

SAINT LUCIA DEVELOPMENT BANK

Separate Financial Statements

March 31, 2011



SAINT LUCIA DEVELOPMENT BANK

Table of Contents	Page
Independent Auditors' Report	1 - 2
Separate Statement of Financial Position	3
Separate Statement of Comprehensive Loss	4
Separate Statement of Changes in Equity	5
Separate Statement of Cash Flows	6
Notes to Separate Financial Statements	7 - 27



KPMG EASTERN CARIBBEAN
Morgan Building
L'Anse Road
P.O. Box 1101
Castries, St. Lucia

Telephone (758) 453-1471
(758) 453-0625
Fax (758) 453-6507
e-Mail kpmg@kpmg.lc

INDEPENDENT AUDITORS' REPORT

The Shareholder of
Saint Lucia Development Bank

We have audited the accompanying separate financial statements of Saint Lucia Development Bank (the Bank), which comprise the separate statement of financial position as at March 31, 2011, and the separate statements of comprehensive loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Separate Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.



INDEPENDENT AUDITORS' REPORT (Cont'd)

The Shareholder of
Saint Lucia Development Bank

Basis for Qualified Opinion

The Bank has a wholly-owned subsidiary, Youth Enterprise Equity Fund Inc (YEEF). IAS 27 "Consolidated and Separate Financial Statements" requires parent entities to prepare consolidated financial statements except when the latter meets the requirements of IAS 27 paragraph 10. The Bank did not qualify for such exception. As such, it is mandatory for the Bank to prepare consolidated financial statements. As described in Note 2 to the separate financial statements, management has not prepared consolidated financial statements because a decision was made to commence consolidation from the next reporting period. The effects of this departure from International Financial Reporting Standards are material and have not been quantified.

Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the separate financial statements present fairly, in all material respects, the financial position of the Bank as at March 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature of the KPMG firm, written in black ink.

KPMG Eastern Caribbean
June 8, 2011

Castries, St. Lucia

SAINT LUCIA DEVELOPMENT BANK

Separate Statement of Financial Position

March 31, 2011

(with figures for 2010)

(Expressed in Eastern Caribbean Dollars)

	Notes	2011	2010
Assets			
Cash and cash equivalents	6	\$ 4,245,495	7,048,209
Loans to customers	7	14,499,289	6,225,280
Interest receivable	8	101,591	28,372
Other assets and receivables	9	85,449	147,041
Investments – held to maturity	10	213,922	202,500
Investment in subsidiary	11	2,558,190	-
Property and equipment	12	1,704,989	2,164,488
Intangible assets	13	<u>56,636</u>	<u>87,390</u>
Total Assets		\$ <u>23,465,561</u>	<u>15,903,280</u>
Liabilities and Equity			
Liabilities			
Capital grant	14	\$ 88,563	111,666
Payables and accruals	15	763,919	440,188
Long term loans	16	7,000,000	-
Special guarantee fund	17	<u>500,000</u>	<u>-</u>
Total Liabilities		<u>8,352,482</u>	<u>551,854</u>
Equity			
Issued share capital	11	20,000,000	19,000,000
Capital reserve	18	1,058,190	-
Accumulated deficit		<u>(5,945,111)</u>	<u>(3,648,574)</u>
Total Equity		<u>15,113,079</u>	<u>15,351,426</u>
Total Liabilities and Equity		\$ <u>23,465,561</u>	<u>15,903,280</u>

Approved by:



Director

Chief Financial Officer*The notes on pages 7 to 27 are an integral part of these separate financial statements*

SAINT LUCIA DEVELOPMENT BANK

Separate Statement of Comprehensive Loss

For the year ended March 31, 2011

(with figures for the period from October 1, 2008 to March 31, 2010)

(Expressed in Eastern Caribbean Dollars)

	Notes	2011	2010
Income			
Loans to customers		\$ 837,940	280,735
Investments		322,263	135,845
Total Interest Income		<u>1,160,203</u>	<u>416,580</u>
Amortisation of capital grant	14	23,103	3,851
Fees and finance charges		321,215	92,094
Other income		45,450	-
Operating Income		<u>1,549,971</u>	<u>512,525</u>
Personnel expenses	20	(1,544,301)	(1,882,301)
Depreciation and amortization	12,13	(624,859)	(648,202)
Other operating expenses	21	(1,315,555)	(1,630,596)
Provision for loan losses	7	(116,557)	-
Finance charges		(245,236)	-
Net loss and net comprehensive loss for the year/period		<u>\$ (2,296,537)</u>	<u>(3,648,574)</u>

The notes on pages 7 to 27 are an integral part of these separate financial statements

