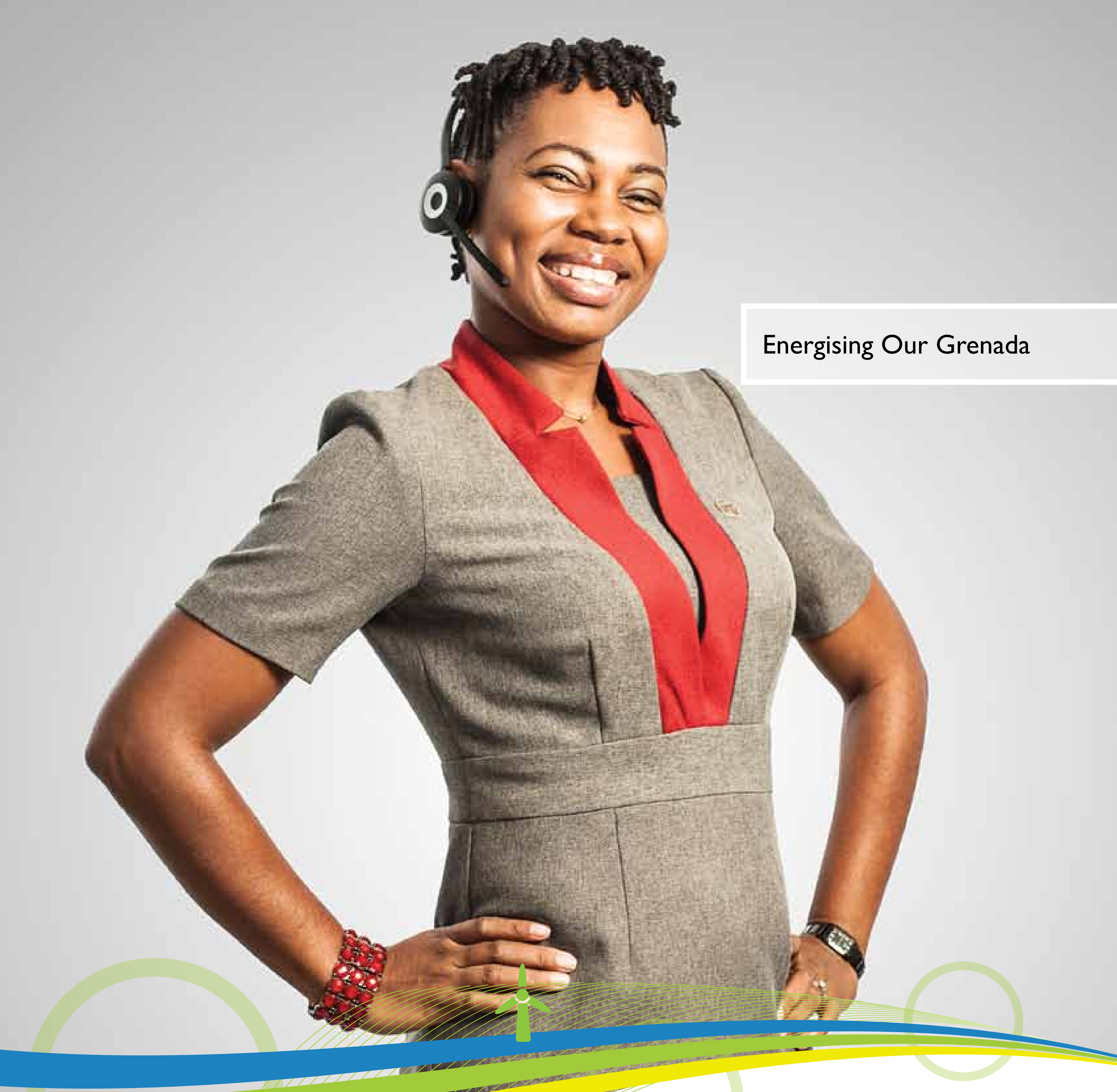

Energising Our Grenada

GRENADA ELECTRICITY SERVICES LIMITED
ANNUAL REPORT 2014

It is about our employees who in the early days of our operations walked, carried tools by hand, planted poles manually and strung lines to construct the backbone of our electrical network that powers homes and businesses.

Now, the tools have changed, but our team remains passionate and committed to building a company that is second to none. It is about the jobs we have created for more than 200 people and our impact on the support services that we depend on everyday. It is about our continuous innovation to improve efficiencies, safety, reliability, and stay ahead of the demand for electricity. It is about embracing proven alternative energy technologies such as wind and solar and in a responsible way that promotes energy security and environmental stewardship. Most of all, it is about the lives we have changed and the opportunities we have helped to provide for generations of our citizens to excel and grow. We are the energy that powers our nation's success.

The GRENLEC story is a story of struggle, triumph and continuing vision.

It is a Grenadian and Caribbean success story.

ENERGISING OUR GRENADA.

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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.

Corporate Information

CORPORATE PROFILE

The Grenada Electricity Services Ltd. (GRENLEC,) the sole licensed provider of electricity in Grenada, Carriacou and Petit Martinique is publicly traded on the Eastern Caribbean Securities Exchange (ECSE). Since 1960, the Company's team members have been providing integrated services of generation, transmission and distribution of electricity to more than 44,000 customers.

With total installed capacity of 48.59MW and peak demand of 30.2MW, GRENLEC generates from three locations in Grenada, Carriacou and Petit Martinique. A 33kV transmission network and two substations at Queen's Park and Grand Anse ensure reliabiity in the south of Grenada.

Since privatisation in 1994, GRENLEC has risen to the challenge of providing safe, reliable service by continually investing in its employees, service enhancement, infrastructure and communities.

DIRECTORS (AS AT DECEMBER 31, 2014)

G. Robert Blanchard Jr. – Chairman
Alister Bain
Robert Blenker
Wayne Burks
Robert Curtis
Anthea Debellotte
Ashton Frame
Linda George-Francis
Dwight Horsford
Ronald Roseman
Lawrence Samuel
Murray Skeete

GENERAL MANAGER/CHIEF EXECUTIVE OFFICER

Collin Cover

SECRETARY

Benedict Brathwaite

REGISTERED OFFICE

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

BANKERS

Republic Bank (Grenada) Limited
Republic House
Grand Anse
St. George, Grenada

Cayman National Bank
Grand Cayman
Cayman Islands

RBTT Bank Grenada Limited
Cnr. Cross & Halifax Streets
St. George's, Grenada

Bank of Nova Scotia
Cnr. Granby and Halifax Streets
St. George's, Grenada

CIBC First Caribbean International Bank
Church Street
St. George's, Grenada

Grenada Cooperative Bank Limited
Church Street
St. George's, Grenada

The Bank of Tampa
Florida, U.S.A.

ATTORNEYS-AT-LAW

Grant Joseph & Company
Lucas Street
St. George's, Grenada

AUDITORS

PKF
Accountants and business advisers
Pannell House
Grand Anse
St. George, Grenada

Notice of Annual General Meeting

Notice is hereby given that the Fifty-sixth Annual Meeting of Shareholders of Grenada Electricity Services Limited will be held at the Hospitality Room, Grenada National Stadium, Queen's Park, St. George's, on Wednesday, 10 June 2015 at 4:30 p.m. to:

- Receive the Annual Reported Financial Statements for the year ended 31 December 2014 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 Wednesday, 13 May 2015

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.
- Shareholders on record on Monday, 18 May 2015 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.

BOARD OF DIRECTORS

G. Robert Blanchard Jr.
Chairman

Alister Bain

Robert Blenker

Wayne Burks

Robert Curtis

Anthea Debellotte

Ashton Frame

Dwight Horsford

Linda George-Francis

Ronald Roseman

Lawrence Samuel

Murray Skeete

Chairman's Report

"Energising our Grenada" reflects our continuous commitment to serve the people and communities of our nation. As we celebrate 20 years of growth, reliability and technological advancement, GRENLEC is poised to strengthen Grenada for future prosperity through innovation and collaboration as one of the best electric utilities in the Caribbean."

On behalf of the 220 men and women of GRENLEC, I am proud to report that we have met or exceeded many of our 2014 goals. These achievements are part of our long-term vision for increased reliability, efficiency, health & safety, energy security, and environmental stewardship. These objectives have guided GRENLEC since privatization in 1994.

I want to express my sincere appreciation to the people and public/private partnerships that have successfully invested and contributed to the world-class electrical system we have today. We look forward to building upon our successes in 2015 and beyond. Together, we can address the future opportunities and challenges that face our nation.

SIGNIFICANT HIGHLIGHTS

FINANCIAL PERFORMANCE

Our Company performed very well in 2014, recording profit before tax of $26.85M. This was primarily due to the convergence of three factors: lower fuel prices, lower financing and operational costs, and increased sales.

- **Falling Fuel Prices**
  The sharp reduction in fuel prices in the last six months of the year bolstered our fuel recovery rate. At year end, a barrel of crude oil on the world market was USD53.45, the lowest year end price since 2008. GRENLEC's calculation for fuel cost recovery is based on a running three-month average of actual fuel costs. The rapid decline of oil prices in the fourth quarter of 2014, combined with this averaging, resulted in a higher net income at year end.

  The Economist Intelligence Unit (EIU) has forecasted the price of a barrel of oil in 2015 at USD48.71. This, if realized, could mean sustained relief for our customers through further decreases in the fuel charge. However, it's important to keep in mind that the Company's recovery of fuel costs will be "averaged out" when global oil prices inevitably rise in the future.

- **Lower Financing and Operating Costs**
  Lower than budgeted financing costs and operating expenses also contributed to higher earnings. In addition, increased fuel efficiency, continuing optimization of system performance and lower expenses helped to reduce our operating costs.

- **Increased Sales**
  Despite a sluggish economy, kWh sales increased by 1.9% sales growth primarily due to the Sandals La Source luxury hotel opening in Grenada. This was the first year of sales growth after three consecutive years of decreased sales.

