

GRENADA ELECTRICITY SERVICES LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31ST DECEMBER, 2008

GRENADA ELECTRICITY SERVICES LIMITED

CONTENTS

Page

DIRECTORS AND OFFICERS 2

REPORT OF THE AUDITORS 3

BALANCE SHEET 4

STATEMENT OF INCOME 5

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 6

STATEMENT OF CASH FLOWS 7

NOTES TO THE FINANCIAL STATEMENTS 8 to 18

GRENADA ELECTRICITY SERVICES LIMITED

DIRECTORS AND OFFICERS

DIRECTORS:

(As at December 31, 2008)

G. Robert Blanchard Jr. –Chairman
Malcolm Harris – Vice Chairman
Nigel Wardle
Vernon Lawrence - Managing Director/Chief Executive Officer
Arthur Campbell
Alfred Logie
Ronald Roseman
Robert Curtis
Allan Bierzynski
Ambrose Phillip
Royston La Hee
Dyer Marquez

MANAGING DIRECTOR:

Vernon Lawrence

SECRETARY:

Nigel Wardle

REGISTERED OFFICE:

Halifax Street
St. George's
Grenada

BANKERS:

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

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

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

FirstCaribbean International Bank (Barbados) Limited
Church Street
St. George's, Grenada

Grenada Co-operative Bank Limited
Church Street
St. George's

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

SOLICITORS:

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

AUDITORS:

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

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

We have audited the accompanying financial statements of the company which comprise the balance sheet at December 31st, 2008 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of the Company as of December 31st, 2008 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

GRENADA:

18th February, 2009



Accountants & business advisers:

GRENADA ELECTRICITY SERVICES LIMITED

BALANCE SHEET AT 31ST DECEMBER, 2008

(Expressed in Eastern Caribbean Currency Dollars)



ASSET	Notes	2008 \$	2007 \$
NON-CURRENT ASSETS			
Property, plant and equipment	4	81,582,453	92,794,408
Suspense jobs in progress		1,891,611	687,204
Capital work in progress	5	23,313,929	4,380,321
Deferred exchange loss	6	2,188,810	2,783,690
Investments – Available-for-sale	7	<u>863,949</u>	<u>863,817</u>
		<u>109,840,752</u>	<u>101,509,440</u>
CURRENT ASSETS			
Inventories	8	14,363,520	15,544,373
Trade receivables	9	37,115,390	30,882,813
Prepayments		1,189,766	1,191,534
Segregated retirement investment	10	13,139,774	12,562,797
Income tax prepaid		1,538,632	590,668
Investments-Loans and receivables	7	15,987,839	6,495,899
Cash and due from banks	11	<u>993,895</u>	<u>26,340,242</u>
		<u>84,328,816</u>	<u>93,608,326</u>
TOTAL ASSETS		<u>194,169,568</u>	<u>195,117,766</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY			
Stated capital	12	32,339,840	32,339,840
Retained earnings		<u>35,947,779</u>	<u>29,444,015</u>
		<u>68,287,619</u>	<u>61,783,855</u>
NON-CURRENT LIABILITIES			
Provision for retirement benefits	13	16,607,571	15,786,294
Long term debt	14	63,449,612	71,922,616
Provision for hurricane insurance reserve	15	<u>6,000,000</u>	<u>4,000,000</u>
		<u>86,057,183</u>	<u>91,708,910</u>
CURRENT LIABILITIES			
Bank overdraft		2,397,871	2,842,875
Amount due to related company	16	259,359	94,127
Current portion of long-term debt	14	7,751,524	6,987,532
Trade payables and accrued expenses	17	14,666,362	20,169,397
Consumers' deposits		7,538,265	6,822,869
Consumers' advances for construction		1,770,754	910,527
Current portion of provision for retirement benefits		1,500,000	1,000,000
Provision for profit sharing		<u>3,940,631</u>	<u>2,797,674</u>
		<u>39,824,766</u>	<u>41,625,501</u>
TOTAL LIABILITIES		<u>125,881,949</u>	<u>133,333,911</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>194,169,568</u>	<u>195,117,766</u>

The notes on pages 8 to 18 form part of these financial statements

[Signature] Director

[Signature] Director

GRENADA ELECTRICITY SERVICES LIMITED

**STATEMENT OF INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2008
(Expressed in Eastern Caribbean Currency Dollars)**

