Accountants &
business advisers

# GRENREAL PROPERTY CORPORATION LIMITED

## FINANCIAL STATEMENTS
**(Expressed in Eastern Caribbean Dollars)**

## FOR THE YEAR ENDED

## 31ST DECEMBER, 2016

**GRENREAL PROPERTY CORPORATION LIMITED**

**FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31ST DECEMBER, 2016**
**(Expressed in Eastern Caribbean Dollars)**

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**GRENREAL PROPERTY CORPORATION LIMITED**
**(Expressed in Eastern Caribbean Dollars)**

**COMPANY PROFILE**

## Directors

Mr. Sükrü Evrengün (Zublin Grenada Limited) - Chairman
Mr. Ronald Hughes, (Guardian General Insurance (OECS) Limited) - Deputy Chairman
Ms. Fay Roberts (Zublin Grenada Limited)
Dr. Wayne Sandiford (Grenada Ports Authority)
Mr. Alfred Logie (National Insurance Scheme)
Mr. Ron Antoine (National Insurance Scheme)
Dr. Linus Thomas (St. Goerge's Newport Property Development Company Limited)
Mr. Anthony Maughn (Caribbean Financial Services Limited)
Mr. George Bain (Grenada Ports Authority)
Mr. Richard W. Duncan (Grenada Co-operative Bank Limited)
Mr. Fitzroy O'Neale (Grenada Co-operative Bank Limited/National Insurance Scheme) - Consortium

## Company Secretary

Mr. Dennis Cornwall

## 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.

Pannell House | P. O. Box 1798 | Grand Anse | St. George's
Grenada | West Indies
Tel (473) 440-2562/3014/2127/0414
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PKF
Accountants &
business advisers

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

***Opinion***

We have audited the financial statements of Grenreal Property Corporation Limited, which comprise the statement of financial position at December 31$^{st}$, 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31$^{st}$, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

***Basis for Opinion***

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Grenada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



Partners: Henry A. Joseph FCCA (Managing), Michelle A. Millet B.A., CPA, CGA (Mrs.), Michelle K. Bain ACCA (Miss.)

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

In preparing the financial statements, management is responsible for assessing the Corporation ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF**

**GRENREAL PROPERTY CORPORATION LIMITED**
**(continued)**

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists; we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

GRENADA

June 1st, 2017

PKF

Accountants & Business Advisers:

## GRENREAL PROPERTY CORPORATION LIMITED

### STATEMENT OF FINANCIAL POSITION AT 31ST DECEMBER, 2016

**(Expressed in Eastern Caribbean Dollars)**

| ASSETS | Notes | 2016 | 2015 |
|---|---|---|---|
| **Non-Current Assets** | | | |
| Plant and equipment | 4 | 38,060 | 2,968 |
| Investment property | 5 | 65,956,100 | 66,952,900 |
| | | 65,994,160 | 66,955,868 |
| **Current Assets** | | | |
| Trade and other receivables | 6 | 226,280 | 437,333 |
| Cash and cash equivalents | 7 | 643,319 | 198,252 |
| | | 869,599 | 635,585 |
| **TOTAL ASSETS** | | $66,863,759 | $67,591,453 |
| **EQUITY AND LIABILITIES** | | | |
| STATED CAPITAL | 8 | 25,365,000 | 25,365,000 |
| RETAINED EARNINGS | | 10,496,606 | 11,999,841 |
| **TOTAL EQUITY** | | 35,861,606 | 37,364,841 |
| **Non-Current Liabilities** | | | |
| Long-term borrowings | 9 | 24,400,000 | 24,400,000 |
| Shareholders' loans | 10 | 2,538,224 | 2,352,364 |
| | | 26,938,224 | 26,752,364 |
| **Current Liabilities** | | | |
| Trade and other payables | 11 | 2,858,440 | 2,241,173 |
| Amount due to related parties | 12 | 1,205,489 | 1,233,075 |
| | | 4,063,929 | 3,474,248 |
| **TOTAL LIABILITIES** | | 31,002,153 | 30,226,612 |
| **TOTAL EQUITY AND LIABILITIES** | | $66,863,759 | $67,591,453 |

