Accountants &
business advisers

GRENREAL PROPERTY CORPORATION LIMITED

FINANCIAL STATEMENTS
(Expressed in Eastern Caribbean Dollars)

FOR THE YEAR ENDED

31^{ST} DECEMBER, 2020

GRENREAL PROPERTY CORPORATION LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2020
(Expressed in Eastern Caribbean Dollars)

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GRENREAL PROPERTY CORPORATION LIMITED
(Expressed in Eastern Caribbean Dollars)

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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PKF

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Grenreal Property Corporation Limited (the 'Company'), which comprise the statement of financial position at 31 December, 2020, 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 31 December, 2020 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements which indicated that the Company incurred a net comprehensive loss of $19,043,185 for the year ended 31st December, 2020. As at that date, the Company's current liabilities exceeded its current assets by $2,793,904. These conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Report on the Audit of the Financial Statements (continued)

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 period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Our description of how our audit addressed these matters is provided in that context.

Key Audit Matter	How our audit addressed the key audit matter
Valuation of Investment Property	
Refer to notes 2(d) and 5 of the financial statements. The Company's investment property relates to property located on Melville Street, St. George's at a valuation of $48,078,600 at year-end. For 2020 the Company recognized a fair value loss of $18,305,700 on the property which is shown in the statement of comprehensive income. It is the Company's policy that the investment property is stated at fair value. The property is valued by an independent external valuator using the income capitalization method. The valuation of the Company's investment property is inherently subjective due to the estimates used in determining the property's fair values, such as the capitalization rates, forecast rentals and property expenses. Among other factors, the individual nature of the property, its location and expected future rentals for the property also affects the valuation of the investment property. Valuators also apply assumptions for yields and estimated market rent to arrive at the final valuation. The valuation of investment property was considered to be a key audit matter due to significant estimates and the level of judgement involved.	The audit procedures we performed included, amongst others, the following: • We assessed the independent valuation expert's competence, qualification and independence. • We read the valuation report for the property valued by the independent external valuation expert in the current year and confirmed that the valuation approach was in accordance with International Financial Reporting Standards and suitable for use in determining the fair value for the purpose of the financial statements. • We reviewed the key assumptions used in the determination of the fair value as follows: - Rental income used in the forecast was agreed to the underlying tenant contracts for reasonableness. - Forecast operating expenditure was agreed to historical property expenditure and budgets. - Reasonability of the discount and capitalization rates to available industry data.

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

Report on the Audit of the Financial Statements (continued)

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

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.

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

Report on the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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.
- 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.

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

Report on the Audit of the Financial Statements (continued)

- 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.

GRENADA

July 22nd, 2021

PKF

Accountants & Business Advisers:

PKF

GRENREAL PROPERTY CORPORATION LIMITED

STATEMENT OF FINANCIAL POSITION AT 31ST DECEMBER, 2020

(Expressed in Eastern Caribbean Dollars)

	Notes	**2020**	2019
ASSETS			
Non-Current Assets			
Plant and equipment	5	53,560	51,868
Investment property	6	48,078,600	66,384,300
		48,132,160	66,436,168
Current Assets			
Trade and other receivables	7	294,072	306,679
Cash and cash equivalents	8	787,882	744,085
		1,081,954	1,050,764
TOTAL ASSETS		$49,214,114	$67,486,932
EQUITY AND LIABILITIES			
STATED CAPITAL	9	27,567,289	25,365,000
ACCUMULATED (LOSSES)/SURPLUS		(5,616,388)	13,426,797
TOTAL EQUITY		21,950,901	38,791,797
Non-Current Liabilities			
Long-term borrowing	10	23,702,494	23,884,829
Shareholders' loans	11	-	2,263,356
		23,702,494	26,148,185
Current Liabilities			
Trade and other payables	12	2,117,394	878,102
Amount due to related parties	13	1,097,041	1,317,301
Short-term borrowing	10	346,284	351,547
		3,560,719	2,546,950
TOTAL LIABILITIES		27,263,213	28,695,135
TOTAL EQUITY AND LIABILITIES		$49,214,114	$67,486,932

The accompanying notes form an integral part of these financial statements

Approved by the Board of Directors on July 6, 2021 and signed on its behalf:

:Director :Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2020
(Expressed in Eastern Caribbean Dollars)

