THE POWER OF ART...
GENERATING IMAGINATION
GRENLEC ANNUAL REPORT 2011

THE POWER OF ART... GENERATING IMAGINATION THE POWER OF ART... GENERATING IMAGINATION THE POWER OF ART... GENERATING

THE POWER OF ART...
GENERATING IMAGINATION

From the earliest civilisations, expression of culture through art has given voice to nations and peoples in development. Entire populations have left their mark on the world through the visual voices of artists, impacting how we see them and ourselves.

GRENLEC has undertaken to support the documentation of our history, heritage and culture through a distinct category of work. Our partnership with the Grenada Arts Council, the Gallery and individual artists created the Lantern Art Exposition in May 2011. This impressive presentation of the contributions of more than 40 artists helped us mark the opening of our new Company Headquarters and Customer Care Centre. We are honoured to be able to feature some of their work in these pages. Our Company's identification with the arts is best understood in the context of a business that stimulates the dreams and facilitates the realisation of the hopes of our people.

We invite you to immerse yourself in the shared experiences of our people, our time and to be inspired to make your own mark of excellence in your pursuits. We too are on a journey to become masters of the art of serving our customers, with respect for nature and determination that our excellence will live on as an indicator of who we are as a team.

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The Grenadian Heart
Teddy D. Frederick

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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.

STRATEGIC PRIORITIES

Service Excellence
Reliability
Human Resource Development
Alternative Energy
Cost Containment and Efficiency Improvement
Corporate Social Responsibility

CORPORATE INFORMATION

DIRECTORS

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

CHIEF EXECUTIVE OFFICER

Vernon Lawrence

SECRETARY

Benedict Brathwaite

REGISTERED OFFICE

Grand Anse, St. George, Grenada, West Indies.
Email: mail@grenlec.com
Website: www.grenlec.com

BANKERS

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

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

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

CIBC 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,
Grenada, West Indies.

REGISTRAR

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Fifty-third 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 Thursday, 10 May 2012 at 4:30 p.m. to:

- Receive the Annual Report, the Audited Financial Statements for the year ended December 31, 2011 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 21st day of March 2012.

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 Wednesday, 18 April 2012 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.

Mas
Lisa Herrera

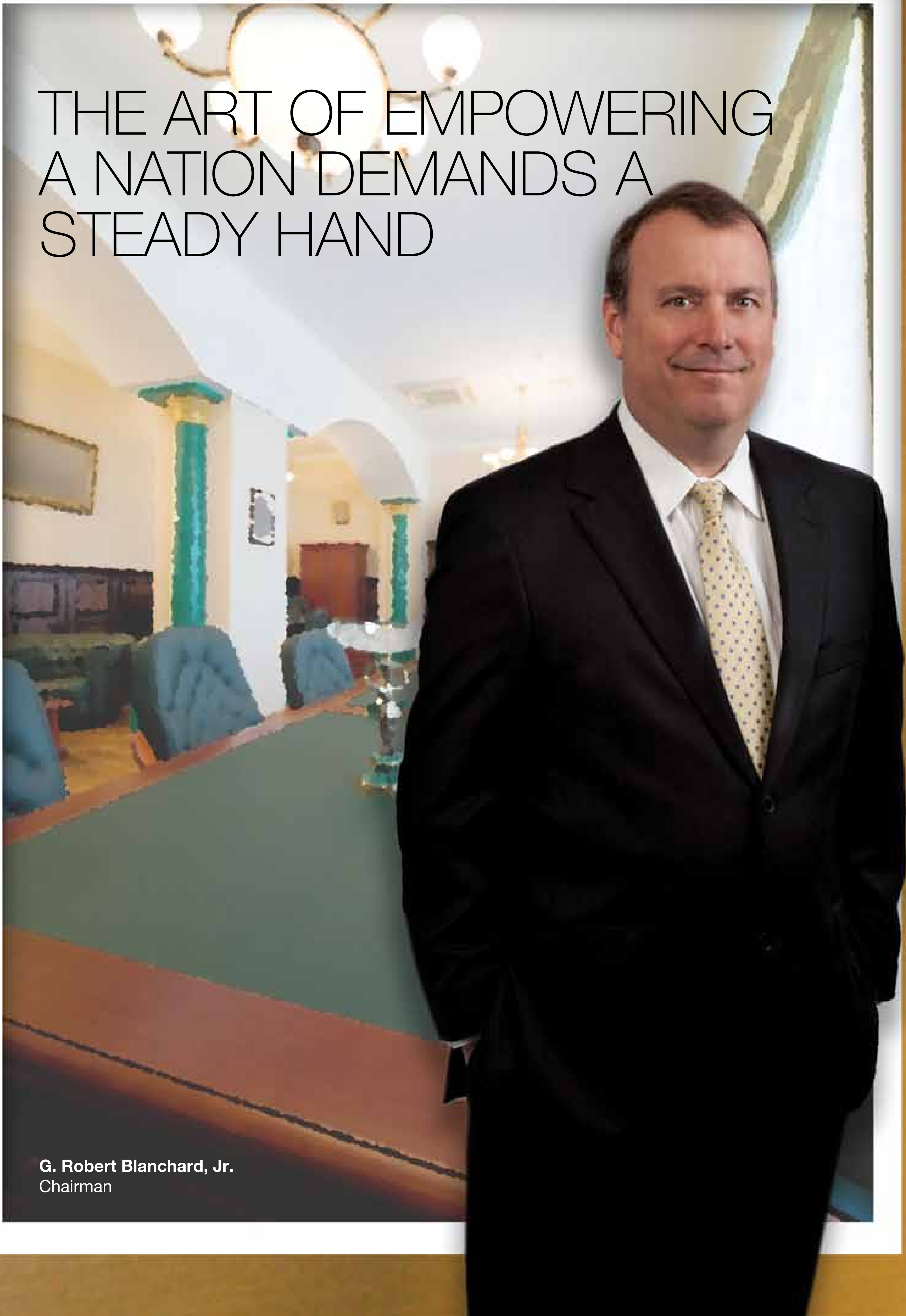
Flyer Fly
Gilbert Nero
National Youth Awardee for Culture (2011)

BOARD OF DIRECTORS

TO FACE EACH DAY AS IT WERE A BLANK CANVAS, DETERMINED TO HAVE PRIDE IN THE WAY YOU LEAVE YOUR MARK.

01. G. ROBERT BLANCHARD, JR. CHAIRMAN,
02. MALCOLM HARRIS, VICE CHAIRMAN,
03. VERNON L. LAWRENCE, MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER
04. ARTHUR CAMPBELL **05. ROBERT CURTIS**
06. CLAUDETTE JOSEPH **07. ROYSTON LA HEE**
08. ALFRED LOGIE **09. CHESTER PALMER**
10. AMBROSE PHILLIP **11. RONALD ROSEMAN**
12. NIGEL WARDLE

THE ART OF EMPOWERING A NATION DEMANDS A STEADY HAND



G. Robert Blanchard, Jr.
Chairman

CHAIRMAN'S REPORT

In May 2011, the opening of our Company's new administrative headquarters and a customer care centre in Grand Anse, St. George were heralded by a celebration of Grenadian life. Aptly titled 'The Lantern Art Exposition', the stirring depictions were of people - their perspectives, dreams and hope for the future. While the artist's musings captured the imaginations of customers, our Company moved a step closer to realising our vision for the future. Imitating art, this vision is about people - our customers and the future they imagine for themselves. When we opened our doors on Monday, 16 May, we improved customer satisfaction with a customer-friendly facility that is environmentally friendly and conducive to business and productivity. The facility is about delivering world-class service by listening, responding and anticipating the needs of our customers. These are the requirements of operating in a changing global environment where service standards are compared across industries and countries.

In 2011, this call to service was more pronounced in an environment of economic hardship and discontent, as the global economic downturn continued to impact the Grenadian economy. This extended recession finally resulted, not just in decreased growth for GRENLEC, as in previous years, but in a reduction in kWh sales of 2.15%. This reduction in sales, in the absence of a hurricane, is unprecedented. Moreover, it came in a year in which non-fuel rates, based on the 2009 Consumer Price Index of -2.35%, were reduced by 0.96%. Compounding these challenges was an increase in world oil prices by 37.45% over 2010, heightening the need for conservation in an already stifling economy. As a result, our Company's financial performance saw a decline in profits before taxes of 11.67% ending at $12.93M.

All this means that we must change our business and the way we operate to meet the demands of customers and the requirements of the global business climate. A major component of our change initiative is our renewable energy programme. As the price of electricity is driven up by conflicts and disasters around the globe, it is more certain that alternative energy is the future of our business. Consequently, our Company's decision to invest in renewable energy exploration will benefit our business and our customers. In 2012, we will join the Government of Grenada and the European Union to announce the start of a project to install a 1 to 2 MW wind farm in Carriacou by 2014. This project will be jointly funded by the European Union and GRENLEC and provide up to forty percent of the energy demand there. A similar project in Grenada to install 6 to 14 MW of power is at an advanced planning stage.

Progress continued on geothermal energy, the centrepiece of our renewable energy programme. Multi-sector stakeholder consultations informed draft geothermal legislation submitted by an independent team contracted by the Government and supported by funding from the Organisation of American States. We are also examining waste to energy with the Solid Waste Management Authority and solar applications. The second phase of a renewable energy customer interconnection programme started. 54 customers with a total 303kW were connected during the pilot phase of the programme, which GRENLEC voluntarily implemented in 2007. The high cost of renewable energy systems remains daunting for customers, however as the cost of the technology falls, its applications will increase among all categories of customers. This will amplify the benefits of renewable technology, which extend well beyond its potential for stable prices. It is also good for our environment. As our Company seeks to reduce our carbon footprint, our renewable energy portfolio will greatly aid this effort.

