In observance
of our Nation's
40th Independence Anniversary

INSPIRING GENERATIONS

GRENADA ELECTRICITY SERVICES LIMITED ANNUAL REPORT 2013

INSPIRING GENERATIONS

Beauty is itself inspirational. Grenada and it's people are beautiful and by consequence inspirational. Our island has time and again captured the coveted gold award at the prestigious Chelsea Flower Show. In creating these works of art and beauty, we inspire our citizens to aspire to greatness. Celebrating 40 years of our nation's Independence, we pay homage to the people and ideas that have shaped our Nation. Like GRENLEC, these architects enable progress and success, every hour of every day. The result is a symphony that truly **INSPIRES GENERATIONS.**

Vision Statement

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

Mission Statement

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

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The Cover

The cover features Lady Independence, part of GRENLEC's Lantern Floral Exposition for Independence in 2013. Lady Independence, a Grenadian woman, surveys the beauty of the flora, fauna and spices at her feet and around her. She proudly bears the pride of her nation, with her pandana pleated skirt and anthurium bodice, crowned with a ring of schefflera. As she regards her audience, her head brimming with dancing ladies and dendrobium orchids, she is striking and majestic. A daughter of the Spice Isle, she is easily at home in any Grenadian garden. This Lady reminds individual and corporate citizens to embrace our national pride and the responsibilities of nationhood, each new day.

Corporate Information

CORPORATE PROFILE

The Grenada Electricity Services Ltd. (GRENLEC,) the sole provider of electricity in Grenada, Carriacou and Petit Martinique is publicly traded on the Eastern Caribbean Securities Exchange (ECSE). Since 1960, the Company's 220 permanent team members have been providing integrated services of generation, transmission and distribution of electricity to more than 44,000 customers.

With total installed capacity of 48.59MW and peak demand of 30.2MW, GRENLEC generates from three locations in Grenada, Carriacou and Petite Martinique. A transmission network at 33kV and two substations at Queen's Park and Grand Anse ensure service quality to the south of the island to support the island's tourism belt.

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

DIRECTORS (AS AT DECEMBER 31, 2013)

G. Robert Blanchard Jr. – Chairman
Robert Blenker
Wayne Burks
Robert Curtis
Anthea Debellotte
Ashton Frame
Bauxton Francois
Linda George-Francis
Dwight Horsford
Ronald Roseman
Lawrence Samuel
Nigel Wardle

INTERIM CHIEF EXECUTIVE OFFICER

Clive Hosten

SECRETARY

Benedict Brathwaite

REGISTERED OFFICE

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

BANKERS

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

Cayman National Bank
Grand Cayman
Cayman Islands

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

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

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

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

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

ATTORNEYS-AT-LAW

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

AUDITORS

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

Notice of Annual General Meeting

Notice is hereby given that the Fifty-fifth Annual Meeting of Shareholders of Grenada Electricity Services Limited will be held at the Hospitality Room, Grenada National Stadium, Queen's Park, St. George's, on Thursday, 8 May 2014 at 4:30 p.m. to:

- Receive the Annual Report, the Audited Financial Statements for the year ended 31 December 2014 together with the Auditors' Report thereon.
- Re-appoint the Auditors and authorise the Directors to determine their remuneration.
- Elect Directors.

Close of business

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

Dated Wednesday, 12 March 2014.

By order of the Board

B. A. Brathwaite

Benedict Brathwaite
Company Secretary

Notes

- A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his or her stead. A proxy need not be a member. A proxy form is included in this report for your convenience. It must be completed and signed in accordance with the notes on the form.
- Shareholders on record on Thursday, 17 April 2014 are entitled to receive Notice of the Annual Meeting. A list of such shareholders will be available for examination by shareholders at the Company's Registered Office during usual business hours and at the Annual Meeting.

BOARD OF DIRECTORS

G. Robert Blanchard Jr.
Chairman

Robert Blenker

Wayne Burks

Robert Curtis

Anthea Debellotte

Ashton Frame

Bauxton Francois

Linda George-Francis

Dwight Horsford

Ronald Roseman

Lawrence Samuel

Nigel Wardle

CHAIRMAN'S REPORT

As we reflect on the highs and lows of 2013, it is clear that GRENLEC and its customers continue to be affected by both the high costs of fossil fuels as well as the global economic downturn. Indeed, Grenada is not unique in this regard, as utility customers throughout the Caribbean region feel these same pressures on the price of the essential service we all provide. While GRENLEC is maximizing its efforts to operate as efficiently as possible, the magnitude of increased oil prices is such that the pressure on ratepayers remains high. We are doing all we can to mitigate those increases, while protecting the financial viability of the Company. This is the most critical strategic challenge facing the Company today.

The conversation our Company is engaged in and the national agenda are single in our purpose to engender a secure future for all our stakeholders. This is a compelling driver in your Board's decision-making, as we provide guidance to move your Company forward and address the mounting burden of upward price fluctuations that our customers face. Regrettably, our Company's progress towards a significant renewable energy solution aimed at stabilising electricity rates and helping to reduce Grenada's fuel import bill was slowed in 2013. A significant factor was that discussions that were already advanced had to start afresh with a new Government on GRENLEC's role in intermittent and base load renewable energy generation. In this regard, we continued our engagement on the Carriacou Wind Project that stalled after we jointly launched it with the Government and the European Union in 2012. We expect to move this project forward in 2014 following an advisory from Government in December that we could proceed with the original agreement. Land ownership issues were another impediment in acquiring space that meets the technical requirements for large-scale renewable projects. Consequently, our approach is to identify smaller parcels of land that will cumulatively facilitate between 2-4 MW of solar.

Despite the depressed economy and contraction in unit sales, our financial performance, driven by a fuel cost recovery rate of 106.32% and controlled costs, was outstanding with profit after taxes of $16.06M which compares favourably to the $14.52M of 2012. In comparing the financial performance between the two years, one must note that the net fuel cost recovery substantially accounts for the variance in profit after taxation of $2.04M. GRENLEC's fuel cost recovery rate is affected by changes in fuel prices and operational efficiencies. In 2013, the average fuel price fell by 3.19% and this also had a positive impact on the recovery rate. However, we must all remain mindful that these profitability gains can be quickly erased if fuel prices increase again and our recovery rate lags.

Your Company had an increase of 10.53% in earnings per share (EPS), with eighty-four cents in 2013 compared to seventy-six cents in 2012. Dividends paid in 2013, of forty-eight cents per share, remained the same as those for financial years 2011 and 2012. The financial performance with dividend payout ratios, after adding back hurricane expenses of 51.56% in 2013 and 55.41% in

2012, was such that an increased dividend payout could easily be justified. However, the depressed economy and continued contraction in kWh sales for the third year lead to a prudent approach of sustaining the dividend level. Your shares listed on the ECSE traded at a steady $11.00 per share throughout 2013.

In July 2013, your Company decided not to implement a non-fuel rate increase of 1.22% that it was entitled to from January 1, 2013. It is a further indication of the Company's willingness to help ease the financial pain of customers. This was the ninth time in the past fourteen years that non-fuel rates were either kept stable or decreased. In fact, in the twenty years since privatization, non-fuel rates have increased by 12.03% for domestic customers. In real terms this is a decline of 37.16%, when one considers that the CPI has moved by 49.19% in the same period.

In September 2013, the Company applied for a rate adjustment, in compliance with the Electricity Supply Act of 1994. This was based on the Consumer Price Index (CPI) of 1.81% at December 2012, which favored a rate decrease of 0.45%, and the rate increase for 2013 of 1.22% which was not implemented. The net is a non-fuel rate increase of 0.77% that will be implemented from February 1, 2014. While we wish that this very minor increase was not necessary, the Company is not always able to avoid these increases.

Indicators in the global economy showed growth improving in 2013 with developing countries recording higher than their developed counterparts. Grenada's economy is closely tied to the USA, Europe and Canada based on the tourism linkage and as such is impacted more by what happens in the developed countries. Developments such as the opening of Sandals LaSource Resort are important for Grenada and will favourably impact our sales. While we remain cognizant of the challenges as our economy is brought under a structural adjustment programme, these developments are positive ones for our economy.

We are driven by a desire to create a secure, sustainable future for our customers and other stakeholders, while delivering the quality of service that supports growth of our national economy. In addition to increasing value for you our shareholders, we recognise that your Company must also endeavour to provide the most reliable and affordable service possible for our customers. Along these lines, our team has successfully maintained performance standards for fuel and operational efficiency and system losses, which came in below 8% for a second consecutive year. Moreover, we will continue to improve our business processes and contain costs. We recognise the strength of our Company's human resource capacity and it is for this reason that we invest continuously in enhancing our professional excellence to ensure that everyone in our business is actively engaged in creating solutions. In 2013, we stepped up our social responsibility programme and service to ensure maximum value for our customers and the communities we serve.

The global energy sector is under tremendous pressure to engage people and technology to respond to the escalating demands of our populations. Energy prices and climate change are adding to a global energy challenge that has no quick fixes. Proven and emerging technologies, as well as the affordability of renewable sources are enhancing our available options. While I have outlined some of the impediments that our current business climate has created, I have also highlighted the important opportunities that we must take full advantage of. We are committed to working with Government and other partners to convert these opportunities to gains. As we press forward, we are focusing our human and other resources, through a process of transformation, to ensure the success of the initiatives that will foster sustainability and generate maximum value.