	Notes	2008 \$	2007 \$
INCOME			
Sales - non fuel charge		71,668,707	66,948,993
- fuel charge		110,570,928	71,698,722
Unbilled sales adjustments		<u>958,188</u>	<u>1,013,285</u>
Total sales		183,197,823	139,661,000
Sundry revenue		3,053,755	2,116,789
Profit on disposal of fixed assets		<u>2,599,880</u>	<u>50,054</u>
		<u>188,851,458</u>	<u>141,827,843</u>
OPERATING COSTS			
Production costs		19,701,004	18,416,715
Fuel consumed		103,813,684	74,045,776
Provision for hurricane insurance reserve		2,000,000	2,000,000
Distribution services		14,583,593	13,146,080
Planning and engineering		<u>1,435,695</u>	<u>1,353,704</u>
		<u>141,533,976</u>	<u>108,962,275</u>
Administration		<u>16,708,067</u>	<u>12,569,988</u>
Profit for year before interest		30,609,415	20,295,580
Deduct: interest		<u>5,507,470</u>	<u>4,536,005</u>
		<u>25,101,945</u>	<u>15,759,575</u>
OTHER CHARGES			
Donations		1,255,097	787,979
Profit sharing		<u>4,423,964</u>	<u>3,295,233</u>
		<u>5,679,061</u>	<u>4,083,212</u>
Profit for year before income tax		19,422,884	11,676,363
Deduct: Provision for income tax	20	<u>4,559,120</u>	<u>3,431,800</u>
Profit for year after income tax		<u>14,863,764</u>	<u>8,244,563</u>
Earnings per share		<u>0.78</u>	<u>0.43</u>

The notes on pages 8 to 18 form part of these financial statements

GRENADA ELECTRICITY SERVICES LIMITED

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31ST DECEMBER, 2008**

(Expressed in Eastern Caribbean Currency Dollars)

	Stated Capital	Revaluation Reserve	Retained Earnings	Total
Balance at 1 st January, 2007	32,339,840	3,828,527	24,970,925	61,139,292
Dividends paid	-	-	(7,600,000)	(7,600,000)
Profit for the year after income tax	-	-	8,244,563	8,244,563
Reallocation	<u>-</u>	<u>(3,828,527)</u>	<u>3,828,527</u>	<u>-</u>
Balance at 31 st December, 2007	32,339,840	-	29,444,015	61,783,855
Dividends paid	-	-	(8,360,000)	(8,360,000)
Profit for the year after income tax	<u>-</u>	<u>-</u>	<u>14,863,764</u>	<u>14,863,764</u>
Balance at 31 st December, 2008	<u>\$32,339,840</u>	<u>\$ -</u>	<u>\$35,947,779</u>	<u>\$68,287,619</u>

The notes on pages 8 to 18 form part of these financial statements

GRENADA ELECTRICITY SERVICES LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER, 2008
(Expressed in Eastern Caribbean Currency Dollars)**

	2008	2007
	\$	\$
OPERATING ACTIVITIES		
Profit before income tax	19,422,884	11,676,363
Adjustments for:		
Depreciation	14,123,098	14,459,629
Profit on disposal of fixed assets	<u>(2,599,880)</u>	<u>(50,054)</u>
	30,946,102	26,085,938
Changes In Operating Assets/Liabilities		
Increase in receivables and prepayments	(6,230,809)	(2,059,611)
(Decrease)/increase accounts payable and accrued charges	(3,927,412)	10,310,296
Increase in provision for retirement benefits	1,321,277	1,869,957
Decrease in inventory	1,180,853	405,114
Increase/(decrease) in related company balance	165,232	(32,989)
Increase in provision for profit sharing	1,142,957	180,611
Income tax paid	<u>(5,507,084)</u>	<u>(6,724,965)</u>
Cash provided by operating activities	<u>19,091,116</u>	<u>30,034,351</u>
INVESTING ACTIVITIES		
Increase in investments	(132)	-
Disposal of property, plant and equipment	3,637,650	124,282
(Increase)/decrease in suspense jobs in progress	(1,204,407)	45,120
Increase in capital work in progress	(18,933,608)	(3,115,625)
Increase in short term investments	(9,491,940)	(5,621,769)
Increase in segregated investment	(576,977)	(1,396,270)
Increase in consumer contribution to line extension	417,168	658,228
Purchase of fixed assets	<u>(4,366,081)</u>	<u>(8,087,066)</u>
Cash used in investing activities	<u>(30,518,327)</u>	<u>(17,393,100)</u>
FINANCING ACTIVITIES		
Loan proceeds	-	47,695,000
Dividends paid	(8,360,000)	(7,600,000)
Increase in provision for hurricane insurance reserve	2,000,000	2,000,000
Repayment of loan	<u>(7,114,132)</u>	<u>(29,702,060)</u>
Cash (used in)/provided by financing activities	<u>(13,474,132)</u>	<u>12,392,940</u>
Net (decrease)/increase in cash and cash equivalents	(24,901,343)	25,034,191
Net cash/(overdraft)- at the beginning of year	<u>23,497,367</u>	<u>(1,536,824)</u>
Net (overdraft)/cash - at the end of year	<u>(1,403,976)</u>	<u>23,497,367</u>
REPRESENTED BY		
Cash and due from banks	993,895	26,340,242
Bank overdraft	<u>(2,397,871)</u>	<u>(2,842,875)</u>
	<u>(1,403,976)</u>	<u>23,497,367</u>

