

RBTT Bank Grenada Limited

Financial Statements

31 December 2004

(expressed in Eastern Caribbean dollars)

February 18, 2005

Auditors' Report

**To the Shareholders of
RBTT Bank Grenada Limited**

We have audited the accompanying balance sheet of **RBTT Bank Grenada Limited** as of 31 December 2004 and the related profit and loss account and statements of changes in equity and cash flows for the year then ended, as set out on pages 2 to 25. 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 31 December 2004 and the results of its operations, changes in its equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants

RBTT Bank Grenada Limited

Balance Sheet

(expressed in Eastern Caribbean dollars)

	31 December	
	2004	2003
	\$	\$
Assets		
Cash and due from Banks (note 4)	65,362,667	49,260,262
Statutory deposit with Central Bank (note 4)	25,401,225	17,166,471
Loans and advances to customers (note 5)	192,137,736	199,944,706
Originated securities (note 6)	73,718,727	34,433,623
Investments (note 7)	100,293,235	57,833,951
Customers' liability under guarantees and letters of credit (note 8)	6,576,244	7,350,129
Premises and equipment (note 9)	18,147,246	18,078,139
Other assets (note 10)	7,166,333	8,240,157
Income tax recoverable	356,910	—
Total assets	489,160,323	392,307,438
Liabilities		
Due to banks	2,541,461	3,570,673
Customers' deposits (note 11)	423,353,742	325,641,203
Customers' liability under guarantees and letters of credit (note 8)	6,576,244	7,350,129
Other liabilities (note 12)	3,186,999	3,803,373
Income tax payable	—	769,452
Total liabilities	435,658,446	341,134,830
Net assets	53,501,877	51,172,608
Shareholders' equity		
Stated capital (note 13)	11,087,521	11,087,521
Other reserves (note 14)	4,991,741	5,119,056
Statutory reserve (note 15)	10,867,021	9,143,323
Retained earnings	26,555,594	25,822,708
Total shareholders' equity	53,501,877	51,172,608

The attached notes set out on pages 6 to 25 form an integral part of these financial statements.

Approved for issue by the Board of Directors on _____, 2005 and signed on their behalf by:-

_____ Director

_____ Director

RBTT Bank Grenada Limited

Profit and Loss Account

(expressed in Eastern Caribbean dollars)

	Year Ended 31 December	
	2004 \$	2003 \$
Interest income	29,285,210	27,736,307
Interest expense	(9,506,043)	(9,629,109)
Net interest income (note 16)	19,779,167	18,107,198
Other income (note 17)	5,207,782	5,418,690
Net income	24,986,949	23,525,888
Other operating expenses (note 18)	(12,249,200)	(11,301,019)
Losses on loans and advances to customers (note 5.3)	(1,958,750)	(1,185,426)
Loss on revaluation of property (note 9)	–	(532,460)
Originated securities impairment expense (note 7.1)	(768,107)	–
Total non-interest expenses	(14,976,057)	(13,018,905)
Profit before taxation (note 19)	10,010,892	10,506,983
Taxation (note 20)	(1,392,402)	(1,749,320)
Profit after taxation	8,618,490	8,757,663
Basic earnings per share (note 21)	0.78	0.79

The attached notes set out on pages 6 to 25 form an integral part of these financial statements.

RBTT Bank Grenada Limited

Statement of Changes in Equity

(expressed in Eastern Caribbean dollars)

	Stated capital \$	Statutory reserve \$	Other reserves \$	Retained earnings \$	Total equity \$
Year ended 31 December 2003					
Balance at 1 January 2003	7,391,790	7,391,790	1,425,947	25,469,025	41,678,552
Profit after taxation	–	–	–	8,757,663	8,757,663
Bonus issue of shares	3,695,731	–	–	(3,695,731)	–
Dividends	–	–	–	(2,956,716)	(2,956,716)
Revaluation surplus on property	–	–	3,693,109	–	3,693,109
Transfer to statutory reserve (note 15)	–	1,751,533	–	(1,751,533)	–
Balance at 31 December 2003	11,087,521	9,143,323	5,119,056	25,822,708	51,172,608
Year ended 31 December 2004					
Balance at 1 January 2004	11,087,521	9,143,323	5,119,056	25,822,708	51,172,608
Profit after taxation	–	–	–	8,618,490	8,618,490
Dividends	–	–	–	(3,548,006)	(3,548,006)
Transfer to regulatory reserve (note 14)	–	–	2,613,900	(2,613,900)	–
Fair value losses arising during the year (note 14)	–	–	(2,741,215)	–	(2,741,215)
Transfer to statutory reserve (note 15)	–	1,723,698	–	(1,723,698)	–
Balance at 31 December 2004	11,087,521	10,867,021	4,991,741	26,555,594	53,501,877

Refer to note 24 in respect of Dividends for year ended December 2004.

