Accountants &
business advisers

GRENADA ELECTRICITY SERVICES LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31ST DECEMBER, 2011

PKF

GRENADA ELECTRICITY SERVICES LIMITED

CONTENTS

	Page
DIRECTORS AND OFFICERS	2
INDEPENDENT AUDITORS' REPORT	3
STATEMENT OF FINANCIAL POSITION	4
STATEMENT OF COMPREHENSIVE INCOME	5
STATEMENT OF CHANGES IN EQUITY	6
STATEMENT OF CASH FLOWS	7
NOTES TO THE FINANCIAL STATEMENTS	8 to 34

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GRENADA ELECTRICITY SERVICES LIMITED

DIRECTORS AND OFFICERS

DIRECTORS: (As at December 31, 2011)	G. Robert Blanchard Jr. –Chairman Malcolm Harris – Vice Chairman Vernon Lawrence - Managing Director/Chief Executive Officer Arthur Campbell Robert Curtis Claudette Joseph (Ms.) Royston La Hee Alfred Logie Chester Palmer Ambrose Phillip Ronald Roseman Nigel Wardle
MANAGING DIRECTOR / CEO:	Vernon Lawrence
SECRETARY:	Benedict Brathwaite
REGISTERED OFFICE:	Dusty Highway Grand Anse St. George's Grenada
BANKERS:	Republic Bank (Grenada) Limited Republic House Grand Anse St. George's, Grenada
	RBTT Bank Grenada Limited Cnr. Cross & Halifax Streets St. George's, Grenada
	Bank of Nova Scotia Cnr. Granby and Halifax Streets St. George's, Grenada
	FirstCaribbean International Bank (Barbados) Limited Church Street St. George's, Grenada
	Grenada Co-operative Bank Limited Church Street St. George's
	The Bank of Tampa Florida, U.S.A.
ATTORNEYS-AT-LAW	Grant Joseph & Company Lucas Street St. George's, Grenada
AUDITORS:	PKF Accountants and business advisers Pannell House Grand Anse St. George's, Grenada

Pannell House | P. O. Box 1798 | Grand Anse | St. George's
Grenada | West Indies
Tel (473) 440-2562/3014/2127/0414
Fax (473) 440-6750 | Email pkf@spiceisle.com

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

We have audited the accompanying financial statements of the company which comprise the statement of financial position at December 31st, 2011 and the related statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of the Company as of December 31st, 2011 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

GRENADA:

PKF

March 22nd, 2012

Accountants & business advisers:

GRENADA ELECTRICITY SERVICES LIMITED

STATEMENT OF FINANCIAL POSITION AT 31ST DECEMBER, 2011
(Expressed in Eastern Caribbean Currency Dollars)

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

The notes on pages 8 to 34 form an integral part of these financial statements

: Director   : Director

GRENADA ELECTRICITY SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2011
(Expressed in Eastern Caribbean Currency Dollars)

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

The notes on pages 8 to 34 form an integral part of these financial statements

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER, 2011
(Expressed in Eastern Caribbean Currency Dollars)

	Stated Capital	Other Reserve	Retained Earnings	Total Equity
Balance at 1st January, 2010	32,339,840	13,405	37,203,608	69,556,853
Dividends paid	-	-	(8,550,000)	(8,550,000)
Total comprehensive income for the year:				
Profit for the year	-	-	10,310,016	10,310,016
Revaluation of available-for-sale financial assets	-	1,067	-	1,067
Balance at 31st December, 2010	32,339,840	14,472	38,963,624	71,317,936
Amount previously expensed now written back	-	-	147,533	147,533
Dividends paid	-	-	(9,120,000)	(9,120,000)
Total comprehensive income for the year:				
Profit for the year			8,802,023	8,802,023
Revaluation of available-for-sale financial assets	-	(1,072)	-	(1,072)
Balance at 31st December, 2011	$32,339,840	$13,400	$38,793,180	$71,146,420

The notes on pages 8 to 34 form an integral part of these financial statements

GRENADA ELECTRICITY SERVICES LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER, 2011
(Expressed in Eastern Caribbean Currency Dollars)

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

The notes on pages 8 to 34 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 of which WRB Enterprises Inc. is the majority owner.

