Vision Statement

To be the corporate leader in the development of the nation by becoming a world class energy service provider.

Mission Statement

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

Contents

Directors

G. Robert Blanchard Jr. - **Chairman**
Malcolm Harris - **Vice Chairman**
Vernon Lawrence - **Managing Director & CEO**
Nigel Wardle
Arthur Campbell
Lawrence Samuel
Ronald Roseman
Robert Curtis
Chester Palmer
Nelson Louison
Ashton Frame
Dyer Marquez

Chief Executive Officer

Vernon Lawrence

Secretary

Claudia Alexis (Ms.)

Registered Office

Halifax Street, St. George's, Grenada, West Indies.
Email:mail@grenlec.com
Website:www.grenlec.com

Bankers

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

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

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

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

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

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

Solicitor

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

Auditors

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

Registrar

FINCOR
Grand Anse, St. George's, Grenada, West Indies.

Notice of Meeting

Notice is hereby given that the Forty-Ninth Annual Meeting of Shareholders of Grenada Electricity Services Limited will be held at the Grenada Grand Beach Resort, Grand Anse, St. George's, on Wednesday, July 16, 2008 at 4:30 p.m. to:

1. Receive the Annual Report, the Audited Financial Statements for the year ended December 31, 2007 together with the Auditors' Report thereon.
2. Re-appoint the Auditors and authorize the Directors to determine their remuneration.
3. Elect Directors.

Close of Business

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

Dated this 20th day of May, 2008.

By order of the Board

Nigel Wardle
Secretary

Notes:

(1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his or her stead. A proxy need not be a member. A proxy form is included in this report for your convenience. It must be completed and signed in accordance with the notes on the form.

(2) Only shareholders on record at the close of business on June 16, 2008 are entitled to receive Notice of the Annual Meeting. A list of such shareholders will be available for examination by shareholders at the Company's Registered Office during usual business hours and at the Annual Meeting.

Board of Directors


G. Robert Blanchard Jr.
Chairman


Malcolm Harris
Vice Chairman


Vernon Lawrence
Managing Director /Chief Executive Officer


Arthur Campbell
Director


Ashton Frame
Director


Nigel Wardle
Director


Nelson Louison
Director


Ronald Roseman
Director


Lawrence Samuel
Director


Chester Palmer
Director


Robert Curtis
Director


Dyer Marquez
Director

Management

Vernon Lawrence
Managing Director
& Chief Executive Officer

John McDonald
Manager
Carriacou & Petite Martinique

Claudia Alexis
Director - Customer Services
/Corporate Secretary

Benedict Brathwaite
Financial Controller

Clive Hosten
Chief Engineer

Erwin Roden
Manager - Generation

Don Forsyth
Senior Electrical Engineer

Zarah Chase
Manager
Corporate Communications

Glenn Phillip
Co-ordinator
Loss Reduction & Joint Pole

Eric Williams
Acting Manager - Distribution

Jeffrey Neptune
Manager - Information Technology

Cassandra Slocombe
Manager - Customer Services

Jaquline Williams
Manager - Human Resources

G. Robert Blanchard Jr.
Chairman

I am pleased to present the Annual Report of Grenada Electricity Services Ltd for the year ended December 31, 2007. This was indeed a challenging but successful year and as we reflect on our performance I feel proud that we have made significant strides in improving the quality of electricity service to the people of Grenada, Carriacou and Petite Martinique.

During 2007 Grenada continued to rebound from the lasting impact of two hurricanes in 2004 and 2005 respectively and with a number of new investment projects coming on stream, economic activity increased. This reflected very positively on the demand for electricity with sales growing by 9.4% and Peak Demand increasing from 25.65 MW to an all time high of 27.88 MW, reflecting an increase of 8.7 % over the previous year.

The Company also focused on improving the reliability and quality of service to our customers and continued its preventive maintenance program to achieve a reduction in outages due to faults on the distribution lines. This was a success, as these outages were reduced by over 45%. We will continue our efforts in this regard in the upcoming year.

As part of our thrust to improve the customer experience, a new ultra modern office was opened at the Bruce Street Commercial Complex in St. George's to provide a more conducive environment for our staff and increased convenience for our customers.

Efficiency improvement was another area of special focus and in this regard, system losses were reduced to an all-time low of 7.5% while fuel efficiency was maintained at over 16.3KWh per imperial gallon. This allowed the Company to achieve positive financial results despite the negative impact of the ever-increasing price of fuel.

I am therefore very pleased to report that our Company recorded a 7.7% increase in pre-tax profits over the previous year, which allowed us to bring our dividends payout for the year to the pre-hurricane levels of 40 cents per share. We look forward to being able to increase these in the upcoming year.

The major challenge for both the Company and our customers was the consistent and unprecedented increase in fuel price during 2007. By the end of the year, world fuel prices reached a new record of almost $100.00 per barrel. This resulted in the average price of fuel moving from $ 6.12 to $8.99 per imperial gallon, representing a 47 % increase which resulted in the fuel charge to customers moving from $0.4056 in December 2006 to $0.4938 in December 2007.

It will be noted that the fuel charge increase is in fact lower than the actual movement in fuel price because the fuel charge is not based on current fuel price but the average price for the previous three months. This results in an inherent lag in the recovery process since the fuel charge and fuel price do not work in tandem and when the price is continuously increasing, the current price will always be greater than the average of the previous three months. This lag in fuel cost recovery resulted in over $2.3M of the $75.0M spent for fuel not being recovered up to the end of the year. This significant shortfall in fuel cost recovery negatively impacted the Company's profitability, and was the major factor leading to the Earning per Share increasing only marginally (2.1%); from 42.5cents last year to 43.4 cents in 2007 even though non-fuel revenue grew by over 11.2%.

The significant increase in fuel charge pushed the overall cost of electricity rates up to record levels and posed real hardship to our customers who were already experiencing a sharp rise in transportation and food costs. In a classic domino effect these items were themselves driven by the increased oil prices as well as the continued decline in the US dollar. Consequently, this placed additional pressure on customers to pay their electricity bills. As a result the Company experienced increases in both accounts receivables and customer complaints. However, diligent intervention by GRENLEC helped contain receivables and limited the increase to only 5.6 % over 2006.

As fuel steadily increased in price, the Company was encouraged to explore all options to minimize its impact. In this regard, we invited tenders for the supply of fuel which led to the signing of a new contract with Petro - Caribe Grenada and PDV Caribe SA. This contract allows the Company to procure fuel at a price, approximately 5% lower than our previous suppliers. However this lower price was not adequate to offset the steep increase in fuel price and therefore customers saw their fuel charge continue to increase, despite the fact that the benefits of the new contract was passed on to them. Nevertheless, the contract provided additional benefits to Grenada such as the attractive Government to Government credit facility negotiated by Caricom countries under the Petro Caribe Agreement.

