

OUR MISSION STATEMENT

***"TO BE The LEADING GRENADIAN
PROVIDER OF HIGH QUALITY
FINANCIAL AND RELATED SERVICES
TO INDIVIDUALS AND
ORGANIZATIONS IN LOCAL And
INTERNATIONAL MARKETS, MAXIMISING
BENEFITS FOR ALL STAKEHOLDERS"***

Grenada Co-operative Bank Limited

Annual Report and Financial Statements

September 30, 2004

(expressed in Eastern Caribbean dollars)

Grenada Co-operative Bank Limited

Index to the Financial Statements

For the year ended September 30, 2004

| | | |
|--------------------------------------|------|-------|
| Company Profile | Page | 1 |
| Notice/Agenda of General Meeting | “ | 2 |
| Chairman’s Review | “ | 3-4 |
| General Manager’s Report | “ | 5-12 |
| Auditors’ Report to the Shareholders | “ | 13 |
| Balance Sheet | “ | 14 |
| Statement of Changes in Equity | “ | 15 |
| Statement of Income | “ | 16 |
| Statement of Cash Flows | “ | 17 |
| Notes to the Financial Statements | “ | 18-30 |

Grenada Co-operative Bank Limited

Established 1932
Church Street, St. George's , and
Branches at Grenville, Sauteurs and Spiceland Mall

Directors

C.A. St. Bernard, Esq., C.B.E., Q.C. - Chairman
Gordon V. Steele, Esq.
Derick Steele, Esq.
Richard Mc Intyre, Esq.
Lethon Herry, Esq.
Leslie Ramdhanny, Esq.
Darryl Brathwaite, Esq.

Manager/Secretary

Gordon V. Steele, Esq.

Auditors

Messrs. PricewaterhouseCoopers
Chartered Accountants

Solicitors

Messrs. Lewis & Renwick

A Member bank of the Caribbean Association of Indigenous Banks

Grenada Co-operative Bank Limited

Notice of Annual Meeting

Notice is hereby given that the Seventy-second Annual Meeting of the Company will be held at the Tropicana Inn Conference Room, Lagoon Road, St. George's, on Thursday 27th January, 2005 at 4:45 p.m.

AGENDA

1. To receive the audited financial statements for the year ended September 30, 2004 , together with the Chairman's Review and General Manager's Report thereon.
2. To announce a dividend for the year ended September 30, 2004.
3. To elect Directors.
4. To appoint auditors for the ensuing year. (*Messrs. PricewaterhouseCoopers are due to retire and are eligible for re-appointment*).
5. To consider any other business which may be given consideration at an ordinary meeting.

By order of the Board of Directors

Gordon V. Steele
Secretary

December 14, 2004

December 14, 2004

Auditors' Report

To the Shareholders of Grenada Co-operative Bank Limited

We have audited the accompanying balance sheet of **Grenada Co-operative Bank Limited** as of September 30, 2004 and the related statements of changes in equity, income and cash flows for the year then ended. These financial statements are the responsibility of the bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the bank as of September 30, 2004 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**PricewaterhouseCoopers
Chartered Accountants**

Grenada Co-operative Bank Limited

Balance Sheet

As of September 30, 2004

(expressed in Eastern Caribbean dollars)

| | 2004 \$ | 2003 \$ |
|----------------------------------------------|--------------------|--------------------|
| Assets | | |
| Cash resources (note 3) | 23,199,052 | 34,833,867 |
| Customer loans and advances (note 4) | 184,516,951 | 139,199,390 |
| Interest receivable on loans and investments | 3,428,130 | 3,199,009 |
| Other assets and prepayments | 3,377,705 | 2,101,311 |
| Investments (note 5) | 20,208,250 | 20,352,936 |
| Reserve deposit – E.C.C.B. (note 6) | 14,045,000 | 12,100,000 |
| Property, plant and equipment (note 7) | 10,752,525 | 10,908,658 |
| Deferred expenses | 69,240 | 160,034 |
| Customers' liability under guarantees | 1,740,615 | 1,651,265 |
| Total Assets | 261,337,468 | 224,506,470 |
| Liabilities | | |
| Customer deposits (note 8) | 234,780,553 | 201,036,624 |
| Interest payable | 2,081,523 | 2,574,310 |
| Proposed dividends (note 9) | 561,000 | 557,400 |
| Managers' cheques | 2,104,009 | 1,480,239 |
| Other liabilities | 977,161 | 1,451,358 |
| Income tax payable | 400,240 | 56,548 |
| Liability for guarantees | 1,740,615 | 1,651,265 |
| Total Liabilities | 242,645,101 | 208,807,744 |
| Equity | | |
| Stated capital (note 10) | 7,620,000 | 3,810,000 |
| Statutory reserve (note 11) | 4,416,574 | 3,757,129 |
| General reserve | – | 1,100,000 |
| Retained earnings | 5,702,935 | 6,336,155 |
| Revaluation surplus (12) | 952,858 | 695,442 |
| Total Equity | 18,692,367 | 15,698,726 |
| Total Liabilities and Equity | 261,337,468 | 224,506,470 |

Approved by the Board of Directors on December 14, 2004 and signed on their behalf by:

14

Director

Director

Secretary

Grenada Co-operative Bank Limited

Statement of Changes in Equity

For the year ended September 30, 2004

(expressed in Eastern Caribbean dollars)

| | Stated capital \$ | Statutory reserve \$ | Revaluation surplus \$ | General reserve \$ | Retained earnings \$ | Total equity \$ |
|--------------------------------------|-------------------------|----------------------------|------------------------------|--------------------------|----------------------------|-----------------------|
| Balance at October 1, 2002 | 3,810,000 | 3,026,807 | – | 1,100,000 | 3,972,266 | 11,909,073 |
| Revaluation surplus (note 12) | – | – | 695,442 | – | – | 695,442 |
| Net income for the year | – | – | – | – | 3,651,611 | 3,651,611 |
| Transfer to Statutory Reserve | – | 730,322 | – | – | (730,322) | – |
| Dividends | – | – | – | – | (557,400) | (557,400) |
| Balance at September 30, 2003 | 3,810,000 | 3,757,129 | 695,442 | 1,100,000 | 6,336,155 | 15,698,726 |
| Net income for the year | – | – | – | – | 3,297,225 | 3,297,225 |
| Transfer to Statutory Reserve | – | 659,445 | – | – | (659,445) | – |
| Bonus share issue | 3,810,000 | – | – | (1,100,000) | (2,710,000) | – |
| Dividends | – | – | – | – | (561,000) | (561,000) |
| Unrealised gain on investments | – | – | 257,416 | – | – | 257,416 |
| Balance at September 30, 2004 | 7,620,000 | 4,416,574 | 952,858 | – | 5,702,935 | 18,692,367 |

Grenada Co-operative Bank Limited

Statement of Income

For the year ended September 30, 2004

(expressed in Eastern Caribbean dollars)

| | 2004 \$ | 2003 \$ |
|---------------------------------------------|-------------------|-------------------|
| Interest income | | |
| Customer loans and advances | 17,138,188 | 14,335,453 |
| Investments and deposits at other banks | 3,395,100 | 3,508,827 |
| | <u>20,533,288</u> | <u>17,844,280</u> |
| Interest expense (note 13) | 7,840,928 | 7,293,683 |
| | <u>12,692,360</u> | <u>10,550,597</u> |
| Net interest income | 12,692,360 | 10,550,597 |
| Other income (note 14) | 2,223,918 | 1,771,816 |
| | <u>14,916,278</u> | <u>12,322,413</u> |
| Operating income | | |
| Expenditure | | |
| Loan loss expense | 1,049,775 | – |
| Direct operating expenses | 7,311,753 | 6,169,640 |
| Other expenses | 2,517,525 | 2,052,696 |
| | <u>10,879,053</u> | <u>8,222,336</u> |
| Income , before income tax (note 15) | 4,037,225 | 4,100,077 |
| Provision for income tax (note 16) | 740,000 | 448,466 |
| | <u>3,297,225</u> | <u>3,651,611</u> |
| Net income for the year | | |
| | <u>65¢</u> | <u>72¢</u> |
| Basic earnings per share (note 17) | | |

Grenada Co-operative Bank Limited

Statement of Cash Flows

For the year ended September 30, 2004

(expressed in Eastern Caribbean dollars)

| | 2004 \$ | 2003 \$ |
|----------------------------------------------------------|---------------------|--------------------|
| Cash flows from operating activities | | |
| Income before income tax | 4,037,225 | 4,100,077 |
| Items not affecting working capital | | |
| Depreciation | 1,154,612 | 940,971 |
| Gain on disposal of property, plant and equipment | – | (12,487) |
| | <hr/> | <hr/> |
| Operating profit before working capital changes | 5,191,837 | 5,028,561 |
| Net changes in operating assets and liabilities: | | |
| Interest receivable and prepayments | (1,505,515) | (2,201,267) |
| Customer loans and advances | (45,317,561) | (21,091,019) |
| Customer deposits | 33,743,929 | 38,986,066 |
| Interest payable | (492,787) | 457,457 |
| Other liabilities | 149,574 | 826,176 |
| Deferred expenses | 90,794 | 231,189 |
| | <hr/> | <hr/> |
| Net income tax paid | (8,139,729) | 22,237,163 |
| | <hr/> | <hr/> |
| Net cash (used in)/from operating activities | (8,536,037) | 21,884,072 |
| Cash flows from investing activities | | |
| (Sale)/purchase of investments | 402,101 | (3,461,883) |
| Purchase of property, plant and equipment | (998,479) | (1,354,745) |
| Proceeds on sale of property, plant and equipment | – | 13,500 |
| Increase in reserve deposit – E.C.C.B. | (1,945,000) | (2,380,000) |
| | <hr/> | <hr/> |
| Net cash used in investing activities | (2,541,378) | (7,183,128) |
| Cash flows used in financing activities | | |
| Dividends paid | (557,400) | (507,000) |
| | <hr/> | <hr/> |
| Net change in cash and cash equivalents | (11,634,815) | 14,193,944 |
| Cash and cash equivalents – beginning of year | 34,833,867 | 20,639,923 |
| | <hr/> | <hr/> |
| Cash and cash equivalents – end of year (note 18) | 23,199,052 | 34,833,867 |
| | <hr/> | <hr/> |

Grenada Co-operative Bank Limited

Notes to Financial Statements

September 30, 2004

(expressed in Eastern Caribbean dollars)

1 Incorporation and principal activity

The Bank was incorporated on July 26, 1932, and continued under the laws of Grenada. It is engaged in the business of banking. The registered office is situated in Church Street, St. George's.

The bank employed 84 persons during the year (2003– 78 persons).

2 Significant accounting policies

a) Basis of accounting

These financial statements comply with International Financial Reporting Standards and are prepared under the historical cost convention except for land and buildings and certain available for sale investments which are at valuation.

b) Depreciation

Depreciation on property, plant and equipment is provided at the following rates, which are expected to write off the cost or valuation of the assets over the period of their estimated useful lives.

The annual rates used are as follows:-

| | |
|-------------------------|---------|
| Furniture and equipment | 10% |
| Computer equipment | 16 2/3% |
| Motor vehicles | 20% |
| Freehold buildings | 2½% |

Leasehold improvements are amortised over the term of the lease.

