<u>111,019</u>
		<u>5,981,184</u>	<u>6,647,121</u>
Operational expenses	18	(2,164,711)	(1,903,301)
General expenses	19	(465,765)	(229,676)
Depreciation		(43,432)	(41,277)
Bad debt		(31,437)	-
Other income		<u>13,560</u>	<u>-</u>
		<u>(2,691,785)</u>	<u>(2,174,254)</u>
Operating profit		3,289,399	4,472,867
Finance income	15	18,527	-
Finance cost	16	<u>(2,768,788)</u>	<u>(2,632,167)</u>
Profit for the year		539,138	1,840,700
Other comprehensive income:			
Loss/(gain) in fair value on investment property		<u>(8,180,968)</u>	<u>4,150,000</u>
Total comprehensive (deficit) /income for the year		<u>\$(7,641,830)</u>	<u>\$5,990,700</u>

The notes on pages 8 to 22 form an integral part of these financial statements

GRENREAL PROPERTY CORPORATION LIMITED



**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31st DECEMBER, 2009**

	Stated Capital	Retained Earnings	Total Equity
Balance at 1 st January, 2008	25,365,000	16,944,031	42,309,031
Total comprehensive income for the year	<u>-</u>	<u>5,990,700</u>	<u>5,990,700</u>
Balance at 31 st December, 2008	25,365,000	22,934,731	48,299,731
Dividends paid	-	(996,137)	(996,137)
Total comprehensive deficit for the year	<u>-</u>	<u>(7,641,830)</u>	<u>(7,641,830)</u>
Balance at 31 st December, 2009	<u>\$25,365,000</u>	<u>\$14,296,794</u>	<u>\$39,661,764</u>

The notes on pages 8 to 22 form an integral part of these financial statements

GRENREAL PROPERTY CORPORATION LIMITED



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

	2009	2008
OPERATING ACTIVITIES		
(Loss)/profit for the year	(7,641,830)	5,990,700
Adjustments for:		
Depreciation	43,432	41,277
Loss/(gain) on fair value adjustment of investment property	<u>8,180,968</u>	<u>(4,150,000)</u>
Operating profit before working capital changes	582,570	1,881,977
Increase in trade and other receivables	(77,801)	(159,923)
Increase/(decrease) in trade and other payables	369,558	(573,784)
Decrease in amount due to related parties	(377,257)	(677,803)
(Decrease)/increase in proposed building development	<u>(2,581,286)</u>	<u>3,060,546</u>
Net cash (used in)/provided by operating activities	<u>(2,084,216)</u>	<u>3,531,013</u>
INVESTING ACTIVITIES		
Purchase of plant and equipment	(2,659)	(10,108)
Purchase of investment property	(180,968)	(3,500,000)
Listing on Eastern Caribbean Securities Exchange	<u>-</u>	<u>(189,414)</u>
Net cash used in investing activities	<u>(183,627)</u>	<u>(3,699,522)</u>
FINANCING ACTIVITIES		
Net proceeds from borrowings	2,142,799	-
Increase in shareholders' loan	683,307	-
Dividends paid	<u>(996,137)</u>	<u>-</u>
Net cash provided by financing activities	<u>1,829,969</u>	<u>-</u>
Net decrease in cash and cash equivalents	(437,874)	(168,509)
Cash and cash equivalents - at beginning of year	<u>451,608</u>	<u>620,117</u>
- at the end of the year	<u>\$13,734</u>	<u>\$451,608</u>
Represented By:		
Cash and cash equivalents	516,035	451,608
Bank overdraft	<u>(502,301)</u>	<u>-</u>
	<u>\$13,734</u>	<u>\$451,608</u>

The notes on pages 8 to 22 form an integral part of these financial statements

GRENREAL PROPERTY CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 31ST DECEMBER, 2009



1. CORPORATE INFORMATION

Grenreal Property Corporation Limited (the "Company") formerly St. George's Cruise Terminal Limited was incorporated on August 27, 2004 under the Grenada Companies Act 1994 and commenced operations on April 14, 2005. The Company was established to undertake the realization and operations of a Shopping Centre with duty free facilities adjacent to the new port complex in St. George's, Grenada W.I. In 2007 the company in accordance with Section 219 (225) of the Companies Act 1994, entered into an amalgamation agreement with Bruce Street Commercial Corporation Limited, the owners of the Jan Bosch building, a commercial center, located adjacent to the port complex in St. George's.

Following the amalgamation the company continued to operate under the name of Grenreal Property Corporation Limited and listed on the Eastern Caribbean Securities Exchange on 21st July, 2008.

