PKF

Accountants &
business advisers

GRENREAL PROPERTY CORPORATION LIMITED

FINANCIAL STATEMENTS
(Expressed in Eastern Caribbean Dollars)

FOR THE YEAR ENDED

31ST DECEMBER, 2019

GRENREAL PROPERTY CORPORATION LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2019
(Expressed in Eastern Caribbean Dollars)

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COMPANY PROFILE

Directors

Mr. Ronald Hughes, (Guardian General Insurance (OECS) Limited) - Chairman
Mr. Sükrü Evrengün (Zublin Grenada Limited) – Deputy Chairman
Ms. Fay Roberts (Zublin Grenada Limited)
Mr. Ron Antoine (Grenada Ports Authority)
Mr. Dorset Cromwell (National Insurance Scheme)
Mr. Christopher Husbands (National Insurance Scheme)
Dr. Linus Thomas (St. George’s Newport Property Development Company Limited)
Mr. Anthony Maughn (Caribbean Financial Services Corporation)
Mr. George Bain (Grenada Ports Authority)
Mr. Richard W. Duncan (Grenada Co-operative Bank Limited/National Insurance Scheme) - Consortium
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

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Grenada.

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

Opinion

We have audited the financial statements of Grenreal Property Corporation Limited (the 'Company'), which comprise the statement of financial position at December 31st, 2019, 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 Company as at December 31st, 2019 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 Company 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.

Key Audit Matters

Key audit matters are those matters that in our professional judgment were of most significance in our audit of the financial statements of the current year. These matters are addressed in the context of our audit of the financial statements as a whole, and in forming our opinions thereon, and we do not provide a separate opinion on these matters. There were no key audit matters to communicate.

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.

In preparing the financial statements, management is responsible for assessing the Company 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 Company 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 Company'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 Company'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 Company 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence; and communicated with them all relationships and other matters that my reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Henry A. Joseph.

PKF

GRENADA

June 25th, 2020

Accountants & Business Advisers:

GRENREAL PROPERTY CORPORATION LIMITED

STATEMENT OF FINANCIAL POSITION AT 31ST DECEMBER, 2019
(Expressed in Eastern Caribbean Dollars)

	Notes	**2019**	2018
ASSETS			
Non-Current Assets			
Plant and equipment	4	51,868	37,220
Investment property	5	66,384,300	66,960,500
		66,436,168	66,997,720
Current Assets			
Trade and other receivables	6	306,679	497,852
Cash and cash equivalents	7	744,085	887,821
		1,050,764	1,385,673
TOTAL ASSETS		$67,486,932	$68,383,393
EQUITY AND LIABILITIES			
STATED CAPITAL	8	25,365,000	25,365,000
RETAINED EARNINGS		13,426,797	13,233,939
TOTAL EQUITY		38,791,797	38,598,939
Non-Current Liabilities			
Long-term borrowing	9	23,884,829	24,400,000
Shareholders' loans	10	2,263,356	2,208,968
		26,148,185	26,608,968
Current Liabilities			
Trade and other payables	11	878,102	1,638,402
Amount due to related parties	12	1,317,301	1,537,084
Short-term borrowing	9	351,547	-
		2,546,950	3,175,486
TOTAL LIABILITIES		28,695,135	29,784,454
TOTAL EQUITY AND LIABILITIES		$67,486,932	$68,383,393

The accompanying notes form an integral part of these financial statements

Approved by the Board of Directors on May 27th, 2020 and signed on its behalf:

: Director   : Director

GRENREAL PROPERTY CORPORATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2019
(Expressed in Eastern Caribbean Dollars)

	Notes	**2019**	2018
Rental income - rental units		4,084,533	3,787,003
- kiosks		126,004	122,633
Service re-charge		212,569	201,097
Parking		170,693	195,330
Other income		64,105	212,386
		4,657,904	4,518,449
Operational expenses	17	(1,790,735)	(1,681,136)
General expenses	18	(295,332)	(380,664)
Depreciation		(20,619)	(16,913)
Expected credit gain		57,030	170,493
		(2,049,656)	(1,908,220)
Operating profit		2,608,248	2,610,229
Finance cost	13	(1,836,128)	(1,957,547)
Net profit for the year		772,120	652,682
(Loss)/gain on revaluation of investment property		(579,262)	1,025,700
Total comprehensive income for the year		$192,858	$1,678,382

The accompanying notes form an integral part of these financial statements

GRENREAL PROPERTY CORPORATION LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER, 2019
(Expressed in Eastern Caribbean Dollars)