Maintenance and repairs to buildings are charged to current operations and the cost of improvements are capitalised where such improvements would extend the remaining useful life of the building.

The cost or valuation of property, plant and equipment replaced, retired or otherwise disposed of and the accumulated depreciation thereon are eliminated from the accounts and the resulting gain or loss reflected in the statement of income.

c) Provision for loan losses

Specific allowances are made against loans and advances where in the opinion of Management, after detailed appraisal of the loans portfolio, recovery is doubtful. Guidelines issued by the Eastern Caribbean Central Bank are followed in this regard. Bad debts are written off against the provision when the extent of the loss is confirmed.

d) Revenue Recognition

The Bank classifies loans as non-productive when the loans have not been serviced for a period in excess of three months. No accrual is made for interest receivable on such loans.

Grenada Co-operative Bank Limited

Notes to Financial Statements

September 30, 2004

(expressed in Eastern Caribbean dollars)

2. Significant accounting policies ... *Continued*

e) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated to E.C. dollars at the rates of exchange ruling at the end of the financial year. Transactions arising during the year involving foreign currencies have been converted at the rates prevailing on the dates the transactions occurred. Differences arising from fluctuations in exchange rates are included in the statement of income.

f) Taxation

The company provides for income tax payable in accordance with Income Tax Act of 1994, as amended.

Deferred tax is provided where material using the liability method at currently enacted tax rates.

g) Investments

Debt and equity investments held for short-term liquidity purposes and or intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates are classified as available-for-sale. Investments with a fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity and are carried at amortised cost. Equity investments are initially carried at cost and are subsequently remeasured at fair value. The unrealized gains or losses on investments are accounted for on the balance sheet as part of the revaluation surplus. Where the fair value of an equity investment cannot be reliably measured, the investment is measured at cost.

h) Pension

The Bank's contributions to its Defined Contribution Pension Plan are charged to the income statement in the year to which they relate.

i) Cash and cash equivalents

For purposes of the cash flow statement, cash and cash equivalents comprise cash balances, deposits with the E.C.C.B. and amounts on deposit with other banks.

Grenada Co-operative Bank Limited

Notes to Financial Statements

September 30, 2004

(expressed in Eastern Caribbean dollars)

3 Cash resources

| | 2004 \$ | 2003 \$ |
|----------------------------------------|-------------------|-------------------|
| Cash in hand | 5,200,438 | 3,584,532 |
| Cash at other banks – current accounts | 2,383,058 | 4,244,950 |
| Cash at other financial institutions | 15,986,712 | 22,662,925 |
| E.C.C.B. | (371,156) | 4,341,460 |
| | <u>23,199,052</u> | <u>34,833,867</u> |

4 Customer loans and advances

| | 2004 \$ | 2003 \$ |
|--------------------------------------------------------------------|--------------------|--------------------|
| Mortgages | 148,425,520 | 101,302,078 |
| Promissory notes | 16,171,411 | 24,984,696 |
| Other advances | 23,771,887 | 16,212,411 |
| | <u>188,368,818</u> | <u>142,499,185</u> |
| Provision for loan losses | (3,717,486) | (3,151,386) |
| Special provision re. Trans-Nemwil (Finance) Ltd. (see note below) | (134,381) | (148,409) |
| | <u>184,516,951</u> | <u>139,199,390</u> |

Movement in provision for loan losses is as follows:-

| | 2004 \$ | 2003 \$ |
|---------------------------|------------------|------------------|
| Balance beginning of year | 3,151,386 | 3,708,687 |
| Bad debts written off | (483,675) | (557,301) |
| Increase in provision | 1,049,775 | – |
| | <u>3,717,486</u> | <u>3,151,386</u> |

The aggregate amount of non-performing loans on which interest was not being accrued amounted to \$15,215,699 as at September 30, 2004 (\$9,233,634 as at September 30, 2003). Uncollected interest accrued on impaired loans amounted to \$8,689,413 as at September 30, 2004 (\$6,630,518 as at September 30, 2003).

Note:

This amount represents the excess of assets over liabilities, purchase price, acquisition costs and provision for loan losses arising from the 1999 purchase of the said assets and liabilities of Trans-Nemwil (Finance) Ltd. The amounts to be taken into income in any year is based on the realisation of principal balances of the purchased loans. During the year \$14,028 (2003 - \$50,847) was transferred to Income as per note 14.

Grenada Co-operative Bank Limited

Notes to Financial Statements

September 30, 2004

(expressed in Eastern Caribbean dollars)

4.1 Maturity profile – Loans and advances

| | 2004 \$'000 | 2003 \$'000 |
|---------------------|----------------|----------------|
| Within 1 year | 55,811 | 32,977 |
| Within 1 to 3 years | 14,771 | 17,965 |
| Within 3 to 5 years | 13,942 | 9,951 |
| Over 5 years | 103,845 | 81,606 |
| | <hr/> | <hr/> |
| | 188,369 | 142,499 |
| | <hr/> | <hr/> |

4.2 Loans by Sector

| | 2004 \$'000 | 2003 \$'000 |
|---------------------------------------------------|----------------|----------------|
| Agriculture | 366 | 711 |
| Fisheries | 455 | 525 |
| Manufacturing | 10,213 | 5,634 |
| Utilities (electricity, water, telephone & media) | 370 | 3,376 |
| Construction and land development | 4,715 | 3,222 |
| Distributive trades | 6,341 | 6,073 |
| Tourism | 2,210 | 2,285 |
| Entertainment and catering | 1,162 | 1,063 |
| Transportation and storage | 8,647 | 5,197 |
| Financial institutions | 26 | 545 |
| Professional and other services | 7,728 | 3,111 |
| Public administration | 7,191 | 10,967 |
| Personal | 138,945 | 99,790 |
| | <hr/> | <hr/> |
| Total | 188,369 | 142,499 |
| | <hr/> | <hr/> |

