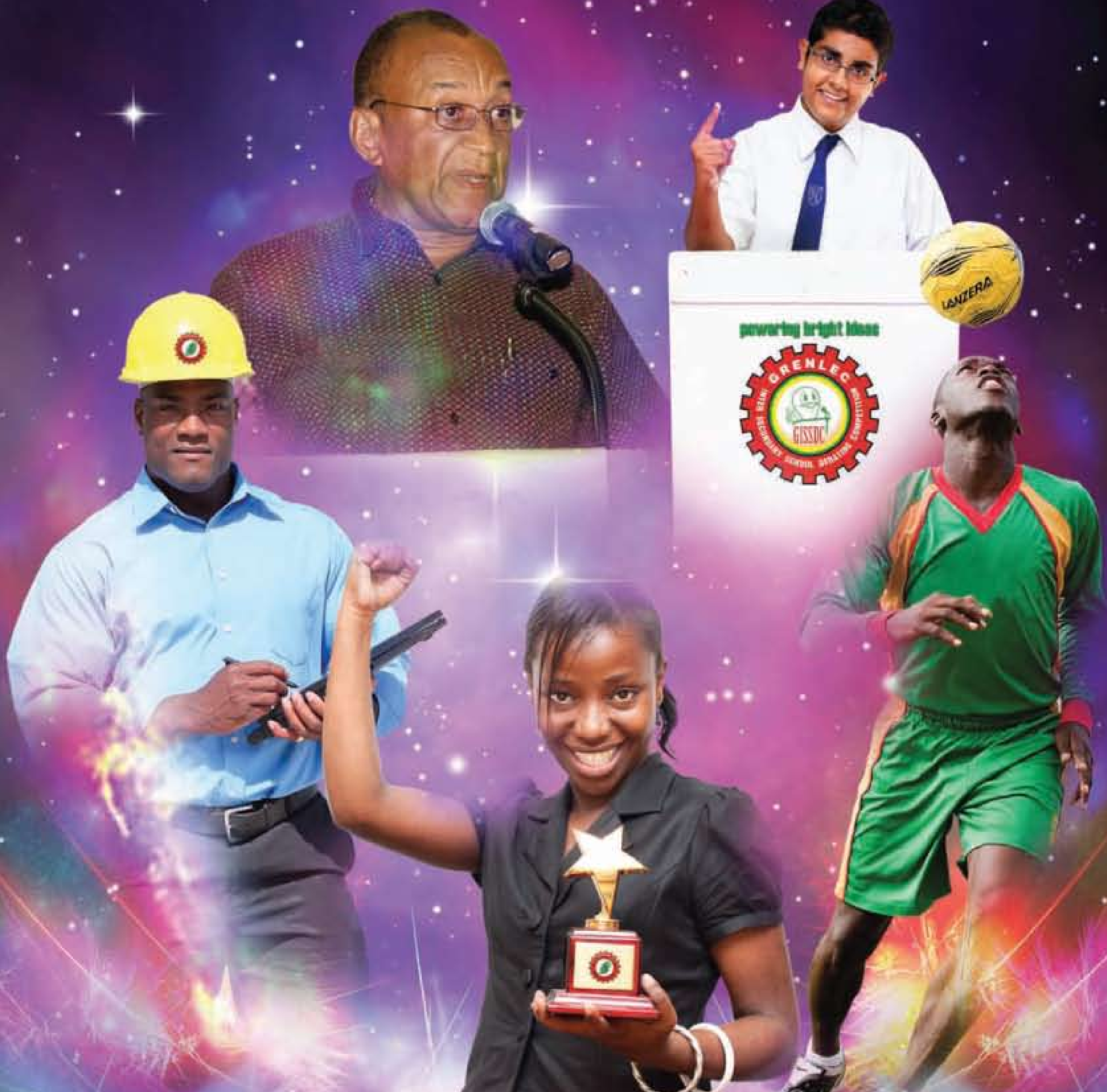
GRENADA ELECTRICITY SERVICES LIMITED

SERVING THE NATION

THE ENERGY OF EXCELLENCE

• 2009 ANNUAL REPORT •



The theme of this year's report articulates our organisation's commitment to recognising, promoting and demanding excellence in all aspects of our unique relationship with all stakeholders.

From business to the arts to sporting activities and community development, the attainment of excellence will inspire further distinction in a revolving and endless energy, guided and driven by a caring and involved organisation of people.

The report details the 2009 leg of the journey to becoming a world class company, highlighting financial and other achievements, as well as challenges. It shows how GRENLEC, through its many internal and external service initiatives, encourages and rewards excellence in the pursuit of energy and energy in the pursuit of excellence.

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.

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.

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core values and strategic priorities

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

CORE VALUES

Respect
Integrity
Teamwork
Excellence
Satisfaction

STRATEGIC PRIORITIES

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

CORPORATE INFORMATION

DIRECTORS

G. Robert Blanchard, Jr.	Chairman
Malcolm Harris	Vice Chairman
Vernon L. Lawrence	Managing Director & Chief Executive Officer
Nigel Wardle	Director/Company Secretary
Arthur Campbell	Director
Robert Curtis	Director
Raymond E. Gittens	Director
Claudette Joseph	Director
Royston La Hee	Director
Alfred Logie	Director
Chester Palmer	Director
Ronald Roseman	Director

CHIEF EXECUTIVE OFFICER
Vernon L. Lawrence

COMPANY SECRETARY
Nigel Wardle

REGISTERED OFFICE
Halifax Street, St. George's, Grenada, West Indies.
Email: mail@grenlec.com
Website: www.grenlec.com
Telephone: (473) 440-2097

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

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

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

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

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

The Bank of Tampa
Florida, U.S.A

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

AUDITORS
Pannell Kerr Forster – Accountants and Business Advisers
Pannell House, Grand Anse, St. George's, Grenada, West Indies.

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

notice of meeting

Notice is hereby given that the Fifty-first Annual Meeting of Shareholders of Grenada Electricity Services Limited will be held at the Main Conference Room, Grenada National Stadium, Queen's Park, St. George's on Friday, May 7, 2010 at 4:30 p.m. to:

- Receive the Annual Report, the Audited Financial Statements for the year ended December 31, 2009 together with the Auditors' Report thereon.
- Re-appoint the Auditors and authorise the Directors to determine their remuneration.
- Elect Directors.

Close of Business

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

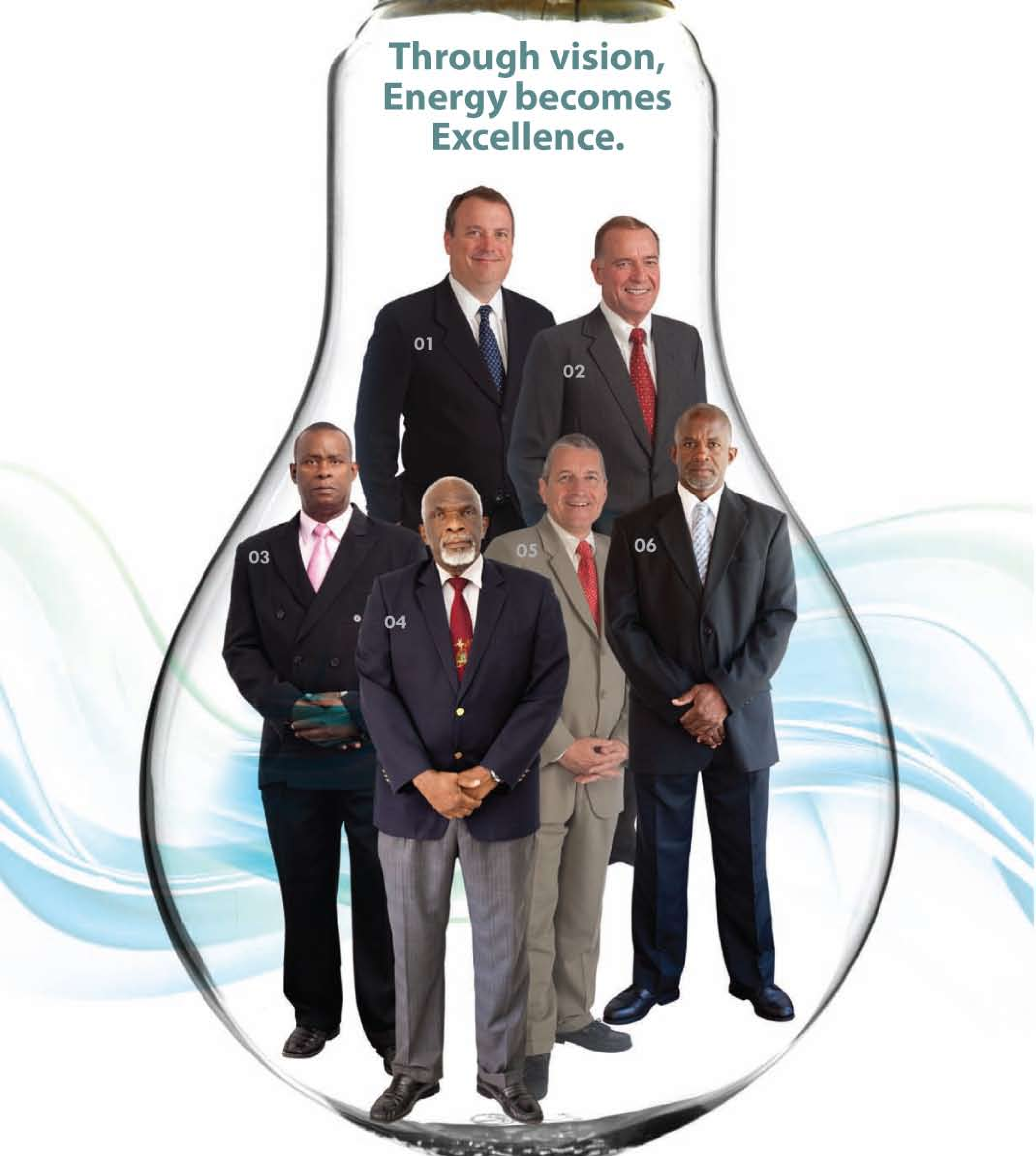
Dated this 19th day of March, 2010.

By order of the Board

Nigel Wardle
Company Secretary

Notes

- A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his or her stead. A proxy need not be a member. A proxy form is included in this report for your convenience. It must be completed and signed in accordance with the notes on the form.
- Only shareholders on record at the close of business on Wednesday, April 7, 2010 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

01 G. ROBERT BLANCHARD, JR
CHAIRMAN

02 MALCOLM HARRIS
VICE CHAIRMAN

03 VERNON L. LAWRENCE
MANAGING DIRECTOR &CHIEF EXECUTIVE OFFICER

04 ROYSTON LA HEE
DIRECTOR

05 NIGEL WARDLE
DIRECTOR/COMPANY SECRETARY

06 CHESTER PALMER
DIRECTOR

Through leadership, Energy becomes Excellence.

board of directors

07 ARTHUR CAMPBELL
DIRECTOR

08 CLAUDETTE JOSEPH
DIRECTOR

09 ALFRED LOGIE
DIRECTOR

10 RAYMOND E. GITTENS
DIRECTOR

11 RONALD ROSEMAN
DIRECTOR

12 ROBERT CURTIS
DIRECTOR

management team

01 PRUDENCE GREENIDGE
CORPORATE COMMUNICATIONS MANAGER

02 MICHAEL ALLEN
GENERATION MANAGER

03 CLIVE HOSTEN
CHIEF ENGINEER

04 DON FORSYTH
PLANNING & ENGINEERING MANAGER

05 VERNON L. LAWRENCE
MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

06 JEFFREY NEPTUNE
INFORMATION SYSTEMS MANAGER

management team

07 **GLENN PHILLIP**
LOSS REDUCTION COORDINATOR

08 **BENEDICT BRATHWAITE**
FINANCIAL CONTROLLER

09 **ERIC WILLIAMS**
DISTRIBUTION MANAGER

10 **CASANDRA SLOCOMBE**
CUSTOMER SERVICES MANAGER

11 **JOHN MCDONALD**
MANAGER - CARRIACOU & PETITE MARTINIQUE

12 **JACQULINE WILLIAMS**
HUMAN RESOURCES MANAGER

Focusing energy to generate change

G. ROBERT BLANCHARD JR.
Chairman

chairman's report

Despite the serious pressure on our sales, the company did well overall for the year. Management worked hard to control expenses, and at the end of the year we had a pre-tax profit of $12.69M. As we look to the future, we must recognise the new reality our business faces.