The notes on pages 10 to 26 form an integral part of these financial statements

: Director                : Director

**GRENREAL PROPERTY CORPORATION LIMITED**

## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31ST DECEMBER, 2016
**(Expressed in Eastern Caribbean Dollars)**

| | Notes | **2016** | 2015 |
|---|---|---|---|
| Rental income - rental units | | 3,543,667 | 3,572,668 |
| - kiosks | | 124,114 | 118,128 |
| Service re-charge | | 190,962 | 194,124 |
| Parking | | 158,857 | 290,064 |
| | | 4,017,600 | 4,174,984 |
| Operational expenses | 15 | (1,999,885) | (1,456,355) |
| General expenses | 16 | (378,007) | (672,513) |
| Depreciation | | (12,948) | (1,977) |
| Bad debts | | (20,286) | (266,584) |
| Other income | | 112,075 | 86,282 |
| | | (2,299,051) | (2,311,147) |
| Operating profit | | 1,718,549 | 1,863,837 |
| Finance cost | 13 | (2,224,984) | (3,501,959) |
| Net loss for the year | | (506,435) | (1,638,122) |
| Rebate on debt restructuring | | - | 13,086,716 |
| (Loss)/gain on revaluation of investment property | | (996,800) | 5,162,400 |
| **Total comprehensive (loss)/income for the year** | | $(1,503,235) | $16,610,994 |

The notes on pages 10 to 26 form an integral part of these financial statements

## GRENREAL PROPERTY CORPORATION LIMITED

### STATEMENT OF CHANGES IN EQUITY
### FOR THE YEAR ENDED 31st DECEMBER, 2016
**(Expressed in Eastern Caribbean Dollars)**

| | Stated Capital | Accumulated Losses | Total Equity |
|---|---|---|---|
| Balance at 1st January, 2015 | 25,365,000 | (4,611,153) | 20,753,847 |
| Total comprehensive income for the year | - | 16,610,994 | 16,610,994 |
| Balance at 31st December, 2015 | 25,365,000 | 11,999,841 | 37,364,841 |
| Total comprehensive loss for the year | - | (1,503,235) | (1,503,235) |
| Balance at 31st December, 2016 | $25,365,000 | $10,496,606 | $35,861,606 |

The notes on pages 10 to 26 form an integral part of these financial statements

**GRENREAL PROPERTY CORPORATION LIMITED**

**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 31ST DECEMBER, 2016**
**(Expressed in Eastern Caribbean Dollars)**

| | **2016** | 2015 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Total comprehensive (loss)/income for the year | (1,503,235) | 16,610,994 |
| Adjustments for: | | |
| Depreciation | 12,949 | 1,977 |
| Loss/(gain) on revaluation of investment property | 996,800 | (5,162,400) |
| **Operating (loss)/gain before working capital changes** | (493,486) | 11,450,571 |
| Decrease in trade and other receivables | 211,053 | 110,686 |
| Increase in trade and other payables | 617,267 | 102,930 |
| (Decrease)/increase in amount due to related parties | (27,587) | 142,452 |
| Net cash provided by/(used in) operating activities | 307,247 | 11,806,639 |
| **INVESTING ACTIVITIES** | | |
| Purchase of property, plant and equipment | (48,040) | (4,000) |
| Net cash used in investing activities | (48,040) | (4,000) |
| **FINANCING ACTIVITIES** | | |
| Net repayments of borrowings | - | (12,405,742) |
| Increase in shareholders' loans | 185,860 | 740,859 |
| Net cash provided by/(used in) financing activities | 185,860 | (11,664,883) |
| Net increase in cash and cash equivalents | 445,067 | 137,756 |
| Cash and cash equivalents - at beginning of year | 198,252 | 60,496 |
| - at end of year | $643,319 | $198,252 |
| **REPRESENTED BY:** | | |
| Cash on hand and at bank | $643,319 | $198,252 |

The notes on pages 10 to 26 form an integral part of these financial statements

## 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) and under the historical cost convention.

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 judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these financial statements are disclosed in Note 4.