  Although there was a 1.6% increase in the number of customers, the average annual consumption of residential and commercial customers decreased by 1.7% and 4.5% respectively. Much of this decrease is attributed to conservation efforts and wise use of energy in homes and businesses of customers which plays a key role in containing electricity costs.

Non-Fuel Rate Adjustment

The net effect of two non-fuel rate adjustments during the year also helped to decrease our customers' electricity costs. In February 2014, your Company implemented a non-fuel rate increase of 0.77% based on the Consumer Price Index (CPI) for 2012. Then, in June of 2014, an application for a rate decrease of 3.20% was made by the Company in compliance with the Electricity Supply Act of 1994, to take effect in January 2015. This was based on the Consumer Price Index (CPI) at December 2013 of negative 1.25%. Your Company implemented this decrease from November 1, 2014, two months earlier than statutorily required, in an effort to reduce the burden on our customers in challenging financial times. This was the tenth time in the past fifteen years that non-fuel rates were either unchanged or decreased. Overall, in the twenty years since privatisation, non-fuel rates have only increased by 8.35%. In real terms, this is a decline of 26.7% when adjusted for inflation.

Renewable Energy in Action

As one of the leading utilities in the Caribbean, GRENLEC is 100% committed to increasing renewable energy use in Grenada. To date, more than $3.5 million has been invested in research, development and deployment of renewable energy technologies.

Despite the low world fuel prices at present, our Company firmly believes that the momentum to explore alternative sources of energy must be intensified. This is a strategic priority in order to foster energy independence, stabilise rates that are presently subject to the volatility of oil prices, reduce foreign exchange outflow, and support our role in preserving our environment for future generations. To this end, your Board approved additional resources and GRENLEC's new Renewable Energy Strategic Plan, to guide and accelerate GRENLEC's renewable energy development.

This strategic plan is in alignment with Grenada's National Energy Policy and goal to achieve 20% renewable energy penetration by 2020. We believe that this is an attainable goal. By working cooperatively and constructively with public and private sector stakeholders, we can overcome the challenges of deploying alternative technologies, including investment in cost-effective proven technologies, such as solar and wind power, and the acquisition of suitable land.

Overcoming Barriers

GRENLEC's progress towards increased renewable energy sources was delayed in 2014 by two major factors. Firstly, bids for the European Union (EU), Government of Grenada (GoG), GRENLEC Carriacou Wind Project came in at 75% higher than the combined funding of the EU and GRENLEC. We are presently working closely with the EU and the Government to see what alternatives may be available. Secondly, efforts on Grenada to lease suitable land for either wind or solar technology proved challenging due to legal impediments. The inability to secure suitable land to site utility-scale solar PV and wind farms has been the single largest hurdle to project development. After reviewing our experiences thus far, our team's solution is to explore options for smaller projects that may be more easily sited in Grenada.

Building on Successes

GRENLEC is proud to expand our customers' use of renewable energy resources. Launched in 2008 and the first of its kind in the Caribbean, the Customer Renewable Energy Interconnection Programme now boasts more than 80 customer-owned renewable energy sites with an aggregate installed capacity approaching 800 kW. Based on the success of phases 1 and 2, GRENLEC will launch phase 3 in the second quarter of 2015 with another 500kW Standard Offer contract.

Plans are also underway to expand upon GRENLEC's rooftop solar installation at our Grand Anse facility, as well as the ground-mount solar farm in Petite Martinique as part of our goal to convert Petite Martinique to 100% renewable energy. Other renewable energy and energy efficiency initiatives include:

- Belair Home for Children and Queen Elizabeth Home for Children
- High-Efficiency LED Street Lighting Pilot Programme
- Electric Solar Vehicle, Charging Station and Solar Car Park, Grand Anse Headquarters

You will no doubt hear a lot more on these projects in the months to come.

Advancing Technologies

Our company's key performance indicators are directly related to our continuous improvement programs and employing advanced technologies for the generation, transmission and distribution of electricity. Greater fuel efficiency, system performance, safety, power quality, 24/7 reliability, and rapid restoration safeguards continue to demonstrate that GRENLEC is one of the best, most efficient electric utilities in the Caribbean.

Changing Environment, Evolving Legislation

In its 2015 budget presentation, the Government of Grenada (GoG) indicated its intention to enact a new Electricity Supply Act early in 2015. Subsequently a draft bill was published and a public consultation was held on February 25, 2015 to discuss the draft bill.

Certainly, 20 years after privatisation, your Board agrees that there are opportunities for identifying elements of the 1994 legislation that may need to evolve to best serve the nation's residents and businesses in the future. However, it's critical to avoid undermining the success of the world-class electric system that we now enjoy and have come to depend on. Your Company has started collaborative discussions with our Government to discuss changes to the ESA of 1994, and cooperatively build upon the reliable, high quality infrastructure currently in place. It is our view that the draft Electricity Supply bill, as presented in February, could negatively impact the supply of electricity in Grenada leading to increases in rates and threatening the reliability of the system. As such, your Company is prepared to vigorously pursue all legal options to protect the hard earned value of your investment.

Dividends

Your Company had earnings per share (EPS) of one dollar and one cent compared to eighty four cents in 2013, an increase of 20.2%. Dividends paid of forty eight cents per share remained the same as that for the previous three financial years. The financial performance over the years 2012, 2013 and 2014 saw dividend payout ratios of 42.9%, 51.6% and 55.4% respectively after adding back hurricane expenses. Although these were such that an increased dividend payout could easily have been justified, the depressed economy, contraction in kWh sales for three years and weak growth in 2014 called for a prudent approach and led to your Board opting to sustain the dividend level.

Our People – Bridging the Past and Future

In August 2014, we welcomed Mr. Collin Cover, as General Manager and Chief Executive Officer of GRENLEC. He brings a wealth of knowledge to your Company with over 35 years of experience in the electric utility industry. Most recently, he served as General Manager of Dominica Electricity Services (DOMLEC) for five years prior to joining the GRENLEC Team. Mr. Cover's leadership and experience in driving service delivery and efficiency improvements at DOMLEC will serve us well as we chart GRENLEC's future course through a changing environment—nationally, regionally and globally. We have also charged him with the responsibility of aggressively moving forward our renewable energy agenda and we are confident that our Company will thrive under his leadership.

Your Board would also like to express its sincere appreciation for the commitment and excellent work done by Mr. Clive Hosten, Chief Engineer, during the period that he served as Acting Chief Executive Officer. His ongoing dedication to the GRENLEC team is greatly acknowledged and respected.

Our heart-felt thanks also go to retiring Directors Messrs. Bauxton Francois and Nigel Wardle. Mr. Francois served as a Director of GRENLEC for one year, providing valued insights and intelligence to the Company. Mr. Wardle served as a Director of GRENLEC for 13 years and as General Manager of GRENLEC prior to his appointment to the Board. He was an integral member of the Company's management team since privatization, and his unwavering commitment and leadership laid much of the groundwork for GRENLEC's success today. We are truly grateful for his service and wish him the very best in his future endeavours.

Please join me in extending a warm welcome to our new Directors Messrs. Alister Bain, Senior Project Officer at the Small Business Development Fund, and Murray Skeete, Vice President of Engineering and Regulation, WRB Enterprises.

Core Values

Our employees continue to be exemplary in their commitment to providing excellent service, as seen by the consistent improvements in the efficiency and quality of our operations. Your Company has continued to perform well because we consistently work at becoming better, understanding that our environment requires us to respond effectively to its constantly changing demands. This vision is translated into the many detailed tasks that our team members diligently apply themselves to accomplish each day.

While Grenada is showing positive signs of recovery in several sectors, the challenges to your Company in terms of the proposed new energy regulations and renewable energy development that are highlighted in this report are very real. We are confident that our team will continue to pursue the highest standards for excellence, innovation and teamwork, thereby increasing the value of our investment. I sincerely thank the management and staff for their relentless dedication and remarkable effort to provide reliable, high quality electricity for our nation. The work they do every day helps to improve the quality of life and economy of Grenada.

Together, we can face the challenges and opportunities of 2015 and in the years ahead. The achievements we have made over the last twenty years are extraordinary. We will continue to work to earn our role as your valued, trusted energy provider.

Sincerely,

G. Robert Blanchard Jr.
Chairman

MANAGEMENT TEAM

Collin Cover
General Manager/Chief Executive Officer

Clive Hosten
Chief Engineer

Benedict Brathwaite
Financial Controller

Casandra Slocombe
Manager, Customer Services

Ahmin Baksh
Manager, Planning and Engineering

Wallace Collins
Manager, Carriacou and Petit Martinique

Prudence Greenidge
Manager, Corporate Communications

Carlyle Ince
Acting Manager, Generation

Jeffrey Neptune
Manager, Information Systems

Glenn Phillip
Coordinator, Loss Reduction

Eric Williams
Manager, Transmission and Distribution

Jacquline Williams
Manager, Human Resources

Management Review and Analysis

OVERVIEW

At its presentation in November 2014, the 2015 national budget estimated 2.6 percent growth in real GDP in 2014. This prediction for growth was based mainly on the performance of the tourism, agriculture and education sectors. Growth in tourism directly impacts GRENLEC's operations. The start of operations by Sandals La Source in December 2013 resulted in increased kWh sales in 2014 of 1.9%, despite a contraction of 1.5% in sales to other consumers.

The Company's progress towards a renewable energy solution was stalled in 2014 by two factors:

- Firstly, bids for the European Union/Government of Grenada/GRENLEC Carriacou wind project came in at 75% higher than the combined funding of the EU and GRENLEC.
- Secondly, efforts to lease suitable land for either wind or solar technology proved challenging due to legal impediments.

Over the course of 2014, world fuel prices averaged USD93.11 per barrel compared to the $97.94 in 2013. However, in the last six months of 2014, prices fell by 50% bringing some much needed relief to customers, as the fuel charge component of their bills decreased from above sixty cents in the middle of the year to less than 40 cents in December.

In 2014, your Company had to perform against the backdrop of on-going challenges in the Grenadian economy. Increased profitability was driven by reduced operational expenses, decreased losses, increased operational efficiencies, excellent reliability, sound safety statistics and good environmental stewardship.