SAINT LUCIA DEVELOPMENT BANK

Separate Statement of Changes in Equity

For the year ended March 31, 2011

(with figures for the period from October 1, 2008 to March 31, 2010)

(Expressed in Eastern Caribbean Dollars)

	Notes	Share Capital	Capital Reserve	Accumulated Deficit	Total
Shares issued during the period	18	\$ 19,000,000	-	-	19,000,000
Net comprehensive loss for the period		-	-	(3,648,574)	(3,648,574)
Balance at March 31, 2010		<u>19,000,000</u>	<u>-</u>	<u>(3,648,574)</u>	<u>15,351,426</u>
Balance at April 1, 2010		19,000,000	-	(3,648,574)	15,351,426
Reduction in issued share capital	17	(500,000)	-	-	(500,000)
Shares issued during the year	18	1,500,000	-	-	1,500,000
Shareholder's contribution	11	-	1,058,190	-	1,058,190
Net comprehensive loss for the year		-	-	(2,296,537)	(2,296,537)
Balance at March 31, 2011		<u>\$ 20,000,000</u>	<u>1,058,190</u>	<u>(5,945,111)</u>	<u>15,113,079</u>

The notes on pages 7 to 27 are an integral part of these separate financial statements

SAINT LUCIA DEVELOPMENT BANK

Separate Statement of Cash Flows

For the year ended March 31, 2011

(with figures for the period from October 1, 2008 to March 31, 2010)

(Expressed in Eastern Caribbean Dollars)

	Notes	2011	2010
Cash flows from operating activities			
Net comprehensive loss for the year/period		\$ (2,296,537)	(3,648,574)
Adjustments for:			
Depreciation and amortisation	12,13	624,859	648,202
Amortisation of capital grant	14	(23,103)	(3,851)
Provision for loan losses	7	116,557	-
Loss on disposal of fixed assets	21	1,606	-
Finance charges		245,236	-
Interest income		(1,160,203)	(416,580)
		<u>(2,491,585)</u>	<u>(3,420,803)</u>
Increase in loans to customers		(8,390,566)	(6,225,280)
Decrease/(increase) in other assets and receivables		61,592	(147,041)
Increase in payables and accruals		323,731	440,188
Increase in special guarantee fund		500,000	-
Interest received		1,086,984	388,208
		<u>(8,909,844)</u>	<u>(8,964,728)</u>
Net cash used in operating activities			
Cash flows from investing activities			
Acquisition of investment held to maturity	10	(11,422)	(202,500)
Acquisition of property and equipment	12	(123,744)	(2,775,769)
Acquisition of intangible assets	13	(12,468)	(124,311)
		<u>(147,634)</u>	<u>(3,102,580)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Investment in subsidiary	11	(2,558,190)	-
Capital grant received	14	-	115,517
Reduction in issued share capital	17	(500,000)	-
Proceeds from issuance of shares	18	1,500,000	19,000,000
Capital reserve	11	1,058,190	-
Proceeds from long-term loan	16	7,000,000	-
Interest paid		(245,236)	-
		<u>6,254,764</u>	<u>19,115,517</u>
Net cash from financing activities			
Net (decrease)/ increase in cash and cash equivalents		<u>(2,802,714)</u>	<u>7,048,209</u>
Cash and cash equivalents beginning of year/period		\$ <u>7,048,209</u>	<u>-</u>
Cash and cash equivalents end of year/period		\$ <u>4,245,495</u>	<u>7,048,209</u>

SAINT LUCIA DEVELOPMENT BANK

Notes to Separate Financial Statements

March 31, 2011

(Expressed In Eastern Caribbean Dollars)

1. Reporting Entity

The Saint Lucia Development Bank (the “Bank”) was established by the Saint Lucia Development Bank Act No 12 of 2008 and commenced operations on October 1, 2008. The address of the Bank’s registered office is Bridge Street, Castries, Saint Lucia.

The Bank’s principal activities are to promote and facilitate the expansion and strengthening of the economic development of Saint Lucia and to foster the development of money and capital markets in Saint Lucia and Member States of the Organization of Eastern Caribbean States.

On February 23, 2010, the Bank established The Youth Enterprise Equity Fund Inc. as a wholly owned subsidiary with funding received from the Government of Saint Lucia. Its principal activity is the provision of equity funding to young entrepreneurs in Saint Lucia.

2. Basis of Preparation

(a) *Statement of compliance*

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) except that, the financial statements of the Bank’s subsidiary have not been consolidated, which is not in accordance with International Accounting Standard 27 “consolidated and separate financial statements”.