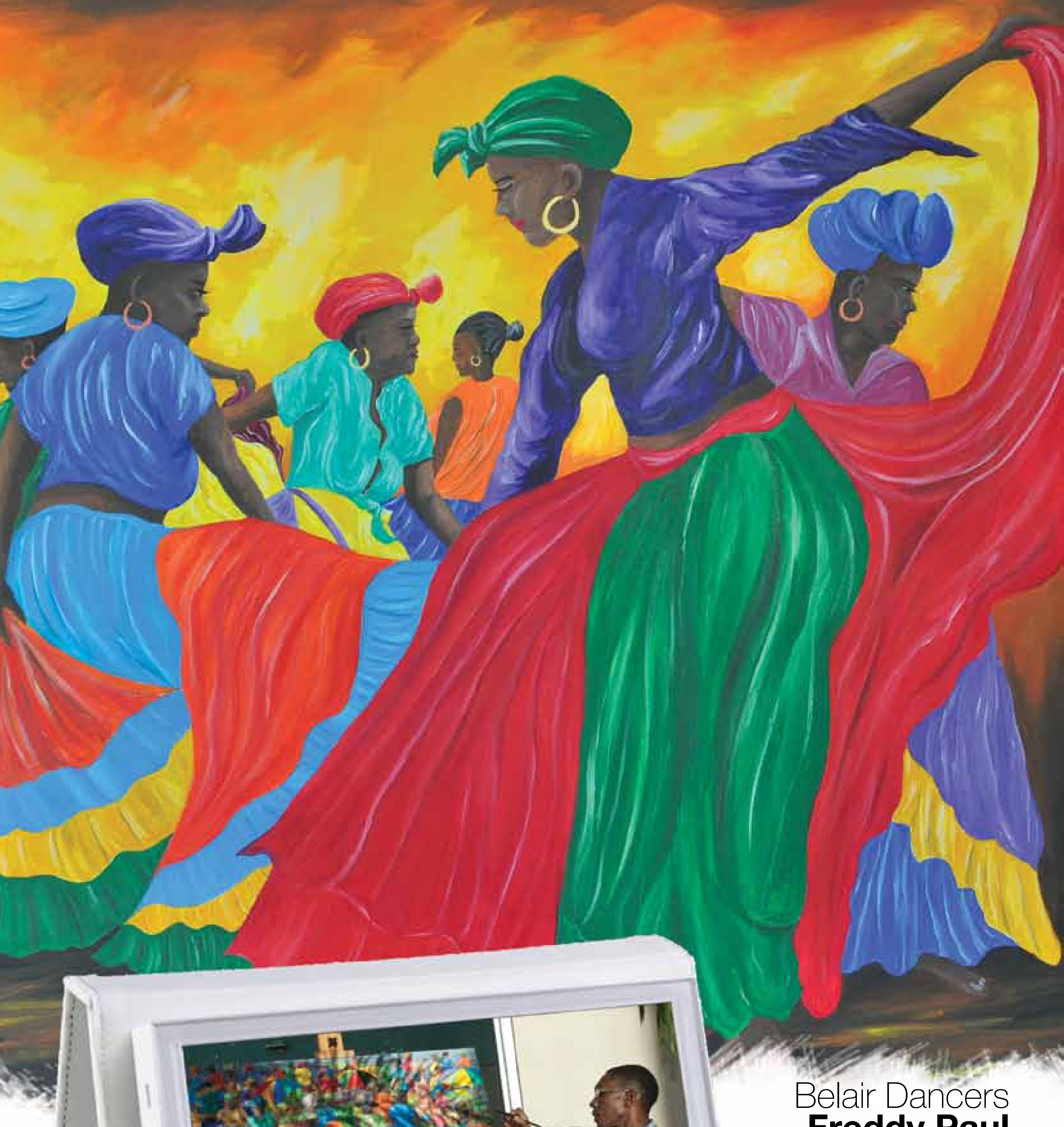
Appreciably, renewable energy is one of the chief areas of focus of the soon to be established Eastern Caribbean Energy Regulatory Agency (ECERA) to manage the energy sector in the OECS. The Grenadian Parliament approved the regulatory authority, which will help to maintain a rational rate structure and establish performance measures to support the needs of customers and the sustainability of utilities. We eagerly anticipate that the regional regulator will address itself to the issues affecting the sustainability and stability of our sector, as well as its ability to continue providing affordable services for customers.

This is the environment that informed a review of our strategic priorities in 2011 and we reaffirmed our commitment to improving reliability and efficiency, exploring alternative energy, building human resource capacity to improve customer service across our business and enhancing our corporate social responsibility. These foundation blocks will help us build a service culture that provides maximum value for all our stakeholders.

The Company maintained a quarterly dividend payment of 12 cents per share that it first declared in December 2010. This meant a dividend payout of forty-eight (48) cents or an increase of 6.67% over the forty-five (45) cents of 2010. Although the overall payout of $9.12M marginally exceeded the profit after taxes, it was within the payout ratio, considering the Board's policy of including the hurricane reserve for this calculation. Your Company intends to maintain its strategy of gradually increasing dividend payouts, by firstly ensuring that it is sustainable and secondly predictable to shareholders.

I am gratified that our team continues to be proactive in identifying, anticipating and meeting the needs of our customers. Improvements in efficiency and cost containment are important features of our strategy of managing through this period and in this respect, the team performed admirably. I acknowledge the service of my fellow Directors and extend particular thanks to Messrs. Arthur Campbell and Allan Bierzynski, returning and outgoing Directors. Mr. Campbell was reappointed to the Board during the May 2010 Annual Meeting of Shareholders. We are pleased to serve you, the owners of our Company, and thank you for the continued confidence you place in us to manage your interests. The theme of our report is the Power of Art... Generating Imagination. It invites each of our stakeholders to recommit to the opportunity of generating the reality foretold by our vision and mission and the privilege of embracing our capacity to fuel the dreams of the people we serve.

G. Robert Blanchard, Jr.
Chairman



Belair Dancers
Freddy Paul

Busy Market Day
Freddy Paul

MANAGEMENT TEAM

WHEN THE CORE SKILLS OF A STRONG TEAM MIX AND MERGE WITHOUT FAVOUR, NEW BEAUTY EMERGES.

01. Vernon Lawrence - Managing Director and Chief Executive Officer

02. Benedict Brathwaite - Financial Controller

03. Clive Hosten - Chief Engineer

04. Prudence Greenidge - Manager, Corporate Communications

05. Jacquline Williams - Manager, Human Resources

06. Jeffrey Neptune - Manager, Information Technology

07. Don Forsyth - Manager, Planning and Engineering

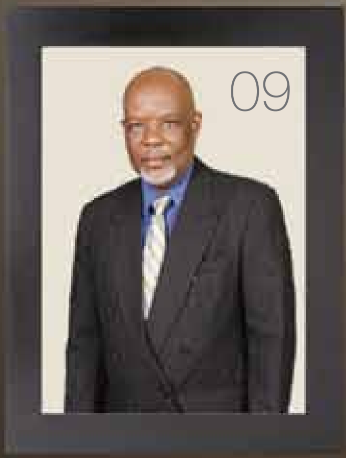
08. Eric Williams - Manager, Transmission and Distribution

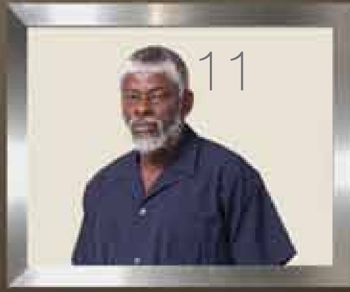
09. John McDonald - Manager, Carriacou and Petit Martinique

10. Casandra Slocombe - Manager, Customer Services

11. Glenn Phillip - Coordinator, Loss Reduction

12. Tara Singh - Manager, Generation





MANAGEMENT REVIEW AND ANALYSIS

OVERVIEW

The theme of our 2011 report, 'The Power of Art…Generating Imagination' evokes a powerful image of masters of their trade depicting life and a myriad of possibilities. Liken this to the sense of purpose that characterised our team's actions in a year that brought home our Company's responsibility of punctuating stark reality with the hope of a promising future. This was the dominant energy of 2011, a year in which our team rose to the challenge of maintaining our Company's performance, while remaining sensitive to the needs of our stakeholders.

After two years of contraction Grenada's economy was estimated to have experienced GDP growth of 1.1%. Despite this, our customers faced another difficult year, with rising costs across all sectors and fewer resources. The challenge for GRENLEC was the same, with the added reality of a reduction in kWh sales and a non-fuel rate decrease implemented in February. Our team focused on enhancing service to our customers, increasing efficiency and containing costs.

The Company recorded pre-tax profits of $12.93M, a decease of 11.73% compared to $14.63M in 2010. This decline in profits was primarily due to a reduction of $2.43M in non-fuel revenue caused by a contraction in demand attributable to the economic downturn and a 0.96% reduction in non-fuel rates in February.

In May, the movement of the Administrative team from Halifax Street to newly constructed Company headquarters and the opening of a customer care centre in Grand Anse signalled our deepening commitment to our stakeholders.

The facility is a vehicle for the delivery of world-class service and it is about opportunities to better serve our customers in an environment that fosters productivity.

Against this backdrop, we present our synopsis and analysis of our Company's performance, in light of our strategic areas of focus.

HIGHLIGHTS

Financial

- Revenues were $190.94M.
- Pre-tax profits were $12.93M.
- Return on invested capital was 13.79%.
- System losses were 8.07%.
- Fuel efficiency was 19.04kWh/ Imperial Gallon.
- KWh sales declined by 2.15%.