I am encouraged by the support of the many people who have contributed to our success. I would like to acknowledge the commitment of my fellow directors, the management team and employees, who have worked hard to produce the results of which we can be proud. I sincerely thank my fellow directors for their dedicated service to our Board and I welcome our most recently appointed directors, Mme. Anthea Debelotte, as well as Messrs. Ashton Frame, Bauxton Francois, Dwight Hosford and Lawrence Samuel. To retired directors Mmes. Claudia Alexis and Claudette Joseph and Messrs. Royston LaHee, Alfred Logie and Ambrose Phillip, thank you for serving us well. I also would like to note, with great sadness, the passing of Dan Curtis, who had been a longtime director of the Company. Dan was a strong advocate for the shareholders of GRENLEC, and we will always be mindful of his counsel as we consider the challenges our company faces.

Finally, on behalf of the Board, I extend appreciation to the management team for executing our Company's vision. Our employees devote extraordinary efforts to meet and promote the interests of all stakeholders and we are grateful to them for their role in our achievements.

G. Robert Blanchard Jr.
Chairman

MANAGEMENT TEAM

Clive Hosten
Interim Chief Executive Officer

Ahmin Baksh
Manager, Planning and Engineering

Benedict Brathwaite
Financial Controller

Wallace Collins
Manager, Carriacou and Petite Martinque

Prudence Greenidge
Manager, Corporate Communications

Jeffrey Neptune
Manager, Information Technology

Glenn Phillip
Coordinator, Loss Reduction

Tara Singh
Manager, Generation

Casandra Slocombe
Manager, Customer Services

Eric Williams
Manager, Transmission and Distribution

Jacquline Williams
Manager, Human Resources

MANAGEMENT REVIEW AND ANALYSIS

It was difficult for our customers to see beyond high fuel prices in 2013 as they were challenged in meeting their monthly payments, as well as by the realities of the current economic environment. Consequently, higher utility rates continued, despite the deferral of an increase in the non-fuel charge that was due. In responding to the needs of our customers and while the Company encouraged consistent energy management, it stepped up its renewable energy programme. In the context of a world with an ever increasing demand for oil, electricity prices in Grenada have been driven up by more then 40 cents in 20 years. This has forced GRENLEC specifically and electric utilities in general to become more focused on renewable energy as the way forward. A substantial advantage of renewable is its ability to increase energy security by reducing fuel imports and stabilising electricity prices. As such, the Company successfully commissioned two solar projects in Grenada and Petite Martinique, which also demonstrated the financial viability for customers who want to generate renewable energy and interconnect to GRENLEC. These initiatives provided a much-needed message of hope in tough times.

During the year world fuel prices averaged USD97.94, compared to USD94.05 in 2012. This meant that businesses and individuals alike got no respite and were faced with higher costs and lower profits or disposable income. Apart from being small, our economy is open and vulnerable to shocks from external factors. As such, relatively minor movements in world commodity prices can impact the economic performance, particularly when there is no buffer. It is therefore no surprise that for a third straight year there was contraction in GRENLEC's kWh sales of 1.45% following the 2.15% decline in 2011 and the 1.35% decrease in 2012.

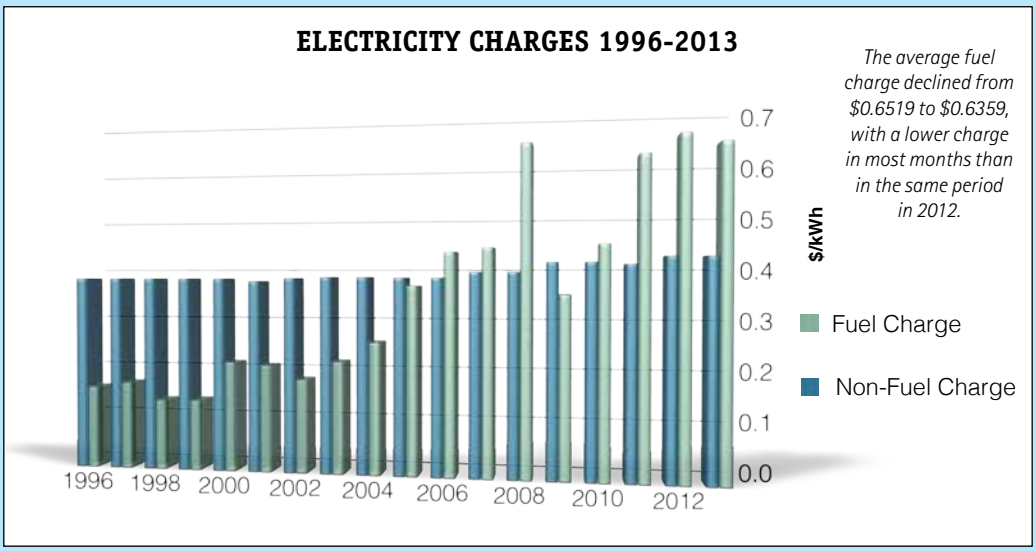
In 2013, Grenada expected growth in real GDP of 2.90%, following a decline of 0.12% in 2012 and a marginal increase in 2011 of 0.14%. The growth projected was based mainly on the performance of the construction sector, which does not have a significant impact on GRENLEC's operations in the short term. However, in the medium term, once projects are completed their impact is likely to take effect as they utilise more of our services. With the country expected to undertake a home grown structural adjustment programme, which requires the blessings of the IMF, it is difficult to foresee a sharp turnaround in the economic performance of a country with a high debt to GDP ratio, high unemployment and a public sector in which salaries account for 50% of overall revenues.

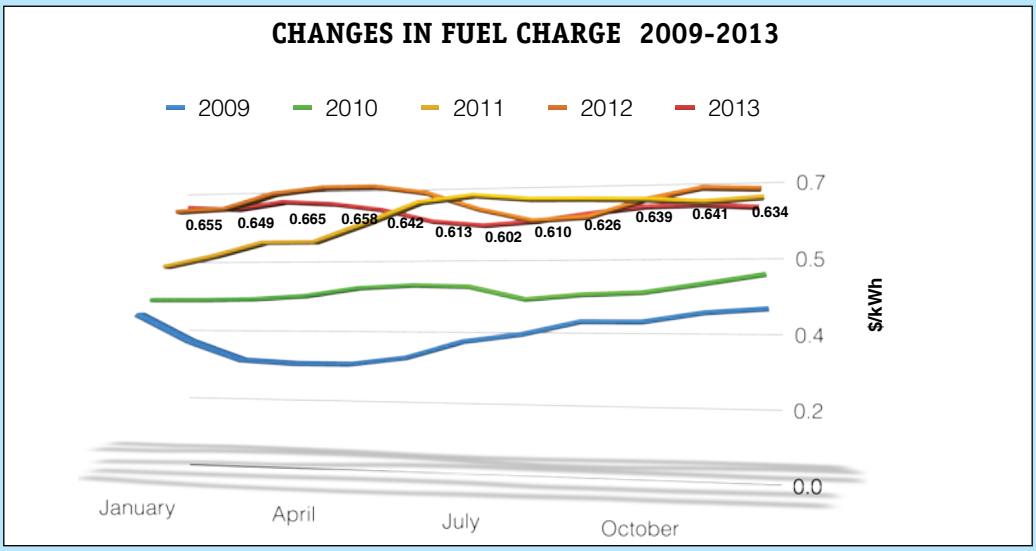
As has been the case for the last three years, management's mandate in an uncertain economic climate combined with contracting sales was to keep expenses relatively flat and improve efficiency, while maintaining reliability and safety standards. While the Company was successful in containing costs, the effect of its operational efficiencies was mixed. Fuel efficiency improvement of 0.76% contributed positively, while an increase of 0.21% in system losses had the reverse effect. Despite this decrease, it is important to note the commendable achievement of maintaining system losses, which averaged 7.7%, compared to the 8% target for 2013.