	Notes	**2020**	2019
Rental income - rental units		2,432,076	4,084,533
- kiosks		123,612	126,004
Service re-charge		201,853	212,569
Parking		148,143	170,693
Other income		89,202	64,105
		2,994,886	4,657,904
Operational expenses	17	(1,593,806)	(1,790,735)
General expenses	18	(296,972)	(295,332)
Depreciation		(26,718)	(20,619)
Expected credit (loss)/gain		(81,460)	57,030
		(1,998,956)	(2,049,656)
Operating profit		995,930	2,608,248
Finance cost	14	(1,733,415)	(1,836,128)
Net (loss)/profit for the year		(737,485)	772,120
Loss on revaluation of investment property		(18,305,700)	(579,262)
Total comprehensive (loss)/income for the year		$(19,043,185)	$192,858

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, 2020
(Expressed in Eastern Caribbean Dollars)

	Stated Capital	Accumulated Surplus/(Loss)	Total Equity
Balance at 1st January, 2019	25,365,000	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
Issuance of shares	2,202,289	-	2,202,289
Total comprehensive income for the year	-	(19,043,185)	(19,043,185)
Balance at 31st December, 2020	$27,567,289	$(5,616,388)	$21,950,901

The accompanying notes form an integral part of these financial statements

PKF

GRENREAL PROPERTY CORPORATION LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER, 2020
(Expressed in Eastern Caribbean Dollars)

	2020	2019
OPERATING ACTIVITIES		
Net (loss)/profit for the year	(737,485)	772,120
Adjustments for:		
Depreciation	26,718	20,619
Operating (loss)/gain before working capital changes	(710,767)	792,739
Decrease in trade and other receivables	12,607	191,173
(Increase)/decrease in trade and other payables	1,239,292	(760,300)
Decrease in amount due to related parties	(220,260)	(219,783)
Net cash provided by operating activities	320,872	3,829
INVESTING ACTIVITIES		
Purchase in investment property	-	(3,062)
Purchase of plant and equipment	(28,410)	(35,267)
Net cash used in investing activities	(28,410)	(38,329)
FINANCING ACTIVITIES		
Repayment of borrowing	(187,598)	(163,624)
Net (decrease)/increase in shareholders' loans	(2,263,356)	54,388
Issuance of preference shares	2,202,289	-
Net cash used in financing activities	(248,665)	(109,236)
Net increase/(decrease) in cash and cash equivalents	43,797	(143,736)
Cash and cash equivalents - at beginning of year	744,085	887,821
- at end of year	$787,882	$744,085
REPRESENTED BY:		
Cash on hand and at bank	$787,882	$744,085

The accompanying notes form an integral part of these financial statements

GRENREAL PROPERTY CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2020
(Expressed in Eastern Caribbean Dollars)

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.

The Company employed on average twenty-seven (27) persons during the year (2019 – 27).

2. GOING CONCERN

These financial statements have been prepared on a going concern basis which contemplates the realization of assets and the discharge of liabilities in the normal course of business and does not purport to represent amounts which would be realized should the company be unable to continue trading.

Covid-19 has had a tremendous impact on the Company whereby its income decreased by 36% for 2020 and the value of its investment property decreased by $18,305,700. This resulted in a comprehensive loss of $19,043,185 for 2020 and an accumulated loss of $5,616,388 for the year ended 31st December 2020. Additionally, the Company's current liabilities exceeded its current assets by $2,793,904 at year-end.

Notwithstanding the facts stated above, these financial statements have been prepared on the going concern basis. This basis has been deemed appropriate due to the distribution of the Covid-19 vaccine internationally, the projected return of cruises to the island during 2021, the Company's ability to obtain necessary funding from it's stakeholders and continued concessions extended by it's lenders.

3. SIGNIFICANT ACCOUNTING POLICIES (continued

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.

(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, 2019 except for the adoption of the new standards and interpretations below.

Amendments to IAS 1 and IAS 8: Definition of Material (Effective 1st January, 2020)

In October 2018, the International Accounting Standards Board (IASB) issued amendments to IAS 1: Presentation of financial Statements and IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

The amendments to the definition of material is not expected to have a significant impact on the Company's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued

(b) Changes in accounting policies and disclosures

(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. These standards and interpretations may be applicable to the Company at a future date and will be adopted when they become effective. The Company is currently assessing the impact of adopting these standards and interpretations.