2009 saw your company confront the challenges presented by the global economic downturn which, as has been the case previously, reached the Caribbean after it impacted most of the western world.

We started 2009 with a 6% increase in sales, lower than expected but still positive. However, as the economic crisis hit in full force, we saw sales growth diminish and in the third quarter the Company actually saw a drop in sales over the same period in 2008. This was the smallest increase in any (non-hurricane) year since privatisation of your company in 1994. In addition to its e ect on sales, the economic slowdown put pressure on our collections, as customers' financial positions were also impacted. The lower cost of fuel helped mitigate this. In addition, the company put a very strong emphasis on collections and as such we were able to gain some progress on receivables with a 22.85% decrease over 2008.

Despite the serious pressure on our sales, the Company did well overall for the year. Management worked hard to control expenses, and at the end of the year we had a pre-tax profit of $12.69M. While this is down from the $19.42 shown for 2008, it is critical to recall that the 2008 profit was tremendously a ected by the significant volatility in fuel prices. When adjusted for this, I feel good about how the Company performed in the face of 2009's economic crisis.

Our company added its voice to that of CARILEC, the collective of regional utilities, supporting the proposed introduction of an OECS authority to regulate the electricity sector in the region. In the case of Grenada, electricity prices are presently regulated through a Price Cap Regime which is "formulaic". This accounts for the marginal increase in electricity rates, 8.2% over the past 15 years, although in ation over the period is nearing 40%. The CARILEC members envision that under a regional authority a similar formulaic regime for tari setting would be instituted across the OECS territories. Utilities are also hoping that the establishment of a Regional Regulator will help to level the playing field and establish performance measurements that support the needs of all stakeholders.

Notwithstanding the considerable challenges of operating in the current business environment, our Company is well placed to capitalise on opportunities to change the inputs into our business and the way we do business, which will set us on course to achieve the strategic objectives outlined in our Vision 2013 Strategic Plan.

As we look to the future, we must recognise the new reality our business faces. The Company has already captured "the low-hanging fruits" of increased e ciencies, specifically system losses and generation fuel e ciencies. As we face the reality of our diminishing sales growth, it is therefore imperative that we restructure aspects of our business to improve planning and eliminate ine ciencies. We will intensify our focus on the people aspect of our business enhancing the service experience of our customers by empowering our team members to rise to the challenge and by addressing customer concerns about price levels, the volatility of fuel prices and value. We will continue to invest in our business to maintain reliability, quality and safety, while simultaneously driving innovation in renewable energy technology and initiatives that build operational e ciencies and provide solutions for customers.

When our Company's shares were listed on the Eastern Caribbean Securities Exchange in 2008, the shares began trading at $11.00 per share. We are pleased to note that despite the downturn in the financial markets worldwide, the value of the Company's shares remains strong at $11.00 per share. Given the uncertainty of the business environment, your Board decided in 2009 to maintain the dividend payout at forty-four (44) cents per share, the same rate as was paid in 2008. We are pleased that our performance allowed us to maintain this return in what was a very challenging year.

The credit for this performance goes to the more than 200 people of GRENLEC, skilled workers, linemen, technicians, engineers, customer service agents, administrative sta , service providers and our management team. It is this team that we are arming, as our Company undergoes a change process to ensure sustainability and solid profitability, as we prepare for the future. I thank my fellow Directors and you the owners for your continued contributions to the development of our Company. At the last Annual General Meeting in May 2009, three new Directors were appointed to the Board, namely Messrs. Ben Gittens, returning Director Chester Palmer, and Mme. Claudette Joseph to replace Messrs. Allan Bierzynski, Ambrose Phillip and Dyer Marquez. We welcome the new Directors and thank the three outgoing Directors for their valuable service to the GRENLEC Board. Please join me in congratulating our Company's Managing Director and Chief Executive O cer, Vernon Lawrence, on his appointment during the year as the Chairman of the Board of Directors of CARLIEC and his leadership on the critical issues a ecting our industry and our customers.

Coming on the heels of the launch of our Strategic Plan, in 2009 each of us contributed to the success of the Company's initiatives, including the rollout of our Customer Enhancement thrust (SPAARQ); the successful completion of our 33kV transmission and substation project; our prioritisation of our areas of interest with respect to the relationships we want to foster with external entities; and the initiation of an Environmental Management System Programme to articulate and direct responsible actions in defense of our internal and external surroundings; and our Employee Recognition Program (CARE), which seeks to support and motivate sta to continue to excel.

Regionally, in 2009, CARILEC secured funding from the Inter-American Development Bank (IDB), under its Sustainable Energy and Climate Change Initiative (SECCI) programme to undertake projects related to Energy E ciency and Renewable Energy on behalf of its utility members. The funding of approximately US$500,000 will be used by CARILEC to conduct training programmes for capacity building of electric utility personnel in renewable energy, biofuels development and carbon trading markets. GRENLEC and other utilities will benefit from this support for research and development, which will enhance our renewable energy and energy e ciency capacity.

I thank you all for your investment in GRENLEC and for your continued support of the Company, and look forward to continuing this relationship for many years in the future.

WE ARE PLEASED TO NOTE THAT DESPITE THE DOWNTURN IN THE FINANCIAL MARKETS WORLDWIDE, THE VALUE OF THE COMPANY'S SHARES REMAINS STRONG AT $11.00 PER SHARE

G. ROBERT BLANCHARD JR.
Chairman

CELEBRATING THE ENERGY OF EXCELLENCE IN THE ARTS

Sean Mahbubani – Top performer of the GRENLEC Debate Championship team

Champion of the 2nd Annual GRENLEC Inter-Secondary School Debating Competition, Westmorland Secondary School has distinguished itself as a leader in the Arts. In recognition of their excellence, team members were awarded Macbook laptop computers, educational vouchers and a $50,000 project-award for their school. School administrators plan on utilising the funding to assist with construction of a technical and vocational centre.

Management Review and Analysis

Given that the CPI up to December 2009 will necessitate a non-fuel rate decrease in the order of 4% in 2011, it is imperative that the Company continues to control costs. In this regard, the objective is to maintain relatively at costs in 2010 and 2011, while guarding against any material impact on our operations and maintaining safety and reliability standards.

Overview

Recognising the energy needed in the journey to excellence and sustaining the levels of service needed to satisfy customers, in 2009 GRENLEC embarked on a number of critical developmental initiatives. The theme of this year's report "The Energy of Excellence" speaks to our organisation's commitment to attaining excellence in service and all aspects of our operations.

Despite the global financial crisis and world economic slowdown which intensified in 2009, GRENLEC's financial performance and position continued to be quite strong. We also recorded significant progress on a number of our non-financial objectives. The Management is proud to acknowledge the contributions of our internal team members to this creditable performance, in an increasingly challenging business environment.

The critical highlights of the Company's operations, detailed in the 2009 Report, are as follows:

Financial

- Our energy sales grew by 2.82%.
- Our revenues were $141.04M.
- Our pre-tax profits were $12.69M.
- Our system losses remained in single digits at 9.20%.
- Our return on invested capital was 12.18%.

Non Financial

- We commissioned a decentralised 33kV transmission network and two transmission substations to improve reliability.
- We maintained our safety record.
- We identified two new sites for wind energy prospecting on the mainland and in Carriacou and will move speedily to erect wind-measuring instruments in 2010.
- We engaged the Government of Grenada with a view to actively pursuing geothermal energy exploration.
- We kicked-off a customer service enhancement programme to empower all team members to focus on and create solutions for customers.
- We launched a staff award programme to recognise the efforts of team members and to motivate them to go beyond the ordinary to meet and exceed customer expectations.
- We turned our focus on the environment, engaging stakeholders in an initiative to define our Company's perspective on the environment, to identify the impact of our business on the environment and to seek to minimise our carbon footprint.
- We were awarded by the Grenada Chamber of Industry and Commerce for our service to the community.
- We developed the GRENLEC Community Partnership Initiative to focus the Company's sponsorship and donation activities. The programme will be o cially launched in 2010.

Financial Review

The financial success of our Company always originates with our customers. By safely delivering reliable, a ordable electricity and providing good customer service, the Company was able to realise many financial targets.

In comparing 2009 with 2008, the Company's performance may not appear as strong. However, when due consideration is given to the impact of net fuel recovery and the sale of the administrative building in 2009, the conclusion is that in 2009 the financial

Management Review and Analysis continued...

performance was on par with that of 2008. It is on this basis that management notes that the Company successfully navigated a challenging year.

Profit before taxes of EC$12.69M in 2009 was higher than for any other year, with the exception of 2008 when, as was noted earlier, there were exceptional circumstances. The Company's retained profit of EC$1.27M after dividends meant that the payout ratio was 86.94%. The Management continues to reinvest in the Company with a view to sustaining the quality of earnings. Earnings per share in 2009 stood at EC$0.51, which was higher than that of all previous years, excluding 2008.

Sales

Energy sales growth for the year was 2.82%, which was significantly lower than the 9.4% recorded in 2007 and below the 4.41% recorded in 2008. This downward trend is clearly attributable to the e ect of the global economic crisis on the economy in Grenada.

Total energy sales was 178.20GWh with the commercial sector being the largest at 99.06GWh, followed by the domestic at 68.28GWh, accounting for a combined 93.91% of total sales. Sales in these sectors grew by 2.55% and 3.10% respectively, compared to 2008. Importantly, the Company's customer base continued to show growth in these two main sectors, at rates of 4.18% in the commercial sector and 3.05% in the domestic sector. Notwithstanding this, average annual usage declined in both sectors, suggesting that customers, despite the lower electricity rates compared to 2008, were conservative in their consumption.

Total Revenue

Non-fuel revenue of $75.31M grew by 5.08% in 2009, compared to 2008, with a major contributing factor being a 4.69% rate increase in May 2009. Fuel revenue, on the other hand, declined by 42.31% as world fuel prices averaged USD 58 per barrel in 2009, compared to the USD 100 per barrel in 2008. This brought significant relief to our customers whose fuel payments to GRENLEC decreased by $46.78M from the previous year.

Net Fuel Revenue

Fuel revenue in 2009 exceeded fuel costs by $0.62M, substantially lower than the $6.13M in 2008. In 2009, world fuel prices increased steadily after the first two months moving from an average of USD39.09 per barrel in February to USD74.47 in December. Since the price increase was relatively slow and the Company's fuel e ciency and system losses were good, we were able to avoid a total reversal of the net fuel revenue benefit we continued to enjoy in the first quarter, following the sharp decline in prices in 2008.