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

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

The registered office is situated at Grand Anse, St. George's, Grenada.

The Company employed on average two hundred and thirty-one (231) persons during the year (2010- 221).

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

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

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

(b) New accounting standards, amendments and interpretations

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards, amendments and interpretations

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, Plant and Equipment

Recognition and Measurement

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

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

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

Subsequent Expenditure

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

Depreciation

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign Currencies Translation

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

EC$2.7169 to US$1.00	-	(2010: EC$2.7169)
EC$3.6316 to Euro1.00	-	(2010: EC$3.7290)

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

(e) Financial Instruments

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

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

Recognition and measurement

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

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

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

Financial assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

Loans and receivables

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

Available-for-sale

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

Fair Value

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

Impairment of financial assets

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

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

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

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

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

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

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

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

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

(i) Financial assets measured at amortised cost

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

(ii) Financial assets measured at cost

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

Financial Liabilities

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

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

(f) Inventories

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

(g) Trade receivables

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Cash and cash equivalents

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

(i) Stated capital

Ordinary shares are classified as equity.

(j) Trade payables

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

(k) Borrowings

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

(l) Customers' deposits

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

(m) Customers' contribution to line extensions

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Customers' contribution to line extensions

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

(n) Employee benefits

Profit sharing scheme

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

(o) Income tax

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

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

(p) Provisions

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

(q) Revenue recognition

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

(i) Sale of energy

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Revenue recognition (continued)

(ii) Interest income

Interest income is recognised on an accrual basis.

(iii) Dividend income

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

(r) Dividends

Dividends that are proposed and declared during the period are accounted for as an appropriation of retained earnings in the statement of changes in equity.

Dividends that are proposed and declared after the statement of financial position date are not shown as a liability on the statement of financial position but are disclosed as a note to the financial statements.

(s) Related parties

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

(t) Finance charges

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

(u) Provision for bad and doubtful debts

Provision is made based on 2% of annual gross sales. Accounts are written off against the provision when they are considered to be bad. The total provision at 31st December, 2011 amounted to EC$6,323,491 (2010 - EC$5,359,686). Included therein is a specific provision of $1,739,875 on customer accounts and $635,722 on other debtors.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Provision for unbilled sales

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

The provision and adjustment with comparatives at 31st December, 2011 are calculated as follows:

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

Impairment of financial assets

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

Property, plant and equipment

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

Impairment of inventory and trade receivables

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

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

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Building and Construction	Plant and Machinery	Motor Vehicles	Furniture and equipment	Total
Balance at 1st January, 2010						
Cost	1,467,468	23,748,915	201,040,475	9,155,642	9,104,395	244,516,895
Accumulated depreciation	-	(13,869,239)	(106,633,093)	(7,762,872)	(5,336,549)	(133,601,753)
NET BOOK VALUE	1,467,468	9,876,676	94,407,382	1,392,770	3,767,846	110,915,142
For year ended 31st December, 2010						
Opening book value						
Cost	1,467,468	9,879,676	94,407,382	1,392,770	3,767,846	110,915,142
Additions for the year	-	37,201	1,508,822	735,278	739,530	3,020,831
Disposals for the year	-	-	-	-	(29,437)	(29,437)
Depreciation charge for year	-	(1,195,366)	(13,120,876)	(830,545)	(807,827)	(15,954,614)
	1,467,468	8,721,511	82,795,328	1,297,503	3,670,112	97,951,922
Balance at 31st December, 2010						
Cost	1,467,468	23,786,116	102,549,297	9,284,571	9,372,376	246,459,828
Accumulated depreciation	-	(15,064,605)	(119,753,969)	(7,987,068)	(5,702,264)	(148,507,906)
	1,467,468	8,721,511	82,795,328	1,297,503	3,670,112	97,951,922
Less: Customer contribution to line extensions	-	-	-	-	-	(8,409,967)
NET BOOK VALUE	$1,467,468	$8,721,511	$82,795,328	$1,297,503	$3,670,112	$89,541,955