The notes on pages 8 to 18 form part of these financial statements

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 31ST DECEMBER, 2008

1. CORPORATE INFORMATION

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

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

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

(b) Foreign Currencies Translation

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

EC\$2.7169 to US\$1.00	-	(2007: EC\$2.7169)
EC\$3.9863 to Euro1.00	-	(2007: EC\$4.1722)

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

(c) Cash and Due from Banks

Cash and due from banks include cash in hand, short-term bank deposits, other short-term highly liquid investments with original maturities of three (3) months or less (Note 11).

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST DECEMBER, 2008

(continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, Plant and Equipment

Property, plant and equipment consist of building, plant and machinery, motor vehicles, furniture and fittings and are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual value over their estimated useful lives at the following rates per annum:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of income.

(e) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on an average basis. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling prices.

(f) 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, 2008 amounted to EC\$5,110,898 (2007 - EC\$4,053,746). Included therein is a specific provision of \$975,997 on consumer accounts and \$405,317 on other debtors.

GRENADA ELECTRICITY SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2008
(continued)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Consumers' Contribution to Line Extension

In certain specified circumstances, consumers requiring line extensions are required to contribute towards the cost of the extension. The excess of any such contributions over the cost of the extensions is reflected in the Statement of Income in the period in which the job is completed.

The balance of contributions is written off over the estimated useful life of the relevant assets and is reflected in the Statement of Income as a deduction from the depreciation charge for Transmission and Distribution. Contributions received in respect of jobs not yet started or completed at the year end are grouped with creditors, accrued charges and provisions.

(h) Provision for Unbilled Sales

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

The provision and adjustment with comparatives at 31st December, 2007 are calculated as follows:

	2008	2007
	\$	\$
Sales revenue for December after discounts	<u>14,474,005</u>	<u>12,557,628</u>
50% of above = provision at 31/12/08	7,237,003	6,278,814
= provision at 31/12/07	<u>6,278,814</u>	<u>5,265,530</u>
Increase in provision during the year	<u>958,189</u>	<u>1,013,284</u>

(i) Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at the anticipated realisable value. 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 receivables. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade receivables is impaired.

GRENADA ELECTRICITY SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2008
(continued)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Investments

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, exchange rates or equity prices. These investments are stated at cost as fair market values are not available.

Loans and receivables

Investments classified as loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in financial investments and are classified as assets in the balance sheet. These assets are carried at amortised cost.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

i) Impairment of inventory and trade receivables

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

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

GRENADA ELECTRICITY SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2008**

(continued)

4. PROPERTY, PLANT AND EQUIPMENT

COST	Land	Building and Construction	Plant and Machinery	Motor Vehicles	Furniture and equipment	Total
Balance at January 1st, 2008	1,467,468	25,479,428	163,139,840	7,515,475	9,374,504	206,976,715
Additions for the year	-	16,478	2,664,907	1,387,812	296,884	4,366,081
Disposals during the year	-	(1,820,793)	(48,340)	(215,287)	(1,132,987)	(3,217,407)
Balance at December 31st, 2008	<u>1,467,468</u>	<u>23,675,113</u>	<u>165,756,407</u>	<u>8,688,000</u>	<u>8,538,401</u>	<u>206,125,389</u>
ACCUMULATED DEPRECIATION						
Balance at January 1 st , 2008	-	12,314,211	83,159,421	7,046,174	4,840,333	107,360,139
Charge for year	-	1,213,345	11,708,614	380,442	820,697	14,123,098
Written back on sales/disposals	-	(852,801)	(12,486)	(215,288)	(1,099,062)	(2,179,637)
Balance at December 31st, 2008	<u>-</u>	<u>12,674,755</u>	<u>94,855,549</u>	<u>7,211,328</u>	<u>4,561,968</u>	<u>119,303,600</u>
Balance at December 31st, 2008	1,467,468	11,000,358	70,900,858	1,476,672	3,976,433	88,821,789
Less: Consumer contribution to line extension	-	-	-	-	-	(7,239,336)
Net book value - December 31st, 2008	<u>\$1,467,468</u>	<u>\$11,000,359</u>	<u>\$70,900,860</u>	<u>\$1,476,671</u>	<u>\$3,976,433</u>	<u>\$81,582,453</u>
Balance at December 31st, 2007	1,467,468	13,165,217	79,980,419	496,301	4,534,171	99,616,576
Less: Consumer contribution to line extension	-	-	-	-	-	(6,822,168)
Net book value - December 31st, 2007	<u>\$1,467,468</u>	<u>\$13,165,217</u>	<u>\$79,980,419</u>	<u>\$496,301</u>	<u>\$4,534,171</u>	<u>\$92,794,408</u>