In 2009, the average price paid for diesel of $5.93 per IG decreased by 40.70% from the $10.00 level in 2008. Prices moved only marginally in the last three months of the year, from $6.85 per IG in October to $7.04 per IG in December. Given that the fuel charge calculation is based on a three month average, the Company's actual fuel charge at the end of the year was in keeping with world fuel prices. Consequently, there was no significant negative impact on the Company's net fuel revenue in the latter part of the year.

It is worth noting that world fuel prices ended the year at levels that would have been of concern prior to 2008. Throughout the year, steady increases in the price of oil reversed the downward trend from the latter half of the previous year, resulting in marginal increases in the fuel charge from EC$0.3982 per kWh in January to EC$0.4142 per kWh in December. We are hopeful that predictions for a maximum price of USD 100 per barrel in 2010 will prove accurate to alleviate the burden on our customers and the economy in general, particularly given the planned introduction of the Value Added Tax (VAT) in February 2010.

Operating, Administrative and Interest Expenses

Non-fuel expenses moved from $54.43M to $55.83M between 2008 and 2009, an increase of 2.82% ($1.40M). Planned overhaul of $0.74M and depreciation of $0.40M were primarily accountable for this increase. Given that the CPI up to December 2009 will necessitate a non-fuel rate decrease in the order of 4% in 2011, it is imperative that the Company continues to control costs. In this regard, the objective is to maintain relatively at costs in 2010 and 2011, while guarding against any material impact on our operations and maintaining safety and reliability standards.

In 2009, interest expense declined by 11.52% from $5.13M in 2008 to $4.54M. This occurred as repayments of principal reduced outstanding loan balances by 10.78% ($7.68M) during the course of the year.

Financial Condition

The financial condition of the Company has improved as is re ected in the strength of the balance sheet and the increased liquidity seen in its cash ow statement. Net assets have increased by $1.27M, while there has been a significant reduction in our

Management Review and Analysis continued...

principal loan balance of $7.68M. Additionally, our shareholders equity plus hurricane reserve has increased by $3.42M. Significantly, we continue to surpass all of the key financial ratios as per the covenants in the GRENLEC ECSE Bond and other loan agreements. Of particular note in this regard is the interest coverage ratio of 7.08:1 compared to a covenant of 2:1.

Cash flow from operations in 2009 was $37.47M, weighed against $19.09M in 2008. This was mainly due to the decrease in receivables and prepayments of $6.74M, in contrast to the increase of $6.23M in the previous year. The company's net cash position at the end of the year was $9.93M.

Non-Fuel Rate Adjustment

Non-fuel rates, as noted earlier, were increased by 4.69% from May 1, 2009 based on the Reference Price Index (RPI) for 2008. This came on the back of the Company waiving a rate increase of 0.38% in 2008, to which it was entitled, in an effort to prevent undue burden to customers who were coping with the impact of high fuel prices and the resulting high fuel charges. Our Company's non-fuel rates are adjusted at 2% less than inflation.

Dividends

Despite the tough year, dividends paid in 2009 of forty four (44) cents per share were the same as that paid in 2008. Given the continued uncertainty about the impact of the world economic recession and the obvious decline in sales growth our Company's Directors thought it prudent not to increase the dividend payout this year.

Risk Management

Our Hurricane Fund is now up to $8M and this improves our Company's ability to recover from a disaster, should it occur. We are aware from our prior experiences that this is an inadequate amount to rebuild our Transmission and Distribution lines, which cost $20M after hurricane Ivan. Thus, we will continue to make an annual provision of $2M for the foreseeable future. All of the Company's other assets are fully insured, thereby mitigating risks. Naturally, management of risk is an area of priority and we continue to examine our business continuity plan to ensure that we are able to recover in the shortest possible time, from any interruption that may occur.

Customer Services

The impact of the global economic recession continued to be felt by all categories of customers, many of who were affected by the slowdown in the tourism and construction sectors and the decline in remittances from overseas. Our Team was challenged to respond to customer complaints about difficulties servicing their electricity bills on time.

During the period, the average monthly fuel charge was 34.72 cents per kWh, a decrease of more than 45%, compared to the 2008 figure of 64.02 cents, the highest ever recorded by GRENLEC. In May, customers benefitted from a fuel charge of 29.36 cents, the lowest since 2004, bringing the unit price of electricity supplied to domestic customers down to 69.00 cents.

Enhancing Service Delivery Quality

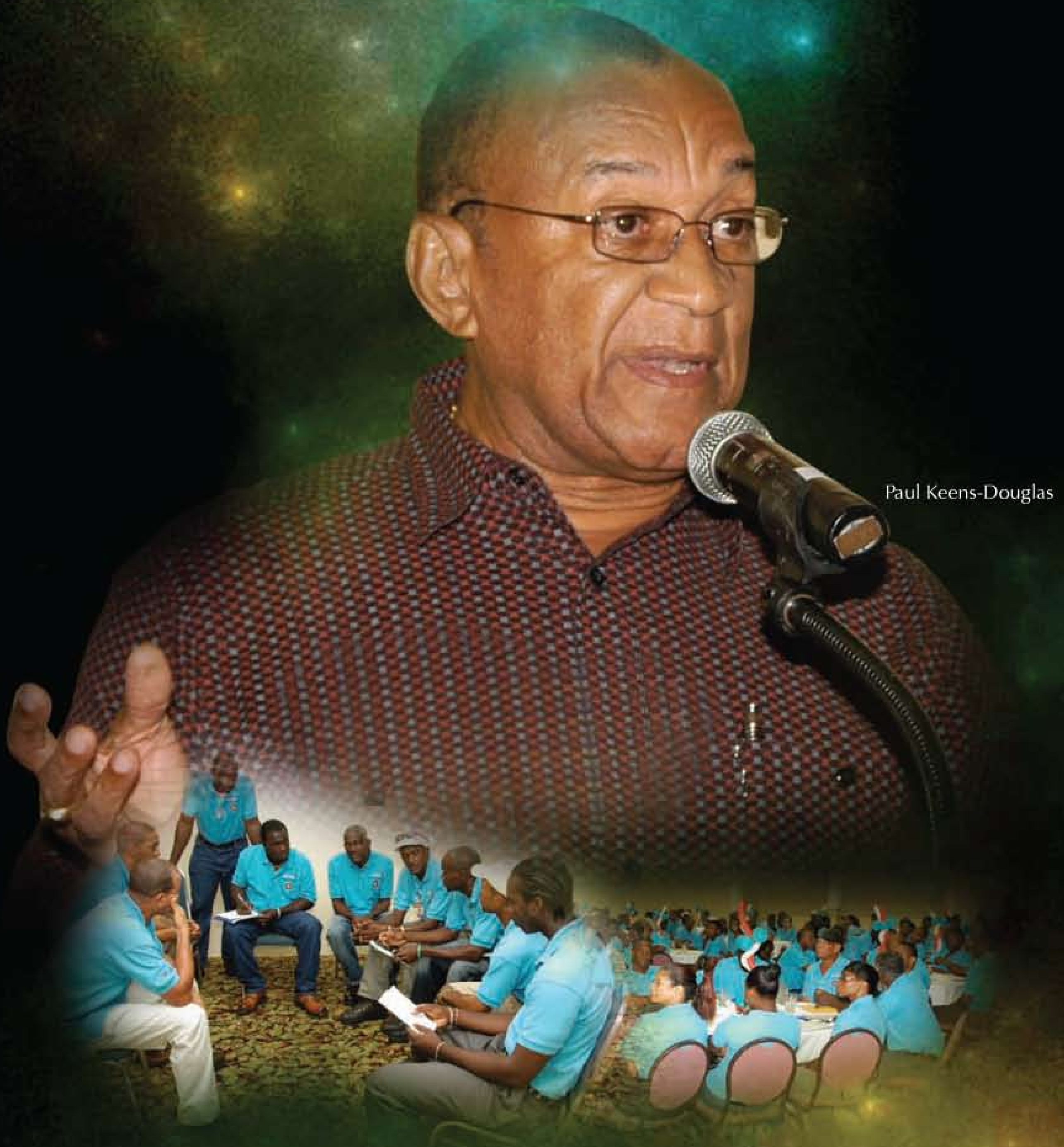
As we focus on remaking our Company to survive, enhancement of our customers' service experience is one of the ways in which our Company can secure a competitive advantage. This objective took centre stage with the internal kick-off of an initiative aimed at equipping team members to meet this challenge. The programme, SPAARQ (Service with Positive Actions and Attitudes Reproducing Quality), which was initiated in the third quarter of 2008, is a major change initiative designed to dramatically improve service quality at every point in our service delivery chain.

The programme actively engages all employees, generating discourse on the service experiences that we create for our customers, as well as the attitudes and values of team members. Simultaneously, customer service champions sought to reinforce the elements of a Customer Service Charter outlining service standards, which are being tested internally.

The kick-off generated much interest and participation, energising the team for the journey ahead. The challenge is sustaining this momentum, so that change is embedded within everyday work practices. Consequently, we are utilising a combination of internal communication strategies, training and peer engagement to help drive the change needed to launch the charter to our external public.

Related human resource objectives were concurrently executed to support the change process.

FOSTERING PARTNERSHIPS TO ENHANCE SERVICE



Paul Keens-Douglas

As the GRENLEC Family turned its focus on service quality enhancement, we collaborated with a Caribbean icon who has global perspective and impact that reaches far beyond regional borders. Paul Keens-Douglas drew on his experiences as an author, motivational speaker and entertainer to deliver a rousing call to service to nearly 200 team members, who gathered for the kick-off of the Company's service enhancement programme. The message is that becoming excellent requires the desire, the tools, the drive and action to create the change that will lead to excellence and world class service.

Human Resources

Significant among these are an employee recognition programme (CARE) and performance management training, which emphasises coaching as a tool for achieving high performance. Early in 2009 we received the results of a job satisfaction survey conducted during the latter part of 2008. The survey assessed the organisational climate and has provided for human resources planning, which will focus on coaching, mentoring, team building and leadership development.

In September, we commenced negotiations for salaries and benefits with the Grenada Technical and Allied Workers' Union for the 2009 to 2011 period. These negotiations come at a time of unprecedented global economic and financial crisis, a point we have sought to underscore to the Union. While we have reached agreement on most items in the contract, we closed the year without any agreement on salary increases for 2010 and 2011, having already reached agreement for 2009 following the industrial dispute of 2008.

Team Recognition

In February, the Team launched our CARE (Congratulating and Recognising Excellence) Programme aimed at timely, informal and formal acknowledgement of individual and team behaviours that exemplify organisational goals and values and support positive business results.

Additionally, team members were recognised for long service, outstanding and academic achievements. Four employees retired from the Company, having amassed a total of 140 years of service between them. Michael Whiteman and Paul Isaacs of the Customer Service department served for 41 and 42 years respectively; Vincent Williams of the Generation department, 42 years; and our first retiree from the Carriacou and Petit Martinique department, Ethelstan Troy, 15 years.

GRENLEC team members teaching through role play during CARE launch.

Recipients of the Teamwork Award second quarter.
Len Bascombe, Yoograph Persaud and Vaughn Isaac (left-right).

