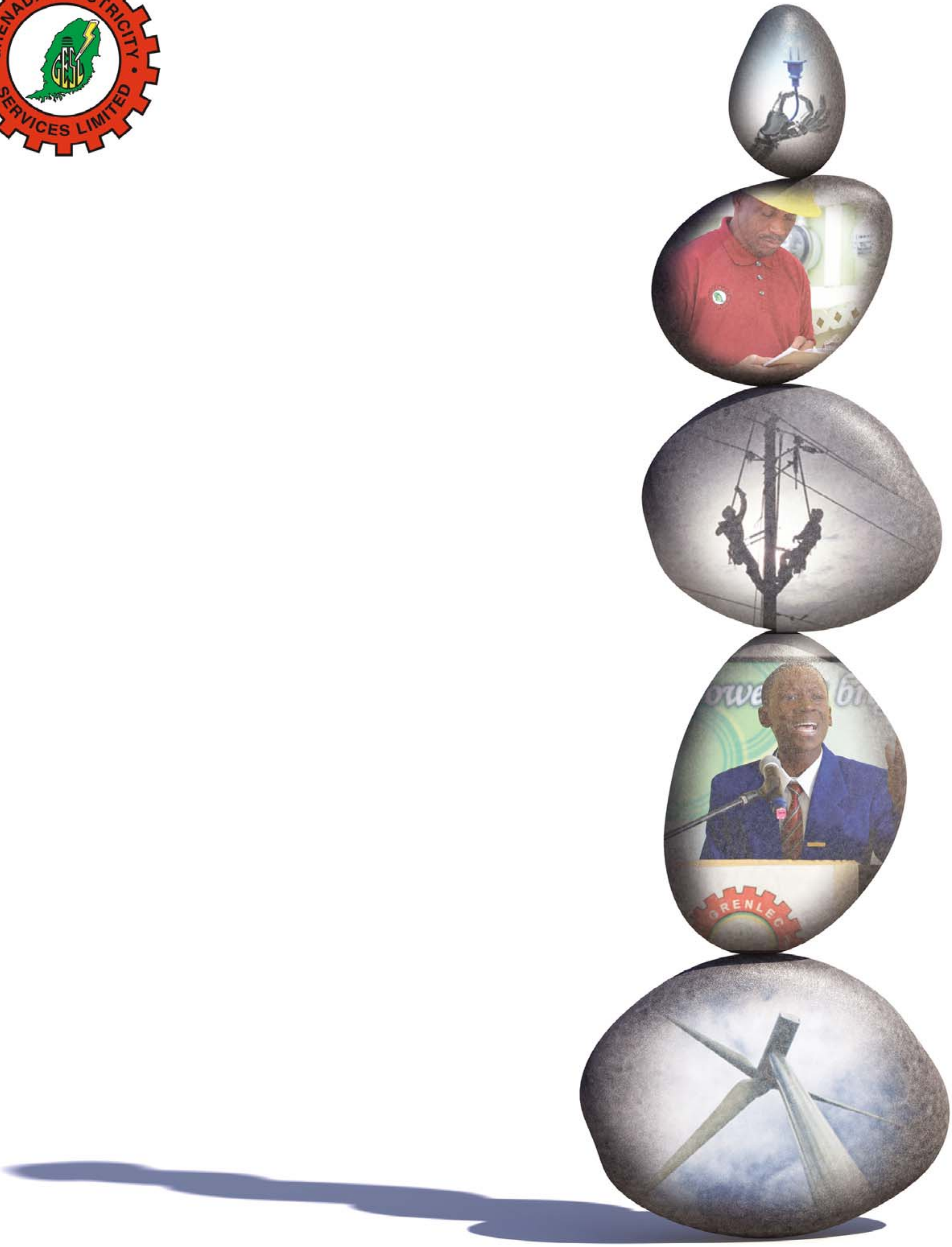

THE POWER OF BALANCE

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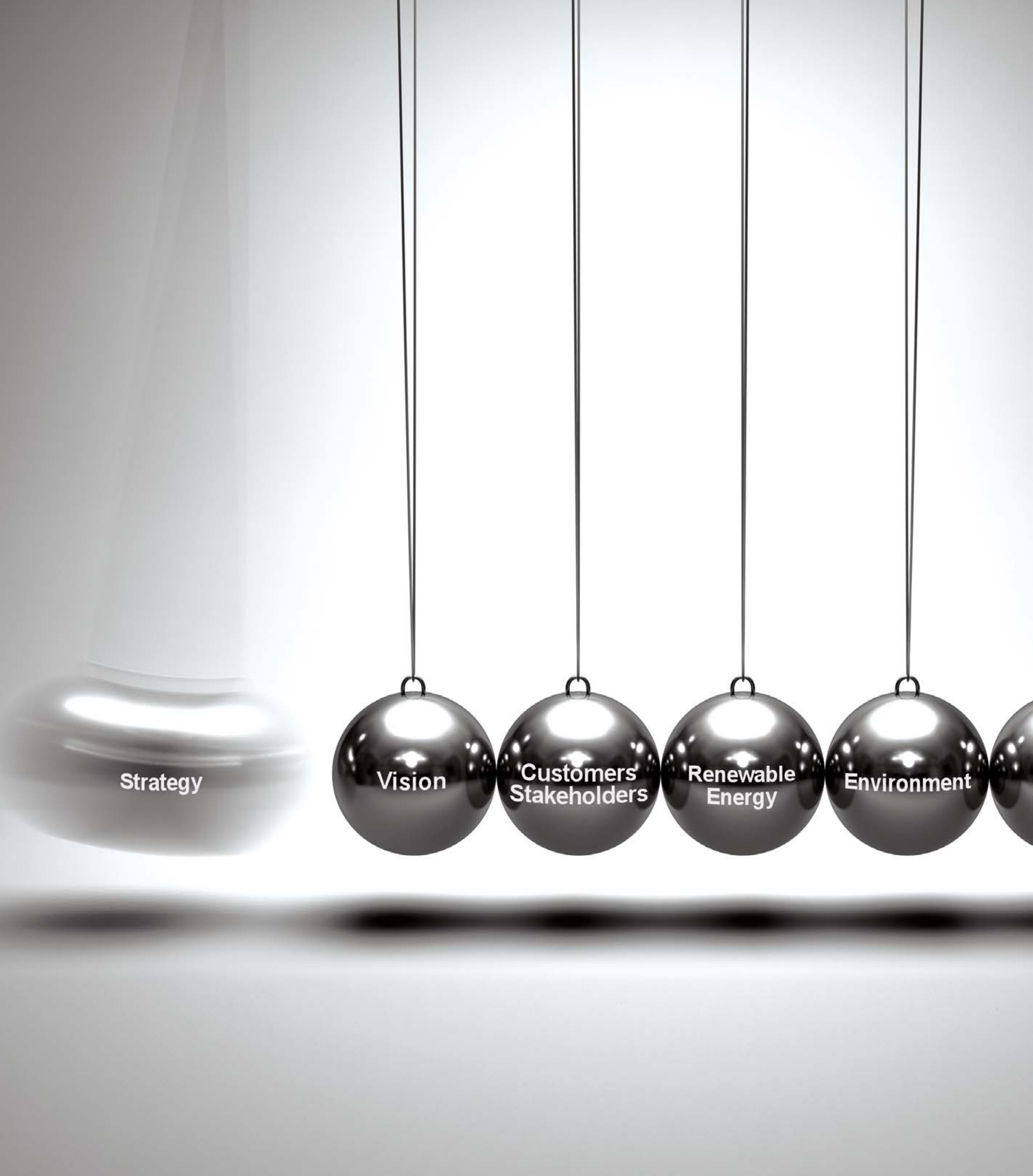


T H E   P O W E R   O F   B A L A N C E

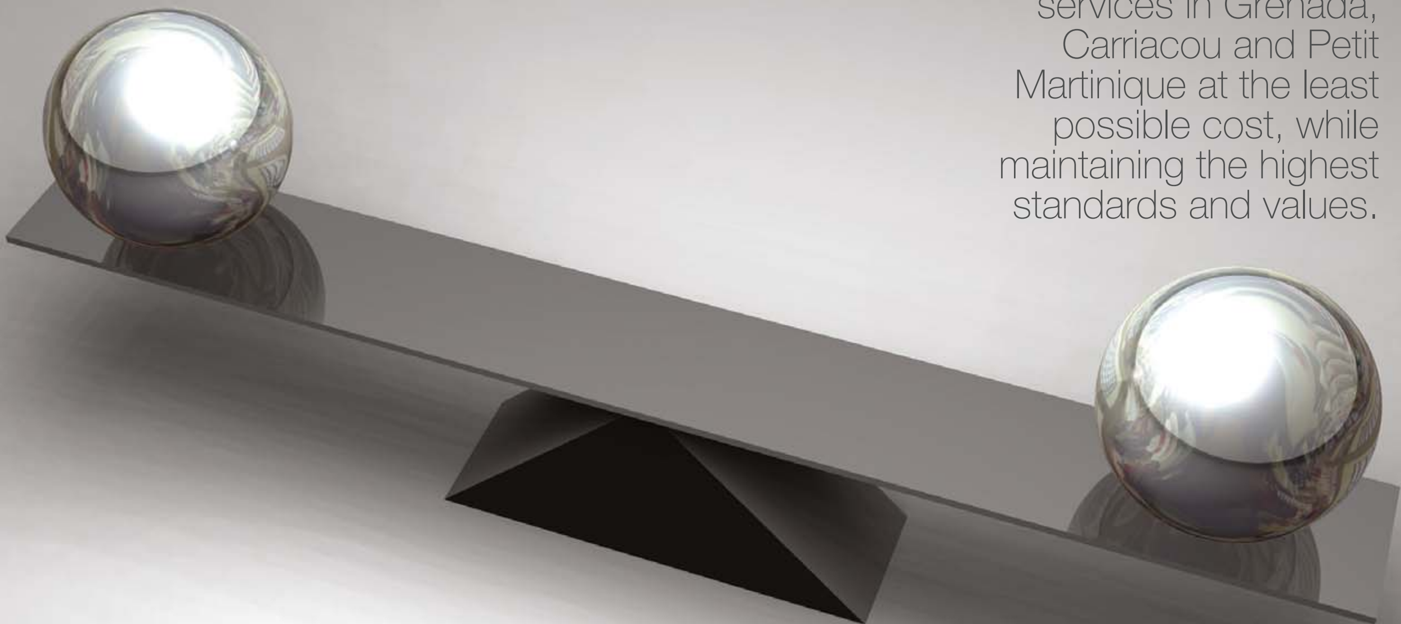
CONTENTS

Vision Statement

To become a world class energy service provider and to be the corporate leader in Grenada, Carriacou and Petit Martinique, exceeding the expectations of all stakeholders.

Mission Statement

To deliver excellent energy services in Grenada, Carriacou and Petit Martinique at the least possible cost, while maintaining the highest standards and values.



Core Values and Strategic Priorities

Our core values and strategic priorities are based on the aspiration to be recognised as a world class company, focused on serving the needs of its customers and able to compete effectively.