4. PROPERTY, PLANT AND EQUIPMENT

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

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5. SUSPENSE JOBS IN PROGRESS

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

6. CAPITAL WORK IN PROGRESS

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

7. DEFERRED EXCHANGE LOSS

This represents the difference arising on the revaluation of the balance of the European Investment Bank Grenlec 111 Loan at the exchange rate of ECC$3.6316 to one Euro at the statement of financial position date. The average rate existing on the dates the draw downs were received was ECC$3.3417 to one Euro.

8. FINANCIAL ASSETS

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

8. FINANCIAL ASSETS (continued)

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

9. INVENTORIES

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

10. TRADE AND OTHER RECEIVABLES

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

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

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

11. SEGREGATED RETIREMENT INVESTMENTS

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

12. CASH AND CASH EQUIVALENTS

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

13. STATED CAPITAL

	2011	2010
Authorised		
25,000,000 ordinary shares of no par value		
Issued and fully paid		
19,000,000 ordinary shares of no par value	32,339,840	32,339,840

14. CUSTOMERS' DEPOSITS

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

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

15. BORROWINGS

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

(A) European Investment Bank (EIB)

(i) The loan was repaid during the year.

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

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

15. BORROWINGS (continued)

(C) On December 17, 2007, the company raised EC$47,695,000 in capital through a bond issue. The bond facility bears interest at a rate of 7% per annum and is repayable by quarterly instalments of $1,192,375 (inclusive of interest) over ten (10) years. Repayment commenced March 20th, 2008. This bond is secured under a Debenture Trust Deed which creates a fixed and floating charge on the Company's property, present and future, with exception of those secured under other agreements and the Carriacou assets. The Debenture requires the Company to meet financial ratios; current, earnings coverage and equity /debt. The financial ratios were met by the Company for 2011.

16. PROVISION FOR RETIREMENT BENEFITS

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

17. PROVISION FOR HURRICANE INSURANCE RESERVE

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

18. AMOUNT DUE TO RELATED PARTIES

WRB Enterprises Inc	189,969	-

Related Party Transactions

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

18. AMOUNT DUE TO RELATED PARTIES (continued)

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

	2011 $	2010 $
a) Sale of electricity - NIS	341,845	292,118
b) Management services- WRB Enterprises Inc.	600,000	600,000
c) Loan repayments- NIS	6,427,810	6,427,810
d) Payment of dividends:		
NIS	1,057,920	992,178
Grenada Private Power Limited	4,560,000	4,275,000

Related Party Transactions

ii) Compensation of key management personnel of the Company:

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

19. TRADE AND OTHER PAYABLES

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

20. OTHER INCOME

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

21. FINANCE COST

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

22. TAXATION

Current year

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

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

Deferred Tax

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

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

23. CONTINGENT LIABILITIES

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

24. DIVIDENDS

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

25. FINANCIAL RISK MANAGMENT

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

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

Audit Committee

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

Loans Committee

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

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

Credit risk

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

25. FINANCIAL RISK MANAGEMENT (continued)

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

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

The Company's maximum exposure to credit risk equals the carrying amount of its financial assets. Based on the above, however, management does not believe significant credit risk exists at December 31, 2011.

Operational risk

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

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

Operational risk

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

25. FINANCIAL RISK MANAGEMENT (continued)

Insurance risk

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

Liquidity risk

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

25. FINANCIAL RISK MANAGEMENT (continued)

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

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

25. FINANCIAL RISK MANAGEMENT (continued)

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

25. FINANCIAL RISK MANAGEMENT (continued)

Market risk

(i) Foreign exchange risk

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

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

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

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

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

25. FINANCIAL RISK MANAGEMENT (continued)

FINANCIAL LIABILITIES

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

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

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

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

(ii) Interest rate risk

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