GRENADA ELECTRICITY SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2008**

(continued)

5. CAPITAL WORK IN PROGRESS

	2008	2007
	\$	\$
Generation	699,955	174,637
Computers and software upgrades	272,027	-
Building and construction	872,453	881,787
Distribution	20,766,672	2,715,196
Tools and equipment	102,822	8,701
Land at Queens Park	<u>600,000</u>	<u>600,000</u>
	<u>23,313,929</u>	<u>4,380,321</u>

6. DEFERRED EXCHANGE LOSS

This represents the difference arising on the revaluation of the balance of the European Investment Bank Grenlec 111 Loan at the exchange rate of ECC\$3.9863 to one Euro at the balance sheet date. The average rate existing on the dates the draw downs were received was ECC\$3.3419 to one Euro.

7. INVESTMENTS

	2008	2007
	\$	\$
Available for sale		
536 ordinary shares in the Republic Bank (Grenada) Limited	16,080	16,080
Government of Grenada Treasury Bills	<u>847,869</u>	<u>847,737</u>
	<u>863,949</u>	<u>863,817</u>
Loans and receivables		
Fixed deposit – Republic Bank (Grenada) Limited	3,689,317	3,101,480
Fixed deposit – Grenada Co-operative Bank Limited	11,345,172	2,482,683
Fixed deposit – Bank of Nova Scotia	949,195	907,581
US\$ - certificate of deposit	<u>4,155</u>	<u>4,155</u>
	<u>15,987,839</u>	<u>6,495,899</u>

There is an amount of \$3,800,371 for Hurricane Insurance Reserve invested in Treasury Bills and fixed deposits held with the Bank of Nova Scotia and the Grenada Co-operative Bank Limited.

GRENADA ELECTRICITY SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2008**

(continued)

8. INVENTORIES

	2008	2007
	\$	\$
The following is a breakdown of stock on hand		
Motor vehicle spares	852,184	660,151
Distribution	7,087,990	9,184,116
Generation spares	4,516,718	4,188,704
Fuel and lubricating oil	408,442	432,189
General stores	2,382,335	2,004,019
Stationery	<u>98,450</u>	<u>163,651</u>
	15,346,119	16,632,830
Less: Obsolescence provision	<u>982,599</u>	<u>1,088,457</u>
	<u>14,363,520</u>	<u>15,544,373</u>

9. TRADE AND OTHER RECEIVABLES

	2008	2007
	\$	\$
Consumers' accounts	32,500,218	25,123,258
Less: Provision for doubtful debts	<u>4,705,581</u>	<u>3,654,644</u>
	27,794,637	21,468,614
Provision for unbilled sales	7,237,003	6,278,814
Other debtors	<u>2,083,750</u>	<u>3,135,385</u>
	<u>37,115,390</u>	<u>30,882,813</u>

10. SEGREGATED RETIREMENT INVESTMENT

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

GRENADA ELECTRICITY SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2008**

(continued)

11. CASH AND DUE FROM BANKS

	2008	2007
	\$	\$
Cash	15,898	206,795
Bank of Tampa	8,334	14,126
Bank of Nova Scotia	25,493	139,470
Republic Bank (Grenada) Limited	93,179	2,565,288
Grenada Co-operative Bank Limited	<u>850,991</u>	<u>23,410,763</u>
	<u>993,895</u>	<u>26,340,242</u>

12. STATED CAPITAL

	2008	2007
	\$	\$
Authorised 25,000,000 ordinary shares of no par value		
Issued 19,000,000 ordinary shares of no par value	<u>32,339,840</u>	<u>32,339,840</u>

13. 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.