Core Values

Respect
Integrity
Teamwork
Excellence
Satisfaction

Strategic Priorities

Continuous Customer Service Improvement
Human Resources Development
Production & Delivery Capability
Expansion of Fuel/Energy Mix
Cost Containment/Efficiency Improvement
Corporate Social Responsibility

Corporate Information

Directors

G. Robert Blanchard, Jr.	Chairman
Malcolm Harris	Vice Chairman
Vernon L. Lawrence	Managing Director & CEO
Ronald Roseman	Director
Nigel Wardle	Director
Robert Curtis	Director
Chester Palmer	Director
Allan Bierzynski	Director
Claudette Joseph	Director
Ambrose Phillip	Director
Alfred Logie	Director
Royston La Hee	Director

Managing Director and Chief Executive Officer
Vernon Lawrence

Company Secretary
Benedict Brathwaite

Registered Office
Halifax Street, St. George's, Grenada, West Indies
Email: mail@grenlec.com
Website: www.grenlec.com

Bankers
Republic Bank (Grenada) Ltd.
Republic House, Grand Anse, St. George's,
Grenada, West Indies.

RBTT Bank Grenada Ltd.
Corner Cross & Halifax Streets, St. George's, Grenada, West Indies.
Grenada, West Indies.

Bank of Nova Scotia
Corner Granby & Halifax Streets, St. George's,
Grenada, West Indies.

First Caribbean International Bank
Corner Church & Halifax Streets, St. George's,
Grenada, West Indies.

Grenada Cooperative Bank Ltd.
Church Street, St. George's,
Grenada, West Indies.

The Bank of Tampa
Florida, U.S.A

Attorneys at Law
Grant, Joseph & Company
Lucas Street, St. George's, Grenada, West Indies.

Auditors
PKF – Accountants and Business Advisers
Pannell House, Grand Anse, St. George's, Grenada, West Indies.

Registrar
Eastern Caribbean Securities Exchange (ECSE)
P.O. Box 94, Bird Rock, Basseterre, St. Kitts, West Indies.

Notice of Meeting

Notice is hereby given that the Fifty-second Annual Meeting of Shareholders of Grenada Electricity Services Limited will be held at the Main Conference Room, Grenada National Stadium, Queen's Park, St. George's, on Tuesday, May 10, 2011 at 4:30 p.m. to:

- Receive the Annual Report, the Audited Financial Statements for the year ended December 31, 2010 together with the Auditors Report thereon.
- Re-appoint the Auditors and authorise the Directors to determine their remuneration
- Elect Directors

Close of business

Question and answer period to discuss any other business of the Company, which may properly be considered at an Annual Meeting.

Dated this 17th day of March, 2011.

By order of the Board

B. A. Brathwaite

Benedict Brathwaite
Company Secretary

Notes:

- A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his or her stead. A proxy need not be a member. A proxy form is included in this report for your convenience. It must be completed and signed in accordance with the notes on the form.

- Only shareholders on record at the close of business on Friday, April 19, 2011 are entitled to receive Notice of the Annual Meeting. A list of such shareholders will be available for examination by shareholders at the Company's Registered Office during usual business hours and at the Annual Meeting.

MALCOLM HARRIS
VICE CHAIRMAN

ROYSTON LA HEE
DIRECTOR

CHESTER PALMER
DIRECTOR

G. ROBERT BLANCHARD, JR.
CHAIRMAN

VERNON L. LAWRENCE
MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

NIGEL WARDLE
DIRECTOR

A BALANCED

“TECHNOLOGY, BUSINESS PROCESSES, INVESTMENTS, SUPPLIERS, EQUIPMENT... FROM THE BALANCE SHEET TO THE BALANCE OF INTERESTS OF ALL STAKEHOLDERS, THE RESPONSIBILITIES OF THE BOARD MUST EACH BE CONSIDERED IN LIGHT OF THEIR EFFECT ON THE OVERALL BALANCE OF THE COMPANY.”

CLAUDETTE JOSEPH
DIRECTOR

AMBROSE PHILLIP
DIRECTOR

ROBERT CURTIS
DIRECTOR

ALLAN BIERZYNSKI
DIRECTOR

ALFRED LOGIE
DIRECTOR

RONALD ROSEMAN
DIRECTOR

D APPROACH


01
02
03
04
05
06
MANAGEMENT

TEAM

01. Vernon Lawrence, Managing Director & CEO

02. Benedict Brathwaite, Financial Controller

03. Clive Hosten, Chief Engineer

04. Prudence Greenidge, Manager – Corporate Communications

05. Jacquline Williams, Human Resource Manager

06. Jeffrey Neptune, Manager – Information Technology

07. Don Forsyth, Planning and Engineering Manager

08. Michael Allen, Generation Manager

09. John McDonald, Manager – Carriacou and Petit Martinique

10. Casandra Slocombe, Customer Services Manager

11. Eric Williams, Transmission & Distribution Manager

12. Glenn Phillip, Loss Reduction Coordinator

G. Robert Blanchard, Jr.
Chairman

Chairman's Report

2010 was another challenging year for your company, as the country of Grenada continued to feel the pressures of the global economic downturn. Gross domestic product for the country declined by an estimated 1.4%, which was evidenced in a marked decline in construction activity as well as the failure of several local companies. In addition, regional failures of companies like CLICO and British American Insurance put pressure on customers' savings and investments. Finally, we also had the challenges of implementing the VAT and, toward the end of the year, rising fuel prices.

The economic crisis deepened during the year, exacerbating the impact on businesses and making collections more difficult. As customers adjusted to these circumstances, we were challenged to find balance in the interests of stakeholders. Among our activities in this respect, your Board took the decision to forgo an increase in non-fuel rates, to which our Company was entitled based on the CPI of 5.17% in 2008. We deepened our engagement with all customers, with particular emphasis on commercial customers, many challenged with decreasing sales and the resultant cash flow problems. Significantly, receivables for commercial customers increased, compared to all other customer categories, a reversal of the historical trend.

Despite these significant challenges and the negative effect of rising fuel prices in the last quarter of 2010, I am pleased to report to you that our profit before taxes grew by 15.29% compared to 2009. The basis of our Company's financial performance was a combination of sales growth of 4.21% over 2009 and a cost containment strategy. Recognizing this improvement, in December your Board declared a dividend of 12 cents per share, the first quarterly increase since the last quarter of 2007. This meant that the declared dividend for the year was forty five (45) cents compared to 44 cents in 2009.

The start of 2010 found your Company continuing preparations for the implementation of the VAT in February. In pursuit of our strategic objectives, we intensified our focus on people and invested in training our team members to understand and better meet the evolving needs of our customers. Importantly the initiatives included training of a cadre of internal trainers whose peer-to-peer coaching will continue to be an invaluable resource. Central to our service enhancement initiative is our evolving renewable energy programme, which will promote preservation of our environment, reduce our dependence on fuel imports and stabilise energy costs. Rising fuel prices throughout the year added impetus to the Company's engagement of government to create a legal framework to support geothermal energy exploration. While we are pursuing a broad strategy, our major focus is on geothermal energy because of its potential to largely satisfy energy demand. However, it remains unknown what the cost of exploring this resource will be and how it might affect rates.

Your Company's performance is largely attributable to the diverse and capable team members, supervisors and managers who work tirelessly everyday to improve our reliability and safety standards. I am grateful to my fellow Directors for their service and to you the owners for the responsibility with which you have entrusted us. I take this opportunity to welcome returning Directors Messrs. Allan Bierzynski and Ambrose Phillip, who were appointed to the Board during the May 2010 Annual Meeting of Shareholders, and to thank outgoing Directors Messrs. Ben Gittens and Arthur Campbell for their invaluable service.

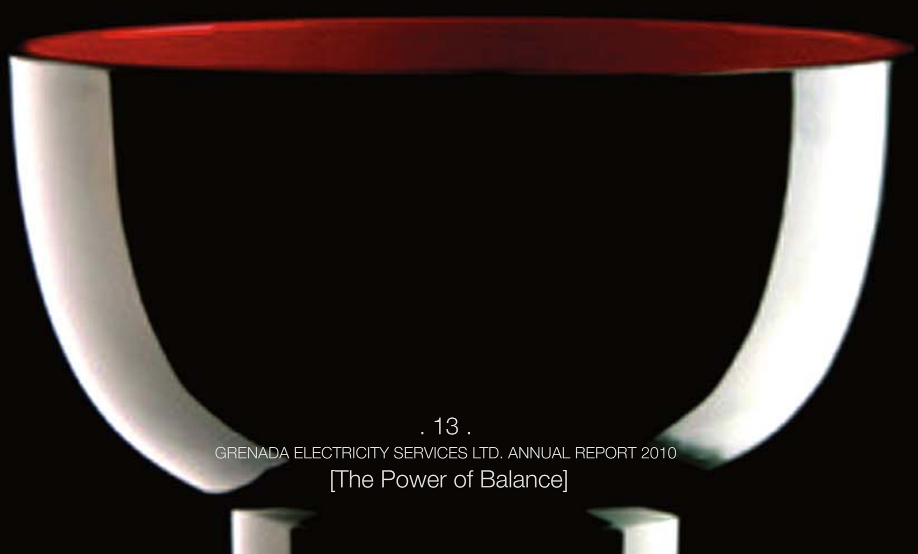
As we progress along the path outlined in our strategic plan, we have sought to update you on our progress. In 2011, we will update our strategic plan and refocus our objectives to better satisfy the demands of our changing business environment. In the first quarter, we will relocate our corporate services from Halifax Street to Dusty Highway, St. George. Construction of this environmentally friendly facility began in February and is due for completion by the first quarter of 2011. Amidst of this, it will be important for our team to find balance in an ever increasingly tumultuous global climate, where unemployment and other emerging challenges present both threats and opportunities for our business.

Our 2010 annual report pays homage to the many stakeholders and customers who rely on us and trust us to use the power of our technology to power them to a bright and sustainable future. It is to these stakeholders that we owe a debt of gratitude for our relatively strong performance, despite the economic climate, declining sales growth and pressure on collections.

I thank you all for your investment in GRENLEC and for your continued support of the Company, and look forward to continuing this relationship for many years in the future. Together, we are guardians of a future filled with opportunities.

G. Robert Blanchard, Jr.
Chairman

THE POWER OF BALANCE



The theme brings to the forefront the commitment by the GRENLEC Community to live by the adage, “with great power comes great responsibility”. We bear the responsibility of the nation’s advancement proudly; ever aware of the tremendous trust put in us by our customers to supply energy to power the technology that fuels modern life and the pursuit of sustainable development. We balance the power we provide and the power of this balance drives our nation, while compelling us to ever increasing efficiencies and excellence.

Management Review and Analysis

Overview

During the year 2010, GRENLEC achieved positive results, despite the challenges posed by the continued global economic downturn that continued to seriously impact the Grenadian Economy. This creditable performance was attained while giving due regard to the challenges faced by our various stakeholders. Consequently, the theme of our 2010 report, 'The Power of Balance', articulates our Company's ethos of balancing the interests of our stakeholders and resources. This was an essential guiding principle as our team successfully charted a course through the tough period.