The prevailing upward trend in fuel price induced the Company to explore all opportunities for cost reduction and consequently refinanced its Bonds which were at rates close to 9%. A new 7% Bond issue was created to refinance the Fincor Bonds and to provide the additional financing necessary for the Transmission Expansion Project. This Bond issue was done through the Eastern Caribbean Securities Exchange and is presently trading on the Exchange. The removal of the legislative encumbrances has made it possible for the Company to finalize the process to list its shares on the exchange and this is expected to materialize during the second quarter of 2008.

While the rising fuel price and its impact on electricity rates remain a serious challenge, we look to the future with much optimism. The Company will be examining the option of using the less expensive Heavy Fuel Oil (HFO) in its generating units which were designed with the capability for conversion.

The Company also made progress during the year in securing land for the development of a wind farm. While the capital cost for such an option is very high and will not likely result in a price reduction, the environmental benefits are quite significant and your Company is firmly committed to move in this direction. The Company will also continue the initiative started in 2007 for the promotion of the use of renewable energy sources such as photovoltaic and other forms of energy which may be feasible.

As we look ahead, the forecast is for the growth in demand experienced over the past few years to continue as new investments in hotels and other commercial enterprises come to fruition. The Company is well placed to take advantage of any increased demand and continues to upgrade its system to meet the needs of the economy.

At the last Annual General Meeting in May 2006 one new Director was appointed to the Board, namely Mr. Dyer Marquez replacing Mr. Alister Bain who served the Board for several years. I wish to convey thanks to Mr. Bain for his service and to welcome Mr. Marquez to the Board.

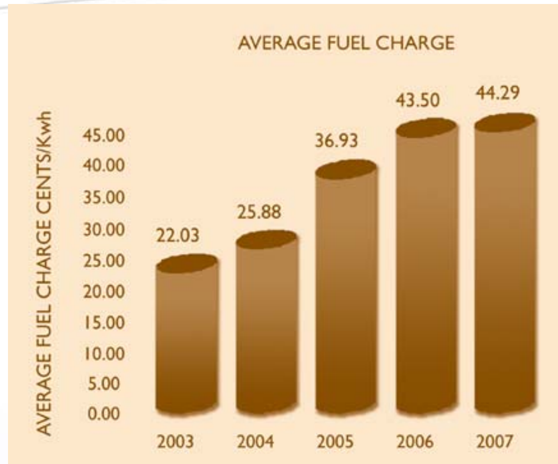
On behalf of the Directors I congratulate Vernon and the Management and staff for another year of exemplary performance, and I thank my fellow Directors and Shareholders for their continued contributions and support.

G. Robert Blanchard Jr.
Chairman

OVERVIEW

Consolidating GRENLEC's financial health, building human capital and enhancing the customer experience were ideals ever before us as the Company endeavored to achieve all-round positive results for 2007. The highlights of the year's achievements were as follows:

- Sales grew by 9.39%
- Revenues grew by 10.76%
- Pre-tax profits grew by 7.66%
- System losses were reduced by 22.15% registering a record low of 7.49%
- Return on invested capital was 11.47%.



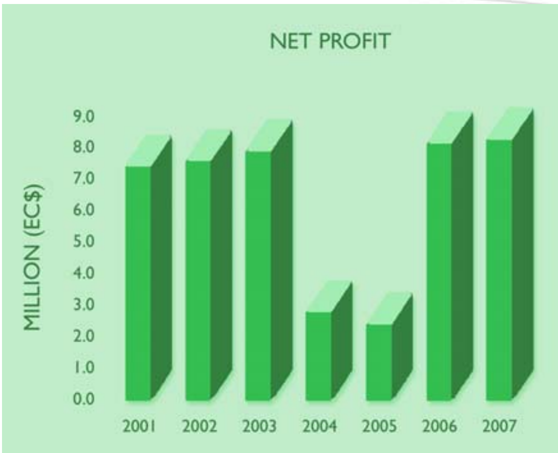
The Company's financial results in 2007 represent good progress, coming on the heels of our strong financial standing in 2006. However, this growth was overshadowed by a continuing upward trend in the international oil price which reached almost $100.00 per barrel by year-end. This ongoing trend of increasing oil price resulted in a sharp rise in the fuel charge thereby pushing the overall cost of electricity to unprecedented levels. These increases piled more hardship on families struggling with higher transportation cost and rising food bills and up to the end of the year there was no end in sight.

As fuel prices continue to increase, the Company continued its program to encourage customers to use energy efficiently and to minimize their bills. In this regard, an improved consumption guide, radio and TV tips, as well as our calendar and website information, were all geared to encourage prudent use of electricity. The Company also sought to ensure that fuel was sourced at the lowest price and therefore signed a contract for the supply with Petro Caribe which resulted in fuel being secured at a lower price than from our traditional source. This agreement resulted in savings over a 45 day period of $360,306.01 up to the end of the year, all of which were passed on to our customers. However, this reduction was not enough to offset the vast increase in world oil prices over the period, but kept the fuel charge lower than it would have been if this contract was not in place.

The Company also responded to the rising fuel price by seeking to expand our generating options by exploring alternative sources of energy, including renewables. The possibility of using heavy fuel oil is being studied, and we have made some strides in our wind project development by securing the lease of the site to start wind monitoring for the installation of a wind farm for generating power. In addition, we developed an interconnection policy and started the piloting of customer-owned grid-connected photovoltaic projects, with satisfactory results.

We cannot overemphasize the importance of the Customer in the business equation. As a consequence, we are committed to adding value to the quality of experience they receive. This is partly manifested by our new customer service centre in the recently developed Bruce Street Commercial Complex in St. George's. A number of improvements in customer care were introduced when we opened our doors there in October 2007. The location provides parking, and proximity to other commercial services, making payment of bills more convenient in a more pleasant environment

All of this would not have been possible without a competent staff, whose training, development and satisfaction remained paramount on the Company's agenda, as we continue to grow.



FINANCIAL REVIEW

GRENLEC strengthened its financial standing during the year under review. Profit before taxes grew by 7.66% increasing from $10.9M in 2006 to $11.7M in 2007. This, along with a 105.70% increase in our cash provided from operations, moving from $13.95M to $28.71M, is very encouraging and indicative of good long-term prospects for the Company.

Profit after Tax and Earnings per share were flat, increasing by a mere 2.1%, when compared with last year, due to the impact of the rising fuel prices and the lag in recovering fuel cost. A higher effective tax rate of 29.39% in 2007, as compared to the 25.51% in 2006, also contributed to this outcome. This occurred because the new generators which were installed in 2006 attracted capital allowances for the entire year while they were depreciated for only six months.

Sales

In 2007, sales of 165.98GWH reflected growth of 9.39% over the previous year. This growth rate exceeded our budget by 0.92% as we continued to see strong growth in all customer categories. The two largest growth sectors, namely commercial and domestic, grew by 9.24% and 9.42% respectively.

The number of customers grew from 36,779 in 2006 to a total of 39,318 in 2007 – an increase of 6.9%. Additionally, we continued to see increasing demand with the average units consumed by customers in all categories being higher than in 2006.