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 to 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).

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 Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these financial statements are disclosed in Note 3.

(b) *New Accounting Standards and Interpretations*

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

IFRS 7(amended) Financial instruments disclosures

IAS 1 (revised) Presentation of financial statements

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) *New Accounting Standards and Interpretations (continued)*

IFRS 1	First-time Adoption of International Financial Reporting Standards – Amendment relating to cost of an investment on first time adoption (effective for accounting periods beginning on or after January 1, 2009).
IFRS 2	Share-based Payment – Amendment relating to vesting conditions and cancellations (effective for accounting periods beginning on or after January 1, 2009).
IFRS3	Business combinations – comprehensive revision on applying the acquisition method (effective for accounting periods beginning on or after January 1, 2009).
IFRS 8	Operating segments (effective for accounting periods beginning on or after January 1, 2009).
IAS 16	Property, plant and equipment – amendments resulting from May 2008 annual improvements to IFRS's (effective for accounting periods beginning on January 1, 2009).
IAS 19	Employee Benefits - Amendments resulting from May 2008 Annual Improvements to IFRS's (effective for accounting periods beginning on or after 1 January 2009).
IAS 20	Government Grants and Disclosure of Government Assistance - Amendments resulting from May 2008 Annual Improvements to IFRS's (effective for accounting periods beginning on or after 1 January 2009).
IAS 23	Borrowing Costs - Amendments resulting from May 2008 Annual Improvements to IFRS's (effective for accounting periods beginning on or after 1 January 2009).
IAS 27	Consolidated and Separate Financial Statements - Amendments resulting from May 2008 Annual Improvements to IFRS's (effective for accounting periods beginning on or after 1 January 2009).
IAS 28	Investment in Associates - Amendments resulting from May 2008 Annual Improvements to IFRS's (effective for accounting periods beginning on or after 1 January 2009).
IAS 29	Financial Reporting in Hyperinflationary Economies - Amendments resulting from May 2008 Annual Improvements to IFRS's (effective for accounting periods beginning on or after 1 January 2009).

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) *New Accounting Standards and Interpretations (continued)*

- IAS 31 Interest in Joint Ventures - Amendments resulting from May 2008 Annual Improvements to IFRS's (effective for accounting periods beginning on or after 1 January 2009).
- IAS 32 Financial Instruments: Presentation – Amendments relating to puttable instruments and obligations arising on liquidation (effective for accounting periods beginning on or after 1 January 2009).
- IAS 36 Impairment of Assets - Amendments resulting from May 2008 Annual Improvements to IFRS's (effective for accounting periods beginning on or after 1 January 2009).
- IAS 38 Intangible Assets - Amendments resulting from May 2008 Annual Improvements to IFRS's (effective for accounting periods beginning on or after 1 January 2009).
- IAS 40 Investment Property - Amendments resulting from May 2008 Annual Improvements to IFRS's (effective for accounting periods beginning on or after 1 January 2009).
- IAS 41 Agriculture - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).
- IFRIC 15 Agreements for the Construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009).
- (iii) The Company has not applied the following standards, revised standards and interpretations that have been issued but are not yet effective as they either do not apply to the activities of the Company or have no material impact on its financial statements.
 - IAS 39 Financial Instruments: Recognition and Measurement - Amendments resulting from May 2008 Annual Improvements to IFRS's (effective for accounting periods beginning on or after 1 July 2009).
 - IFRS 5 Non-current Assets Held-for-sale and discontinued operations-amendments resulting from May 2008 annual improvements to IFRS's (effective for accounting periods beginning on or after July 1, 2009).
 - IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction effective for accounting periods beginning on or after 1 January 2011).
 - IFRIC 18 Transfer of Assets from Customers (effective for accounting periods beginning on or after 1 July 2009).
 - IFRIC 17 Distributions of Non-cash Assets to Owners (effective for accounting periods beginning on or after 1 July 2009).

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Plant and Equipment

Plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets carrying amounts or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company 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.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or re-valued amounts to their residual values over their estimated useful lives. The rates used are as follows:

	Per annum
Computers	33%
Office furniture and equipment	20%

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

(d) Investment Property

Property that is held for long-term rental yields or for capital appreciation or both, and is not occupied by the Company, is classified as investment property.

Investment property comprises freehold building and land held under a finance lease. The lease term is ninety-nine (99) years with an option to extend for an additional sixty-six (66) years. The lease payments were made at the commencement of the lease term.