A significant milestone for our Company was the signing of a contract with Quinn Co. Ltd. for the construction of our corporate headquarters at Dusty Highway, St. George. The capital expenditure of $4.81M provides a facility that will improve our corporate image, as well as facilities for our customers to transact business and for our staff to be better equipped to provide excellent service. Construction is expected to be completed in 2011.

We are pleased to present a summary and analysis of our operations, organised into five major sections, encompassing our strategic areas of focus during the year. We recognise and applaud the spirit of our team members, whose dedication and hard work produced the results highlighted below:

Financial

- Sales grew by 4.21%
- Revenues were $165.35M
- Pre-tax profits were $14.63M
- Return on invested capital was 13.95%
- Reduction in System Losses from 9.2% to 8.22%

Non-Financial

- Completion of the Gouyave Feeder Reconductoring Project
- Improved System Reliability
- Company-wide Training in Service Skills
- Improved Safety Record
- Continued Engagement with Stakeholders on Geothermal Energy Exploration
- Environmental Management System Initiative Identified Opportunities for Reducing Carbon Footprint and Increasing Efficiency
- Corporate Citizen of the Year 2009 & 2010 presented by Ministry of Youth Empowerment and Sport for GRENLEC Community Partnership Initiative

Statistics at a Glance

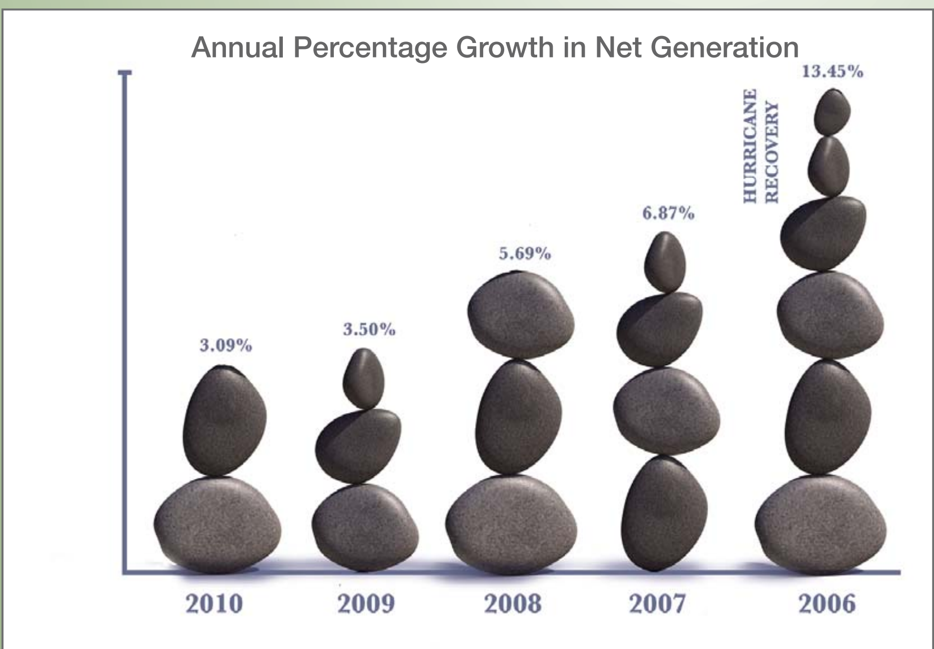
Fuel Price and Fuel Charge

	Price of Fuel 2009 Dollars/Imperial Gallon (IG)	Price of Fuel 2010 Dollars/Imperial Gallon (IG)
January	5.19	7.03
February	4.61	7.03
March	4.61	7.40
April	5.13	7.86
May	5.36	7.33
June	6.31	7.25
July	5.92	7.09
August	6.69	7.29
September	6.31	7.42
October	6.85	7.95
November	7.09	8.19
December	7.04	8.62
	5.93	**7.54**

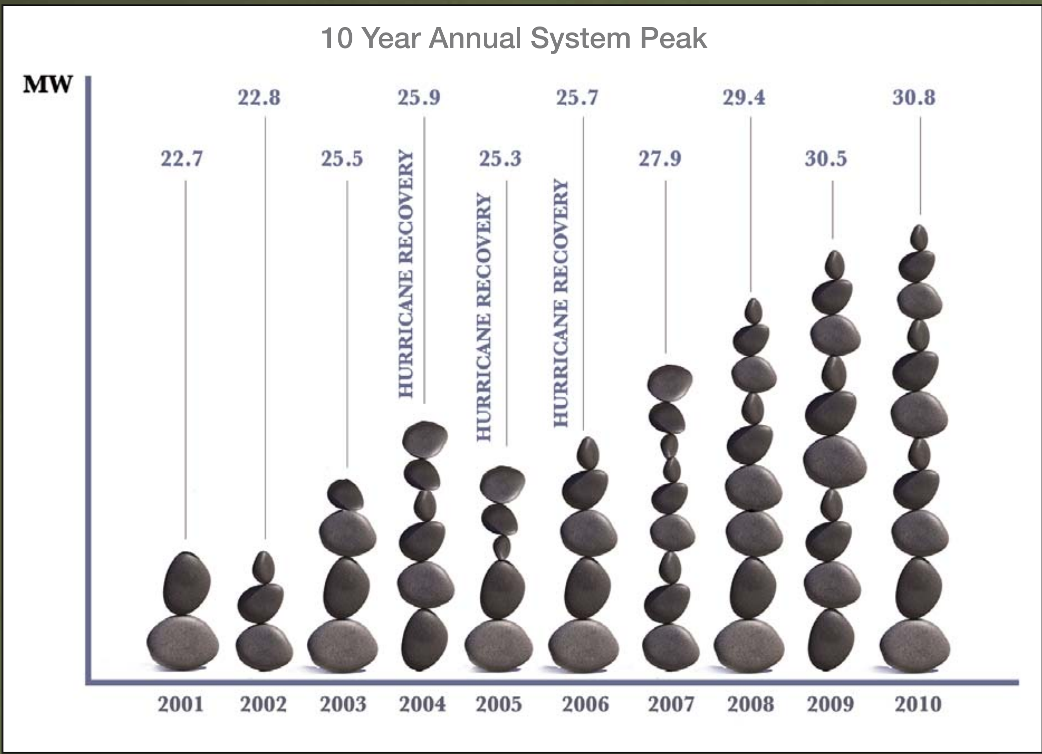
	Fuel Charge 2009 Cents/kWh	Fuel Charge 2010 Cents/kWh
January	0.3982	0.4296
February	0.3403	0.4334
March	0.3002	0.4323
April	0.2947	0.4391
May	0.2936	0.4559
June	0.3090	0.4620
July	0.3437	0.4590
August	0.3597	0.4432
September	0.3869	0.4424
October	0.3871	0.4462
November	0.4062	0.4638
December	0.4142	0.4825
	0.3528	**0.4491**

Gross Generation

Demand for energy grew, albeit at a much slower rate than previous years. Gross generation increased by 2.75% over 2009 with a total of 199.6GWh produced. The last four months of the year saw negative growth compared with the same period in 2009. Net generation (energy available for sale) increased by 3.1% over 2009. Gross fuel efficiency remained consistent with the last few years, averaging 16.30kWh/Gal.



Peak Demand



The country was hit by Hurricanes Ivan in 2004 and Emily in 2005

System Losses

2009	**2010**
9.2%	8.22%

Engine Availability

In 2010, engine availability increased by 5.79% over 2009. The availability of engines was 92.38%, compared to the target of 90%.

Fuel Efficiency

Fuel Efficiency was 16.22kWh/gallon, compared to a target of 16.30 kWh/gal and 16.34kWh/gallon in 2009.

Financial Review

Sales

At 185.79 GWh, energy sales in 2010 reflected growth of 4.21% over 2009, marginally above the projection of 4%. Commercial sales grew by 2.93% and accounted for 54.91% of total sales, while domestic sales grew by 5.58% and accounted for 38.82%. Interestingly, most of the growth achieved was in the first half of the year and may have been attributable to severely hot weather conditions, which would have contributed to an increase in the average annual usage per customer across all sectors. This was significant, given that the growth of 2.72% in the number of customers to 43,699 is the lowest that we have seen in the last five years.

While the 4.21% growth was a rebound from the 2.82% in 2009, it is well below our five-year average of 7.26%. This trend of decreasing sales growth necessitates strategic planning and prudent management to ensure improved financial performance and to sustain benefits for our shareholders.

Total Revenues

Total Revenue increased by 17.24% to $165.35M from $141.04M in 2009. The key factors were increases in non-fuel revenue of 5.81% and 28.59% in fuel revenue. The increase in the fuel revenue was a reflection of higher world oil prices, with a barrel of oil averaging US$ 79.61 compared to US$ 61.95 in 2009.

Net Fuel Revenue

Rising fuel prices, particularly in the last quarter, adversely affected net fuel revenue performance. The average price per imperial gallon (IG) in the last quarter was $8.25 compared to $7.27 in the third quarter, an increase of 13.48%. As a result, the fuel recovery rate fell to 99.27% compared to 101.47% in 2009, ensuing in fuel cost exceeding fuel revenue by $1.53M with a net negative impact of $1.26M before taxes.

The average price per IG of diesel in 2010 was $7.54 compared to $5.93 in 2009. This comparatively high price meant an increase to customers of 27.30% on the fuel charge. We are hopeful that the trend of increasing fuel prices will be reversed in 2011 so our customers can get some relief from high prices in general.

Non-Fuel and Interest Expenses

Non-fuel expenses grew by 4.93% over 2009. Excluding depreciation expenses, which cannot be controlled, the real growth was much lower at 1.72%. This was the result of cost containment measures implemented company-wide to improve efficiency and maximise returns, while maintaining a reliable and safe operation.

As expected, financing costs decreased by 10.42%, as there were no new loans and repayments on existing ones were made as scheduled. At the end of the year, our long-term obligation was $46.52M, a reduction of $8.96M (16.15%)

Financial Condition

At December 31, 2010 GRENLEC had net assets of $71.32M, a 2.52% increase over 2009. Our Company's financial performance continues to exceed the financial covenants of the ECSE Bond and other loan agreements. During the year, the Company also made repayments on borrowings of $7.79M. This financial strength ideally positions us to pursue options available for funding renewable energy initiatives and other improvements to benefit our customers.

Cash flow from operations of $26.17M was significantly lower than the $37.47M recorded in 2009, but had little impact on the Company's net cash position at the end of the year, which was $9.20M compared to $9.93M at the beginning.

Non-Fuel Rate Adjustment

In the interest of our customers, our Company favoured an appeal from Government and decided against implementing a non-fuel rate increase to which we were entitled. This meant that we gave up revenue of $2.72M and after tax profits of $1.57M.

Moreover, in November the Company filed for a rate decrease of 0.96% based on the negative CPI of 2.35% for 2009. This was a net decrease given that the non-fuel rate increase in 2010 had not been implemented. Government approved the application and our customers will see the reduction early in 2011.

Dividends

The declared dividend of forty-five (45) cents, compared to forty-four (44) cents in 2009, meant that the dividend payout ratio for the year was 69.46% before provision for hurricane reserve.