The separate financial statements were authorized for issue by the Board of Directors on June 8, 2011.

(b) *Basis of measurement*

The separate financial statements have been prepared using the historical cost basis.

(c) *Functional and presentation currency*

These separate financial statements are presented in Eastern Caribbean dollars, which is the Bank’s functional currency. Except as otherwise indicated, financial information presented in Eastern Caribbean dollars has been rounded to the nearest dollar.

(d) *Use of estimates and judgments*

The preparation of separate financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

SAINT LUCIA DEVELOPMENT BANK

Notes to Separate Financial Statements (Continued)

March 31, 2011

(Expressed In Eastern Caribbean Dollars)

2. Basis of Preparation (Cont'd)

(d) *Use of estimates and judgments (Cont'd)*

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the separate financial statements are described in the following notes:

- Note 3(g) : Investments
- Note 3(m) : Impairment
- Note 3(n) : Provisions

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently throughout the year presented in these separate financial statements.

(a) *Foreign currency*

Transactions in foreign currencies are translated to the Bank's functional currency at the foreign exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the spot exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the values were determined. Foreign currency differences arising on translation are recognized in profit or loss.

(b) *Interest income*

Interest income is recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount of the financial asset. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently.

The calculation of the effective interest rate includes all fees, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of a financial asset.

SAINT LUCIA DEVELOPMENT BANK

Notes to Separate Financial Statements (Continued)

March 31, 2011

(Expressed In Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

(b) Interest income (Cont'd)

Interest income presented in the separate statement of comprehensive loss includes interest on financial assets at amortized cost on an effective interest basis and interest on held-to-maturity investments. When the related financial asset becomes impaired, the carrying value is reduced due to an impairment loss and interest income is recognized using the rate of interests used to discount the future cash flows for the purpose of measuring the impairment loss.

(c) Fees and finance charge

Fees and finance charge on loans and advances provided by the Bank are recognised when the corresponding service is provided.

Service charges and penalties for past due accounts are recognized only upon collection or accrued when there is a reasonable degree of certainty as to its collectability.

(d) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand and highly liquid financial assets with original maturities of less than three months.

(e) Loans to customers

Loans to customers are non-derivative financial assets with fixed or determinable payments and that the Bank does not intend to make short term profits.

Loans are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method. In accordance with IAS 39, a loan is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a 'loss event') and that loss event has an impact such that the estimated present value of future cash flows is less than the current carrying value of the financial asset or group of assets. Adjustments are made to the profit or loss..

SAINT LUCIA DEVELOPMENT BANK

Notes to Separate Financial Statements (Continued)

March 31, 2011

(Expressed In Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

(f) *Investments*

Investment securities are initially measured at fair value plus, in case of investment securities not at fair value through profit or loss, incremental direct transactions costs and subsequently accounted for depending on their classification as either held to maturity, fair value through profit or loss or available for sale.

If the Bank has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment losses.

(g) *Property and equipment*

(i) *Recognition and measurement*

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain and loss on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within other income in profit or loss.

(ii) *Subsequent expenditure*

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

(iii) *Depreciation*

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

SAINT LUCIA DEVELOPMENT BANK

Notes to Separate Financial Statements (Continued)

March 31, 2011

(Expressed In Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

(h) *Property and equipment (Cont'd)*

(iii) *Depreciation (Cont'd)*

The estimated useful lives for the current period are as follows:

■ Computer hardware	3 years
■ Office equipment	5 years
■ Motor vehicle	5 years
■ Furniture and fittings	8 years
■ Leasehold improvements	5 years

Depreciation methods, useful lives and residual values are reassessed at each financial year-end and adjusted if appropriate.

(i) *Intangible assets*

Intangible assets that are acquired by the Bank and have finite useful lives are stated at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortization

Amortisation is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives for the current period are as follows:

■ Computer software	3 years
■ Website development	5 years

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(j) *Other assets and receivables*

Other receivables, being short term, are carried at cost and are not discounted.

(k) *Payables and accruals*

Payables and accruals which are normally settled on 30 – 90 day terms and conditions are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the Bank.

(l) *Share capital*

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

SAINT LUCIA DEVELOPMENT BANK

Notes to Separate Financial Statements (Continued)

March 31, 2011

(Expressed In Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

(m) *Impairment*

(i) *Financial assets*

At each reporting date, the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower will enter bankruptcy, or other observable data relating to a group of assets such as adverse changes in the payment status of the borrower.

The Bank considers evidence of impairment for loans and advances and held-to-maturity investment securities at a specific asset and collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and advances and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Bank uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against the actual outcomes to ensure that they remain appropriate.