Investment property is carried at fair value based on active market price as disclosed in Note 4. Changes in fair values are recognized in the statement of comprehensive income.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor and default a delinquency in payment are considered indicators that the trade receivable is impaired.

(f) Cash and cash equivalents

Cash and cash equivalents comprises of cash on hand and at bank. Bank overdraft is included as a component of cash and cash equivalents for the purpose of the cash flow statement. Bank overdraft is shown within borrowings in current liabilities on the statement of financial position.

(g) Stated capital

Ordinary shares are classified as equity.

(h) 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 Company has an unconditional right to defer settlement of the liability for at least twelve (12) months after the date of the statement of financial position.

(i) Taxation

The company continues to enjoy a tax holiday on corporate and other taxes as a consequence of a tax waiver granted to the developers of the land site. The tax holiday expires not before 2013.

(j) Revenue

Rental income is accounted for on an accruals basis, in accordance with the substance of the relevant agreement.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. Transactions entered into with related parties in the normal course of business are carried out on commercial terms and conditions during the year.

(l) Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date. The resulting profits and losses are dealt with in the statement of comprehensive income.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The development of estimates and the exercise of judgment in applying accounting policies may have a material impact on the Company's reported assets, liabilities, revenues and expenses. The expenses and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(a) Estimate of Fair Value of Investment Property

The best estimate of fair value is current prices in an active market for similar assets. The Company considers information relating to tenants and assumptions relating to tenancy, rents and expenses over a ten (10) year period.

(b) Principal assumptions for Management's Estimation of Fair Value

The principal assumptions underlying management's estimates of fair value are those related to; the receipts of contractual rental; expected future market rentals; maintenance requirements; and appropriate discount rates.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

GRENREAL PROPERTY CORPORATION LIMITED



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

4. PLANT AND EQUIPMENT

Cost	Computers	Office Furniture and Equipment	Total
Balance at 1 st January, 2009	37,770	55,746	93,516
Additions for the year	<u>2,659</u>	<u>-</u>	<u>2,659</u>
Balance at 31 st December, 2009	<u>40,429</u>	<u>55,746</u>	<u>96,175</u>
Accumulated Depreciation			
Balance at 1 st January, 2009	13,489	12,079	25,568
Charge for the year	<u>13,342</u>	<u>11,149</u>	<u>24,491</u>
Balance at 31 st December, 2009	<u>26,831</u>	<u>23,228</u>	<u>50,059</u>
NET BOOK VALUE - 2009	<u>\$13,598</u>	<u>\$32,518</u>	<u>\$46,116</u>
NET BOOK VALUE - 2008	<u>\$24,281</u>	<u>\$43,667</u>	<u>\$67,948</u>

5. INVESTMENT PROPERTY

	2009	2008
Balance at 1 st January, 2009	87,000,000	79,350,000
Additions during the year	180,968	-
Other additions	<u>-</u>	<u>3,500,000</u>
	87,180,968	82,850,000
Net (loss)/gain from fair value adjustment	<u>(8,180,968)</u>	<u>4,150,000</u>
Balance at 31 st December, 2009	<u>\$79,000,000</u>	<u>\$87,000,000</u>

The property is located at Melville Street is St. George's. The fair value is based on valuation performed by an independent professional valuator with recent experience in the location and category of the investment property. The last valuation at 31st December, 2009 was done by Terra Caribbean.

Included in the valuation is an additional lot of land (331.8 square meters) donated to the company by one of its shareholders, St. George's Development Company Limited, and utilized as the parking area. No consideration was given for the additional lot.

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

6. PUBLIC LISTING

	2009	2008
Balance at 31 st December, 2009	170,473	189,414
Less: Amortisation	(18,941)	(18,941)
Balance at 31 st December, 2009	<u>\$151,532</u>	<u>\$170,473</u>

This amount relates to costs for establishing the public listing of the company on the Eastern Caribbean Stock Exchange which have been capitalized. The original cost is being amortised over a ten (10) year period.

7. TRADE AND OTHER RECEIVABLES

Trade receivables	218,684	131,054
Prepayments	105,272	138,896
Other receivables	<u>66,148</u>	<u>42,353</u>
	<u>\$390,104</u>	<u>\$312,303</u>

As at 31st December, 2009 the ageing analysis of tenant' accounts is as follows:

	30 days	30-60 days	60-90 days	90-120 days	Over 120 days	Total
2009	<u>\$112,824</u>	<u>\$58,769</u>	<u>\$4,845</u>	<u>\$18,874</u>	<u>\$23,372</u>	<u>\$218,684</u>
2008	<u>\$54,626</u>	<u>\$76,428</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$131,054</u>

8. CASH AND CASH EQUIVALENTS

Cash on hand and at bank	516,035	451,608
Bank overdraft (note 10)	(502,301)	-
Cash and cash equivalents in the statement of cash flow	<u>\$13,734</u>	<u>\$451,608</u>

The cash at bank includes an amount of \$504,489 which is held in a savings account and is reserved for payment towards the loan facility at First Caribbean International Bank Limited.