HIGHLIGHTS

- kWh sales grew by 1.9%
- Revenues were $189.94M
- Pre-tax profits were $26.85M
- System losses were 7.61%
- Fuel Efficiency was 19.22kWh/IG
- Return on invested capital was 23.99%
- Gross generation improved by 1.6% over 2013
- Debtor days outstanding declined by 6.36 days
- More than $1.7M invested in community development through GRENLEC's Community Partnership Initiative

FINANCIAL REVIEW

Sales

GRENLEC saw growth in kWh sales for the first time in four years, with kWh sales increasing by 3.4M when compared to 2013. Even so, it is significant to note that the growth in 2014 was directly related to one new customer; kWh sales for existing customers fell by 1.7M kWh, reflecting the continued impact of the global economic crisis on Grenada's economy since 2008.

CUSTOMER CATEGORY	SALES 2014 (GWH)	% OF SALES
Commercial	100.43	56.1
Domestic	68.23	38.1
Industrial	10.5	5.8
Total	**179.16**	**100**

While the number of customers increased by 1.6% over the 45,765 of 2013, the average annual consumption per customer continued to fall with a 1.7% decline for domestic customers and 4.5% for industrial customers. This consistent decline in usage over the past five years is not surprising, given the lower disposable income that has resulted from the shared sacrifices of the structural adjustment programme. Conservation efforts being implemented by customers drove sales down, in an atmosphere of generally high prices and an economy still showing signs of stagnation. Relief came towards the end of the year when falling oil prices on the world market resulted in lower electricity rates.

Total Revenues

	2014	2013	DECREASE IN 2014 OVER 2013
Total revenue (EC$M)	189.94	192.31	$2.37M or 1.2% less
Average Fuel Prices per Imperial Gallon paid by Company (EC$)	9.56	10.32	7.36% less
Average Fuel Charge paid by customers (EC$)	0.6167	0.6359	3% less
Revenue from non-fuel charge (EC$M)	77.1	78.0	$0.9M or 1.2% less

The decrease in total revenue over 2013 was due to the 3% lower average fuel charge in 2014, as a result of lower fuel prices paid by the Company in 2014.

The lower revenue from the non-fuel charge was due to an adjustment of $2.5M for commercial floor area rates billed incorrectly since privatisation in 1994. Additionally, the kWh sales growth of 1.9% and a non-fuel rate increase of 0.77% on February 1, 2014 positively impacted revenue, however these were partially offset by the implementation of a non-fuel rate decrease of 3.2% due in January 2015 but applied from November 1, 2014.

Net Fuel Cost Recovery

The fuel cost recovery rate was at an unprecedented high of 112. 2%, primarily due to the sharp decrease in fuel prices of 50% over the last six months. The fuel charge declined at a slower pace than fuel prices because of the three-month rolling average of fuel price used in the calculation of the fuel charge. This resulted in net fuel revenue of $12.1M, which is $5.42M more than the $6.68M of 2013. In comparing the financial performance between the two years, one must note that the net fuel cost recovery benefit accounts for the majority of the variance in profit after taxation of $3.18M.

It is to be noted that in circumstances where fuel prices are increasing, the fuel charge increases at a slower rate, cushioning customers through the lag created by the three-month rolling average of fuel price used to calculate fuel charge.

In addition to changes in fuel prices, GRENLEC's fuel cost recovery rate is also affected by operational efficiencies. Operational efficiencies in 2014 in the form of a 0.1% improvement in fuel efficiency, as well as a further 0.1% reduction in system losses both compounded the effect of falling fuel prices on the fuel recovery rate.

Non-Fuel Operating Expenses and Finance Costs

Operating costs, other than fuel and interest expenses of $53.24M, were 1.4% less than the $54.01M of 2013. This is even more significant when one notes that the Electricity Supply Amendment Act No. 39 of 2013 meant the Company paid import duties of $0.35M that it would not have been liable for prior to the amendment. While the increase in costs was not for operational expenses only, a substantial amount of it was. Overhaul spares were lower in 2014 by $1.10M, while depreciation expenses lessened by $0.66M. Finance costs were lower by $0.43M, as borrowings continued to be repaid on schedule and the Company was not required to engage in any new financing arrangements. Additionally, Management has made serious efforts to mitigate the impact of lower non-fuel revenues by controlling operating expenses. This has been achieved without negatively impacting the quality of operations or safety.

Financial Condition

At the statement of changes in financial position date, December 31, 2014 the Company had total assets of $184.21M, $1.18M more than the $183.03M at the end of 2013. Included in these assets was $6.13M, which will be transferred to the Non-Management Trust, established on August 27, 2014, when it is registered with GARFIN in 2015. The liability to the Trust of $12.79M is also to be transferred from the Company's total liability of $90.61M after the Trust is registered. The Company's net assets at the financial year-end were $93.6M.

Retained earnings increased from $51.13M in 2013 to $61.25M in 2014, while the debt to equity ratio reduced from 29.6% to 17.3%. The return on invested capital of 24.0% was favourable compared to the 21.1% of 2013. The Company continued to operate well within all of its stipulated debt covenants such as the current and interest coverage ratios of 2.33:1 and 17.19:1 respectively.

Trade receivables decreased by $3.39M (10.62%), with debtor days outstanding improving markedly from 57.59 in 2013 to 51.23. Also reflective of this positive movement was a decrease of $2.24M in Government's receivables. All other sectors saw decreased balances with the most significant being commercial $0.24M and domestic $0.69M. We are grateful that our customers continue to meet their obligations in the face of lower disposable incomes and challenging economic conditions.

Cash Flows

Cash generated from operations was $36.45M compared to the $17.97M of 2013. This was mainly due to increased profits of $4.43M, decreased trade and other receivables of $5.09M and a decrease in the provision for retirement benefits of $3.33M. Investing activities had a net outflow of $8.15M, mainly because of an increase in loans and receivables financial assets of $6.42M and purchase of property, plant and equipment of $5.54M. Cash utilised in financing activities of $14.50M was similar to the $14.43M in 2013 as dividends paid remained unchanged, while repayment of borrowings was only marginally higher. The overall increase in cash and cash equivalents for the year was $12.89M.

Risk Management

The Hurricane Fund, which increased to $18M at the end of 2014, mitigates the risk of natural disasters that may impact the distribution system. The fund is now close to the level of the expenses ($20M) that resulted from Hurricane Ivan. With a distribution system that is much more robust, there is an added level of comfort that this risk is continually being minimised. Additionally, all GRENLEC's other assets are substantially covered by commercial insurance policies.

Renewable Energy

The Planning and Engineering Department led a revision of the Renewable Energy Strategic Plan to better reflect the realities of the current environment and to chart an operational plan to achieve the stated goal of Grenada's National Energy Policy to utilise renewable energy to satisfy 20% of demand by 2020. To achieve this goal, the Company has mapped an aggressive course that will employ a mix of proven renewable energy technologies, including PV solar and wind energy. 148.48 kW of rooftop solar PV systems at GRENLEC's Grand Anse facility and the 31.59 kW Petit Martinique ground mounted solar PV farm, which were commissioned in late 2013, were officially launched with a community event in Petit Martinique. This activity provided an opportunity for residents of the tri-island state to learn more about the value of renewable energy development and its challenges, through features done by the wide cross-section of media that attended.

Addressing the Land Challenge

While procuring suitable land remains a significant challenge, with the assistance of a land agent, substantial progress was made in identifying and securing access to potential sites for Photovoltaic Solar projects. The goal is to develop solar plants with a combined installed capacity of up to 6MW, providing that feasible agreements can be reached with landowners.

Customer Renewable Energy (RE) Interconnection Programme

This programme, developed and implemented by GRENLEC since 2008 to encourage customers to invest in RE technology, is important to the overall RE strategy of increasing RE penetration and diversifying generation mix. There have been two offerings to customers for interconnection with our system. Significant customer interest in the programme has resulted in 82 customer-owned RE systems with a total installed capacity of 717 kW interconnected to the grid. With the second tranche of 500 kW almost fully subscribed and additional applications being submitted, preliminary preparation is being made for a third phase of the programme.

Carriacou Wind Energy Project

As with solar, GRENLEC continues to explore a number of options for wind farms in Grenada, Carriacou and Petit Martinique. In this regard, much effort was placed on the Carriacou Wind Project, a collaborative venture between the Government of Grenada, the European Union and GRENLEC, with a view to awarding a contract for construction by January 2015. At the close of the tender process, however, only two bids were received, neither of which was deemed suitable.

The bids were received closer to the allowed deadline for the EU financing agreement, consequently a request for extension was filed to allow the project to continue as planned. The request was denied, as a previous extension had already been granted. Despite the loss of this funding, GRENLEC is committed to exploring options for renewable energy development at the Top Hill site.

Technology, Reliability and Efficiency Improvement

As with renewable energy, technology plays a central role in every area of the Company's operations, aiding with improving efficiency and allowing GRENLEC to provide enhanced service to customers.

A combination of highly competent team members and customisable solutions are facilitating multi-directional communication among employees, faster resolution of customer faults, improved security and job management, preventive and predictive maintenance and more effective deployment of resources. Among these activities, a new corporate IT firewall promotes advanced security capabilities and the deployment of a second Voice over Internet Protocol (VoIP) Phone system provides back-up for the primary phone system.

Maintenance continued to be an area of significant emphasis in all departments, particularly Generation and Distribution, to reduce forced outages and improve the reliability and quality of service.

System Losses

Losses in electrical power systems are caused by internal factors known as technical losses and external factors known as non-technical losses. Put very simply, these losses are the difference between the energy a utility transmits and the energy customers receive. Some of the losses that occur in a power system are due to resistance, power diversion (theft) and other technical factors.

Since losses in a power system are unavoidable, the aim of every utility is to keep losses as low as possible. In order to achieve this, team members are constantly reviewing the system to identify where and how the losses occur and opportunities to reduce them, improve efficiency and positively impact the Company's financial performance.