The attached notes set out on pages 6 to 25 form an integral part of these financial statements.

RBTT Bank Grenada Limited

Statement of Changes in Cash Flows

(expressed in Eastern Caribbean dollars)

	Year ended 31 December	
	2004 \$	2003 \$
Operating activities		
Profit before taxation	10,010,892	10,506,983
Adjustments for:		
Depreciation	853,118	906,243
Gain on disposal of premises and equipment	(39,998)	(16,290)
Loss on revaluation of property	–	532,460
Impairment of originated securities	768,107	–
Profit before changes in operating assets and liabilities	11,592,119	11,929,396
Decrease/(Increase) in operating assets:		
- Statutory deposit with Central Bank	(8,234,754)	(1,419,194)
- Loans and advances to customers	7,806,970	1,644,722
- Other assets	1,073,824	(1,663,654)
Increase/(decrease) in operating liabilities:		
- Customers' deposits	97,712,539	23,171,220
- Due to banks	(1,029,212)	1,959,878
- Other liabilities	(616,374)	348,204
Cash provided by operating activities	108,305,112	35,970,572
Income tax paid	(2,518,764)	(1,087,169)
Net cash provided by operating activities	105,786,348	34,883,403
Investing activities		
Proceeds on disposal of premises and equipment	40,000	123,542
Additions to premises and equipment	(922,227)	(1,690,594)
Net increase in originated securities	(39,285,104)	(5,906,990)
Net increase in investments	(45,968,606)	(28,646,376)
Net cash used in investing activities	(86,135,937)	(36,120,418)
Financing activities		
Dividends paid	(3,548,006)	(2,956,716)
Net increase/(decrease) in cash resources	16,102,405	(4,193,731)
Cash and cash equivalents at beginning of year	49,260,262	53,453,993
Cash and cash equivalents at end of year (note 4)	65,362,667	49,260,262

The attached notes set out on pages 6 to 25 form an integral part of these financial statements.

RBTT Bank Grenada Limited

Notes to Financial Statements

31 December 2004

(expressed in Eastern Caribbean dollars)

1. Incorporation and business activities

The bank was incorporated on 19 January 1983, under the laws of Grenada and is engaged in the business of commercial banking. The registered office is situated at Grand Anse, St. George's.

2. Parent company

The bank is a 62.08% owned subsidiary of RBTT Bank Caribbean Limited, (a bank incorporated in St. Vincent and the Grenadines). The ultimate parent company of RBTT Bank Caribbean Limited is RBTT Financial Holdings Limited, a company incorporated in the Republic of Trinidad & Tobago.

3. Significant accounting policies

These financial statements are prepared in accordance with International Financial Reporting Standards, ("IFRS"). Significant accounting policies are as follows:

a) Basis of preparation

These financial statements have been prepared under the historical cost convention, modified to include the revaluation of available-for-sale investment securities and freehold properties.

b) Foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

c) Loans and advances to customers and allowance for losses

Loans and advances are stated at principal outstanding net of any unearned interest and of an allowance for impairment losses.

A loan is classified as impaired when there is objective evidence that the bank will not be able to collect all amounts due according to the original contractual terms of the loan.

The amount of the allowance for impairment is the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans. The allowance also covers probable losses within the portfolio that have not been specifically identified as impaired.

Statutory and other regulatory loan loss reserve requirements that exceed these amounts are dealt with in the general banking risks reserve as an appropriation of retained earnings.

RBTT Bank Grenada Limited

Notes to Financial Statements

31 December 2004

(expressed in Eastern Caribbean dollars)

3. Significant accounting policies ...continued

The allowance which is made during the year, less amounts released and recoveries of bad debts previously written off, is charged against the profit and loss account. When a loan is deemed uncollectable, it is written off against the related allowance for losses.

The regulatory reserve represents transfers from retained earnings in accordance with the ECCB guidelines for loan loss reserves.

d) Premises and equipment

Freehold land and buildings are stated at cost (or professional valuation in the case of land and buildings) less depreciation. All other fixed assets are stated at cost.