	Stated Capital	Retained Earnings	Total Equity
Balance at 1st January, 2018	25,365,000	11,555,557	36,859,736
Total comprehensive income for the year	-	1,678,382	1,678,382
Balance at 31st December, 2018	-	13,233,939	38,598,939
Total comprehensive income for the year	-	192,858	192,858
Balance at 31st December, 2019	$25,365,000	$13,426,797	$38,791,797

The accompanying notes form an integral part of these financial statements

GRENREAL PROPERTY CORPORATION LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER, 2019
(Expressed in Eastern Caribbean Dollars)

	2019	2018
OPERATING ACTIVITIES		
Net profit for the year	772,120	652,682
Adjustments for:		
Depreciation	20,619	16,913
Operating gain before working capital changes	792,739	669,595
Decrease/(increase) in trade and other receivables	191,173	(131,790)
Decrease in trade and other payables	(760,300)	(349,291)
Decrease in amount due to related parties	(219,783)	(52,011)
Net cash provided by operating activities	3,829	136,503
INVESTING ACTIVITIES		
Purchase in investment property	(3,062)	-
Purchase of property, plant and equipment	(35,267)	(27,366)
Net cash used in investing activities	(38,329)	(27,366)
FINANCING ACTIVITIES		
Repayment of borrowing	(163,624)	-
Net increase in shareholders' loans	54,388	117,134
Net cash (used in)/provided by financing activities	(109,236)	117,134
Net (decrease)/increase in cash and cash equivalents	(143,736)	226,271
Cash and cash equivalents - at beginning of year	887,821	661,550
- at end of year	$744,085	$887,821
REPRESENTED BY:		
Cash on hand and at bank	$744,085	$887,821

The accompanying notes 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, as modified by the revaluation of investment property.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies and disclosures

(i) New accounting policies/improvements adopted

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31st, 2018 except for the adoption of the new standards and interpretations below.

IAS 16 – Lease (Effective 1st January, 2019)

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an arrangement contains a lease*, SIC 15 *Operating leases-incentives* and SIC 27 *Evaluating the Substance of Transactions involving the legal form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. Lessor accounting is subtantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Company is a Lessor.

The adoption of this standard had no effect on the Company.

IFRS 9 - Financial Instruments Amendments - Prepayment Features with Negative Compensation (Effective 1st January, 2019)

The amendments to IFRS 9 clarify that a financial asset passes the "solely payments of principal and interest" (SPPI) criterion regardless of the event or circumstances that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The basis for conclusions to the amendments clarified that the early termination can result from a contractual term or from an event outside the control of the parties to the contract such as change in law or regulation leading to the early termination of the contract.

In the basis for conclusions to the amendments, the IASB also clarified that the requirements in IFRS 9 for adjusting the amortised cost of a financial liability, when a modification does not result in derecognition, are consistent with those applied to the modification of a financial asset that does not result in derecognition.

This means that the gain or loss arising on modification of a financial liability that does not result in derecognition, calculated by discounting the change in contractual cash flows at the original effective interest rate, is immediately recognized in profit or loss. The amendments must be applied retrospectively.

These amendments had no impact on the Company as there are no debt instruments with prepayment features with negative compensation.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies and disclosures (continued)

(i) New accounting policies/improvements adopted (continued)

IFRIC 23 - Uncertainty over income tax treatment (Effective 1st January, 2019)

The IFRIC interpretation clarifies application of the recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- How an entity determines taxable profit (tax loss), unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The adoption of this standard had no impact on the Company.

IAS 12 Income Taxes - Amendment – Income tax consequences of payments on financial instruments classified as equity (Effective 1st January, 2019)

The amendments clarify that the income tax consequences on dividends are linked more directly to past transactions or events that generated distributable profits than to distributions of owners. Therefore, an entity recognized the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

These amendments have no impact on the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies and disclosures (continued)

(ii) Standards in issue not yet effective

The following is a list of standards and interpretations that are not yet effective up to the date of issuance of the Company's financial statements. The Company intends to adopt these standards where appropriate, when they become effective.

- IFRS 17 – Insurance Contracts (Effective 1 January, 2022)
- Amendments to IFRS 3 – Definition of Business (Effective 1 January, 2020)
- Amendments to IAS 1 and IAS 8 – Definition of Material (Effective 1st January, 2020)
- Amendments to References in the Conceptual Framework in IFRS Standards (Effective 1st January, 2020)

(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%

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Plant and Equipment (continued)

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.

(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 expected credit losses. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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 liablilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

(i) Recognition and measurement

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date that is the date on which the company commits itself to purchase or sell an asset. A regular way purchase and sale of financial assets is a purchase or sale of an asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned.

Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss (FVPL) whereby transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at transaction price.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial Instruments (continued)

(i) Recognition and measurement (continued)

Initial measurement (continued)

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, shareholder's loans and borrowings.