System losses at the end of 2014 were 7.61%, down from 7.71% in 2013 and below 8% for a third consecutive year. Major contributory factors included increased vigilance in detecting power diversion and reconductoring of lines, which involves replacing smaller conductors with larger ones that reduces resistance to current flow.

Grand Anse Voltage Improvement

System losses will also be positively impacted by an extensive exercise that raised the voltage level at the Grand Anse Substation.

The main objective of the exercise was to enable paralleling of feeders, which ultimately results in a higher level of service reliability.

Geographic Information System (GIS)

The development of the GIS system remains a major focus. A further upgrade of the system completed in late 2014 will be implemented in 2015. This upgrade customised software to provide functionality that will enhance customer service, outage and resource management.
GPS mapping of customer meters and pole numbering continued as part of the system building needed to ensure functionality.

Upgraded Meter Reading System

Displaying new handheld meter reading devices

A software and hardware upgrade has extended radio capability to most of the handheld units used by meter readers to collect readings. These devices can register readings on clearly identifiable and compatible meters from a range of up to 150 ft. In these instances, meter readers will be able to work faster and access readings on some meters that they cannot physically access. After a period of successful testing, these devices are being routinely used, where practical, to read the approximately 31% of meters that are currently compatible with this technology.

Promoting a Service Culture

Without exception, the initiatives undertaken by all departments have focused on enriching the experience customers have when interfacing with GRENLEC's team members and using various services.

To this end, plans for relocating Carriacou's Customer Care Centre in 2015 reached an advanced stage. The new facility, on lower Main Street opposite Marketing and National Importing Board, will provide added convenience and comfort for customers and team members.

Ongoing system reliability programmes, personnel training and service monitoring are integrated into the weave that supports the Company's service enhancement framework and are complemented by customer education and rewards programmes.

Customer Education

With this in mind, GRENLEC increased customer outreach through its radio and television advertising, GRENLEC Current TV Highlights and GRENLEC Current newspaper features. A regularly scheduled GRENLEC Current Radio Programme started in Carriacou will be extended to mainland Grenada in 2015.

Increasing efforts to reinforce kite safety messages, GRENLEC engaged directly with some community organisations and partnered with Flow for its Annual Kite Flying Competition at Pearls, St. Andrew.

Petit Martinique Energy Forum

As plans were being made to launch GRENLEC's solar projects, an Energy forum in Petit Martinique afforded the GRENLEC team an opportunity to interface with residents and customers. Discussions focused on raising awareness about GRENLEC's Petit Martinique Solar Project at Citern, renewable energy in general and electricity costs.

Customer Rewards

End of Year Bonus Days

In March, July and December, hundreds of lucky customers walked out of GRENLEC's customer care centres smiling, even after paying their bills.

On these Bonus Days, customers got the opportunity to spin a lucky wheel to win prizes that included electricity credit, groceries, bags and school supplies. Customers were delighted to win and encouraged others to pay their bills on time and in full to qualify for future GRENLEC promotions.

Building the Team

Family Fun Day

A significant component of a service delivery culture is ensuring that the team has the skills, tools and environment to facilitate productivity, safety and a rewarding work experience. Consequently, throughout the year, training and retraining focused on managing teams, renewable energy development, GIS and service quality.

As negotiations continued with the Grenada Technical and Allied Workers' Union, discussions commenced with the Company's Management and Professional Staff Association, which represents managerial staff.

Health and Safety

World Safety Day Celebration - A Rodeo to Demonstrate Safety

The Company continues its efforts in ensuring a safe working environment for all team members, customers and other stakeholders. To this end, a number of certification and other programmes have been designed to promote a culture of proactivity in preventing accidents and injuries.

While there were no major incidents, every department was adversely affected by the Chikungunya Virus, which impacted Grenada and took a toll on staff in the latter half of the year. Many team members were forced to be off the job and some employees struggled with after effects for prolonged periods.

The Carriacou and Petit Martinique Department ended the year with a record 3756 days without any loss time accidents, while the Generation Department celebrated 2531 consecutive safe working days.

Strengthening Team Spirit

Throughout the year, team members at all levels of the Company embraced the opportunity to recognise excellence among their peers through the informal and formal channels of the Company's Awards programme (CARE). These awards were presented during department meetings, general staff meetings and end of year awards function.

Family Fun Day

After many years, the GRENLEC teams from all three islands gathered in Carriacou for a Family Fun Day. Nearly 300 team and family members participated in the event that fostered comradery and team spirit.

CORPORATE SOCIAL RESPONSIBILITY

In a celebration of its significant impact on lives and communities, the GRENLEC Community Partnership Initiative (GCPI) announced a commitment of $1.5M for 2014. At year-end, more than $1.7M had been allocated, with a major project to purchase an x-ray machine for Princess Alice Hospital ongoing.

A series of television spots regularly feature recipients speaking about the value of the programme since its implementation in 1994. In 20 years, the programme has invested more than $15M in communities throughout Grenada, Carriacou and Petit Martinique.

New Resource Centre at St. Mark's Secondary School Aids Teaching

An energy efficiency and renewable energy project was completed at St. Andrew's Anglican Secondary School, while St. Mark's Secondary School and St. Andrew's Anglican both saw the completion of resource centres. An initiative to complete the second phase of construction of an auditorium at St. John's Secondary School was close to completion at year-end 2014. A number of these major projects will be handed over in 2015.

In Carriacou, construction started of additional High Voltage Lines (HV Lines) to facilitate a solar photovoltaic farm constructed to offset operating costs of a Saltwater Reverse Osmosis Plant in Petit Martinique.

Culture and sport also received significant support through traditional mas, the Carriacou String Band and Maroon Festival, regattas, parish festivals, Non-Pariel Playing Field Lighting and bleachers at Power Park, St. John.

OUTLOOK

As customers continue the growing trend to switch to energy efficient appliances, which use less electricity, this downward effect on consumption is expected to continue. As such, no sales growth is envisioned in 2015.

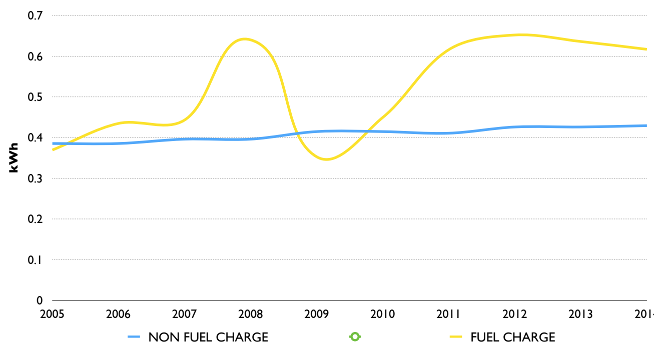
With predictions of the world fuel prices holding approximately their present prices for several months yet, GRENLEC's customers are likely to see fuel charge rates significantly less than the rates in the first half of 2014. Prices continued to fall throughout the latter half of the year ending at $0.54 per kWh/unit, down from $0.63 at the start of the year. It will be a welcome relief for customers who have been struggling to manage with less disposable income and generally high prices.

Long term planning is essential in a capital-intensive industry such as energy with the cost of generation equipment in particular ranging from USD 1M to 3M for one MW of traditional or renewable energy generation. Despite the downward trend of fuel prices and high cost of renewable energy development, GRENLEC believes an aggressive drive to renewable energy, guided by the Company's new strategic plan, is imperative. With impending changes in the Electricity Supply Act, uncertainty in the economic and regulatory environment coupled with impediments for access to land can limit such planning. Nonetheless, extensive work in this area will continue with the goals of energy independence and price stability as the core goals.

Emphasis will continue on improving service delivery standards, improving efficiency in all areas, managing costs and enhancing reliability and safety while safeguarding the environment. Our Company is obligated and committed to providing world-class service and will continue to engage all stakeholders to sustain the quality, reliability and operational excellence for which GRENLEC has become known.

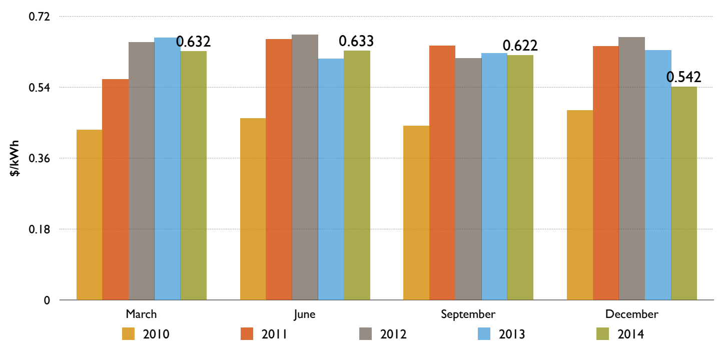
STATISTICS AT A GLANCE

ELECTRICITY CHARGES

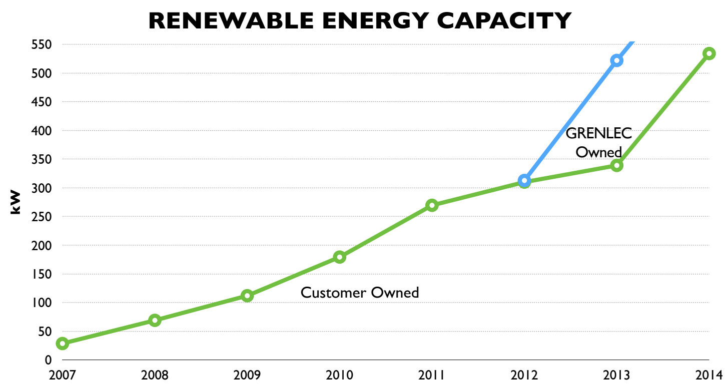


Over the last ten years, while the non-fuel charge has remained relatively flat, the fuel charge has driven overall electricity prices up.
From 2012 - 2014 the average fuel charge has decreased from 65 cents to 62 cents.