Grenada Co-operative Bank Limited

Notes to Financial Statements

September 30, 2004

(expressed in Eastern Caribbean dollars)

5 Investments

| | 2004 \$ | 2003 \$ |
|--------------------------------------------------------------------------------------------|-------------------|-------------------|
| Treasury bills: | | |
| Government of Grenada - | | |
| 6% Treasury Bills – E.C.C.B. | 492,076 | 492,076 |
| 9% Treasury Bills – E.C.C.B. | 418,500 | 418,500 |
| 7% Treasury Bills – E.C.C.B. | 8,067,500 | 8,067,500 |
| | <u>8,978,076</u> | <u>8,978,076</u> |
| Bonds/Debentures – held to maturity: | | |
| Government of Grenada | 1,178,650 | 1,178,650 |
| National Development | 30,000 | 30,000 |
| Eastern Caribbean Home Mortgage Bank | 1,500,000 | 2,000,000 |
| Grenada Ports Authority – (floating rate) | 2,296,914 | 2,365,371 |
| Grenada Electricity Services Ltd. | 412,807 | 450,002 |
| Government of St. Vincent | 1,505,414 | – |
| Government of Grenada – Euro Bond | 1,914,347 | 2,812,500 |
| Government of St. Kitts | 650,000 | 650,000 |
| Barbados Port Authority | – | 851,861 |
| Government of St. Lucia | 500,000 | 500,000 |
| | <u>9,988,132</u> | <u>10,838,384</u> |
| Interest is earned on held-to-maturity investments at rates ranging between 4.25% to 9.75% | | |
| Equities – Available for sale: | | |
| National Commercial Bank of Grenada Ltd. - | | |
| – 8,000 Ordinary shares | 300,000 | 60,000 |
| RBTT Bank Grenada Ltd. | | |
| – 8,916 Ordinary shares | 41,192 | 23,776 |
| Caribbean Credit Card Corporation | | |
| – 25 Ordinary shares of \$1,000 each | 25,000 | 25,000 |
| Eastern Caribbean Home Mortgage Bank | | |
| – 777 Class C Shares of \$100 each | 77,700 | 77,700 |
| Eastern Caribbean Securities Exchange | | |
| – Shares – 5,000 class C shares of \$10 each | 50,000 | 50,000 |
| Antigua Barbuda Investment Bank | | |
| – 100,000 shares | 300,000 | 300,000 |
| Grenada Electricity Services Limited | | |
| – 50,000 ordinary shares | 448,150 | – |
| | <u>1,242,042</u> | <u>536,476</u> |
| | <u>20,208,250</u> | <u>20,352,936</u> |

Grenada Co-operative Bank Limited

Notes to Financial Statements

September 30, 2004

(expressed in Eastern Caribbean dollars)

5.1 Maturity profile of held to maturity investments

| | 2004 \$ | 2003 \$ |
|---------------------|-------------------|-------------------|
| Within 1 year | 12,507,907 | 12,748,085 |
| Within 1 to 3 years | 231,698 | 272,315 |
| Within 3 to 5 years | 1,428,211 | 2,991,289 |
| Over 5 years | 4,798,392 | 3,804,771 |
| | 18,966,208 | 19,816,460 |

6 Reserve deposit

This reserve is maintained in accordance with Article 33 of the E.C.C.B. Agreement 1983, and is based on the level of deposit liabilities held from time to time.

7 Property, plant and equipment

| | Freehold land and buildings \$ | Leasehold improve- ments \$ | Furniture and equipment \$ | Computer equipment \$ | Motor vehicles \$ | Total \$ |
|------------------------------------------------------|-----------------------------------------|--------------------------------------|-------------------------------------|-----------------------------|-------------------------|-------------------|
| Cost/Valuation | | | | | | |
| Balance beginning of year | 7,553,200 | 645,133 | 2,595,467 | 4,559,399 | 551,008 | 15,904,207 |
| Additions | – | – | 76,088 | 747,559 | – | 823,647 |
| Adjustment | – | – | 174,832 | – | – | 174,832 |
| Balance – end of year | 7,553,200 | 645,133 | 2,846,387 | 5,306,958 | 551,008 | 16,902,686 |
| Accumulated depreciation and amortisation | | | | | | |
| Balance – beginning of year | 150,293 | 102,601 | 1,634,931 | 2,769,256 | 338,468 | 4,995,549 |
| Charge for year | 150,479 | 30,696 | 215,233 | 662,746 | 95,458 | 1,154,612 |
| Balance – end of year | 300,772 | 133,297 | 1,850,164 | 3,432,002 | 433,926 | 6,150,161 |
| Net book values | | | | | | |
| End of year | 7,252,428 | 511,836 | 996,223 | 1,874,956 | 117,082 | 10,752,525 |
| Beginning of year | 7,402,907 | 542,532 | 960,536 | 1,790,143 | 212,540 | 10,908,658 |

The Bank's property was revalued on September 16, 2003 by Joseph John & Associates Ltd.; resulting in a revaluation excess of EC\$695,442. Valuations were made on the basis of open market value.