Risk Management

Risk, as it relates to natural disasters is a cause for particular concern. The Hurricane Fund, through the annual provision of $2M, increased to $10M. With each passing year the Hurricane Fund comes closer to the $20M that was utilised to restore the distribution system after Hurricane Ivan and reduces the exposure of the Company. We have also continued to focus on our business continuity plan, which looks at recovering all aspects of our operations in the shortest possible time after any interruption that may occur.

Human Resource Development

The accomplishments of our Company are a strong reflection of the people on our team. To attain our Vision, we are tasked with ensuring that team members can meet the evolving needs of our customers, a process that requires development of the whole person and the workplace.

Building a Service Culture

Our Company's service enhancement programme, SPAARQ moved into the training phase. The strategic objective was initiated in 2009 to distinguish GRENLEC as an industry leader, in a dynamic and competitive market. The programme emphasised the critical role that each department must play, addressing service delivery to the external customer and recognising the importance of improving the service offered by various departments to each other.

A key strategy for sustaining the service improvement drive was to build internal capacity within our Company to deliver customer service training and arm agents for change. A core group of 22 team members accepted the challenge to become internal trainers and effectively delivered training to colleagues and contracted service providers.

Simultaneously, a leadership development programme was implemented for more than 50 team members to support ongoing engagement, coaching and the real time monitoring required to strengthen the change process.

Along with the requisite technical training, these sessions will be incorporated into our orientation program for new team members to ensure our service values are imparted from the outset.

SPAARQ Trainers.

Restructuring the Transmission & Distribution Department

A strategic decision to enhance planning, safety and operational efficiency led to a new structure, which took effect with the creation of a Planning Section. Using existing staff, four new positions were filled, namely a Planning Engineer with responsibility for the section, two Job Planning Field Coordinators and a Training Coordinator. The restructuring was informed by a resource audit of the department and the changes have already yielded results, reducing waiting times and improving responses to customer complaints.

Health Safety

Spearheaded by Management and championed by our Health and Safety Officer, health and safety are of prime concern in our business. Departmental Health and Safety committees were actively involved in reinforcing positive behaviours that lend themselves to individual wellness and the creation of a safe environment for all. All departments celebrated improved safety records over 2009. One measurement of safety in the technical departments is the number of days worked without any time lost due to accidents. In this respect, both teams Carriacou and Petit Martinique and Generation ended the year with perfect records, while Team Distribution recorded 301 consecutive days.

Customer Service

A key strategic focus of our company is to deliver a world-class experience to our customers wherever and whenever they interact with members of the GRENLEC team. As such, special emphasis was placed on exposing all team members to customer service training to empower them to deliver excellent service and improve reliability and efficiency. Emphasis was also given to enhancing our processes and measuring our ability to meet service standards across the organisation.

In coaching for service enhancement, we are mindful that the actions of each team member impact the image of our Company. Similarly, the way customers view our Company is influenced by many external factors. In 2010, perception of GRENLEC was significantly impacted by the general sentiments of economic hardship in the country. Higher oil prices and the implementation of VAT meant that our customers were faced with higher electricity bills and this always poses a challenge for us. Our team raised customer awareness about how the changes would affect them and urged conservation as a coping strategy.

The economic crisis required much of our Collections Team and we found it necessary to review and broaden our debt management strategy to effectively address growing receivables.

Reliability & Efficiency Improvement

There were a number of initiatives to improve service quality by improving our reliability and efficiency and decreasing technical losses.

Among them, the completion of the Gouyave Feeder Reconductoring project increased the load capacity of that feeder, improving the feeder voltage profile under normal operation conditions and service coverage area under contingency situations.

The flexibility of the network and our response time during contingency operations were further boosted by the expansion of our SCADA network, through the addition of remotely controlled and monitored 11KV sectionalising switches.

The installation of a number of distribution primary capacitor banks improved the average system power factor to over 96%.

We have successfully deployed technology to support our efforts to improve efficiency. Among these, the implementation of a revenue protection system for our Customer Information System (CIS) will allow more efficient identification and handling of data anomalies.

Generation Expansion

To ensure that we keep pace with the energy needs of our customers, we have revised a plan to expand diesel generating capacity. Given the decrease in growth, we will implement an incremental diesel based expansion, using smaller, high speed units, pending development of a framework and exploration of geothermal energy resources.

Renewable Energy

A pillar of our economy, energy is increasingly a topic of discussion in the context of sustainable development. Urgent issues such as climate change, green house gas emissions, our dependence on imported fuel and rising energy costs necessitate alternative approaches to secure the nation's energy needs. As we continue to urge the cultivation of responsible attitudes towards energy consumption, public and private sector concerns must also address themselves to the matter of production.

Building Capacity

Our Company is studying a number of mature renewable technologies, such as wind and photovoltaics and emerging technologies like hydrokinetic and waste to energy possibilities. Our emphasis is on proven, reliable technology.

In this regard, we continued our engagement of all stakeholders and worked with the public sector to formulate the legal and regulatory framework for the successful diversification of Grenada's energy portfolio, and particularly the development of significant geothermal generation capacity. The result of a collaborative effort between the public sector and GRENLEC, was the approval of a €M2.5 grant to Grenada, by the European Union, for renewable energy development in Carriacou.

Installing wind measuring equipment.

Under the pilot phase of our voluntarily implemented Interconnection Policy, customers supplied by renewable energy sources continued to be facilitated in connecting to our distribution grid. This accommodation allows customers to enjoy reliable supply, where their energy source is not constant, as is the case with intermittent sources such as solar and wind energy. Under the current system of net metering, there is one meter for billing of the net energy received or supplied to the grid at the retail rate. After the pilot phase elapses, new interconnections will be on a net billing arrangement, wherein the energy customers generate and the energy they use will be metered and billed separately, at independent rates.

Geothermal Energy

The Government has put together a geothermal resource steering committee to draft the Geothermal Act and Resource Agreement for discussion and approval by Cabinet. Although there are indications that this resource may be present in Grenada, extensive and costly exploration is needed to determine the adequacy and viability of accessing this resource for electricity generation. Our goal is to have a determination about the viability of geothermal generation before committing to large-scale expansion of diesel generation.

Wind Project Development

We installed wind-monitoring equipment in Carriacou and Clozier, St. John to give us the ability to comprehensively and critically assess the energy production capacity of these potential wind sites. The results, thus far, are promising and our Company is hoping to achieve significant penetration of wind technology in Carriacou and Petit Martinique.

Corporate Social Responsibility

Partnering with Coop Bank and the Rotary Club to refurbish the School for Special Education.

Our Company is taking action to stabilise fuel prices in the long-term, preserve the environment and foster community development. These are strong indicators that we have embraced the philosophy of balancing our business goals with the interests of our nation and its citizens. The unique challenges of 2010 brought the need for these initiatives into even greater focus.

Providing Equipment for a Community Cardiology Diagnostic Clinic, a collaboration with St. George's University and the Sacred Heart Diocese.

Responding to Needs in the wake of the Grenville Vendors' Market Fire.

Champion's Row at the GRENLEC Debate Finals.

Environmental Management System

In addition to our alternative energy programme, our Company continued to actively pursue means of reducing our carbon footprint by improving our environmental awareness and processes. A team representing all departments identified and catalogued legislation, standards and impacts and developed processes for measuring compliance and addressing non-compliance issues. Our Company's approach to continually improving our environmental performance is at the heart of our strategic pursuit of compliance with ISO 14000.

GRENLEC Community Partnership Initiative

Our Company sets aside 5% of our pre-tax profits, each year, for community development and disbursed $814,603.52, through our GRENLEC Community Partnership Initiative (GCPI). Responding favourably to other requests, we pledged another one million dollars to support various projects identified by community organisations to promote education, culture, sport, social services and youth development. In December, our Company was the proud recipient of the Corporate Citizen of the Year Award for community service presented by the Ministry of Youth and Sport.

Top Debater of the 2010 GRENLEC Debate - Vernelle Noel, Bishop's College.

Equipping Youth to Dream for Reality - National Under-23 Netballers Bringing Home Gold from the OECS.

Breaking Ground at the Queen Elizabeth Home for Children, a collaboration between the Home, the Brad Martin Family Foundation and GRENLEC.

Outlook

Despite the negative impact of the fuel recovery rate and the decision not to implement a non-fuel rate increase, our Company's financial performance, in respect of net profit, was second only to that of 2008. We will recall that in 2008 there was exceptional net fuel revenue and profit from the sale of the administrative building. Given our ability to weather the challenges of 2010, the future of our company looks promising.

A significant challenge facing us as we look towards 2011 relates to collections from our customers, in particular our commercial and domestic customers. With debtor days outstanding increasing, the potential for businesses in arrears closing, is higher. To avert this increased risk, our Company will have to implement responsible strategies aimed at mitigating against the likelihood of losses.

As always, world fuel prices, its direct impact on the price of electricity and the economic outlook, are significant considerations. At the end of 2010, the price of a barrel of oil was US$ 91.38, similar to the end of 2007. Thereafter, prices rose to unprecedented levels. Predictions are that a similar occurrence is highly unlikely in 2011. We are hopeful that this will not be the case, as at the end of 2010 the average price of electricity to our customers was EC 96 cents per kWh. The instability of world fuel prices is a major impetus for our Company's intensified drive towards renewable energy sources, with their potential to ease dependence on diesel with a view of stabilising energy costs.

Management's theme for 2011 is "the relentless pursuit of excellence", an articulation of a commitment to developing our human capital, customer service, reliability, safety, image and efficiency for the benefit of all our stakeholders. We will face many challenges in 2011 and we cannot allow them to distract us from our goal of creating a world-class energy service provider, of which all of our stakeholders can be proud.

Celebrating Culture and Heritage through the Maroon and String Band Festival, Carnival, Regattas and Parish Festivals.

Empowering Citizens through Skills Training.

THE FUTURE OF POWER

IN THE BALANCE

ACCOUNTANTS AND
BUSINESS ADVISERS

PKF
Pannell House
Grand Anse,
St. George's,
Grenada,
West Indies

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF GRENADA ELECTRICITY SERVICES LIMITED

We have audited the accompanying financial statements of the company which comprise the statement of financial position at December 31st, 2010 and the related statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Those charged with governance are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement 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 financial statements.

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

OPINION

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of the Company as of December 31st, 2010 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

GRENADA:

PKF

MARCH 21, 2011

ACCOUNTANTS AND BUSINESS ADVISERS

Partners: Henry A. Joseph FCCS (Managing), Perlena J. J. Sylvester FCCA (Mrs.), Michelle A. Millet B.A. CGA (Mrs.)