Non-Fuel Revenues

Total revenue growth for 2007 was 10.76%, increasing from $128.1M in 2006 to $141.8M in 2007. This was primarily driven by non-fuel sales revenue which grew by 11.24% mainly due to the robust growth in kWh sales.

Net Fuel Revenue

Fuel Revenue recovered through the fuel charge for the year was $71.70M, reflecting an increase of 8.74% over the previous year, while fuel expenses increased by 15.24 % to $74.05M. Throughout most of the year fuel prices were on an upward trend starting at an average price of $6.12¢ per gallon in January 2007 and reached the unprecedented level of $8.99¢ by the end of the year. The Company was unable to fully recover the fuel costs because of the inherent lag in fuel cost recovery when fuel price was steadily increasing.

This lag results from the fact that the fuel cost is based on the actual price of fuel during the current month while the fuel charge to customers is based on the average price for the previous three months. The lag in the recovery of the costs incurred for fuel resulted in Fuel Revenue for the year being $2.35M less than fuel cost which negatively impacted the Company's cash flows and profitability for the year.

GRENLEC moved to reduce the impact of the high price of fuel by signing a new supply agreement with Petro Caribe. This contract offers a more favorable pricing structure than previously existed. However, its impact could not be readily seen by our customers as world fuel prices continued to soar. There is no indication at this time that prices are likely to fall in the short term and all measures to mitigate the impact of high fuel prices are being examined.

Operating and Administrative Expenses

Non fuel expenses moved from $44.3M in 2006 to $47.5M in 2007. This 7.22% increase was due mainly to depreciation on the new generators, an increase of $1.6M, and general increases relating to overhauls, maintenance, salaries and wages. In an asset intensive Company, such as ours, it is not unusual to have fluctuations in operational expenses, particularly as it relates to the number of engines overhauled in any given year, as well as depreciation when new generators are added.

Balance Sheet

As at December 31 2007, GRENLEC had assets totaling $195.1M, as compared to $164.9M in 2006. This 18.31% ($30.2M) growth was in large part due to a cash injection of $23M from the Bond, which was received on December 31, 2007. These amounts will be placed in short term investments by the Company until payments relating to the Transmission project become due. The increase in net assets to $65.8m, a 4.18% increase, is as a result of the retained profit for the year and the annual addition to the hurricane reserve of $2M. This bolstered balance sheet has allowed us

to attract low cost financing through the Bond Issue and to easily meet all the financial covenants that exist in the financing agreements.

Non-Fuel Rate Adjustment

In 2007, the non fuel rates of your Company were increased by 2.77% in keeping with regulation which provides for an increase of 2% less than the Retail Price Index (RPI) for 2006. In 2005, the inflation rate for Grenada was 5.82% which when converted to remove the impact of fuel was 4.25%. Shareholders will recall that an earlier increase of 0.48%, to which the Company was entitled in 2006, was not implemented after due consideration by the Board of the overall impact of high fuel prices and two hurricanes on the customers. Despite the increase in 2007, the overall movement in non fuel prices for domestic customers in the thirteen years since privatization is 3.37% while the cumulative inflation over this period was 27.56%. In real terms non-fuel rates have declined by 24.19% over this period.

Dividends

The Company continued to increase the dividends payout in keeping with its improved performance and in 2007, the overall dividend paid per share was forty (40) cents, which means that GRENLEC has restored the dividend payout to pre-Ivan levels. Significantly, the payout was eleven (11) cents in the last quarter of 2007, which is the highest quarterly payment made to date. Our goal is regular, predictable and sustainable growth in earnings. Our management team keeps a clear focus on share value as we endeavor to optimize your investment.

Listing on Eastern Caribbean Securities Exchange

Legal impediments, which have prevented GRENLEC from being able to list your shares on the Eastern Caribbean Securities Exchange, as was first approved by shareholders in our 2004 Annual Meeting, were removed late in 2007. Every effort has been made to have your shares listed in order to allow shareholders to have a ready market for trading of shares, while at the same time being able to ascertain their market value. We are pleased to announce that the GRENLEC Bonds which were issued in December 2007 have already been listed on the ECSE and work has commenced to list the shares in the first half of 2008.

Risk Management

After the hurricane fund was exhausted by expenditures to restore the distribution system following hurricane Ivan and Emily this fund stood at a mere EC$2.0M at the beginning of 2007. In addition to building this fund to $4.0M by year-end, the Company considered it necessary to explore additional options to reduce the main risk exposure associated with recovery after a hurricane. We were successful in securing insurance coverage of USD2M for the distribution assets should there be damages caused by a named hurricane exceeding Category 1. All other assets are always fully insured but this was the first year that the Company was able to secure insurance for its distribution assets at an acceptable rate.

Customer Service

During 2007, the Company continued its thrust to improve the quality of the customer experience at every contact point within the organization. Special focus was placed on improving the response time in providing service and reducing waiting time. In this regard, there was close monitoring of the various service quality indicators as a precursor to the public launch of the Customer Service Charter. At that time, we will make a firm commitment on response times to all aspects of service.

As part of this drive to enhance the customer experience, the Company also worked to improve the service environment. Consequently, our Collections Office was relocated to the Bruce Street Commercial Complex. The area forms a part of the Cruise Port Development which revitalizes this historic part of St. George. The design concept of this new office is technology based and emphasizes light, the essence of our business, to create a comfortable, ultra modern environment for customers and employees alike. The illuminated counters have received much attention.

All front line services to customers are available at the Bruce Street Office. The number of customer service positions has been increased to reduce waiting time for bill payment, applications and all other services.

At December 2007, our customer base stood at 39,331 compared to 36,779 in 2006. We continue to strive to ensure that the meter at each customer's premises is read on time and that bills are issued on schedule. To assist our initiatives to reduce the number of meters which are not read each month, new Itron meter-reading software was installed in March. This was a prelude to the introduction of Automatic Meter Reading System (AMR), which has the capability to remotely capture readings from meters using radio waves. It is anticipated that this will help to resolve the hindrances encountered by meter readers including locked gates, vicious dogs, etc. The final testing is being completed and upon full implementation the meter reader will be able to collect readings without entering customers' premises. Approximately 50% of the meters currently installed are AMR ready.

This year brought the highest ever fuel charge on record, $0.4938 in December, averaging $0.4429 per kWh in 2007 over twice the amount of $0.2203 paid by customer in 2003. We instituted a community based approach to respond to the challenges faced by customers to pay their increased bills, given the continuous increases in fuel prices, food items and overall living costs. We visited customers giving reminders about past due bills and encouraged payment. We also used this opportunity to conduct a survey to update the status of some accounts that were billing zero since hurricane Ivan. Many customer telephone numbers were updated through this process so that they could be called and given reminders of overdue bills before disconnection. "Liable for Disconnection" leaflets were also distributed and announcements were made via loudspeaker in areas with high concentrations of delinquent customers to provide reminders of due dates for payment. Our efforts and presence in these communities were well received. Finally, in a limited "Pay Early Promotion", we gave customer rewards for compliance.