Depreciation is computed principally on the reducing balance method. Rates in effect are designed to write off the depreciable amounts of assets over their estimated useful lives. The following rates are used:

Buildings	2% - straight line
Motor vehicles	25% - straight line
Furniture and equipment	20% - reducing balance
Computer equipment	33 1/3% - reducing balance

Gains and losses on disposal of premises and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit. Costs of repairs and renewals are charged to the profit and loss account when the expenditure is incurred.

e) Interest income and expense

Interest income and expense are recognised in the income statement for all interest bearing instruments on an accrual basis using the effective interest method. Interest income includes coupons earned on fixed income investments, loans and advances and accrued discount and premium on treasury bills and other discounted instruments.

f) Fees and commissions

Fees and commissions are generally recognised on an accrual basis. Fees and commissions primarily include fees from investment management, loan commitments and administration, letters of credit, deposit accounts, debit and credit card products, insurance products and other financial service-related products.

RBTT Bank Grenada Limited

Notes to Financial Statements

31 December 2004

(expressed in Eastern Caribbean dollars)

3. Significant accounting policies ...continued

g) Taxation

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

The principal temporary differences arise from depreciation on premises and equipment and revaluation of certain financial assets and liabilities. The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax.

h) Originated securities

Securities originated by the Bank, by providing money directly to the borrower or to a sub-participation agent at drawdown, other than those originated with the intent of being sold immediately or in the short term are categorised as securities originated by the Bank and carried at amortised cost.

i) Investment securities

Investment securities are classified as held-for-trading, held-to-maturity and available-for-sale.

Investment securities with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities 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, exchange rates or equity prices are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

Investment securities are initially recognised at cost (which includes transaction costs). Available-for-sale financial assets are subsequently re-measured at fair value based on quoted market prices where available or discounted cash flow models. Fair value for unquoted equity instruments are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity. When the securities are disposed of the related accumulated fair value adjustments are included in net investment trading income. When securities become impaired the related accumulated fair value adjustments previously recognised in equity are included in the profit and loss account impairment expense on investment securities.

Securities-held-to-maturity and available-for-sale

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount and there is objective evidence of impairment. The recoverable amount of an instrument measured at fair value is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset.

RBTT Bank Grenada Limited

Notes to Financial Statements

31 December 2004

(expressed in Eastern Caribbean dollars)

3. Significant accounting policies ...continued

Held-to-maturity investments are carried at amortised cost using the effective interest method, less any provision for impairment.

Interest earned whilst holding investment securities is reported as interest income using the effective interest method.

All purchases and sales of investment securities are recognised at settlement date.

j) Pension plan

The pension plan is administered by a registered insurance company in Grenada. This plan is a defined contribution plan which offers its employees retirement benefits depending on the length of service.

The bank's contribution is charged to the profit and loss statement in the year to which it relates. (see note 19).

k) Accounting for leases

Leases entered into by the Bank are all operating leases. Payments made under operating leases are charged to the profit and loss account in accordance with the terms of the lease.

l) Cash and due from banks

Cash and due from banks comprise cash and amounts due from affiliated and non-affiliated banks.

m) Acceptances, guarantees and letters of credit

The Bank's potential liability under acceptances, guarantees and letters of credit is reported as a liability on the Balance Sheet. The Bank has equal and offsetting claims against its customers in the event of a call on these commitments which are reported as an asset.

n) Dividends

Dividends that are proposed and declared during the period are accounted for as an appropriation of retained earnings in the statement of changes in equity.

Dividends that are proposed and declared after the balance sheet date are not shown as a liability on the balance sheet but are disclosed as a note to the financial statements.

o) Comparative information

Where necessary, comparative figures have been adjusted to conform with the changes in presentation in the current year.

RBTT Bank Grenada Limited

Notes to Financial Statements

31 December 2004

(expressed in Eastern Caribbean dollars)

4. Cash and due from banks

	2004 \$	2003 \$
Cash on hand	6,801,545	10,616,493
Due from banks	31,370,660	15,425,627
Due from parent company	350,531	384,926
Due from affiliated company	14,390,536	18,861,961
Cheques and other items in transit	5,405,400	3,971,255
Balances with ECCB other than mandatory statutory deposit	7,043,995	—
	<u>65,362,667</u>	<u>49,260,262</u>

Cash on hand and balances with Central Bank are non-interest bearing. Other amounts due from banks earn interest at rates ranging from an average rate of 1.62%.

	\$	\$
Statutory deposit with Central Bank	<u>25,401,225</u>	<u>17,166,471</u>

In accordance with Article 33 of the Eastern Caribbean Central Bank (ECCB) agreement 1983, the Bank is required to maintain reserves of cash and other deposits with ECCB against customer deposits and other similar liabilities.