Non-Financial

- Opening of customer care centre and new Company headquarters in Grand Anse, St. George.
- Improved system reliability with 28 feeder outages compared to 58 in 2010).
- Strong safety record (Generaton and Carriacou and Petit Martnique recording zero and Distribution 117 consecutive days with no loss time accidents.
- Collaborated with Division of Energy to raise awareness about geothermal energy and the proposed legislation.
- Corporate Social Responsibility Awardee - Grenada Chamber of Industry and Commerce 2011 Corporate Awards.
- Service Excellence and Green Award Nominee - Grenada Chamber of Industry and Commerce 2011 Corporate Awards.

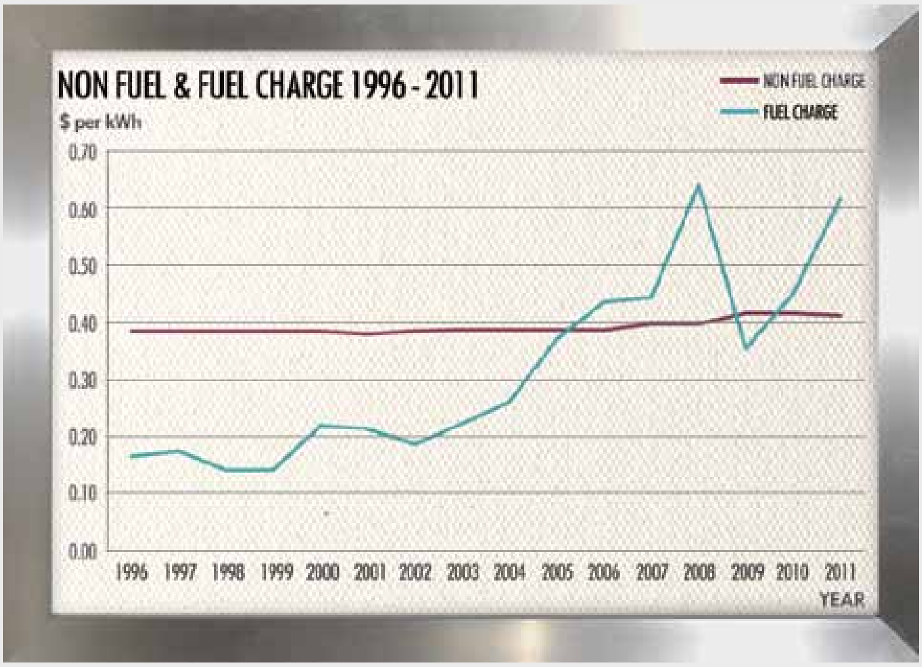
Beginning the celebration, GRENLEC Team Members join in blessing new headquarters and customer care centre.

STATISTICS AT A GLANCE

Fuel Charge

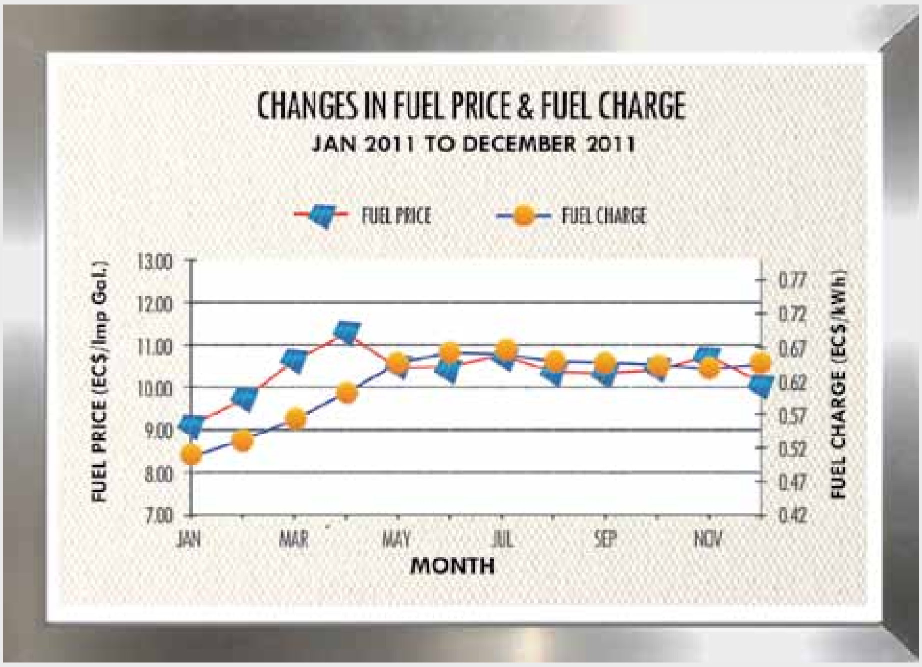
World fuel prices kept the fuel charge consistently above $0.60 cents per kWh during the latter 9 months of the year. This pushed the average fuel charge in 2011 to $0.6157, compared to $0.4491 in 2010 and second only to the 2008 record of $0.6402.

The graph below contrasts consistent increases in fuel charge since 2002 with non-fuel charge that has remained relatively flat.



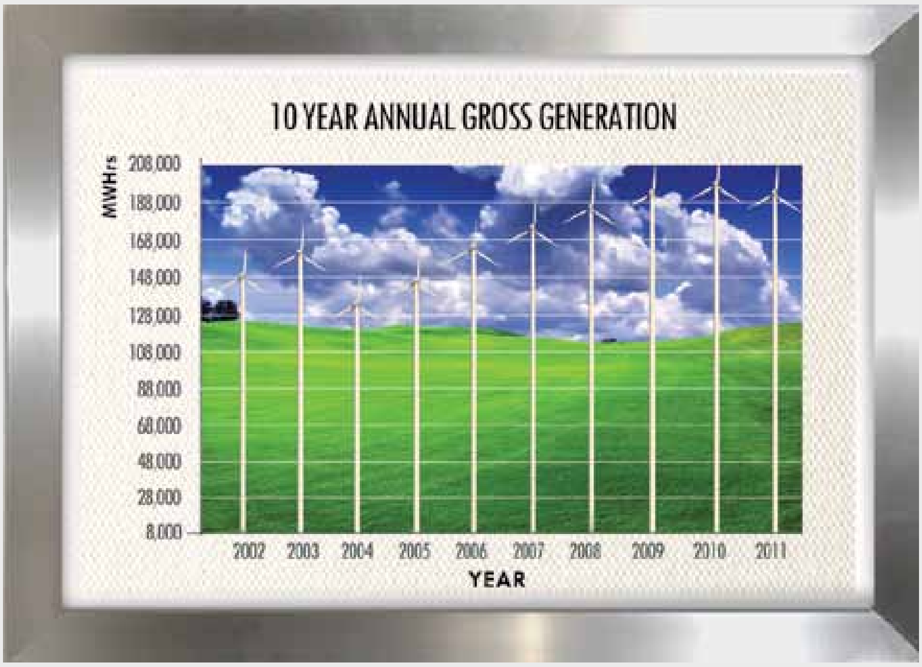
Fuel Price and Fuel Charge

In 2010 and 2011 all electricity price increases resulted from fuel. The Electricity Supply Act provides for monthly adjustment of fuel rates, based on the average cost of fuel over the prior three months, which accounts for the lag between changes in the fuel charge customers pay compared to the price GRENLEC pays for fuel.



Gross Generation

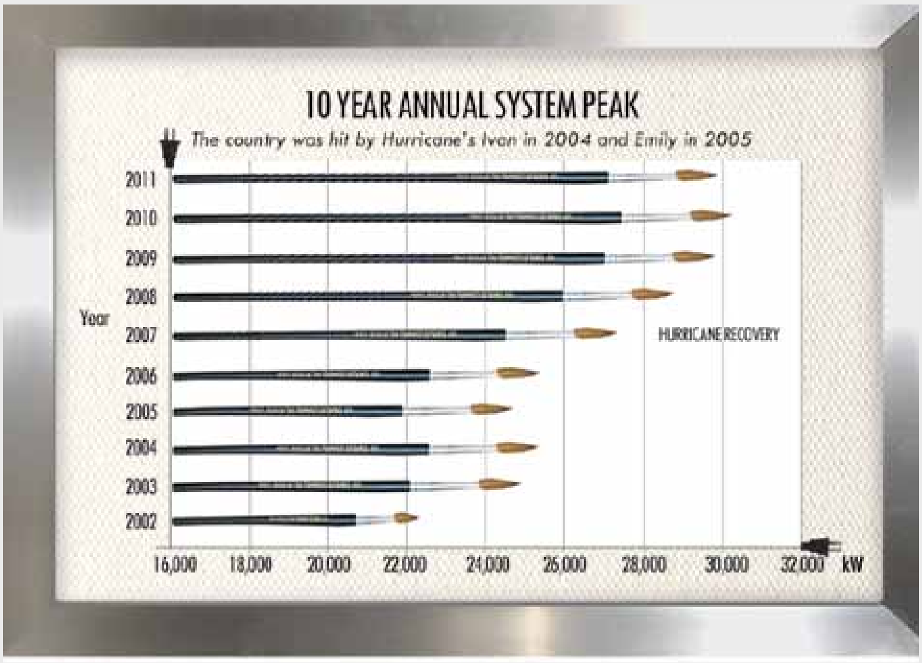
Energy demand declined compared to 2010 when there was slow growth. Gross Generation decreased by 2.27% with a total of 203.97GWh (Gigawatt hours) produced.