Grenada Co-operative Bank Limited

Notes to Financial Statements

September 30, 2004

(expressed in Eastern Caribbean dollars)

8 Customer deposits

| | 2004 \$ | 2003 \$ |
|-------------------------|--------------------|--------------------|
| Savings accounts | 101,377,836 | 85,945,796 |
| Fixed deposit accounts | 96,126,323 | 85,951,613 |
| Treasure Chest accounts | 15,448,177 | 9,807,363 |
| Chequing accounts | 14,323,087 | 12,614,406 |
| Current accounts | 7,505,130 | 6,717,446 |
| | <u>234,780,553</u> | <u>201,036,624</u> |

All deposits mature within one year. Effective interest rate ranged from 1.5% to 5%.

9 Proposed dividends

| | 2004 \$ | 2003 \$ |
|-------------------|----------------|----------------|
| Preference shares | – | 3,000 |
| Common shares | 561,000 | 554,400 |
| | <u>561,000</u> | <u>557,400</u> |

10 Stated capital

| | 2004 \$ | 2003 \$ |
|------------------------------------------------------------------------|------------------|------------------|
| Authorised:- An unlimited number of common shares with no par value | | |
| Issued:- 5,100,000 common shares (2003 – Nil) | 7,620,000 | – |
| Nil – (2003 30,000 Preference shares) | – | 30,000 |
| Nil – (2003 850,000 Series “A” ordinary shares) | – | 850,000 |
| Nil – (2003 500,000 Series “B” ordinary shares) | – | 500,000 |
| Nil – (2003 120,000 Series “C” ordinary shares) | – | 120,000 |
| Nil – (2003 1,050,000 Series “D” ordinary shares) | – | 2,310,000 |
| | <u>7,620,000</u> | <u>3,810,000</u> |

Grenada Co-operative Bank Limited

Notes to Financial Statements

September 30, 2004

(expressed in Eastern Caribbean dollars)

10 Stated capital/Continued.....

- 1) At a joint special meeting of the shareholders of all classes of shares of the Bank held on Tuesday, December 2, 2003, a special resolution was passed that the several classes of issued shares be converted into single class of common shares of no par value so that immediately thereafter the issued capital of the company shall consist of 2,550,000 common shares of no par value represented by an aggregate stated capital account of \$3,810,000.
- 2) Subsequently, a one for one stock dividend was issued by capitalising \$2,710,000 of the retained earnings and \$1,100,000 General Reserve.

11 Statutory reserve

The Banking Act of 1993 under Sub-section 14 (1) requires that a minimum of 20% of net after tax profits in each year be transferred to a Statutory Reserve Fund until the balance of this fund is equal to the issued Share Capital. This reserve is not available for distribution as dividends or any form of appropriation.

The transfer for the year was \$659,445 (2003 - \$730,322).

12 Revaluation surplus

| | Total \$ | Property \$ | Equity investments \$ |
|----------------------------------------------------------------------------|----------------|----------------|-----------------------------|
| Balance at beginning of year | 695,442 | 695,442 | – |
| Revaluation surplus – unrealized gain on available for sale investments | 257,416 | – | 257,416 |
| Balance at end of year | 952,858 | 695,442 | 257,416 |

13 Interest expense

| | 2004 \$ | 2003 \$ |
|---------------------|------------------|------------|
| Savings deposits | 3,125,512 | 2,601,821 |
| Other time deposits | 4,578,572 | 4,551,412 |
| Chequing account | 136,844 | 140,450 |
| | 7,840,928 | 7,293,683 |

Grenada Co-operative Bank Limited

Notes to Financial Statements

September 30, 2004

(expressed in Eastern Caribbean dollars)

14 Other income

| | 2004 \$ | 2003 \$ |
|---------------------------------------------------------|------------------|------------------|
| Sundry fees | 2,137,657 | 1,638,948 |
| Miscellaneous | 72,233 | 82,021 |
| Transfer from Trans-Nemwil special provision – (note 4) | 14,028 | 50,847 |
| | <u>2,223,918</u> | <u>1,771,816</u> |

15 Income before income tax

Income before income tax is arrived at after charging the following:-

| | 2004 \$ | 2003 \$ |
|--------------|------------|------------|
| Depreciation | 1,154,612 | 940,971 |
| Staff costs | 4,010,251 | 3,908,094 |

16 Taxation

| | 2004 \$ | 2003 \$ |
|-------------|----------------|------------|
| Current tax | <u>740,000</u> | 448,466 |

The tax on the income before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

| | 2004 \$ | 2003 \$ |
|-----------------------------------------------|------------------|------------|
| Income before income tax | <u>4,037,225</u> | 4,100,077 |
| Tax calculated at corporation tax rate of 30% | 1,211,168 | 1,230,023 |
| Income not subject to tax | (608,676) | (865,134) |
| Expenses not deductible for tax purposes | 109,389 | 54,963 |
| Other | 24,689 | 28,614 |
| Over-provision in accounts – current year | 3,430 | – |
| | <u>740,000</u> | 448,466 |

Grenada Co-operative Bank Limited

Notes to Financial Statements

September 30, 2004

(expressed in Eastern Caribbean dollars)

17 Basic earnings per share

Basic earnings per share is calculated by dividing the income attributable to common shareholders by the weighted average number of common shares in issue during the year.

| | 2004 | 2003 |
|---------------------------------------------------|-----------|-------------|
| | \$ | \$ |
| Net income attributable to common shareholders | 3,297,225 | \$3,651,611 |
| Weighted average number of common shares in issue | 5,100,000 | 5,100,000 |
| Basic earnings per share | 65¢ | 72¢ |

During the year, the Bank issued stock dividend allotted in the proportion of one share for every share held. For this issue \$2,710,000 of retained earnings and \$1,100,000 of general reserve was capitalised. (See note 10).

Basic earnings per share for 2003 has been adjusted as if the stock dividend had occurred prior to the beginning of 2003.