5. Loans and advances to customers

	\$	\$
Performing loans and advances	195,413,786	202,463,913
Non-performing loans and advances to customers	8,888,748	15,001,729
	204,302,534	217,465,642
Unearned interest	(6,033,805)	(7,803,077)
	198,268,729	209,662,565
Interest receivable	2,019,000	985,441
Allowance for losses	(8,149,993)	(10,703,300)
	<u>192,137,736</u>	<u>199,944,706</u>

The maturity of loans and advances to customers is disclosed in note 26.

Weighted average interest rate for the year was 9.5%.

RBTT Bank Grenada Limited

Notes to Financial Statements

31 December 2004

(expressed in Eastern Caribbean dollars)

5 Loans and advances to customers...continued

	2004	2003
	\$	\$
5.1 Sectoral analysis of loans and advances to customers		
Residential mortgages	50,911,577	62,531,466
Consumer	38,032,174	39,641,309
Distribution	18,110,263	14,803,583
Tourism/entertaining/catering	19,072,307	11,855,802
Construction	7,946,768	6,151,549
Transport	8,265,794	9,033,975
Manufacturing	10,505,309	12,061,240
Agriculture/fisheries	2,400,209	3,136,491
Utilities	21,657,464	18,532,523
Finance and insurance	659,140	1,395,601
Mining and quarrying	12,787	261,573
Public administration	11,506,327	12,760,081
Professional and other	15,222,415	17,497,372
	<u>204,302,534</u>	<u>209,662,565</u>
	\$	\$
5.2 Allowance for losses		
Balance at beginning of year	10,703,300	11,541,301
Charge against profits for the year	1,858,693	857,700
Write-offs	<u>(4,412,000)</u>	<u>(1,695,701)</u>
Balance at end of year	<u>8,149,993</u>	<u>10,703,300</u>
	\$	\$
5.3 Losses on loans and advances to customers		
Charge for the year	1,858,693	857,700
Amounts directly written off to profit and loss account	132,636	330,267
Recoveries	<u>(32,579)</u>	<u>(2,541)</u>
	<u>1,958,750</u>	<u>1,185,426</u>

RBTT Bank Grenada Limited

Notes to Financial Statements

31 December 2004

(expressed in Eastern Caribbean dollars)

Loans and advances to customers...continued

	2004 \$	2003 \$
5.4 Sectorial analysis of undrawn commitments		
Consumer	10,000	185,000
Distribution	243,300	1,075,000
Residential mortgages	2,521,000	1,878,000
Commercial mortgages	735,000	735,000
Construction	–	30,000
Financial institutions	–	2,000,000
Fisheries	–	375,000
Entertainment and catering	100,000	–
Professional and other services	898,000	–
	<u>4,507,300</u>	<u>6,278,000</u>
Total undrawn commitments	4,507,300	6,278,000

Loan commitments refer to facilities that have been approved by the year-end but have either not been disbursed to the customer or are partially undrawn.

6. Originated securities (at amortised cost)

	\$	\$
Government and state-owned enterprises securities	16,638,241	33,333,623
Corporate enterprises	56,980,486	1,000,000
Other	100,000	100,000
	<u>73,718,727</u>	<u>34,433,623</u>

Weighted average interest rate for the year was 9.48 % (2003 – 9.85%).

6.1 Impairment expense

	\$	\$
Charge for the year	<u>768,107</u>	<u>–</u>

RBTT Bank Grenada Limited

Notes to Financial Statements

31 December 2004

(expressed in Eastern Caribbean dollars)

7. Investments

	2004 \$	2003 \$
<u>Investments available-for-sale (at fair value)</u>		
Government treasury bills	14,779,758	14,783,917
Equity securities	212,800	212,800
Other securities	74,724,450	32,489,447
Total investments available-for-sale	89,717,008	47,486,164
<u>Investments held to maturity (at amortised cost)</u>		
Government and state-owned enterprises securities	10,576,227	10,347,787
Total investments	100,293,235	57,833,951

Weighted average interest rate for the year was 5.87% (2003 – 6.4%).