GRENREAL PROPERTY CORPORATION LIMITED



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

9. STATED CAPITAL

	2009	2008
Authorised: 9,500,000 shares		
Issued: 7,662,598 shares of no par value	<u>\$25,365,000</u>	<u>\$25,365,000</u>

10. LONG-TERM BORROWINGS

Long term

FirstCaribbean International Bank (a)	-	15,790,000
(b)	-	18,900,000
(c)	<u>37,132,799</u>	<u>-</u>

	37,132,799	34,690,000
Less: Current portion	<u>(959,747)</u>	<u>-</u>
	<u>36,173,052</u>	<u>34,690,000</u>

Short-term

Bank overdraft	502,301	-
Borrowings current portion	<u>959,747</u>	<u>-</u>
	<u>1,462,048</u>	<u>-</u>

Total borrowings	<u>\$37,635,100</u>	<u>\$34,690,000</u>
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Loans (a) and (b) were consolidated into loan (c) during the year.

The loan is repayable over nineteen (19) years in monthly instalments of \$310,678 inclusive of interest. Interest is at the rate of 7.5% per annum.

The bank overdraft bears interest at the bank's prime rate of 8.5% plus 1.5% per annum. The overdraft limit is \$500,000 and operates as a fluctuating facility.

The overdraft is secured by a mortgage over the company's fixed and floating assets.

GRENREAL PROPERTY CORPORATION LIMITED



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

11. SHAREHOLDERS LOAN

The loan is unsecured and bears an interest rate of 10% per annum.

12. TRADE AND OTHER PAYABLES

	2009	2008
Deposits due to tenants	1,045,704	910,549
Trade payables	388,517	207,061
Other payables	<u>93,611</u>	<u>40,664</u>
	<u>\$1,527,832</u>	<u>\$1,528,274</u>

13. DUE TO RELATED PARTY

Balance outstanding	<u>\$116,524</u>	<u>\$493,781</u>
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Related Party transactions

- a) During the year, the following transactions occurred between the company and other related entities as follows:

Rental guarantee	407,039	661,295
Service fee to Melville Street Property Management Company Limited	58,464	77,465
Property management income	-	15,000
Interest expenses	29,782	79,722
Management fees	150,000	-

- b) Key management

Key management comprises directors, divisional management and senior management of the company. Compensation to these individual were as follows:

Directors' fees	<u>\$43,100</u>	<u>\$41,500</u>
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GRENREAL PROPERTY CORPORATION LIMITED



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

14. PROPOSED BUILDING IMPROVEMENTS

	2009	2008
Balance at 31 st December, 2009	\$ <u>479,260</u>	\$ <u>3,060,546</u>

The amount relates to amounts due to Volker Stevin Construction Europe - Grenada Branch for additional works done the property.

15. FINANCE INCOME

Interest income on short-term demand deposits	\$ <u>18,527</u>	\$ <u>-</u>
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16. FINANCE COST

	2009	2008
Interest on bank overdraft and other charges	(31,660)	(36,075)
Interest on borrowings	(2,689,696)	(2,516,370)
Other finance cost	<u>(47,432)</u>	<u>(79,722)</u>
	\$ <u>(2,768,788)</u>	\$ <u>(2,632,167)</u>

17. FINANCIAL RISK MANAGMENT

The company's activities expose it to a variety of financial risks: interest rate risk, credit risk, operational risk and liquidity risk. The risk management policies employed by the company to manage these risks are discussed below.

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counter-party to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers and investment securities.

i) Trade and other receivables

The company trades only with recognized, creditworthy third parties. It is the company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant.

GRENREAL PROPERTY CORPORATION LIMITED



NOTES TO THE FINANCIAL STATEMENTS
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(continued)

17. FINANCIAL RISK MANAGEMENT (continued)

ii) Other financial assets

With respect to credit risk arising from the other financial assets of the company, which are cash and cash equivalents, the company's exposure to credit risk arises from default of the counter-party, with the maximum exposure equal to the carrying amounts of the financial assets.