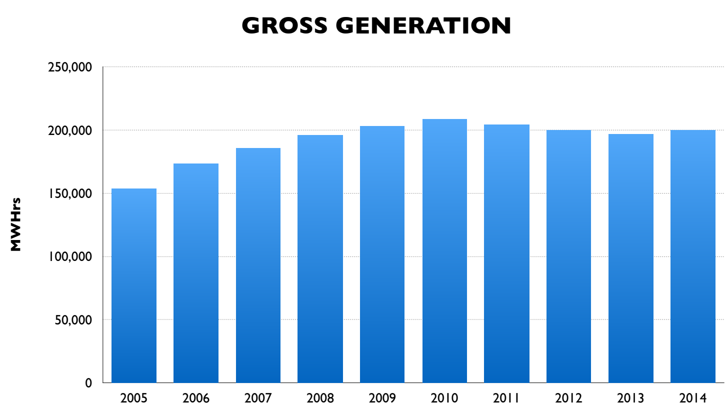
CHANGES IN FUEL CHARGE



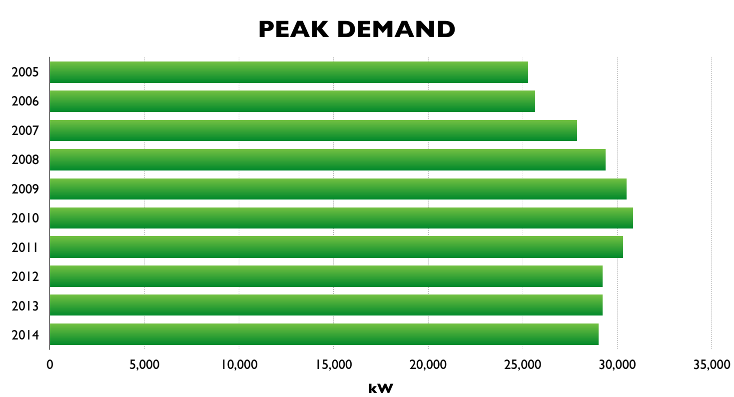
While fuel charge started the year at 63 cents, by December it had fallen to 54 cents. As the chart demonstrates, the year end fuel charge for 2014 is the second lowest over the last five years, with the lowest being 41 cents in 2010.
This decrease in fuel charge over the latter half of 2014 resulted from the decline in world fuel prices.



Customers continue to show interest in the Company's Renewable Energy Interconnection Programme. Total number of customers grew from 58 with 522kW of installed capacity to 82 with 717kW in 2014

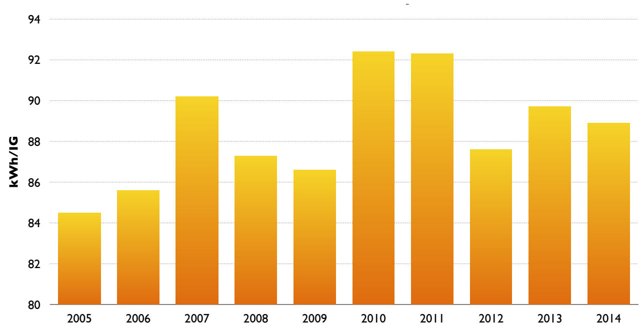


Gross generation, at 199.8GWHrs, was a 1.6% improvement over 2013. This was primarily due to the impact of Sandals Resorts.



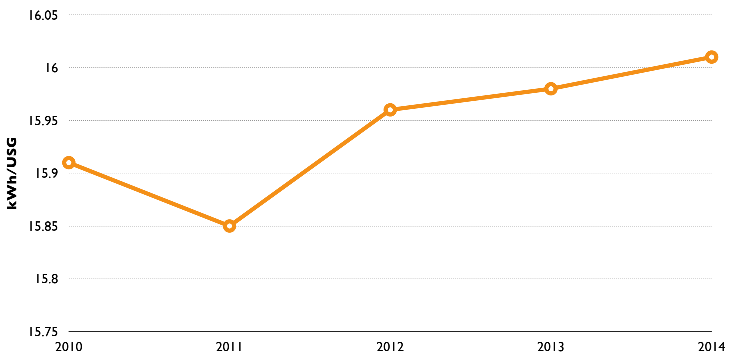
Peak demand was 28,987kW, a marginal decline of 0.75% over 2013.

PLANT AVAILABILITY



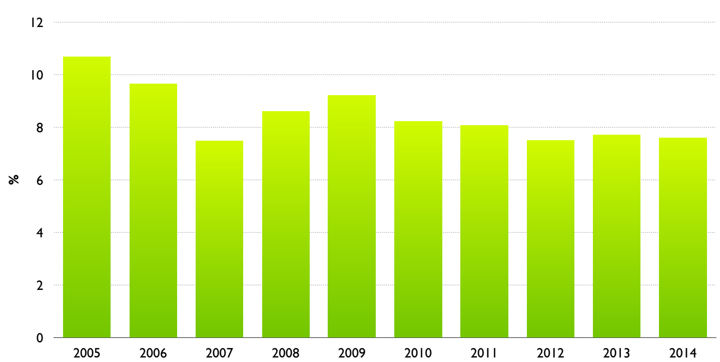
At 88.9%, plant availability did not meet the 92% target because of extended planned and corrective maintenance outages.

FUEL EFFICIENCY



At 16.01kWh/USG, fuel efficiency was better than the 15.98kWh/USG achieved in 2013.

SYSTEM LOSSES



For the third consecutive year, system losses fell below 8%, ending at 7.61%

OUR COMMUNITY, DEVELOPMENT PARTNERS AND INITIATIVES

ON THIS PAGE: Celebrating the impact of GRENLEC's Community Partnership Initiative • Celebrating Grenada's 40th Independence with flora and fauna • A new roof and refurbished washrooms for NEWLO's Sewing Department • Carriacou and Petit Martinique staff activity • Unveiling the sign for the Petit Martinique Solar Project • TAMCC Electrical Award • newest GRENLEC Scholarship recipients • Care Institutions • Supporting Grenada's biggest cultural festival • Bonus Day winners - Grenville • Racing to the finish at the Family Fun Day.

OUR COMMUNITY, DEVELOPMENT PARTNERS AND INITIATIVES

ON THIS PAGE: Scholarships for TAMCC students • Planting nutmeg tree as part of support for Nutmeg Festival • Lighting Non-Pariel Playing Field • GRENLEC Engineer talks with students about the Company's ground mounted solar installation at Citern, Petit Martinique • GRENLEC Biggest Kite winner • Bishop's College captured the Sir Paul Scoon Top Debater Award • GRENLEC Debates Champions, Bishop's College • TAMCC students debate constitutional reform • Schools' pan orchestra plays instruments provided by GCPI during Maroon Festival • Road safety • Customers spinning to win on Bonus Days.

Grenada Electricity Services Ltd. (GRENLEC) has its origins in 1928 when the first generation plant in Grenada was commissioned under the Public Works Department.

On 7 November 1960, Grenada Electricity Services Ltd. (GRENLEC) was established by an Act of the Grenada Legislative Council.

Over the years, the Company has grown significantly and achieved several milestones, including:

1960's

Electricity in Carriacou

1970's

Electricity in Petit Martinique

1980's

Exceeded **10,000 Customers**

Rural electrification programme to increase coverage to most villages.

1994 – 2014

20th Anniversary Celebration of Private/Public Partnership between the Government and people of Grenada, WRB Enterprises, Grenadian and regional shareholders.

More Recent Successes Include:

99.99%

Electrification of 99.99% of Grenada, Carriacou and Petit Martinique.

Introduction of Renewable Energy:

- Implementation of the Customer Renewable Energy (RE)
- Interconnection Programme
  Carriacou Wind Energy Project
  Solar photo-voltaic (PV) including:
  - Customer Interconnection programme
  - GRENLEC's Dusty Highway rooftop installation
  - Petit Martinique ground-mounted installation
  - Energy Efficiency and Rooftop Solar Model Project at St. Andrew's Anglican Secondary School (SAASS)

Substantial investment in infrastructure and computerisation of major operations functions.

Greater efficiency and phenomenal growth.

Improved safety

Commissioning of two sub-stations and a 33kV transmission network to enhance capacity and improve reliability in the south of Grenada

GRENLEC Community Partnership Initiative (GCPI) which, over the years has impacted a broad range of our communities with programmes valued at $15 million, in areas including: **Social Services/Community Development, Education, Environment, Science and Technology/Energy, Sports and, Arts, Heritage and Culture**

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Grenada | West Indies
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PKF

Accountants &
business advisers

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GRENADA ELECTRICITY SERVICES LIMITED

We have audited the accompanying financial statements of Grenada Electricity Services Limited (the Company) which comprise the statement of financial position at December 31st, 2014 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 statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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, 2014 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PKF

GRENADA:

March 5th, 2015

Accountants & business advisers:

STATEMENT OF FINANCIAL POSITION AT 31ST DECEMBER, 2014

(Expressed in Eastern Caribbean Currency Dollars)

ASSETS	Notes	**2014** $	2013 $
Non-Current Assets			
Property, plant and equipment	4	77,555,062	81,907,855
Suspense jobs in progress	5	1,893,828	1,682,618
Capital work in progress	6	2,178,152	2,902,314
Deferred exchange loss	7	205,560	1,207,246
Available-for-sale financial assets	8 (a)	872,120	872,388
		82,704,722	88,572,421
Current Assets			
Inventories	9	14,901,584	15,197,303
Trade and other receivables	10	30,255,489	35,346,510
Segregated retirement investments	11	6,134,198	9,993,896
Income tax prepaid		-	908,592
Loans and receivables financial assets	8 (b)	37,327,224	30,910,203
Cash and cash equivalents	12	12,885,921	2,103,515
		101,504,416	94,460,019
TOTAL ASSETS		184,209,138	183,032,440
EQUITY AND LIABILITIES			
EQUITY			
Stated capital	13	32,339,840	32,339,840
Other reserves		8,040	8,308
Retained earnings		61,247,152	51,126,250
		93,595,032	83,474,398
Non-Current Liabilities			
Customers' deposits	14	12,890,373	11,428,931
Long-term borrowings	15	16,224,680	24,676,158
Provision for hurricane insurance reserve	17	18,000,000	16,000,000
		47,115,053	52,105,089
Current Liabilities			
Amount due to related company	18	164,964	91,971
Short-term borrowings	15	7,687,615	10,630,726
Trade and other payables	19	16,674,611	15,077,082
Customers' contribution to line extensions		941,354	1,003,906
Provision for retirement benefits	16	12,791,719	16,120,574
Provision for profit sharing		5,038,532	4,528,694
Provision for income tax		200,258	-
		43,499,053	47,452,953
TOTAL LIABILITIES		90,614,106	99,558,042
TOTAL EQUITY AND LIABILITIES		184,209,138	183,032,440

