

# **PROSPECTUS**



## **Grenada Electricity Services Limited**

*(A company incorporated under the laws of Grenada)*

**EC\$45,800,000 -Secured 10-Year Amortizing 7% Bond**

**Dated: 15th November 2007**

**Submitted to the ECSRC  
This 16th day of November 2007**

The Grenada Electricity Services Limited proposes to issue a Bond for the purpose of funding capital expenditure to increase power generation and transmission and to refinance existing debt. This Prospectus gives information regarding the Bond.

The procedure for subscription is set out in the named section.

Subscriptions are to be made via Licensed ECSE-Member Broker Dealers and must be received by 12:00 noon on the 18<sup>th</sup> December 2007

## **Mission Statement**

*Through integrity and resourcefulness, and a highly trained and motivated staff, GRENLEC will meet and exceed the expectations of all its stakeholders in the provision of energy services to the nation.*

PROSPECTUS (the “Prospectus”)

**\$45,800,000 -Secured Amortizing 10-Year BONDS 7%**

**Issued by**

**Grenada Electricity Services Limited**

This prospectus, dated November 15, 2007 is made for the purpose of giving information to the public concerning the Company and its Bond Issue. It is intended for use only by persons permitted to offer such securities in the Eastern Caribbean Securities Market. The Company is responsible for the information contained in this prospectus and the Lead Broker Dealer is responsible for the distribution of the Prospectus. Enquiries regarding this prospectus may be addressed to:

Corporate Secretary Grenada Electricity Services Limited Halifax Street, P.O.Box 381, St George’s, Grenada Telephone number (473) 440-2097	Broker’s Representative: National Mortgage Finance Company of Dominica Limited, 64 Hillsborough Street, P.O.Box 271, Roseau, Dominica. Telephone Number: (767) 255-2300; (767) 255-2615
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The Prospectus was prepared by National Mortgage Finance Company of Dominica Ltd.

**Consent of the Auditors**

PKF has given its written consent to include the financial information from its audit reports for the periods ending December 31, 2002, December 31, 2003, December 31, 2004, December 31, 2005 and December 31, 2006.

**Contribution**

The management of Grenada Electricity Services Limited prepared the projected financial performance for the period 2007 to 2016 and the technical information to inform the current development plans outlined in this prospectus.

National Mortgage Finance Company of Dominica Ltd, PKF, Grant Joseph and Company, Seon and Associates, National Bank Trust Co (St Kitts-Nevis-Anguilla) Ltd have consented for their names to appear in this prospectus in the form and context in which their names are so included.

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**EC\$45,800,000 Secured 10-Year Amortizing Bond 7%**

## **GRENADA ELECTRICITY SERVICES LIMITED**

### **Disclaimer**

This Prospectus has been prepared and delivered in accordance with the Securities Act 2001 and Securities (Prospectus) Regulations 2001. This Prospectus has been filed with the Eastern Caribbean Securities Regulatory Commission (ECSRC), Basseterre, St. Kitts pursuant to Part VII, Section 92 (3) of the Securities Act 2001 of the laws of Grenada No. 23 of 2001, on 16th November 2007.

The ECSRC accepts no responsibility for the contents of this Prospectus, make no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss whatsoever arising from or reliance upon the whole or any part of the contents of this Prospectus.

Prospective investors should not construe the contents of this Prospectus as legal or financial advice. If you are in doubt about the contents of this document or need financial or investment advice you should consult a person licensed under the Securities Act or any other duly qualified Corporate Advisor who specialises in advising on the acquisition of shares or other securities as to such contents and as to the legal, financial or other matters relevant to the suitability of an investment in the Bond.

**EC\$45,800,000 Secured 10-Year Amortizing Bond 7%**  
**GRENADA ELECTRICITY SERVICES LIMITED**

**Purpose**

This is a Prospectus for the issue of EC\$ 45,800,000 secured fixed rate amortizing bonds by Grenada Electricity Services Limited (“GRENLEC”). This Bond is issued on the terms and conditions contained in this Prospectus, and no person has been authorized to give any information or to make any representation with regard to GRENLEC or the Issue other than through this Prospectus.

This Prospectus is issued for the purpose of giving information to the public about GRENLEC and the Bond at issue. The Directors accept full responsibility for the accuracy of the accounting, technical and general information given and confirm that to the best of their knowledge and belief there are no other facts, the omission of which would make any statement in this Prospectus misleading.

The delivery of this Prospectus to a prospective investor at any time and the subsequent allocation of Bonds do not imply that the information contained herein is correct at any time subsequent to the date of this Prospectus.

**EC\$45,800,000 Secured 10-Year Amortizing Bond 7%**  
**GRENADA ELECTRICITY SERVICES LIMITED**

**Corporate Information**

<p><b>Registered Office and Postal Address:</b> Halifax Street P.O. Box 381 St. George's, Grenada West Indies E-mail address: <a href="mailto:mail@grenlec.com">mail@grenlec.com</a> Website: <a href="http://www.grenlec.com">www.grenlec.com</a> Telephone Number: (473) 440-2097 Fax Number: (473) 440-4106</p>	
<p><b>Corporate Secretary:</b> Claudia Alexis Halifax Street, P.O. Box 381, St. George's Grenada Email: <a href="mailto:calexis@grenlec.com">calexis@grenlec.com</a> Telephone Number: (473) 440-2097</p>	
<p><b>Managing Director:</b> Vernon Lawrence Halifax Street, P.O. Box 381, St. George's Grenada Email: <a href="mailto:vlawrence@grenlec.com">vlawrence@grenlec.com</a> Telephone Number: (473) 440-2097</p>	
<p><b>Legal Counsel:</b> Grant Joseph &amp; Company Lucas Street St. George's Grenada West Indies Email: <a href="mailto:grantjo@spiceisle.com">grantjo@spiceisle.com</a> Telephone Number: (473) 440-3459</p>	
<p><b>Auditors:</b> PKF Accountants and business advisers Pannell House Grand Anse, St. George's Grenada West Indies Email: <a href="mailto:pkf@spiceisle.com">pkf@spiceisle.com</a> Telephone Number: (473) 440-2562</p>	

**Bankers:**

Republic Bank (Grenada) Limited  
Republic House  
Grand Anse  
St George's, Grenada  
Telephone Number: (473) 444-5501

RBTT Bank Grenada Limited  
Cnr. Cross & Halifax Streets  
St. George's, Grenada  
Telephone Number: (473) 444-4919

Bank of Nova Scotia  
Cnr. Granby and Halifax Streets  
St. George's, Grenada  
Telephone Number: (473) 440-3274

FirstCaribbean International Bank (Barbados) Limited  
Church Street  
St. George's, Grenada  
Telephone Number: (473) 440-9594

**EC\$45,800,000 Secured Amortizing 10-Year Bond 7%**  
**GRENADA ELECTRICITY SERVICES LIMITED**

**Definitions and Acronyms**

**Currency**

The use of “\$”, “Dollar”, “Dollars” and reference to “Currency” shall mean Eastern Caribbean Dollars unless otherwise stated.

**Bond / The Bond**

ECD45,800,000 Secured amortizing Bond 7% issued by GRENLEC December 2007

**Debt Service Ratio (DSR)**

The ratio calculated when the numerator is the EBITDA and the denominator is the required debt service payment on existing debt as at the relevant balance sheet date.

**EBITDA**

Earnings Before Interest, Taxes, Depreciation and Amortization.

**ECCB**

Eastern Caribbean Central Bank

**ECCSD**

Eastern Caribbean Central Securities Depository Limited

**ECCSR**

Eastern Caribbean Central Securities Registry Limited

**ECD**

Eastern Caribbean Dollars

**ECSE**

Eastern Caribbean Securities Exchange Limited

**ECSRC**

Eastern Caribbean Securities Regulatory Commission

**GRENLEC**

Grenada Electricity Services Limited

**Lead Broker Dealer**

National Mortgage Finance Company of Dominica Limited

**Licensed ECSE-Member Broker Dealer**

Broker Dealers licensed by the ECSRC and registered with the ECSE

**MW / Kw**

Mega watt / Kilowats

**NMFCDL**

National Mortgage Finance Company of Dominica Limited

**OECS**

The Organisation of Eastern Caribbean States

**Offer Period**

9:00am 17<sup>th</sup> December 2007 to 12:00 noon 18<sup>th</sup> December 2007

**Underwriter**

National Mortgage Finance Company of Dominica Limited

PROSPECTUS (the “Prospectus”)

**\$45,800,000**

**GRENADA ELECTRICITY SERVICES LIMITED**

Halifax Street, P.O. Box 381, St. George’s, Grenada  
West Indies. E-mail address: [mail@grenlec.com](mailto:mail@grenlec.com)  
Website: [www.grenlec.com](http://www.grenlec.com) Telr: (473) 440-2097 Fax: (473) 440-4106

**\$45,800,000 -Secured Amortizing 10-Year BONDS 7%**

Dated: November 15, 2007

The GRENLEC Secured 10-Year Amortizing 7% Bonds (“the Bonds”), to be issued on December 19, 2007 are being offered in a public auction (the “Offering”) for the terms and at the rates stated below. Bonds will be sold via fixed price auction on the primary market platform of the Eastern Caribbean Securities Exchange (“ECSE”). The auction will open at 9:00am December 17, 2007 and will close at 12:00 noon December 18, 2007. Interest will begin to accrue on the Bonds December 19, 2007 (the “Issue Date”).

Payment of the interest and principal of the Bonds is the responsibility of GRENLEC (the “Issuer”), a registered public limited liability company incorporated under the laws of Grenada. In addition, the Issuer has made certain covenants and arrangements to provide additional assurances of timely payments of the Bonds (*see Summary Terms and Conditions*). Interest and principal are paid quarterly on March 20, June 20, September 20 and December 20 of each year beginning March 20, 2008. **The Eastern Caribbean Central Securities Registry (“ECCSR”)** will serve as Paying Agent, Disbursement Agent, Registrar and Transfer Agent for the Bonds. The mailing address and telephone number for ECCSR are **P.O. Box 94, Bird Rock, Basseterre, St. Kitts, Telephone number (869) 466-7192 or 1-800-744-9238 (toll free within the OECS).**

**National Mortgage Finance Company of Dominica Limited, (“NMFCDL”)** a company incorporated under the laws of Dominica, has been engaged as lead broker to manage the Offering, including the registration, marketing distribution and subsequent listing of the Issue. NMFCDL will give participation to all licensed ECSE-Member broker dealers. **Bonds are issued in denominations of \$1,000 or any integral multiple in excess thereof and offered at a price of par (100% of the principal amount), and are registered in book-entry only form with the ECCSR (without delivery of a separate negotiable certificate). The minimum order for an individual investor is \$5,000.**

**National Bank Trust Co. (St. Kitts Nevis Anguilla) Ltd.,** a company incorporated under the laws of St. Kitts and being a subsidiary of the St. Kitts Nevis Anguilla National Bank, will serve as trustee for the Bond.

The Bond shall be redeemed by equal quarterly installments of principal plus interest in accordance with the amortization schedule computed on an actual/365 day basis.

Pre-payment of the Bonds can only be effected after the third year following the Issue Date and then only on a scheduled quarterly payment date and only after having given a minimum of 60 days notice of intention to pre-pay whether in full or in part. The Issuer does not have the right to extend the terms of the Offering or the maturity term of the Bond.