An impairment loss in respect of financial assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against the loans and advances. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

SAINT LUCIA DEVELOPMENT BANK

Notes to Separate Financial Statements (Continued)

March 31, 2011

(Expressed In Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

(m) *Impairment (Cont'd)*

(ii) *Non-financial assets*

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) *Provisions*

A provision is recognized if, as a result of past event, the Bank has a present or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(o) *New standards and interpretations not yet adopted*

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended March 31, 2011, and have not been applied in preparing these separate financial statements. None of these will have an effect on the separate financial statements of the Bank.

SAINT LUCIA DEVELOPMENT BANK

Notes to Separate Financial Statements (Continued)

March 31, 2011

(Expressed In Eastern Caribbean Dollars)

3. Significant Accounting Policies (Cont'd)

(p) *Capital grants (fixed assets)*

Capital grants related to fixed assets are initially recorded as deferred income and are subsequently brought to the profit or loss at the same rate as the assets to which they relate are depreciated.

4. Financial Assets and Liabilities

Accounting classification and fair values

The table below sets out the carrying amounts and the Bank's financial assets:

March 31, 2011	Held to maturity	Loans and receivables	Total carrying amount	Fair value
Cash and cash equivalents	\$ -	4,245,495	4,245,495	4,245,495
Loans to customers	-	14,615,846	14,499,289	14,499,289
Investments-held to maturity	<u>213,922</u>	<u>-</u>	<u>213,922</u>	<u>213,922</u>
	<u>\$ 213,922</u>	<u>18,861,341</u>	<u>18,958,706</u>	<u>18,958,706</u>

March 31, 2010	Held to maturity	Loans and receivables	Total carrying amount	Fair value
Cash and cash equivalents	\$ -	7,048,208	7,048,208	7,048,208
Loans to customers	-	6,225,280	6,225,280	6,225,280
Investments-held to maturity	<u>202,500</u>	<u>-</u>	<u>202,500</u>	<u>202,500</u>
	<u>\$ 202,500</u>	<u>13,273,488</u>	<u>13,475,988</u>	<u>13,475,988</u>

SAINT LUCIA DEVELOPMENT BANK

Notes to Separate Financial Statements (Continued)

March 31, 2011

(Expressed In Eastern Caribbean Dollars)

5. Financial Risk Management

Overview

The Bank has exposure to the following risks from its use of financial instruments:

- a) Credit risk
- b) Liquidity risk
- c) Market risk

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these separate financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Risk Management Department which oversees how management monitors compliance with the Bank's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Bank.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

a) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and investments.

Management of credit risk

The Bank has an integrated framework of credit policies, guidelines and processes in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers. The Board of Directors has delegated responsibility for the management of credit risk to the Risk Management Department and the Managing Director.

The Service Delivery department is required to implement the Bank's credit policies and procedures, and all loans approved are within the delegated authority approved by the Board. The Service Delivery and Risk Department Managers report on all credit related matters to the Board. The Departments are responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios.

SAINT LUCIA DEVELOPMENT BANK

Notes to Separate Financial Statements (Continued)

March 31, 2011

(Expressed In Eastern Caribbean Dollars)

5. Financial Risk Management (Cont'd)

a) Credit risk (Cont'd)

Exposure to credit risk

	Notes	Loans to customers	
		2011	2010
Carrying amount	7	\$ <u>14,499,289</u>	<u>6,225,280</u>
<i>Impaired</i>		\$ <u>116,557</u>	<u>-</u>
<i>Past due but not impaired</i>			
31-60 days		10,421	1,968
61-90 days		6,784	764
91-120 days		5,776	633
Over 120 days		<u>18,282</u>	<u>1,012</u>
		<u>41,263</u>	<u>4,377</u>
<i>Neither past due nor impaired</i>		<u>14,458,026</u>	<u>6,220,903</u>
Total carrying amount	7	\$ <u>14,615,846</u>	<u>6,225,280</u>

Past due but not impaired loans

These are loans where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Bank.

Allowance for impairment

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogenous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Management has reviewed the Bank's loans portfolio for impairment and has not identified any significant exposure to the credit risk.

SAINT LUCIA DEVELOPMENT BANK

Notes to Separate Financial Statements (Continued)

March 31, 2011

(Expressed In Eastern Caribbean Dollars)

5. Financial Risk Management (Cont'd)

a) Credit risk (Cont'd)

Exposure to credit risk (Cont'd)

Write-off policy

The Bank writes off a loan balance (and any related allowances for impairment losses) when the Loans Committee determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

The Bank requires collateral in respect of credit facilities. Collateral is usually in the form of land and buildings, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are updated periodically.