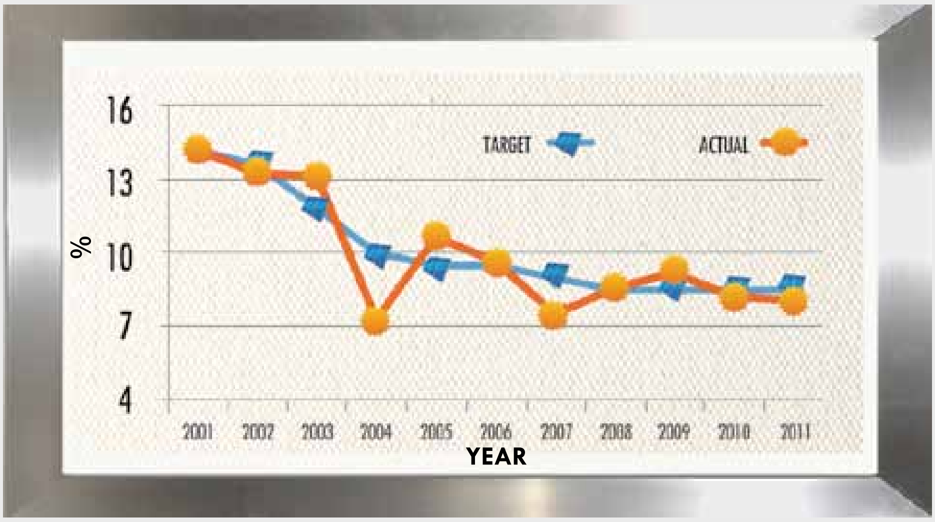
Consistent with gross generation, net generation also declined by 2.3% in contrast to a 3.1% increase in 2010.

Peak Demand

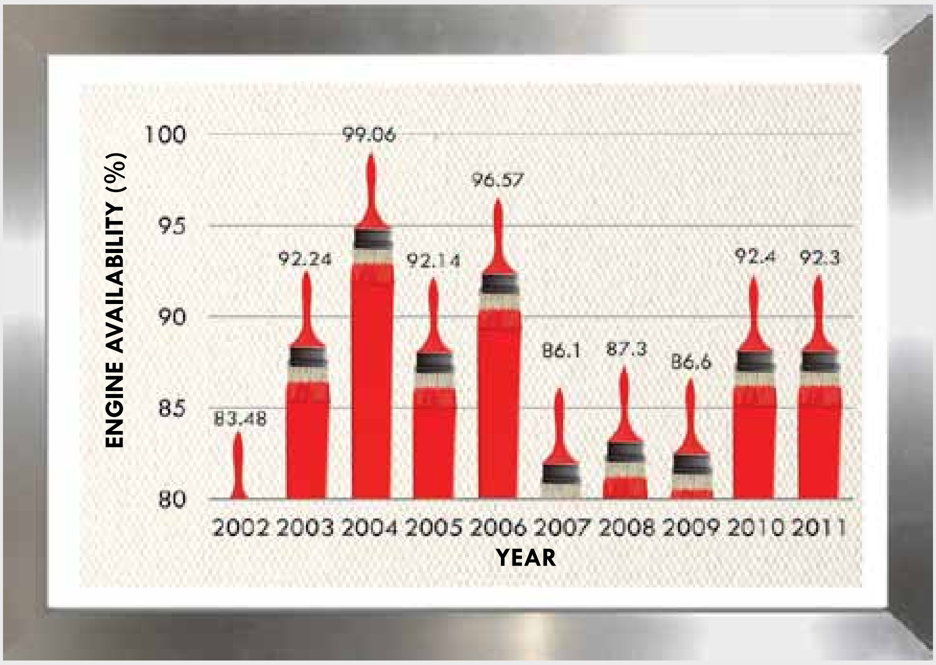
Peak Demand declined by 1.8% from 30.83MW (Megawatts) in 2010 to 30.29MW.



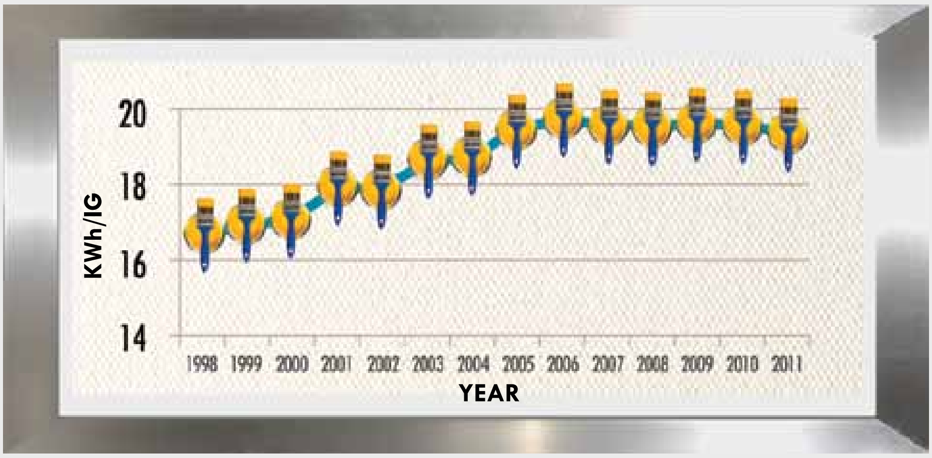
System Losses (2001-2011)



Plant Availability (2002-2011)



Fuel Efficiency (1998-2011)



FINANCIAL REVIEW

Sales

Energy sales were 181.7 GWh, 2.15%, less than the 185.7GWh recorded in 2010. In addition to the economic environment, sales were clearly affected by the relatively low ambient temperatures in the first half of 2011, when there was an average decline of 3.70% in kWh units. In the second half of the year, this decline slowed to 0.53% aided by growth of 1.83% in the final quarter. The decline in kWh sales occurred across all the major customer categories, with Domestic and Commercial, which account for 93.9% of sales, declining by 2.26% and 2.12% respectively.

Customer Category	Domestic	Commercial	Industrial	Total
Sales Gigawatt hours (GWh)	70.46 or 38.78%	99.87 or 54.92%	6.06 or 3.34%	181.70

At 1.25%, it was the lowest growth in the number of customers in six years, with the second lowest of the period in the previous year (2.72%). This increase in customers was offset by the decline in the average consumption in all major customer categories.

Total Revenues

Despite lower kWh sales, total income was $190.94M, an increase of $25.58M or 15.47% over 2010. This can be attributed to the increase in fuel prices that resulted in fuel charge income increasing by $27.26M. The average price of a barrel of oil increased from USD79.48 in 2010 to USD94.88 with adverse effects on business and other customers. With a projection for continued high world fuel prices and renewable energy another two years away, as a Company and a country, we must continue to explore all possible options to stabilise electricity prices.

Net Fuel Revenue

The higher total revenue in 2011 was the result of an increase in fuel costs of $28.41M, which exceeded the growth in the fuel charge income of $27.26M and resulted in a Fuel Cost recovery of 98.49%. This net fuel recovery was marginally below the 99.27% recorded in 2010 and clearly demonstrates that GRENLEC does not benefit from high fuel prices. In fact, rising fuel prices results in lower recovery rate which negatively impacts the company's financial performance.

The average price paid per Imperial Gallon (IG) of diesel in 2011 surpassed $10.00 recorded in 2008 to become the highest average price in any year.

Year	2010	2011
Fuel Recovery Rate	99.27%	98.49%
Avg. price / IG Diesel	$7.54	$10.36

Non-Fuel Operating and Interest Expenses

Total non-fuel operating expenses in 2011 of $57.55M was 1.76% less than the $58.58M of 2010, as the Company made every effort to increase efficiency and contain costs given the lower than expected kWh unit sales.

Financing costs of $4.21M was less than the $4.34M in 2010 by some 2.95%. There was no new long-term borrowing in 2011 and these costs will continue to decrease until new borrowing is needed to finance new projects.

Financial Condition

With this reduction in long-term borrowings of $8.05M, GRENLEC's financial position was comparatively stronger, even though its net assets of $71.15M were marginally less than the $71.32M of 2010. With a current ratio of 3.78 and an interest coverage ratio of 8.11 the Company easily exceeds the standards of the loan covenants.

Trade receivables increased by 12.68% due to higher unit sales of 1.83% and a 42.06% increase in the average fuel charge in the final quarter compared to that of 2010. However, this apparent negative was counteracted by improvement in the revenue days from 56.55 in 2010 to 51.85. The combined impact of the growth and the overall rate increase of 18.95% in the final quarter exceeded the increase in trade debtors, hence the decline. Nonetheless, strategies to reduce arrears in the domestic and hotel sectors, which increased by over 20%, will have to be intensified.

Non-Fuel Rate Adjustment

A rate decrease of 0.96% in February would have granted a little relief to our customers, who were faced with higher electricity rates as a result of the increasing world fuel prices.

In September, the Company applied for a rate increase of 3.71% based on the CPI of 6.34% for 2010. Non-fuel rate increases in the seventeen years since privatization in 1994 were 7.18%, during which time the CPI has increased by over 45%. In real terms, this has meant a decline in electricity rates of 38%. This will leave the Company with little option but to implement this increase in 2012, having not done so most recently in 2008 and 2010.

Risk Management

The Hurricane Fund increased to $12M, $8M below the $20M in expenses that resulted from Hurricane Ivan. With a much more robust distribution system there is some level of comfort that our risk is continually being minimised. In 2012, our business continuity plan will be rolled out to further bolster the Company's ability to restore all operations in the shortest possible time in the eventuality of any disaster.

SERVING THE NEEDS OF OUR CUSTOMERS

Mother and daughter from St. David off on Caribbean cruise, a reward for paying their bills on time and keeping their account current.

Navigating the Service Delivery Environment

The factors that depressed economic activity also negatively impacted our business at a time when the fuel charge was consistently high for the longest sustained period in our history. Not surprisingly, sales declined and customers experienced difficulties with meeting expenses.