Subsequent measurement categories of financial assets and liabilities

The Company classifies all it's financial assets based on the business model for managing the assets and the asset's contractual terms.

The Company classifies all of its financial assets at amortised cost.

Amortised cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

(ii) Impairment

Impairment of financial assets

In relation to the impairment of financial assets, the Company uses an expected credit loss (ECL) model which requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date. The changes in ECL's reflects changes in credit risk since initial recognition of the financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

(ii) Impairment (continued)

Trade receivables

The Company records an allowance for expected credit losses for its trade receivables using a simplified approach to calculating ECLs whereby it recognizes a loss allowance based on lifetime ECLs at each reporting date. The ECL on these financial assets are estimated used a provision matrix that is based on it historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The provision rates used in the provision matrix are based on days past due.

Other financial assets

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If on the other hand the credit risk on a financial instrument has not increased significantly since initial recognition the Company recognizes the loss allowance for the financial instrument at an amount equal to 12-month ECL where applicable. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or actual default occurring.

Lifetime ECL represents the expected credit losses that will result for all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible with 12 months after the reporting date.

The Company seeks to hold it’s cash in financial institutions which management regards as sound and with no history of default. The risk of default on these financial assets was therefore considered to be low. The ECL for these financial assets were therefore determined to be zero.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

(ii) Impairment (continued)

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial assets have occurred. Evidence that a financial asset is credit-impaired includes observable date about the following events:

(i) Significant financial difficulty of the issuer or borrower;
(ii) A breach of contract, such as a default or past due event;
(iii) It is becoming probable that the borrower will enter in bankruptcy or other financial re-organization; and
(iv) The disappearance of an active market for that financial asset because of financial difficulties

(iii) Write offs

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally when the Company determines that the borrower does not have assets or resources of income that would generate sufficient cash flows to repay the amount subject to the write-off.

(iv) Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

(v) Financial liabilities

When financial liabilities are recognised they are measured at fair value of the consideration given plus transactions costs directly attributable to the acquisition of the liability. Financial liabilities are re-measured at amortised.

Financial liabilities are derecognized when they are extinguished, that is when the obligation specified in the contract as discharged, cancelled or expired. The difference between the carrying amount of a financial liability extinguished and the consideration price is recognised in the statement of comprehensive consideration price 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 expires on 5th September, 2023

(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.

(c) Provision for expected credit losses of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

(d) Property, plant and equipment

Management exercises judgement in determining whether future economic benefits can be derived from expenditures to be capitalized and in estimating the useful lives and residual values of the assets.

4. PLANT AND EQUIPMENT

	Computers	Office Furniture and Equipment	Total
Balance at 1st January, 2018			
Cost	83,588	92,391	175,979
Accumulated depreciation	(77,613)	(71,599)	(149,212)
NET BOOK VALUE	**$5,975**	**$20,792**	**$26,767**
For the year ended 31st December, 2018			
Opening book value	5,975	20,792	26,767
Additions for the year	19,822	7,544	27,366
Depreciation charge for the year	(9,731)	(7,182)	(16,913)
NET BOOK VALUE	**$16,066**	**$21,154**	**$37,220**
Balance at 31st December, 2018			
Cost	103,410	99,935	203,345
Accumulated depreciation	(87,344)	(78,781)	(166,125)
NET BOOK VALUE	**$16,066**	**$21,154**	**$37,220**
For the year ended 31st December, 2019			
Opening book value	16,066	21,154	37,220
Additions for the year	-	35,267	35,267
Depreciation charge for the year	(7,203)	(13,416)	(20,619)
NET BOOK VALUE	**$8,863**	**$43,005**	**$51,868**
Balance at 31st December, 2019			
Cost	65,640	135,202	200,842
Accumulated depreciation	(56,777)	(92,197)	(148,974)
NET BOOK VALUE	**$8,863**	**$43,005**	**$51,868**

5. INVESTMENT PROPERTY

	2019	2018
Balance at 1st January, 2019	66,960,500	65,934,800
Additions for the year	3,062	-
Net (loss)/gain from fair value adjustment	(579,262)	1,025,700
Balance at 31st December, 2019	$66,384,300	$66,960,500

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, 2019 was performed by Civil Engineer Nigel A. John, B.Sc. in March, 2020.