- Amendments to IFRS 16 – Covid-19 Related Rent Concessions (Effective 1 June, 2020)
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Phase 2 (Effective 1 January, 2021)
- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use (Effective 1 January, 2022)
- IFRS 17 - Insurance Contracts (Effective 1 January, 2023)
- Amendments to IFRS 3 – Reference to the Conceptual Framework – (Effective 1 January, 2022)
- Amendments to IAS 37 - Onerous Contracts, Costs of Fulfilling a Contract – (Effective 1 January, 2022)
- Amendments to IAS 1 – Classification of Liabilities as Current and Non-Current – (Effective 1 January, 2023)
- Amendments to IFRS 4 – Extension of Temporary Exemption from applying IFRS 9 – (Effective 1 January, 2022)

(iii) Improvements to International Reporting Standards

The annual improvements process for the International Accounting Standards Board deals with non-urgent but necessary clarifications and amendments to IFRS.

Annual improvements to IFRS Standards 2018-2020 cycle

The following amendments are applicable to annual periods beginning on or after 1 January, 2022

IFRSs	**– Subject of Amendment**
IFRS 1	First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter.
IFRS 9	Financial Instruments – Fees in the '10 per cent" test for derecognition of financial liabilities.
IFRS 16	Leases – Lease incentives
IAS 41	Agriculture – Taxation in fair value measurements

3. 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.

3. 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 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.

(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 and preference 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.

3. 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 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 not 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) *Financial Instruments*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

(ii) Impairment (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

4. 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(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.

(e) Impact of COVID-19

Background

COVID-19, which is a respiratory illness caused by a new virus, was declared a world-wide pandemic by the World Health Organisation on March 11, 2020. The Company has considered the impact of COVID-19 in preparing its financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(d) Impact of COVID-19 (continued)

Consideration of the statements of financial position and further disclosures

Key considerations of the impact of COVID-19 on statements of financial position and related disclosures were as follows:

Expected Credit Losses

Advances and other receivables:

For trade and other receivables, the Company adopted the simplified approach for determining the provision for expected credit losses, as permitted by IFRS 9. In response to the COVID-19 pandemic, the Company assessed the need to adjust the loss rates to incorporate forward-looking information, taking into account the expected recovery rate of receivables and various applicable macroeconomic factors. Based on the analysis performed as at 31 December 2020, no material overlay adjustments specifically related to the COVID-19 pandemic was considered necessary.

5. PLANT AND EQUIPMENT

	Computers	Office Furniture and Equipment	Total
Balance at 1st January, 2019			
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**
For the year ended 31st December, 2020			
Opening book value	8,863	43,005	51,868
Additions for the year	-	28,410	28,410
Depreciation charge for the year	(6,856)	(19,862)	(26,718)
NET BOOK VALUE	**$2,007**	**$51,553**	**$53,560**
Balance at 31st December, 2020			
Cost	65,640	163,612	229,252
Accumulated depreciation	(63,633)	(112,059)	(175,692)
NET BOOK VALUE	**$2,007**	**$51,553**	**$53,560**

6. INVESTMENT PROPERTY

	2020	2019
Balance at 1st January, 2020	66,384,300	66,960,500
Additions for the year	-	3,062
Net loss from fair value adjustment	(18,305,700)	(579,262)
Balance at 31st December, 2020	$48,078,600	$66,384,300

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, 2020 was performed by Civil Engineer Nigel A. John, B.Sc. in March, 2021.

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.

The decrease in the value of the investment property for 2020 was due to the COVID-19 pandemic which had a negative impact on the cruise sector and therefore the potential revenue generation of the property.