It was important to increase awareness that increasingly high electricity prices were the result of world fuel prices. We continued to encourage energy management and promote the benefits of energy security from renewable energy to bring perspective to the discussions about electricity prices. Our team also managed billing days closely, to minimise additional costs on bills covering more than 30 days usage for any billing period.

This environment demanded a strategic approach to collections that sought to empathise with customers' struggles to cope, while holding them accountable for managing their consumption and their bills. Given the climate, it is significant that we were able to reduce debtor days.

Petit Martinique resident thanks GRENLEC after winning Conservation/ Home Improvement Makeover.

Enhancing Customer Convenience and Comfort

Customers also enjoyed the experience of doing business at our new full-service Customer Care Centre. Conveniently located within minutes of the commercial hub in the South of the island, it complements partnerships with existing payment agencies.

RELIABILITY & EFFICIENCY IMPROVEMENT

The most significant customer need, service reliability is linked to efficiency improvement and remains an area of focus for our Company.

Maintaining and Upgrading Infrastructure

Reliability and efficiency were improved in 2011 by a range of maintenance and upgrading exercises, among them an initiative to replace the ageing distribution switchyard infrastructure at the Beausejour Plant in Carriacou. In addition, a programme of targeted replacement of low-tension lines with insulated cables reduced the number of outages resulting from contact with trees and kites, among other things. Other benefits from this initiative are reductions in planned outages for system maintenance and in the number of trees to be cut.

Leveraging Technology

The replacement of GRENLEC's legacy telephone system with a state-of-the-art Internet Protocol system and the deployment of other technologies provided significant cost savings, key productivity benefits and operational efficiencies. Improved remote monitoring capability of transformers and other system devices, as well as a transformer oil-drying unit allows for more effective maintenance, optimisation of equipment life cycles and improved reliability. Similar benefits have resulted from the use of a pole-testing instrument, a resistograph to accurately determine pole strength and better predict pole failures. The more accurate scheduling of defective pole replacement will reduce forced failures that can result in outages and property damage.

Like our Geographic Information System (GIS) with its shifting focus to more efficient technologies and processes, these initiatives continue to provide solutions to improve service delivery. So too will the start of a phased implementation of an Electronic Document and Records Management (EDRM) project to remedy a number of challenges that were underscored during the movement of the administrative and customer service teams from our Halifax Street office. This initiative will facilitate easier storage, access, retrieval and processing of documents, in addition to supporting the GRENLEC's disaster recovery plan.

ALTERNATIVE ENERGY

As discussion raged on about high prices, including electricity prices, GRENLEC continued to lead the exploration of alternative energy to reduce its dependence on fossil fuel imports. Key messages pointed to the potential to enhance energy security by making Grenada more energy sufficient and stabilising electricity prices. While wind and geothermal energy were the primary focus, GRENLEC joined a team assessing the feasibility of a waste to energy initiative proposed by the Grenada Solid Waste Management Authority.

Customer Interconnections

Following a successful review of the pilot phase, our Company extended its Renewable Energy Interconnection Programme, keeping ahead of any other regional utility in this area. Our Company announced a second offering of 500kW (kilowatts), increasing the offering under the first phase by 200kW. After analysis of the pilot phase and consultation with various stakeholders, the Company has offered two types of contracts, where customers buy the energy they need from GRENLEC and sell to GRENLEC at fixed or variable rates.

Wind

Work continued on the design of the Carriacou Wind Farm, while the terms of the collaboration between the European Union and the Government of Grenada for a partial project grant of €2.5M were finalised. With a projected completion date of 2014, the agreement will be signed and initiated during the first quarter of 2012. Concurrently, the land use process for two potential wind farm sites began on mainland Grenada.

Transportation studies were also completed to assess the viability of moving specialised equipment to all sites.

Geothermal Energy

The focus on renewable energy increased with a number of stakeholder consultations to allow for input into geothermal legislation and a resource agreement that will specify the terms under which the earth's energy can be utilised to produce electrical energy. An independent consultant contracted by the Ministry of Finance, Planning, Economy, Energy and Cooperatives with funding from the Organisation of American States (OAS) is drafting the legislation and agreement.

INVESTING IN PEOPLE

Unquestionably, people are the drivers of the successes outlined in this report and the continued strength of our Company.

Outfitting Team Members for Success

The achievements of 2011 further demonstrate our responsibility to help team members grow, acquire new skills and thrive. Supported by our strategic objectives, team members are continuously refining skills. Areas of emphasis in 2011 included environmental management, communication and renewable energy. The third lineman apprentice programme was completed, part of our Company's succession strategy.

Given the economic recession, emphasis was also placed on equipping team members to cope with varied professional and personal challenges.

Our internship programmes provided valuable work experience for 8 students attending secondary school, TAMCC, St. George's University and Howard University.

Health and Safety

Continuing to care about our team members, we promoted healthy lifestyles. Our safety initiatives incuded the rotation of safety officer duties among crew members in the field to encourage safer work practices.

In September, the Generation department surpassed its previous safety record of 1,305 days without any loss time accident. At the end of the year the department recorded 1,437 days without a loss time accident, while Carriacou and Petit Martinique recorded 2,660 days.

CORPORATE SOCIAL RESPONSIBILITY

Our Company humbly accepted the Grenada Chamber of Commerce's award for Corporate Social Responsibility, recognition of our improved customer and community engagement. This obligation increased in 2011 to meet the increasing needs of communities striving to overcome challenges and empower people.

Celebrating the power of communities through sport, education and culture.

Environmental Management System

Acting on our stated commitment to improve environmental awareness and reduce GRENLEC's carbon footprint, implementation of an Environmental Management Initiative started.

Internal trainers helped to raise awareness about the key aims of environmental preservation, waste management and recycling. A waste minimisation study on oily waste streams at the Bruce Bain Power Plant resulted in immediate process efficiencies and savings.

GRENLEC Community Partnership Initiative (GCPI)

Through this initiative $1,200,000 was invested in community development from 5% of pre-tax profits set aside each year for this purpose. More than an additional $600,000 has been pledged for various projects to promote education, the environment, arts, heritage, culture, sport, social services, science and technology.

Minister for Health receives equipment for the Eye Clinic and the Laboratory at the General Hospital.

GCPI HIGHLIGHTS

- Queen Elizabeth Home Rehabilitation ($240,000).
- Other Care Institutions ($70,000)
- Grenada Community Development Agency (GRENCODA) Scholarship Assistance Programme ($75,000).
- Instruments for Carriacou and Petit Martinique Schools' Orchestra ($80,000).
- Agency for Rural Transformation (ART) Skils Training Programme ($91,400).
- Grand Anse Social Devlopment Centre (40,000).
- Grenada 2012 Olympic Team (30,000).
- Netball Association ($11,000).
- St. Mark's Football League ($11,000).
- National and Parish Festivals ($50,000).

GRENLEC Debaters discuss renewable energy and energy efficiency.

OUTLOOK

As stated by the International Monetary Fund, the global recovery is fragile with the debt crisis in the Eurozone entering a perilous new phase. The economic projection is for a gradual ease out of the prolonged recession in most countries. In our region and specifically in Grenada, we are hopeful that the worst is behind us and as such moderate levels of growth have been predicted for 2012.

As always, world fuel price will be a critical element in the electricity rates that customers experience and the forecast is for it to remain high at over USD120 per barrel in 2012. Even the 52-week range is between USD76 and USD114 per barrel. High fuel prices make alternative sources of energy more economically viable and imperative. It is to be hoped that support for the Company's renewable energy initiatives will be solidified by the trend in recent years and predictions for continued high prices.

To meet the challenges, our Company will continue to focus on renewables, efficiency, cost containment, human resource development, customer service and corporate social responsibility. These are all key elements of our vision 2016 strategic plan, which is aimed at improving reiability, service, efficiencies, human resource capacity, renewable energy penetration and community impact.

*His Excellency Sir Carlyle Glean receives **Busy Market Day,** a gift from GRENLEC for a National Art Collection. Work commissioned from featured artist Freddy Paul.*

*Minister for Tourism joins GRENLEC Team in celebrating the collaboration beween the Grenada Arts Council, The Gallery and artists to present the **Lantern Art Exposition**.*

MODELING EFFICIENCY

The natural elements of metal glass and stone combine to admit light and atmosphere in a simple, modern design. The transition detail of glass in the doors and windows is framed with anodized aluminium, repeated throughout with natural wood, metal and frosted glass. Calming tones of green, spice, maple, honey and chocolate add to the ambience of an efficient working environment and a welcoming space for customers visiting our newest customer care centre.

Constructed for energy efficiency, the new Headquarters conforms to some of the standards of the LEED certification. The colour throughout is influenced by GRENLEC's commitment to providing clean, reliable and environmentally friendly energy.

The bold expressions in our art collection and the varied fauna and flora framing the facility express the vibrancy of our Grenadian and Caribbean people and the thread that connects all our people.
Our newest home...Dusty Highway, Grand Anse, St. George.