The notes on pages 28 to 56 form an integral part of these financial statements

: Director : Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2014

(Expressed in Eastern Caribbean Currency Dollars)

	Notes	2014 $	2013 $
INCOME			
Sales - non fuel charge		77,070,194	78,004,472
- fuel charge		111,450,441	112,360,801
Unbilled sales adjustments	2(v)	(345,350)	(244,236)
Gross Sales		188,175,285	190,121,037
Other income	20	1,762,736	2,190,764
Total income		189,938,021	192,311,801
LESS: OPERATING EXPENSES			
Production expenses		13,834,297	16,236,402
Diesel consumed		99,348,393	105,680,363
Administrative expenses		18,595,857	16,476,246
Distribution services		16,232,219	16,884,546
Planning and engineering		2,578,336	2,413,262
Provision for hurricane insurance reserve		2,000,000	2,000,000
Total operating expenses		152,589,102	159,690,819
Operating profit		37,348,919	32,620,982
Less: Finance cost	21	2,429,426	2,861,373
Profit for year before allocations and taxation		34,919,493	29,759,609
ALLOCATIONS			
Less: Donations		1,745,975	1,487,980
Profit sharing		6,326,481	5,853,542
		8,072,456	7,341,522
Profit for year before taxation		26,847,037	22,418,087
Less: Provision for taxation	23	7,606,135	6,361,011
Profit for year after taxation		19,240,902	16,057,076
Other comprehensive income			
Revaluation of available-for-sale financial assets		(268)	(3,752)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		19,240,634	16,053,324
EARNINGS PER SHARE		**1.01**	**0.84**

The notes on pages 28 to 56 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER, 2014

(Expressed in Eastern Caribbean Currency Dollars)

	Stated Capital $	Other Reserve $	Retained Earning $	Total Equity $
Balance at 1st January, 2013	32,339,840	12,060	44,189,174	76,541,074
Dividends paid	-	-	(9,120,000)	(9,120,000)
Total comprehensive income for the year:				
Profit for the year after taxation	-	-	16,057,076	16,057,076
Revaluation of available-for-sale financial assets	-	(3,752)	-	(3,752)
Balance at 31st December, 2013	32,339,840	8,308	51,126,250	83,474,398
Dividends paid	-	-	(9,120,000)	(9,120,000)
Total comprehensive income for the year:				
Profit for the year after taxation	-	-	19,240,902	19,240,902
Revaluation of available-for-sale financial assets	-	(268)	-	(268)
Balance at 31st December, 2014	32,339,840	8,040	61,247,152	93,595,032

The notes on pages 28 to 56 form an integral part of these financial statements

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER, 2014

(Expressed in Eastern Caribbean Currency Dollars)

	2014 $	2013 $
OPERATING ACTIVITIES		
Profit for the year before taxation	26,847,037	22,418,087
Adjustments for:		
Depreciation	10,493,331	11,155,792
Profit on disposal of property, plant and equipment	(30,580)	(82,734)
Operating surplus before working capital changes	37,309,788	33,491,145
Decrease in trade and other receivables	5,091,021	857,666
Increase/(decrease) in trade and other payables	2,996,420	(1,401,579)
Decrease in provision for retirement benefits	(3,328,855)	(8,412,980)
Decrease in inventories	295,719	310,585
Increase/(decrease) in amount due to related company	72,993	(48,248)
Increase in provision for profit sharing	509,838	247,485
	42,946,924	25,044,074
Income tax paid	(6,497,286)	(7,074,501)
Cash provided by operating activities	36,449,638	17,969,573
INVESTING ACTIVITIES		
Decrease in available for sale financial assets	268	3,752
Disposal of property, plant and equipment	31,500	109,057
Increase in suspense jobs in progress	(211,210)	(275,037)
Decrease in capital work in progress	724,162	610,222
Increase in loans and receivables financial assets	(6,417,021)	(4,534,486)
Decrease in segregated retirement investments	3,859,698	9,620,035
Decrease in customers’ contribution to line extensions	(597,630)	(244,876)
Purchase of property, plant and equipment	(5,543,828)	(6,802,161)
Decrease in other reserves	(268)	(3,752)
Cash used in investing activities	(8,154,329)	(1,517,246)
FINANCING ACTIVITIES		
Dividends paid	(9,120,000)	(9,120,000)
Increase in provision for hurricane insurance reserve	2,000,000	2,000,000
Repayment of borrowings	(7,380,286)	(7,311,435)
Cash used in financing activities	(14,500,286)	(14,431,435)
Net increase in cash and cash equivalents	13,795,023	2,020,892
Cash and cash equivalents - at the beginning of year	(909,102)	(2,929,994)
- at the end of year	12,885,921	(909,102)
REPRESENTED BY		
Cash and cash equivalents	12,885,921	2,103,515
Bank overdraft	-	(3,012,617)
	12,885,921	(909,102)

The notes on pages 28 to 56 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS AT 31ST DECEMBER, 2014

1. CORPORATE INFORMATION

Grenada Electricity Services Limited (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 twenty-six (226) persons during the year (2013- 233).

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 1st January, 2014 that would be expected to have a material impact on the Company's financial statement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards, amendments and interpretations (continued)

(ii) New standards, amendments and interpretations issued but not effective for the financial year beginning 1st January, 2014 and not early adopted are shown below. These either do not apply to the activities of the Company or have no material impact on its financial statements.

IAS 1 Presentation of Financial Statements – Disclosure Initiative Equity Method –Effective or annual periods beginning on or after 1st January, 2016.

IAS 16 Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation and Amortisation – Effective for annual periods beginning on or after 1st January, 2016.

IAS 16 Property, plant and equipment – Clarification of Acceptable Methods of Depreciation and Amortisation – Effective for annual periods beginning on or after 1st January, 2016.

IAS 16 Property, plant and equipment – Bearer Plants – Effective for annual periods beginning on or after 1st January, 2016.

IAS 19 Employee benefits – Effective for annual periods beginning on or after 1st July, 2014.

IAS 27 Separate financial statements - Investment Entities – Effective for annual periods beginning on or after 1st January, 2016.

IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and it's Associate or Joint Venture – Effective for annual periods beginning on or after 1st January, 2016.

IAS 28 Investments in Associates and Joint Ventures Applying the Consolidation Exception – Effective for annual periods beginning on or after 1st January, 2016.

IAS 38 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization – Effective for annual periods beginning on or after 1st January, 2016.

IAS 41 Agriculture – Bearer Plants – Effective for annual periods beginning on or after 1st January, 2016.

IAS 9 Financial Instruments – Classification, Impairment, Hedge Accounting and De-recognition – Effective for annual periods beginning on or after 1st January, 2018.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards, amendments and interpretations (continued)

IFRS 10 Consolidated financial statements- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Effective for annual periods beginning on or after 1st January, 2016.

IFRS 10 Consolidated financial statements- Applying the Consolidation Exception -Effective for annual periods beginning on or after 1st January, 2016.

IFRS 12 Disclosure of Interest in Other Entities – Applying the Consolidation Exception - Effective for annual periods beginning on or after 1st January, 2016.

IFRS 11 Joint Arrangements – Accounting for Acquisition of Interest in Joint Operations - Effective for annual periods beginning on or after 1st January, 2016.

IFRS 14 Regulatory Deferral Accounts – Effective for annual periods beginning on or after 1st January, 2016.

IAS 36 Impairment of assets – Recoverable amount disclosures for non-financial assets – Effective for annual period beginning on or after 1st January, 2014.

IFRS 15 Revenue from Contracts with Customers – Effective for annual period beginning on or after 1st January, 2017.

(c) Property, Plant and Equipment

Recognition and Measurement

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

Historical cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, Plant and Equipment (continued)

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	-	(2013: EC$2.7169)
EC$3.38034 to €1.00	-	(2013: EC$3.89553)

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 receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on the active market. They are included in current assets, except for maturities greater than twelve (12) months after the statement of financial position date 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 comprise 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. Trade payables 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 (continued)

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 management 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.

(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.

(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 as follows:
100% on receivables ≥90 days
and 50% on receivables ≥60 days, both net of Government of Grenada balances.

Accounts are written off against the provision when they are considered to be bad. The total provision at 31st December, 2014 amounted to $8,539,923 (2013 - $7,472,872).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Provision for unbilled sales

The provision and adjustment with comparatives at 31st December, 2014 are calculated as follows:

		2014 $	2013 $
Sales revenue for December after discounts		15,427,007	16,117,707
50% of above	= provision at 31/12/14	7,713,504	8,058,854
	= provision at 31/12/13	8,058,854	8,303,090
Decrease in provision during the year		(345,350)	(244,236)

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

Provision is made for slow-moving and obsolete stock on an annual basis.