8. Customers' liability under guarantees and letters of credit

	\$	\$
Guarantees	6,576,244	7,170,878
Letters of Credit	–	179,251
	6,576,244	7,350,129
8.1 Sectoral analysis of customers' liability under guarantees and acceptances		
Personal sector	–	12,537
Private sector	6,576,244	7,337,592
	6,576,244	7,350,129

RBTT Bank Grenada Limited

Notes to Financial Statements

31 December 2004

(expressed in Eastern Caribbean dollars)

9. Premises and equipment

	Freehold properties \$	Leasehold improvements \$	Equipment and motor vehicles \$	Capital work in progress \$	Total \$
Year ended 31 December 2004					
Opening net book value	14,621,500	18,041	2,013,879	1,424,719	18,078,139
Additions	–	–	–	922,227	922,227
Transfers	–	–	390,352	(390,352)	–
Disposals	–	–	(2)	–	(2)
Depreciation charge	(256,670)	(3,608)	(592,840)	–	(853,118)
Closing net book value	14,364,830	14,433	1,811,389	1,956,594	18,147,246
At 31 December 2004					
Cost/valuation	14,621,500	55,611	8,544,274	1,956,594	25,177,979
Accumulated depreciation	(256,670)	(41,178)	(6,732,885)	–	(7,030,733)
Net book value	14,364,830	14,433	1,811,389	1,956,594	18,147,246
At 31 December 2003					
Cost/valuation	14,621,500	55,611	8,331,520	1,424,719	24,433,350
Accumulated depreciation	–	(37,570)	(6,317,641)	–	(6,355,211)
Net book value	14,621,500	18,041	2,013,879	1,424,719	18,078,139

Certain of the Bank's freehold land and buildings were revalued by independent surveyors in 2003. The revaluation was done on the basis of replacement cost (note 14).

RBTT Bank Grenada Limited

Notes to Financial Statements

31 December 2004

(expressed in Eastern Caribbean dollars)

10. Other assets

	2004 \$	2003 \$
Deposit to secure credit cards	2,487,755	2,547,912
Interest accrued on investments	2,618,823	3,477,711
Due by related companies	–	980,819
Other	<u>2,059,755</u>	<u>1,233,715</u>
	<u>7,166,333</u>	<u>8,240,157</u>

11. Customers' deposits

	\$	\$
Deposit balances	419,980,296	321,640,812
Accrued interest	<u>3,373,446</u>	<u>4,000,391</u>
	<u>423,353,742</u>	<u>325,641,203</u>

The maturity of customers' deposits is disclosed in note 26.
Average interest rate for the year was 3.1% (2003 – 3.1%).

	\$	\$
11.1 Sectoral analysis of customers' deposits		
Consumers	234,109,103	211,202,869
Private institutions	111,281,274	57,682,413
Public institutions	34,015,369	16,761,599
State sector	7,330,047	7,704,599
Other	<u>33,244,503</u>	<u>28,289,332</u>
	<u>419,980,296</u>	<u>321,640,812</u>

RBTT Bank Grenada Limited

Notes to Financial Statements

31 December 2004

(expressed in Eastern Caribbean dollars)

12. Other liabilities

	2004 \$	2003 \$
Local payables	2,548,070	2,165,247
Management fees	26,100	613,000
Other	<u>612,829</u>	<u>1,025,126</u>
	<u>3,186,999</u>	<u>3,803,373</u>

13. Stated capital

Authorised:	\$	\$
- 50,000,000 ordinary shares of no par value		
Issued:		
- 11,087,521 (2003 – 11,087,521) ordinary shares (see note 21)	<u>11,087,521</u>	<u>11,087,521</u>

14. Other reserves

	\$	\$
Property revaluation surplus	5,119,056	5,119,056
Fair value losses arising during the year	(2,741,215)	–
Regulatory reserve	<u>2,613,900</u>	<u>–</u>
Balance at end of year	<u>4,991,741</u>	<u>5,119,056</u>

15. Statutory reserve

This fund is required to be maintained under the provisions of the Banking Act 1993, at a minimum amount equal to that of the bank's stated capital.

Where the reserve is less than the stated capital, the bank is required to transfer to the reserve, a minimum of 20% of profit after taxation for the year. This reserve is not available for distribution as dividend or any form of appropriation.

The transfer for the year was \$1,723,698 (2003 – \$1,751,533)

RBTT Bank Grenada Limited

Notes to Financial Statements

31 December 2004

(expressed in Eastern Caribbean dollars)

16. Net interest income

	2004 \$	2003 \$
Interest income		
Loans and advances to customers	19,724,644	20,637,296
Investment securities	9,156,786	6,579,247
Deposits with banks	403,780	519,764
	<u>29,285,210</u>	<u>27,736,307</u>
Interest expense		
Customers' deposits	9,488,915	9,629,090
Due to banks	17,128	19
	<u>9,506,043</u>	<u>9,629,109</u>
	<u>19,779,167</u>	<u>18,107,198</u>

17. Other income

	\$	\$
Net investment trading income	1,503,183	2,038,663
Fees and commissions	988,189	836,780
Foreign exchange earnings	2,716,410	2,543,247
	<u>5,207,782</u>	<u>5,418,690</u>