Human Resource

Training Development & Promotion

Training and development continue to be major focal points for the Company as it endeavors to enhance its human capital. In this regard, the Human Resource Department facilitated a total of forty training courses locally and overseas for our employees. Approximately 95% of our employees received training, in a myriad of subject areas including first aid and technical matters. The benefits of the training include improved performance and the development of a greater awareness of the interdependence of the Company's operations. Consequently, employees understand the need to function with this awareness for overall best results.

Focused training and appropriate succession planning also prepared some employees to fill positions which became available during the year. Among the persons trained were a second group of 12 linesmen, who completed all four levels of the Lineman Certificate Program, which consisted of both theoretical and practical training. This training has taken them to the highest level of Linesman Certification. A first group of 12 linesmen completed this training in 2006.

Ten Apprentice Linesmen successfully completed the Linesmen Apprenticeship Program, and were promoted to the position of Linesmen. Two senior Customer Service representatives were promoted to the positions of Supervisor for Customer Service and Collections Officer respectively. An Electrical Engineer was also appointed to the Generation Department in January after successfully completing his two-year training program with the Company.

Also on the wave of sharpening skills was our Senior Engineer in the Planning and Engineering Department, who was awarded an MBA with distinction from the University of the West Indies, under its work/study program.

Five other employees joined the staff during the year 2007. They were employed in the capacity of General Clerks within the Customer Services Department, one as a Mechanical Engineer within the Generation Department and the other as an Office Assistant within the General Administration Department.

At the end of the year the total number of permanent employees stood at 212.

Regional HR Conference

While pursuing our internal agenda for the year under review, we found the time to accommodate over fifty colleagues from around the region. The Department/ Company was privileged to host the Carilec Human Resources Management Conference at the Grenadian by Rex Resorts. Matters related to the current thinking in Human Resources, recruitment under CSME and other areas of importance to the sector took centre stage at the two-day exercise. All reports by participants indicated that it was a successful and timely engagement.

Retirement

Three employees retired from the Company having amassed a total of 79 years between them. Two of these were linesmen – Denis Abraham, who served the Company for 26 years and Robert Alexander, 29 years. The third retiree, Garson Mc Barnette, spent 24 years in the capacity of Security Guard with the Generation Department. They received the Long Service Awards at the Company's Annual Awards and Retirement Ceremony in December.

In November, the Company facilitated the formation of the Grenlec Retirees' Association, to provide an avenue for our 51 retirees and their spouses to stay in touch with each other and with the Company. The Association will seek to enhance the welfare of its members, and its affairs will be administered by a Steering Committee of eight members – six elected by the Association and two representatives from GRENLEC; nominated by the Managing Director/ CEO.

Health & Safety

A healthy workforce is crucial to GRENLEC's productivity, which is why during the year the Company enlisted the service of a professional to provide preliminary health checks and health education classes for its employees. These checks are preventive measures, which focus on timely detection of symptoms to facilitate early treatment of any developing illness or disease. The Health education topics encourage healthy lifestyle practices and provide knowledge which enables our staff to make healthy choices that would minimize the occurrence of illnesses such as diabetes, high blood pressure, AIDS, etc..

Condolences

The Company lost one of its linesmen, Simon Charles, who served for over 14 years and passed away after about a year's battle with illness.

In light of the instances of hospitalization and the bereavement, the Company held counseling sessions on coping with illness and grief in the Departments concerned. The feedback from staff was altogether positive.

Management Information Systems

We remain committed to staying abreast of the technology that drives our business as the Company continues to grow. We expanded our data communications network to the Bruce Street office to link it to the other Grenlec offices on the mainland via fiber optic cables. This fiber link was leased from Grenada Cablevision. However, the Company has initiated a project to deploy its own fiber in 2008 as a means of reducing the high telecommunications cost. Apart from the utilization of the latest computer hardware and software at Bruce Street, the new office is equipped with state-of-the art IP security cameras which only authorized persons can access from any computer in the Company and beyond.

The upgrade and expansion of the accounting package ACCPAC 5.4, which was initiated in late 2006, was successfully completed this year. Fixed Asset, Inventory Control, Purchasing and Accounts Receivable, along with the original Accounts Payable and General Ledger are now fully operational. Access to the program has expanded to include our Fleet supervisor and Mechanics who have frequent need for the information. Much time is saved by direct access to this information and there has also been a noticeable drop in the consumption of paper, since stock status documents and other large reports, which in the past had to be printed, are now available in Adobe Acrobat (PDF) format.

Business Continuity Plan

In September 2007, GRENLEC started organizing a more robust Business Continuity Plan (BCP) with a view to having a competitive start-up advantage after a disaster, especially since all other businesses are driven by our services. The aim is to ensure that our business-critical systems are up and running in the shortest possible time, the full success of which pivots on staff fulfilling their responsibilities in the event of disasters and according to the agreed procedures.

A contract for the BCP was signed with Saturn Partners Inc, a US based consultancy firm. Elements of the plan include:

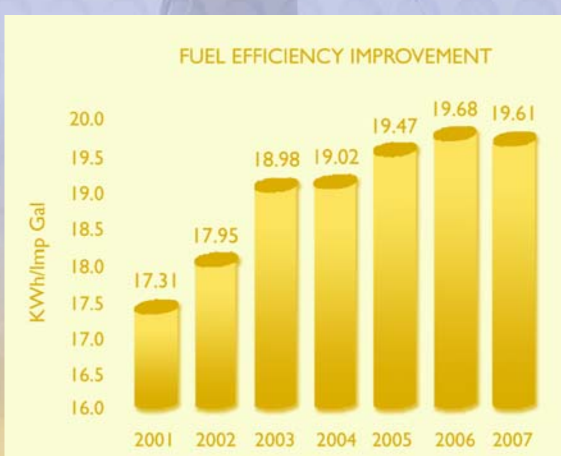
- A Business Impact Analysis (BIA)
- Strategy selection
- BCP documentation and
- Testing of the plan

The fundamental goal is to allow basic business functions to resume and continue in quick time until all systems can be restored to pre-disaster functionality. It is anticipated that this project will be completed by the start of the 2008 Atlantic hurricane season.

Operations

Generation

Gross Generation output for 2007 increased by 7% over 2006 with a total of 177.3 GWh being generated. Peak Demand increased by 14.53%, increasing from 25.65 MW to 27.89 MW. Overall Gross Fuel Efficiency for the Queen's Park Plant achieved the target of 16.3 kWh but reflected a marginal decline from the 16.4 kWh/Gal which was recorded in 2006. This was primarily due to the impact of the unavailability of the newer Wartsila units throughout the year.



From May 2007 onwards, problems were experienced with the two 8 MW Wartsila units. Failures on the main lubricating oil pump, camshaft tappet assemblies and cracks observed on the crankshafts have marginalized these units, impacting on overall availability, fuel efficiency and reliability of supplies to customers. Discussions on the remedial action to correct these issues are ongoing with Wartsila.

The 30,000-hour major overhaul of MaK No.1 commenced in August. However during the outage it was observed that the alternator/engine coupling was cracked. There was a long lead time for a replacement, so the unit remained on emergency stand-by for the remainder of the year.