Expenses associated with the issue of the Bond are for such service and delivery charges as will ensure the process administration, underwriting, auction and listing on the ECSE, preparation and printing of the prospectus, marketing and registration of the Bonds. These are estimated to be in the order of EC\$550,000 and shall be paid by the Issuer from existing budgetary allocations.

The proceeds of the Bond Issue will be allocated towards the refinancing of existing debt: EC\$23,800,000 and towards capital outlays required to fund the construction and commissioning of new transmission facilities (The Project): EC\$22,000,000.

The debt to be refinanced comprises of an original borrowing of EC\$50,000,000 contracted in two series during fiscal 2001. Series 1 bears interest rate of 8.8% per annum and Series 2 bears interest at 9% per annum. The remaining balance to be pre-paid and refinanced is EC\$23,800,000.

The Project towards which proceeds of this Bond will be expended comprise the planned development of the Company's capacity to meet the growth in demand for electricity in the area of the southern tourism belt, high-end residential, and increasing population density for commercial and industrial plants. The Project consists of a 33/11KV substation at Queen's Park and another at Grand Anse in the south, plus two 33KV transmission lines linking the established two substations. This will allow the company to keep pace with the trend in demand for power generation without affecting services to the existing network and to the rest of the island of Grenada. Bond proceeds in the amount of EC\$22,000,000 will be dedicated to this Project, anticipated for delivery within eighteen months.

**EC\$45,800,000 Secured Amortizing 10-Year Bond 7%**  
**GRENADA ELECTRICITY SERVICES LIMITED**

**The Bond Offer**

This Prospectus contains information about a Bond Issue by Grenada Electricity Services Limited. The terms and conditions of the Issue are outlined in Table 1 below.

**Table 1: Summary Terms and Conditions**

ISSUER.....	Grenada Electricity Services Limited
ISSUE.....	Secured amortizing 10-Year Bond; Public Issue.
PURPOSE.....	To refinance existing debt and to undertake additional capital works for increased transmission capacity
AMOUNT.....	ECD45,800,000 (FORTY FIVE MILLION, EIGHT HUNDRED THOUSAND EASTERN CARIBBEAN DOLLARS (The Issuer shall, at its sole discretion, accept subscription of up to ECD50,000,000 (FIFTY MILLION, EASTERN CARIBBEAN DOLLARS) in the event of oversubscription).
UNDERWRITER.....	National Mortgage Finance Company of Dominica Limited
TRUSTEE.....	National Bank Trust Co. (St Kitts Nevis Anguilla) Ltd
UNITS.....	The Bond is being issued in units of 1,000
SUBSCRIPTION.....	At a minimum of 5,000
PURCHASE ARRANGEMENTS...	Via Licensed ECSE Member Broker Dealers
AUCTION DATES.....	Commence at 9:00am on Monday 17 December 2007 to 12:00 noon 18 December, 2007
ISSUE DATE.....	19 December, 2007
CURRENCY.....	Eastern Caribbean Dollars
INTEREST RATE.....	<b>7.00%</b> per annum fixed
INTEREST PAYMENT.....	Quarterly in arrears calculated on the outstanding balance.

PRINCIPAL REPAYMENT..... The principal amount will be repaid in forty 40 equal quarterly installments of principal based on the starting balance, to commence three (3) months after Issue Date.

TRADING SYMBOL..... The trading symbol for the bond will be GES191217

PREPAYMENT OPTION..... The bond will be redeemable prior to maturity at the option of the Issuer, in whole or in part on or following the third anniversary of the Issue Date at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest up to the date fixed for redemption. The Company must provide written notice to the Arranger of any such redemption at least sixty (60) days in advance.

TAX STATUS..... All withholding taxes, duties, assessments or charges, current or future, will be for the account of the Issuer.

SECURITY..... A Debenture signed by Grenada Electricity Services Limited (GRENLEC).

A registered charge and caution over the fixed assets to include the land and transmission facilities financed - stamped to cover the proportionate Amount.

A Debt Service Account to capture and provide monthly accumulation of cash towards repayment installments. Assignment over all proceeds from the Debt Service account.

Adequate all perils insurance coverage over all insurable assets, with the Arranger's interest noted as first charge, held with any insurance company approved by the Arranger, or such other cover arrangement as may be agreed.

The Reserved right to request additional security that may be deemed necessary to perfect the transaction.

RESERVE REQUIREMENT..... The Issuer will establish a debt service account with  
ACCOUNT **Grenada Co-operative Bank Limited** for the tenure of the Bond. The Issuer shall make periodic transfers into this account in amounts sufficient to cover two installments of interest and principal payment due for the duration of the Bond. All interest and principal payments will then be deducted from this account without requiring prior notice to or prior permission from the Issuer.

ADDITIONAL INFORMATION:

The Issuer shall provide such information as will satisfy the Arranger of fulfillment of the following conditions:

Resolution of the GRENLEC board of directors authorizing the Issue.

Corporate Documents inclusive of Articles of Incorporation, Certificate of Good Standing and the requisite bylaws.

Trailing three years audited financial statements for GRENLEC. Detailed updated project description of assets to be created. Where applicable, valuation of assets to be assigned as security by an independent professional appraiser and in a form acceptable to the Arranger.

Where applicable, copy of the construction/works details duly approved by the Land Development Control Authority.

A detailed implementation schedule to include work programs and related projections for the new transmission project.

A copy of the construction contract between GRENLEC and the approved construction company including estimates and the quantity surveyors' report.

The successful Issue preparation, to include negotiation and execution of all necessary legal documentation to the Arranger's satisfaction.

Debt Service coverage is to be maintained at all times at no less than 1.25:1

GOVERNING LAWS..... This transaction is governed by the laws of Grenada and the Issue is compliant with the Securities Act.

STATUS..... The Debenture and any documentation under this Issue will constitute direct and unconditional obligations of the Issuer, and will at all times rank pari passu priority of payment with all other present and future unsubordinated obligations of GRENLEC.

LISTING..... The Prospectus has been filed with the ECSRC and lodged with the ECSE and the application is being made for the Bond to be listed on the Exchange.

**Persons Engaged for the Offer**

**Lead Broker Dealer:**

National Mortgage Finance Company of Dominica Limited  
64 Hillsborough Street  
PO Box 271  
Roseau,  
Dominica  
Email: [dyankey@nbd.dm](mailto:dyankey@nbd.dm)  
Telephone No: (767)-255-2614  
Fax No: (767)-449-0846

**Legal Advisor:**

Seon and Associates  
Lucas Street  
St. George's  
Grenada  
West Indies  
Email: [lseonjuris@caribsurf.com](mailto:lseonjuris@caribsurf.com)  
Telephone No: (473)-435-1770  
Fax No: (473) -435-1772

**Trustee:**

National Bank Trust Com (St Kitts Nevis Anguilla) Ltd  
Central Street  
P.O.Box 343  
Basseterre  
St Kitts  
Email: [webmaster@sknanb.com](mailto:webmaster@sknanb.com)  
Telephone No: (869) 465-2204  
Fax No: (869) 465-1050

## **The Company**

Grenada Electricity Services Limited (“GRENLEC”), was incorporated under the provisions of the Companies Ordinance (Chp. 47 of the Revised Laws of Grenada, 1934). The Company was created in 1960 by an Act passed in the Grenada Legislative Council. It is the sole provider of electricity on the islands of Grenada, Carriacou and Petit Martinique.

The Electricity Supply Ordinance N. 25 of 1960 gives the company the sole and exclusive license to generate, transmit, distribute and sell electricity for a period of eighty (80) years with effect from 1<sup>st</sup> January 1961. Later, a renewed Electricity Supply Act of 1994 gave GRENLEC the exclusive rights to generate, transmit, distribute and sell electricity for consumption in Grenada, Carriacou and Petit Martinique until the year 2073. On November 8, 1996 GRENLEC was issued a certificate of continuance under section 365 of the Companies Act.

### **GRENLEC – Principal Shareholders**

At present, 50% of the shares are held by a U.S. based investor, WRB Enterprises Inc., while employees, Grenadians, Grenada National Insurance Board (NIS), Caribbean nationals and the Government of Grenada own the remainder.

NIS and the Government of Grenada are substantial shareholders. Consistent with the terms of a Share purchase agreement, the Government appoints a director to the Board of GRENLEC. The Director of the National Insurance Scheme, through the electoral process at the 2006 Annual General Meeting of Shareholders, was elected to the Board of Directors of GRENLEC and presently serves in that capacity.

The Company is a public company and is registered in Grenada. It is a subsidiary of Grenada Private Power Limited which, in turn, is a subsidiary of WRB Enterprises Inc. and owns fifty percent (50%) of the shares in GRENLEC. WRB Enterprises Inc., which owns majority shares in Grenada Private Power, is one of the largest privately owned holding companies in Tampa, Florida. The Company owns an investment portfolio that includes electric utilities in Grand Turk, cable companies, banking, real estate, desalination and portable water facilities and telecommunication companies in the USA. In the Caribbean, WRB also owns a 50% shareholding in DOMLEC – Dominica Electricity Services Limited.

### **Share Capital**

GRENLEC is currently capitalized with a single class ordinary shares. GRENLEC’s share capital at the date of this prospectus comprised 25,000,000 authorized ordinary shares of which 19,000,000 are issued and fully paid ordinary shares of no par value.

The stated share capital as recorded in the company’s audited statements for December 31, 2006:

	<u>2006 (ECD)</u>
Authorized	
25,000,000 ordinary shares	\$40,566,400
Issued	
19,000,000 ordinary shares of no par value	\$32,339,840

## Loan Capital

The proposed Bond will be the first listed security of the company. As at December 31, 2006 the loan capital stood at \$52,890,578 comprised of facilities from EIB, Grenada National Insurance Scheme and Republic Finance and Merchant Bank Limited (“FINCOR”).

(a)	European Investment Bank	\$16,317,856
	Loan (i)	\$ 4,168,856
	Loan (ii)	\$12,419,000
(b)	FINCOR Bonds	\$23,004,071
(c)	National Insurance Scheme	\$13,568,651
		<b>\$52,890,578</b>

(a) European Investment Bank (EIB):

(i) The original loan contract dated 26<sup>th</sup> November 1996 was for US\$ 4,104,913.19. 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 original loan commitment dated May 2006 was for Euro 5,000,000. The loan bears an average interest rate of 5.75% per annum. Principal repayments are due to begin on June 30th, 2009 with annual installments.

(b) The total fixed rate amortized bonds drawn from FINCOR was EC\$43,806,721 of which \$16,214,322 was repaid by December 31, 2006. The Bonds, issued in two series, are repayable over ten (10) years: 2001 - 2011. Series (1) bears interest at the rate of 8.80% per annum, while the rate on Series (2) is 9% per annum.

(c) The loan commitment dated December 2005 was for EC\$15,316,523. The loan bears interest at the rate of 7.0% per annum. Repayment of the loan is by quarterly installments over ten (10) years.

## Recent Performance

In 2003, the utility sold 138.3 gigawatt-hours (GWh) of power and served approximately 36,411 customers. In 2003, more than half the energy sales (53%) were to commercial customers, of which about 7% were sold to the Government, including street lighting, about two-fifths (41%) were to residential customers, and the remaining GRENLEC sales were to industrial customers. Grenlec’s costs in 2002 consisted of fuel costs (approximately 30.7%); labour and materials (32.5%); capital expenditures (9.4%); loans and interest (11.0%); dividends (8.8%); and taxes (7.6%). Annual revenues in 2003 were \$EC85.7 million.