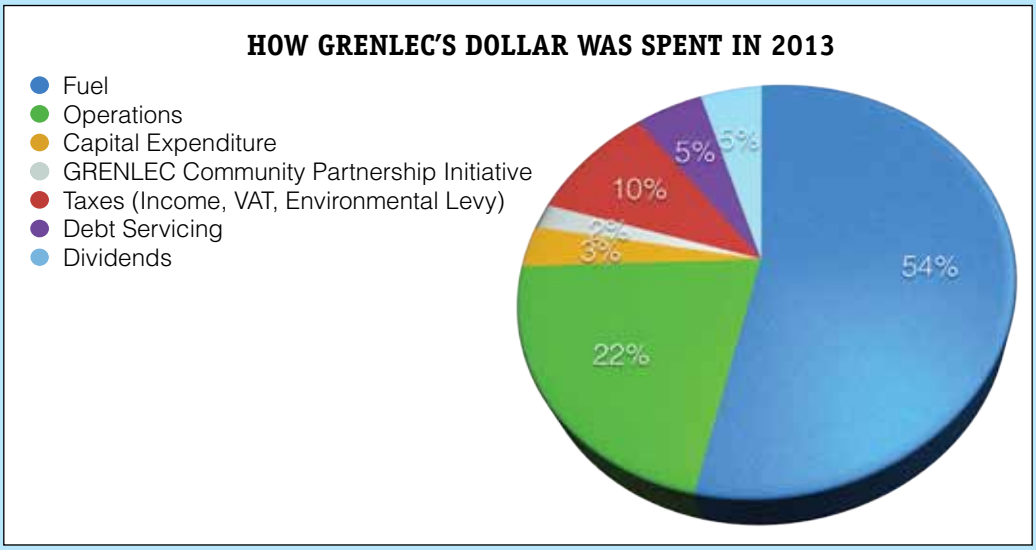
Despite or perhaps because of the existing challenges of the economic environment, 2013 inspired our team to think differently, to aim higher and reach further. Generations of citizens have inspired us to keep making a difference. Our business fuels the hopes, dreams and lives of our customers and has been doing so for 85 years in Grenada. As we reflected on our Company's role in fostering our nation on the eve of its 40th anniversary, we also have the honour of reflecting on the generations we have inspired and the moments we have created that encapsulate and celebrate our nationhood.

Against this backdrop, we present our report on our 2013 operations.

STATISTICS AT A GLANCE

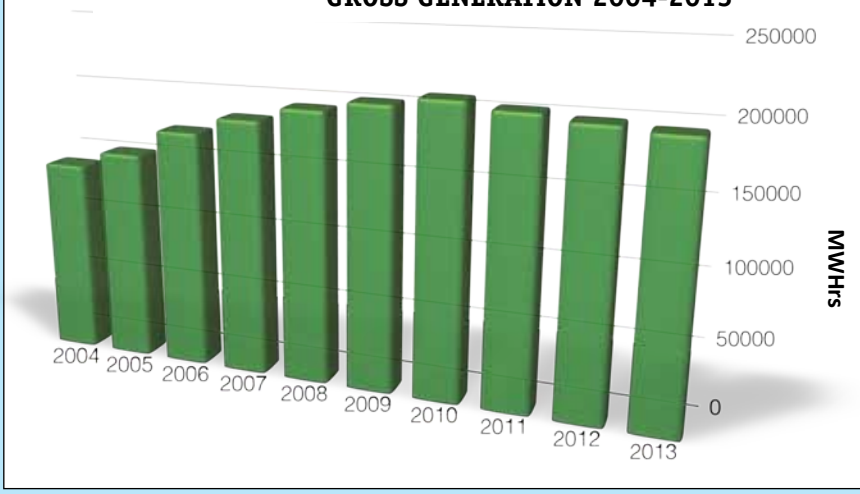






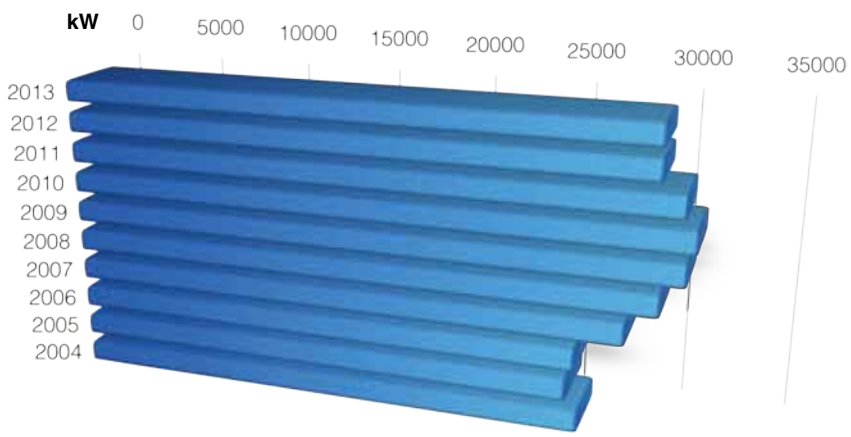
STATISTICS AT A GLANCE

GROSS GENERATION 2004-2013



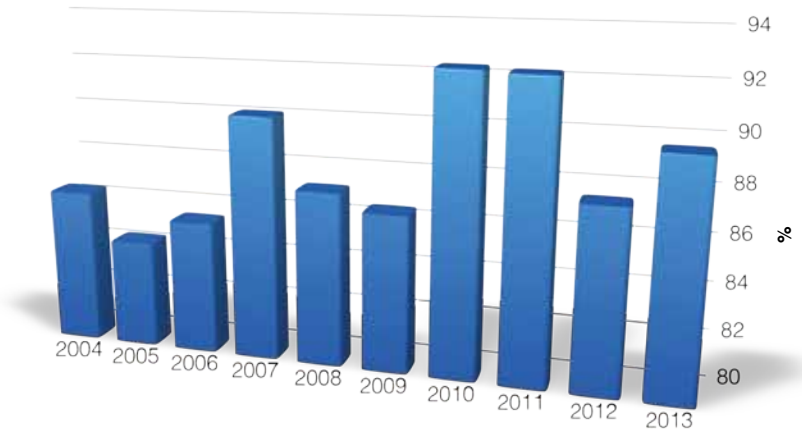
Gross Generation was 196.7GWHrs, a 1.45% reduction from 2012.

PEAK DEMAND 2004-2013



Peak Demand was 29,205kW, a marginal increase of 0.02% over 2012.

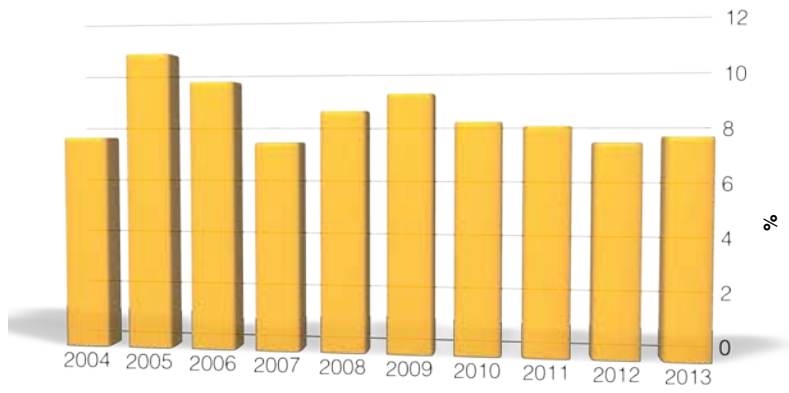
PLANT AVAILABILITY 2004-2013



At 89.7%, plant availability did not meet the 92% target. This was primarily due to extended planned maintenance outages on 3 engines for replacement of components that had achieved the end of their service life.

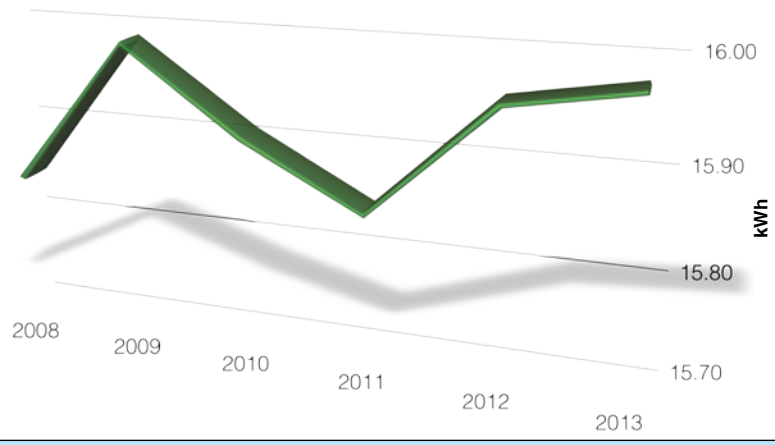
STATISTICS AT A GLANCE

SYSTEM LOSSES 2004-2013



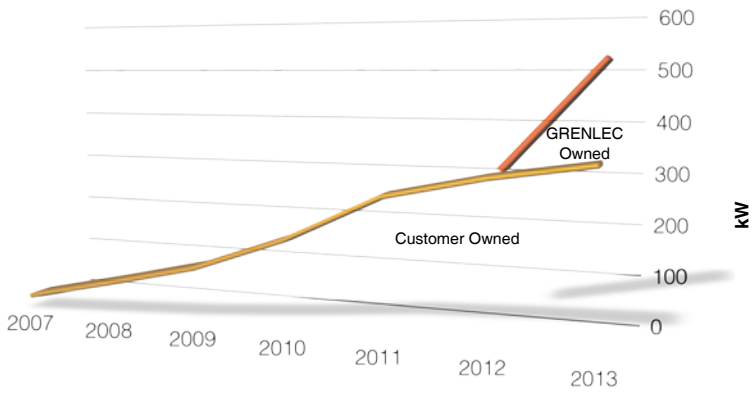
For a second consecutive year, system losses fell below 8%, ending at 7.71%.

FUEL EFFICIENCY 2008-2013



Fuel efficiency was 15.98kWh/USG compared to 15.96kWh/USG in 2012. The Company continues to focus on fuel system maintenance and generation management.