GRENADA ELECTRICITY SERVICES LIMITED

STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER, 2010

(expressed in Eastern Caribbean dollars)

ASSETS	Notes	2010 $	2009 $
Non-Current Assets			
Property, plant and equipment	4	89,541,955	102,150,600
Suspense jobs in progress	5	2,111,844	1,582,278
Capital work in progress	6	8,502,618	3,511,161
Deferred exchange loss	7	1,094,620	2,186,150
Available-for-sale financial assets	8 (a)	878,420	877,222
		102,129,457	110,307,411
Current Assets			
Inventories	9	15,429,960	15,989,803
Trade and other receivables	10	29,940,519	31,726,977
Segregated retirement investments	11	16,510,227	14,335,735
Income tax prepaid		572,033	268,041
Loans and receivables financial assets	8 (b)	13,493,720	11,922,010
Cash and cash equivalents	12	11,985,561	12,332,715
		87,932,020	86,575,281
TOTAL ASSETS		190,061,477	196,882,692
EQUITY AND LIABILITIES			
EQUITY			
Stated capital	13	32,339,840	32,339,840
Other reserves		14,472	13,405
Retained earnings		38,963,624	37,203,608
		71,317,936	69,556,853
Non-Current Liabilities			
Customers' deposits	14	9,178,561	8,582,423
Long-term borrowings	15	46,518,791	55,475,419
Provision for retirement benefits	16	21,369,931	18,743,581
Provision for hurricane insurance reserve	17	10,000,000	8,000,000
		87,067,283	90,801,423
Current Liabilities			
Amount due to related company	18	-	86,703
Short-term borrowings	15	10,907,818	10,450,595
Trade and other payables	19	16,067,555	21,265,345
Customers' contribution to line extensions		1,145,934	891,368
Current portion of provision for retirement benefits		400,000	750,000
Provision for profit sharing		3,154,951	3,080,405
		31,676,258	36,524,416
TOTAL LIABILITIES		118,743,541	127,325,839
TOTAL EQUITY AND LIABILITIES		190,061,477	196,882,692

The notes on pages 30 to 56 form an integral part of these finanical statements

Director:

Director:

GRENADA ELECTRICITY SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2010

(expressed in Eastern Caribbean dollars)

	Notes	**2010** **$**	2009 $
INCOME			
Sales - non fuel charge		79,709,025	75,329,081
- fuel charge		82,031,302	63,793,714
Unbilled sales adjustments		483,930	(891,079)
Gross Sales		162,224,257	138,231,716
Other income	20	3,125,603	2,808,786
Total income		165,349,860	141,040,502
LESS: OPERATING EXPENSES			
Production expenses		20,517,966	21,143,387
Diesel consumed		82,568,764	62,871,769
Administrative expenses		17,044,976	15,432,621
Distribution services		17,104,716	15,520,841
Planning and engineering		1,914,978	1,735,297
Provision for hurricane insurance reserve		2,000,000	2,000,000
Total operating expenses		141,151,400	118,703,915
Operating profit		24,198,460	22,336,587
Less: Finance cost	21	4,337,223	4,841,963
Profit for year before allocations and taxation		19,861,237	17,494,624
ALLOCATIONS			
Less: Donations		993,062	874,731
Profit sharing		4,235,107	3,933,473
		5,228,169	4,808,204
Profit for year before taxation		14,633,068	12,686,420
Less: Provision for taxation	22	4,323,052	3,070,591
Profit for year after taxation		10,310,016	9,615,829
Other comprehensive income			
Revaluation of available-for-sale financial assets		1,067	13,405
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		10,311,083	9,629,234
EARNINGS PER SHARE		0.54	0.51

The notes on pages 30 to 56 form an integral part of these finanical statements

GRENADA ELECTRICITY SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER, 2010

(expressed in Eastern Caribbean dollars)

	Stated Capital	Other Reserve	Retained Earnings	Total Equity
Balance at 1st January, 2009	32,339,840	-	35,947,779	68,287,619
Dividends paid	-	-	(8,360,000)	(8,360,000)
Total comprehensive income for the year: Profit for the year	-	-	9,615,829	9,615,829
Revaluation of available-for-sale financial assets	-	13,405	-	13,405
Balance at 31st December, 2009	32,339,840	13,405	37,203,608	69,556,853
Dividends paid	-	-	(8,550,000)	(8,550,000)
Total comprehensive income for the year: Profit for the year	-	-	10,310,016	10,310,016
Revaluation of available-for-sale financial assets	-	1,067	-	1,067
Balance at 31st December, 2010	$32,339,840	$14,472	$38,963,624	$71,317,936

The notes on pages 30 to 56 form an integral part of these finanical statements

GRENADA ELECTRICITY SERVICES LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER, 2010

(expressed in Eastern Caribbean dollars)

	2010 $	2009 $
OPERATING ACTIVITIES		
Profit for the year before taxation	14,633,068	12,686,420
Adjustments for:		
Depreciation	15,954,614	14,553,744
Profit on disposal of fixed assets	(54,451)	(42,028)
Operating surplus before working capital changes	30,533,231	27,198,136
Decrease in trade and other receivables	1,786,458	6,738,269
(Decrease)/increase in trade and other payables	(4,347,086)	6,603,665
Increase in provision for retirement benefits	2,276,350	1,386,010
Decrease/(increase) in inventories	559,843	(1,626,283)
Decrease in amount due to related company	(86,703)	(172,656)
Increase/(decrease) in provision for profit sharing	74,546	(860,226)
	30,796,639	39,266,915
Income tax paid	(4,627,044)	(1,800,000)
Cash provided by operating activities	26,169,595	37,466,915
INVESTING ACTIVITIES		
Increase in available for sale financial assets	(1,198)	(13,273)
Disposal of property, plant and equipment	83,888	94,685
(Increase)/decrease in suspense jobs in progress	(529,566)	309,333
(Increase)/decrease in capital work in progress	(4,991,457)	19,802,768
(Increase)/decrease in loans and receivables financial assets	(1,571,710)	4,065,829
Increase in segregated retirement investments	(2,174,492)	(1,195,961)
(Decrease)/increase in consumer contribution to line extensions	(354,575)	1,525,206
Purchase of property, plant and equipment	(3,020,831)	(36,699,754)
Increase in other reserves	1,067	13,405
Cash used in investing activities	(12,558,874)	(12,097,762)
FINANCING ACTIVITIES		
Dividends paid	(8,550,000)	(8,360,000)
Increase in provision for hurricane insurance reserve	2,000,000	2,000,000
Repayment of borrowings	(7,785,680)	(7,676,321)
Cash used in financing activities	(14,335,680)	(14,036,321)
Net (decrease)/increase in cash and cash equivalents	(724,959)	11,332,832
Cash and cash equivalents - at the beginning of year	9,928,856	(1,403,976)
- at the end of year	9,203,897	9,928,856
REPRESENTED BY		
Cash and cash equivalents	11,985,561	12,332,715
Bank overdraft	(2,781,664)	(2,403,859)
	9,203,897	9,928,856

The notes on pages 30 to 56 form an integral part of these finanical statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2010

(expressed in Eastern Caribbean dollars)

1. CORPORATE INFORMATION

The Company is public and is registered in Grenada. It is engaged in the generation and supply of electricity throughout Grenada, Carriacou and Petit Martinique. It is a subsidiary of Grenada Private Power Limited, which is fully owned by WRB Enterprises Inc.

The Company was issued a certificate of continuance under Section 365 of the Companies Act on November 8th, 1996.

The Company operates under the Electricity Supply Act 18 of 1994 (as amended) and has an exclusive licence for the exercise and performance of functions relating to the supply of electricity in Grenada. The Company is listed on the Eastern Caribbean Securities Exchange.

The registered office is situated at Halifax Street, St. George's, Grenada.

The Company employed on average two hundred and twenty-one (221) persons during the year (2009- 222).

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) *Basis of Preparation*

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention.

The preparation of financial statements in conformity with IFRS's requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Although those estimates are based on managements' best knowledge of current events and conditions, actual results could differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(b) *New Accounting Standards and Interpretations*

New standards, amendments and interpretations to existing standards effective 2010 that were adopted by the Company:

IFRS 7 Financial Instruments – Disclosures

IAS 1 Presentation of Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2010

(expressed in Eastern Caribbean dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New Accounting Standards and Interpretations (continued)

Standards, amendments and interpretations to existing standards effective in 2010 that are not relevant to the activities of the Company or have no material impact on its financial statements:

IFRS 1	First-time Adoption of IFRS – Cost of an investment in a subsidiary, Jointly Controlled Entity or Associate
IFRS 2	Share-based Payments – Vesting conditions and cancellations
IFRS 8	Operating segments
IAS 39	Financial Instruments: Recognition and Measurement – Eligible hedged items
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 16	Hedges of a net Investment in a Foreign Operation
IFRIC 17	Distribution of Non-cash Assets to Owners
IFRIC 18	Transfer of Assets from Customers

Standards, amendments and interpretations to existing standards that are not yet effective which either do not apply to the activities of the Company or have no material impact on its financial statements:

IAS 7	Statement of Cash Flows – Classification of expenditures on unrecognized assets.
IAS 17	Leases – Classification of Land and Buildings
IAS 18	Revenue – Determining whether an Entity is acting as Principal or Agent
IAS 24	Related Party Disclosures
IAS 36	Impairment of Assets - Unit of Accounting for Goodwill impairment.
IAS 38	Intangible Assets - Consequential amendments arising from IFRS 3. Measuring the fair value of an intangible asset acquired in a Business Combination.
IFRS 1	First-time Adoption - Additional exemptions for first-time adoption
IFRS 2	Share-based Payments – Group cash-settled share-based payment transactions
IFRS 5	Non-current Assets held for sale and discontinued operations

(expressed in Eastern Caribbean dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New Accounting Standards and Interpretations (continued)

IFRS 8	Segment reporting – Disclosure of Segment Assets
IFRS 9	Financial Instruments – Classification and Measurement of Financial Asset
IFRS 39	Financial Instruments - Recognition and Measurement: Assessment of loan prepayment penalties as embedded derivative. Scope exemption for Business Combination contracts. Cash flow hedge accounting
IFRIC 19	Extinguishing Financial liabilities with Equity Instruments

(c) Property, Plant and Equipment

Recognition and Measurement

Property, plant and equipment consist of building, plant and machinery, motor vehicles, furniture and fittings and are stated at historical cost less accumulated depreciation.

Historical 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. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized as income in the statement of comprehensive income.

Subsequent Expenditure

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing and other repairs and maintenance of property, plant and equipment are recognized in the statement of comprehensive income during the financial period in which they are incurred.

(expressed in Eastern Caribbean dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, Plant and Equipment

Depreciation

Depreciation is recognized in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land and rights are not depreciated. No depreciation is provided on work-in-progress until the assets involved have been completed and available for use.

The annual rates of depreciation for the current and comparative periods are as follows:

	% Per Annum
Building and construction	2.5 - 10
Plant and machinery	5 - 12.5
Motor vehicles	33 1/3
Furniture, fittings and equipment	12.5 - 20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(d) Foreign Currencies Translation

Foreign currency transactions during the year were converted into Eastern Caribbean Currency Dollars at the exchange rates prevailing at the dates of the transactions. Assets and liabilities at the statement of financial position date are expressed in EC$ at the following rates:

EC$2.7169 to US$1.00	-	(2009: EC$2.7169)
EC$3.7290 to Euro1.00	-	(2009: EC$4.0266)

Differences on exchange on current liabilities are reflected in the statement of comprehensive income in arriving at net income for the year, while differences on long term borrowings are deferred until realised.