Maximum exposure to credit risk:

	2009	2008
Cash and cash equivalents	516,035	451,608
Trade receivables	218,684	131,054
Other receivables	<u>171,420</u>	<u>181,249</u>
	<u>\$906,139</u>	<u>\$763,911</u>

Analysis of financial assets past due but not impaired are as follows:

	Neither past due nor impaired	30-60 days	60-90 days	90-120 days	Over 120 days	Total
2009	<u>\$112,824</u>	<u>\$58,769</u>	<u>\$4,845</u>	<u>\$39,202</u>	<u>\$23,372</u>	<u>\$218,684</u>
2008	<u>\$54,626</u>	<u>\$76,428</u>	<u>\$181,749</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$131,054</u>

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The company'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 company's reputation.

The Company actively pursues the receivables process by ensuring that tenants comply with the terms and conditions of the lease. In addition, the Company negotiates favorable credit terms from suppliers. As a final measure of controlling liquidity the Company tries not to pay earlier than cash is collected from rents.

NOTES TO THE FINANCIAL STATEMENTS
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17. FINANCIAL RISK MANAGEMENT (continued)

Maturity analysis for liquidity risk:

	On Demand	Up to 1 year	1 to 5 years	Over 5 years	Total
Balance at 31st December, 2009					
Long-term borrowings	-	-	-	36,173,052	36,173,052
Shareholders' loan	-	-	683,307	-	683,307
Trade and other payables	482,128	-	1,045,704	-	1,527,832
Short-term borrowings	502,301	959,747	-	-	1,462,048
Amount due to related parties	-	116,524	-	-	116,524
Proposed building improvement	<u>479,260</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>479,260</u>
	<u>\$1,463,689</u>	<u>\$1,076,271</u>	<u>\$1,709,011</u>	<u>\$36,173,052</u>	<u>\$40,442,023</u>
Balance at 31st December, 2008					
Long-term borrowings	-	-	-	34,990,000	34,990,00
Trade and other payables	247,725	-	910,549	-	1,158,274
Amount due to related parties	-	493,781	-	-	493,781
Proposed building improvement	<u>-</u>	<u>-</u>	<u>3,060,463</u>	<u>-</u>	<u>3,060,546</u>
	<u>\$247,725</u>	<u>\$493,781</u>	<u>\$3,971,095</u>	<u>\$34,990,000</u>	<u>\$39,702,601</u>

Currency risk

Substantially all of the company's transactions, assets and liabilities are denominated in Eastern Caribbean Dollars. Therefore, the company has no significant exposure to currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The company 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 Company holds primarily fixed rate financial instruments and is therefore not significantly exposed to interest rate risk.

GRENREAL PROPERTY CORPORATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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(continued)**



17. FINANCIAL RISK MANAGEMENT (continued)

Operational risk

Operational risk is the risk derived from deficiencies relating to the company's information technology and control systems, as well as the human error and natural disasters. The company's systems are evaluated, maintained and upgraded continuously. Supervisory controls are installed to minimize human error.

The Company has secured the properties against fire and perils including natural disaster. In addition appropriate insurance for third party liability and directors' liability is in place.

18. OPERATIONAL EXPENSES

	2009	2008
Janitorial expenses	185,284	149,869
Insurance	314,741	348,449
Office rent - Operating	179,330	44,832
Accounting fees	37,800	35,804
Legal fees new rentals	26,029	63,250
Security services	323,555	312,075
Lunch and dinner	2,047	142
General maintenance	176,032	181,790
Office supplies	15,893	8,066
Directors' liability insurance	13,125	-
Parking expenses	22,336	30,522
Utilities	(62,000)	(82,132)
Salaries	272,891	240,902
Telephone	64,527	38,493
Public relations	115,318	55,013
Electricity	448,858	458,207
Water	<u>28,945</u>	<u>18,019</u>
	<u>\$2,164,711</u>	<u>\$1,903,301</u>

GRENREAL PROPERTY CORPORATION LIMITED



NOTES TO THE FINANCIAL STATEMENTS
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19. GENERAL EXPENSES

	2009	2008
Service charges – MPMC	58,805	77,465
Computer maintenance	6,840	-
Miscellaneous expenses	5,575	3,453
General management compensation	150,000	-
Directors fees	43,100	41,500
Legal fees	16,194	9,371
Audit fees	35,000	32,056
Professional fees	121,438	49,831
ECCSR yearly costs	<u>28,814</u>	<u>16,000</u>
	<u>\$465,765</u>	<u>\$229,676</u>