14. LOAN CAPITAL

	Balance at 31/12/08	Instalments due within one year	Net Long Term Debt 2008	2007
(A) European Investment Bank (EIB)				
Loan (i)	3,172,926	1,026,043	2,146,883	3,172,926
Loan (ii)	<u>12,756,160</u>	<u>643,319</u>	<u>12,112,841</u>	<u>13,477,640</u>
	<u>15,929,086</u>	<u>1,669,362</u>	<u>14,259,724</u>	<u>16,650,566</u>
(B) National Insurance Scheme	<u>12,346,550</u>	<u>1,312,662</u>	<u>11,033,888</u>	<u>12,346,550</u>
(C) Grenlec ECSE Bonds	<u>42,925,500</u>	<u>4,769,500</u>	<u>36,156,000</u>	<u>42,925,500</u>
	<u>\$71,201,136</u>	<u>\$7,751,524</u>	<u>\$63,449,612</u>	<u>\$71,922,616</u>

GRENADA ELECTRICITY SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2008
(continued)**

14. LOAN CAPITAL (continued)

(A) European Investment Bank (EIB)

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

(ii) The loan commitment on this Grenlec 111 Loan is Euro 5,000,000 of which Euro 3,200,000 was drawn down at balance sheet date. The loan bears an average interest rate of 5.75% per annum. Principal repayments are due to begin on June 30th, 2009 with annual instalments of Euro 376,450.44 inclusive of interest.

(C) 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.

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

15. PROVISION FOR HURRICANE INSURANCE RESERVE

	2008 \$	2007 \$
Balance at January 1 st , 2008	4,000,000	2,000,000
Add: Transfer during the year	<u>2,000,000</u>	<u>2,000,000</u>
Balance at December 31 st , 2008	<u>6,000,000</u>	<u>4,000,000</u>

16. RELATED PARTY TRANSACTIONS

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

(i) The following transactions were carried out with related parties during the year:

	2008 \$	2007 \$
Purchase of goods/ services	<u>600,000</u>	<u>600,000</u>

At the end of the year \$259,239 was due to WRB Enterprises Inc. for management consultancy services and expenses incurred on the company's behalf.

GRENADA ELECTRICITY SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2008
(continued)**

16. RELATED PARTY TRANSACTIONS (continued)

(ii) Compensation of key management personnel of the company:

	2008 \$	2007 \$
Salaries and other short-term benefits	<u>3,078,972</u>	<u>2,901,586</u>
Past employment benefit provisions	<u>491,795</u>	<u>468,877</u>
Loans receivable	<u>11,902</u>	<u>61,177</u>

17. TRADE PAYABLES AND ACCRUED EXPENSES

	2008 \$	2007 \$
Trade creditors	4,736,605	12,100,672
Sundry creditors	1,098,541	1,730,313
Accrued expenses	<u>8,831,216</u>	<u>6,338,412</u>
	<u>14,666,362</u>	<u>20,169,397</u>

18. FINANCIAL INSTRUMENTS

Due to their short term maturity, the carrying value of certain balance sheet financial instruments is assumed to approximate their fair values. These include cash and cash equivalents, trade debtors and trade payables. Investments at fair value are assumed to be equal to their carrying value.

(a) Interest rate risk

Interest rate risk is the risk of loss arising from changes in prevailing interest rates. The company manages this risk by borrowing at fixed interest rates as disclosed in note 12.

(b) Credit risk

Credit risk is an estimate of the risk of bad debts. Trade receivables are shown net of provision for bad and doubtful receivables.

GRENADA ELECTRICITY SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2008**

(continued)

19. CONTINGENT LIABILITY

The company has a contingent liability to the Government of Grenada for \$50,000 in respect of customs bonds.

20. TAXATION

(a) Income Tax

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

	2008 \$	2007 \$
Profit before taxation	<u>19,422,884</u>	<u>11,676,363</u>
Tax at applicable statutory rate (30%)	5,826,865	3,502,909
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	(1,328,801)	(262,379)
Effect of allowances	(4,210,774)	(4,167,368)
Effect of expenses not deductible for tax purposes	<u>4,271,830</u>	<u>4,358,638</u>
Tax expense	<u>4,559,120</u>	<u>3,431,800</u>

(b) Deferred Tax

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

There was a deferred tax asset of \$575,541 at 31st December, 2008 which was not recognised as the asset will not be realized in the future.

21. CAPITAL COMMITMENT

At December 31st, 2008, the company's capital commitments totaled \$7,980,637. This represents amounts outstanding on a contract signed with Siemens S. A. during the previous year: - Turnkey contract (substation Construction) \$7,939,309 as well as amounts committed to Ansel Garvey (professional fee – substation construction project) - \$41, 329.