RENEWABLE ENERGY CAPACITY 2007-2013



Renewable Energy Customer Interconnection Programme was voluntarily established by GRENLEC in 2007 to facilitate customer owned systems. Interconnection provides reliability for customers whose systems are intermittent. GRENLEC pays customers based on a fixed rate of $.045 for generation or an annual variable rate of avoided fuel cost.

HIGHLIGHTS

Financial

- KWh Sales declined by 1.45%.
- Revenues were $192.31M.
- Pre-tax profits were $22.42M.
- System losses were 7.71%.
- Return on invested capital was 21.08%.

Other

- 31.59 kW ground mounted solar plant commissioned in Petite Martinique.
- 148.48 kW rooftop solar installation commissioned at the Company's Grand Anse location.
- Development of secondary data processing site to enhance information security.
- Deployed company-wide Wi-Fi network to improve access to information.
- More than $3.7M invested in GRENLEC Community Partnership Initiative (GCPI)
- Execution started of first community demonstration renewable energy and efficiency project at St. Andrew's Anglican Secondary School.

FINANCIAL REVIEW

Sales

Over the last three years, there has been a decline in unit sales of $9.06M kWh compared to 2010. Overall, unit sales were below the 178.19M kWh of 2009 and reflected the impact of the downturn in the economy since 2008.

GWh sales were 176.64 units, with commercial 96.82GWh accounting for 55.36% and domestic 68.45GWh or 38.74% of the total. The number of customers increased by 1.61% from 45,042 in 2012. Conversely, in the Company's two largest sectors, commercial and domestic, the average annual consumption per customer fell by 3.53% and 2.49% respectively. This decline in usage can be explained by customers' concerted efforts to manage more efficiently, given the sluggish economy.

Total Revenues

Total revenues for 2013 of $192.31M were $5.13M (2.6%), less than the $194.91M of 2012. This decrease was due to a lower average fuel charge to customers of 2.46% because the average fuel price paid by the Company was $10.32 compared to the $10.66 of 2012. Consequently, customers paid an average fuel charge of 63.59 cents in 2013 compared to 65.19 cents in 2012. Revenue from the non-fuel charge of $78M was also $0.57M or 0.73% less than that of 2012 which, given the unit decrease of 1.45%, was based on a timing difference. A non-fuel rate increase in March 2012 of 3.71% had a positive impact in the first three months of 2013 relative to that of 2012, hence the smaller dollar variance.

Net Fuel Cost Recovery

The fuel cost recovery rate in 2013 was 106.32%, second only to the 106.51% of 2008 when fuel prices fluctuated drastically. This resulted in net fuel revenue of $6.68M, $1.73M more than the 2012 figure of $4.95M.

Non-Fuel Operating and Interest Expenses

Non-fuel operating and interest expenses of $56.87M were 3.87% less than the $59.16M of 2012. A significant part of this reduction was natural with depreciation expenses decreasing between the years by $1.68M. Also, interest expenses were lower by $0.53M as borrowings continued to be repaid as scheduled while the Company was not required to engage in any new financing arrangements. Additionally, management has made serious efforts to mitigate the impact of lower non-fuel revenues, as a result of contraction in kWh sales, by controlling operating expenses. This has been achieved without negatively impacting the quality of operations or safety.

Financial Condition

The most significant feature of the Company's statement of changes in financial position at December 31, 2013 came from the establishment of a Trust for the non-unionised (Management, Professional, Supervisory and Administrative Staff - MaPSA) retirement plan. By the end of the year, it meant a transfer from the Company's accounts of both assets and liabilities in the amount of $10.06M. The fact that a Trust for the unionised staff's retirement plan was also expected to be finalised during 2014, also required that the remaining assets and liabilities in both retirement plans be reported as current.

Retained earnings increased from $44.19M in 2012 to $51.13M, while the debt to equity ratio reduced from 41.74% to 29.56%. The return on invested capital of 21.08% was favourable compared to the 19.64% of 2012. Other key indicators such as the current and interest coverage ratios of 1.99% and 13.43% respectively were above target.

Trade receivables decreased by $0.45M (1.42%) with debtor days outstanding improving only marginally from 57.63 in 2012 to 57.59. An increase in government's receivables of $3.13M was solely responsible, as all other sectors saw decreased balances with the most significant being commercial by $1.72M and domestic by $1.35M. In the face of tough economic conditions, our customers must be congratulated for improving payments on their electricity bills.

Cash Flows

Cash flow generated from operations was $17.97M compared to the $24.24M of 2012. This was mainly due to a decrease in the provision for retirement benefits of $8.41M and the transfer of the corresponding assets and liabilities from the Company's accounts to the MaPSA Trust. The Trust was established as a requirement of the Insurance Act Cap 150 of 2010. The offset of this can be seen in the lower outflow of cash used in investing activities of $1.52M in 2013 relative to the $9.95M of 2012. This was impacted by the decrease in segregated retirement investments of $9.62M. Cash utilised in financing activities of $14.43M was similar to the $14.22M in 2012, as dividends paid was unchanged while repayment of borrowings was only marginally higher. The overall increase in cash and cash equivalents for the year was $2.02M.

Risk Management

The Hurricane Fund, which increased to $16M by the end of 2013, mitigates the risk of natural disasters that might impact our distribution system. While the fund is not yet up to the level of the expenses ($20M) that resulted after Hurricane Ivan in 2004, the system is much more robust which gives some level of comfort that this risk is continually being minimised. Additionally, all our other assets are substantially covered by commercial insurance policies.

Building Human Resource Capacity

In the past year we have improved our capacity through ongoing training programmes in customer service, human resources, administration and technical areas. Among the training were in-house training on basic electrical theory for junior operators and defensive driving for operators of Company vehicles. As part of a wider job enrichment programme, team members were also provided exposure in complementary fields through cross-training exercises. A major focus was on improving our team members' ability to conduct maintenance services on the high voltage lines. We achieved this through training and certification of eight additional linemen in Liveline Techniques, bringing the total number certified in this specialised area of work to twenty-five. There are major advantages to using Liveline Techniques to maintain high voltage line infrastructure, circuits and lines. The ability to allow this infrastructure to remain in service, while maintenance tasks are carried out means less redundancy is required on costly high voltage network. Electricity customers who are supplied by spur lines (single circuit supplies) also benefit because it improves reliability while minimising the inconvenience of power outages for maintenance of their supply lines.

Customer Rewards

BFF Promotion Grand Prize Winner

Thirteen lucky customers across the country benefitted from a year-long 'Bill for Free' promotion that gave customers the opportunity to win electricity credits. Monthly draws were done for one-month electricity credits, with one grand prize winner whose bill was paid for 12 months.

Reliability, Technology and Efficiency Improvement

There is a long established positive relationship between reliability, efficiency and technology. GRENLEC's customers enjoy a reliable supply because of continuous investments in infrastructure and the integration of technology to enhance operations. On the other hand they receive lower electricity bills as a result of efficiency improvements.

System maintenance and upgrade

Fifty one thousand three hundred feet of conductors on the High Voltage (HV) overhead network were replaced in St. David, St. Andrew and Carriacou. This has improved the reliability of supply, as well as power quality by the increasing capacity of the circuits from approximately 3.1 to 4.2 MVA (a measure of apparent power delivered to a load).

Generator Maintenance

A Reliability Centered Maintenance (RCM) pilot program was conducted to extend the major overhaul interval on one large generator. Using condition-based monitoring, the overhaul period was successfully extended from 20,000 hours to 27,000 hours. The decision to conduct the overhaul was made when the oil consumption started to increase. Inspections during the overhaul revealed that apart from excessive wear on the oil control rings, all other components on the engine showed normal expected wear. The advantage of the RCM approach is that the maintenance programme can be structured, based upon the condition of the equipment, so that equipment maintenance is prioritized to extend component life and operations optimized. Overall, the programme has helped to reduce operational expenses and improve plant reliability and we are exploring the feasibility of implementing RCM throughout the plant.

SGU Upgrade

Upgrading Service at SGU

Switchgear installed in Generation Building at SGU.

An upgrade was undertaken of the power distribution system at St. George's University (SGU) to improve reliability. Prior to this work, the two generating units located on the campus operated with the SGU system separated from the rest of the grid. With the new system, the generating sets can now be interconnected with the grid, as needed, to supplement the generating capacity at Queen's Park without interrupting supply to the campus. With a third incoming line, SGU benefits from improved reliability.

Customer Information System (CIS) Review

To assist in enhancing service delivery and optimising efficiency, the Company conducted a review of the functions within the Customer Information System software used to manage customer records. The exercise identified a number of opportunities to reconfigure processes and these changes are being implemented in phases.

Secondary Data Processing (DP)

A newly constructed secondary DP site has significantly enhanced information reliability and security, facilitating access to Company information in the event of a failure of the primary site. Data is continuously replicated between the primary and secondary sites on a strict schedule. Additionally, snapshots of the replicated data are captured and stored, creating several restore points in the event of data corruption or loss.

Human Resource Management System

The Company's Human Resource Management System has been expanded to include a web-enabled, paperless employee self-service module that would allows employees to access personnel information and request vacation leave.