GRENREAL PROPERTY CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2016
(Expressed in Eastern Caribbean Dollars)
(continued)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *(b) New accounting standards, amendments and interpretations*

i) New standards, amendments and interpretations issued but not effective for the financial year beginning 1st January, 2016 and not early adopted. These either do not apply to the activities of the Company or have no material impact on its financial statements.

| Standard | Description | Effective for annual periods beginning on or after |
|---|---|---|
| IAS 7 | Statement of Cash Flows: Disclosure Initiative (amendments) | 1st January, 2017 |
| IAS 12 | Income taxes recognition of Deferred Tax Assets for Unrealized Losses (amendments) | 1st January 2017 |
| IAS 40 | Investment property: Transfer of Investment Property (amendments) | 1st January, 2018 |
| IFRS2 | Share-based payment: Classification and Measurement of Share-based payment transactions (amendments) | 1st January, 2018 |
| IFRS 9 | Financial Instruments: Classification and measurement | 1st January, 2018 |
| IFRS 15 | Revenue from Contracts with Customers | 1st January, 2018 |
| IFRS 16 | Leases | 1st January, 2019 |

## 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.

Depreciation 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 |
|---|---|
| Furniture and equipment | 10% |
| Computers | 33% |

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the statement of financial position 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 3. Changes in fair values are recognized in the statement of comprehensive income.

## 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 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 or 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) Trade payables*

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised at fair value.

### *(h) Stated Capital*

Ordinary shares are classified as equity.

### *(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 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *(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 Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial instruments carried on the statement of financial position include cash and cash equivalents, trade and other receivables, trade and other payables, amount due to related parties, shareholders' loan and borrowings. Financial assets and liabilities are carried at amounts which approximate their fair values at the statement of financial position. Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm length transaction.

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.

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.

*Impairment of financial assets*

The Company assesses at each date of the statement of financial position 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.

Impairment losses are 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. Impairment losses are recognised in the statement of comprehensive income.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *(j) Financial Instruments (continued)*

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.

### *(k) 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 is expected to continue to 2020.

### *(l) Revenue*

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

### *(m) 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.

### *(n) 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 JUDGMENTS

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, 2016**
**(Expressed in Eastern Caribbean Dollars)**
**(continued)**

## 4. PLANT AND EQUIPMENT

| | Computers | Office Furniture and Equipment | Total |
|---|---|---|---|
| **Balance at 1st January, 2015** | 64,596 | 57,743 | 122,339 |
| Cost | (64,214) | (57,180) | (121,394) |
| Accumulated depreciation | | | |
| | **$382** | **$563** | **$945** |
| **NET BOOK VALUE** | | | |
| **For the year ended 31st December, 2015** | 382 | 563 | 945 |
| Opening book value | 4,000 | - | 4,000 |
| Depreciation charge for the year | (1,697) | (280) | (1,977) |
| **NET BOOK VALUE** | **$2,685** | **$283** | **$2,968** |
| **Balance at 31st December, 2015** | | | |
| Cost | 68,596 | 57,743 | 126,339 |
| Accumulated depreciation | (65,911) | (57,460) | (123,371) |
| **NET BOOK VALUE** | **$2,685** | **$283** | **$2,968** |
| **For the year ended 31st December, 2016** | | | |
| Opening book value | 2,685 | 283 | 2,968 |
| Additions for the year | 13,393 | 34,648 | 48,041 |
| Depreciation charge for the year | (5,740) | (7,209) | (12,949) |
| **NET BOOK VALUE** | **$(10,338)** | **$27,722** | **$38,060** |
| **Balance at 31st December, 2016** | | | |
| Cost | 81,989 | 92,391 | 174,380 |
| Accumulated depreciation | (71,651) | (64,669) | (136,320) |
| **NET BOOK VALUE** | **$10,338** | **$27,722** | **$38,060** |

## 5. INVESTMENT PROPERTY

| | **2016** | 2015 |
|---|---|---|
| Balance at 1st January, 2016 | 61,790,500 | 57,923,000 |
| Net (loss)/gain from fair value adjustment | 5,162,400 | 3,867,500 |
| Balance at 31st December, 2016 | $66,952,900 | $61,790,500 |

The property is located at Melville Street in St. George's. Fair values are based on valuations performed by independent professional valuators. The last valuation at 31st December, 2016 was performed by Civil Engineer Nigel A. John, B.Sc. in March, 2017.