7. TRADE AND OTHER RECEIVABLES

Trade receivables - net	251,821	251,822
Prepayments	17,200	29,807
Other receivables	25,050	25,050
	$294,072	$306,679

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

Balance at 1st January, 2020	(65,665)	(149,576)
(Increase)/decrease in provision	(27,963)	83,911
Balance at 31st December, 2020	$(93,628)	$(65,665)

8. CASH AND CASH EQUIVALENTS

	2020	2019
Cash on hand and at bank	$787,882	$744,085

9. STATED CAPITAL

Authorised:
15,000,000 ordinary shares
2,000,000 preference shares

Issued:		
7,670,302 ordinary shares of no par value	25,365,000	25,365,000
550,572 preference shares of no par value	2,202,289	-
	$27,567,289	$25,365,000

10. BORROWING

Syndicated bond		
(i) Grenada Co-operative Bank Limited	12,024,389	12,118,188
(ii) National Insurance Board	12,024,389	12,118,188
Total borrowings	24,048,778	24,236,376
Less: Short-term borrowing	(346,284)	(351,547)
Long-term borrowing	$23,702,494	$23,884,829

10. 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 with a balloon payment on maturity. 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.

Due to COVID-19 the Company was extended a one (1) year moratorium on the payment of principal on the syndicated bond which ends in March 2021.

11. SHAREHOLDERS' LOANS

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

The shareholders' loans were converted to preference shares during the year.

12. TRADE AND OTHER PAYABLES

	2020	2019
Deposits due to tenants	550,321	558,269
Trade payables and accruals	483,192	-
Interest payable	1,068,535	260,531
Other payables	15,346	59,302
	$2,117,394	$878,102

13. AMOUNT DUE TO RELATED PARTIES

	2020	2019
Amount due to related Companies:		
Zublin Grenada Limited	550,964	693,301
Amount due to director	546,077	624,000
Balance at 31st December, 2020	$1,097,041	$1,317,301

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	$95,612	$247,973

b) Key management

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

Directors' fees	$59,000	$52,000
Management salaries and allowances	$295,654	$274,268

14. FINANCE COST

	2020	2019
Interest on other charges	(99,984)	(252,771)
Interest on borrowings	(1,633,431)	(1,583,357)
	$(1,733,415)	$(1,836,128)

15. 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.

15. 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:

	2020	2019
Cash and cash equivalents	787,882	744,085
Trade and other receivables	294,073	306,679
	$1,081,955	$1,050,764

Due to the Company's tenants experiencing financial difficulties as a result of the COVID-19 pandemic, the Company extended substantial discounts to its tenants on rent.

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

December 31st, 2020	0 -30 days	31 -90 days	Over 90 days	Total
Expected credit loss rate	1%	5%	48%	
Gross carrying amount	84,701	66,227	194,521	345,449
Expected credit loss	(427)	(2,521)	(90,680)	(93,628)
	$84,274	$63,706	$103,841	$251,821
December 31st, 2019	1%	3%	48%	
Expected credit loss rate	155,310	30,364	131,813	317,487
	(945)	(966)	(63,754)	(65,665)
Gross carrying amount				
Expected credit loss	$154,365	$29,398	$68,059	$251,822

15. 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, 2020					
Borrowing	-	346,284	2,098,603	21,603,891	24,048,778
Trade and other payables	483,192	1,083,881	550,321	-	2,117,394
Amount due to related parties	-	1,097,041	-	-	1,097,041
	$483,192	$2,527,206	$2,648,924	$21,603,891	$27,263,213
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

15. 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.

16. EVENTS AFTER THE REPORTING PERIOD

The duration and extent of the COVID-19 pandemic and related financial, social and public health impacts of the pandemic are uncertain. As such, the actual economic events and conditions in the future may be materially different from those estimated by the Company at the reporting date. No matters have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Company. The Company will continue to closely monitor the situation in order to plan its response, if necessary.

GRENREAL PROPERTY CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2020
(Expressed in Eastern Caribbean Dollars)
(continued)

17. OPERATIONAL EXPENSES

	2020	2019
Janitorial expenses	169,344	161,861
Insurance	326,064	290,051
Security services	280,319	276,910
General maintenance	117,975	249,705
Office expenses	18,712	30,458
Service charge	-	58,464
Parking expenses	15,128	14,550
Salaries and other staff cost	322,846	315,033
Telephone	32,963	32,236
Public relations	51,454	61,593
Electricity	153,903	223,174
Water	58,993	76,700
Penalties and taxes	46,105	-
	$1,593,806	$1,790,735

18. GENERAL EXPENSES

General management compensation	135,769	126,230
Directors fees and expenses	66,850	65,070
Legal fees	21,436	4,150
Audit fees	12,000	15,000
Professional fees	42,502	64,384
ECCSR yearly costs	18,415	20,498
	$296,972	$295,332