Automatic Vehicle Location

Following on from the 2012 pilot of the Automatic Vehicle Location (AVL) technology implementation, we completed the final phase of this project. A total of 40 vehicles in the fleet are now fitted with AVL devices, facilitating more efficient deployment of crews to fault reports, based on their location. Our team will continue to refine this system to optimise the benefits, improve efficiency and response times to customer service calls.

Supervisory Control and Data Acquisition (SCADA) System Improvements

SCADA Systems are comprised of computer-controlled devices that monitor and control specific functions on our network. These systems play an important role in providing valuable data and capabilities that greatly improve efficiency and the delivery of reliable service in any electric utility. Extension of a wireless IP communication link to the Dr. Belle repeater site has increased the

coverage of the communication system to more than 95% of the island. This will positively impact the reliability of the SCADA system, which depends on this communication link to function effectively.

Geographic Information System (GIS)

As with SCADA, the strategic framework for GIS development focuses on expanding its penetration and reach. The functionality of this system, which plots the Company's physical infrastructure in relation to the national map and customer locations, is continuously being improved. The major advancement in 2013 was the installation of an intranet application that facilitates critical access to data from desktop computers across the Company. Ongoing development activities include mapping of customer meters and the poles.

Renewable Energy

Pursuant to GRENLEC's policy to diversify its generation mix, two photovoltaic solar projects were commissioned in Grenada and Petite Martinique. In this regard, the Company is actively facilitating renewable customer interconnections in addition to developing large-scale renewable projects. The Company has had limited success in pursuing options for land, a major challenge in moving these projects forward. Consequently, the approach has shifted to a more distributed generation model which makes it easier to identify and acquire suitable land.

Petite Martinique Renewable Energy Project

GRENLEC Team was Instrumental in Solar Plant Installation at Petite Martinique

On Petite Martinique, a 31.59kW ground mounted solar photovoltaic (PV) system was installed and commissioned in October 2013. This was the first phase in a programme to convert Petite Martinique to 100% renewable energy. For this purpose, wind is also being explored as a promising technology.

Grand Anse Rooftop Solar Installation

GRENLEC's Grand Anse Solar Installation.

Another initiative completed in September involved rooftop PV installations on the three main buildings at the Company's Grand Anse location. The combined maximum power output of these systems is 148.48kW and by year-end had injected just under 60MWh of energy into the grid.

Customer Renewable Energy Interconnections

Subscriptions to the second phase of customer-owned renewable energy generating systems continued. With the price of solar decreasing, there is significant customer interest in this programme. At year's end there were 15 systems interconnected through the second phase representing a total of 145kW at maximum output. This is an addition to the 300 kW connected during the pilot phase for 45 customers.

Carriacou Wind Energy Project

The Carriacou Wind Project, a collaborative venture between the Government of Grenada, the European Union and GRENLEC, was launched in 2012. After an unexpected delay, in December, GRENLEC received an advisory from the Ministry of Finance of a Cabinet decision that allows the project to be reactivated. While the delays inevitably strained the project deadlines outlined in the EU loan agreement, the expectation is that the project will advance in 2014.

CORPORATE SOCIAL RESPONSIBILITY

The GRENLEC Community Partnership Initiative continues to positively impact lives, investing more than $3.7M in communities throughout Grenada, Carriacou and Petite Martinique in 2013. Since its implementation in 1994, it has injected $14.85M in a broad scope of initiatives.

Significantly, the Company strengthened its implementation procedures to improve the efficiency and effectiveness of the programme. The new procedures address a particular challenge over the years of delayed project execution after the Company committed funding. While this resulted in large balances from year to year, the new scheme places more stringent conformance standards for each project. Among the other changes, a four-month project intake period was announced in September 2013 and requirements for project submissions published. Following preliminary assessments, the GCPI Committee will review major project submissions and announce successful applicants in early April 2014.

St. Andrew's Anglican Secondary School's Demonstration Renewable Energy and Efficiency Project

Solar Installation at SAASS

The winner of the 5th Anniversary GRENLEC Debates in November 2012, St. Andrew's Anglican Secondary School (SAASS) was selected as the site of a demonstration project for renewable energy and efficiency improvement. A roof-type PV Generator was installed at the school as one of our community partnership projects. This installation is still not connected to the grid due to internal wiring problems at the school. GRENLEC is working with the Government Electrical Inspectorate to have these problems rectified so that the PV system can be connected. It is hoped that this project will inform a programme to benefit other schools and care institutions, among others.

OUTLOOK

In its World Economic Outlook, the International Monetary Fund (IMF) stated "global growth is in low gear, the drivers of activity are changing, and downside risks persist." The IMF projects 3% growth in the global economy in 2014, marginally above the 2½% recorded in the first half of 2013. Significantly, developing economies are driving this growth, with expectations that they will grow by 5%.

In Grenada, growth in 2013 was projected at 2.7%, however, serious uncertainty exists about the likelihood of an economic recovery in the short-term. At the time of writing, the details of the letter of intent to the IMF on the fiscal reform and structural adjustment programme had not been made public. Neither had the exact haircut that creditors are being requested to accept in the debt restructuring programme that has been articulated. These measures could impact the projected growth of at least 1.5% in 2014.

The challenges faced in the local economy remain high unemployment, high public sector debt, low growth rates and a high current account deficit. For GRENLEC, the challenges have been manifested through the effect of contracting sales, and the responses of an aggressive cost containment and efficiency improvement drive and the requirement for more robust collections strategies. These depressed conditions and uncertainties provided the background for the start of union negotiations for the period 2012-2015.

In 2013, as was the case in the two prior years fuel prices remained high with the lowest average monthly price of a barrel of crude oil being USD92.02. The Economist Intelligence Unit has forecast the price of a barrel of oil in 2014 at USD100. Consistently high world fuel prices confirm the need to continue to explore alternative sources of energy, which have become more viable in recent years as prices of wind turbines and solar panels have come down. Unfortunately, it also means that the challenges of lower disposable income and continued economic stress that individual and business customers face, is unlikely to be eased.

Given the likelihood of the economy continuing in a depressed state and high fuel prices it is unlikely that we will see growth in our kWh sales in 2014. The opening of Sandals LaSource Grenada in late December 2013 is likely to positively contribute to the Company's sales performance. Expectations are they will become one of our largest single location customers.

Our employees continue to be our most valuable asset. They have met the challenges to date by improving productivity and ensuring the Company's operations become more efficient. Significant effort is being made to continue to foster the professional growth of our team members, enhance communication and service and maintain our reliability and safety standards. We expect these initiatives to continue to bear fruit in 2014, as our GRENLEC team strives to achieve our goal of making Grenada proud of having a world class energy service provider.

OUR COMMUNITY, DEVELOPMENT PARTNERS AND INITIATIVES

ON THIS PAGE: Cross-departmental team installed solar panels • BFF Promotion winners • GRENLEC team members performing for residents of the St. Martin's Home for the elderly • Team Distribution celebrating a significant operations milestone • Collaborating with the Royal Grenada Police Force to stage a fire drill at the Bruce Bain Power Plant • Supporting Grenada's biggest cultural festival • Energy efficient lighting for Fort Frederick and instruments for schools' Orchestra • Grenada National Museum Revitalisation Programme.

OUR COMMUNITY, DEVELOPMENT PARTNERS AND INITIATIVES

ON THIS PAGE: Minister for Health receives funding for equipment and supplies for General Hospital Laboratory • Equipment for Neonatal Unit at Princess Royal Hospital, Carriacou • Gear for Petite Martinique Cricket Club • Supporting Care Institutions • Site visit to construction site of the Boca Secondary School and Community Hard Court • National Under-23 Netball Team • Collaborating with Grenada Cricket and Swimming Associations • Grassroots Football Programme

OUR COMMUNITY, DEVELOPMENT PARTNERS AND INITIATIVES

ON THIS PAGE: Grenada Shotokan Karate Association • A selection of GRENLEC Coaches & Debaters - Orientation 2013 • First Sir Paul Scoon Top Debater - SAASS' Cherise Blache • 2013 GRENLEC Debates Champion - SAASS • SAASS staff and students jubilant about their second consecutive championship • Lab equipment for Hillsborough Secondary • Second place in the GRENLEC Debates and one of the final 4 for each of the 6 seasons of the GRENLEC Debates - SJC Grenville • Touring the Vendome RC School during refurbishment with Minister for Education and other partners.