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Building and Construction	Plant and Machinery	Motor Vehicles	Furniture and equipment	Total
Balance at 1st January, 2013						
Cost	1,467,468	30,452,548	215,044,394	9,274,361	11,833,924	268,072,695
Accumulated depreciation	-	(16,420,811)	(142,272,770)	(8,315,156)	(7,126,394)	(174,135,131)
	$1,467,468	**$14,031,737**	**$72,771,624**	**$959,205**	**$4,707,530**	**$93,937,564**
For year ended 31st December, 2013						
Opening book value	1,467,468	14,031,737	72,771,624	959,205	4,707,530	93,937,564
Additions for the year	-	11,110	5,481,158	342,057	967,836	6,802,161
Disposals for the year	-	-	-	(23,052)	(3,270)	(26,322)
Depreciation charge for year	-	(498,288)	(8,863,341)	(610,220)	(1,183,943)	(11,155,792)
NET BOOK VALUE	**$1,467,468**	**$13,544,559**	**$69,389,441**	**$667,990**	**$4,488,153**	**$89,557,611**
Balance at 31st December, 2013						
Cost	1,467,468	30,463,658	220,345,202	9,312,152	12,743,107	274,331,587
Accumulated depreciation	-	(16,919,099)	(150,955,761)	(8,644,162)	(8,254,954)	(184,773,976)
	1,467,468	13,544,559	69,389,441	667,990	4,488,153	89,557,611
Less: Customer contribution to line extensions	-	-	-	-	-	(7,649,756)
NET BOOK VALUE	**$1,467,468**	**$13,544,559**	**$69,389,441**	**$667,990**	**$4,488,153**	**$81,907,855**

NOTES TO THE FINANCIAL STATEMENTS AT 31ST DECEMBER, 2014
(continued)

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Building and Construction	Plant and Machinery	Motor Vehicles	Furniture and equipment	Total
For year ended 31st December, 2014						
Opening book value	1,467,468	13,544,559	69,389,441	667,990	4,488,153	89,557,611
Additions for the year	-	-	2,651,867	366,975	2,524,986	5,543,828
Disposals for the year	-	-	-	-	(920)	(920)
Depreciation charge for year	-	(496,543)	(7,243,348)	(454,400)	(2,299,040)	(10,493,331)
NET BOOK VALUE	**$1,467,468**	**$13,048,016**	**$64,797,960**	**$580,565**	**$4,713,719**	**$84,607,188**
Balance at 31st December, 2014						
Cost	1,467,468	30,463,658	223,378,827	9,442,227	14,021,660	278,773,840
Accumulated depreciation	-	(17,415,642)	(158,580,867)	(8,861,662)	(9,308,481)	(194,166,652)
	1,467,468	13,048,016	64,797,960	580,565	4,713,179	84,607,188
Less: Customer contribution to line extensions	-	-	-	-	-	(7,052,126)
NET BOOK VALUE	**$1,467,468**	**$13,048,016**	**$64,797,960**	**$580,565**	**$4,713,179**	**$77,555,062**

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

	2014 $	2013 $
Generation	895,916	1,992,808
Computers and software upgrades	100,832	354,211
Tools and equipment	28,697	96,505
Furniture and equipment	89,892	6,047
Distribution	1,062,815	452,743
	2,178,152	2,902,314

7. DEFERRED EXCHANGE LOSS

This represents the difference arising on the revaluation of the balance of the European Investment Bank Grenlec 111 Loan at the exchange rate of ECC$3.38034 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

	2014	2013
(a) Available for sale		
536 ordinary shares in the Republic Bank (Grenada) Limited	24,120	24,388
Government of Grenada - Treasury Bills	848,000	848,000
	872,120	872,388
(b) Loans and receivables		
Fixed deposit – Republic Bank (Grenada) Limited	10,359,578	10,376,081
Fixed deposit – Grenada Co-operative Bank Limited	9,890,909	7,641,134
Fixed deposit – Bank of Nova Scotia	8,974,329	5,445,530
Fixed deposit – RBTT Bank Grenada Limited	5,372,792	4,712,433
US$ certificate of deposit- Cayman National Bank	2,729,616	2,735,025
	37,327,224	30,910,203

8. FINANCIAL ASSETS (continued)

Included in the above is an amount of $18,346,087 for Hurricane Insurance Reserve invested in Treasury Bills and fixed deposits held with the Bank of Nova Scotia, Republic Bank (Grenada) Limited, RBTT Bank Grenada Limited, Cayman National Bank and the Grenada Co-operative Bank Limited.

9. INVENTORIES

	2014	2013
	$	$
The following is a breakdown of stock on hand:		
Motor vehicle spares	961,219	937,967
Distribution	4,345,185	4,779,069
Generation spares	7,922,678	7,521,455
Fuel and lubricating oil	405,596	832,544
General stores	2,295,714	2,154,703
	15,930,392	16,225,738
Less: Obsolescence provision	1,028,808	1,028,435
	14,901,584	15,197,303

10. TRADE AND OTHER RECEIVABLES

	2014	2013
Customers' accounts	28,457,422	31,848,807
Less: Provision for doubtful debts	7,976,196	6,926,508
	20,481,226	24,922,299
Other debtors	1,602,357	1,962,839
Less: Provision for doubtful debt	563,727	546,364
	21,519,856	26,338,774
Provision for unbilled sales	7,713,503	8,058,854
Prepayments	1,022,130	948,882
	30,255,489	35,346,510

As of the statement of financial position date, the aging analysis of customers' accounts is as follows:

	30 days	31- 60 days	61-90 days	Over 90 days	Total
2014	$12,504,556	$4,844,022	$2,079,659	$9,029,185	$28,457,422
2013	$13,435,151	$4,608,207	$2,795,409	$11,010,040	$31,848,807

NOTES TO THE FINANCIAL STATEMENTS AT 31ST DECEMBER, 2014

(continued)

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.

A balance of $1.23 million Segregated Retirement Investment is held in a Government of Grenada/ Grenlec certificate of deposit at the Bank of Nova Scotia. This can only be drawn by the Company upon the retirement or resignation of employees who were employed prior to its privatization in 1994.

12. CASH AND CASH EQUIVALENTS

	2014 $	2013 $
Cash on hand	4,900	4,900
Bank of Tampa	18,725	19,795
Bank of Nova Scotia	3,706,459	300,261
Republic Bank (Grenada) Limited	5,077,261	37,472
FirstCaribbean International Bank Limited	3,632,498	519,378
Grenada Co-operative Bank Limited	446,078	1,221,709
	12,885,921	2,103,515
Bank overdraft (note 15)	-	(3,012,617)
Cash and cash equivalents in the statement of cash flows	12,885,921	(909,102

13. STATED CAPITAL

	2014	2013
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 deposit 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.

15. BORROWINGS

		2014 $	2013 $
	Long-term		
(i)	European Investment Bank (EIB)	6,690,489	8,445,276
(ii)	National Insurance Scheme	2,913,306	4,770,991
(ii)	Grenlec ECSE Bonds	14,308,500	19,078,000
		23,912,295	32,294,267
	Less: Current portion	7,687,615	7,618,109
	Total long-term	16,224,680	24,676,158
	Short-term		
	Bank overdraft	-	3,012,617
	Borrowings current portion	7,687,615	7,618,109
	Total short-term	7,687,615	10,630,726
	Total borrowings	23,912,295	35,306,884

(A) European Investment Bank (EIB)

This loan bears an average interest rate of 5.75% per annum and is repayable over fifteen (15) years in annual instalments of Euro 365,898.74 (EC$1,236,862.15 – converted as at the rate of December 31st, 2014) inclusive of interest and would mature at the end of June 2020. The loan is collateralized by a first fixed charge on Wartsila generator set II.

(B) National Insurance Scheme

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 and would mature at the end of June 2016. The loan is collateralized by a first fixed charge on Wartsila generator set I.

(C) Grenlec ECSE Bonds

On December 17, 2007, the Company raised $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 (principal) plus variable interest over ten (10) years. Repayment commenced March 20th, 2008 and would mature at the end of December 2017. This bond is collateralized under a Debenture Trust Deed which creates a fixed and floating charge on the Company's property, present and future, with the 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 2014.

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.

In keeping with the Insurance Act of 2010, which makes provision for regulating the operation of pension fund plans, the Company undertook during the year to have both of its retirement plans established under Trusts and registered with the Grenada Authority for the Regulation of Financial Institution (GARFIN).

The entire balance of $12,791,719 remain in the provision at the statement of financial position date relates to the Unionised plan.

The Non-Management Trust was established on August 27, 2014, was registered in the local registry on 2nd October, 2014, and with GARFIN on 10th February, 2015. It is expected that by the end of the first quarter of 2015 all funds relating to the non-management retirement plan will be transferred out of the Company's books and into the Non-Management Trust.

17. PROVISION FOR HURRICANE INSURANCE RESERVE

	2014	2013
	$	$
Balance at beginning of year	16,000,000	14,000,000
Add: Provision for the year	2,000,000	2,000,000
Balance at end of year	18,000,000	16,000,000

18. AMOUNT DUE TO RELATED COMPANY

	2014 $	2013 $
Amount due to WRB Enterprises, Inc.	164,964	91,971

19. TRADE AND OTHER PAYABLES

	2014	2013
Trade creditors	6,390,315	9,291,431
Sundry creditors	2,716,478	831,453
Accrued expenses	7,567,818	4,954,198
	16,674,611	15,077,082

The amount of $2.53 million included in sundry creditors represents a provision for overbilling of certain commercial customers for floor area surcharges due to a scrivener's error in the Electricity Supply Act of 1994. There was a corresponding decrease in the non-fuel charge sales for the year ended December 31st, 2014

20. OTHER INCOME

	2014	2013
Sundry revenue	1,732,156	2,108,030
Gain on disposal of fixed assets	30,580	82,734
	1,762,736	2,190,764

21. FINANCE COST

	2014	2013
Bank loans/Bond interest	1,966,009	2,390,963
Other bank interest	1,721	52,714
Other	461,696	417,696
	2,429,426	2,861,373

NOTES TO THE FINANCIAL STATEMENTS AT 31ST DECEMBER, 2014
(continued)

22. RELATED PARTY TRANSACTIONS

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

	2014	2013
	$	$
a) Sale of electricity - NIS	392,720	364,100
b) Management services- WRB Enterprises, Inc.	600,000	600,000
c) Loan repayments- NIS	2,142,603	2,142,603
d) Payment of dividends:		
NIS	1,057,920	1,057,920
Grenada Private Power Limited	4,560,000	4,560,000

ii) Compensation of key management personnel of the Company:

Salaries and other benefits	2,800,122	2,709,750
Past employment benefit provisions	372,056	485,725
iii) Loans receivable from key management personnel	3,575	59,135

23. 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:

	2014 $	2013 $
Profit for the year before taxation	26,847,037	22,418,087
Tax at applicable statutory rate (30%)	8,054,111	6,725,426
Tax effect of items that are adjustable in determining		
Tax exempt income	(161,452)	(331,336)
Effect of expenses not deductible for tax purposes	(286,524)	(33,079)
Provision for taxation	7,606,135	6,361,011

24. CONTINGENT LIABILITIES

At the statement of financial position date, the Company was contingently liable to the Government of Grenada for customs bonds in the amount of $100,000.