During 2006 there was an increase in the total assets of EC\$14.0M leading to an overall balance of \$164.9M. This reflected an increase in current assets of \$4.0M and property, plant and equipment of \$8.7M while there was a decrease in current liabilities of \$2.0M.

The National Insurance Scheme and the European Investment Bank provided loans that were drawn in 2006 for capital expenditure, building up the capacity of the Company. With these funds, two 8MW generators were purchase and installed. A further \$7.0 M internally generated funds were used for capital works.

Operating revenues grew effectively by 13.8% in 2006 over prior year. On the other hand, growth in expenses of 12% was mainly due to increases in fuel costs. Non fuel operating costs decreased by 4.7% in 2006 over the previous year.

### **Current Development Plans**

GRENLEC proposes to construct two new 33/11 kV substations and two interconnecting 33kV transmission lines linking these stations to meet its present and future power demands to the year 2015.

The proposed Queens Park 33kV Switching Station will be constructed adjacent to the existing Queens Park Generating and Distribution Station. The proposed Grand Anse 33/11kV Substation will be constructed 6.5km from the Queens Park Substation. The 11kV equipment will be indoor metal clad switchgear.

The project for the new transmission facilities will be managed by GRENLEC. The services of an Electrical Consultant/Project Engineer, who will report directly to Project Manager/Chief Engineer, will be retained to prepare tender documents, review manufacturer's (substation and transmission lines) drawings and plan and manage the implementation of the transmission line and substation erection works. The services of a Transmission Engineer will also be contracted to prepare preliminary designs, prepare bid document and evaluate bids for the procurement of the transmission poles, conductors and hardware. All civil designs and supervision of civil works will be contracted out.

## Summary of latest Audited Financial Statements including Financial Analysis

	2006	2005	2004
	\$	\$	\$
Total Assets	164,987,408	150,860,685	139,208,663
Current Assets	59,897,964	55,961,307	46,890,416
Total Liabilities	101,848,116	92,860,086	78,012,091
Current Liabilities	34,541,201	36,590,880	32,320,885
Net Worth	63,139,292	58,000,599	61,196,572
Gross Income	128,052,580	105,055,456	81,100,406
Operating Cost	95,638,410	83,788,275	61,726,303
Admin Expenses	12,890,798	11,290,392	9,701,606
Interest	4,605,043	3,595,638	3,480,092
Other Charges	4,073,018	2,535,579	2,124,959
Profit before Tax	10,845,311	3,845,572	4,067,446
Provision for income tax	2,766,618	1,456,881	1,300,439
<b>Profit after tax</b>	<b><u>8,078,693</u></b>	<b><u>2,388,691</u></b>	<b><u>2,767,007</u></b>

The company registered a significant profit of \$8,078,693 in 2006, a 238.2% increase over 2005, returning to the financial position prior to Hurricane Ivan. The company accomplished this without increasing its non-fuel rate, which it was entitled to increase by 0.48%, as per the Electricity Supply Act of 1994 and with the Retail Price Index for 2004 being 106.77.

GRENLEC took the decision to refrain from the increase since customers were already burdened by the electricity rates of more than \$0.80 per KWh, due to the high fuel prices. Demand for electricity also reached pre-Ivan levels from 22.77 MW at the beginning of 2006 to 25.65MW at the end of the year. In 2006 the company was able to reintroduce dividend payments that had been stopped from the third quarter of 2004. (*See Financial Performance and Forecast pages 38-44*)

### Liquidity:

Working Capital has been increasing steadily over the years under review from \$14.5 million in 2004 to \$25.3 million in 2006. The current ratio has also shown improvement and is quite satisfactory at 1.73:1. Current assets increased by 7%, with receivables comprising 48.8% of total current assets. Receivables from consumers increased significantly by 36.9% from 2005 to 2006, mainly due to increases kWh sales and electricity rates, due to the high fuel costs. Although provision for doubtful debts of \$3.2 million was made, receivables due from the customers still stood at \$21.7 million.

The company must aggressively pursue collections as this can severely affect liquidity, especially as average days to collect trade debtors are 69, while accounts payable days is currently 40.

Current Liabilities decreased by 5.6%, with Accounts Payable comprising 30.7% of total current liabilities and decreasing by 29.4%. Cash decreased by 22.5%, while the overdraft also decreased by 13.9%, yet still the company was able to reduce the amount due to related company by 90.4%. Provision for profit sharing increased from \$1.5 million to \$2.6 million. Provision for income tax increased significantly from approximately \$400,000 in 2005 to \$2.7 million in 2006.

### **Stability:**

The Debt Ratio remained the same from 2005 to 2006 at 0.62. Net Worth increased from \$58 million in 2005 to \$63 million in 2006. Total assets increased by 9.4%, while total liabilities increased by 9.8%. Long-term debt comprised 51.9% of the total liabilities and increased by 18.3%. The company has a Euro 5 million loan with European Investment Bank of which it drew down for funding capital works to increase generating capacity. The loan bears an average interest rate of 5.75% per annum. Principal repayments are due to begin on June 30, 2009 with annual installments of Euro 376,450.44 inclusive of interest. Property, plant and equipment increased by 38.3%, while capital work in progress decreased by 93.8%, with the completion of the initial transmission project and the power station expansion in Queen's Park. The commissioning of the two generating units at Queen's Park facilitated the retirement of two old and inefficient units and increased the company's installed capacity to 49.7MW thereby increasing the reserve margin and the company's ability to meet the demands for reliable and efficient power. Debt to net worth showed a minimal increase from 1.60 in 2005 to 1.61 on 2006. Long-term debt was 58% of net fixed assets.

### **Profitability:**

GRENLEC was able to generate a profit of \$8,078,693 in 2006 compared to \$2.3 million in 2005, with an increase in sales of 21.9%. Return on assets tripled in 2006 from 1.58 to 4.9, along with return on equity, which increased from 4.12 to 12.8. The investment in capital expenditure for the projects undertaken was obviously necessary and contributed to the bottom line. Net Profit Margin also increased from 2.27 to 6.31. Non-fuel sales revenue grew by 13.8% from 2005 to 2006 or by approximately \$7 million. Fuel revenue was \$65.95 million which represents an increase of 38.4% over 2005. This was primarily due to high fuel prices, which peaked in August at an all time high of US\$77 per barrel, pushing the fuel rate to 0.4640 in September and total electricity rates to more than EC\$0.80 per KWh. The lag between fuel price increases and adjustments in fuel charge, placed pressure on the cash flow.

Operating costs and administrative expenses both increased by approximately 14% from the previous year. Fuel consumed comprised 67.2% of total operating costs and increased by 25.6%. The company continued to maintain a provision for hurricane insurance reserve of \$2 million.

## **Country Review:**

Indications are that the economic activity of Grenada continued to expand in 2006, although at a slow rate relative to the increase in 2005. Real GDP growth is provisionally estimated at 2.1% in comparison with an expansion of 12.1% in 2005. The slowdown in the rate was attributed to a decline in construction activity as major hurricane construction work was completed in 2005. The increase in output in 2006 reflected a rebound in activity in the agricultural sector and tourism industry. Consumer prices rose by 1.7% during 2006. The overall balance on the central government's fiscal accounts shifted to a deficit from a surplus in 2005, attributed to an increase in capital expenditure. Total outstanding public sector debt rose, reflecting increase in both domestic and external debt stocks. Monetary liabilities increased, influenced by growth in domestic credit. Commercial bank liquidity remained high despite a decline in the level. The spread between commercial bank lending and deposit interest rates narrowed. An overall balance of payments surplus was recorded, in contrast to a deficit in 2005.

Growth in real GDP is projected in 2007 as the expansion in agricultural and tourism activity is expected to continue and some recovery in the other sectors is likely. The fiscal balances of the central government are likely to improve based on the ongoing comprehensive medium term reform programme. Downside risks to the projections include unfavorable weather, increases in international oil prices and a further slowdown in the US economic growth.

*Source: Ministry of Finance Grenada, IMF Article IV Examination Report*

## **Procedure for Subscription and Purchase of Bonds**

Members of the public, institutional investors and any other eligible investors wishing to subscribe for units of the Bond may use the services of National Mortgage Finance Company of Dominica Limited or any other Licensed ECSE-Member Broker Dealers. Only these licensed Brokers are authorized to receive subscription orders and monies for the purchase of the Bonds. The list of licensed ECSE-Member Broker Dealers is provided at the end of the prospectus. Subscriptions are subject to the Terms and Conditions of the Bond as described herein.

Detailed procedures are available from the respective broker dealer firms. However, in general terms, applications for the purchase of bonds must be placed to the broker dealer accompanied by funds in the principal amount equal to the Bonds desired. Such funded bond purchase orders should reach the brokers in time for the auction period which commences at 9:00am December 17, 2007 and closes at 12:00 noon December 18, 2007.

In the event that a purchase order was not successful, whether in whole or in part, the applicant will be refunded monies equal to the unsuccessful amount of the order. Refunds to unsuccessful applicants will be made by their respective brokers on the day following the close of the auction (that is December 19, 2007).

## **Risk Factors**

Adverse impact from natural Hurricanes remain the largest individual risk factor faced by the Issuer. This impacted Grenada in both 2004 and 2005 with Ivan and Emily respectively. However, the rebuilding of the system as described above, has left GRENLEC in a more robust condition going forward. The Company adopts a proactive and preventative approach to risk mitigation in this area. A Hurricane Reserve Fund is established towards which transfers are made in amounts of EC\$2,000,000 each year from operating returns.

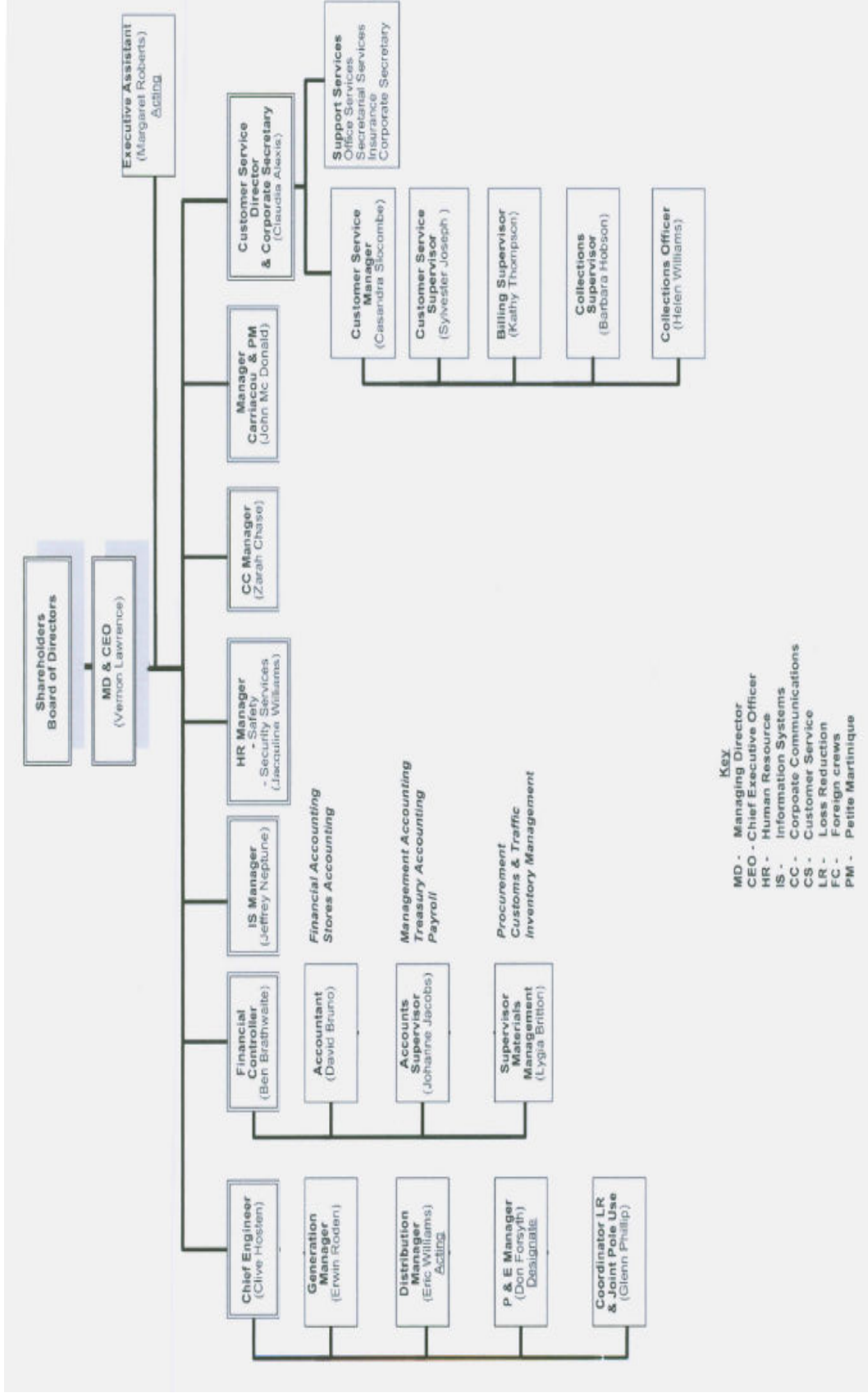
Further, since 2005, the Company has contracted general insurances against this risk for category two and category three hurricanes.