A new lube oil separator was installed towards the end of the year on No.2 unit to increase the reliability of the MaK lube oil cleaning system in the Bruce Bain Plant. Whereas previously the two engines utilized the same cleaning system, their independent system now impacts very positively on engine availability.

Distribution

In the year under review, continuing attention was placed on improving system reliability, technical loss reduction and voltage improvement. Feeder outages were reduced from 140 in 2006 to 74 in 2007, representing a 45% reduction. Capacitor bank placements on the Gouyave, East and Grand Anse feeders contributed to a 4.5% improvement in the average system power factor from 0.88 to 0.92.

In our efforts to reduce system losses and improve the quality of supply to customers in the northern end of the Island, the Company completed load balancing on the Industrial, Gouyave and Grenville feeders. At the end of the project, the average system load imbalance diminished from 20% to approximately 11%. These actions added to the overall decline in system losses for 2007.

Many requests were made for paid HV and LV line extensions and transformer installations to facilitate projects such as new marinas, land sub-divisions and apartment buildings. These projects resulted in the construction of about five (5) miles of new overhead HV and LV lines and the addition of transformer capacity of approximately 3.2MVA.

System Reliability

The year 2007 was a creditable year for GRENLEC, with respect to system reliability. Feeder outages were reduced from 140 in 2006 to 74 in 2007, representing a 45% reduction. This resulted in the System Average Interruption Frequency Index (SAIFI) target for the year being easily achieved, as the frequency of outages per consumer was reduced from 2006 and was well within Grenlec's ambitious targets for 2007. This was mostly attributed to a myriad of activities:

- increased and improved maintenance,
- effective line clearing practices,
- outage response initiatives on the distribution system,
- the resolution of all the challenges associated with the commissioning of new generating plant in 2006.

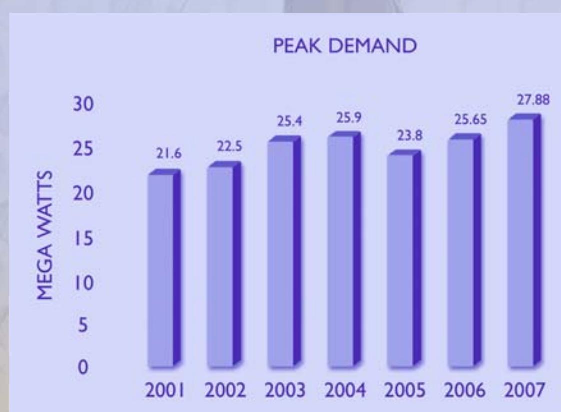
The System Average Interruption Duration Index (SAIDI) and Customer Average Interruption Duration Index (CAIDI) numbers, which reflect the duration of outages, compared slightly negatively to target values for the year. These outage duration indices were severely compromised by a few isolated outages of long durations.

The Planning and Engineering Department in conjunction with the Distribution and Generation Departments are reviewing a number of strategies to continuously improve system reliability in 2008 and beyond.

System Planning

In view of the robust growth of over 9% during the year and a number of major development projects in the pipeline, the Company completed a load forecast to determine its Generation, Transmission and Distribution requirements for the next ten years.

It has been forecast that there will be an average annual increase of 4.7% in Energy Generation and 4.6 % in the Peak Demand. The commercial and industrial categories are each expected to grow by 4.87% annually, while the domestic category is anticipated to grow at a slightly lower rate of 4.5%



This projected growth necessitates the installation of an additional 8 MW plant in the next three (3) years and another two 8 MW units by 2015.

Geographic Information System (GIS)

The GIS data capture project continues to update GRENLEC's Device Database. It provides information on the Company's hardware and accessories; such as the location of poles, type of accessories, etc. It is expected to realize its full benefit in 2008, when all the secondary distribution lines and customer meter locations will be mapped/geo-referenced to ensure a fully functional system.

Loss Reduction

The Company continued to focus on its Loss Reduction Program and was successful in reducing losses from 9.62% in 2006 to 7.5% in 2007. In order to reduce technical losses, a number of projects were implemented including:

- installation of over 1200 KVArs of capacitors to improve the System Power factor;
- re-conductoring feeders with larger conductors to reduce voltage drop and increase the line capacity;
- and balancing the load across the three phases of the distribution feeders.

In an effort to reduce non-technical losses, customer accounts were closely monitored to ensure consistency and accuracy each month. Where anomalies were identified, they were swiftly investigated and remedial action taken, where necessary.

In Carriacou, system losses were reduced by resolving problems associated with accurate metering. Periodic checks were also conducted on meters, especially those with evidence of power diversion.

SCADA Project

The first phase of the Supervisory Control and Data Acquisition (SCADA) project was completed and commissioned. The Phase 1 scope was revised to include the commissioning of the system to remotely monitor and control the automatic transfer switch at St. George's University, and to remotely monitor all electrical and mechanical instrumentation parameters for the Generating units at SGU. This phase of the project along with the transfer of control of the feeder breakers at Queen's Park from the existing PegasysTM system to the new SCADA, was substantively completed in December 2007.

A Remote Terminal Unit; a component of the SCADA system located at Conference, St. Andrew's

The SCADA system is also being utilized to remotely open and close 6 pole top switches and auto-reclosers at various locations around the Island thereby, reducing outage time and improving the quality and promptness of service to customers.

The SCADA project will be continuously expanded in 2008, to add more remote monitoring and control points on the existing distribution system.

Wind Project

Our wind project experienced some delays as there was ongoing negotiation with River Antoine Estate to lease a portion of the land to erect a wind monitoring unit. In addition, the negotiations included obtaining their firm commitment that, if favorable, we would get a thirty year lease for the land to engage in a project for the installation of a number of suitable wind turbines. An agreement was reached and the necessary approval received from the Physical Planning Unit for the installation of the 50m wind measuring tower on the site. Work has started for the installation of the wind monitoring unit which is scheduled to be in place in early 2008.

Interconnection Policy

The number of requests for renewable energy solutions by informed and sophisticated customers has been constantly increasing. As a result, the Engineering Department developed a Renewable Energy Interconnection Policy and Agreement. This was completed to provide policy direction and guidelines for such requests and to establish the conditions under which interested customers can be interconnected onto the Distribution Network with renewable type generation, such as photovoltaic (PV) systems, wind turbines, etc.

Photo Voltaic

Up to the end of the year, negotiations continued to finalize an agreement with Paradise Bay for the interconnection of an 80kW wind generator. A pilot project also progressed with a local company, which has installed six households with 2-3kW PV systems that are interconnected to our grid. All this is done as part of the Company's commitment to the use of renewable energy.

In order to build our technical support capability, one of the Department's technicians attended a course on PV installations which will be beneficial in developing codes of practice for PV grid tie units.