18. Other operating expenses

	\$	\$
Staff costs	6,887,521	5,576,798
Other operating expenses	5,361,679	5,724,221
	<u>12,249,200</u>	<u>11,301,019</u>

RBTT Bank Grenada Limited

Notes to Financial Statements

31 December 2004

(expressed in Eastern Caribbean dollars)

19. Profit before taxation

Profit before taxation is arrived at after charging the following:

	2004	2003
	\$	\$
Depreciation	853,118	906,243
Directors' fees	54,600	54,000
Auditors' remuneration	75,000	75,000
Employer's pension contribution	178,357	168,357
	<u>178,357</u>	<u>168,357</u>

20. Taxation

	\$	\$
Current year	<u>1,392,402</u>	<u>1,749,320</u>

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

	\$	\$
Profit before taxation	<u>10,010,892</u>	<u>10,506,983</u>
Prima facie tax calculated at corporation tax rate of 30%	3,003,267	3,152,094
Income not subject to tax	(1,881,052)	(1,663,493)
Expenses not deductible for tax purposes	176,280	242,104
Deferred tax asset not booked	15,824	18,615
Depreciation on assets not qualifying for capital allowances	78,083	—
Tax charge	<u>1,392,402</u>	<u>1,749,320</u>

The deferred tax asset consists of the accelerated depreciation.

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Notes to Financial Statements

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(expressed in Eastern Caribbean dollars)

21. Basic earnings per share

Earnings per share are calculated by dividing the profit attributable to the ordinary shareholders for the year by the weighted average number of ordinary shares in issue during the year.

	2004	2003
	\$	\$
Profit after taxation	<u>8,618,490</u>	<u>8,757,663</u>
Weighted average number of ordinary shares in issue	<u>11,087,521</u>	<u>11,087,521</u>
Basic earnings per share	0.78	0.79

The Bank has no potential ordinary shares 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.

22. Related party transactions

A number of banking transactions is entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. These transactions are carried out on commercial terms and conditions and at market rates.

The Group and Regional Head Offices charge Management fees in respect of services provided.

	\$	\$
Management fee charged	<u>1,187,316</u>	<u>1,079,262</u>
Interest earned on investments with Group Companies	<u>2,122,231</u>	<u>1,566,093</u>

23. Lease commitments

The bank has operating lease commitments as follows:-

Premises:

	\$	\$
Within one year	<u>267,360</u>	<u>250,200</u>
One to five years	<u>14,000</u>	<u>—</u>
	<u>281,360</u>	<u>250,200</u>

RBTT Bank Grenada Limited

Notes to Financial Statements

31 December 2004

(expressed in Eastern Caribbean dollars)

24. Dividends

On 18 February 2005, the Board of Directors declared a dividend of \$3,548,006 in respect of 2004. The financial statements for the year ended 31 December 2004 do not reflect this declaration which will be accounted for in shareholders' equity as an appropriation of retained profits in the year ending 31 December 2005.

25. Employees

The average number of employees in the Bank for the year was 108 (2003 – 105).

26. Interest rate risk

Interest sensitivity of assets and liabilities

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market rates on its financial position and cash flows. The table below summarises the Bank's exposure to interest rate risks. Included in the table are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Up to one year (\$000's)	Up to five years (\$000's)	Over five years (\$000's)	Non-int. bearing (\$000's)	Total (\$000's)
As at 31 December 2004					
Assets					
Cash and due from banks	14,711	–	–	50,652	65,363
Statutory deposit with Central Bank	–	–	–	25,401	25,401
Loans and advances to customers	154,690	17,635	8,309	11,504	192,138
Originated securities	–	–	73,719	–	73,719
Investments	76,951	2,000	21,342	–	100,293
Other assets	2,237	–	–	30,009	32,246
Total assets	248,589	19,635	103,370	117,566	489,160
Liabilities					
Due to other banks	469	–	–	2,072	2,541
Customers' deposits	413,229	10,125	–	–	423,354
Other liabilities	–	–	–	9,763	9,763
Total liabilities	413,698	10,125	-	11,835	435,658
Interest sensitivity gap	(165,109)	9,510	103,370		

RBTT Bank Grenada Limited

Notes to Financial Statements

31 December 2004

(expressed in Eastern Caribbean dollars)