The valuations, included 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.

## 6. TRADE AND OTHER RECEIVABLES

| | | |
|---|---|---|
| Trade receivables - net | 196,605 | 230,317 |
| Prepayments | 4,625 | - |
| Other receivables | 25,050 | 207,016 |
| | $226,280 | $437,333 |

The movement in provision for impairment of trade receivables was as follows:

| | | |
|---|---|---|
| Balance at 1st January, 2016 | (323,519) | (76,989) |
| Increase in provision for impairment | (17,073) | (273,710) |
| Accounts written-off | - | 27,180 |
| Balance at 31st December, 2016 | $(340,592) | $(323,519) |

GRENREAL PROPERTY CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2016
(Expressed in Eastern Caribbean Dollars)

## 7. CASH AND CASH EQUIVALENTS

| | **2016** | 2015 |
|---|---|---|
| Cash and cash equivalents in the statement of cash flows | $643,319 | $198,252 |

## 8. STATED CAPITAL

| | | |
|---|---|---|
| Authorised: | | |
| 9,500,000 shares | | |
| Issued: | | |
| 7,670,302 shares of no par value | $25,365,000 | $25,365,000 |

## 9. LONG-TERM BORROWINGS

***Long term***

| | | |
|---|---|---|
| Investment Syndicate loan | | |
| (i) Grenada Co-operative Bank Limited | 12,200,000 | 12,200,000 |
| (ii) National Insurance Board | 12,200,000 | 12,200,000 |
| Total borrowings | $24,400,000 | $24,400,000 |

## 9. LONG-TERM BORROWINGS (continued)

The investment syndicate loan of $24,400,000 for which the Caribbean Financial Services Corporation is the trustee bears interest at the rate of 7% per annum for five (5) years. Interest is to be paid quarterly. This is a non-amortizing loan bond and is subject to refinancing after five (5) years. The bond holders' first call is eighteen (18) months on every six (6) months thereafter until year five (5).

The loan is secured as follows:

i) Mortgage debenture over the building and land of the Duty Free Centre/Cruise Terminal building, registered and stamped to cover $18.9 Million.

ii) A registered first charge demand debenture stamped up to EC$24.4 Million over the fixed and floating assets of the company.

iii) Mortgage debenture over the land and building of the Jan Bosch Building, registered and stamped to cover EC$22.95 Million.

iv) Insurance over the Cruise Terminal and Jan Bosch building.

## 10. SHAREHOLDERS' LOANS

Shareholders' loans are unsecured and bear interest at the rate of 10% per annum. There are no fixed repayment dates for the loans.

## 11. TRADE AND OTHER PAYABLES

| | **2016** | 2015 |
|---|---|---|
| Deposits due to tenants | 510,897 | 524,302 |
| Trade payables and accruals | 2,333,918 | 1,705,871 |
| Other payables | 13,625 | 11,000 |
| | $2,858,440 | $2,241,173 |

## 12. AMOUNT DUE TO RELATED PARTIES

| | **2016** | 2015 |
|---|---|---|
| Balance at 31st December, 2016 | $1,205,489 | $1,233,075 |

This amount is due to Zublin Grenada Limited, Melville Street Property Management Company Limited and St. George's Newport Development Company Limited.