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PKF
Accountants &
business advisers

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

We have audited the accompanying financial statements of the company which comprise the statement of financial position at December 31st, 2013 and the related statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of the Company as of December 31st, 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

GRENADA:

March 12th, 2014

PKF

Accountants & business advisers:

GRENADA ELECTRICITY SERVICES LIMITED

STATEMENT OF FINANCIAL POSITION AT 31ST DECEMBER, 2013

(Expressed in Eastern Caribbean Currency Dollars)

ASSETS	Notes	2013 $	2012 $
Non-Current Assets			
Property, plant and equipment	4	81,907,855	86,042,932
Suspense jobs in progress	5	1,682,618	1,407,581
Capital work in progress	6	2,902,314	3,512,536
Deferred exchange loss	7	1,207,246	948,305
Available-for-sale financial assets	8 (a)	872,388	876,140
		88,572,421	92,787,494
Current Assets			
Inventories	9	15,197,303	15,507,888
Trade and other receivables	10	35,346,510	36,204,176
Segregated retirement investments	11	9,993,896	19,613,931
Income tax prepaid		908,592	195,102
Loans and receivables financial assets	8 (b)	30,910,203	26,375,717
Cash and cash equivalents	12	2,103,515	4,072,519
		94,460,019	101,969,333
TOTAL ASSETS		183,032,440	194,756,827
EQUITY AND LIABILITIES			
EQUITY			
Stated capital	13	32,339,840	32,339,840
Other reserves		8,308	12,060
Retained earnings		51,126,250	44,189,174
		83,474,398	76,541,074
Non-Current Liabilities			
Customers' deposits	14	11,428,931	10,171,095
Long-term borrowings	15	24,676,158	31,945,548
Provision for retirement benefits	16	-	24,033,554
Provision for hurricane insurance reserve	17	16,000,000	14,000,000
		52,105,089	80,150,197
Current Liabilities			
Amount due to related company	18	91,971	140,219
Short-term borrowings	15	10,630,726	14,403,726
Trade and other payables	19	15,077,082	17,654,588
Customers' contribution to line extensions		1,003,906	1,085,814
Provision for retirement benefits	16	16,120,574	500,000
Provision for profit sharing		4,528,694	4,281,209
		47,452,953	38,065,556
TOTAL LIABILITIES		99,558,042	118,215,753
TOTAL EQUITY AND LIABILITIES		183,032,440	194,756,827

The notes on pages 28 to 55 form an integral part of these financial statements

: Director : Director

GRENADA ELECTRICITY SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2013
(Expressed in Eastern Caribbean Currency Dollars)

	Notes	**2013** $	2012 $
INCOME			
Sales - non fuel charge		78,004,472	78,574,699
- fuel charge		112,360,801	115,988,054
Unbilled sales adjustments	2(v)	(244,236)	339,052
Gross Sales		190,121,037	194,901,805
Other income	20	2,190,764	2,578,690
Total income		192,311,801	197,480,495
LESS: OPERATING EXPENSES			
Production expenses		16,236,402	17,120,358
Diesel consumed		105,680,363	111,032,741
Administrative expenses		16,476,246	18,003,743
Distribution services		16,884,546	16,428,727
Planning and engineering		2,413,262	2,214,786
Provision for hurricane insurance reserve		2,000,000	2,000,000
Total operating expenses		159,690,819	166,800,355
Operating profit		32,620,982	30,680,140
Less: Finance cost	21	2,861,373	3,393,608
Profit for year before allocations and taxation		29,759,609	27,286,532
ALLOCATIONS			
Less: Donations		1,487,980	1,364,327
Profit sharing		5,853,542	5,546,071
		7,341,522	6,910,398
Profit for year before taxation		22,418,087	20,376,134
Less: Provision for taxation	23	6,361,011	5,860,140
Profit for year after taxation		16,057,076	14,515,994
Other comprehensive income			
Revaluation of available-for-sale financial assets		(3,752)	(1,340)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		16,053,324	14,514,654
EARNINGS PER SHARE		**0.84**	**0.76**

The notes on pages 28 to 55 form an integral part of these financial statements

GRENADA ELECTRICITY SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER, 2013

(Expressed in Eastern Caribbean Currency Dollars)

	Stated Capital $	Other Reserve $	Retained Earning $	Total Equity $
Balance at 1st January, 2012	32,339,840	13,400	38,793,180	71,146,420
Dividends paid	-	-	(9,120,000)	(9,120,000)
Total comprehensive income for the year:				
Profit for the year after taxation	-	-	14,515,994	14,515,994
Revaluation of available-for-sale financial assets	-	(1,340)	-	(1,340)
Balance at 31st December, 2012	32,339,840	12,060	44,189,174	76,541,074
Dividends paid	-	-	(9,120,000)	(9,120,000)
Total comprehensive income for the year:				
Profit for the year after taxation	-	-	16,057,076	16,057,076
Revaluation of available-for-sale financial assets	-	(3,752)	-	(3,752)
Balance at 31st December, 2013	32,339,840	8,308	51,126,250	83,474,398

The notes on pages 28 to 55 form an integral part of these financial statements

GRENADA ELECTRICITY SERVICES LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER, 2013
(Expressed in Eastern Caribbean Currency Dollars)

	2013 $	2012 $
OPERATING ACTIVITIES		
Profit for the year before taxation	22,418,087	20,376,134
Adjustments for:		
Depreciation	11,155,792	12,837,194
Profit on disposal of fixed assets	(82,734)	(118,207)
Operating surplus before working capital changes	33,491,145	33,095,121
Decrease/(increase) in trade and other receivables	857,666	(3,028,072)
(Decrease)/increase in trade and other payables	(1,401,579)	1,132,011
(Decrease)/increase in provision for retirement benefits	(8,412,980)	792,918
Decrease in inventories	310,585	143,106
Decrease in amount due to related company	(48,248)	(49,748)
Increase in provision for profit sharing	247,485	1,194,290
	25,044,074	33,279,626
Income tax paid	(7,074,501)	(9,035,755)
Cash provided by operating activities	17,969,573	24,243,871
INVESTING ACTIVITIES		
Increase in available for sale financial assets	3,752	1,208
Disposal of property, plant and equipment	109,057	135,466
Decrease/(decrease)in suspense jobs in progress	(275,037)	182,277
Decrease/(increase) in capital work in progress	610,222	(655,934)
Increase in loans and receivables financial assets	(4,534,486)	(793,939)
Decrease/(increase) in segregated retirement investments	9,620,035	(553,088)
Decrease in consumer contribution to line extensions	(244,876)	(554,153)
Purchase of property, plant and equipment	(6,802,161)	(7,714,871)
Increase in other reserves	(3,752)	(1,340)
Cash used in investing activities	(1,517,246)	(9,954,374)
FINANCING ACTIVITIES		
Dividends paid	(9,120,000)	(9,120,000)
Increase in provision for hurricane insurance reserve	2,000,000	2,000,000
Repayment of borrowings	(7,311,435)	(7,098,016)
Cash used in financing activities	(14,431,435)	(14,218,016)
Net increase in cash and cash equivalents	2,020,892	71,481
Cash and cash equivalents - at the beginning of year	(2,929,994)	(3,001,475)
- at the end of year	(909,102)	(2,929,994)
REPRESENTED BY		
Cash and cash equivalents	2,103,515	4,072,519
Bank overdraft	(3,012,617)	(7,002,513)
	(909,102)	(2,929,994)

The notes on pages 28 to 55 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS AT 31ST DECEMBER, 2013

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-three (233) persons during the year (2012- 232).

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

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

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

(b) New accounting standards, amendments and interpretations

(i) There are no new standards, amendments or interpretations that are effective for the first time for the financial year beginning on or after 1st January 2014 that would be expected to have a material impact on the Company's financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS AT 31ST DECEMBER, 2013

(continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

IFRS 10	Consolidated financial statements- Effective for annual periods beginning on or after 1st January, 2014.
IFRS 12	Disclosure of interest in other entities- Effective for annual periods beginning on or after 1st January, 2014.
IFRS 14	Regulatory Deferral Accounts – Effective for annual periods beginning on or after 1st January, 2016.
IAS 19	Employee benefits – Effective for annual periods beginning on or after 1st January, 2014
IAS 27	Separate financial statements – Effective for annual periods beginning on or after 1st January, 2014.
IAS 32	Financial instruments: Presentation – Offsetting financial assets and financial liabilities – effective for annual periods beginning on or after 1st January, 2014.
IAS 36	Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets – Effective for annual periods beginning on or after 1st January, 2014.
IAS 39	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting – Effective for annual periods beginning on or after 1st January, 2014.
IFRIC 21	Levies - Effective for annual periods beginning on or after 1st January, 2014.
IFRS 13	Fair value measurement - Effective for annual periods beginning on or after 1st January, 2014.

(c) Property, Plant and Equipment

Recognition and Measurement

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, Plant and Equipment (continued)

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

Subsequent Expenditure

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

Depreciation

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign Currencies Translation

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

EC$2.7169 to US$1.00	-	(2012: EC$2.7169)
EC$3.89553 to €1.00	-	(2012: EC$3.7356)

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

(e) Financial Instruments

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

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

Recognition and measurement

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

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

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

Financial assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

Loans and receivables

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

NOTES TO THE FINANCIAL STATEMENTS AT 31ST DECEMBER, 2013

(continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

(ii) Financial assets measured at cost

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

Financial Liabilities

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

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

(f) Inventories

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

(g) Trade receivables

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Cash and cash equivalents

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

(i) Stated capital

Ordinary shares are classified as equity.

(j) Trade payables

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

(k) Borrowings

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

(l) Customers' deposits

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

(m) Customers' contribution to line extensions

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

NOTES TO THE FINANCIAL STATEMENTS AT 31ST DECEMBER, 2013

(continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Customers' contribution to line extensions (continued)

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

(n) Employee benefits

Profit sharing scheme

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

(o) Income tax

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

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 is 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, 2013 amounted to EC$7,472,872 (2012 - EC$7,288,926). Included therein is a specific provision of $2,889,698 on customer accounts and $546,364 on other debtors.