(e) Financial Instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(expressed in Eastern Caribbean dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Recognition and measurement

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

When financial assets are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the asset.

Financial assets are derecognised when the contractual rights to receive the cash flows expire or where the risks and rewards of ownership of the assets have been transferred.

Financial assets

The Company classifies its financial assets into the following categories: Loans and receivables and available-for-sale. Management determines the appropriate classification of its financial assets at the time of purchase and re-evaluates this designation at every reporting date.

Loans and receivables

Investments classified as loans and receivable are non-derivative financial assets with fixed or determinable payments that are not quoted on the active market. They are included in current assets, except for maturities greater than twelve (12) months after the statement of financial position date. These are classified as non-current assets. The Company's loans and receivables comprise of fixed deposits.

Available-for-sale

Investments are classified as available-for-sale as they are intended to be held for an indefinite period. These investments may be sold in response to needs for liquidity or changes in interest rates or equity prices. These investments are carried at fair value, based on quoted market prices where available. However, where a reliable measure is not available, cost is appropriate. Where available-for-sale investments are carried at fair value unrealized gains or losses are recognized directly in equity until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognized in profit or loss. Available-for-sale investments are included in non-current assets unless management intends to dispose of the investment within twelve (12) months of the statement of financial position date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2010

(expressed in Eastern Caribbean dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) ***Financial Instruments (continued)***

Fair Value

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the statement of financial position date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models.

Impairment of financial assets

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or group of financial assets is impaired and impairment losses are incurred if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that event (or events) has an impact on the estimated future cash flows of the financial asset or group or financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the Company about the following loss events:

(i) Significant financial difficulty of the issuer or obligor.

(ii) A breach of contract, such as default or delinquency in interest or principal payments.

(iii) It is becoming probable that the borrower will enter in bankruptcy or other financial organization.

(iv) The disappearance of an active market for that financial asset because of financial difficulties.

(v) Observable data indicating that there is a measurable decrease in the estimated cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with individual financial assets in the group, including adverse changes in the payment status of borrowers in the Company or national or economic conditions that correlate with defaults on assets in the Company.

(expressed in Eastern Caribbean dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Impairment losses are recorded in an allowance account and are measured and recognised as follows:

(i) Financial assets measured at amortised cost

The difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate is recognised in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improvement in the debtor's credit rating), the previously recognised loss is reversed to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised at the date that the impairment is reversed. The amount of the reversal is recognised in the statement of comprehensive income.

(ii) Financial assets measured at cost

The difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the current market's rate of return for similar financial assets is recognised in the statement of comprehensive income. These losses are not reversed.

Financial Liabilities

When financial liabilities are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the liability. Financial liabilities are re-measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when they are extinguished that is when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability extinguished and the consideration paid is recognised in the statement of comprehensive income.

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2010

(expressed in Eastern Caribbean dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Inventories

Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition and net realizable value. Cost is determined on a first-in, first-out basis. Net realizable value is the price at which stock can be realized in the normal course of business.

(g) Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Trade receivables, being short-term, are not discounted. A provision for impairment of trade receivables is established when thereis objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor and default or delinquency in payment are considered indicators that the trade receivable is impaired.

(h) Cash and cash equivalents

Cash and cash equivalents comprises of cash on hand and at bank and short-term demand deposits with original maturity of three (3) months or less. Bank overdraft is included as a component of cash and cash equivalents for the purpose of the cash flow statement. Bank overdraft is shown within borrowings in current liabilities on the statement of financial position.

(i) Stated capital

Ordinary shares are classified as equity.

(j) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

(expressed in Eastern Caribbean dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Borrowings

Borrowings are recognised at fair value net of transaction cost incurred. Borrowings are subsequently stated at amortized cost: any difference between the proceeds, net of transaction cost, and the redemption value is recognised in the statement of comprehensive income over the period of borrowings. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve (12) months after the date of the statement of financial position.

(l) Customers' Deposits

Given the long-term nature of the customer relationship, customer deposits are shown in the statement of financial position as non-current liabilities (i.e. not likely to be repaid within twelve (12) months of the date of the statement of financial position).

(m) Customers' Contribution to Line Extensions

In certain specified circumstances, customers requiring line extensions are required to contribute toward the estimated capital cost of the extensions. These contributions are amortised over the estimated useful lives of the relevant capital cost at an annual rate of 5%. The annual amortisation of customer contributions is deducted from the depreciation charge for Transmission and Distribution provided in respect of the capital cost of these line extensions.

Contributions in excess of the applicable capital cost of line extensions are recorded as other revenue in the period in which they are completed. Contributions received in respect of jobs not yet started or completed at the year-end are grouped with creditors, accrued charges and provisions. The capital costs of customer line extensions are included in property, plant and equipment.

(n) Employee benefits

Profit sharing scheme

The Company operates a profit sharing scheme and the profit share to be distributed to Unionized employees each year is based on the terms outlined in the Union Agreement. Employees receive their profit share in cash. The Company accounts for profit sharing as an expense, through the statement of comprehensive income. The Company also has a Gainsharing plan for Non Unionized employees that is accounted for in the same manner as profit sharing.

(o) Income tax

The charge for the current year is based on the results for the year as adjusted for disallowed expenses and non-taxable income. It is calculated using the applicable tax rates for the period.

Deferred income tax is provided using the liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset realized or the liability is settled, based on the enacted tax rate at the statement of financial position date. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2010

(expressed in Eastern Caribbean dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

(q) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities.

(i) *Sale of energy*

Revenue from energy sales is based on meter readings, which are carried out on a rotational basis throughout each month. A provision of 50% of the current month's billings is made to record unbilled energy sales at the end of each month. This estimate is reviewed periodically to assess reasonableness and adjusted where required. The provision for unbilled sales is included in accrued income.

(ii) *Interest income*

Interest income is recognised on an accrual basis.

(iii) *Dividend income*

Dividend income is recognised on the cash basis consistent with International Accounting Standards (IAS)10.

(r) 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 statement of financial position date are not shown as a liability on the statement of financial position but are disclosed as a note to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2010

(expressed in Eastern Caribbean dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. Transactions entered into with related parties in the normal course of business are carried out on commercial terms and conditions during the year.

(t) Finance charges

Finance charges are recognised in the statement of comprehensive income as an expense in the period in which they are incurred.

(u) Provision for Bad and Doubtful Debts

Provision is made based on 2% of annual gross sales. Accounts are written off against the provision when they are considered to be bad. The total provision at 31st December, 2010 amounted to EC$5,359,686 (2009 - EC$4,607,137). Included therein is a specific provision of $1,328,625 on customer accounts and $566,408 on other debtors.

(v) Provision for Unbilled Sales

Revenue from sales of electricity is based on meter readings which are done on a rotational basis each month. The Company, recognising that a number of customers would not be billed in the consumption month, has decided to include in its sales 50% of the month's billings to represent unbilled sales.

The provision and adjustment with comparatives at 31st December, 2010 are calculated as follows:

		2010 $	2009 $
Sales revenue for December after discounts		13,659,708	12,691,847
50% of above	= provision at 31/12/10	6,829,854	6,345,924
	– provision at 31/12/09	6,345,924	7,237,003
Increase/(decrease) in provision during the year		483,930	(891,079)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2010

(expressed in Eastern Caribbean dollars)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The development of estimates and the exercise of judgment in applying accounting policies may have a material impact on the company's reported assets, liabilities, revenues and expenses. The items which may have the most effect on these financial statements are set out below.

The development of estimates and the exercise of judgment in applying accounting policies may have a material impact on the Company's reported assets, liabilities, revenues and expenses. The items which may have the most effect on these financial statements are set out below.

Impairment of financial assets

Management assesses at each statement of financial position date whether assets are impaired. An asset is impaired when the carrying value is greater than its recoverable amount and there is objective evidence of impairment. Recoverable amount is the present value of the future cash flows. Provisions are made for the excess of the carrying value over its recoverable amount.

Property, plant and equipment

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

Impairment of inventory and trade receivables

Provision is made for slow-moving and obsolete stock at various rates based on the age of the stock.

Provision is made for doubtful debts based on 2% of annual gross sales plus a specific provision for debts indentified as doubtful.

(expressed in Eastern Caribbean dollars)

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Building and Construction	Plant and Machinery	Motor Vehicles	Furniture and equipment	Total
COST						
Balance at 1st January 1st, 2010	1,467,468	23,748,915	201,040,475	9,155,642	9,104,395	244,516,895
Additions for the year	-	37,201	1,508,822	735,278	739,530	3,020,831
Disposals during the year	-	-	-	(606,349)	(471,549)	(1,077,898)
Balance at 31st December, 2010	1,467,468	23,786,116	202,549,297	9,284,571	9,372,376	246,459,828
ACCUMULATED DEPRECIATION						
Balance at 1st January, 2010	-	13,869,239	106,633,093	7,762,872	5,336,549	133,601,753
Charge for year	-	1,195,366	13,120,876	830,545	807,827	15,954,614
Disposals	-	-	-	(606,349)	(442,112)	(1,048,461)
Balance at 31st December, 2010	-	15,064,605	119,753,969	7,987,068	5,702,264	148,507,906
Balance at 31st December, 2010	1,467,468	8,721,511	82,795,328	1,297,503	3,670,112	97,951,922
Less: Customer contribution to line extensions	-	-	-	-	-	(8,409,967)
Net book value - 31st December, 2010	$1,467,468	$8,721,511	$82,795,328	$1,297,503	$3,670,112	$89,541,955
Balance at 31st December, 2009	1,467,468	9,879,676	94,407,382	1,392,770	3,767,846	110,915,142
Less: Customer contribution to line extensions	-	-	-	-	-	(8,764,542)
Net book value – 31st December, 2009	$1,467,468	$9,879,676	$94,407,382	$1,392,770	$3,767,846	$102,150,600

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2010

(expressed in Eastern Caribbean dollars)

5. SUSPENSE JOBS IN PROGRESS

This represents capital injections with respect to requested customers' suspense jobs not completed at year-end.

6. CAPITAL WORK IN PROGRESS

	2010 $	2009 $
Generation	625,808	602,330
Computers and software upgrades	976,060	140,850
Building and construction	4,599,515	927,349
Tools and equipment	40,406	86,179
Furniture and equipment	482,590	-
Distribution	1,778,239	1,754,453
	8,502,618	3,511,161

7. DEFERRED EXCHANGE LOSS

This represents the difference arising on the revaluation of the balance of the European Investment Bank Grenlec 111 Loan at the exchange rate of ECC$3.7290 to one Euro at the statement of financial position date. The average rate existing on the dates the draw downs were received was ECC$3.3417 to one Euro.

8. FINANCIAL ASSETS

	2010 $	2009 $
(a) Available for sale		
536 ordinary shares in the Republic Bank (Grenada) Limited	30,552	29,485
Government of Grenada Treasury Bills	847,868	847,737
	878,420	877,222
(b) Loans and receivables		
Fixed deposit – Republic Bank (Grenada) Limited	4,805,431	7,661,561
Fixed deposit – Grenada Co-operative Bank Limited	3,429,264	3,264,736
Fixed deposit – Bank of Nova Scotia	1,029,445	991,558
Fixed deposit – RBTT Bank Grenada Limited	4,225,425	-
US$ certificate of deposit- Cayman National Bank	4,155	4,155
	13,493,720	11,922,010

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2010

(expressed in Eastern Caribbean dollars)

8. FINANCIAL ASSETS (continued)

Included in the above is an amount of $8,512,781 for Hurricane Insurance Reserve invested in Treasury Bills and fixed deposits held with the Bank of Nova Scotia, RBTT Bank Grenada Limited and the Grenada Co-operative Bank Limited.