33 kV System Expansion Project

The Company continued with the development of the 33KV Transmission Project to expand its capacity to transport power from the Queen's Park Power Plant to the south of the Island, where most of the growth and development is taking place. The project has two major components: the construction of two substations, one at Queen's Park and the other at Dusty Highway at Grand Anse; and the second component is the construction of a 33KV line linking both substations. After inviting tenders from four suppliers, Siemens S.A. of Colombia won the tenders for the supply of the power transformers and other equipment, and to build the substations. Two contracts have been signed with Siemens, the first includes the procurement of five large transformers while the second is a complete turnkey contract which will include the installation and commissioning of the transformers and all other equipment associated with the two Substations. The Construction of these substations is scheduled for completion in January 2009.

Orders for the supply of material for the construction of the transmission line have been placed. The construction of a 33 kV line connecting the substations at Queen's Park and Grand Anse is expected to be completed by January 2009.

COMMUNITY OUTREACH

Giving back to the community continues to strengthen our image as a good corporate citizen. Over $605,000 was approved for community projects during the year:

- A major project to refurbish a building to temporarily house abandoned and/abused children was approved but deferred by the Ministry of Social Services for a later date.
- Training for 12 persons to train persons with disabilities in use of the computer with a view to making them more employable was also approved.
- We have added three institutions to our list of homes for annual assistance namely, the Mental Hospital, Cedar's Home for abused women and Father Maligan's Home for Boys.
- We have provided a small play area for the children of the Ursula Baptiste Child Development Centre in Grand Roy, St John's - a public day care

facility. This is to give youngsters the pleasure of the outdoors while in day care.

- We built a basketball court in Maran, in the vicinity of the playing field in view of the fact that the people of that community had no hard court for the pursuit of sport.
- In order to assist students obtain quality and rounded education, your Company has officially handed over the Modern Languages Lab to TAMCC and it has inspired the teaching of two new foreign languages: Chinese and German to students of the College and the public at large.
- In addition, many small donations were given for a range of community activities in the areas of sports, education, social improvement, etc.

PUBLIC RELATIONS

A number of issues kept the Company's PR arm busy during the year. A few of them follow:

- Grenada was one of the Caribbean venues during April 10th to 20th for the ICC 2007 Cricket World Cup. Extensive PR was conducted to seek public cooperation regarding kite flying. The Company appealed to the neighboring communities in proximity to the Stadium to make cricket time no-fly time. We published a no-fly message on the electricity bill and held two meetings with the surrounding communities to solicit public support for the idea. Letters were also sent to churches and the Ministry of Education to stimulate greater support for this campaign, which was a success.
- The spiraling oil price necessitated the repeated message of energy conservation.
- A committee was formed to plan the Company's 80th anniversary celebrations.
- Our "In The Light" program continues to inform our customers of matters as they arise.
- A "Change of Location" awareness programme for establishing our office on Bruce Street.

FUTURE OUTLOOK

Your Company looks to the future with much confidence. It will continue to improve the quality of service to customers and seek to create increased shareholder value. In addition, GRENLEC is now finalizing a new five year strategic plan for the period 2008-2013. This plan seeks to improve its operations in all key areas such as customer care, fuel efficiency, system losses, and system reliability. The plan will also focus on strategies to respond to the challenges of the ever increasing price of fuel.

Special attention will be given to staff development to cater to improved customer service. In this regard, a Customer Service Charter will be rolled out in which we will make a commitment to our customers to provide a specific standard of performance in all aspects of service. All these initiative we see as essential to the continued development of the Company, enabling us to achieve our vision of becoming a world class customer service provider, while continuing to grow the returns to our shareholders.

Finally, GRENLEC will continue to step up its public education campaign on energy conservation and optimization with a view to helping customers better manage their energy needs and bills.

APPRECIATION

We wish to thank the Chairman and the other members of the Board of Directors for their guidance. Thanks to our shareholders for continuing to place confidence in the Company. To our valued customers, despite the challenges of high rates of electricity, we appreciate your commitment to honoring your bills. To the management team and staff, thank you for a very productive and rewarding year.

GRENLEC Raises EC$ 47.7 Million in Bond Issue on the ECSE

GRENLEC's offering of an EC$45.8 million secured 10-year amortizing bond issue, auctioned on the primary market platform of the Eastern Caribbean Securities Exchange (ECSE) during the period 17 - 18th December 2007 met ready investors and in quick time the issue was oversubscribed.

At the close of the bidding period at 12:00 noon on Tuesday 18th December, licensed Intermediaries had placed a total of 12 bids, ranging from 5,000 to 22,000,000, with an aggregate value of $47,695,000. A fixed price auction was used at an interest rate of 7.0%.

Bids for this offering were submitted by Caribbean Money Market Brokers Limited, St Kitts Nevis and Anguilla National Bank Ltd, Republic Finance and Merchant Bank Ltd, National Commercial Bank (SVG) Ltd, National Bank of Anguilla Ltd and National Mortgage Finance Company of Dominica Ltd.

The raising of the capital is for the purpose of financing the Company's generation and transmission expansion projects in order to meet forecast growth in demand.

This corporate Bond Issue was the first to be done on the ECSE making GRENLEC a pioneer in this regard.

New Customer Payment Centre Now on Bruce Street

In keeping with the Company's development plan, its payment facility and related services were moved to the Bruce Street Commercial Complex, in closer proximity to telecommunication service providers, financial services and other businesses.

Apart from the convenience of the location, the move is also a natural consequence of having to vacate the Halifax St. building once new headquarters are built in Grand Anse. The new facility was opened in October, amid a flurry of gifts and an appreciation gesture of refreshments for customers.

The new office posts five cashiers for speed of service and to avoid back up of the queues. One new feature is to have an enquiries and payment one stop line which eliminates the need for customers without a bill reference to join two lines: one for bill queries and another to make the payment. The one stop line will allow customers to make bill enquiries and payment in the same queue. The others are express lines for customers with bills or references.

Other transactions available at Bruce Street are, applications for connection, arrangements for changing premises, including closure of accounts and opening new ones. The new office is also a drop off point for various service documents.

The Minister of Energy, Hon. Gregory Bowen and board member Dyer Mcquez cut the ribbon.

Please raise your glasses in the name of good customer care!

The first customer being greeted by the Managing Director while customer service staffers share the moment.

One of the early customer gets goodies handed over by office supervisor, Janelle Lyons, while the CEO observes.

Transaction #1 in progress

The new location

In short, the Bruce Street facility meets all the customer first contact provisions which used to be available at Halifax Street.

In order to further facilitate customers, the Company issued customer identifications cards, the size of a business card, which bears information required for making a payment. The practice of carrying or presenting the card is building.

At the new office customers with special needs are also given priority.

Forging Ahead With Wind Energy

After some delay the Company's two wind monitoring units are standing tall, responding to the whims and fancy of the wind regime in the River Antione valley and at Levera, St Patrick's.

These units will record data for at least a year before the installation of a wind farm aimed at supplementing the generation of electricity from diesel.

Several wind studies were conducted before the setting up of the unit which evaluates and monitors wind performance. It records wind speed, and direction, time, date and other important wind parameters.

The Company is still interested in locating more sites from which wind can be harvested.