PKF
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, 2011 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, 2011 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

GRENADA:

PKF

MARCH 22, 2012

ACCOUNTANTS AND BUSINESS ADVISERS

GRENADA ELECTRICITY SERVICES LIMITED

STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER, 2011
(EXPRESSED IN EASTERN CARIBBEAN CURRENCY DOLLARS)

ASSETS	Notes	2011 $	2010 $
Non-Current Assets			
Property, plant and equipment	4	90,628,362	89,541,955
Suspense jobs in progress	5	1,589,858	2,111,844
Capital work in progress	6	2,856,602	8,502,618
Deferred exchange loss	7	760,437	1,094,620
Available-for-sale financial assets	8 (a)	877,348	878,420
		96,712,607	102,129,457
Current Assets			
Inventories	9	15,650,992	15,429,960
Trade and other receivables	10	33,176,104	29,940,519
Segregated retirement investments	11	19,060,844	16,510,227
Income tax prepaid		-	572,033
Loans and receivables financial assets	8 (b)	25,581,778	13,493,720
Cash and cash equivalents	12	1,623,863	11,985,561
		95,093,581	87,932,020
TOTAL ASSETS		191,806,188	190,061,477
EQUITY AND LIABILITIES			
EQUITY			
Stated capital	13	32,339,840	32,339,840
Other reserves		13,400	14,472
Retained earnings		38,793,180	38,963,624
		71,146,420	71,317,936
Non-Current Liabilities			
Customers' deposits	14	9,639,029	9,178,561
Long-term borrowings	15	39,096,713	46,518,791
Provision for retirement benefits	16	22,240,639	21,369,931
Provision for hurricane insurance reserve	17	12,000,000	10,000,000
		82,976,381	87,067,283
Current Liabilities			
Amount due to related company	18	189,969	-
Short-term borrowings	15	11,785,534	10,907,818
Income tax payable		2,980,505	-
Trade and other payables	19	17,416,078	16,067,555
Customers' contribution to line extensions		724,380	1,145,934
Current portion of provision for retirement benefits		1,500,000	400,000
Provision for profit sharing		3,086,921	3,154,951
		37,683,387	31,676,258
TOTAL LIABILITIES		120,659,768	118,743,541
TOTAL EQUITY AND LIABILITIES		191,806,188	190,061,477

The notes on pages 28 to 54 form an integral part of these financial statements

: Director

: Director

GRENADA ELECTRICITY SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

AT 31ST DECEMBER, 2011
(EXPRESSED IN EASTERN CARIBBEAN CURRENCY DOLLARS)

	Notes	2011 $	2010 $
INCOME			
Sales - non fuel charge		77,346,776	79,709,025
- fuel charge		109,294,709	82,031,302
Unbilled sales adjustments		1,134,184	483,930
Gross Sales		187,775,669	162,224,257
Other income	20	3,161,064	3,125,603
Total income		190,936,733	165,349,860
LESS: OPERATING EXPENSES			
Production expenses		18,622,536	20,517,966
Diesel consumed		110,971,540	82,568,764
Administrative expenses		18,020,081	17,044,976
Distribution services		16,563,913	17,104,716
Planning and engineering		2,296,748	1,914,978
Provision for hurricane insurance reserve		2,000,000	2,000,000
Total operating expenses		168,474,818	141,151,400
Operating profit		22,461,915	24,198,460
Less: Finance cost	21	4,209,279	4,337,223
Profit for year before allocations and taxation		18,252,636	19,861,237
ALLOCATIONS			
Less: Donations		912,632	993,062
Profit sharing		4,414,015	4,235,107
		5,326,647	5,228,169
Profit for year before taxation		12,925,989	14,633,068
Less: Provision for taxation	22	4,123,966	4,323,052
Profit for year after taxation		8,802,023	10,310,016
Other comprehensive income			
Revaluation of available-for-sale financial assets		(1,072)	1,067
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		8,800,951	10,311,083
EARNINGS PER SHARE		**0.46**	**0.54**

The notes on pages 28 to 54 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

AT 31ST DECEMBER, 2011
(EXPRESSED IN EASTERN CARIBBEAN CURRENCY DOLLARS)

	Stated Capital	Other Reserve	Retained Earnings	Total Equity
Balance at 1st January, 2010	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
Amount previously expensed now written back	-	-	147,533	147,533
Dividends paid	-	-	(9,120,000)	(9,120,000)
Total comprehensive income for the year:				
Profit for the year			8,802,023	8,802,023
Revaluation of available-for-sale financial assets	-	(1,072)	-	(1,072)
Balance at 31st December, 2011	$32,339,840	$13,400	$38,793,180	$71,146,420

The notes on pages 28 to 54 form an integral part of these financial statements

STATEMENT OF CASH FLOWS

AT 31ST DECEMBER, 2011
(EXPRESSED IN EASTERN CARIBBEAN CURRENCY DOLLARS)

	2011 $	2010 $
OPERATING ACTIVITIES		
Profit for the year before taxation	12,925,989	14,633,068
Adjustments for:		
Depreciation	14,801,396	15,954,614
Profit on disposal of fixed assets	(40,188)	(54,451)
Prior-year adjustment	147,533	-
Operating surplus before working capital changes	27,834,730	30,533,231
(Increase)/decrease in trade and other receivables	(3,235,585)	1,786,458
Increase/(decrease) in trade and other payables	1,387,437	(4,347,086)
Increase in provision for retirement benefits	1,970,708	2,276,350
(Increase)/decrease in inventories	(221,034)	559,843
Increase/(decrease) in amount due to related company	189,969	(86,703)
(Decrease)/increase in provision for profit sharing	(68,030)	74,546
	27,858,195	30,796,639
Income tax paid	(571,427)	(4,627,044)
Cash provided by operating activities	27,286,768	26,169,595
INVESTING ACTIVITIES		
Decrease/(increase) in available for sale financial assets	1,072	(1,198)
Disposal of property, plant and equipment	(19,981)	83,888
Decrease/(increase) in suspense jobs in progress	521,986	(529,566)
Decrease/(increase) in capital work in progress	5,646,016	(4,991,457)
Increase in loans and receivables financial assets	(14,114,332)	(1,571,710)
Increase in segregated retirement investments	(524,343)	(2,174,492)
Increase/(decrease) in consumer contribution to line extensions	38,818	(354,575)
Purchase of property, plant and equipment	(15,866,451)	(3,020,831)
Increase in other reserves	(1,072)	1,067
Cash used in investing activities	(24,318,287)	(12,558,874)
FINANCING ACTIVITIES		
Dividends paid	(9,120,000)	(8,550,000)
Increase in provision for hurricane insurance reserve	2,000,000	2,000,000
Repayment of borrowings	(8,053,853)	(7,785,680)
Cash used in financing activities	(15,173,853)	(14,335,680)
Net decrease in cash and cash equivalents	(12,205,372)	(724,959)
Cash and cash equivalents - at the beginning of year	9,203,897	9,928,856
- at the end of year	(3,001,475)	9,203,897
REPRESENTED BY		
Cash and cash equivalents	1,623,863	11,985,561
Bank overdraft	(4,625,338)	(2,781,664)
	(3,001,475)	9,203,897

The notes on pages 28 to 54 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST DECEMBER, 2011
(EXPRESSED IN EASTERN CARIBBEAN CURRENCY 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 of which WRB Enterprises Inc. is the majority owner.

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 Grand Anse, St. George's, Grenada.

The Company employed on average two hundred and thirty-one (231) persons during the year (2010-2011).

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 management's 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, amendments and interpretations

(i) There are no new standards, amendments or interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that would be expected to have a material impact on the Company.

(ii) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted. These either do not apply to the activities of the Company or have no material impact on its financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards, amendments and interpretations

IAS 1	Presentation of items of other comprehensive income – Effective for annual periods beginning on or after 1st July, 2012
IAS 12	Income taxes on deferred tax – Effective for annual periods beginning on or after 1st January, 2012.
IAS 19	Employee benefits – Effective for annual periods beginning on or after 1st January, 2013
IAS 27	Separate financial statements – Effective for annual periods beginning on or after 1st January, 2013.
IAS 28	Investments in associates and joint ventures – Effective for annual periods beginning on or after 1st January, 2013
IFRS 1	First-time adoption for International Financial Reporting Standards – Severe hyperinflation and removal of fixed dates for first-time adopters – Effective for annual periods beginning on or after 1st July, 2011.
IFRS 7	Financial instruments: Disclosures – Effective for annual periods beginning on or after 1st July, 2011.
IFRS 9	Financial instruments – Classification and measurement – Effective for annual periods beginning on or after 1st January, 2013.
IFRS 10	Consolidated financial statements- Effective for annual periods beginning on or after 1st January, 2013.
IFRS 11	Joint arrangements- Effective for annual periods beginning on or after 1st January, 2013.
IFRS 12	Disclosure of interest in other entities- Effective for annual periods beginning on or after 1st January, 2013.
IFRS 13	Fair value measurement - Effective for annual periods beginning on or after 1st January, 2013.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, Plant and Equipment

Recognition and Measurement

Property, plant and equipment consists 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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	-	(2010: EC$2.7169)
EC$3.6316 to Euro1.00	-	(2010: EC$3.7290)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Loans and receivables

Investments classified as loans and receivable and 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 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

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 bankruptcy or other financial re-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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

(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.

(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 there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor and default or delinquency in payment are considered indicators that the trade receivable is impaired.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Cash and cash equivalents

Cash and cash equivalents comprises 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Customers' Contribution to 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 are 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Revenue recognition (continued)

(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.

(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, 2011 amounted to EC$6,323,491 (2010 - EC$5,359,686). Included therein is a specific provision of $1,739,875 on customer accounts and $635,722 on other debtors.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, 2011 are calculated as follows:

		2011	2010
		$	$
Sales revenue for December after discounts		15,928,076	13,659,708
50% of above	= provision at 31/12/11	7,964,038	6,829,854
	= provision at 31/12/10	6,829,854	6,345,924
Increase in provision during the year		1,134,184	483,930

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.

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 identified as doubtful.