25. DIVIDENDS

During the year ended December 31st, 2014, a dividend of 48 cents per ordinary share amounting to $9,120,000 was declared and paid.

26. FINANCIAL RISK MANAGMENT

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

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

Audit Committee

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

Loans Committee

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

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

Credit risk

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

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

26. FINANCIAL RISK MANAGEMENT (continued)

With respect to credit risk arising from other financial assets, that 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 31st, 2014.

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:

- 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; and
- Risk mitigation, including insurance as outlined below.

26. 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 substantially 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.

26. FINANCIAL RISK MANAGEMENT (continued)

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

Balance at 31st December, 2014	Current	31-60 days	61-90 days	Over 90 days	Total
	$	$	$	$	$
Current Assets					
Cash and cash equivalents	12,885,921	-	-	-	12,885,921
Loans and receivable financial assets	1,836,236	-	4,834,671	30,656,317	37,327,224
Segregated retirement investments	-	-	6,134,198	-	6,134,198
Prepayments	1,022,130	-	-	-	1,022,130
Trade and other receivables	19,275,833	4,844,022	1,039,830	4,073,674	29,233,359
Inventories	14,901,584	-	-	-	14,901,584
	49,921,704	4,844,022	12,008,699	34,729,991	101,504,416
Current liabilities					
Amount due to related company	164,964	-	-	-	164,964
Provision for income tax	-	-	200,258	-	200,258
Short-term borrowings	-	-	677,183	7,010,432	7,687,615
Trade payables and accrued expenses	8,876,221	2,505,752	-	5,292,638	16,674,611
Consumers' advances for construction	-	-	-	941,354	941,354
Provision for retirement benefits	-	-	12,791,719	-	12,791,719
Provision for profit sharing	-	-	-	5,038,532	5,038,532
	9,041,185	2,505,752	13,669,160	18,282,956	42,499,053
NET LIQUIDITY SURPLUS	40,880,519	2,338,270	(1,660,461)	16,447,035	58,005,363

26. FINANCIAL RISK MANAGEMENT (continued)

Balance at 31st December, 2013	Current	31-60 days	61-90 days	Over 90 days	Total
	$	$	$	$	$
Current Assets					
Cash and cash equivalents	2,103,515	-	-	-	2,103,515
Loans and receivable financial assets	-	-	2,883,078	28,027,125	30,910,203
Income tax prepaid	908,592	-	-	-	908,592
Segregated retirement investments	3,837,122	-	-	6,156,774	9,993,896
Prepayments	948,882	-	-	-	948,882
Trade and other receivables	22,910,480	4,608,207	2,795,409	4,083,532	33,397,628
Inventories	15,197,303	-	-	-	15,197,303
	45,905,894	4,608,207	5,678,487	38,267,431	94,460,019
Current liabilities					
Amount due to related company	91,971	-	-	-	91,971
Short-term borrowings	3,012,617	-	1,656,625	5,961,484	10,630,726
Trade payables and accrued expenses	11,671,499	610,181	-	2,795,402	15,077,082
Consumers' advances for construction	-	-	-	1,003,906	1,003,906
Provision for retirement benefits	3,837,122	-	-	12,283,452	16,120,574
Provision for profit sharing	-	-	-	4,528,694	4,528,694
	18,613,209	610,181	1,656,625	26,572,938	47,452,953
NET LIQUIDITY SURPLUS	27,292,685	3,998,026	4,021,862	11,694,493	47,007,066

26. FINANCIAL RISK MANAGEMENT (continued)

Market risk

(i) Foreign exchange risk

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

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

Borrowings, other than for the Euro loan, have been transacted in EC$ to limit exposure to fluctuations in foreign currency rates. Additionally, most purchases are transacted in United States dollars, which has a fixed exchange rate.

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.

26. FINANCIAL RISK MANAGEMENT (continued)

FINANCIAL LIABILITIES

	2014		2013	
Reasonably possible change in currency rate	+2.5%	-2.5%	+2.5%	-2.5%
Loans payable	**EC $**	**EC $**	EC $	EC $
EIB (EURO loan)				
Principal repayments for the year	866,252.49	866,252.49	941,434.14	941,434.14
Effect on principal repayment of adjustment to EURO	887,908.80	844,596,18	964,969.99	917,898.28
CURRENCY EXPOSURE	(21,656.31)	21,656.31	(23,535.85)	23,535.86

Reasonably possible change in currency rate	+2.5%	-2.5%	+2.5%	-2.5%
EIB Euro loan Interest payment	370,609.66	370,609.66	483,935.38	483,935.38
Effect on interest payment of adjustment to EURO	379,874.90	361,344,42	496,033.77	471,837.00
Effect on profit before tax/equity	(9,265.24)	9,265.24	(12,098.39)	12,098.38

Repayment for the year	**2014 EURO**	**2013 EURO**
Interest	109,636.80	124,228.38
Principal	256,261.94	241,670.36
	365,898.74	365,898.74

See note 2 (d) for exchange rates for the Euro at 31st December 2014 and 2013 respectively.

(ii) Interest rate risk

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

GRENADA ELECTRICITY SERVICES LIMITED

FIVE YEAR FINANCIAL RECORD 2010-2014

EXPRESSED IN EC$ & US$

	2014	2013	2012	2011	2010
	EC$	EC$	EC$	EC$	EC$
INCOME	189,938,021	192,311,801	197,480,495	190,936,733	165,349,860
PROFIT BEFORE TAXES	26,847,037	22,418,087	20,376,134	12,925,989	14,633,068
TAXATION	7,606,135	6,361,011	5,860,140	4,123,966	4,323,052
NET PROFIT	19,240,902	16,057,076	14,515,994	8,802,023	10,310,016
SHAREHOLDERS EQUITY	**93,595,032**	**83,474,398**	**76,541,074**	**71,146,420**	**71,317,936**
REPRESENTED BY:					
TOTAL ASSETS	184,209,138	183,032,440	194,756,827	191,806,188	190,061,477
TOTAL LIABILITIES	72,614,106	83,558,042	104,215,753	108,659,768	108,743,541
HURRICANE RESERVE	18,000,000	16,000,000	14,000,000	12,000,000	10,000,000
NET ASSETS	93,595,032	83,474,398	76,541,074	71,146,420	71,317,936
FINANCIAL RATIOS					
No. of shares	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000
Return on Shareholders equity	20.56%	19.24%	18.96%	12.37%	14.46%
Earnings Per Share	1.01	0.85	0.76	0.46	0.54
Dividends Per Share	**0.48**	**0.48**	**0.48**	**0.48**	**0.45**
	US $	US $	US $	US $	US $
INCOME	70,347,415	71,226,593	73,140,924	70,717,309	61,240,689
PROFIT BEFORE TAXES	9,943,347	8,302,995	7,546,716	4,787,403	5,419,655
TAXATION	2,817,087	2,355,930	2,170,422	1,527,395	1,601,130
NET PROFIT	7,126,260	5,947,065	5,376,294	3,260,008	3,818,525
SHAREHOLDERS EQUITY	34,664,827	30,916,444	28,348,546	26,350,526	26,414,050
REPRESENTED BY:					
TOTAL ASSETS	**68,225,607**	**67,789,793**	**72,132,158**	**71,039,329**	**70,393,140**
TOTAL LIABILITIES	26,894,113	30,947,423	38,598,427	40,244,359	40,275,386
HURRICANE RESERVE	6,666,667	5,925,926	5,185,185	4,444,444	3,703,704
NET ASSETS	34,664,827	30,916,444	28,348,546	26,350,526	26,414,050
FINANCIAL RATIOS					
No. of shares	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000
Return on Shareholders equity	20.56%	19.24%	18.96%	12.37%	14.46%
Earnings Per Share	0.38	0.31	0.28	0.17	0.20
Dividends Per Share	0.18	0.18	0.18	0.18	0.17

FIVE YEAR OPERATIONAL RECORD 2010-2014

2010 - 2014

	2014	2013	2012	2011	2010
PRODUCTION AND SALES					
Gross Generation (kWh)	199,908,945	196,655,652	199,703,882	203,973,893	208,728,350
Auxillaries & Own Use	5,926,777	6,085,679	6,738,808	7,153,186	7,324,557
Net Generation	193,982,168	190,569,973	192,965,074	196,820,707	201,403,793
Sales (kWh)					
Domestic	68,228,598	68,454,863	69,123,037	70,463,449	72,091,738
Commercial	100,431,948	96,821,536	98,783,002	99,808,187	101,966,291
Industrial	5,803,295	5,907,116	5,845,185	6,064,518	6,265,771
Street Lighting	4,697,950	4,626,682	4,680,483	4,539,063	4,459,272
Total Sales	179,161,791	175,810,197	178,431,707	180,875,217	184,783,072
Loss (% of Net Generation)	7.61%	7.71%	7.50%	8.22%	9.20%
Number of Customers at Year - End					
Domestic	40,329	39,762	39,132	38,394	37,932
Commercial	6,113	5,968	5,874	5,818	5,730
Industrial	36	35	36	37	37
Street Lights	8,386	8,308	8,167	8,060	7,932
Total Customers	46,478	45,765	45,042	44,249	43,699
Average Annual usage per Customer Class (kWh)					
Domestic	1,692	1,722	1,766	1,835	1,901
Commercial	16,429	16,223	16,817	17,155	17,795
Industrial	161,203	168,775	162,366	163,906	169,345

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