The exploration of wind energy comes at a time when many utilities worldwide are considering or investing in alternative sources of energy, against a backdrop of steep upward trending in oil prices and the need reduce the production of greenhouse gases. This direction is also in the interest of avoiding over-reliance on fossil fuel and to maintain a reasonable diversity of generation source.

Our Chief engineer, Clive Hosten, visited wind farms in Germany and the Azores prior to the organization erecting its own monitoring unit.

Wind Monitoring Unit at River Antoine, St Patrick's

A GRENLEC crew after the erection of the unit

Powering New Developments and Meeting Demand

Pointe Marquis residential development, St. David's

Bailies' Bacolet residential development, St. David's

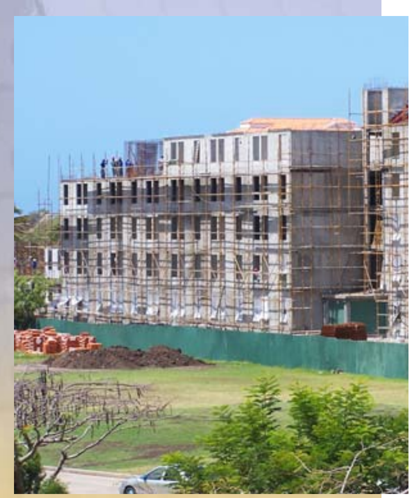
Port Louis 'mega-yacht' Marina, St. George's

A bright spot in the economy continues to be the construction industry: Marinas, resorts, residential developments, university lecture halls and other student facilities are all increasing demand on our system.

Timely expansion of plant capacity is a delicate act. The Company must forecast and plan properly and at the same time avoid too large a reserve that the business loses profitability.

The total Generation to be supplied by GRENLEC in order to meet the needs of the state is forecast to grow from the value of 177.3GWh recorded in 2007 to 280.2.4GWh in 2017 and the peak is forecast to grow from 27.9MW to 43.9MW in the same 10 year period. This represents an average annual increase of 4.7% for both energy generation and 4.6 % in the Peak Demand.

Our Planning and Engineering Department projects that in order to satisfy the demand growth and maintain GRENLEC's capacity reserve policy, an 8.0MW genset needs to be added by mid 2011. This will require the relocation of 6 existing containerized gensets to strategic locations on the island and the construction of a new plant building at Queen's Park. A second phase of generation expansion will also need to be undertaken to install two additional 8.0MW gensets by the end of 2015 to comfortably meet the demand up to and



St. George's University expan

beyond the ten year forecast period. Two existing Gensets 104 and #12 respectively can be retired following these two phases of the expansion projects.

Most of the load growth is expected to continue to take place in the south of the island as has historically been the case. The ongoing project to introduce a pair of transmission line linking two substations at Queen's park and Grand Anse is expected to adequately meet the demand growth expected in the south of the island.

A number of relatively large underground distribution projects are underway in various stages of construction and we are poised for the challenges ahead.
These developments are:

- Pointe Marquis residential development, St. David's
- Bailies' Bacolet residential development, St. David's
- Port Louis 'mega-yacht' marina, St. George's
- Prickly Bay Resort, St. George's
- Levera Development, St. Patrick's
- Republic Bank, Esplanade, St. George's
- Le Phare Bleu Marina
- Grand Harbor Development

Prickly Bay Resort, St. George's

Le Phare Bleu Marina

Grand Harbor Development

versity *expansion underway*

GRENLEC Signs Fuel Supply Agreement with PDV Caribe

GRENLEC's Managing Director and CEO, Vernon Lawrence and Director, Petro Caribe Grenada, Fred Antione sign fuel Supply agreement,

Representatives of the three-fold arrangement in a token handbond

In October 2007, GRENLEC received its first shipment of oil under a new agreement with PDV Caribe S.A. and Petro Caribe Grenada Ltd.

The agreement, signed April 13, is PDV's first account in Grenada since the Venezuelan President opened the opportunity for the countries of the region to make purchases under special terms and conditions of the Petro – Caribe Agreement.

As part of the contract, PDV Caribe and Petro Caribe Grenada have joined efforts and resources to supply GRENLEC with diesel.

The new suppliers have purchased the tank farm and marine pumping facility from GRENLEC after its repurchase from the previous suppliers.

At the signing ceremony Mr. Arsenio Nevada, Managing Director of PDV said he views the new relationship as a brotherhood and is expecting a long mutually beneficial experience.

The agreement is for three years with the provision for renewal.

Managing Director of GRENLEC, Vernon Lawrence, assured the press that all benefits accrued through this arrangement will be passed on to the customer. This amount, he says is in the region of four to five percent lower per imperial gallon. The signing he says is a dream come true for him for he has long hoped for a day when fuel can be available to the Company and consequently consumers, at a lower rate.

The head of Petro Craibe Grenada, Fred Antoine, said this is a new road for them but he is confident that in due course more Grenadians will replace the Venezuelans, who will be working along with locals initially to get things going.

He promised first class service to GRENLEC.

Hosting the Carilec/GRENLEC Human Resources Management Conference

September was a special month for us at GRENLEC as we hosted a regional electric industry Human Resources Management Conference under the auspices of Carilec, the Caribbean association of electric utilities, based in St. Lucia.

The three-day Exercise held at the Rex Grenadian Resort, brought HR practitioners and middle managers together to look at the issues facing the region as it relates the recruitment, training, retention and other matters surrounding the availability of human capital. It was generally agreed that people are at the heart of every business and if you manage people well and you will likely reap the benefits.

The HR Managers Conference was established by Carilec a few years ago and was for the second time held in Grenada.

The event targeted top and middle level HR professionals to hear the latest thinking in HR. Bringing together the region's HR leaders, the conference discussed new and old tested ideas and practices in HR

The Minister of Energy delivers the keynote address.

Carilec's Chairman, Nigel Hosein adresses the conference.

GRENLEC'S CEO/MD speaking at HR Conference

A captive audience listens to one of the presenters

Hosting the Carilec/GRENLEC Human Resources Management Conference - continued

Craibbean-wide participants

A rare musical moment with an indigenous instrument, the cocoa lute.

GRENLEC's Engineer, Don Forsyth and CSR, Roslyn Griffith perform a pan rendition.

The conference particularly examined the realities under the Caribbean Single Market and Economy (CSME) and how it can provide opportunities or threats to the profession. The theme was "Dealing with the Impact of CSME, The Movement and Recruitment of Labour and The Task of Rebuilding Corporate Culture".

Participants came from Jamaica, Trinidad, St. Vincent, St. Lucia, Dominica and other countries in the region.

In addition to the sessions, delegates enjoyed good Grenadian entertainment and hospitality.

Randolph Mark
Hope P.O
St. Andrew's
Grenada
3rd January 2008

Mr. G. Robert Blanchard Jr.
Chairman: Board of Directors
GRENLEC
Halifax Street
St. George's
Grenada

Dear Sir,

Subject: "Thank you very much"

Please permit me to humbly express heartful thanks to you and other members of the Board of Directors for the efficient management of the Company, with the help of your staff, who have all worked hard to enable the Company to recover so well after the destruction of Hurricane Ivan on 7/9/04.