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

		Against past due but not impaired	Against neither past due nor impaired	Total
March 31, 2011				
Property	\$	2,034,189	21,662,566	23,696,755
Cash		-	124,905	124,905
Bill of sale		106,989	1,102,104	1,209,093
Other		226,876	6,058,498	6,285,374
	\$	<u>2,368,054</u>	<u>28,948,073</u>	<u>31,316,127</u>

		Against past due but not impaired	Against neither past due nor impaired	Total
March 31, 2010				
Property	\$	-	7,848,489	7,848,489
Cash		-	135,688	135,688
Bill of sale		35,168	861,884	897,052
Other		136,167	901,425	1,037,592
	\$	<u>171,335</u>	<u>9,747,486</u>	<u>9,918,821</u>

Concentration risk

The Bank monitors concentrations of credit risk by sector. An analysis of economic sector credit risk concentrations of outstanding loans are presented in the table below:

SAINT LUCIA DEVELOPMENT BANK

Notes to Separate Financial Statements (Continued)

March 31, 2011

(Expressed In Eastern Caribbean Dollars)

5. Financial Risk Management (Cont'd)

a) Credit risk (Cont'd)

Exposure to credit risk (Cont'd)

Economic Sector	2011	2010
Productive	\$ 2,774,368	1,009,255
Education	4,645,926	1,633,833
Housing	7,195,552	3,582,192
	<u>\$ 14,615,846</u>	<u>6,225,280</u>

b) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

The Bank'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 Bank's reputation.

The Board of Directors assesses information regarding the liquidity profile of the Bank's financial assets and liabilities and details of other projected cash flows arising from projected future business. It then maintains a portfolio of short-term liquid assets to ensure that sufficient liquidity is maintained by the Bank.

Liquidity analysis

March 31, 2011	Carrying amount	Less than 1 year	1-5 years	More than 5 years	Total
Assets					
Cash and cash equivalents	\$ 4,245,495	4,245,495	-	-	4,245,495
Loans to customers	14,499,289	1,094,872	2,489,426	10,914,991	14,499,289
Interest receivable	101,591	101,591	-	-	101,591
Other assets and receivables	85,449	65,449	-	20,000	85,449
Investments-held to maturity	213,922	213,922	-	-	213,922
Liabilities					
Payables and accruals	(763,919)	(763,919)	-	-	(763,919)
Long-term loans	(7,000,000)	(333,142)	(2,061,184)	(4,605,674)	(7,000,000)
Special guarantee fund	(500,000)	-	-	(500,000)	(500,000)
Net liquidity gap	<u>\$ 10,881,827</u>	<u>4,624,268</u>	<u>428,242</u>	<u>5,829,317</u>	<u>10,881,827</u>

SAINT LUCIA DEVELOPMENT BANK

Notes to Separate Financial Statements (Continued)

March 31, 2011

(Expressed In Eastern Caribbean Dollars)

5. Financial Risk Management (Cont'd)

b) Liquidity risk (Cont'd)

March 31, 2010	Carrying amount	Less than 1 year	1-5 years	More than 5 years	Total
Assets					
Cash and cash equivalents	\$ 7,048,208	7,048,208	-	-	7,048,208
Loans to customers	6,225,280	48,645	1,195,607	4,981,028	6,225,280
Interest receivable	28,372	28,372	-	-	28,372
Other assets and receivables	147,041	127,041	-	20,000	147,041
Investments-held to	202,500	202,500	-	-	202,500
Liabilities					
Payables and accruals	(440,188)	(440,188)	-	-	(440,188)
Net liquidity gap	\$ 13,211,213	7,014,578	1,195,607	5,001,028	13,211,213

c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads will affect the Bank's income or the value of its holdings of financial instruments. The Bank is not exposed to significant market risk.

Interest rate risk

Interest rates risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk is affected where there is a mismatch between interest-earning assets and interest-bearing liabilities, which are subject to interest rate adjustments within a specified period.

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the statement of financial position date and the periods in which they are re-priced.