Potential changes in the Electricity Supply Act to allow for the entry of competitors in to the industry are a real possibility. However, the provisions contained in existing statutory instruments as well as the cost of entry contribute to a classification of this possibility as an unlikely or remote risk factor. Even then, the company is established and fully matured in its delivery to the market. GRENLEC's strategic planning is kept in tandem with national public and private sector growth plans and this increases the response available to GRENLEC in the event of entrance of a competitor.

## **Directors and Senior Management**

<b>Directors:</b>	<b>Mr. G. Robert Blanchard Jr. - Chairman</b> <b>Mr. Malcolm Harris - Vice Chairman</b> <b>Mr. Vernon Lawrence - Managing Director &amp; CEO</b> <b>Mr. Nigel Wardle</b> <b>Mr. Arthur Campbell</b> <b>Mr. Dyer Marquez</b> <b>Mr. Lawrence Samuel</b> <b>Mr. Ronald Roseman</b> <b>Mr. Robert Curtis</b> <b>Mr. Chester Palmer</b> <b>Mr. Nelson Louison</b> <b>Mr. Ashton Frame</b>
<b>Managing Director:</b>	<b>Mr. Vernon Lawrence</b>
<b>Secretary:</b>	<b>Ms. Claudia Alexis</b>
<b>Management Team:</b>	<b>Mrs. Zarah Chase, Manager - Corporate Communications</b> <b>Ms. Jaqueline Williams, Manager - Human Resources</b> <b>Mr. Eric Williams, Acting Manager - Distribution</b> <b>Mr. Benedict Brathwaite, Financial Controller</b> <b>Mr. Jeffrey Neptune, Manager - Information Technology</b> <b>Mr. Clive Hosten, Chief Engineer</b> <b>Mr. Don Forsyth, Senior Electrical Engineer</b> <b>Ms. Claudia Alexis, Director - Customer Services/Corporate Secretary</b> <b>Mrs. Cassandra Slocombe, Manager - Customer Services</b> <b>Mr. Glenn Phillip, Co-ordinator, Loss Reduction &amp; Joint Pole</b> <b>Mr. John McDonald, Manager - Carriacou &amp; Petite Martinique</b> <b>Mr. Erwin Roden, Manager - Generation</b>

## The Organization Chart of Grenada Electricity Services Limited



## **Profile of Directors and Senior Management:**

### **Directors:**

#### **G. Robert Blanchard Jr**

Profession : Businessman  
Qualification : BA Political Science, BA Philosophy  
Substantive Position : Chairman  
Board Member since : October 1994  
Appointed by : Grenada Private Power Ltd.

Mr. G. Robert Blanchard, Jr. is the President of WRB Enterprises Inc. since 2002 and prior to this was its Executive Vice President since 1991. He has been Chairman of Grenada Electricity Services Ltd since 1999, and was its Managing Director from 1995 – 2004. Since 2004, he has been Chairman of Dominica Electricity Services Ltd. and has been Chairman of Turks & Caicos Utilities, Ltd., WIV Cable TV, Ltd. and their affiliated companies since 1996. From 1986 to 1987, he was a Special Assistant to the Governor of Florida. He presently serves as a Director on the following Boards: The Bank of Tampa, The Tampa Banking Co.: and CenterState Banks of Florida, H. Lee Moffitt Cancer Center & Research Institute Foundation, Inc; and The Florida Aquarium. He is a past member of the Greater Tampa Chamber of Commerce; Committee of 100 Advisory Board; YMCA Tampa Metropolitan Area; and the Ybor City Development Corporation.

#### **Mr Malcolm Harris**

Profession: : Businessman  
Qualification : MBA, ICA( England & Wales), IT  
Substantive Position : Vice Chairman/ Chief Finance Officer  
Board Member since : October 1994  
Appointed by : Grenada Private Power Ltd

Mr. Malcolm Harris has served as a Director and Chief Financial Officer of WRB Enterprises, Inc. since 1988. In 1994 he became a Director of Grenada Electricity Services Ltd. Mr. Harris qualified as a member of the Institute of Chartered Accountants in England and Wales in 1967; the Institute of Taxation in 1968; and holds a Masters Degree in Business Administration from the University of Miami.

### **Mr Nigel Wardle**

Profession : Chartered Accountant  
Qualification : ICA (England & Wales), BA Commerce  
Substantive Position : Vice President  
Board Member since : June 2003  
Appointed by : Grenada Private Power Ltd

Mr. Nigel Wardle is a Vice President of WRB Enterprises Inc., and was the General Manager of Grenada Electricity Services Ltd. for seven years. He is presently a Director of the Company and also Director of Turks & Caicos Utilities, WIV Cable (Providenciales) and Dominica Electricity Services Ltd. He is the Chairman elect of the Society of Business Fellows (SIBF) and a past Chairman of Caribbean Electric Utility Services Corporation (CARILEC).

### **Mr Ronald Roseman**

Profession : Businessman  
Substantive Position : President  
Board Member since : October 1994  
Appointed by : Grenada Private Power Ltd.

Mr. Ronald Roseman is the President of Coastal Electric, a company involved in High Voltage electric construction, transmission, substation and distribution. He also served as President of Southeastern Electric and Dycom Industries. Dycom Industries Inc. is now a public company trading on the New York stock exchange. Mr. Roseman's experience in the electric utility construction dates back to 1956.

### **Mr Robert Curtis**

Profession : Businessman  
Qualification : BSc Commerce  
Substantive Position : President  
Board Member since : May 2006  
Appointed by : Grenada Private Power Ltd.

Mr. Robert T. Curtis currently serves as President and owner of Island Management, Inc; Viper Ventures, LLC; Sugarloaf Mountain, LLC; SOHO Investments, LLC ;Ucita Properties Inc. and SWW Inc., all located in Tampa Florida. Mr. Curtis also serves as Chief Executive Officer of Curtis Caribbean Construction, Ltd. located in Grand Cayman, and CBI Ltd located in Providenciales, Turks & Caicos Island. He became a Director of Grenada Electricity Services Ltd. in 2006. Mr. Curtis also served as an analyst with the First Florida Bank.

### **Mr Vernon Lawrence**

Profession : Engineer  
Qualification : MBA, BSc Electrical Engineering (Hons.)  
Substantive Position : Managing Director/CEO  
Board Member since : July 2004  
Appointed by : Grenada Private Power Ltd

Mr. Vernon Lawrence is the Managing Director & Chief Executive Officer of Grenada Electricity Services Ltd. since 2004 and prior to this was its General Manager from 2002. Previously he worked for over thirty one years at Jamaica Public Service Company Ltd serving in several senior management positions including Managing Director, Senior Director- Customer Services, Senior Director – Transmission Systems and Director – Construction & Maintenance. He is currently the Vice Chairman of the Board of Directors of the Caribbean Electric Utility Corporation (CARILEC) and a past Vice President of the Grenada Chamber of Industry & Commerce.

### **Mr Arthur Campbell**

Profession : Businessman  
Qualification : MBA Financial Management  
Substantive Position : Managing Director  
Board Member since : June 2003  
Appointed by : Ordinary Shareholders

Mr. Arthur Campbell owns and operates his own business in Grenada, is ACCA trained and previously worked with the Eastern Caribbean Central Bank for eighteen years. He worked in the positions of Director of Banking and Operations and Senior Director of Financial Systems Development.

### **Mr Chester Palmer**

Profession : Technician  
Qualification : Dip. Mechanical/Electrical Engineering  
Substantive Position : Self Employed Technician  
Board Member since : July 1996  
Appointed by : Ordinary Shareholders

Mr Chester Palmer is a self employed Technician who previously worked as a Technician and Supervisor at Grenada Electricity Services Ltd. He is presently the Chairman of Grenada Marketing and National Importing Board and Gravel and Concrete Emulsion Corporation.

### **Mr Dyer Marquez**

Profession : Retiree  
Substantive Position : Retired  
Board Member since : May 2007  
Appointed by : Employees of GRENLEC

Dyer Marquez recently retired as Storekeeper from Grenada Electricity Services Ltd. after working with the Company for twenty nine years. In 2007 he was elected as the Employees Representative on the Board of Directors. He is an ardent sportsman who represented Grenada in Cricket and Football. He was recently awarded the British Empire Medal (BEM) for his contribution to sports in Grenada.

### **Mr Ashton Frame**

Profession : Manager  
Substantive Position : Executive Director – National Insurance Board  
Board Member since : June 2003  
Appointed by : Ordinary Shareholders

Mr. Ashton Frame is the Executive Director of the National Insurance Board where he worked for the past twenty three years and held positions of Administrative Manager and Deputy Director. He also worked in the Grenada Public Service for eight years and in the Private Sector as a Manager.

### **Mr Nelson Louison**

Profession : Manager  
Qualification : Dip. Business Management, Dip. Industrial Relations  
Substantive Position : Consultant  
Board Member since : October 1999  
Appointed by : Ordinary Shareholders

Mr. Nelson Louison is the Managing Director of Dove International and Vanel's Enterprise Ltd. He is presently a Consultant to C.C.C (UK) S.A.L International, Chairman of the Physical Planning & Land Control Development Authority and President of the Grenada China Friendship Association. He was also the Chairman of the National Water and Sewerage Authority, Chairman of the Grenada Manufacturers Council and Vice President of the Grenada Chamber of Industry and Commerce.