NOTES TO THE FINANCIAL STATEMENTS AT 31ST DECEMBER, 2013

(continued)

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, 2013 are calculated as follows:

		2013 $	2012 $
Sales revenue for December after discounts		16,117,707	16,606,180
50% of above	= provision at 31/12/13	8,058,854	8,303,090
	= provision at 31/12/12	8,303,090	7,964,038
(Decrease)/increase in provision during the year		(244,236)	339,052

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 on an annual basis.

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, 2012						
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**
For year ended 31st December, 2012						
Opening book value	1,467,468	14,543,342	77,178,425	1,197,974	4,689,938	99,077,147
Additions for the year	-	17,511	6,108,958	485,117	1,103,286	7,714,871
Disposals for the year	-	-	-	(97)	(17,164)	(17,261)
Depreciation charge for year	-	(529,116)	(10,515,759)	(723,789)	(1,068,530)	(12,837,194)
NET BOOK VALUE	**$1,467,468**	**$14,031,737**	**$72,771,624**	**$959,205**	**$4,707,530**	**$93,937,564**
Balance at 31st December, 2012						
Cost	1,467,468	30,452,548	215,044,394	9,274,361	11,833,924	268,072,695
Accumulated depreciation	-	(16,420,811)	(142,272,770)	(8,315,156)	(7,126,394)	(174,135,131)
	1,467,468	14,031,737	72,771,624	959,205	4,707,530	93,937,564
Less: Customer contribution to line extensions	-	-	-	-	-	(7,894,632)
NET BOOK VALUE	**$1,467,468**	**$14,031,737**	**$72,771,624**	**$959,205**	**$4,707,530**	**$86,042,932**

4. PROPERTY, PLANT AND EQUIPMENT

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

NOTES TO THE FINANCIAL STATEMENTS AT 31ST DECEMBER, 2013

(continued)

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

	2013 $	2012 $
Generation	1,992,808	1,228,744
Computers and software upgrades	354,211	1,016,847
Building and construction	-	8,275
Tools and equipment	96,505	65,781
Furniture and equipment	6,047	57,672
Distribution	452,743	1,135,217
	2,902,314	3 512,536

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$3.89553 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	24,388	28,140
Government of Grenada - Treasury Bills	848,000	848,000
	872,388	876,140
(b) Loans and receivables		
Fixed deposit – Republic Bank (Grenada) Limited	10,376,081	9,289,006
Fixed deposit – Grenada Co-operative Bank Limited	7,641,134	8,650,790
Fixed deposit – Bank of Nova Scotia	5,445,530	1,093,775
Fixed deposit – RBTT Bank Grenada Limited	4,712,433	4,586,267
US$ certificate of deposit- Cayman National Bank	2,735,025	2,755,879
	30,910,203	26,375,717

NOTES TO THE FINANCIAL STATEMENTS AT 31ST DECEMBER, 2013

(continued)

8. FINANCIAL ASSETS (continued)

Included in the above is an amount of $16,191,668 for Hurricane Insurance Reserve invested in Treasury Bills and fixed deposits held with the Bank of Nova Scotia, Republic Bank (Grenada) Limited, RBTT Bank Grenada Limited, Cayman National Bank and the Grenada Co-operative Bank Limited.

9. INVENTORIES

	2013 $	2012 $
The following is a breakdown of stock on hand:		
Motor vehicle spares	937,967	832,218
Distribution	4,779,069	5,650,889
Generation spares	7,521,455	7,083,101
Fuel and lubricating oil	832,544	861,128
General stores	2,154,703	2,136,663
	16,225,738	16,563,999
Less: Obsolescence provision	1,028,435	1,056,111
	15,197,303	15,507,888

10. TRADE AND OTHER RECEIVABLES

Customers' accounts	31,848,807	32,302,020
Less: Provision for doubtful debts	6,926,508	6,701,804
	24,922,299	25,600,216
Other debtors	1,962,839	2,219,748
Less: Provision for doubtful debt	546,364	587,122
	26,338,774	27,232,842
Provision for unbilled sales	8,058,854	8,303,090
Prepayments	948,882	668,244
	35,346,510	36,204,176

As at December 31st, 2013 the aging analysis of customers' accounts is as follows:

	30 days	31- 60 days	61-90 days	Over 90 days	Total
2013	$13,435,151	$4,608,207	$2,795,409	$11,010,040	$31,848,807
2012	$14,376,737	$5,786,091	$2,431,363	$9,707,829	$32,302,020

NOTES TO THE FINANCIAL STATEMENTS AT 31ST DECEMBER, 2013

(continued)

11. SEGREGATED RETIREMENT INVESTMENTS

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

A balance of $1.28 million Segregated Retirement Investment is held in a Government of Grenada/ Grenlec certificate of deposit at the Bank of Nova Scotia. This can only be drawn by the Company upon the retirement or resignation of employees who were employed prior to its privatization in 1994.

12. CASH AND CASH EQUIVALENTS

	2013 $	2012 $
Cash on hand	4,900	4,800
Bank of Tampa	19,795	793
Bank of Nova Scotia	300,261	252,773
Republic Bank (Grenada) Limited	37,472	45,889
FirstCaribbean International Bank Limited	519,378	530,465
Grenada Co-operative Bank Limited	1,221,709	3,237,799
	2,103,515	4,072,519
Bank overdraft (note 15)	(3,012,617)	(7,002,513)
Cash and cash equivalents in the statement of cash flows	(909,102)	(2,929,994)

13. STATED CAPITAL

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

14. CUSTOMERS' DEPOSITS

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

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

NOTES TO THE FINANCIAL STATEMENTS AT 31ST DECEMBER, 2013

(continued)

15. BORROWINGS

Long-term	**2013** $	2012 $
(i) European Investment Bank (EIB)	8,445,276	8,995,239
(ii) National Insurance Scheme	4,770,991	6,504,022
(iii) GRENLEC ECSE Bonds	19,078,000	23,847,500
	32,294,267	39,346,761
Less: Current portion	7,618,109	7,401,213
Total long-term	24,676,158	31,945,548
Short-term		
Bank overdraft	3,012,617	7,002,513
Borrowings current portion	7,618,109	7,401,213
Total short-term	10,630,726	14,403,726
Total borrowings	35,306,884	46,349,274

(A) European Investment Bank (EIB)

This loan bears an average interest rate of 5.75% per annum and is repayable over fifteen (15) years in annual instalments of Euro 365,898.74 (EC$1,425,369.52 – converted as at the rate of December 31st, 2013) inclusive of interest. The loan is secured by a first fixed charge on Wartsila generator set II.

(B) National Insurance Scheme

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

(C) Grenlec ECSE Bonds

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 (principal) plus variable 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 the exception of those secured under other agreements and the Carriacou assets. The Debenture requires the Company to meet financial ratios; current, earnings coverage and equity /debt. The financial ratios were met by the Company for 2013.

NOTES TO THE FINANCIAL STATEMENTS AT 31ST DECEMBER, 2013

(continued)

16. PROVISION FOR RETIREMENT BENEFITS

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

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

During 2013 $10.06M of the funds relating to the Management Plan that has been duly registered with GARFIN was transferred into a Trust created for the management of these funds. The balance of $3.84M was transferred from the Company's books effective January 2nd, 2014.

The balance of $16.12M remaining in the provision at year-end is accounted for as follows:

	2013
	$
Management plan	3,837,122
Unionised plan	12,283,452
	16,120,574

Negotiations are on-going between the Grenada Technical And Allied Workers' Union (GTAWU) and the Company for the establishment of the Non-Management Trust. It is expected that by the end of June 2014 all funds relating the unionised retirement plan will be transferred out of the Company's books into a Non-Management Trust.

17. PROVISION FOR HURRICANE INSURANCE RESERVE

	2013	2012
	$	$
Balance at 1st January, 2013	14,000,000	12,000,000
Add: Provision for the year	2,000,000	2,000,000
Balance at 31st December, 2013	16,000,000	14,000,000

NOTES TO THE FINANCIAL STATEMENTS AT 31ST DECEMBER, 2013

(continued)

18. AMOUNT DUE TO RELATED COMPANY

	2013 $	2012 $
Amount due to WRB Enterprises Inc.	91,971	140,219

19. TRADE AND OTHER PAYABLES

Trade creditors	9,291,431	9,953,207
Sundry creditors	831,453	857,160
Accrued expenses	4,954,198	6,844,221
	15,077,082	17,654,588

20. OTHER INCOME

Sundry revenue	2,108,030	2,460,483
Gain on disposal of fixed assets	82,734	118,207
	2,190,764	2,578,690

21. FINANCE COST

Bank loans/Bond interest	2,390,963	2,931,067
Other bank interest	52,714	88,629
Other	417,696	373,912
	2,861,373	3,393,608

NOTES TO THE FINANCIAL STATEMENTS AT 31ST DECEMBER, 2013

(continued)

22. RELATED PARTY TRANSACTIONS

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

	2013 $	2012 $
a) Sale of electricity - NIS	364,100	358,151
b) Management services- WRB Enterprises Inc.	600,000	600,000
c) Loan repayments- NIS	2,142,603	2,142,603
d) Payment of dividends:		
NIS	1,057,920	1,057,920
Grenada Private Power Limited	4,560,000	4,560,000

ii) Compensation of key management personnel of the Company:

Salaries and other benefits	2,577,618	2,709,750
Past employment benefit provisions	505,143	485,725
iii) Loans receivable from key management personnel	26,828	59,135

NOTES TO THE FINANCIAL STATEMENTS AT 31ST DECEMBER, 2013

(continued)

23. TAXATION

Current year

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

	2013 $	2012 $
Profit before taxation	22,418,087	20,376,134
Tax at applicable statutory rate (30%)	6,725,426	6,112,840
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	(331,336)	(479,916)
Effect of expenses not deductible for tax purposes	(33,079)	227,216
Tax expense	6,361,011	5,860,140

Deferred Tax

There was a deferred tax asset of $729,883 at 31st December, 2013 which was not recognised at year-end. The deferred tax asset is due to the acceleration of depreciation.