March 31, 2011	Average Effective Interest Rate	Total	12 months or less	1-5 years	More than 5 years
Cash and cash equivalents	4.5%	4,245,495	4,245,495	-	-
Investments-held to maturity	5.4%	213,922	213,922	-	-
Loans to customers	8.5%	14,615,846	1,094,872	2,605,983	10,914,991
Long-term loans	4.5%	7,000,000	333,142	2,061,184	4,605,674

SAINT LUCIA DEVELOPMENT BANK

Notes to Separate Financial Statements (Continued)

March 31, 2011

(Expressed In Eastern Caribbean Dollars)

5. Financial Risk Management (Cont'd)

Interest rate risk (Cont'd)

March 31, 2010	Average Effective Interest Rate	Total	12 months or less	1-5 years	More than 5 years
Cash and cash equivalents	\$ 4.5%	7,048,209	7,048,209	-	-
Investments-held to maturity	\$ 5.75%	202,500	202,500	-	-
Loans to customers	\$ 10%	6,225,280	48,645	1,195,607	4,981,028

Capital Management

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence to sustain future development of the business.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	2011	2010
Cash at bank and in hand	\$ 634,810	539,812
Short-term deposits	<u>3,610,685</u>	<u>6,508,397</u>
	<u>\$ 4,245,495</u>	<u>7,048,209</u>

Interest on short-term deposits ranged from 3.5% to 5.5% at March 31, 2011 (2010 – 3.5% to 5.5%).

7. Loans to Customers

	2011	2010
Loans	\$ 14,615,846	6,225,280
Provision for loan losses	<u>(116,557)</u>	<u>-</u>
	<u>\$ 14,499,289</u>	<u>6,225,280</u>

SAINT LUCIA DEVELOPMENT BANK

Notes to Separate Financial Statements (Continued)

March 31, 2011

(Expressed In Eastern Caribbean Dollars)

7. Loans to Customers (Cont'd)

Maturity analysis	2011	2010
Within 1 year	\$ 1,094,872	48,645
1 to 5 years	2,605,983	1,217,487
After 5 years	<u>10,914,991</u>	<u>4,959,148</u>
	<u>\$ 14,615,846</u>	<u>6,225,280</u>

The Bank's exposure to credit and currency risks and impairment losses related to loans is disclosed in note 5.

8. Interest Receivable

	2011	2010
Loans	\$ 91,984	6,021
Short term deposits and investments	<u>9,607</u>	<u>22,351</u>
	<u>\$ 101,591</u>	<u>28,372</u>

9. Other Assets and Receivables

	2011	2010
Prepayments	\$ 41,803	82,261
Inventory	14,365	19,940
Security deposit	20,000	20,000
Other receivables	<u>9,281</u>	<u>24,840</u>
	<u>\$ 85,449</u>	<u>147,041</u>

10. Investment Held-to-Maturity

	2011	2010
Government of Saint Lucia fixed rate bonds	<u>\$ 213,922</u>	<u>202,500</u>

The weighted average effective interest rate on held to maturity investments at March 31, 2011 was 5.4% (2010 – 5.75%).

SAINT LUCIA DEVELOPMENT BANK

Notes to Separate Financial Statements (Continued)

March 31, 2011

(Expressed In Eastern Caribbean Dollars)

11. Investment in Subsidiary

	2011	2010
Investment in subsidiary	\$ <u>2,558,190</u>	<u>-</u>

During the year, the Bank received the amount of \$2,558,190 from the Government of Saint Lucia to establish a subsidiary entity, Youth Enterprise Equity Fund Inc. (YEEF). Of the total amount, the Bank issued shares for \$1,500,000 because of the restriction imposed by the authorized share capital. The balance of \$1,058,190 is being held in a capital reserve pending the increase in the Bank's issued share capital.

12. Property and Equipment

Property and equipment comprise:

	<u>Computer Equipment</u>	<u>Office Equipment</u>	<u>Motor Vehicle</u>	<u>Furniture & Fittings</u>	<u>Leasehold Improvements</u>	<u>Total</u>
Cost						
Additions	\$ 296,510	100,822	79,750	396,813	1,901,874	2,775,769
Balance at March 31, 2010	<u>296,510</u>	<u>100,822</u>	<u>79,750</u>	<u>396,813</u>	<u>1,901,874</u>	<u>2,775,769</u>
Balance at April 1, 2010	296,510	100,822	79,750	396,813	1,901,874	2,775,769
Additions	684	1,898	-	34,467	86,695	123,744
Disposals	<u>(5,878)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,878)</u>
Balance at March 31, 2011	<u>291,316</u>	<u>102,720</u>	<u>79,750</u>	<u>431,280</u>	<u>1,988,569</u>	<u>2,893,635</u>
Accumulated Depreciation						
Additions	<u>84,821</u>	<u>20,091</u>	<u>23,925</u>	<u>54,291</u>	<u>428,153</u>	<u>611,281</u>
Balance at March 31, 2010	<u>84,821</u>	<u>20,091</u>	<u>23,925</u>	<u>54,291</u>	<u>428,153</u>	<u>611,281</u>
Balance at April 1, 2010	84,821	20,091	23,925	54,291	428,153	611,281
Charge for the year	98,316	20,409	15,950	52,519	394,443	581,637
Eliminated on disposals	<u>(4,272)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,272)</u>
Balance at March 31, 2011	<u>178,865</u>	<u>40,500</u>	<u>39,875</u>	<u>106,810</u>	<u>822,596</u>	<u>1,188,646</u>
Carrying Amounts						
At March 31, 2010	\$ <u>211,689</u>	<u>80,731</u>	<u>55,825</u>	<u>342,522</u>	<u>1,473,721</u>	<u>2,164,488</u>
At April 1, 2010	\$ <u>211,689</u>	<u>80,731</u>	<u>55,825</u>	<u>342,522</u>	<u>1,473,721</u>	<u>2,164,488</u>
At March 31, 2011	\$ <u>112,451</u>	<u>62,220</u>	<u>39,875</u>	<u>324,470</u>	<u>1,165,973</u>	<u>1,704,989</u>