9. INVENTORIES

	2010 $	2009 $
The following is a breakdown of stock on hand:		
Motor vehicle spares	795,374	697,867
Distribution	6,417,170	7,303,870
Generation spares	6,057,437	6,138,203
Fuel and lubricating oil	143,657	205,652
General stores	2,977,544	2,647,453
Stationery	91,110	90,777
	16,482,292	17,083,822
Less: Obsolescence provision	1,052,332	1,094,019
	15,429,960	15,989,803

10. TRADE AND OTHER RECEIVABLES

	2010 **$**	2009 $
Customers' accounts	24,873,112	25,075,678
Less: Provision for doubtful debts	4,793,278	4,134,768
	20,079,834	20,940,910
Provision for unbilled sales	6,829,854	6,345,924
Other debtors	2,176,785	4,019,885
Prepayments	854,046	420,258
	29,940,519	31,726,977

As at December 31st, 2010 the ageing analysis of customers' accounts is as follows:

	30 days	30- 60 days	60-90 days	Over 90 days	Total
2010	$10,130,825	$5,326,927	$1,653,638	$7,761,722	$24,873,112
2009	$9,426,184	$4,386,613	$1,764,426	$9,498,455	$25,075,678

(expressed in Eastern Caribbean dollars)

11. SEGREGATED RETIREMENT INVESTMENTS

To offset the liability created from the defined contribution plan the company makes short-term investments in certificates of deposits at various commercial banks. In practice, these funds are not available to the company for normal operations but are not governed by a Trust deed.

12. CASH AND CASH EQUIVALENTS

	2010 **$**	2009 $
Cash on hand	3,800	3,500
Bank of Tampa	22,317	8,252
Bank of Nova Scotia	40,869	6,757
Republic Bank (Grenada) Limited	26,461	414,165
FirstCaribbean International Bank Limited	112,690	5,768
Grenada Co-operative Bank Limited	11,779,424	11,894,273
	11,985,561	12,332,715
Bank overdraft (note 15)	(2,781,664)	(2,403,859)
Cash and cash equivalent in the statement of cash flows	9,203,897	9,928,856

13. STATED CAPITAL

	2010 $	2009 $
Authorised		
25,000,000 ordinary shares of no par value		
Issued and fully paid		
19,000,000 ordinary shares of no par value	32,339,840	32,339,840

14. CUSTOMERS' DEPOSITS

All customers are required in accordance with the Electricity Supplies Act (ESA) Section 11 of 1994 to provide a security for a payment which is normally equivalent to two (2) months consumption. Interest accrued is credited to customers' accounts in the first billing cycle of the year. The cash deposit is refunded with accumulated interest when the account is terminated.

Given the long term nature of the customer relationship, customer deposits are shown in the statement of financial position as non-current liabilities (i.e. not likely to be repaid within twelve (12) months of the statement of financial position).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2010

(expressed in Eastern Caribbean dollars)

15. BORROWINGS

	2010	2009
Long-term	$	$
(A) European Investment Bank (EIB)		
Loan (i)	1,090,728	2,147,789
Loan (ii)	10,541,646	12,182,501
	11,632,374	14,330,290
(B) National Insurance Scheme	9,626,071	11,035,865
(C) Grenlec ECSE Bonds	33,386,500	38,156,000
	54,644,945	63,522,155
Less: Current portion	8,126,154	8,046,736
Total Long-term	46,518,791	55,475,419
Short-term		
Bank overdraft	2,781,664	2,403,859
Borrowings current portion	8,126,154	8,046,736
	10,907,818	10,450,595
Total borrowings	57,426,609	65,926,014

(A) European Investment Bank (EIB)

(i) The loan is repayable over twelve (12) years at a rate of interest of 3.70% per annum, and is guaranteed by the Government of Grenada.

(ii) This loan bears an average interest rate of 5.75% per annum and is repayable over fifteen (15) years in annual instalments of Euro 376,450.44 inclusive of interest. The loan is secured by a first fixed charge on Wartsila generator set II.

(B) The loan bears interest at the rate of 7% per annum and is repayable over ten (10) years by quarterly instalments of $535,650.84 inclusive of interest. The loan is secured by a first fixed charge on Wartsila generator set I.

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2010

(expressed in Eastern Caribbean dollars)

15. BORROWINGS (continued)

(C) On December 17, 2007, the company raised EC$47,695,000 in capital through a bond issue. The bond facility bears interest at a rate of 7% per annum and is repayable by quarterly instalments of $1,192,375 (inclusive of interest) over ten (10) years. Repayment commenced March 20th, 2008. This bond is secured under a Debenture Trust Deed which creates a fixed and floating charge on the Company's property, present and future, with exception of those secured under other agreements and the Carriacou assets. The Debenture requires the Company to meet financial ratios; current, earnings coverage and equity /debt. The financial ratios were met by the Company for 2010.

16. PROVISION FOR RETIREMENT BENEFITS

The company operates a defined contribution plan for its employees. Payment of benefits accrued is made upon the resignation or retirement of employees.

17. PROVISION FOR HURRICANE INSURANCE RESERVE

	2010 **$**	2009 $
Balance at 1st January, 2010	8,000,000	6,000,000
Add: Provision for the year	2,000,000	2,000,000
Balance at 31st December, 2010	10,000,000	8,000,000

18. DUE TO RELATED PARTIES

	2010	2009
WRB Enterprises Inc	-	(86,703)

Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial operating decisions.

(expressed in Eastern Caribbean dollars)

18. DUE TO RELATED PARTIES (continued)

i) The following transactions were carried out with WRB Enterprises, Grenada Private Power Limited and the National Insurance Scheme:

	2010 $	2009 $
a) Sale of electricity - NIS	292,118	253,014
b) Management services- WRB Enterprises Inc.	600,000	600,000
c) Loan repayments- NIS	6,427,810	6,427,810
d) Payment of dividends:		
NIS	992,178	970,129
Grenada Private Power Limited	4,275,000	4,180,000

Related Party Transactions

ii) Compensation of key management personnel of the Company:

	2010 $	2009 $
Salaries and other benefits	2,831,534	2,929,089
Past employment benefit provisions	554,361	512,525
iii) Loans receivable from key management personnel	114,678	78,319

19. TRADE AND OTHER PAYABLES

Trade creditors	8,162,043	6,484,902
Sundry creditors	940,909	4,992,083
Accrued expenses	6,964,603	9,788,360
	16,067,555	21,265,345

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2010

(expressed in Eastern Caribbean dollars)

20. OTHER INCOME

	2010 **$**	2009 $
Sundry revenue	3,071,152	2,766,758
Gain on disposal of fixed assets	54,451	42,028
	3,125,603	2,808,786

21. FINANCE COST

Bank loans / Bond interest	3,984,007	4,537,027
Other bank interest	11,389	10,503
Other	341,827	294,433
	4,337,223	4,841,963

22. TAXATION

Current year

Income taxes in the statement of comprehensive income vary from amounts that would be computed by applying the statutory tax rate for the following reasons:

Profit before taxation	14,633,068	12,686,420
Tax at applicable statutory rate (30%)	4,389,920	3,805,926
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	(555,338)	(479,717)
Effect of allowances	(4,327,606)	(4,646,274)
Effect of expenses not deductible for tax purposes	4,816,076	4,390,656
Tax expense	4,323,052	3,070,591

Deferred Tax

Deferred tax (asset)/liability is due to the acceleration of (accounting depreciation)/tax depreciation.

There was a deferred tax asset of $467,470 at 31st December, 2010 which was not recognised as the asset will not be realized in the future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2010

(expressed in Eastern Caribbean dollars)

23. CAPITAL COMMITMENTS

At December 31st, 2010, the company's capital commitments totaled $1,502,106. This represents amounts outstanding on a contract signed with Quinn Company during 2010 for the construction of an administrative building for $4,810,939. Additionally the Company has budgeted capital expenditure of $10.59M for the year 2011 none of which was contracted for at December 31, 2010.

24. CONTINGENT LIABILITIES

At the statement of financial position date the Company was contingently liable to the Government of Grenada for customs bonds in the amount of $50,000.

25. DIVIDENDS

During the year ended December 31st, 2010, a dividend of 45 cents per ordinary share amounting to $8, 550,000 was declared and paid.

26. FINANCIAL RISK MANAGMENT

The Company's activities expose it to a variety of financial risks: credit risk, operational risk, liquidity risk and market risk (including foreign exchange and interest rate risk). The Company's overall risk management policy is to minimise potential adverse effects on its financial performance and to optimise shareholders value within an acceptable level of risk. Risk management is carried out by the Company's management under direction from the Board of Directors.

The Board of Directors has established committees which are responsible for developing and monitoring the Company's risk management policies in their specified areas. These committees report to the Board of Directors on their activities. The committees and their activities are as follows:

Audit Committee

The Audit Committee has oversight for the integrity of the financial statements and reviews the adequacy and effectiveness of internal controls and risk management procedures.

Loans Committee

The Loans Committee is comprised of members of management who are responsible for approving staff loan applications and ensuring that only those that meet the requirements set out in the Staff Loan and Procedure Policy are approved.

(expressed in Eastern Caribbean dollars)

26. FINANCIAL RISK MANAGEMENT (continued)

The Company's exposure and approach to its key risks are as follows:

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter-party to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from the company's trade receivables and financial investments.

Credit risk with respect to trade receivables is substantially reduced due to the policies implemented by management. Deposits are required from all customers upon application for a new service and management performs periodic credit evaluations of its general customers' financial condition.

With respect to credit risk arising from other financial assets of the Company which comprise of cash and cash equivalents and financial investments, the Company places these funds with highly rated financial institutions to limit its exposure.