26 Interest rate risk ...continued

	Up to one year (\$000's)	Up to five years (\$000's)	Over five years (\$000's)	Non-int. bearing (\$000's)	Total (\$000's)
As at 31 December 2003					
Assets					
Cash and due from banks	27,189	–	–	22,072	49,261
Statutory deposit with Central Bank	–	–	–	17,166	17,166
Loans and advances to customers	148,332	19,178	17,432	15,002	199,944
Originated securities	14,535	100	19,799	–	34,434
Investments	54,457	–	3,377	–	57,834
Other assets	2,548	–	–	31,120	33,668
Total assets	247,061	19,278	40,608	85,360	392,307
Liabilities					
Customers' deposits	453	–	–	3,118	3,571
Due to banks	315,516	10,125	–	–	325,641
Other liabilities	–	–	–	11,922	11,922
Total liabilities	315,969	10,125	-	15,040	341,134
Interest sensitivity gap	(68,908)	9,153	40,608		

RBTT Bank Grenada Limited

Notes to Financial Statements

31 December 2004

(expressed in Eastern Caribbean dollars)

27. Currency risk

Concentrations of assets and liabilities

The bank has no significant foreign exchange exposure since assets are funded by liabilities in the same currency. Foreign currency transactions have not required the use of interest rate swaps and foreign currency options and other derivative instruments which all carry inherent risks.

	EC (\$000's)	USD (\$000's)	Other (\$000's)	Total (\$000's)
As at 31 December 2004				
Assets				
Cash and due from banks	33,157	31,194	1,012	65,363
Statutory deposit with Central Bank	25,401			25,401
Loans and advances to customers	185,954	6,184	–	192,138
Originated securities	70,646	3,073	–	73,719
Investments	25,174	75,119	–	100,293
Customers' liability	6,576	–	–	6,576
Premises and equipment	18,147	–	–	18,147
Other assets	7,523	–	–	7,523
Total assets	372,578	115,570	1,012	489,160
Liabilities				
Due to other banks	167	–	–	167
Customers' deposits	382,374	40,501	479	423,354
Due to affiliated companies	2,374	–	–	2,374
Customers' liability	6,576	–	–	6,576
Other liabilities	3,105	82	–	3,187
Total liabilities	394,596	40,583	479	435,658
Net balance sheet position	(22,018)	74,987	533	53,502
Credit commitments	4,507	–	–	4,507
As at 31 December 2003				
Total assets	317,136	74,046	1,125	392,307
Total liabilities	295,942	44,514	678	341,134
Net balance sheet position	21,194	29,532	447	51,173
Credit commitments	6,278	–	–	6,278

RBTT Bank Grenada Limited

Notes to Financial Statements

31 December 2004

(expressed in Eastern Caribbean dollars)

28. Liquidity risk

Maturity of assets and liabilities

	Up to one year (\$000's)	Up to five years (\$000's)	Over five years (\$000's)	Total (\$000's)
As at 31 December 2004				
Assets				
Cash and due from banks	65,363	—	—	65,363
Statutory deposit with Central Bank	25,401	—	—	25,401
Loans and advances to customers	46,640	26,523	118,975	192,138
Originated securities	—	—	73,719	73,719
Investment securities	76,951	2,000	21,342	100,293
Other assets	16,593	—	15,653	32,246
	<u>230,948</u>	<u>28,523</u>	<u>229,689</u>	<u>489,160</u>
Liabilities				
Due to banks	167	—	—	167
Due to affiliated companies	2,374	—	—	2,374
Customers' deposits	413,229	10,125	—	423,354
Other liabilities	9,763	—	—	9,763
	<u>425,533</u>	<u>10,125</u>	<u>-</u>	<u>435,658</u>
Net liquidity gap	<u>(194,585)</u>	<u>18,398</u>	<u>229,689</u>	<u>53,502</u>

As at 31 December 2003

Total assets	184,914	30,634	176,759	392,307
Total liabilities	<u>341,134</u>	<u>—</u>	<u>—</u>	<u>341,134</u>
Net liquidity gap	<u>(156,220)</u>	<u>30,634</u>	<u>176,759</u>	<u>51,173</u>

The above table analyses assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at balance sheet date on the contractual maturity date.

RBTT Bank Grenada Limited

Notes to Financial Statements

31 December 2004

(expressed in Eastern Caribbean dollars)

28. Liquidity risk...continued...

Liquidity risk arises from fluctuations in cash flows. The liquidity risk management process ensures that the Bank is able to honour all of its financial commitments as they fall due. The Bank's liquidity strategy includes measuring and forecasting cash commitments, building a large and stable base of core deposits, ensuring sufficient cash and marketable instruments such as treasury bills and government securities are available to meet short-term requirements.

Daily float, liquid assets, funding concentration and diversification are all aggressively managed to ensure that the Bank has sufficient funds to meet its obligations.