**Mr Lawrence Samuel**

Profession : Mechanical Engineer  
Qualification : Bsc Mechanical Engineering, Dip. Mechanical Engineering  
Substantive Position : Engineer  
Board Member since : July 1996  
Appointed by : Government of Grenada

Mr. Lawrence Samuel is an Engineer who worked with the Ministry of Works and Public Utilities in Grenada, the Grenada Electricity Services Ltd for nine years and Gravel and Concrete and Emulsion Corporation.

## **Senior Management:**

### **Mr Vernon Lawrence**

Profession : Engineer  
Qualification : MBA, BSc Electrical Engineering (Hons.)  
Substantive Position : Managing Director/CEO  
Board Member since : July 2004  
Appointed by : Grenada Private Power Ltd

Mr. Vernon Lawrence is the Managing Director & Chief Executive Officer of Grenada Electricity Services Ltd. since 2004 and prior to this was its General Manager from 2002. Previously he worked for over thirty one years at Jamaica Public Service Company Ltd serving in several senior management positions including Managing Director, Senior Director- Customer Services, Senior Director – Transmission Systems and Director – Construction & Maintenance. He is currently the Vice Chairman of the Board of Directors of the Caribbean Electric Utility Corporation (CARILEC) and a past Vice President of the Grenada Chamber of Industry & Commerce.

### **Mr Benedict Brathwaite**

Profession : Accountant  
Qualification : ACCA, BSc Economics  
Substantive Position : Financial Controller

Mr. Benedict Brathwaite joined the company in 1998 and worked as Finance Manager and Financial Controller. Previously he was employed with the National Insurance Board as Financial Controller for five years. He also worked with the Government of Grenada and Pannell Kerr Forster – Auditors.

### **Ms Claudia Alexis**

Profession : Manager  
Qualification : MBA, BSc Management Studies, Cert. Public Administration  
Substantive Position : Customer Services Director/Corporate Secretary

Ms Claudia Alexis has worked with the Company for the past thirty- five years and held many positions including Corporate Services Manager, Personnel Officer and Head of Administration and Finance. She is the Corporate Secretary and a Director of the Republic Bank Grenada Ltd. and the Belair Home for Children and Adolescents.

### **Mr Clive Hosten**

Profession : Engineer  
Qualification : MBA, BSc Electrical Engineering (Hons.)  
Substantive Position : Chief Engineer

Mr Clive Hosten joined the Company in 1993 as an Electrical Engineer, and was also the Production Manager in the Generation Department for seven years before being appointed Chief Engineer in 2005.

### **Mr Eric Williams**

Profession : Engineer  
Qualification : BSc Engineering (Hons.)  
Substantive Position : Distribution Manager (Acting)

Mr. Eric Williams joined the Company in 2001 as Customer Services Supervisor. He then held the position of Assistant Distribution Manager and has acted in the capacity of Distribution Manager for the past three years. Before joining the Company he worked as the Facilities Manager for the Eastern Caribbean Central Bank.

### **Mr Erwin Roden**

Profession : Engineer  
Qualification : MBA, BSc Mechanical Engineering  
Substantive Position : Generation Engineer

Mr Erwin Roden joined the Company as the Generation Manager in 2005. Previously he worked with the Grenada Breweries for sixteen years in the positions of Plant Manager and Operations Manager. He also worked as an Engineer in the Ministry of Works – Grenada and as Manager of the Central Garage – Grenada.

### **Mrs Zarah Chase**

Profession : Manager  
Qualification : MA International Communication and Development  
Dip. Mass Communication (Hons.)  
Substantive Position : Manager - Corporate Communications

Mrs. Chase joined the company as Communications Manager in May 2004. She also worked as the Marketing and Public Relations Manager at Caribbean Agro Industries, Grenada Broadcasting Corporation as a Radio and Television Reporter and an Instructor in Journalism at the T.A Marryshow Community College and the St. George's University. Mrs. Chase was also a Primary School Teacher for many years.

### **Ms Jacqueline Williams**

Profession : Manager  
Qualification : BSc Management, Associate Degree –Applied Business  
Substantive Position : Human Resource Manager

Ms Jacqueline Williams was employed in November 2006. In her previous employment she worked with the Jamaica Health Authority as Director of Human Resources and Industrial Relations and the Super Clubs Group of Hotels in Jamaica.

### **Mr Jeffrey Neptune**

Profession : Network Engineer  
Qualification : Master of Engineering in internetworking, BSc Computer  
Science (Hons.)  
Substantive Position : Manager - Information Technology

Mr Jeffrey Neptune joined the Company in July 1996 as an Information Technology Specialist and presently manages the IT department. He was also a teacher at the Grenada Boys Secondary School for four years and an auditor with Pannell Kerr Forster.

### **Mr Don Forsyth**

Profession : Engineer  
Qualification : BSc Electrical Engineering  
Substantive Position : Senior Electrical Engineer – Planning & Development

Mr. Don Forsyth is the Senior Electrical Engineer who manages the Planning and Development Department. He has been employed with the company for the past ten years having worked also in the generation department.

### **Mr John Mc Donald**

Profession : Manager  
Qualification : Cert. Public Administration  
Substantive Position : Manager – Carriacou and Petite Martinique Services

Mr. John McDonald who manages the Carriacou and Petite Martinique branches, joined the company in April 1998. Previously he was employed with the Grenada Public Service for twenty-one years in various positions including administrator of the Carriacou Services.

## **General Disclosures**

### **Corporate Governance**

The Board of Directors of GRENLEC is responsible for the governance of the Company, and is committed to adhering to the highest standards of Corporate Governance, guided by formal instruments and policies.

### **Material Litigation**

There are no material pending or threatened claims, and legal or arbitration proceedings against the Company or any of its directors or properties that may have a significant effect on the Company's financial position or its ability to service its debt.

### **Commissions to Lead Broker Dealer; Arranger**

Flat fees have been agreed with all service providers in respect of this Bond Issue. These will be paid in the manner agreed and in accordance with arrangements made. NMFCDL will give participation to all licensed ECSE-Member Broker Dealers to successfully realize subscription.

### **Material Contracts**

GRENLEC has not entered into any material contracts with external parties within the two years preceding the issue of the prospectus, other than in the ordinary course of business.

### **Other Investments**

Other than in the normal course of business and as disclosed in this Prospectus, there are no other significant investments in progress by the Company at this time.

### **Rating**

Neither GRENLEC nor its securities are rated by any regional or international rating agencies. The company assigns the highest priority to the servicing of its obligations and commitments and the repayment of its debt.

### **Service Agreements**

Other than in the normal course of business, there are no existing service agreements between any of the Directors and the Company save and except a contract of employment with the Managing Director/ Chief Executive Officer.

### **Remuneration of Directors**

The aggregate remuneration and benefits of non-executive Directors of the Company for services in all capacities for the last financial year was EC\$148,200 and the current financial year is estimated to be EC\$ 148,200. The amounts stated excludes the Managing Director/Chief Executive Officer's remuneration under his employment contract.

## **Directors' Interest**

The shareholdings of the Directors are disclosed in the table below:

<i><b>Director</b></i>	<i><b>Beneficial</b></i>	<i><b>Non- Beneficial</b></i>
G. Robert Blanchard Jr.	Nil	Nil
Malcolm Harris	29,430	Nil
Vernon Lawrence	Nil	Nil
Nigel Wardle	1,500	Nil
Arthur Campbell	7,000	Nil
Dyer Marquez	5,600	Nil
Lawrence Samuel	Nil	Nil
Ronald Roseman	Nil	Nil
Robert Curtis	Nil	Nil
Chester Palmer	2,500	Nil
Nelson Louison	500	Nil
Ashton Frame	Nil	Nil

## **Interest in Contracts**

There are no contracts or arrangement existing at the date of the prospectus in which a director of the issuer is materially interested.

## **Other information**

There are no family relationships between the directors of the company.

November 16<sup>th</sup>, 2007

The Board of Directors  
Grenada Electricity Services Limited  
Halifax Street  
**ST. GEORGE'S**

Dear Directors,

We refer to the prospectus of Grenada Electricity Services Limited dated November 15<sup>th</sup>, 2007 relating to the issue of EC\$45,800,000 secured fixed rate amortizing bonds on the Eastern Caribbean Securities Exchange.

We have read the Prospectus and complied with International Standard for Auditing 720, the auditors' responsibility in relation to Other Information in Documents Containing Audited Financial Statements.

We hereby consent to the inclusion in the above mentioned Prospectus, of the following financial information extracted from the Company's December 31<sup>st</sup>, 2006 financial statements:

- Balance sheet as at December 31<sup>st</sup>, 2006;
- Statements of income, changes in shareholders' equity and cash flow for the year ended December 31<sup>st</sup>, 2006
- With comparative figures for 2005

We hereby consent to the inclusion in the above mentioned Prospectus, of the following financial information extracted from the company's December 31<sup>st</sup>, 2004 consolidated financial statements:

- Balance sheet as at December 31<sup>st</sup>, 2004;
- Statements of income, changes in shareholders' equity and cash flow for the year ended December 31<sup>st</sup>, 2006
- With comparative figures for 2003

We hereby consent to the inclusion in the above mentioned Prospectus, of the following financial information extracted from the company's December 31<sup>st</sup>, 2002 consolidated financial statements:

- Balance sheet as at December 31<sup>st</sup>, 2002;
- Statements of income, changes in shareholders' equity and cash flow for the year ended December 31<sup>st</sup>, 2006



The Board of Directors  
Grenada Electricity Services Limited

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Since March 9<sup>th</sup>, 2007, the date of our last audit report, we have not been engaged by the Company to perform any audit or review procedures on the Company's financial information. We have however, made enquiries of management to identify any material events that may have occurred subsequent to the date of our last audit report.

This letter is provided solely for the purpose of assisting the Directors of the Company to which it is addressed in discharging their responsibilities and should not be used for any other purpose. Any use that a third party makes of this letter, or any reliance or decisions made based on it, are the responsibility of such third parties. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on this letter.

Yours faithfully,



A handwritten signature in black ink, appearing to read 'P. Sylvester', is written over a light blue horizontal line.