The Company's maximum exposure to credit risk equals the carrying amount of its financial assets. Based on the above, however, management does not believe significant credit risk exists at December 31, 2010.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

(expressed in Eastern Caribbean dollars)

26. FINANCIAL RISK MANAGEMENT (continued)

Operational risk

- Requirements for appropriate segregation of duties, including the independent authorization of transactions
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance as outlined below

Insurance risk

Prudent management requires that a company protect its assets against catastrophe and other risks. In order to protect its customers and investors the company has fully insured its plant and machinery, buildings, computer equipment and furniture against all perils. The Company's Transmission and Distribution systems are uninsured and to mitigate this risk the company sets aside funds on an annual basis in a hurricane reserve.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.
Management monitors the Company's liquidity reserve which comprises overdraft facilities and cash and cash equivalents on the basis of expected cash flows and is of the view that the company holds adequate cash and credit facilities to meet its short term obligations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2010

(expressed in Eastern Caribbean dollars)

26. FINANCIAL RISK MANAGEMENT (continued)

The table below summarises the Company's exposure to liquidity risk:

Balance at 31st December, 2010	Current	30-60 days	60-90 days	Over 90 days	Total
	$	$	$	$	$
Current Assets					
Cash and cash equivalents	11,985,561	-	-	-	11,985,561
Loans and receivable financial assets	-	-	-	13,493,720	13,493,720
Income tax prepaid	572,033	-	-	-	572,033
Segregated retirement investments	-	-	-	16,510,227	16,510,227
Prepayments	854,046	-	-	-	854,046
Trade and other receivables	16,960,679	5,326,927	1,653,638	5,145,229	29,086,473
Inventories	15,429,960	-	-	-	15,429,960
	45,802,279	5,326,927	1,653,638	35,149,176	87,932,020
Current liabilities					
Short-term borrowings	10,907,818	-	-	-	10,907,818
Trade payables and accrued expenses	10,044,463	1,773,435	672,244	3,577,413	16,067,555
Consumers' advances for construction	1,145,934	-	-	-	1,145,934
Current portion of provision for retirement benefits	-	-	-	400,000	400,000
Provision for profit sharing	-	-	-	3,154,951	3,154,951
	22,098,215	1,773,435	672,244	7,132,364	31,676,258
NET LIQUIDITY SURPLUS	23,704,064	3,553,492	981,394	28,016,812	56,255,762

(expressed in Eastern Caribbean dollars)

26. FINANCIAL RISK MANAGEMENT (continued)

Balance at 31st December, 2009	Current	30-60 days	60-90 days	Over 90 days	Total
	$	$	$	$	$
Current Assets					
Cash and cash equivalents	12,332,715	-	-	-	12,332,715
Loans and receivable financial assets	-	-	-	11,922,010	11,922,010
Income tax prepaid	268,041	-	-	-	268,041
Segregated retirement investments	-	-	-	14,335,735	14,335,735
Prepayments	420,258	-	-	-	420,258
Trade and other receivables	15,852,153	8,326,453	1,764,426	5,363,687	31,306,719
Inventories	15,989,803	-	-	-	15,989,803
	44,862,970	8,326,453	1,764,426	31,621,432	86,575,281
Current liabilities					
Bank overdraft	2,403,859	-	-	-	2,403,859
Amount due to related company	86,703	-	-	-	86,703
Short-term borrowings	8,046,736	-	-	-	8,046,736
Trade payables and accrued expenses	8,189,502	7,807,828	1,523,198	3,664,772	21,265,345
Customers' advances for construction	891,368	-	-	-	891,368
Current portion of provision for retirement benefits	-	-	-	750,000	750,000
Provision for profit sharing	-	-	-	3,080,405	3,080,405
	19,698,213	7,807,828	1,523,198	7,495,177	36,524,416
NET LIQUIDITY SURPLUS	25,164,757	518,625	241,228	24,126,255	50,050,865

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2010

(expressed in Eastern Caribbean dollars)

26. FINANCIAL RISK MANAGEMENT (continued)

Market risk

(i) Foreign exchange risk

Foreign exchange risk is the potential adverse impact on the Company's earnings and economic value due to movements in exchange rates.

The Company has a limited exposure to foreign exchange risk arising primarily from a Euro loan and purchases of plant, equipment and spares from foreign suppliers.

Borrowings other than for the Euro loan have been transacted in EC$ or formally fixed to the United States Dollar (US$) to limit exposure to fluctuations in foreign currency rates, since there is a fixed exchange rate between the Eastern Caribbean dollar and the United States dollar. Additionally, most purchases are transacted in United States dollars.

The company has not entered into forward exchange contracts to reduce its exposure to fluctuations in foreign currency exchange rates.

The following demonstrates the sensitivity to a reasonably possible change in exchange rates with all other variables held constant.

(expressed in Eastern Caribbean dollars)

26. FINANCIAL RISK MANAGEMENT (continued)

FINANCIAL LIABILITIES

	2010		2009	
	+2.5%	-2.5%	+2.5%	-2.5%
Loans payable	**EC $**	**EC $**	**EC $**	**EC $**
EIB (EURO loan)				
Principal repayments for the year	716,610.99	716,610.99	731,712.28	731,712.18
Effect on principal repayment of adjustment to EURO	734,526.28	698,695.72	750,004.98	713,419.38
CURRENCY EXPOSURE	$(17,915.27)	$17,915.27	$(18,292.80)	$18,292.80
Reasonably possible change in currency rate	+2.5%	-2.5%	+2.5%	-2.5%
EIB Euro loan Interest payment	649,057.51	649,057.51	741,002.47	741,002.47
Effect on interest payment of adjustment to EURO	665,283.95	632,831.07	759,527.53	722,471.41
Effect on profit before tax/equity	$(16,226.44)	$16,226.44	$(18,525.06)	$18,531.06

Repayment for the year	**2010 EURO**	**2009 EURO**
Interest	174,056.72	184,026.84
Principal	192,172.43	181,719.61
	366,229.15	365,746.45

See note 2 (d) for exchange rates for the Euro at 31st December 2010 and 2009 respectively.

(ii) Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The company holds primarily fixed rate financial instruments and is therefore not significantly exposed to interest rate risk.

GRENADA ELECTRICITY SERVICES LIMITED

FIVE YEAR OPERATIONAL RECORD

2006 - 2010

	2010	2009	2008	2007	2006
PRODUCTION AND SALES					
Gross Generation (KWhs)	**208,728,350**	**202,992,241**	**196,957,226**	**185,569,196**	**173,490,255**
Auxillaries & Own Use	7,324,557	7,603,338	7,132,714	6,903,729	6,328,617
Net Generation	201,403,793	195,388,903	189,824,512	178,665,467	167,161,638
Sales (KWhs)					
Domestic	72,091,738	68,283,453	66,231,638	65,748,854	60,088,936
Commercial	101,966,291	99,060,565	96,600,009	89,569,231	81,989,564
Industrial	6,265,771	5,667,611	5,628,661	6,480,019	5,903,123
Street Lighting	4,459,272	4,317,176	4,040,522	3,426,986	3,026,004
Total Sales	**184,783,072**	**177,328,805**	**172,500,830**	**165,225,090**	**151,007,627**
Loss (% of Net Generation)	8.22%	9.20%	8.61%	7.49%	9.62%
Number of Customers at Year-End					
Domestic	37,932	37,256	35,856	34,225	32,087
Commercial	5,730	5,636	5,330	5,058	4,656
Industrial	37	36	36	35	36
Total Consumers	**43,699**	**42,928**	**41,222**	**39,318**	**36,779**
Average Annual usage per Customer Class (KWhs)					
Domestic	1,901	1,833	1,847	1,921	1,873
Commercial	17,795	17,576	18,124	17,708	17,609
Industrial	169,345	157,434	156,352	185,143	163,976

GRENADA ELECTRICITY SERVICES LIMITED

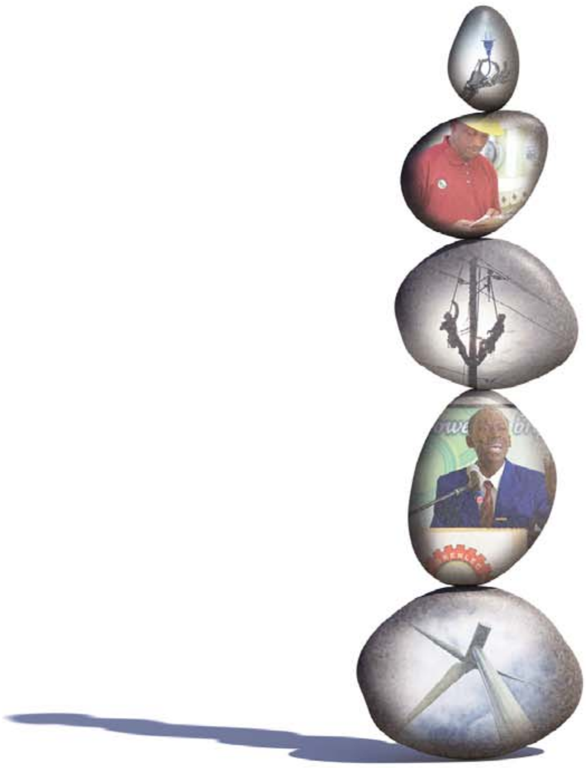
FIVE YEAR FINANCIAL RECORD

2006 - 2010

(expressed in Eastern Caribbean & United States dollars)

	2010 EC$	2009 EC$	2008 EC$	2007 EC$	2006 EC$
INCOME	**165,349,860**	**141,040,502**	**188,851,458**	**141,827,843**	**128,052,580**
PROFIT BEFORE TAXES	14,633,068	12,686,420	19,422,884	11,676,363	10,845,311
TAXATION	4,323,052	3,070,591	4,559,120	3,431,800	2,766,618
NET PROFIT	10,310,016	9,615,829	14,863,764	8,244,563	8,078,693
SHAREHOLDERS EQUITY	**71,317,936**	**69,556,853**	**68,287,619**	**61,783,855**	**61,139,292**
REPRESENTED BY:					
TOTAL ASSETS	190,061,477	196,882,692	194,169,568	195,117,766	164,987,408
TOTAL LIABILITIES	118,743,541	127,325,839	125,881,949	133,333,911	101,848,116
HURRICANE RESERVE	10,000,000	8,000,000	6,000,000	4,000,000	2,000,000
NET ASSETS	**61,317,936**	**61,556,853**	**62,287,619**	**57,783,855**	**61,139,292**
FINANCIAL RATIOS					
No. of shares	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000
Return on Shareholders equity	14.46%	13.82%	21.77%	13.34%	13.21%
Earnings Per Share	0.54	0.51	0.78	0.43	0.43
Dividends Per Share	0.45	0.44	0.44	0.40	0.26

	US $	US $	US $	US $	US $
INCOME	**61,240,689**	**52,237,223**	**69,944,984**	**52,528,831**	**47,426,881**
PROFIT BEFORE TAXES	5,419,655	4,698,674	7,193,661	4,324,579	4,016,782
TAXATION	1,601,130	1,137,256	1,688,563	1,271,037	1,024,673
NET PROFIT	3,818,525	3,561,418	5,505,098	3,053,542	2,992,109
SHAREHOLDERS EQUITY	**26,414,050**	**25,761,797**	**25,291,711**	**22,882,909**	**22,644,182**
REPRESENTED BY:					
TOTAL ASSETS	70,393,140	72,919,516	71,914,655	72,265,839	61,106,447
TOTAL LIABILITIES	43,979,089	47,157,718	46,622,944	49,382,930	37,721,524
HURRICANE RESERVE	3,703,704	2,962,963	2,222,222	1,481,481	740,741
NET ASSETS	**22,710,347**	**22,798,835**	**23,069,489**	**21,401,428**	**22,644,182**
FINANCIAL RATIOS					
No. of shares	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000
Return on Shareholders equity	14.46%	13.82%	21.77%	13.34%	13.21%
Earnings Per Share	0.20	0.19	0.29	0.16	0.16
Dividends Per Share	0.17	0.16	0.16	0.15	0.10



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