**Related Party transactions**

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

| | | |
|---|---|---|
| Property management income | 15,000 | 30,000 |
| Interest expense | 280,466 | 264,246 |
| Management fees expense | 160,000 | 112,500 |

b) Key management

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

| | | |
|---|---|---|
| Directors' fees | $42,300 | $11,822 |

## 13. FINANCE COST

| | **2016** | 2015 |
|---|---|---|
| Loan restructuring cost | - | (802,599) |
| Interest on bank overdraft and other charges | (284,413) | (268,064) |
| Interest on borrowings | (1,712,679) | (2,286,978) |
| Other finance cost | (227,892) | (144,318) |
| | $(2,224,984) | $(3,501,959) |

## 14. 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.

## 14. 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 of credit risk:

| | **2016** | 2015 |
|---|---|---|
| Cash and cash equivalents | 643,319 | 198,252 |
| Trade receivables | 226,280 | 437,333 |
| | $869,599 | $635,585 |

Analysis of trade receivables past due but not impaired are as follows:

| | Neither past due nor impaired | Past due but not impaired<br>30-60 days | 61-90 days | Over 90 days | Total |
|---|---|---|---|---|---|
| **2016** | $90,448 | $52,838 | $ - | $53,319 | $196,605 |
| **2015** | $96,933 | $53,630 | $ - | $79,754 | $230,317 |

Analysis of financial assets individually impaired:

Trade and other receivables:

| | | |
|---|---|---|
| Carrying amount | (340,592) | 323,519 |
| Provision for impairment | (340,592) | (323,519) |
| Net book value | $ - | $ - |

Trade receivables are provided for on a specific basis. Receivables are generally written-off when there is no expectation of recovering amounts due.

## 14. FINANCIAL RISK MANAGEMENT (continued)

*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 form suppliers. As a final measure of controlling liquidity the Company tries not to pay earlier than cash is collected from rents.

Maturity analysis for liquidity risk:

| | On Demand | Up to 1 year | 1 to 5 years | Total |
|---|---|---|---|---|
| **Balance at 31st December, 2016** | | | | |
| Long-term borrowings | - | - | 24,400,000 | 24,400,000 |
| Shareholders' loans | - | - | 2,358,224 | 2,352,224 |
| Trade and other payables | 2,333,918 | 13,625 | 510,897 | 2,858,440 |
| Amount due to related parties | - | - | 1,205,489 | 1,205,489 |
| | $2,333,918 | $13,625 | $28,474,610 | $30,822,153 |
| **Balance at 31st December, 2015** | | | | |
| Long-term borrowings | - | - | 24,400,000 | 24,400,000 |
| Shareholders' loans | - | - | 2,352,364 | 2,352,364 |
| Trade and other payables | 1,705,871 | 11,000 | 524,302 | 2,241,173 |
| Amount due to related parties | - | - | 1,233,075 | 1,233,075 |
| | $1,705,871 | $11,000 | $28,509,741 | $30,226,612 |

## 14. FINANCIAL RISK MANAGEMENT (continued)

*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. The Company also holds no material interest bearing financial assets.

*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 is in place.

## 15. OPERATIONAL EXPENSES

| | **2016** | 2015 |
|---|---|---|
| Janitorial expenses | 144,350 | 152,851 |
| Insurance | 321,106 | 321,106 |
| Security services | 226,205 | 181,360 |
| General maintenance | 387,809 | 115,416 |
| Office supplies | 24,886 | 14,960 |
| Service charge | 292,320 | - |
| Parking expenses | 28,003 | 24,520 |
| Salaries and other staff cost | 291,851 | 271,694 |
| Telephone | 27,533 | 41,471 |
| Public relations | 21,643 | 24,465 |
| Electricity | 174,726 | 256,698 |
| Water | 59,453 | 50,408 |
| Interest and fines | - | 1,406 |
| | $1,999,885 | $1,456,355 |

## 16. GENERAL EXPENSES

| | | |
|---|---|---|
| Miscellaneous expenses | - | 3 |
| General management compensation | 160,000 | 112,500 |
| Directors fees and expenses | 42,300 | 11,800 |
| Legal fees | 102,207 | 4,240 |
| Audit fees | 18,000 | 18,000 |
| Professional fees | 37,000 | 505,974 |
| ECCSR yearly costs | 18,500 | 19,996 |
| | $378,007 | $672,513 |