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Building and Construction	Plant and Machinery	Motor Vehicles	Furniture and equipment	Total
Balance at 1st January, 2010						
Cost	1,467,468	23,748,915	201,040,475	9,155,642	9,104,395	244,516,895
Accumulated depreciation	-	(13,869,239)	(106,633,093)	(7,762,872)	(5,336,549)	(133,601,753)
NET BOOK VALUE	1,467,468	9,876,676	94,407,382	1,392,770	3,767,846	110,915,142
For year ended 31st December, 2010						
Opening book value						
Cost	1,467,468	9,879,676	94,407,382	1,392,770	3,767,846	110,915,142
Additions for the year	-	37,201	1,508,822	735,278	739,530	3,020,831
Disposals for the year	-	-	-	-	(29,437)	(29,437)
Depreciation charge for year	-	(1,195,366)	(13,120,876)	(830,545)	(807,827)	(15,954,614)
	1,467,468	8,721,511	82,795,328	1,297,503	3,670,112	97,951,922
Balance at 31st December, 2010						
Cost	1,467,468	23,786,116	102,549,297	9,284,571	9,372,376	246,459,828
Accumulated depreciation	-	(15,064,605)	(119,753,969)	(7,987,068)	(5,702,264)	(148,507,906)
	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	$1,467,468	$8,721,511	$82,795,328	$1,297,503	$3,670,112	$89,541,955

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Building and Construction	Plant and Machinery	Motor Vehicles	Furniture and equipment	Total
For year ended 31st December, 2011						
Cost	1,467,468	8,721,511	82,795,328	1,297,503	3,670,112	97,951,922
Additions for the year	-	6,729,679	6,386,139	796,959	1,953,674	15,866,451
Disposals for the year	-	(58,886)	-	-	(28,254)	(87,140)
Adjustment to accumulated depreciation	-	-	147,310	-	-	147,310
Depreciation charge for year	-	(848,962)	(12,150,352)	(896,488)	(905,594)	(14,801,396)
NET BOOK VALUE	1,467,468	14,543,342	77,178,425	1,197,974	4,689,938	99,077,147
Balance at 31st December, 2011						
Cost	1,467,468	30,435,037	208,935,436	9,641,350	10,803,161	261,282,452
Accumulated depreciation	-	(15,891,695)	(131,757,011)	(8,443,376)	(6,113,223)	(162,205,305)
	1,467,468	14,543,342	77,178,425	1,197,974	4,689,938	99,077,147
Less: Customer contribution to line extensions	-	-	-	-	-	(8,448,785)
NET BOOK VALUE	$1,467,468	$14,543,342	$77,178,425	$1,197,974	$4,689,938	$90,628,362

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

	2011 $	2010 $
Generation	1,091,581	625,808
Computers and software upgrades	1,132,346	976,060
Building and construction	-	4,599,515
Tools and equipment	-	40,406
Furniture and equipment	42,113	482,590
Motor Vehicle	40,596	-
Distribution	549,966	1,778,239
	2,856,602	8,502,618

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 EC$3.6316 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

(a) Available for sale		
536 ordinary shares in the Republic Bank (Grenada) Limited	29,480	30,552
Government of Grenada Treasury Bills	847,868	847,868
	877,348	878,420
(b) Loans and receivables		
Fixed deposit – Republic Bank (Grenada) Limited	9,054,813	4,805,431
Fixed deposit – Grenada Co-operative Bank Limited	8,299,241	3,429,264
Fixed deposit – Bank of Nova Scotia	1,067,693	1,029,445
Fixed deposit – RBTT Bank Grenada Limited	4,424,363	4,225,425
US$ certificate of deposit- Cayman National Bank	2,735,668	4,155
	25,581,778	13,493,720

8. FINANCIAL ASSETS (continued)

Included in the above is an amount of $11,601,774 for Hurricane Insurance Reserve invested in Treasury Bills and fixed deposits held with the Bank of Nova Scotia, RBTT Bank Grenada Limited, Cayman National Bank and the Grenada Co-operative Bank Limited.

9. INVENTORIES

	2011 $	2010 $
The following is a breakdown of stock on hand:		
Motor vehicle spares	825,863	795,374
Distribution	5,893,527	6,417,170
Generation spares	7,100,803	6,419,753
Fuel and lubricating oil	694,344	522,718
General stores	2,105,828	2,236,167
Stationery	101,915	91,110
	16,722,280	16,482,292
Less: Obsolescence provision	1,071,288	1,052,332
	15,650,992	15,429,960

10. TRADE AND OTHER RECEIVABLES

	2011	2010
Customers' accounts	28,147,282	24,873,112
Less: Provision for doubtful debts	5,687,769	4,793,278
	22,459,513	20,079,834
Provision for unbilled sales	7,964,038	6,829,854
Other debtors	2,142,608	2,176,785
Prepayments	609,945	854,046
	33,176,104	29,940,519

As at December 31st, 2011 the ageing analysis of customers' accounts is as follows:

	30 days	30- 60 days	60-90 days	Over 90 days	Total
2011	$15,225,860	$4,007,076	$1,107,090	$7,807,256	$28,147,282
2010	$10,130,825	$5,326,927	$1,653,638	$7,761,722	$24,873,112

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

	2011 **$**	2010 $
Cash on hand	4,800	3,800
Bank of Tampa	22,225	22,317
Bank of Nova Scotia	208,504	40,869
Republic Bank (Grenada) Limited	45,347	26,461
FirstCaribbean International Bank Limited	219,490	112,690
Grenada Co-operative Bank Limited	1,123,497	11,779,424
	1,623,863	11,985,561
Bank overdraft (note 15)	(4,625,338)	(2,781,664)
Cash and cash equivalents in the statement of cash flows	(3,001,475)	9,203,897

13. STATED CAPITAL

	2011 $	2010 $
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 Supply 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).

15. BORROWINGS

	2011 $	2010 $
Long-term		
(A) European Investment Bank (EIB)		
Loan (i)	-	1,090,728
Loan (ii)	9,525,256	10,541,646
	9,525,256	11,632,374
(B) National Insurance Scheme	8,114,653	9,626,071
(C) Grenlec ECSE Bonds	28,617,000	33,386,500
	46,256,909	54,644,945
Less: Current portion	7,160,196	8,126,154
Total Long-term	39,096,713	46,518,791
Short-term		
Bank overdraft	4,625,338	2,781,664
Borrowings current portion	7,160,196	8,126,154
	11,785,534	10,907,818
Total borrowings	50,882,247	57,426,609

(A) European Investment Bank (EIB)

(i) The loan was repaid during the year.

(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.

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 2011.

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

	2011 $	2010 $
Balance at 1st January, 2011	10,000,000	8,000,000
Add: Provision for the year	2,000,000	2,000,000
Balance at 31st December, 2011	12,000,000	10,000,000

18. AMOUNT DUE TO RELATED PARTIES

	2011 $	2010 $
WRB Enterprises Inc	189,969	-

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.

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:

	2011 $	2010 $
a) Sale of electricity - NIS	341,845	292,118
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	1,057,920	992,178
Grenada Private Power Limited	4,560,000	4,275,000

Related Party Transactions

ii) Compensation of key management personnel of the Company:

	2011 $	2010 $
Salaries and other benefits	3,368,762	2,831,534
Past employment benefit provisions	584,196	554,361
iii) Loans receivable from key management personnel	87,462	114,678

19. TRADE AND OTHER PAYABLES

Trade creditors	9,577,350	8,162,043
Sundry creditors	579,447	940,909
Accrued expenses	7,259,281	6,964,603
	17,416,078	16,067,555

20. OTHER INCOME

	2011 $	2010 $
Sundry revenue	3,120,876	3,071,152
Gain on disposal of fixed assets	40,188	54,451
	3,161,064	3,125,603

21. FINANCE COST

	2011 $	2010 $
Bank loans/Bond interest	3,818,767	3,984,007
Other bank interest	19,711	11,389
Other	370,801	341,827
	4,209,279	4,337,223

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:

	2011 $	2010 $
Profit before taxation	12,925,989	14,633,068
Tax at applicable statutory rate (30%)	3,877,797	4,389,920
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	(519,435)	(555,338)
Effect of allowances	(3,719,829)	(4,327,606)
Effect of expenses not deductible for tax purposes	4,485,433	4,816,076
Tax expense	4,123,966	4,323,052

Deferred Tax

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

There was a deferred tax asset of $1,157,878 at 31st December, 2011 which was not recognised as the asset will not be realized in the future.

23. 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.

24. DIVIDENDS

During the year ended December 31st, 2011, a dividend of 48 cents per ordinary share amounting to $9,120,000 was declared and paid.

25. 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.

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.

25. FINANCIAL RISK MANAGEMENT (continued)

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, 2011.

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:

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

25. FINANCIAL RISK MANAGEMENT (continued)

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.

25. FINANCIAL RISK MANAGEMENT (continued)

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

Balance at 31st December, 2011	Current	30-60 days	60-90 days	Over 90 days	Total
	$	$	$	$	$
Current Assets					
Cash and cash equivalents	1,623,863	-	-	-	1,623,863
Loans and receivable financial assets	-	-	-	27,608,052	27,608,052
Segregated retirement investments	-	-	-	17,034,570	17,034,570
Prepayments	609,945	-	-	-	609,945
Trade and other receivables	23,189,898	4,007,076	1,007,090	4,362,095	32,566,159
Inventories	15,650,992	-	-	-	15,650,992
	41,074,698	4,007,076	1,007,090	49,004,717	95,093,581
Current Liabilities					
Amount due to related company	189,969	-	-	-	189,969
Short-term borrowings	11,785,534	-	-	-	11,785,534
Income tax payable	2,980,505	-	-	-	2,980,505
Trade payables and accrued expenses	12,259,254	591,666	310,748	4,254,410	17,416,078
Consumers' advances for construction	-	-	-	724,380	724,380
Current portion of provision for retirement benefits	-	-	-	1,500,000	1,500,000
Provision for profit sharing	-	-	-	3,086,921	3,086,921
	27,215,262	591,666	310,748	9,565,711	37,683,387
NET LIQUIDITY SURPLUS	13,859,436	3,415,410	696,342	39,439,006	57,410,194

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST DECEMBER, 2011
(EXPRESSED IN EASTERN CARIBBEAN CURRENCY DOLLARS)

(CONTINUED)

25. FINANCIAL RISK MANAGEMENT (continued)

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
Customers' 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

25. 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.