**Pearlana J. Sylvester FCCA**  
**AUDIT PARTNER**

**GRENELEC FOUR (4) YEAR FINANCIAL PERFORMANCE FOR THE PERIOD 2003 TO 2006**

**STATEMENT OF INCOME**  
 (Expressed in Eastern Caribbean Currency Dollars)  
 For 4 years starting 31<sup>st</sup> December 2003 to 2006

	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
	\$	\$	\$	\$
<b>INCOME</b>				
Sales - non fuel charge	60,183,380	52,900,135	50,071,598	55,329,396
- fuel charge	65,933,851	47,642,123	30,473,871	30,421,111
Unbilled sales adjustments	<u>487,217</u>	<u>2,456,984</u>	<u>-1,500,927</u>	<u>736,711</u>
 Total sales	 126,604,455	 102,999,242	 79,044,542	 86,487,218
Sundry revenue	1,448,125	2,032,446	2,001,920	2,245,396
Profit on disposal of fixed assets	<u>                    -</u>	<u>23,768</u>	<u>53,944</u>	<u>                    -</u>
	<u>128,052,580</u>	<u>105,055,456</u>	<u>81,100,406</u>	<u>88,732,614</u>
<b>OPERATING COSTS</b>				
Production costs	15,941,528	12,882,946	14,538,078	14,911,614
Fuel consumed	64,248,149	51,166,856	32,810,997	31,494,018
Provision for hurricane insurance reserve	2,000,000	2,000,000	2,000,000	2,000,000
Distribution services	12,306,561	16,788,998	11,470,062	10,468,998
Planning and engineering	<u>1,142,172</u>	<u>949,475</u>	<u>907,166</u>	<u>941,947</u>
	95,638,410	83,788,275	61,726,303	59,816,577
<b>Administration</b>	<u>12,890,798</u>	<u>11,290,392</u>	<u>9,701,607</u>	<u>10,012,417</u>
Profit for year before interest	19,523,372	9,976,789	9,672,497	18,903,620
Deduct: interest	<u>4,605,043</u>	<u>3,595,638</u>	<u>3,480,092</u>	<u>3,873,931</u>
	<u>14,918,329</u>	<u>6,381,151</u>	<u>6,192,405</u>	<u>15,029,688</u>
<b>OTHER CHARGES</b>				
Donations	200,364	-	309,620	727,005
Profit sharing	735,898	319,058	1,815,339	2,855,482
Disposal of fixed assets	<u>3,136,756</u>	<u>2,216,521</u>	<u>                    -</u>	<u>489,589</u>
	<u>4,073,018</u>	<u>2,535,579</u>	<u>2,124,959</u>	<u>4,072,076</u>
Profit for year before income tax	10,845,311	3,845,572	4,067,446	10,957,613
Deduct: Provision for income tax	<u>2,766,618</u>	<u>1,456,881</u>	<u>1,300,439</u>	<u>3,129,618</u>
<b>Profit for year after income tax</b>	<u>8,078,693</u>	<u>2,388,691</u>	<u>2,767,007</u>	<u>7,827,995</u>
 <b>Earnings Per Share</b>	 <u>0.43</u>	 <u>0.13</u>		

**GRENLEC FOUR (4) YEAR FINANCIAL PERFORMANCE FOR THE PERIOD 2003 TO 2006**

**BALANCE SHEET**  
 (Expressed in Eastern Caribbean Currency Dollars)  
 For 4 years starting 31st December 2003 to 2006

	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
	\$	\$	\$	\$
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and due from banks	2,767,214	3,569,640	376,711	1,056,163
Accounts receivable	29,243,125	22,599,529	20,988,399	19,456,793
Segregated retirement investment	11,166,527	10,756,968	10,735,786	10,369,695
Inventories	15,949,487	18,534,699	11,987,131	8,899,062
Prepayments	<u>771,611</u>	<u>500,471</u>	<u>2,802,388</u>	<u>2,659,906</u>
	59,897,964	55,961,307	46,890,415	42,441,619
<b>INVESTMENTS</b>	1,737,947	1,703,709	7,856,957	12,702,936
<b>PROPERTY, PLANT AND EQUIPMENT</b>	99,899,427	72,248,748	79,280,773	85,228,748
Suspense, jobs in progress	732,324	672,335	1,041,627	1,123,242
Capital work in progress	1,264,696	20,274,586	4,138,918	1,968,127
Deferred exchange loss	<u>1,455,050</u>	-	-	-
<b>TOTAL ASSETS</b>	<u>164,987,408</u>	<u>150,860,685</u>	<u>139,208,690</u>	<u>143,464,672</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Bank overdraft	4,304,038	5,000,263	3,798,034	3,056,290
Amount due to related company	127,116	1,324,441	325,303	88,510
Current portion of long-term debt 8	6,697,990	5,706,312	4,617,839	6,360,848
Accounts payable and accrued expenses	10,614,360	15,033,799	13,657,858	7,705,288
Consumers' deposits	5,788,148	5,415,198	4,958,829	4,735,716
Consumers' advances for construction	1,189,989	1,631,255	2,286,635	2,411,980
Current portion of provision for retirement benefits	500,000	500,000	500,000	1,000,000
Provision for profit sharing	2,617,063	1,543,733	2,176,387	2,209,794
Provision for income	<u>2,702,497</u>	<u>435,879</u>	-	-
	34,541,201	36,590,880	32,320,885	27,568,426
<b>PROVISION FOR RETIREMENT BENEFITS</b>	14,416,337	13,070,301	11,757,228	10,324,407
<b>DEFERRED INCOME</b>	-	-	-	436,540
<b>LONG TERM DEBT</b>	<u>52,890,578</u>	<u>43,198,905</u>	<u>33,933,978</u>	<u>36,490,371</u>
	<u>101,848,116</u>	<u>92,860,086</u>	<u>78,012,091</u>	<u>74,819,744</u>
<b>SHAREHOLDERS EQUITY</b>				
Stated capital	32,339,840	30,830,464	30,830,464	30,830,464
Share premium	-	1,509,376	1,509,376	1,509,376
Revaluation reserve	3,828,527	3,828,527	3,828,527	3,828,527
Retained earnings	<u>24,970,925</u>	<u>21,832,232</u>	<u>19,443,568</u>	<u>20,476,561</u>
	61,139,292	58,000,599	55,611,935	56,644,928
<b>Provision for Hurricane insurance reserve</b>	<u>2,000,000</u>	-	<u>5,584,664</u>	<u>12,000,000</u>
	<u>63,139,292</u>	<u>58,000,599</u>	<u>61,196,599</u>	<u>68,644,928</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS'</b>	<u>164,987,408</u>	<u>150,860,685</u>	<u>139,208,690</u>	<u>143,464,672</u>

## **Projected Financial Performance for the Period 2007 to 2016**

The prospective financial information included in this prospectus has been prepared by, and is the responsibility of, the Company's management. PKF has neither examined nor compiled the accompanying prospective financial information, and accordingly, PKF does not express an opinion or any other form of assurance with respect thereto.

The PKF audited reports and or any extract there from that are included in this prospectus relates to the Company's historical financial information. It does not extend to the prospectus future financial information and should not be read to do so.

### **Summary of Significant Forecast Assumptions**

The financial forecasts have been prepared by management using assumptions that were in effect at 31<sup>st</sup> December 2006. These assumptions reflect the Group's planned courses of action for the period covered and are based on Management's judgment as to the most probable set of expected future economic conditions. Due to the uncertainties inherent in predicting future conditions and actions, actual results achieved during the forecast period may vary from the estimates and the variations may be material. The non fuel revenue growth is expected to increase on average at 6.04% over 2007 to 2016 periods. Operating expenses exclusive of fuel throughout the 9 years are expected to increase by 3.8% p.a.

The accounting policies utilized in the preparation of the financial statements at 31st December 2006 have been followed in the preparation of these forecasts and are in keeping with International Financial Reporting Standards (IFRS).

The following statements are included:-

1. Proforma Income Statement 2007 to 2016
2. Balance Sheet Projections 2007 to 2016
3. Proforma Cashflow 2007 to 2016
4. Forecast Assumptions (see pages 45-49)

**GRENADA ELECTRICITY SERVICES LTD**  
**PRO FORMA INCOME STATEMENTS**  
**FOR THE PERIOD 2007 TO 2016**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b><u>INCOME</u></b>										
Sales - Non Fuel Charge	66,999,491	71,218,592	75,691,460	80,454,744	85,527,631	90,142,427	95,012,839	100,153,261	105,578,908	111,305,862
- Fuel Charge	69,777,134	76,470,156	83,805,174	91,843,766	100,653,420	110,308,096	120,888,848	132,484,507	145,192,421	159,119,278
Unbilled Sales Adjustments	1,635,603	454,672	491,995	533,411	578,439	594,561	643,798	697,337	755,565	818,909
Net Sales	138,412,228	148,143,420	159,988,629	172,831,921	186,759,490	201,045,084	216,545,485	233,335,105	251,526,894	271,244,049
Sundry Revenue	1,305,667	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
<b>TOTAL INCOME</b>	<b>139,717,895</b>	<b>149,643,420</b>	<b>161,488,629</b>	<b>174,331,921</b>	<b>188,259,490</b>	<b>202,545,084</b>	<b>218,045,485</b>	<b>234,835,105</b>	<b>253,026,894</b>	<b>272,744,049</b>
<b><u>OPERATING COSTS</u></b>										
Production less Diesel Consumed	8,375,381	8,684,960	9,007,287	9,342,933	9,692,493	10,056,592	10,435,882	10,831,049	11,242,808	11,671,910
Diesel Consumed	70,410,831	77,164,638	84,566,270	92,677,867	101,567,528	111,309,885	121,986,729	133,687,696	146,511,020	160,564,357
Depreciation on Plant	8,932,278	9,503,593	10,400,104	11,896,615	11,996,615	13,696,615	13,796,615	11,296,615	11,396,615	13,296,615
Hurricane Expense	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Planning & Engineering	1,078,706	1,128,192	1,180,041	1,234,368	1,291,295	1,350,949	1,413,463	1,478,977	1,547,638	1,619,599
Depreciation Planning & Engineering	114,020	117,441	120,964	124,593	128,331	132,181	136,146	140,230	144,437	148,770
Distribution	8,601,302	8,951,773	9,317,778	9,700,044	10,099,332	10,516,442	10,952,212	11,407,519	11,883,284	12,380,472
Depreciation on Distribution System	4,505,066	4,820,421	5,157,850	5,518,900	5,905,223	6,318,589	6,760,890	7,234,152	7,740,543	8,282,381
<b>TOTAL OPERATING COSTS</b>	<b>104,017,584</b>	<b>112,371,018</b>	<b>121,750,294</b>	<b>132,495,320</b>	<b>142,680,817</b>	<b>155,381,253</b>	<b>167,481,937</b>	<b>178,076,238</b>	<b>192,466,345</b>	<b>209,964,104</b>
Corporate Services	11,774,734	12,179,576	12,600,062	13,036,861	13,490,669	13,962,217	14,452,267	14,961,619	15,491,106	16,041,603
Depreciation on Other Assets	591,181	608,916	627,183	645,998	665,378	685,339	705,899	727,076	748,888	771,355
<b>TOTAL ADMINISTRATION COSTS</b>	<b>12,365,915</b>	<b>12,788,492</b>	<b>13,227,245</b>	<b>13,682,859</b>	<b>14,156,047</b>	<b>14,647,556</b>	<b>15,158,166</b>	<b>15,688,695</b>	<b>16,239,994</b>	<b>16,812,958</b>
<b>PROFIT BEFORE INTEREST</b>	<b>23,334,396</b>	<b>24,483,910</b>	<b>26,511,090</b>	<b>28,153,742</b>	<b>31,422,626</b>	<b>32,516,275</b>	<b>35,405,382</b>	<b>41,070,172</b>	<b>44,320,555</b>	<b>45,966,987</b>
<b><u>INTEREST</u></b>										
Other Loan / Ov'draft Interest - Current	150,000	33,379	24,295	15,030	5,578	5,000	5,000	5,000	5,000	5,000
E. I. B Loan Interest - Grenlec 11- #19129	186,865	149,140	109,477	69,123	27,409					
FINCOR	2,347,114									
NIS Loan Interest - Wartsila Generators	1,000,033	920,671	830,122	735,809	634,718	528,004	410,339	285,860	152,437	20,979
E. I. B Loan Interest - Grenlec 111- #23150	623,216	624,924	609,533	581,595	552,030	522,258	487,725	452,695	415,627	377,520
New Financing Transmission Interest	87,836	3,143,168	2,929,578	2,679,703	2,411,871	2,131,250	1,817,550	1,487,765	1,134,282	758,004
Consumer Deposit Interest	206,005	218,365	231,467	245,355	260,076	275,681	292,222	309,755	328,340	348,040
<b>TOTAL INTEREST COSTS</b>	<b>4,601,069</b>	<b>5,089,647</b>	<b>4,734,473</b>	<b>4,326,614</b>	<b>3,891,681</b>	<b>3,462,193</b>	<b>3,012,836</b>	<b>2,541,076</b>	<b>2,035,686</b>	<b>1,509,543</b>
<b>PROFIT AFTER INTEREST</b>	<b>18,733,327</b>	<b>19,394,263</b>	<b>21,776,618</b>	<b>23,827,128</b>	<b>27,530,945</b>	<b>29,054,082</b>	<b>32,392,546</b>	<b>38,529,096</b>	<b>42,284,869</b>	<b>44,457,444</b>
<b><u>OTHER CHARGES</u></b>										
Disposal of Fixed Assets										
Donations	936,666	969,713	1,088,831	1,191,356	1,376,547	1,452,704	1,619,627	1,926,455	2,114,243	2,222,872
Profit Sharing	3,610,942	3,738,341	4,197,552	4,592,798	5,306,727	5,600,320	6,243,825	7,426,676	8,150,620	8,569,395
<b>TOTAL OTHER CHARGES</b>	<b>4,547,608</b>	<b>4,708,054</b>	<b>5,286,383</b>	<b>5,784,154</b>	<b>6,683,274</b>	<b>7,053,024</b>	<b>7,863,452</b>	<b>9,353,131</b>	<b>10,264,863</b>	<b>10,792,267</b>
<b>PROFIT BEFORE TAXES</b>	<b>14,185,719</b>	<b>14,686,209</b>	<b>16,490,235</b>	<b>18,042,974</b>	<b>20,847,671</b>	<b>22,001,058</b>	<b>24,529,094</b>	<b>29,175,965</b>	<b>32,020,006</b>	<b>33,665,177</b>
Corporation Tax @ 30%	4,255,716	4,405,863	4,947,070	5,412,892	6,254,301	6,600,318	7,358,728	8,752,790	9,606,002	10,099,553
<b>PROFIT AFTER TAXES</b>	<b>9,930,003</b>	<b>10,280,346</b>	<b>11,543,165</b>	<b>12,630,082</b>	<b>14,593,370</b>	<b>15,400,740</b>	<b>17,170,366</b>	<b>20,423,175</b>	<b>22,414,004</b>	<b>23,565,624</b>
<b>Percentage increase in profit after taxes</b>	<b>27.43%</b>	<b>3.53%</b>	<b>12.28%</b>	<b>9.42%</b>	<b>15.54%</b>	<b>5.53%</b>	<b>11.49%</b>	<b>18.94%</b>	<b>9.75%</b>	<b>5.14%</b>