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	251,822	461,834
Prepayments	29,807	10,753
Other receivables	25,050	25,265
	$306,679	$497,852

The movement in provision for expected credit losses for trade receivables was as follows:

Balance at 1st January, 2019	(149,576)	(385,945)
Decrease in provision	83,911	236,369
Balance at 31st December, 2019	$(65,665)	$(149,576)

7. CASH AND CASH EQUIVALENTS

	2019	2018
Cash on hand and at bank	$744,085	$887,821

8. STATED CAPITAL

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

9. BORROWING

Syndicated bond		
(i) Grenada Co-operative Bank Limited	12,118,188	12,200,000
(ii) National Insurance Board	12,118,188	12,200,000
Total borrowings	24,236,376	24,400,000
Less: Short-term borrowing	(351,547)	-
Long-term borrowing	$23,884,829	$24,400,000

9. BORROWINGS (continued)

The syndicated bond is in the amount of $24,400,000 for which the Caribbean Financial Services Corporation is the trustee. The bond was refinanced in 2019 and is to be repaid in monthly instalments of $150,000 inclusive of principal and interest commencing October 2019 over fifteen (15) years. A balloon payment is to be made in year 15. Interest is at the rate of 6% per annum.

The bond 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

	2019	2018
Deposits due to tenants	558,269	493,161
Trade payables and accruals	260,531	1,118,366
Other payables	59,302	26,875
	$878,102	$1,638,402

12. AMOUNT DUE TO RELATED PARTIES

	2019	2018
Amount due to related Companies:		
Zublin Grenada Limited	693,301	1,068,714
St. George's Newport Development Company Limited	-	(191,630)
	693,301	877,084
Amount due to director	624,00	660,000
Balance at 31st December, 2019	$1,317,301	$1,537,084

There are no fixed repayment terms on the balances due.

Related Party transactions

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

Property management income	$39,000	$39,000
Interest expense	$247,973	$244,421

b) Key management

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

Directors' fees	$52,000	$54,000
Management salaries and allowances	$274,268	$317,485

13. FINANCE COST

	2019	2018
Interest on other charges	(252,771)	(249,547)
Interest on borrowings	(1,583,357)	(1,708,000)
	$(1,836,128)	$(1,957,547)

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. The credit ratings for these financial assets are monitored for credit deterioration.

Maximum exposure of credit risk:

	2019	2018
Cash and cash equivalents	744,085	887,821
Trade and other receivables	306,679	497,857
	$1,050,764	$1,385,678

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix.

December 31st, 2019	0 -30 days	31 -90 days	Over 90 days	Total
Expected credit loss rate	1%	3%	48%	
Gross carrying amount	155,310	30,364	131,813	317,487
Expected credit loss	(945)	(966)	(63,754)	(65,665)
	$154,365	$29,398	$68,059	$251,822
December 31st, 2018				
Expected credit loss rate	1%	5%	40%	
Gross carrying amount	182,585	68,564	360,261	611,410
Expected credit loss	(1,826)	(3,428)	(144,322)	(149,576)
	$180,759	$65,136	$215,939	$461,834

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	Over 1 year	Over 5 years	Total
Balance at 31st December, 2019					
Borrowing	-	351,547	2,130,501	21,754,328	24,236,376
Shareholders' loans	-	-	2,263,356	-	2,263,356
Trade and other payables	260,531	59,302	558,269	-	878,102
Amount due to related parties	-	1,317,301	-	-	1,317,301
	$260,531	$1,728,150	$4,952,126	$21,754,328	$28,695,135
Balance at 31st December, 2018					
Borrowing	-	-	24,400,000	-	24,400,000
Shareholders' loans	-	-	2,208,968	-	2,208,968
Trade and other payables	1,118,366	26,875	493,161	-	1,638,402
Amount due to related parties	-	1,537,084	-	-	1,537,084
	$1,118,366	$1,563,959	$27,102,129	$ -	$29,784,454

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. COMPARATIVE FIGURES

Certain of the 2019 comparative figures have been reclassified to conform to the current year's financial statement presentation. These changes have no impact on the comprehensive income reported for the previous year.

16. SUBSEQUENT EVENTS

Beginning in January 2020, financial markets have experienced and may continue to experience significant volatility resulting from the spread of the COVID-19 pandemic. The extent of the impact on the local economy is uncertain at this point and has the potential to adversely affect the results of the operation of the Company, the impact of which is still under assessment.

17. OPERATIONAL EXPENSES

	2019	2018
Janitorial expenses	161,861	153,389
Insurance	290,051	269,440
Security services	276,910	266,226
General maintenance	249,705	162,322
Office expenses	30,458	20,119
Service charge	58,464	58,464
Parking expenses	14,550	13,173
Salaries and other staff cost	315,033	373,571
Telephone	32,236	34,077
Public relations	61,593	42,276
Electricity	223,174	208,461
Water	76,700	79,618
	$1,790,735	$1,681,136

18. GENERAL EXPENSES

General management compensation	126,230	135,231
Directors fees and expenses	65,070	62,499
Legal fees	4,150	1,630
Audit fees	15,000	16,000
Professional fees	64,384	146,808
ECCSR yearly costs	20,498	18,496
	$295,332	$380,664