FINANCIAL LIABILITIES

	2011		2010	
	+2.5%	-2.5%	+2.5%	-2.5%
Loans payable	**EC $**	**EC $**	**EC $**	**EC $**
EIB (EURO loan)				
Principal repayments for the year	738,038.08	738,038.08	716,610.99	716,610.99
Effect on principal repayment of adjustment to EURO	756,489.03	719,587.13	734,526.28	698,695.72
CURRENCY EXPOSURE	$(18,450.95)	$18,450.95	$(17,915.27)	$17,915.27

Reasonably possible change in currency rate	+2.5%	-2.5%	+2.5%	-2.5%
EIB Euro loan Interest payment	591,047.31	591,047.31	649,057.51	649,057.51
Effect on interest payment of adjustment to EURO	605,823.49	576,271.13	665,283.95	632,831.07
Effect on profit before tax/equity	$(14,776.18)	$14,776.18	$(16,226.44)	$16,226.44

Repayment for the year	**2011 EURO**	**2010 EURO**
Interest	162,758.65	174,056.72
Principal	203,226.70	192,172.43
	365,985.35	366,229.15

See note 2 (d) for exchange rates for the Euro at 31st December 2011 and 2010 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.

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GRENADA ELECTRICITY SERVICES LIMITED

FIVE YEAR OPERATIONAL RECORD

2007-2011

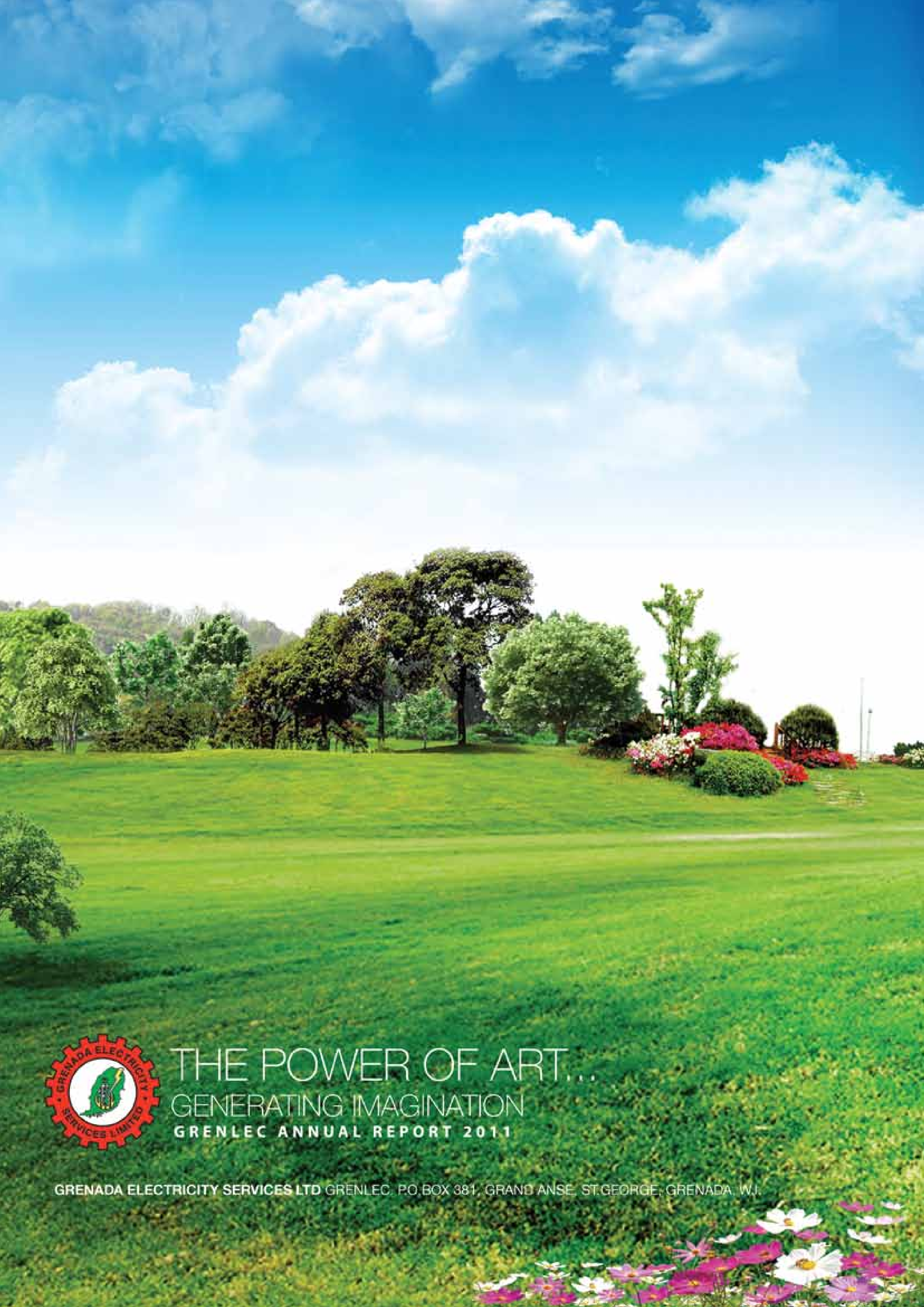
	2011	2010	2009	2008	2007
PRODUCTION AND SALES					
Gross Generation (KWhs)	**203,973,893**	**208,728,350**	**202,992,241**	**196,957,226**	**185,569,196**
Auxillaries & Own Use	7,153,186	7,324,557	7,603,338	7,132,714	6,903,729
Net Generation	196,820,707	201,403,793	195,388,903	189,824,512	178,665,467
Sales (KWhs)					
Domestic	70,463,449	72,091,738	68,283,453	66,231,638	65,748,854
Commercial	99,808,187	101,966,291	99,060,565	96,600,009	89,569,231
Industrial	6,064,518	6,265,771	5,667,611	5,628,661	6,480,019
Street Lighting	4,539,063	4,459,272	4,317,176	4,040,522	3,426,986
Total Sales	180,875,217	184,783,072	177,328,805	172,500,830	165,225,090
Loss (% of Net Generation)	8.07%	8.22%	9.20%	8.61%	7.49%
Number of Customers at Year - End					
Domestic	38,394	37,932	37,256	35,856	34,225
Commercial	5,818	5,730	5,636	5,330	5,058
Industrial	37	37	36	36	35
Total Customers	**44,249**	**43,699**	**42,928**	**41,222**	**39,318**
Average Annual usage per Customer Class (KWhs)					
Domestic	1,835	1,901	1,833	1,847	1,921
Commercial	17,155	17,795	17,576	18,124	17,708
Industrial	163,906	169,345	157,434	156,352	185,143

GRENADA ELECTRICITY SERVICES LIMITED

FIVE YEAR FINANCIAL RECORD

2007-2011

	2011	2010	2009	2008	2007
	EC$	EC$	EC$	EC$	EC$
INCOME	**190,936,733**	**165,349,860**	**141,040,502**	**188,851,458**	**141,827,843**
PROFIT BEFORE TAXES	12,925,989	14,633,068	12,686,420	19,422,884	11,676,363
TAXATION	4,123,966	4,323,052	3,070,591	4,559,120	3,431,800
NET PROFIT	8,802,023	10,310,016	9,615,829	14,863,764	8,244,563
SHAREHOLDERS EQUITY	71,146,420	71,317,936	69,556,853	68,287,619	61,783,855
REPRESENTED BY:					
TOTAL ASSETS	191,806,188	190,061,477	196,882,692	194,169,568	195,117,766
TOTAL LIABILITIES	120,659,768	118,743,541	127,325,839	125,881,949	133,333,911
HURRICANE RESERVE	12,000,000	10,000,000	8,000,000	6,000,000	4,000,000
NET ASSETS	**59,146,420**	**61,317,936**	**61,556,853**	**62,287,619**	**57,783,855**
FINANCIAL RATIOS					
No. of shares	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000
Return on Shareholders equity	12.37%	14.46%	13.82%	21.77%	13.34%
Earnings Per Share	0.46	0.54	0.51	0.78	0.43
Dividends Per Share	0.48	0.45	0.44	0.44	0.40
	US $	**US $**	**US $**	**US $**	**US $**
INCOME	**70,717,309**	**61,240,689**	**52,237,223**	**69,944,984**	**52,528,831**
PROFIT BEFORE TAXES	4,787,403	5,419,655	4,698,674	7,193,661	4,324,579
TAXATION	1,527,395	1,601,130	1,137,256	1,688,563	1,271,037
NET PROFIT	3,260,008	3,818,525	3,561,418	5,505,098	3,053,542
SHAREHOLDERS EQUITY	**26,350,526**	**26,414,050**	**25,761,797**	**25,291,711**	**22,882,909**
REPRESENTED BY:					
TOTAL ASSETS	71,039,329	70,393,140	72,919,516	71,914,655	72,265,839
TOTAL LIABILITIES	44,688,803	43,979,089	47,157,718	46,622,944	49,382,930
HURRICANE RESERVE	4,444,444	3,703,704	2,962,963	2,222,222	1,481,481
NET ASSETS	**21,906,082**	**22,710,347**	**22,798,835**	**23,069,489**	**21,401,428**
FINANCIAL RATIOS					
No. of shares	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000
Return on Shareholders equity	12.37%	14.46%	13.82%	21.77%	13.34%
Earnings Per Share	0.17	0.20	0.19	0.29	0.16
Dividends Per Share	0.18	0.17	0.16	0.16	0.15



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