SAINT LUCIA DEVELOPMENT BANK

Notes to Separate Financial Statements (Continued)

March 31, 2011

*(Expressed In Eastern Caribbean Dollars)***13. Intangible Assets**

	Computer Software	Website Development	Total
Cost			
Additions	\$ 112,511	11,800	124,311
Balance at March 31, 2010	<u>112,511</u>	<u>11,800</u>	<u>124,311</u>
Balance at April 1, 2010	112,511	11,800	124,311
Additions	<u>10,618</u>	<u>1,850</u>	<u>12,468</u>
Balance at March 31, 2011	\$ <u>123,129</u>	<u>13,650</u>	<u>136,779</u>
Accumulated Amortization			
Charge for the period	\$ <u>36,265</u>	<u>656</u>	<u>36,921</u>
Balance at March 31, 2010	<u>36,265</u>	<u>656</u>	<u>36,921</u>
Balance at March 31, 2010	36,265	656	36,921
Charge for the period	<u>38,843</u>	<u>4,379</u>	<u>43,222</u>
Balance at March 31, 2011	\$ <u>75,108</u>	<u>5,035</u>	<u>80,143</u>
Carrying Amounts			
At March 31, 2010	\$ <u>76,246</u>	<u>11,144</u>	<u>87,390</u>
At April 1, 2010	\$ <u>76,246</u>	<u>11,144</u>	<u>87,390</u>
At March 31, 2011	\$ <u>48,021</u>	<u>8,615</u>	<u>56,636</u>

14. Capital Grant

	2011	2010
Total grant	\$ 115,517	115,517
Accumulated amortization	<u>(26,954)</u>	<u>(3,851)</u>
	\$ <u>88,563</u>	<u>111,666</u>

In 2010 the Bank was granted computer equipment valued at \$115,517 by the Office of Private Sector Relations (OPSR). This grant is amortized annually at the rate of 20% using the straight line method, this being the rate at which the equipment is being depreciated.

SAINT LUCIA DEVELOPMENT BANK

Notes to Separate Financial Statements (Continued)

March 31, 2011

*(Expressed In Eastern Caribbean Dollars)***15. Payables and Accruals**

	2011	2010
Trade payables	\$ 2,547	18,515
Accrued expenses	75,293	77,731
Other payables	308,665	128,496
Customer deposits	<u>377,414</u>	<u>215,446</u>
	<u>\$ 763,919</u>	<u>440,188</u>

16. Long-term Loans

The loans are from the National Insurance Corporation and comprise:

	2011	2010
4% loan repayable in monthly installments of \$117,041 commencing June 30, 2014	\$ 3,000,000	-
4.5% loan repayable in monthly installments of \$46,020 commencing June 30, 2011	2,000,000	-
5% loan repayable in monthly installments of \$95,764 commencing June 30, 2011	<u>2,000,000</u>	<u>-</u>
	7,000,000	-
Current portion of the long term-loan	<u>(333,142)</u>	<u>-</u>
Long-term portion of the long-term loan	<u>\$ 6,666,858</u>	<u>-</u>

The payment schedule for the loans is as follows:

	2011	2010
1-2 years	\$ 349,618	-
2-3 years	366,911	-
3-4 years	657,276	-
4-5 years	687,379	-
Over 5 years	<u>4,605,674</u>	<u>-</u>
	<u>\$ 6,666,858</u>	<u>-</u>

All loans are guaranteed by the Government of Saint Lucia.