Strengthening Internal Capacity

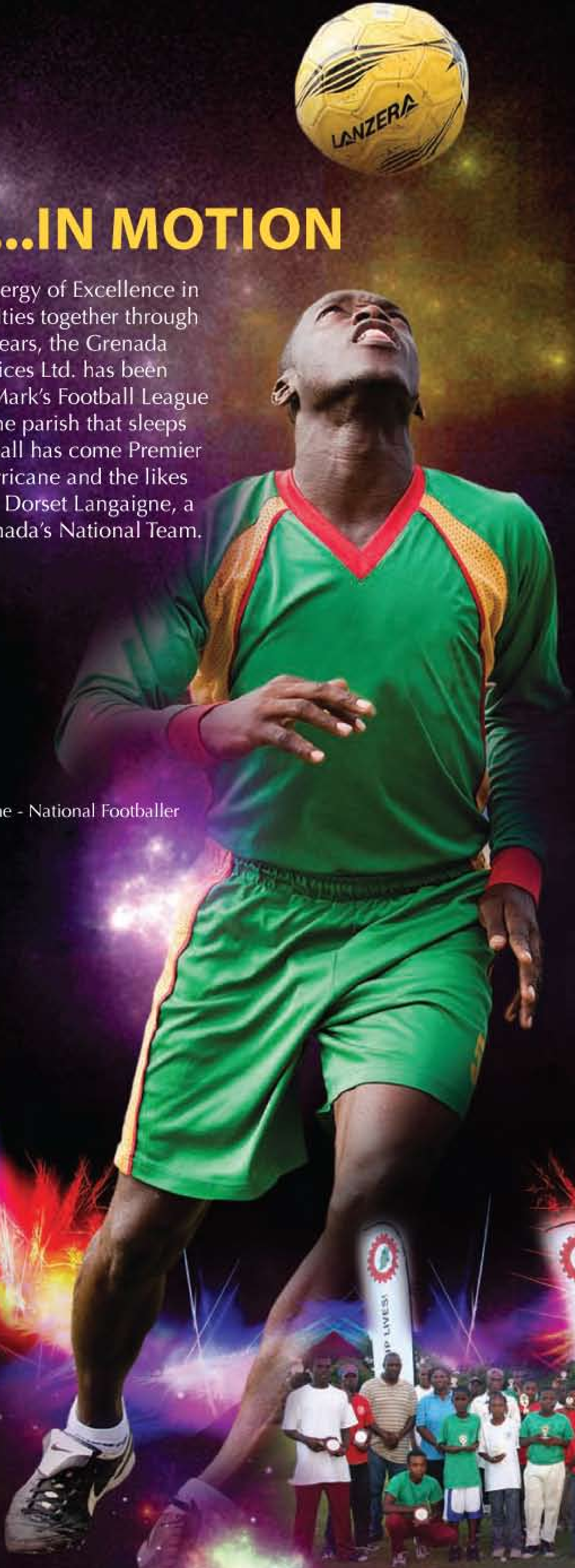
In keeping with our focus on developing human capital, ninety percent of our 220 permanent team members participated in congruent training in Grenada and abroad. We are proud of the three team members who successfully read for Masters Degrees and four who attained their Baccalaureate Degrees in Business Management and Engineering disciplines. In line with the Company's job enrichment programme, we appointed a Health and Safety O cer and a Maintenance Planner in the Generation Department. These were both internal promotions. In 2010, we intend to conduct further training to equip the maintenance sta with the skills necessary to shift the department's e orts to more predictive, rather than reactive maintenance activities.

In October, our third apprenticeship-training programme commenced with nine participants in the Distribution department. The aim is for a new four-year model to produce journeymen, who are cross-trained to perform a range of tasks. 2009 saw the continuation of a two-year Generation Apprenticeship Programme.

During the year, six new employees were appointed to fill vacant positions.

ENERGY...IN MOTION

Celebrating the Energy of Excellence in bringing communities together through sport. For ten years, the Grenada Electricity Services Ltd. has been supporting the St. Mark's Football League annually. From the parish that sleeps and breathes football has come Premier League team Hurricane and the likes of players such as Dorset Langaigne, a midfielder on Grenada's National Team.



Dorset Langaigne - National Footballer

Youth Community Cricket Programme

Information Technology

Enhancing Service Quality and Reducing Costs

The use of technology continues to positively impact service delivery and efficiency across all departments. In 2009, GRENLEC completed the upgrade of the telephone system to Voice over IP (VOIP). This new system, with its fail-over facilities, completely replaced the aging digital PABX system. For the most part, this VOIP system was run over GRENLEC's fibre network, allowing for further reduction in telephone costs. The project also involved the implementation of a Call Centre and call logging application, which is being tested for commissioning in the new year. This Call Centre is expected to improve the organisation's ability to respond efficiently to customer queries.

Our Company seized the opportunity to realise cost savings in the area of Internet connectivity services and improved our capacity to facilitate E-business transactions.

Corporate Website Revamped

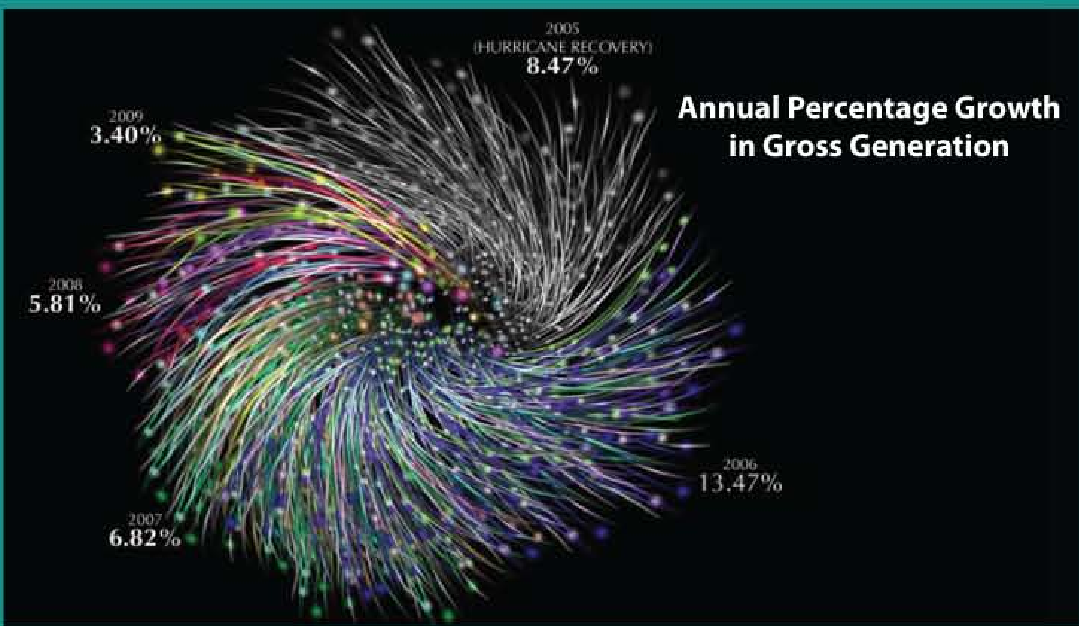
During 2009, IS began a project to revamp the Company's website. After much analysis and consultation with internal and external stakeholders, in November, GRENLEC successfully completed a soft launch of the new website. The new site boasts a Content Management System (CMS), which will allow authorised internal users to update the site without compromising its design elements. Efforts are underway to complete content entry and to increase the functionality of the site for customers.

Improving the Planning Function

A steering committee was setup to identify, evaluate and select a Works Management System (WMS) for the technical departments to help integrate processes, schedule work, efficiently utilise assets, and evaluate performance. The evaluation team completed a series of WebX demos, onsite visits and installation of software for testing. An effective works management system is expected to aid planning and maintenance, as well as improving overall efficiency and effectiveness.

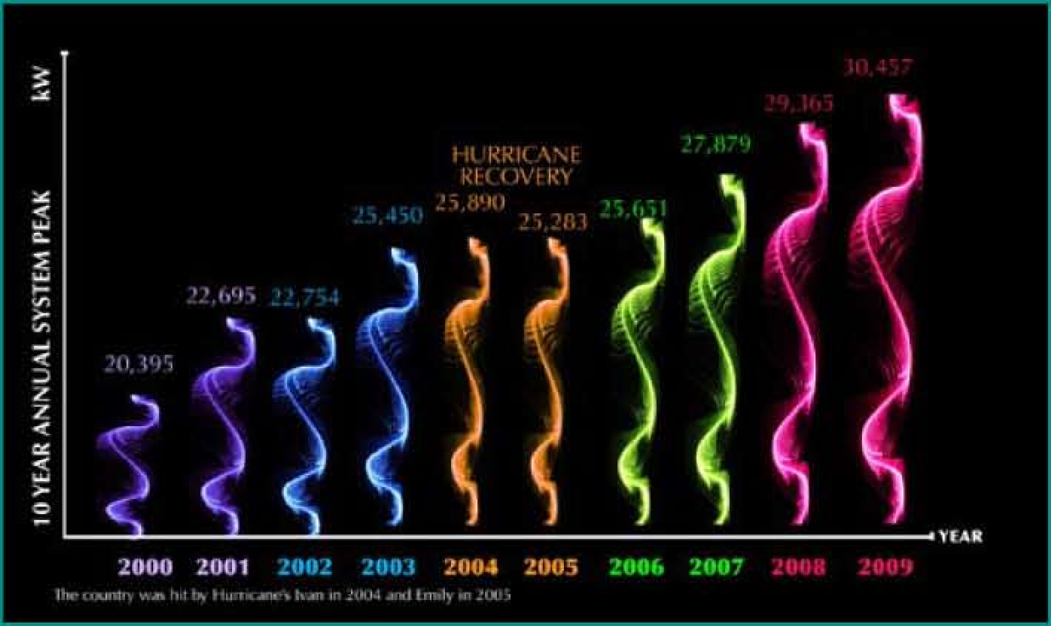
Generation

During 2009, **Gross Generation of Electricity** increased by 3.5% over 2008 with a total of 194.3GWh produced, while average daily electricity generation grew by 3.9%.



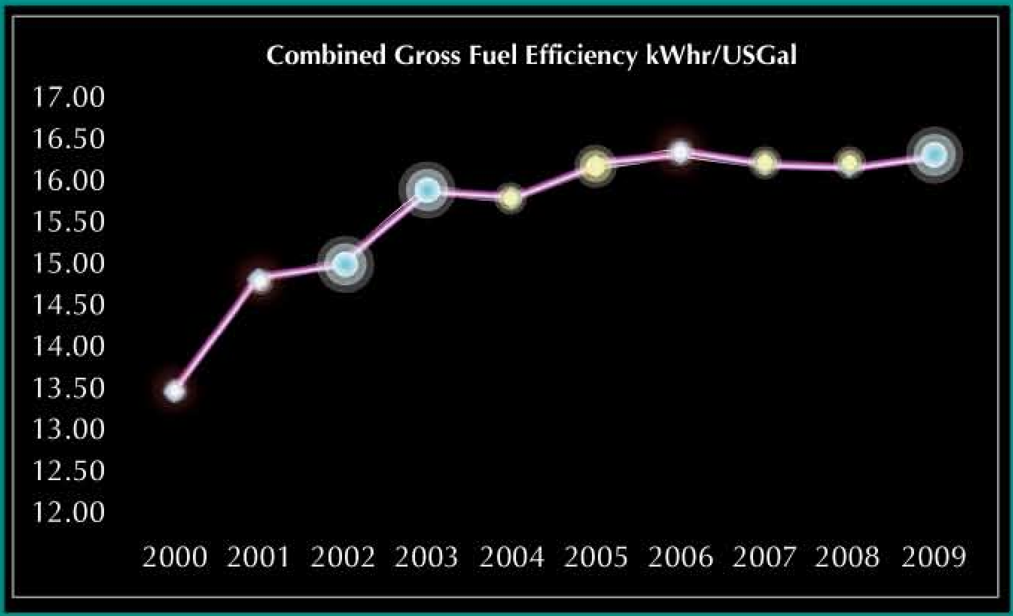
Management Review and Analysis continued...