The Bank has no potential common shares in issue which would give rise to a dilution of the basic earnings per share. Therefore diluted earnings per share would be same as basic earnings per share.

18 Cash and cash equivalents

| | 2004 | 2003 |
|-------------------------|-------------------|-------------------|
| | \$ | \$ |
| This is comprised of:- | | |
| Cash resources (note 3) | <u>23,199,052</u> | <u>34,833,867</u> |

19 Leasehold commitments

At September 30, 2004, the bank was committed under an operating lease to \$182,250 (2003 - \$182,250) in annual leasehold payments re. the Spiceland Mall Branch. The unexpired term of the lease is 1 year with an option to renew for a further 5 years.

20 Undrawn commitments

Undrawn commitments on loans and advances at September 30, 2004 amounted to \$20,017,000 (2003 - \$6,099,000).

21 Defined contribution scheme

The bank maintains a superannuation plan into which both employer and employee pay 5% of gross salary. The bank's contribution to the Scheme was \$160,224 (2003 - \$156,397).

Grenada Co-operative Bank Limited

Notes to Financial Statements

September 30, 2004

(expressed in Eastern Caribbean dollars)

22 Financial instruments

Interest rate risk

| As at 09.30.04 | Up to 1 year \$'000 | Between 1-3 years \$'000 | Between 3-5 years \$'000 | Over 5 years \$'000 | Non- interest bearing \$'000 | Total \$'000 |
|---------------------------------|---------------------------|--------------------------------|--------------------------------|---------------------------|---------------------------------------|-----------------|
| Assets | | | | | | |
| Cash and short-term funds | 23,199 | – | – | – | 14,045 | 37,244 |
| Loans and advances | 51,959 | 14,771 | 13,942 | 103,845 | – | 184,517 |
| Investments | 12,508 | 232 | 1,428 | 4,798 | 1,242 | 20,208 |
| Other assets | – | – | – | – | 19,368 | 19,368 |
| Total assets | 87,666 | 15,003 | 15,370 | 108,643 | 34,655 | 261,337 |
| Liabilities | | | | | | |
| Customers' deposits | 234,781 | – | – | – | – | 234,781 |
| Other liabilities | – | – | – | – | 7,864 | 7,864 |
| Total liabilities | 234,781 | – | – | – | 7,864 | 242,645 |
| Interest Sensitivity Gap | (147,115) | 15,003 | 15,370 | 108,643 | | |
| As at 09.30.03 | | | | | | |
| Assets | | | | | | |
| Cash resources | 34,884 | – | – | – | 12,100 | 46,984 |
| Loans and advances | 29,677 | 17,965 | 9,951 | 81,606 | – | 139,199 |
| Investments | 12,748 | 272 | 2,991 | 4,341 | – | 20,352 |
| Other assets | – | – | – | – | 17,971 | 17,971 |
| Total assets | 77,309 | 18,237 | 12,942 | 85,947 | 30,071 | 224,506 |
| Liabilities | | | | | | |
| Customers' deposits | 201,037 | – | – | – | – | 201,037 |
| Other liabilities | – | – | – | – | 7,771 | 7,771 |
| Total liabilities | 201,037 | – | – | – | 7,771 | 208,808 |
| Interest Sensitivity Gap | (123,728) | 18,237 | 12,942 | 85,947 | | |

Grenada Co-operative Bank Limited

Notes to Financial Statements

September 30, 2004

(expressed in Eastern Caribbean dollars)

22. Financial instruments/Continued...

Liquidity risk

Maturity of assets and liabilities

| | Up to 1 year (\$000's) | Up to 5 years (\$000's) | Over 5 years (\$000's) | Total (\$000's) |
|---------------------------------|------------------------------|-------------------------------|------------------------------|--------------------|
| As at September 30, 2004 | | | | |
| Assets | | | | |
| Cash resources | 37,244 | – | – | 37,244 |
| Investments | 12,508 | 1,660 | 6,040 | 20,208 |
| Loans and advances | 51,959 | 28,713 | 103,845 | 184,517 |
| Other assets | 5,169 | 6,946 | 7,253 | 19,368 |
| Total assets | 106,880 | 37,319 | 117,138 | 261,337 |
| Liabilities | | | | |
| Customers' deposits | 234,781 | – | – | 234,781 |
| Other liabilities | 7,864 | – | – | 7,864 |
| Total liabilities | 242,645 | – | – | 242,645 |
| Net liquidity gap | (135,765) | 37,319 | 117,138 | 18,692 |

As at September 30, 2003

| | | | | |
|--------------------------|------------------|---------------|---------------|---------------|
| Total assets | 96,520 | 32,303 | 95,683 | 224,506 |
| Total liabilities | (208,808) | – | – | (208,808) |
| Net liquidity gap | (112,288) | 32,303 | 95,683 | 15,698 |

The maturity profile of the bank's deposits and other borrowings is not directly matched by the maturity profile of its advances. Past experience has however indicated that deposits are traditionally reinvested at maturity.

Grenada Co-operative Bank Limited

Notes to Financial Statements

September 30, 2004

(expressed in Eastern Caribbean dollars)

22 Financial instruments/*Continued...*

Fair value of financial assets and liabilities

Financial assets and liabilities are carried at amounts which approximate their fair values at the balance sheet date. The following methods and assumptions have been used to estimate their values.

Assets

Cash resources

The fair values of these financial instruments are assumed to approximate their carrying values due to their short-term nature.

Loans and advances

The carrying amounts, net of allowances for loan losses are assumed to reflect their fair values.

Investments

The valuation policy for investments is disclosed in note 2(g).

Liabilities

Customers' deposits and other borrowings

Deposit liabilities payable on demand are assumed to equal their fair value.