SAINT LUCIA DEVELOPMENT BANK

Notes to Separate Financial Statements (Continued)

March 31, 2011

(Expressed In Eastern Caribbean Dollars)

17. Reduction in Issued Capital

The Banking Act No. 34 of 2006 provides for the reduction of issued share capital under specified conditions including the concurrence of the Bank's shareholder, the Government of Saint Lucia. By Cabinet Conclusion No. 198 of March 21, 2011, the Government approved the reduction of its shareholding in the Bank by \$500,000, the amount to be used to guarantee educational loans not exceeding \$10,000 where the lender does not have the capacity to provide the required security or guarantee.

Subsequent to the year-end an amount equivalent to the guarantee was set aside as a restricted fund.

18. Issued Share Capital

	2011	2010
<i>Authorised:</i>		
4,000,000 voting ordinary shares at \$5.00 each	\$ <u>20,000,000</u>	<u>20,000,000</u>
<i>Issued and fully paid</i>		
4,000,000 shares (2010 - 3,800,000) at \$5.00 each	\$ <u>20,000,000</u>	<u>19,000,000</u>

During the year, the Bank's issued share capital was increased by \$1,500,000 as stated in Note 11, after the reduction of \$500,000 as stated in Note 17. The Bank will seek to increase its authorized share capital to \$32 million during the next financial year.

19. Related Parties

(a) Identification of related party

A party is related to the Bank if:

(i) Directly or indirectly the party:

- Controls, is controlled by, or is under common control with the Bank.
- Has an interest in the Bank that gives it significant influence over the Bank or
- Has joint control over the Bank.

(ii) The party is a member of the key management personnel of the Bank

(iii) The party is a close member of the family of any individual referred to in (i) or (ii)

(iv) The party is a post-employment benefit plan for the benefit of employees of the Bank or any company that is a related party of the Bank.

(b) Related party transactions and balances

A number of transactions have been entered into with related parties in the normal course of business. These transactions were conducted at market rates, or commercial terms and conditions.

SAINT LUCIA DEVELOPMENT BANK

Notes to Separate Financial Statements (Continued)

March 31, 2011

*(Expressed In Eastern Caribbean Dollars)***19. Related Parties (Cont'd)**

During the year, the following transactions were carried out with related parties;

Related party	Transaction	2011	2010
Key management	Loans granted	\$ <u>37,950</u>	<u>385,000</u>
Key management	Loans repayments	\$ <u>13,785</u>	<u>3,406</u>
Key management	Loan balance	\$ <u>405,759</u>	<u>381,594</u>
Key management	Interest income received	\$ <u>24,578</u>	<u>11,477</u>
Directors	Fees paid	\$ <u>31,500</u>	<u>51,500</u>

20. Personnel Expenses

	2011	2010
Wages and salaries	\$ 1,502,393	1,749,784
Recruitment costs	-	21,158
Staff training costs	18,835	84,831
Other staff costs	<u>23,073</u>	<u>26,528</u>
	\$ <u>1,544,301</u>	<u>1,882,301</u>

The number of permanent employees at March 31, 2011 was 26 (2010 – 23).

21. Other Operating Expenses

	2011	2010
Advertising	\$ 86,161	211,240
Board and committee expenses	34,643	55,255
Donations	1,300	2,300
Professional services	71,827	45,950
Insurance	33,703	29,113
Loss on disposal of fixed assets	1,606	-
Motor vehicle expenses	10,222	11,593
Printing and publication	7,389	5,401
Project monitoring	20,731	9,029
Rent	539,256	823,396
Repairs and maintenance	69,649	65,281
Travelling expenses	17,299	22,064
Utilities and other expenses	<u>421,769</u>	<u>349,974</u>
	\$ <u>1,315,555</u>	<u>1,630,596</u>

SAINT LUCIA DEVELOPMENT BANK

Notes to Separate Financial Statements (Continued)

March 31, 2011

(Expressed In Eastern Caribbean Dollars)

22. Commitments

Operating lease commitment

The Bank leases its offices on Bridge Street under an operating lease which runs for a period of three years at a monthly payment of \$44,938 with an option to renew after that date.

The future aggregate minimum lease payments are as follows:

	2011	2010
Not later than 1 year	\$ 539,256	539,256
Later than 1 year and not later than 5 years	<u>539,256</u>	<u>1,078,512</u>
	<u>\$ 1,078,512</u>	<u>1,617,768</u>

Loans commitments

At the end of the year, loans approved by the Bank but not yet disbursed amounted to approximately \$6.1million.

23. Income Tax

Under Section 44 of the Saint Lucia Development Bank Act No 12 of 2008, the Bank is exempted from stamp duty, income tax, import duty or any other local tax or duty.

24. Subsequent Events

There were no material events that occurred after the date of the separate Statement of Financial Position that require adjustments to or disclosure in the separate financial statements except the matter discussed in note 17.