Peak Demand increased marginally from 29.39MW in 2008 to 30.46MW at the end of 2009, an increase of 3.7%.



Gross Fuel Efficiency at the end of the year averaged 16.34kWh/Gal, despite extensive maintenance activities on the large units. This means our Company has maintained the high standard achieved over the last five years, at all plants.

Equipment and Maintenance



The department started the year with an aggressive schedule, which included the major overhaul of four of the larger generating sets coupled with the overhaul of two lube oil separators. The micro movement and fretting between the counterweights and crankshaft of the two new Wartsila units continued in 2009 with Wartsila personnel actively engaged in a number of inspections. This unresolved issue continues into 2010 with the final inspection due in the first quarter.

On June 7, a fire severely damaged a section of the MaK 1 engine, resulting in an island-wide outage. The engine was rebuilt and recommissioned within three months of the incident. The department will install a fire suppression system in the engine hall to improve it's capability to respond to similar emergencies. This is one of a number of measures to prevent such incidents.

Transmission and Distribution

In 2009, one thousand, nine hundred and ninety-eight (1,998) new service connections were added to the system. Five thousand, eight hundred and twenty (5,820) kVA of transformer capacity was added to supply electricity to apartment buildings, marinas, shopping plazas, and land sub-divisions.

System Reliability

Significantly, the reliability of the supply to customers increased as the Company decreased forced and planned system outages over 2008 figures, as part of a concerted e ort to decrease the frequency and duration of all system outages. We continue to focus especially on system under frequency and HV spur lateral outages, two areas in which there is significant room for improvement.

Third party outages, especially related to kite ying and vehicular accidents, continued as major contributors to forced outages in 2009. Discussions are ongoing about e ective methods of alleviating the inconvenience to customers that result from these events.

Commissioning a Decentralised Transmission Network

The Transmission and Distribution Department made significant developmental changes to the electrical network to improve reliability and quality. Two 33kV Transmission lines were commissioned, energised and placed into operation, along with two 33 kV to 11 kV substations at Queens Park and Grand Anse. The lines, which are approximately 8km each in length, originate from the newly commissioned Queens Park Substation near the Power Plant and terminate at the newly constructed Grand Anse Substation at the Company's Dusty Highway facility. With the introduction of the 33kV transmission lines and the two substations, the 11kV distribution network was reconfigured from a centralised system, in which eight feeders originated from our generation plant at Queens Park, to a decentralised network with seven feeders coming from the Queens Park substation and an additional five from the Grand Anse Substation. The reconfiguration resulted in shorter feeders to the load centre in the south of the island providing the benefits of improved quality of supply, system reliability and added system capacity to meet future growth.

Maintenance of the Transmission Network

Winner of the Service Pride Award
Adrian Arnold, Wayne Williams, Ian Bishop, Terry Checkley, Israel "Preacher" Jeremiah, Lloyd Lewis and Sheldon Phillip (left to right) with supervisor Keith Gilkes

Crews performing line maintenance

System improvement work continued on the 11kV Gouyave feeder from Victoria, St. Mark to La Mode, St. Patrick. One hundred and thirty-four (134) HV poles were replaced with associated pole hardware, and crews relocated sections of the lines that passed through agricultural land, in addition to installing approximately sixty-one thousand, two hundred feet (61,200ft) of new 175mm2 conductors. This project is 88% completed. Maintenance work on the Gouyave feeder will continue in 2010 to further improve reliability and alleviate the frequency and duration of outages a ecting customers.

CELEBRATING THE ENERGY OF EXCELLENCE IN SCIENCE AND TECHNOLOGY

GRENLEC is focused on developing renewable energy capacity in wind, geothermal and solar power, among others. In 2009, our Company proudly applauded team member Jusceno Jacob. He resumed duties in December after completing a Master of Science degree in Power Systems Engineering with the University of Manchester. An Electrical Engineer in the Company's Planning and Engineering Department since 2000, Jusceno is ideally placed to help drive this essential change.

Jusceno Jacob
-Electrical Engineer

Creating a SPAARQ

Dressed for success

Planning and Engineering

System Planning

Although growth was recorded in sales and peak demand during 2009, it was lower than projected values because of the e ects identified earlier of the global economic crisis. The Company continues to monitor a number of major development projects that are in various stages of startup or development. As a result of the slowdown, the Company may delay plans to expand capacity.

Improving Capacity to Remotely Control Transmission and Distribution

The ability provided by the SCADA System to remotely control and monitor the transmission and distribution networks allows quick identification and response to system failures and provides support for maintenance crews and crews responding to faults. This means that customers are frequently spared the inconvenience of the long outages of the past.

The Carriacou SCADA project was implemented in-house to provide critical data to the Generation department, from the three Cummins gensets, which can now be monitored and controlled remotely. Data storage and trending capability were added as part of this upgrade.

Sustainable Energy

The Company will continue to commit resources to the diversification of its energy portfolio. A number of renewable energy options are being studied-along with the traditional renewable energy mainstays like wind, solar thermal and photovoltaic (PV). In addition, other technologies are being explored as part of a multi-faceted approach aimed at increasing renewable energy penetration and improving overall energy e ciency nationwide.

- ### Wind Project

Two additional sites for meteorological measurements were identified in Clozier on mainland Grenada and Top Hill, Carriacou. A wind resource assessment agreement was signed with the land owner in the Clozier area and the Company has received preliminary approval from the Government of Grenada for the use of land in Top Hill Carriacou for wind resource prospecting. Arrangements are underway to erect a met tower in each location to take measurements for approximately one year to provide data for appropriate technical and economic evaluation of the wind energy potential. An energy production estimate is also in progress for a location adjacent to the River Antoine and Levera sites. A significant amount of data has already been logged for both sites from instruments installed in 2007.

- ### PV Grid Tied Systems

A total of 25 PV Grid Tied Systems, which provide solar electric power, have been installed on the GRENLEC grid. The total installed capacity of the systems administered under the Company's Interconnection policy now stands at 123.82kW. This is inclusive of two three-phase systems of capacity greater than 10kW, approved and commissioned during 2009.

- ### Geothermal

Initial prospecting and feasibility studies have commenced with a view to exploring Grenada's geothermal energy potential. A number of geochemical analyses have been conducted after exploration of surface evidence of geothermal activity throughout the volcanic areas of the island. The Company is working with Government and other stakeholders to establish the legal framework for the exploration and administration of the resource.

Improving Service Delivery

A major initiative with respect to the continuous development of the **Geographic Information System** (GIS) was undertaken in the form of detailed mapping of all customer meters. Connection crews continuously update data, so it is kept current within practical timeframes. An Internet web-browser application of the GIS was also developed in-house and users are now able to access some aspects of the GIS via Internet browsers. This project has already borne fruit, allowing for faster location of customer installations via Global Positioning System (GPS) capable Personal Digital Assistants (PDAs) being used by loss reduction and customer service crews.

Having garnered significant experience in implementing the system, the Company's GIS team was instrumental in the planning and execution of the inaugural CARILEC GIS symposium, which was widely regarded as a successful event.

Major Suspense Projects

As was cited earlier, a number of projects started during the year 2008 have been put on hold. In spite of the contraction in economic activity, two large projects were commissioned during the year, namely:

1. Prickly Bay Marina: 1 MVA transformer to supply marina was installed and the 11kV underground distribution primary circuit was commissioned along with a pole mount primary metering unit.

2. Port Louis Marina: The commissioning of the switches and transformers and the final connections for the switches were all finished by December. The Camper and Nicholson run marina now boasts an installed pad mount transformer capacity of 3500kVA, with two 11kV underground feeders within the property.

Loss Reduction

The reduction of losses on the system is a key factor contributing to the e ciency of the Company. As a result, much emphasis was placed on minimising technical and non-technical system losses in 2009. At year end, system losses were in single digits at 9.2%.

Technical losses in power systems are caused by the physical properties of the components of the power system infrastructure. This manifests itself as electrical resistance. In 2009, the commissioning of two substations and reconfiguration of the distribution feeders reduced this e ect. A significant portion of the Gouyave feeder was re-conductored, increasing the size of the conductors and reducing the electrical resistance of the circuits.

Non-technical losses in power systems are much more subtle. One method of containing non-technical losses is by concentrating on metering. During the year, more than 400 malfunctioning meters were upgraded from electro-mechanical (dial meters) to digital display meters. The energy consumed by the digital meters is much less than that of electro-mechanical meters. Another strategy employed was the inspection of disconnected accounts that remained dormant for a long period of time. This led to the discovery of some accounts that were not metered because they had been illegally connected to the system.

Corporate Social Responsibility

Our Vision to be a world class company and the corporate leader in Grenada, Carriacou and Petit Martinique requires that in all aspects of our business we remain conscious of our responsibility to all stakeholders.

During 2009, we sought to identify our responsibility to customers, developing an external communications plan to grasp opportunities for information exchange between our Company and customers, as well as to close gaps identified from customer feedback. We continued to utilise team member engagement and traditional media to communicate. In 2010, a major area of focus will be broadening our reach by employing more varied channels to identify solutions and communicate timely, relevant and clear messages.

In 2009, we actively engaged communities, partnering with them to help them achieve their growth and development objectives and strengthening our connections with the people we serve. We returned in excess of 5% of our pre-tax profits to the community and facilitated the successful implementation of a number of projects. Funding of over EC$500,000 was awarded for projects completed during the year, including:

- Donations of computers, printers, photo copy machines and other equipment to schools and other community groups.
- Assistance to fifteen caregiving institutions, including the Mental Hospital.
- Mentoring a secondary school company in the Junior Achievement Competition organised by the Chamber of Industry and Commerce.
- Facilitating the hosting of a Youth Cricket Programme for 200 youngsters in St. Andrew, St. Patrick, St. George and St. David.
- The continuation of a ten-year partnership with the Western parish of St. Mark to host the parish's Football League Competition.
- Continued support of the Grenada Community Development Agency (GRENCODA) Student Assistance Programme.
- Support of national and parish festivals including Carriacou Carnival, Carriacou Regatta, Petit Martinique Regatta, Fisherman's Birthday and Rainbow City Festival.

Management Review and Analysis continued...

- GRENLEC Inter-Secondary School Debating Competition, which fosters the art of debating, critical thinking and public awareness.
- The completion and handing over of a Shelter for Adolescent Girls, to the Child Welfare Authority.

GRENLEC's Chief Engineer, Mr. Clive Hosten presenting the ceremonial key for the Emergency Shelter for Girls to Ms. Leslie Ann Seon, Chairman of the Board of Directors of the Child Welfare Authority.

In 2009, we added the third 'P', Planet to People and Profit in the triple bottom line mix, defining our responsibility to actively safeguard our environment. As a priority, we developed and have begun implementation of an environmental management system for our business. The initiative will focus on changing the way we do business, to decrease our carbon footprint as we continue to grow. Specifically, it will bring GRENLEC in line with national and international standards for environmental management, guided by ISO 1400.

The GRENLEC Community Partnership Initiative (GCPI)

The Company developed a sponsorship and donations policy to focus our activities and to guide organisations applying to the Company for support. The policy seeks to unify the emphasis of our community outreach initiatives. It identifies several areas of priority and interest, along with criteria that organisations requesting support must meet.

The GCPI will publicise the availability of funding for community development and strengthen the Company's impact in Grenada, Carriacou and Petit Martinique by actively seeking partnerships with communities and other stakeholders. To qualify, clearly outlined projects must be submitted by registered non-profit or established community organizations. Organizations

Recognising and Rewarding the Top Performer in the T.A. Marryshow Community College Electrical Installation Technology Programme.