**GRENADA ELECTRICITY SERVICE LTD**  
**BALANCE SHEET PROJECTIONS**  
**FOR THE PERIOD: 2007 TO 2016**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>ASSETS</b>										
<b>CURRENT ASSETS</b>										
Cash at bank and in hand	6,024,914	11,694,484	15,021,321	25,959,374	30,412,414	31,205,965	41,341,756	51,898,508	44,992,980	57,733,435
Hurricane Fund	3,721,867	5,721,867	7,721,867	9,721,867	11,721,867	13,721,867	15,721,867	17,721,867	19,721,867	21,721,867
Accounts Receivable	27,355,325	29,537,750	31,899,327	34,459,702	37,236,210	40,090,105	43,180,337	46,527,554	50,154,266	54,085,028
Segregated Retirement Investments	16,489,713	18,229,048	20,151,847	22,277,464	24,627,291	27,224,978	30,096,669	33,271,265	36,780,718	40,660,348
Other Investments	16,080	16,080	16,080	16,080	16,080	16,080	16,080	16,080	16,080	16,080
Inventories	15,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
Prepayments	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
	70,107,898	78,699,229	88,310,443	105,934,487	117,513,862	125,758,995	143,856,709	162,935,275	165,165,911	187,716,759
<b>PROPERTY PLANT AND EQUIPMENT</b>										
	95,031,830	101,831,621	98,688,374	89,501,180	88,164,501	85,065,000	73,788,002	64,917,383	73,835,452	62,722,825
Suspense Jobs in Progress	1,093,708	1,093,708	1,093,709	1,093,709	1,093,709	1,093,709	1,093,709	1,093,709	1,093,709	1,093,709
Capital Work in Progress	4,138,918	4,138,918	4,138,918	4,138,918	4,138,918	4,138,918	4,138,918	4,138,918	4,138,918	4,138,918
<b>TOTAL ASSETS</b>	<b>170,372,355</b>	<b>185,763,476</b>	<b>192,231,444</b>	<b>200,668,295</b>	<b>210,910,990</b>	<b>216,056,622</b>	<b>222,877,338</b>	<b>233,085,284</b>	<b>244,233,990</b>	<b>255,672,211</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>										
<b>CURRENT LIABILITIES</b>										
Amount Due to Related Company	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Accounts Payable and Accrued Expenses	11,082,976	11,637,125	12,218,981	12,829,930	13,471,427	14,144,998	14,852,248	15,594,860	16,374,603	17,193,333
Consumers' Deposits	6,052,556	6,335,210	6,631,065	6,940,735	7,264,868	7,604,137	7,959,250	8,330,947	8,720,003	9,127,227
Consumers' Advances for Construction	1,670,070	1,670,070	1,670,070	1,670,070	1,670,070	1,670,070	1,670,070	1,670,070	1,670,070	1,670,070
Provision for Retirement Benefits	16,489,713	18,229,048	20,151,847	22,277,464	24,627,291	27,224,978	30,096,669	33,271,265	36,780,718	40,660,348
Provision for Profit Sharing	3,610,942	3,738,341	4,197,552	4,592,798	5,306,727	5,600,320	6,243,825	7,426,676	8,150,620	8,569,395
Provision for Income Tax	680,915	704,938	791,531	866,063	1,000,688	1,056,051	1,177,396	1,400,446	1,536,960	1,615,928
	39,737,171	42,464,732	45,811,046	49,327,060	53,491,071	57,450,553	62,149,458	67,844,264	73,382,974	78,986,301
<b>LONG TERM DEBT</b>										
	63,585,010	72,328,224	70,646,712	70,057,467	69,042,782	62,708,191	55,919,636	48,649,601	40,865,593	32,534,863
<b>TOTAL LIABILITIES</b>	<b>103,322,181</b>	<b>114,792,956</b>	<b>116,457,758</b>	<b>119,384,527</b>	<b>122,533,853</b>	<b>120,158,744</b>	<b>118,069,094</b>	<b>116,493,866</b>	<b>114,248,567</b>	<b>111,521,164</b>
<b>SHAREHOLDERS EQUITY</b>										
Stated Capital	32,339,840	32,339,840	32,339,840	32,339,840	32,339,840	32,339,840	32,339,840	32,339,840	32,339,840	32,339,840
Revaluation / Revenue Reserve	3,828,527	3,828,527	3,828,527	3,828,527	3,828,527	3,828,527	3,828,527	3,828,527	3,828,527	3,828,527
Hurricane Reserve	4,000,000	6,000,000	8,000,000	10,000,000	12,000,000	14,000,000	16,000,000	18,000,000	20,000,000	22,000,000
Retained Earnings	26,881,808	28,802,154	31,605,319	35,115,401	40,208,770	45,729,511	52,639,877	62,423,052	73,817,056	85,982,681
	67,050,174	70,970,520	75,773,685	81,283,767	88,377,137	95,897,877	104,808,244	116,591,419	129,985,423	144,151,047
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>170,372,355</b>	<b>185,763,476</b>	<b>192,231,444</b>	<b>200,668,295</b>	<b>210,910,990</b>	<b>216,056,622</b>	<b>222,877,338</b>	<b>233,085,284</b>	<b>244,233,990</b>	<b>255,672,211</b>

**GRENADA ELECTRICITY SERVICES LTD**  
**PRO FORMA CASH FLOW**  
**FOR THE PERIOD 2007 TO 2016**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>BALANCE AT BEGINNING OF YEAR</b>	(1,309,401)	6,024,913	11,694,484	15,021,321	25,959,373	30,412,413.00	31,205,964.00	41,341,756.00	51,898,508	44,992,979.00
<b>INFLOWS</b>										
Net Income after Taxes	9,930,003	10,280,346	11,543,165	12,630,082	14,593,370	15,400,740	17,170,366	20,423,175	22,414,004	23,565,624
Depreciation	14,142,545	15,050,371	16,306,101	18,186,106	18,695,547	20,832,724	21,399,550	19,398,073	20,030,483	22,499,121
Hurricane Provision	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
EIB 23150 - Wartsila Loan	4,560,000									
NIS - Wartsila Loan										
New Financing - Transmission Line/Refinancing	27,759,784	13,530,162	4,510,054							
New Financing				6,000,000	6,000,000					
<b>TOTAL</b>	<b>58,392,332</b>	<b>40,860,879</b>	<b>34,359,320</b>	<b>38,816,188</b>	<b>41,288,917</b>	<b>38,233,464</b>	<b>40,569,916</b>	<b>41,821,248</b>	<b>44,444,487</b>	<b>48,064,745</b>
<b>OUTFLOWS</b>										
Dividends paid	7,600,000	8,360,000	8,740,000	9,120,000	9,500,000	9,880,000	10,260,000	10,640,000	11,020,000	11,400,000
<b>Capital Expenditure</b>										
Non expansion items	8,000,000	8,320,000	8,652,800	8,998,912	9,358,868	9,733,223	10,122,552	10,527,454	10,948,552	11,386,494
Queen's Park - Wartsila W32 - New Generators					8,000,000	8,000,000			18,000,000	
Transmission Substations & Line	4,510,054	13,530,162	4,510,054							
Increase / (Decrease) in Receivables	(792,217)	2,182,425	2,361,577	2,560,375	2,776,508	2,853,895	3,090,232	3,347,217	3,626,712	3,930,762
increase / (Decrease) in other working capital - <b>excluding</b>										
<b>Hurricane Fund</b>	<b>2,872,475</b>	<b>(3,988,226)</b>	<b>(1,423,514)</b>	<b>(1,390,397)</b>	<b>(1,814,184)</b>	<b>(1,361,796)</b>	<b>(1,827,214)</b>	<b>(2,520,210)</b>	<b>(2,029,256)</b>	<b>(1,723,697)</b>
EIB # 19129 - Principal Repayments	966,934	995,931	1,026,043	1,056,155	1,090,728					
Fincor - Principal Repayments	25,297,817									
NIS Financing - Principal Repayments	602,954	1,142,570	1,221,932	1,312,481	1,406,795	1,507,886	1,614,599	1,732,264	1,856,743	1,990,167
New EIB - Principal Repayments			466,282	493,424	522,146	551,069	584,618	618,649	654,660	691,681
New Financing - Principal Repayments		2,648,446	3,477,309	3,727,185	3,995,016	4,275,637	4,589,337	4,919,122	5,272,605	5,648,883
Hurricane Reserve	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
<b>TOTAL</b>	<b>51,058,017</b>	<b>35,191,308</b>	<b>31,032,483</b>	<b>27,878,135</b>	<b>36,835,877</b>	<b>37,439,914</b>	<b>30,434,124</b>	<b>31,264,496</b>	<b>51,350,016</b>	<b>35,324,290</b>
<b>Annual net cashflow</b>	<b>7,334,314</b>	<b>5,669,571</b>	<b>3,326,837</b>	<b>10,938,053</b>	<b>4,453,040</b>	<b>793,551</b>	<b>10,135,792</b>	<b>10,556,752</b>	<b>(6,905,529)</b>	<b>12,740,456</b>
<b>BALANCE AT END OF YEAR</b>	<b>6,024,913</b>	<b>11,694,484</b>	<b>15,021,321</b>	<b>25,959,373</b>	<b>30,412,413</b>	<b>31,205,964</b>	<b>41,341,756</b>	<b>51,898,508</b>	<b>44,992,979</b>	<b>57,733,435</b>