23 Subsequent event

Subsequent to September 30, 2004, it was discovered that certain unauthorised transactions had taken place within the bank system. These transactions which span a period before and after year-end are currently under investigation and the extent of possible loss has not yet been established, however management has provided for estimated losses that occurred up to year-end.

Grenada Co-operative Bank Limited

Offices:

Branch

Designation

Names

Head Office:

No. 8 Church Street
St. George's
Grenada, West Indies
P.O. Box 135

Managing Director
Manager, Finance & Corporate Affairs
Manager, Credit
Senior Credit Officer
Senior Information Technology Officer
Human Resources Officer
Marketing Officer
Senior Operations Officer
Internal Auditor
Consultants:-

Gordon V. Steele, Esq.
R.W. Duncan, Esq., B.Sc., MA., CGA, AICB
F.A. Williams (Mrs.), B.S.
P. Antoine, Esq., B.Sc., AICB
F. Dowden, Esq., AICB
M. Squires-Francis (Mrs.) B.Sc.
S. Ince-John (Mrs.) B. Sc.
C. Sylvester-Layne (Mrs.), C.B.A., AICB
J.G. Lawrence (Miss), B.S., MBA-IBF

Telephone:

(473)440-2111/3549

Fax:

(473)440-6600

Operations Consultant
Credit Consultant
Special Consultant

L. Antoine (Miss)
D. De Freitas, Esq.
F. O'Neale, Esq.

E-mail:

Co-opbank@Caribsurf.com

Grenville:

Victoria Street
Grenville, St. Andrew's

Branch Manager

A.C. Williams (Miss)

Telephone:

(473)442-7748/7708

Fax:

(473)442-8400

Sauteurs:

Main Street
Sauteurs, St. Patrick's

Branch Manager

C. Bhola, Esq., AICB

Telephone:

(473)442-9247/1188

Fax:

(473)442-9888

Spiceland Mall:

Morne Rouge
St. George's

Branch Manager

C. Davidson (Mrs.)

Telephone:

(473)440-2111

Fax:

(473)439-0776

Grenada Co-operative Bank Limited

Additional Information to

Financial Statements for the year ended September 30, 2004

(expressed in Eastern Caribbean dollars)

December 14, 2004

Additional Comments of Auditors

To the Board of Directors
Grenada Co-operative Bank Limited
Church Street
St. George's.

The accompanying schedules are presented as supplementary information only. In this respect, they do not form part of the financial statements of **Grenada Co-operative Bank Limited** for the year ended September 30, 2004, and hence are excluded from the opinion expressed in our report dated December 14, 2004, to the shareholders on such financial statements. The information in these schedules has been subject to audit procedures only to the extent necessary to express an opinion on the financial statements of the Bank and, in our opinion, is fairly presented in all respects material to those financial statements.

Chartered Accountants

SCHEDULE I

Grenada Co-operative Bank Limited

Supplementary Financial Information

Statement of Branch Operations

For the year ended September 30, 2004

(expressed in Eastern Caribbean dollars)

| | Total | | St. George's | | Grenville | | Sauteurs | | Spiceland Mall | |
|------------------------------------------------------------------------------------------|-------------------|-------------------|--------------------|--------------------|------------------|------------------|------------------|------------------|------------------|----------------|
| | 2004 \$ | 2003 \$ | 2004 \$ | 2003 \$ | 2004 \$ | 2003 \$ | 2004 \$ | 2003 \$ | 2004 \$ | 2003 \$ |
| Income | | | | | | | | | | |
| Interest: | | | | | | | | | | |
| – loans | 17,138,188 | 14,335,453 | 12,432,848 | 10,936,845 | 1,411,098 | 1,158,441 | 1,909,451 | 1,280,309 | 1,384,791 | 959,858 |
| – paid | 7,840,928 | 7,293,683 | 5,353,596 | 5,003,401 | 1,142,856 | 760,599 | 815,590 | 1,228,549 | 528,886 | 301,134 |
| Net interest income/(loss) | 9,297,260 | 7,041,770 | 7,079,252 | 5,933,444 | 268,242 | 397,842 | 1,093,861 | 51,760 | 855,905 | 658,724 |
| Other income/other interest | 5,619,018 | 5,280,643 | 4,640,932 | 4,403,363 | 284,636 | 286,052 | 303,596 | 298,077 | 389,854 | 293,151 |
| | 14,916,278 | 12,322,413 | 11,720,184 | 10,336,807 | 552,878 | 683,894 | 1,397,457 | 349,837 | 1,245,759 | 951,875 |
| Direct expenses | 7,311,753 | 6,169,640 | 5,711,781 | 4,539,662 | 624,058 | 614,300 | 577,519 | 579,446 | 398,395 | 436,232 |
| Branch income/(loss) before general/administrative expenses and loan loss expense | 7,604,525 | 6,152,773 | 6,008,403 | 5,797,145 | (71,180) | 69,594 | 819,938 | (229,609) | 847,364 | 515,643 |
| General/admin. expenses and loan loss expense | 3,567,300 | 2,052,696 | 3,567,300 | 2,052,696 | – | – | – | – | – | – |
| Net Branch income/(loss) before Inter-Branch adjustments | 4,037,225 | 4,100,077 | 2,441,103 | 3,744,449 | (71,180) | 69,594 | 819,938 | (229,609) | 847,364 | 515,643 |
| Inter-Branch interest adjustments | – | – | (1,571,716) | (1,592,076) | 1,081,257 | 1,042,032 | 490,459 | 550,044 | – | – |
| Net Branch income | 4,037,225 | 4,100,077 | 869,387 | 2,152,373 | 1,010,077 | 1,111,626 | 1,310,397 | 320,435 | 847,364 | 515,643 |