GRENLEC's Customer Services Manager, Mrs. Casandra Slocombe presenting cheer to Care Institutions.

applying must demonstrate how proposed projects match priority areas identified for community development, as well as community or stakeholder ownership of the project. Applicants must also demonstrate strong accountability. Proposals exceeding EC$ 20,000 will be considered by a committee comprised of GRENLEC, Government and Community Representatives. All awards will be publicly announced.

Future Outlook

Economic recovery of the Grenadian economy is at best uncertain and likely to be slow. This suggests that growth in electricity demand will be comparatively low in 2010, following the trend of 2008 and 2009. Cost containment therefore is a vital part of our business strategy for 2010.

World fuel prices ended the year at USD 80 per barrel, higher than any year other than 2007, following which they skyrocketed. Predictions are that this is unlikely to reoccur in 2010 as many of the major world economies are expected to make weak recoveries. Despite this, unless there is a fall in world fuel prices we anticipate that the cost of electricity will average ECD 1.00 per KWH in 2010 for our commercial and domestic customers.

The company is due a rate increase of 3.39% in 2010, which can be implemented in March 2010. As noted earlier, a rate decrease will be applicable for 2011 and thus it is likely that this increase will be applied. Additionally, VAT on electricity will also see the price of electricity increasing by as much a 5% at current fuel prices in the case of our commercial and industrial customers.

Given all the opportunities and challenges we have identified, management sees 2010 as yet another year in which we can succeed by implementing strategic plans such as our Customer Service Enhancement Programme, focusing on training and development of team members and leaders in our organisation, cost containment and exploration of renewable energy sources. Additionally, sustaining the gains already made from e ciency improvements, particularly in fuel and system losses, will be vital if we are to continue to add value for our customers and improve profit margins for the benefit of you our shareholders.

Carriacou Regatta

Charting the way forward for excellence

Nakesha Richardson, Top performer.

CELEBRATING THE ENERGY OF EXCELLENCE IN EDUCATION

For many years, the Grenada Electricity Services Ltd. has supported the Grenada Community Development Organisation (GRENCODA) Scholarship Programme. In 2009, GRENLEC was privileged to join GRENCODA in recognising the achievements of the three highest performers, all past students of the St. Mark's Secondary School and current students of the T.A. Marryshow Community College.

AUDITORS' REPORT

PKF
Accountants and
Business Advisers

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

GRENADA ELECTRICITY SERVICES LIMITED

We have audited the accompanying financial statements of the company which comprise the statement of financial position at December 31st, 2009 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of the Company as of December 31st, 2009 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

GRENADA:

March 22, 2010

PKF

Accountants & Business Advisers:

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31ST 2009 (Expressed in Eastern Caribbean Dollars)

ASSETS	Notes	2009 $	2008 $
Non-Current Assets			
Property, plant and equipment	4	102,150,600	81,582,453
Suspense jobs in progress		1,582,278	1,891,611
Capital work in progress	5	3,511,161	23,313,929
Deferred exchange loss	6	2,186,150	2,188,810
Available-for-sale financial assets	7	877,222	863,949
		110,307,411	109,840,752
Current Assets			
Inventories	8	15,989,803	14,363,520
Trade receivables	9	31,306,719	37,115,390
Prepayments		420,258	1,189,766
Segregated retirement investment	10	14,335,735	13,139,774
Income tax prepaid		268,041	1,538,632
Loans and receivables financial assets	7	11,922,010	15,987,839
Cash and cash equivalents	11	12,332,715	993,895
		86,575,281	84,328,816
TOTAL ASSETS		196,882,692	194,169,568
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Stated capital	12	32,339,840	32,339,840
Other reserves		13,405	-
Retained earnings		37,203,608	35,947,779
		69,556,853	68,287,619
Non-Current Liabilities			
Consumers' deposits	13	8,582,423	7,538,265
Long –term borrowings	14	55,475,419	63,449,612
Provision for retirement benefits	15	18,743,581	16,607,571
Provision for hurricane insurance reserve	16	8,000,000	6,000,000
		90,801,423	93,595,448
Current Liabilities			
Amount due to related company	17	86,703	259,359
Short-term borrowings	14	10,450,595	10,149,395
Trade payables and accrued expenses	18	21,265,345	14,666,362
Consumers' advances for construction		891,368	1,770,754
Current portion of provision for retirement benefits		750,000	1,500,000
Provision for profit sharing		3,080,405	3,940,631
		36,524,416	32,286,501
TOTAL LIABILITIES		127,325,839	125,881,949
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		196,882,692	194,169,568

The notes on pages 36 to 64 form part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31ST 2009 (Expressed in Eastern Caribbean Dollars)

	Notes	2009 $	2008 $
INCOME			
Sales - non fuel charge		75,329,081	71,668,707
- fuel charge		63,793,714	110,570,928
Unbilled sales adjustments		(891,079)	958,188
Gross Sales		138,231,716	183,197,823
Other income	19	2,808,786	5,653,635
Total income		141,040,502	188,851,458
OPERATING EXPENSES			
Production expenses		21,143,387	19,701,004
Diesel consumed		62,871,769	103,813,684
Administrative expenses		15,432,621	16,708,067
Distribution services		15,520,841	14,583,593
Planning and engineering		1,735,297	1,435,695
Provision for hurricane insurance reserve		2,000,000	2,000,000
Total operating expenses		118,703,915	158,242,043
Operating profit		22,336,587	30,609,415
Finance cost	20	(4,841,963)	(5,507,470)
Profit for year before taxation and allocations		17,494,624	25,101,945
ALLOCATIONS			
Less: Donations		874,731	1,255,097
Profit sharing		3,933,473	4,423,964
		4,808,204	5,679,061
Profit for year before income tax		12,686,420	19,422,884
Deduct: Provision for income tax	21	3,070,591	4,559,120
Profit for year after income tax		9,615,829	14,863,764
Other comprehensive income			
Revaluation of available-for-sale financial assets		13,405	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		9,629,234	14,863,764

The notes on pages 36 to 64 form part of these financial statements

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31ST 2009 (Expressed in Eastern Caribbean Dollars)

	Stated Capital $	Other Reserve $	Retained Earnings $	Total $
Balance at 1st January, 2008	32,339,840	-	29,444,015	61,783,855
Dividends paid	-	-	(8,360,000)	(8,360,000)
Total comprehensive income for the year:				
Profit for the year	-	-	14,863,764	14,863,764
Balance at 31st December, 2008	32,339,840	-	35,947,779	68,287,619
Dividends paid	-	-	(8,360,000)	(8,360,000)
Total comprehensive income for the year:				
Profit for the year	-	-	9,615,829	9,615,829
Revaluation of available-for-sale financial assets	-	13,405	-	13,405
Total comprehensive income:	-	13,405	9,615,829	13,405
Balance at 31st December, 2009	32,339,840	13,405	37,203,608	69,556,853

The notes on pages 36 to 64 form part of these financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31ST 2009 (Expressed in Eastern Caribbean Dollars)

	2009 $	2008 $
OPERATING ACTIVITIES		
Profit before income tax	12,686,420	19,422,884
Adjustments for:		
Depreciation	14,553,744	14,123,098
Profit on disposal of fixed assets	(42,028)	(2,599,880)
	27,198,136	30,946,102
Changes In Operating Assets/Liabilities		
Decrease/(increase) in receivables and prepayments	6,738,269	(6,230,809)
Increase/(decrease) accounts payable and accrued charges	6,603,665	(3,927,412)
Increase in provision for retirement benefits	1,386,010	1,321,277
(Increase)/ decrease in inventory	(1,626,283)	1,180,853
(Decrease)/increase/in related company balance	(172,656)	165,232
(Decrease)/increase in provision for profit sharing	(860,226)	1,142,957
	39,266,915	24,598,200
Income tax paid	(1,800,000)	(5,507,084)
Cash provided by operating activities	37,466,915	19,091,116
INVESTING ACTIVITIES		
Increase in investments	(13,273)	(132)
Disposal of property, plant and equipment	94,685	3,637,650
Decrease/(increase) in suspense jobs in progress	309,333	(1,204,407)
Decrease/(increase) in capital work in progress	19,802,768	(18,933,608)
Decrease/(increase) in loans and receivables financial assets	4,065,829	(9,491,940)
Increase in segregated investment	(1,195,961)	(576,977)
Increase in consumer contribution to line extension	1,525,206	417,168
Purchase of property, plant and equipment	(36,699,754)	(4,366,081)
Increase in other reserves	13,405	-
Cash used in investing activities	(12,097,762)	(30,518,327)
FINANCING ACTIVITIES		
Dividends paid	(8,360,000)	(8,360,000)
Increase in provision for hurricane insurance reserve	2,000,000	2,000,000
Repayment of loan	(7,676,321)	(7,114,132)
Cash used in financing activities	(14,036,321)	(13,474,132)
Net increase/(decrease) in cash and cash equivalents	11,332,832	(24,901,343)
Cash and cash equivalents - at the beginning of year	(1,403,976)	23,497,367
- at the end of year	9,928,856	(1,403,976)
REPRESENTED BY		
Cash and cash equivalents	12,332,715	993,895
Bank overdraft	(2,403,859)	(2,397,871)
	9,928,856	(1,403,976)

The notes on pages 36 to 64 form part of these financial statements

1. CORPORATE INFORMATION

The Company is public and is registered in Grenada. It is engaged in the generation and supply of electricity throughout Grenada, Carriacou and Petit Martinique. It is a subsidiary of Grenada Private Power Limited.

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

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

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

The Company employed on average two hundred and twenty-two (222) persons during the year
(219-2008).

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

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

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

(b) New Accounting Standards and Interpretations

(i) Certain new standards have been adopted in the current year that is relevant to the Company. These are as follows:

IFRS 7(amended)	Financial instruments disclosures
IAS 1 (revised)	Presentation of financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31ST 2009 (Expressed in Eastern Caribbean Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New Accounting Standards and Interpretations (continued)

(ii) The Company has not applied the following International Financial Reporting interpretations Committee (IFRIC) interpretations that became effective during the current year as they no not apply to the activities of the Company or have no material impact on its financial statements

IFRS 1 First-time Adoption of International Financial Reporting Standards – Amendment relating to cost of an investment on first time adoption (effective for accounting periods beginning on or after January 1, 2009).

IFRS 2 Share-based Payment – Amendment relating to vesting conditions and cancellations (effective for accounting periods beginning on or after January 1, 2009).

IFRS3 Business combinations – comprehensive revision on applying the acquisition method (effective for accounting periods beginning on or after January 1, 2009).

IFRS 8 Operating segments (effective for accounting periods beginning on or after January 1, 2009).

IAS 16 Property, plant and equipment – amendments resulting from May 2008 annual improvements to IFRSs (effective for accounting periods beginning on January 1, 2009).

IAS 19 Employee Benefits - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).

IAS 20 Government Grants and Disclosure of Government Assistance - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).

IAS 23 Borrowing Costs - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).

IAS 27 Consolidated and Separate Financial Statements - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).

IAS 28 Investment in Associates - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).

IAS 29 Financial Reporting in Hyperinflationary Economies - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New Accounting Standards and Interpretations (continued)

IAS 31 Interest in Joint Ventures - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).

IAS 32 Financial Instruments: Presentation – Amendments relating to puttable instruments and obligations arising on liquidation (effective for accounting periods beginning on or after 1 January 2009).

IAS 36 Impairment of Assets - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).

IAS 38 Intangible Assets - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).

IAS 40 Investment Property - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).

IAS 41 Agriculture - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).

IFRIC 15 Agreements for the Construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009).