24. CONTINGENT LIABILITIES

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

25. DIVIDENDS

During the year ended December 31st, 2013, a dividend of 48 cents per ordinary share amounting to $9,120,000 was declared and paid.

26. FINANCIAL RISK MANAGMENT

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

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

Audit Committee

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

Loans Committee

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

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

Credit risk

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

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

26. FINANCIAL RISK MANAGEMENT (continued)

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

The Company's maximum exposure to credit risk equals the carrying amount of its financial assets. Based on the above, however, management does not believe significant credit risk exists at December 31st, 2013.

Operational risk

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

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

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

26. FINANCIAL RISK MANAGEMENT (continued)

Insurance risk

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

Liquidity risk

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

26. FINANCIAL RISK MANAGEMENT (continued)

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

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

26. FINANCIAL RISK MANAGEMENT (continued)

Balance at 31st December, 2012	Current	31-60 days	61-90 days	Over 90 days	Total
	$	$	$	$	$
Current Assets					
Cash and cash equivalents	4,072,519	-	-	-	4,072,519
Loans and receivable financial assets	-	-	-	26,375,717	26,375,717
Income tax prepaid	195,102	-	-	-	195,102
Segregated retirement investments	-	-	-	19,613,931	19,613,931
Prepayments	668,244	-	-	-	668,244
Trade and other receivables	24,312,453	5,786,091	2,431,363	3,006,025	35,535,932
Inventories	15,507,888	-	-	-	15,507,888
	44,756,206	5,786,091	2,431,363	48,995,673	101,969,333
Current liabilities					
Amount due to related company	140,219	-	-	-	140,219
Short-term borrowings	14,403,726	-	-	-	14,403,726
Trade payables and accrued expenses	13,604,797	912,203	311,328	2,826,260	17,654,588
Consumers' advances for construction	-	-	-	1,085,814	1,085,814
Current portion of provision for retirement benefits	-	-	-	500,000	500,000
Provision for profit sharing	-	-	-	4,281,209	4,281,209
	28,148,742	912,203	311,328	8,693,283	38,065,556
NET LIQUIDITY SURPLUS	16,607,464	4,873,888	2,120,035	40,302,390	63,903,777

26. FINANCIAL RISK MANAGEMENT (continued)

Market risk

(i) Foreign exchange risk

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

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

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

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

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

26. FINANCIAL RISK MANAGEMENT (continued)

FINANCIAL LIABILITIES

	2013		2012	
Reasonably possible change in currency rate	+2.5%	-2.5%	+2.5%	-2.5%
Loans payable	**EC $**	**EC $**	**EC $**	**EC $**
EIB (EURO loan)				
Principal repayments for the year	941,434.14	941,434.14	851,244.88	851,244.88
Effect on principal repayment of adjustment to EURO	964,969.99	917,898.28	872,526.00	829,963.76
CURRENCY EXPOSURE	(23,535.85)	23,535.86	(21,281.12)	21,281.12
Reasonably possible change in currency rate	+2.5%	-2.5%	+2.5%	-2.5%
EIB Euro loan Interest payment	483,935.38	483,935.38	515,613.77	515,613.77
Effect on interest payment of adjustment to EURO	496,033.77	471,837.00	528,504.11	502,723.43
Effect on profit before tax/equity	(12,098.39)	12,098.38	(12,890.34)	12,890.34

Repayment for the year	**2013 EURO**	**2012 EURO**
Interest	124,228.38	138,026.29
Principal	241,670.36	227,872.45
	365,898.74	365,898.74

See note 2 (d) for exchange rates for the Euro at 31st December 2013 and 2012 respectively.

(ii) Interest rate risk

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

GRENADA ELECTRICITY SERVICES LIMITED

FIVE YEAR FINANCIAL RECORD 2009-2013

EXPRESSED IN EC$ & US$

	2013	2012	2011	2010	2009
	EC$	EC$	EC$	EC$	EC$
INCOME	192,311,801	197,480,495	190,936,733	165,349,860	141,040,502
PROFIT BEFORE TAXES	22,418,087	20,376,134	12,925,989	14,633,068	12,686,420
TAXATION	6,361,011	5,860,140	4,123,966	4,323,052	3,070,591
NET PROFIT	16,057,076	14,515,994	8,802,023	10,310,016	9,615,829
SHAREHOLDERS EQUITY	**83,474,398**	**76,541,074**	**71,146,420**	**71,317,936**	**69,556,853**
REPRESENTED BY:					
TOTAL ASSETS	183,032,440	194,756,827	191,806,188	190,061,477	196,882,692
TOTAL LIABILITIES	83,558,042	104,215,753	108,659,768	108,743,541	119,325,839
HURRICANE RESERVE	16,000,000	14,000,000	12,000,000	10,000,000	8,000,000
NET ASSETS	**83,474,398**	**76,541,074**	**71,146,420**	**71,317,936**	**69,556,853**
FINANCIAL RATIOS					
No. of shares	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000
Return on Shareholders equity	19.24%	18.96%	12.37%	14.46%	13.82%
Earnings Per Share	0.85	0.76	0.46	0.54	0.51
Dividends Per Share	0.48	0.48	0.48	0.45	0.44
	US $	**US $**	**US $**	**US $**	**US $**
INCOME	71,226,593	73,140,924	70,717,309	61,240,689	52,237,223
PROFIT BEFORE TAXES	8,302,995	7,546,716	4,787,403	5,419,655	4,698,674
TAXATION	2,355,930	2,170,422	1,527,395	1,601,130	1,137,256
NET PROFIT	5,947,065	5,376,294	3,260,008	3,818,525	3,561,418
SHAREHOLDERS EQUITY	30,916,444	28,348,546	26,350,526	26,414,050	25,761,797
REPRESENTED BY:					
TOTAL ASSETS	67,789,793	72,132,158	71,039,329	70,393,140	72,919,516
TOTAL LIABILITIES	30,947,423	38,598,427	40,244,359	40,275,386	44,194,755
HURRICANE RESERVE	5,925,926	5,185,185	4,444,444	3,703,704	2,962,963
NET ASSETS	**30,916,444**	**28,348,546**	**26,350,526**	**26,414,050**	**25,761,798**
FINANCIAL RATIOS					
No. of shares	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000
Return on Shareholders equity	19.24%	18.96%	12.37%	14.46%	13.82%
Earnings Per Share	0.31	0.28	0.17	0.20	0.19
Dividends Per Share	0.18	0.18	0.18	0.17	0.16

GRENADA ELECTRICITY SERVICES LIMITED

FIVE YEAR OPERATIONAL RECORD 2009-2013

(continued)

	2013	2012	2011	2010	2009
PRODUCTION AND SALES					
Gross Generation (kWh)	196,655,652	199,703,882	203,973,893	208,728,350	202,992,241
Auxillaries & Own Use	6,085,679	6,738,808	7,153,186	7,324,557	7,603,338
Net Generation	190,569,973	192,965,074	196,820,707	201,403,793	195,388,903
Sales (kWh)					
Domestic	68,454,863	69,123,037	70,463,449	72,091,738	68,283,453
Commercial	96,821,536	98,783,002	99,808,187	101,966,291	99,060,565
Industrial	5,907,116	5,845,185	6,064,518	6,265,771	5,667,611
Street Lighting	4,626,682	4,680,483	4,539,063	4,459,272	4,317,176
Total Sales	175,810,197	178,431,707	180,875,217	184,783,072	177,328,805
Loss (% of Net Generation)	7.71%	7.50%	8.22%	9.20%	8.61%
Number of Customers at Year - End					
Domestic	39,762	39,132	38,394	37,932	37,256
Commercial	5,968	5,874	5,818	5,730	5,636
Industrial	35	36	37	37	36
Total Customers	45,765	45,042	44,249	43,699	42,928
Average Annual usage per Customer Class (kWh)					
Domestic	1,722	1,766	1,835	1,901	1,833
Commercial	16,223	16,817	17,155	17,795	17,576
Industrial	168,775	162,366	163,906	169,345	157,434

NOTES

In observance
of our Nation's
40th Independence Anniversary

INSPIRING GENERATIONS

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