SCHEDULE II

Grenada Co-operative Bank Limited

Supplementary Financial Information

Statement of Direct Expenses

For the year ended September 30, 2004

(expressed in Eastern Caribbean dollars)

| | Total | | St. George's | | Grenville | | Sauteurs | | Spiceland Mall | |
|----------------------------------------|------------------|------------|------------------|------------|----------------|------------|----------------|------------|----------------|------------|
| | 2004 \$ | 2003 \$ | 2004 \$ | 2003 \$ | 2004 \$ | 2003 \$ | 2004 \$ | 2003 \$ | 2004 \$ | 2003 \$ |
| Salaries, wages and NIS | 3,042,814 | 2,676,384 | 2,119,159 | 1,879,316 | 284,106 | 267,104 | 339,446 | 281,032 | 300,103 | 248,932 |
| Travelling and subsistence | 102,585 | 138,719 | 81,576 | 119,009 | 5,297 | 4,565 | 3,810 | 3,650 | 11,902 | 11,495 |
| Printing/stationery/postage | 440,083 | 379,162 | 378,720 | 292,193 | 25,208 | 30,160 | 14,867 | 32,719 | 21,288 | 24,090 |
| Telephone and electricity | 582,504 | 530,824 | 423,346 | 366,426 | 95,096 | 87,623 | 45,083 | 41,888 | 18,979 | 34,887 |
| Donations | 152,964 | 174,440 | 138,904 | 160,287 | 2,300 | 3,173 | 11,760 | 10,980 | – | – |
| Miscellaneous | 148,463 | 71,130 | 100,833 | 43,084 | 26,490 | 9,805 | 20,941 | 18,141 | 199 | 100 |
| Maintenance of buildings and equipment | 471,809 | 319,970 | 429,256 | 211,842 | 11,292 | 42,887 | 26,493 | 33,571 | 4,768 | 31,670 |
| Insurance | 97,805 | 101,731 | 82,301 | 86,489 | 10,584 | 10,584 | 4,920 | 4,658 | – | – |
| Rates and taxes | 30,474 | 25,667 | 24,955 | 19,639 | 3,015 | 3,918 | 2,208 | 1,696 | 296 | 414 |
| Depreciation: | | | | | | | | | | |
| – furniture and equipment | 213,582 | 225,247 | 152,004 | 146,135 | 33,740 | 38,757 | 27,838 | 40,355 | – | – |
| – computer equipment | 662,746 | 447,654 | 662,746 | 447,654 | – | – | – | – | – | – |
| – buildings | 150,479 | – | 96,079 | – | 38,150 | – | 16,250 | – | – | – |
| Provision for bonus | 261,796 | 784,709 | 176,686 | 534,743 | 25,542 | 84,794 | 32,072 | 89,447 | 27,496 | 75,725 |
| Cash (overs)/shorts | 6,862 | 22,970 | (2,796) | 16,485 | 2,294 | 985 | 2,754 | 3,792 | 4,610 | 1,708 |
| Staff expenses | 113,583 | 151,884 | 68,620 | 128,748 | 29,457 | 12,777 | 10,820 | 5,847 | 4,686 | 4,512 |
| Commission on cash purchased | 47,328 | 47,146 | 25,934 | 27,702 | 9,947 | 10,022 | 8,700 | 8,494 | 2,747 | 928 |
| Cleaning supplies | 55,442 | 42,330 | 30,405 | 32,037 | 19,639 | 5,346 | 4,077 | 3,176 | 1,321 | 1,771 |
| Cablevision rental | 9,177 | 5,337 | 1,796 | 3,537 | 1,901 | 1,800 | 5,480 | – | – | – |
| ECCB adjustment | – | 24,336 | – | 24,336 | – | – | – | – | – | – |
| Extraordinary loss | 721,257 | – | 721,257 | – | – | – | – | – | – | – |
| | 7,311,753 | 6,169,640 | 5,711,781 | 4,539,662 | 624,058 | 614,300 | 577,519 | 579,446 | 398,395 | 436,232 |

SCHEDULE III**Grenada Co-operative Bank Limited**Supplementary Financial Information
Statement of General and Administrative Expenses
For the year ended September 30, 2004

(expressed in Eastern Caribbean dollars)

| | 2004 | 2003 |
|------------------------------------------------|------------------|-------------|
| | \$ | \$ |
| Contributions to pension scheme – current year | 160,224 | 156,397 |
| Licences | 60,260 | 60,000 |
| Advertising | 97,201 | 207,435 |
| Legal and professional fees | 290,765 | 130,962 |
| Motor vehicles - depreciation | 95,548 | 98,793 |
| Membership subscriptions | 20,766 | 50,466 |
| Entertaining | 33,301 | 26,813 |
| Rent | 60,800 | 67,650 |
| Directors' fees and travelling | 43,200 | 35,100 |
| Staff training | 177,452 | 168,166 |
| Public relations | 669,779 | 256,156 |
| Security | 110,882 | 84,650 |
| Sundry losses/(gain) | 7,533 | (1,966) |
| Miscellaneous | 54,430 | – |
| Bank charges | 70,739 | 56,147 |
| Lease – Spiceland Mall | 182,250 | 182,250 |
| Meetings, conferences, seminars | 60,580 | 52,242 |
| Health plan | 52,179 | 50,705 |
| Adjustment to interest receivable | 861 | 30,721 |
| Deferred expenses written off | 183,059 | 205,348 |
| Miscellaneous write-offs | 10,454 | 66,466 |
| General consumption tax | 75,262 | 48,906 |
| Under-provision - deductions | – | 19,289 |
| | 2,517,525 | 2,052,696 |