(iii) The Company has not applied the following standards, revised standards and interpretations that have been issued but are not yet effective as they either do not apply to the activities of the Company or have no material impact on its financial statements.

IAS 39 Financial Instruments: Recognition and Measurement - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 July 2009).

IFRS 5 Non-current Assets Held-for-sale and discontinued operations-amendments resulting from May 2008 annual improvements to IFRSs (effective for accounting periods beginning on or after July 1, 2009).

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction effective for accounting periods beginning on or after 1 January 2011).

IFRIC 18 Transfer of Assets from Customers (effective for accounting periods beginning on or after 1 July 2009).

IFRIC 17 Distributions of Non-cash Assets to Owners (effective for accounting periods beginning on or after 1 July 2009).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31ST 2009 (Expressed in Eastern Caribbean Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, Plant and Equipment

Recognition and Measurement

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

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and 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 becomes available for use.

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

	% Per Annum
Building and construction	2.5 - 25
Plant and machinery	5 - 12.5
Motor vehicles	33 1/3
Furniture, fittings and equipment	12.5 - 20

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, Plant and Equipment (continued)

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

(d) Foreign Currencies Translation

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

EC$2.7169 to US$1.00	-	(2008: EC$2.7169)
EC$4.0266 to Euro1.00	-	(2008: EC$3.9863)

Differences on exchange on current liabilities are reflected in the income statement in arriving at net income for the year, while differences on long term loans 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31ST 2009 (Expressed in Eastern Caribbean Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

Loans and receivables

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

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. The majority of these investments continue to be carried at cost as in almost all cases they are not traded on an active market and methods of reasonable estimation of fair value are unavailable. 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 balance sheet 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 balance sheet 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 balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attentio n 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

(iii) It becomes 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 income.

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

(ii) Financial assets measured at cost

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31ST 2009 (Expressed in Eastern Caribbean Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) *Financial Instruments (continued)*

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. Work in progress and finished goods include attributable production overheads based upon the normal level of activity.

(g) Trade receivables

Trade receivables are amounts due from customers for merchandise sold or 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. 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.

(h) Cash and cash equivalents

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

(i) Stated capital

Ordinary shares are classified as equity.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Trade payables

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

Trade payables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

(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) Consumer 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) Consumers' Contribution to Line Extensions

In certain specified circumstances, consumers 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 consumer contributions is deducted from the depreciation charge for Transmission and Distribution provided in respect of the capital cost of these line extensions.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31ST 2009 (Expressed in Eastern Caribbean Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Income tax

The charge for the current year is based on the results for the year as adjusted for items which are non-assessable or disallowed. 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. Revenue is shown, net of estimated returns, rebates and discounts. Revenue is recognised as follows:

(i) Sale of energy

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

(ii) Interest income

Interest income is recognised on an accrual basis.

(iii) Dividend income

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(s) Related parties

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

(t) Finance charges

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

(u) Provision for Bad and Doubtful Debts

Provision is made based on 2% of Annual Gross Sales. Accounts are written off against the provision when they are considered to be bad. The total provision at 31st December, 2009 amounted to EC$4,607,137 (2008 - EC$5,110,898). Included therein is a specific provision of $1,240,858 on consumer accounts and $472,369 on other debtors.

(v) Provision for Unbilled Sales

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31ST 2009 (Expressed in Eastern Caribbean Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Provision for Unbilled Sales (continued)

The provision and adjustment with comparatives at 31st December, 2009 are calculated as follows:

		2009	2008
		$	$
Sales revenue for December after discounts		12,691,847	14,474,005
50% of above	= provision at 31/12/09	6,345,924	7,237,003
	= provision at 31/12/08	7,237,003	6,278,814
(Decrease)/increase in provision during the year		(891,079)	958,189

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS 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.

Fair value of available-for-sale investments

The fair values of financial instruments that are not quoted in active markets are determined using the last traded value for the investment. Where no such value exists the investment is carried at cost less impairment.

Impairment of financial assets

Management assesses at each balance sheet 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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

Impairment of inventory and trade receivables

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

Provision is made for doubtful debts based on specific identification of doubtful balances. As debts become uncollectible they are written off against the provision.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31ST 2009 (Expressed in Eastern Caribbean Dollars)

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2009
(continued)

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Building and Construction	Plant and Machinery	Motor Vehicles	Furniture and equipment	Total
COST	$	$	$	$	$	$
Balance at 1st January 1st, 2009	1,467,468	23,675,113	165,756,407	8,688,000	8,538,401	208,125,389
Additions for the year	-	73,802	35,337,683	694,590	593,679	36,699,754
Disposals during the year	-	-	(53,615)	(226,948)	(27,685)	(308,248)
Balance at 31st December, 2009	1,467,468	23,748,915	201,040,475	9,155,642	9,104,395	244,516,895
ACCUMULATED DEPRECIATION						
Balance at 1st January, 2009	-	12,674,383	94,864,436	7,217,107	4,547,674	119,303,600
Charge for year	-	1,194,856	11,772,588	772,713	813,587	14,553,744
Written back on sales/disposals	-	-	(3,931)	(226,948)	(24,712)	(255,591)
Balance at 31st December, 2009	-	13,869,239	106,633,093	7,762,872	5,336,549	133,601,753
Balance at 31st December, 2009	1,467,468	9,879,676	94,407,382	1,392,770	3,767,846	110,915,142
Less: Consumer contribution to line extension	-	-	-	-	-	(8,764,542)
Net book value - 31st December, 2009	$1,467,468	$9,879,676	$94,407,382	$1,392,770	$3,767,846	$102,150,600
Balance at 31st December, 2008	1,467,468	11,000,730	70,891,971	1,470,893	3,990,727	88,821,789
Less: Consumer contribution to line extension	-	-	-	-	-	(7,239,336)
Net book value – 31st December, 2008	1,467,468	11,000,730	70,891,971	1,470,893	3,990,727	81,582,453

5. CAPITAL WORK IN PROGRESS

	2009 $	2008 $
Generation	602,330	699,955
Computers and software upgrades	140,850	272,027
Building and construction	927,349	872,453
Tools and equipment	86,179	102,822
Land at Queens Park	-	600,000
Distribution	1,754,453	20,766,672
	3,511,161	23,313,929

6. 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$4.0266 to one Euro at the balance sheet date. The average rate existing on the dates the draw downs were received was ECC$3.3419 to one Euro.

7. FINANCIAL ASSETS

	2009	2008
Available for sale		
536 ordinary shares in the Republic Bank (Grenada) Limited	29,485	16,080
Government of Grenada Treasury Bills	847,737	847,869
	877,222	863,949
Loans and receivables		
Fixed deposit – Republic Bank (Grenada) Limited	7,661,561	3,689,317
Fixed deposit – Grenada Co-operative Bank Limited	3,264,736	11,345,172
Fixed deposit – Bank of Nova Scotia	991,558	949,195
US$ - certificate of deposit	4,155	4,155
	11,922,010	15,987,839

There is an amount of $7,205,759 for Hurricane Insurance Reserve invested in Treasury Bills and fixed deposits held with the Bank of Nova Scotia, Republic Bank of Grenada Limited and the Grenada Co-operative Bank Limited.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31ST 2009 (Expressed in Eastern Caribbean Dollars)

8. INVENTORIES

	2009 $	2008 $
The following is a breakdown of stock on hand:		
Motor vehicle spares	697,867	852,184
Distribution	7,303,870	7,087,990
Generation spares	6,138,203	4,516,718
Fuel and lubricating oil	205,652	408,442
General stores	2,647,453	2,382,335
Stationery	90,777	98,450
	17,083,822	15,346,119
Less: Obsolescence provision	1,094,019	982,599
	15,989,803	14,363,520

9. TRADE AND OTHER RECEIVABLES

Consumers' accounts	25,075,678	32,500,218
Less: Provision for doubtful debts	4,134,768	4,705,581
	20,940,910	27,794,637
Provision for unbilled sales	6,345,924	7,237,003
Other debtors	4,019,885	2,083,750
	31,306,719	37,115,390

As at December 31st, 2009 the ageing analysis of consumers' accounts is as follows:

	30 days $	30- 60 days $	60-90 days $	90-120 days $	Total $
2009	9,426,184	4,386,613	1,764,426	9,498,455	25,075,678
2008	11,232,211	7,609,747	4,763,208	8,895,052	32,500,218

10. SEGREGATED RETIREMENT INVESTMENT

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31ST 2009 (Expressed in Eastern Caribbean Dollars)

11. CASH AND CASH EQUIVALENTS

	2009 $	2008 $
Cash	9,268	15,898
Bank of Tampa	8,252	8,334
Bank of Nova Scotia	6,757	25,493
Republic Bank (Grenada) Limited	414,165	93,179
Grenada Co-operative Bank Limited	11,894,273	850,991
	12,332,715	993,895
Bank overdraft (note 14)	(2,403,859)	(2,397,871)
Cash and cash equivalent in the statement of cash flows	9,928,856	(1,403,976)

12. STATED CAPITAL

	2009	2008
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

13. CONSUMERS' DEPOSITS

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31ST 2009 (Expressed in Eastern Caribbean Dollars)

14. BORROWINGS

	2009 $	2008 $
Long-term		
(A) European Investment Bank (EIB)		
Loan (i)	2,147,789	3,172,926
Loan (ii)	12,182,501	12,756,160
	14,330,290	15,929,086
(B) National Insurance Scheme	11,035,865	12,346,550
(C) Grenlec ECSE Bonds	38,156,000	42,925,500
	63,522,155	71,201,135
Less: Current portion	8,046,736	7,751,524
Total Long-term	55,475,419	63,449,612
Short-term		
Bank overdraft	2,403,859	2,397,871
Borrowings current portion	8,046,736	7,751,524
	10,450,595	10,149,395
Total borrowings	65,926,014	73,599,007

(A) European Investment Bank (EIB)

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

(ii) The loan commitment on this Grenlec 111 Loan is Euro 5,000,000 of which Euro 3,200,000 was drawn down at the statement of financial position date. The loan bears an average interest rate of 5.75% per annum. Principal repayments commenced on June 30th, 2009 with annual instalments of Euro 365,746.45 inclusive of interest.

(B) The loan bears interest at the rate of 7% per annum and is repayable over ten (10) years by quarterly instalments of $535,650.84 inclusive of interest.

(C) On December 17, 2007, the company raised EC$47,695,000 loan capital to repay its loan with Fincor and to fund the construction and commission of new transmission facilities. The loan bears interest at a rate of 7% per annum and is repayable by quarterly instalments of $1,192,375 (interest excluded) over ten (10) years. Repayment commenced March 20th, 2008.

15. 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.