29. Fair value of financial assets and liabilities

Financial assets and liabilities not carried at fair value include cash and due from banks, loans and advances to customers, originated securities, investment securities held-to-maturity, due to banks and customers' deposits. The following comments are relevant to their fair value.

Assets

Cash and due from banks

Since these assets are short-term in nature, the values are taken as indicative of realisable value.

Loans and advances to customers

Loans and advances are net of specific provision for losses. These assets result from transactions conducted under typical market conditions and their values are not adversely affected by unusual terms. The inherent rates of interest in the portfolio approximate market conditions and yield discounted cash flow values which are substantially in accordance with financial statement amounts.

Originated securities

Fair value for originated securities is based on market prices. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit characteristics or discounted cash flow models.

	Carrying value \$	Fair value \$
Balance at 31 December 2004	<u>73,718,727</u>	<u>73,718,727</u>
Balance at 31 December 2003	<u>34,433,623</u>	<u>34,433,623</u>

RBTT Bank Grenada Limited

Notes to Financial Statements

31 December 2004

(expressed in Eastern Caribbean dollars)

29. Fair value of financial assets and liabilities...continued...

Investment securities available-for-sale

Fair value for available-for-sale assets is based on market prices. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit characteristics or discounted cash flow models.

	Carrying value \$	Fair value \$
Balance at 31 December 2004	<u>92,458,223</u>	<u>89,717,008</u>
Balance at 31 December 2003	<u>47,486,164</u>	<u>47,486,164</u>

Investment securities held-to-maturity

Fair value for held-to-maturity assets is based on market prices. Where this information is not available, fair value is estimated using market prices for securities with similar characteristics or discounted cash flow models.

	Carrying value \$	Fair value \$
Balance at 31 December 2004	<u>10,576,227</u>	<u>10,576,227</u>
Balance at 31 December 2003	<u>10,347,787</u>	<u>10,347,787</u>

Liabilities

Due to banks and customers' deposits

The fair values of items with no stated maturity are assumed to be equal to their carrying values. Deposits with fixed rate characteristics are at rates which are not significantly different from current rates and are assumed to have discounted cash flow values which approximate carrying values.

RBTT Bank Grenada Limited

Additional Information to

Financial Statements for the year ended 31 December 2004

(expressed in Eastern Caribbean dollars)

RBTT Bank Grenada Limited

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For the year ended 31 December 2003

(expressed in Eastern Caribbean dollars)

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February 18, 2005

Auditors' Report

**To the Board of Directors of
RBTT Bank Grenada Limited**

The accompanying schedule is presented as supplementary information only. In this respect, it does not form part of the financial statements of **RBTT Bank Grenada Limited** for the year ended 31 December 2004, and hence is excluded from the opinion expressed in our report dated February 18, 2005 to the shareholders on such financial statements. The information in this schedule 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

RBTT Bank Grenada Limited

Supplementary Financial Information Statement of Other Income and Expenses

For the year ended 31 December 2004

(expressed in Eastern Caribbean dollars)

	2004 \$	2003 \$
Other income		
Net investment trading income	1,503,183	2,038,663
Fees and commission income	988,189	836,780
Foreign exchange	2,716,410	2,543,247
	<u>5,207,782</u>	<u>5,418,690</u>
Other expenses		
Salaries, wages, allowances and profit sharing	4,807,823	4,620,520
Contributions to N.I.S. and group pension plan	370,035	322,424
Directors' fees	54,600	54,000
Management fees	1,187,316	1,079,262
Staff benefits	215,747	257,370
Travelling	104,755	129,847
Entertaining	4,384	43,286
Stationery, postage and computer supplies	453,021	552,043
Telephones and cables - (Net)	245,646	227,409
Electricity	378,340	428,862
Insurance	253,897	194,243
Audit and accountancy fee	75,000	75,000
Legal and professional fees	311,474	105,453
GCT	183,555	226,750
Licences	60,000	60,000
Advertising	424,328	427,375
Depreciation	853,118	906,243
Subscriptions and donations	114,892	133,625
Repairs and maintenance	908,648	597,637
Cash purchase and redemption costs	49,501	20,767
Rents, rates and taxes	132,660	78,918
Fees charged by correspondent banks	148,640	177,734
Staff training	125,984	40,813
Cashiers' shorts	13,801	7,729
Security services	108,450	110,273
Gain on disposal of premises and equipment	(39,998)	(16,290)
Staff secondment	339,193	317,693
Miscellaneous staff expenses	674	17,978
Periodicals	2,911	2,361
Directors expenses	4,525	9,491
AGM expenses	98,151	92,203
Hurricane expenses	258,129	-
	<u>12,249,200</u>	<u>11,301,019</u>