**GRENADA ELECTRICITY SERVICES LTD**  
**PRO FORMA INCOME STATEMENTS : 2007 TO 2016**  
**ASSUMPTIONS**

	<b>Applicable Years</b>	<b>Percentage</b>
1 Retail Price Index (RPI)	All (2007 - 2016)	3%
2 <b>Non Fuel Charge</b> See assumptions sales		
3 <b>Fuel charge relative to fuel costs</b>		
It is assumed that new generators will be installed in 2009 and 2013. Based on projected system losses of 9% and fuel usage rate pf 0.05250 IG per KWh generated.	2007 - 2016	99%
4 <b>Fuel costs</b>		
RPI	All (2007 - 2016)	3%
Demand growth	Same as for non fuel charges	6.40%
5 <b>Production costs</b>		
	See assumptions expenses	
RPI	Fuel	3%
Demand Growth	Fuel	6.40%
6 Depreciation on plant expansion at 20 years straight line for generators.	<b>2006 onwards new generators</b>	
7 <b>Distribution</b>		
	See assumptions expenses	
Depreciation on regular Distribution System	RPI	7.0%
Depreciation on transmission line at 20 years straight line.	2007 - 2016	5%
8 <b>Administrative expenses</b>		
	See assumptions expenses	
	RPI	3%
9 <b>Interest</b>		
Interest on E.I.B loan - Based on amortisation schedule	All	4%
Interest on NIS Financing - 8% -10 year term	All	7%
Rate of increase of consumer deposits	All	6%
10 <b>Other</b>		
Donations - percentage of profit after interest	All	5%
Profit Sharing - percentage of profit after interest and donations	2007 - 2016	20.29%

**GRENADA ELECTRICITY SERVICES LTD**  
**PRO FORMA CASHFLOW: 2007 TO 2016**  
**ASSUMPTIONS**

	<b>Applicable Years</b>	<b>Percentage</b>
<b>1 Dividends paid:</b>		
Annual increase	2005	0.26
	2006	0.40
	2007	0.44
	2008	0.46
	2009	0.48
	2010	0.50
	2011	0.52
	2012	0.54
	2013	0.56
	2014	0.58
	2015	0.60
<b>2 Capital Expenditure</b>		
Internally Financed Capital Items (Non expansion items)	All the years	4%
<b>3 Increase in Working Capital</b>		
Annual increase	All the years	10%
4 Increase/Decrease in Receivables are directly linked to the Balance Sheet		

**GRENADA ELECTRICITY SERVICES LTD**  
**BALANCE SHEET PROJECTIONS: 2007 TO 2016**  
**ASSUMPTIONS**

1 Accounts Receivable % of Sales	20%
2 Provision for Income Tax % of Tax for the year	16%
3 Accounts Payables and Accrued Charges	5%
4 Consumers Deposits	4.67%
5 Provision for Retirement Benefits	6.48%



**Grenada Electricity Services Ltd.**  
**Assumptions re: Department Expenses**

<b>Rates of Increase</b>	<b>2.50%</b>									
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Production less diesel consumed</b>										
Salaries & Wages - 4%	4,007,759	4,208,147	4,418,554	4,639,482	4,871,456	5,115,029	5,370,780	5,639,319	5,921,285	6,217,349
Other Production Costs - 2.50%	4,367,622	4,476,813	4,588,733	4,703,451	4,821,037	4,941,563	5,065,102	5,191,730	5,321,523	5,454,561
Total less depreciation	<u>8,375,381</u>	<u>8,684,960</u>	<u>9,007,287</u>	<u>9,342,933</u>	<u>9,692,493</u>	<u>10,056,592</u>	<u>10,435,882</u>	<u>10,831,049</u>	<u>11,242,808</u>	<u>11,671,910</u>
<b>Planning &amp; Engineering</b>										
Salaries & Wages	900,739	945,776	993,065	1,042,718	1,094,854	1,149,597	1,207,077	1,267,431	1,330,803	1,397,343
Other Planning & Engineering Costs	177,967	182,416	186,976	191,650	196,441	201,352	206,386	211,546	216,835	222,256
Total less depreciation	<u>1,078,706</u>	<u>1,128,192</u>	<u>1,180,041</u>	<u>1,234,368</u>	<u>1,291,295</u>	<u>1,350,949</u>	<u>1,413,463</u>	<u>1,478,977</u>	<u>1,547,638</u>	<u>1,619,599</u>
<b>Distribution</b>										
Salaries & Wages	5,417,566	5,688,444	5,972,866	6,271,509	6,585,084	6,914,338	7,260,055	7,623,058	8,004,211	8,404,422
Other Distribution Costs	3,183,736	3,263,329	3,344,912	3,428,535	3,514,248	3,602,104	3,692,157	3,784,461	3,879,073	3,976,050
Total less depreciation	<u>8,601,302</u>	<u>8,951,773</u>	<u>9,317,778</u>	<u>9,700,044</u>	<u>10,099,332</u>	<u>10,516,442</u>	<u>10,952,212</u>	<u>11,407,519</u>	<u>11,883,284</u>	<u>12,380,472</u>
<b>Corporate Services</b>										
Salaries & Wages	4,418,934	4,639,881	4,871,875	5,115,469	5,371,242	5,639,804	5,921,794	6,217,884	6,528,778	6,855,217
Other Corporate Services Costs	7,355,800	7,539,695	7,728,187	7,921,392	8,119,427	8,322,413	8,530,473	8,743,735	8,962,328	9,186,386
Total less depreciation	<u>11,774,734</u>	<u>12,179,576</u>	<u>12,600,062</u>	<u>13,036,861</u>	<u>13,490,669</u>	<u>13,962,217</u>	<u>14,452,267</u>	<u>14,961,619</u>	<u>15,491,106</u>	<u>16,041,603</u>

**DIRECTORS' CONSENT**

## Directors' Consent and Signatures

We, the undersigned Directors of Grenada Electricity Services Limited (GRENLEC), collectively and individually state that, to the best of our knowledge the information contained in the prospectus is in accordance with the facts and that the prospectus makes no omission likely to affect the import of the information, and that the accounts of GRENLEC have been prepared in accordance with the Act, and that we accept responsibility for them.

Name of Director:	Signature
Vernon L Lawrence	
Ashton Frame	
Chester Palmer	
Nelson Louison	
Arthur Campbell	
Dyer Marquez	
Lawrence Samuel	

**Directors' Consent and Signatures**

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Name of Director:

Signature

NIGEL D. WARDLE



G. ROBERT BLANCHARD, JR



MALCOLM C. HARRIS

M. C. Harris

RONALD L. ROSEMAN



**Directors' Consent and Signatures**

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Name of Director: Robert T. Curtis

Signature

A handwritten signature in black ink, appearing to be 'Robert T. Curtis', written in a cursive style.

**LIST OF LICENSED INTERMEDIARIES WHO ARE MEMBERS OF THE  
EASTERN CARIBBEAN SECURITIES EXCHANGE**

<b>INSTITUTION</b>	<b>CONTACT INFORMATION</b>	<b>ASSOCIATED PERSONS</b>
<b>Anguilla</b>		
National Bank of Anguilla Ltd	P O Box 44 The Valley  <b>Tel: 264-497-2101</b> Fax: 264-497-3310 Email: nbabankl@anguillanet.com	<b>Principal</b> Selwyn Horsford  <b>Representative</b> Idona Reid
<b>Antigua and Barbuda</b>		
ABI Bank Ltd.	ABI Financial Centre Redcliffe Street St John's  <b>Tel: 268 480 2824</b> Fax: 268 480 2765 Email: abibsec@candw.ag	<b>Principals</b> Casroy James Carolyn Philip  <b>Representative</b> Laura Abraham
Antigua Commercial Bank Ltd.	ACB Financial Centre P O Box 3089 St John's  <b>Tel: 268 481 4200</b> Fax: 268 481 4158 Email: acb@candw.ag	<b>Principal</b> Peter N Ashe  <b>Representative</b> Sharon Nathaniel
<b>Dominica</b>		
National Mortgage Finance Company of Dominica Ltd.	64 Hillsborough Street Roseau  <b>Tel: 767 448 4401/4405</b> Fax: 767 448 3982 Email: ncbdom@cwdom.dm	<b>Principal</b> Caryl Phillip-Williams  <b>Representatives</b> Dawn Yankey Marilyn Edwards

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
<b>Grenada</b>		
Republic Finance and Merchant Bank Ltd. (FINCOR)	NCB House Grand Anse St George's  <b>Tel: 473 444 1875</b> Fax: 473 444 1879 Email: fincorec@caribsurf.com	<b>Principal</b> Wilma Williams  <b>Representative</b> Mark Salina
<b>St Kitts and Nevis</b>		
St Kitts Nevis Anguilla National Bank Ltd.	P O Box 343 Central Street Basseterre  <b>Tel: 869 465 2204</b> Fax: 869 465 1050 Email: national_bank@sknanb.com	<b>Principals</b> Winston Hutchinson Anthony Galloway  <b>Representatives</b> Marlene Nisbett Desilu Smithen Petronella Edmeade-Crooke
The Bank of Nevis Ltd.	P O Box 450 Charlestown Nevis  <b>Tel: 869 469 5564</b> Fax: 869 469 5798 E mail: bon@caribsurf.com	<b>Principal</b> Hanzel Manners  <b>Representatives</b> Lisa Jones Vernesia Walters
<b>Saint Lucia</b>		
Bank of Saint Lucia Ltd.	P O Box 1862 Bridge Street Castries  <b>Tel: 758 456 6000</b> Fax: 758 456 6190 Email: bankofsaintlucia@candw.lc	<b>Principals</b> Donna Matthew Beverley Henry Carla Morton-Campbell  <b>Representatives</b> Trevor Lamontagne Lawrence Jean

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
<b>Saint Lucia</b>		
Caribbean Money Market Brokers Ltd. (CMMB Saint Lucia)	9 Brazil Street Castries  <b>Tel: 758 450 2662</b> Fax: 758 451 7984 Email: info@mycmmb.com	<b>Principals</b> Carole Eleuthere-Jn Marie Sharmaine Rosemond  <b>Representative</b> Anderson Soomer
<b>St Vincent and The Grenadines</b>		
National Commercial Bank (SVG) Ltd.	P O Box 880 Cnr. Bedford and Grenville Streets Kingstown  <b>Tel: 784 457 1844</b> Fax: 784 456 2612 Email: natbank@caribsurf.com	<b>Principals</b> Keith Inniss Jeffrey Ledger  <b>Representatives</b> Patricia John La Fleur Dublin Rashida Stephens
<b>Trinidad and Tobago</b>		
Caribbean Money Market Brokers Ltd. (CMMB)	No. 1 Richmond Street, Ground Floor Furness Court, Independence Square Port of Spain  <b>Tel: 868 623 7815/5153</b> Fax: 868 624 4544/9833 ; 627 2930 Email: info@mycmmb.com	<b>Principals</b> Brent Salvary Leslie St Louis  <b>Representative</b> Vishwatee Jagroop