16. PROVISION FOR HURRICANE INSURANCE RESERVE

	2009 $	2008 $
Balance at 1st January, 2009	6,000,000	4,000,000
Add: Transfer during the year	2,000,000	2,000,000
Balance at 31st December 31st, 2009	8,000,000	6,000,000

17. DUE TO RELATED PARTIES

WRB Enterprises Inc	(86,703)	(259,359)

Related Party Transactions

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

i) The following transactions were carried out with WRB Enterprises and the National Insurance Scheme:

	2009 $	2008 $
a) Sale of electricity: NIS	253,014	356,481
b) Management services- WRB Enterprises Inc.	600,000	600,000
c) Loan repayments- NIS	6,427,810	6,427,810
d) Payment of dividends: NIS	970,129	970,129
WRB Enterprises Inc	4,180,000	4,180,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31ST 2009 (Expressed in Eastern Caribbean Dollars)

17. DUE TO RELATED PARTIES (continued)

Related Party Transactions

ii) Compensation of key management personnel of the Company:

	2009 $	2008 $
Salaries and other benefits	2,929,089	3,078,972
Past employment benefit provisions	512,525	491,795
iii) Loans receivable from key management personnel	78,319	11,902

18. TRADE PAYABLES AND ACCRUED EXPENSES

Trade creditors	6,484,902	4,736,605
Sundry creditors	4,992,083	1,098,541
Accrued expenses	9,788,360	8,831,216
	21,265,345	14,666,362

19. OTHER INCOME

Sundry Revenue	2,766,758	3,053,755
Gain on disposal of fixed assets	42,028	2,599,880
	2,808,786	5,653,635

20. FINANCE COST

Bank Loan Interest	4,537,027	5,127,699
Other Bank Interest	10,503	95,467
Other	294,433	284,303
	4,841,963	5,507,469

21. TAXATION

Current year

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

	2009 **$**	2008 $
Profit before taxation	12,686,420	19,422,884
Tax at applicable statutory rate (30%)	3,805,926	5,826,865
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	(479,717)	(1,328,801)
Effect of allowances	(4,646,274)	(4,210,774)
Effect of expenses not deductible for tax purposes	4,390,656	4,271,830
Tax expense	3,070,591	4,559,120

Deferred Tax

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

There was a deferred tax asset of $432,642 at 31st December, 2009 which was not recognised as the asset will not be realized in the future.

22. CONTINGENT LIABILITIES

At the balance sheet date the Company was contingently liable as follows:

(i) Government of Grenada customs bonds - $50,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31ST 2009 (Expressed in Eastern Caribbean Dollars)

23. DIVIDENDS

During the year ended December 31st, 2009, an interim dividend of 44 cents per ordinary share amounting to $8,360,000 was declared and paid. The 2008 final ordinary dividend of 44 cents per ordinary share amounting to $8,360,000 has been included as a charge against retained earnings in the current year.

24. COMPARATIVE FIGURES

Certain of the 2008 comparative figures have been reclassified to conform to the current year's financial statement presentation. These changes have no impact on the surplus reported for the previous year.

25. FINANCIAL RISK MANAGMENT

The Company's activities expose it to a variety of financial risks: credit risk, operational risk, insurance 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 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 financial assets, which potentially subject the company to concentrations of credit risk, consist principally of bank deposits (investment securities) and trade receivables. The Company's bank deposits and financial instruments are placed with highly rated financial institutions to limit its exposure. 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. Management does not believe significant credit risk exists at December 31, 2009

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.

25. FINANCIAL RISK MANAGEMENT (continued)

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
- Risk mitigation, including insurance as outlined below

Insurance risk

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

Liquidity risk

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

Management monitors the Company's liquidity reserve which compromises overdraft facilities and cash and cash equivalents on the basis of expected cash flows and is of the view that the company holds adequate cash and credit facilities to meet its short term obligations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31ST 2009 (Expressed in Eastern Caribbean Dollars)

25. FINANCIAL RISK MANAGEMENT (continued)

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

Balance at 31 December, 2009	Current	30-60 days	60-90 days	Over 90 days	Total
	$	$	$	$	$
Current Assets					
Cash and cash equivalents	12,332,715	-	-	-	12,332,715
Loans and receivable financial assets	-	-	-	11,922,010	11,922,010
Income tax prepaid	268,041	-	-	-	268,041
Segregated retirement investments	-	-	-	14,335,735	14,335,735
Prepayments	420,258	-	-	-	420,258
Trade and other receivable	15,772,108	8,326,453	1,764,426	5,363,687	31,226,674
Inventories	15,989,803	-	-	-	15,989,803
	44,782,925	8,326,453	1,764,426	31,621,432	86,495,236
Current liabilities					
Bank overdraft	2,403,859	-	-	-	2,403,859
Amount due to related company	86,703	-	-	-	86,703
Short-term borrowings	8,046,736	-	-	-	8,046,736
Trade payables and accrued expenses	8,189,502	7,807,828	1,523,198	3,664,772	21,185,300
Consumers' advances for construction	891,368	-	-	-	891,368
Current portion of provision for retirement benefits	-	-	-	750,000	750,000
Provision for profit sharing	-	-	-	3,080,405	3,080,405
	19,618,168	7,807,828	1,523,198	7,495,177	36,444,371
NET LIQUIDITY GAP	25,164,757	518,625	241,228	24,126,255	50,050,865

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31ST 2009 (Expressed in Eastern Caribbean Dollars)

25. FINANCIAL RISK MANAGEMENT (continued)

Balance at 31st December, 2008	Current	30-60 days	60-90 days	Over 90 days	Total
	$	$	$	$	$
Current Assets					
Cash and cash equivalents	993,895	-	-	-	993,895
Loans and receivable financial assets	-	-	-	15,987,839	15,987,839
Income tax prepaid	1,538,632	-	-	-	1,538,632
Segregated retirement investments	-	-	-	13,139,774	13,139,774
Prepayments	1,189,766	-	-	-	1,189,766
Trade and other receivable	18,549,259	9,693,497	4,763,208	4,189,471	37,195,435
Inventories	14,363,520	-	-	-	14,363,520
	36,635,072	9,693,497	4,763,208	33,317,084	84,408,861
Current liabilities					
Bank overdraft	2,397,871	-	-	-	2,397,871
Amount due to related company	259,359	-	-	-	259,359
Short-term borrowings	7,751,524	-	-	-	7,751,524
Trade payables and accrued expenses	9,969,651	2,179,917	580,747	2,016,092	14,746,407
Consumers' advances for construction	1,770,754	-	-	-	1,770,754
Current portion of provision for retirement benefits	-	-	-	1,500,000	1,500,000
Provision for profit sharing	-	-	-	3,940,631	3,940,631
	22,149,159	2,179,917	580,747	7,456,723	32,366,546
NET LIQUIDITY GAP	14,485,913	7,513,580	4,182,461	25,860,361	52,042,315

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31ST 2009 (Expressed in Eastern Caribbean Dollars)

25. FINANCIAL RISK MANAGEMENT (continued)

Market risk

(i) Foreign exchange risk

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

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

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

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

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

25. FINANCIAL RISK MANAGEMENT (continued)

FINANCIAL LIABILITIES

	2009		2008	
	+2.5%	-2.5%	+2.5%	-2.5%
Loans payable	EC $	EC $	EC $	EC $
EIB (EURO loan)				
Principal repayments for the year	731,712.18	731,712.18	-	-
Effect on principal repayment of adjustment to EURO	750,004.98	713,419.38	-	-
CURRENCY EXPOSURE	18,292.80)	18,292.80	-	-

Reasonably possible change in currency rate	+2.5%	-2.5%	+2.5%	-2.5%
EIB Euro loan Interest payment	741,002.47	741,002.47	736,024.61	736,024.61
Effect on interest payment of adjustment to EURO	759,527.53	722,471.41	754,425.23	717,623.99
Effect on profit before tax/equity	18,525.06)	18,525.06	18,400.62)	18,400.62

Repayment for the year	2009 EURO	2008 EURO
Interest	184,026.84	184,638.54
Principal	181,719.61	-
	365,746.45	184,638.54

See note 2 (d) for exchange rates for the Euro at 31st December 2009 and 2008 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.

FIVE YEAR FINANCIAL RECORD

2005 - 2009 (Expressed in Eastern Caribbean Dollars)

	2009 EC$	2008 EC$	2007 EC$	2006 EC$	2005 EC$
INCOME	**141,040,502**	**188,851,458**	**141,827,843**	**128,052,580**	**105,055,456**
PROFIT BEFORE TAXES	12,686,420	19,422,884	11,676,363	10,845,311	3,845,572
TAXATION	3,070,591	4,559,120	3,431,800	2,766,618	1,456,881
NET PROFIT	9,615,829	14,863,764	8,244,563	8,078,693	2,388,691
SHAREHOLDERS EQUITY	**69,556,853**	**68,287,619**	**61,783,855**	**61,139,292**	**58,000,599**
REPRESENTED BY:					
TOTAL ASSETS	196,882,692	194,169,568	195,117,766	164,987,408	150,860,685
TOTAL LIABILITIES	127,325,839	125,881,949	133,333,911	101,848,116	92,860,086
HURRICANE RESERVE	8,000,000	6,000,000	4,000,000	2,000,000	0
NET ASSETS	**61,556,853**	**62,287,619**	**57,783,855**	**61,139,292**	**58,000,599**
FINANCIAL RATIOS					
No. of shares	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000
Return on Shareholders equity	13.82%	21.77%	13.34%	13.21%	4.12%
Earnings Per Share	0.51	0.78	0.43	0.43	0.13
Dividends Per Share	0.44	0.44	0.40	0.26	0.00

	US $	US $	US $	US $	US $
INCOME	**52,237,223**	**69,944,984**	**52,528,831**	**47,426,881**	**38,909,428**
PROFIT BEFORE TAXES	4,698,674	7,193,661	4,324,579	4,016,782	1,424,286
TAXATION	1,137,256	1,688,563	1,271,037	1,024,673	539,586
NET PROFIT	3,561,418	5,505,098	3,053,542	2,992,109	884,700
SHAREHOLDERS EQUITY	**25,761,797**	**25,291,711**	**22,882,909**	**22,644,182**	**21,481,703**
REPRESENTED BY:					
TOTAL ASSETS	72,919,516	71,914,655	72,265,839	61,106,447	55,874,328
TOTAL LIABILITIES	47,157,718	46,622,944	49,382,930	37,721,524	34,392,624
HURRICANE RESERVE	2,962,963	2,222,222	1,481,481	740,741	0
NET ASSETS	**22,798,835**	**23,069,489**	**21,401,428**	**22,644,182**	**21,481,704**
FINANCIAL RATIOS					
No. of shares	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000
Return on Shareholders equity	13.82%	21.77%	13.34%	13.21%	4.12%
Earnings Per Share	0.19	0.29	0.16	0.16	0.05
Dividends Per Share	0.16	0.16	0.15	0.10	0.00

FIVE YEAR OPERATIONAL RECORD

2005 - 2009 (Expressed in Eastern Caribbean Dollars)

	2009	2008	2007	2006	2005
PRODUCTION AND SALES					
Gross Generation (KWhs)	**202,992,241**	**196,957,226**	**185,569,196**	**173,490,255**	**153,701,824**
Auxillaries & Own Use	7,603,338	7,132,714	6,903,729	6,328,617	6,394,987
Net Generation	195,388,903	189,824,512	178,665,467	167,161,638	147,306,837
Sales (KWhs)					
Domestic	68,283,453	66,231,638	65,748,854	60,088,936	49,945,747
Commercial	99,060,565	96,600,009	89,569,231	81,989,564	73,542,437
Industrial	5,667,611	5,628,661	6,480,019	5,903,123	5,673,959
Street Lighting	4,317,176	4,040,522	3,426,986	3,026,004	2,409,053
Total Sales	**177,328,805**	**172,500,830**	**165,225,090**	**151,007,627**	**131,571,196**
Loss (% of Net Generation)	9.20%	8.61%	7.49%	9.62%	10.63%
Number of Customers at Year – End					
Domestic	37,256	35,856	34,225	32,087	29,119
Commercial	5,636	5,330	5,058	4,656	4,250
Industrial	36	36	35	36	33
Total Consumers	**42,928**	**41,222**	**39,318**	**36,779**	**33,402**
Average Annual usage per Customer Class (KWhs)					
Domestic	1,833	1,847	1,921	1,873	1,715
Commercial	17,576	18,124	17,708	17,609	17,304
Industrial	157,434	156,352	185,143	163,976	171,938

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