Your diligent efforts have enabled the Company to progress so well. Thus enabling the Board of Directors to increase the dividend of Shareholders to eleven cents per Share for the fourth quarter of 2007.

I am extremely grateful for this, and thank you ~~very~~ and the other Directors very much; as I am sure that other Share holders are also thankful.

Best wishes for Continued Success throughout 2008

Yours Sincerely

Randolph Mark

Independent Auditors' Report
To The Shareholders Of
Grenada Electricity Services Limited

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

PKF
Accountants &
business advisers:

We have audited the accompanying financial statements of the company which comprise the balance sheet at December 31st, 2007 and the related statement of income and statement of 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, 2007 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

GRENADA:

17th March, 2008

PKF
Accountants & business advisers:

Partners: Henry A. Joseph FCCA (Managing), Pearlena J. Sylvester FCCA (Mrs.), Michelle A. Comissiong B.A. CGA, Yvonne Gellineau-Simon CPA (Mrs.)

Balance Sheet

At 31st December, 2007

(Expressed in Eastern Caribbean Currency Dollars)

	Notes	2007	2006
		$	$
ASSETS			
Current Assets			
Cash and due from banks	3	**26,340,242**	2,767,214
Accounts receivable	4	**30,882,813**	29,243,125
Segregated retirement investment		**12,562,797**	11,166,527
Inventories	5	**15,544,373**	15,949,487
Prepayments		**1,191,534**	771,611
Income tax prepaid		**590,668**	-
		87,112,427	59,897,964
Investments	6	**7,359,716**	1,737,947
Property, Plant and Equipment	7	**92,794,408**	99,899,427
Suspense, jobs in progress		**687,204**	732,324
Capital work in progress	8	**4,380,321**	1,264,696
Deferred exchange loss		**2,783,690**	1,455,050
TOTAL ASSETS		**195,117,766**	164,987,408
Liabilities and Shareholders' Equity			
Current Liabilities			
Bank overdraft		**2,842,875**	4,304,038
Amount due to related company	13	**94,127**	127,116
Current portion of long-term debt	9	**6,987,532**	6,697,990
Accounts payable and accrued expenses		**20,169,397**	10,614,360
Consumers' deposits		**6,822,869**	5,788,148
Consumers' advances for construction		**910,527**	1,189,989
Current portion of provision for retirement benefits		**1,000,000**	500,000
Provision for profit sharing		**2,797,674**	2,617,063
Provision for income tax		**-**	2,702,497
		41,625,501	34,541,201
Provision for Retirement Benefits		**15,786,294**	14,416,337
Long Term Debt	9	**71,922,616**	52,890,578
		129,333,911	101,848,116
Shareholders' Equity			
Stated capital	10	**32,339,840**	32,339,840
Revaluation reserve	11	**-**	3,828,527
Retained earnings		**29,444,015**	24,970,925
		61,783,855	61,139,292
Provision for Hurricane Insurance Reserve	12	**4,000,000**	2,000,000
		65,783,855	63,139,292
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**195,117,766**	164,987,408

The notes on pages 35 to 42 form part of these financial statements

Director ____________ Director ____________

Statement of Income

For the year ended 31st December, 2007

(Expressed in Eastern Caribbean Currency Dollars)

			2007	2006
			$	$
INCOME				
Sales	-	non fuel charge	**66,948,993**	60,183,380
	-	fuel charge	**71,698,722**	65,933,851
		Unbilled sales adjustments	**1,013,285**	487,217
		Total Sales	**139,661,000**	126,604,455
Sundry revenue			**2,116,789**	1,448,125
Profit on disposal of fixed assets			**50,054**	-
			141,827,843	128,052,580
OPERATING COSTS				
Production costs			**18,416,715**	15,941,528
Fuel consumed			**74,045,776**	64,248,149
Provision for hurricane insurance reserve			**2,000,000**	2,000,000
Distribution services			**13,146,080**	12,306,561
Planning and engineering			**1,353,704**	1,142,172
			108,962,275	95,638,410
Administration			**12,569,988**	12,890,798
Profit for year before interest			**20,295,580**	19,523,372
Deduct: interest			**4,536,005**	4,605,043
			15,759,575	14,918,329
OTHER CHARGES				
Loss on disposal of fixed assets			**-**	200,364
Donations			**787,979**	735,898
Profit sharing			**3,295,233**	3,136,756
			4,083,212	4,073,018
Profit for year before income tax			**11,676,363**	10,845,311
Deduct: Provision for income tax			**3,431,800**	2,766,618
Profit for year after income tax			**8,244,563**	8,078,693
Earnings per share			**0.43**	0.43

The notes on pages 35 to 42 form part of these financial statements

Statement of Changes in Shareholders' Equity

For the year ended 31st December, 2007

(Expressed in Eastern Caribbean Currency Dollars)

	Stated Capital	Revaluation Reserve	Share Premium	Retained Earnings	Total
Balance at 1st January, 2006	30,830,464	3,828,527	1,509,376	21,832,232	58,000,599
Dividends paid	-	-	-	(4,940,000)	(4,940,000)
Profit for the year after income tax	-	-	-	8,078,693	8,078,693
Reallocation	1,509,376	-	(1,509,376)	-	-
Balance at 31st December, 2006	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	-	(3,828,527)	-	3,828,527	-
Balance at 31st December, 2007	**$32,339,840**	**$-**	**$-**	**$29,444,015**	**$61,783,855**

The notes on pages 35 to 42 form part of these financial statements

Statement of Cash Flows

For the year ended 31st December, 2007

(Expressed in Eastern Caribbean Currency Dollars)

	2007	2006
	$	$
Operating Activities		
Profit before income tax	**11,676,363**	10,845,311
Adjustments for:		
Depreciation	**14,459,629**	12,459,565
Deferred exchange loss	**(1,328,640)**	(1,455,050)
(Profit)/loss on disposal of fixed assets	**(50,054)**	200,364
	24,757,298	22,050,190
Changes in Operating Assets/Liabilities		
Increase in receivables and prepayments	**(2,059,611)**	(6,914,736)
Increase/(decrease) in accounts payable and accrued charges	**10,310,296**	(4,487,755)
Increase in provision for retirement benefits	**1,869,957**	1,346,036
Decrease in inventory	**405,114**	2,585,212
Decrease in related company balance	**(32,989)**	(1,197,325)
Increase in provision for profit sharing	**180,611**	1,073,330
Income tax paid	**(6,724,965)**	(500,000)
Cash provided by operating activities	**28,705,711**	13,954,952
Investing Activities		
Decrease in investments	**-**	263
Disposal of fixed assets	**124,282**	195,443
Decrease/(increase) in suspense jobs in progress	**45,120**	(59,989)
Decrease/(increase) in capital work in progress	**(3,115,625)**	19,009,890
Increase in short term investments	**(5,621,769)**	(34,501)
Increase in segregated investment	**(1,396,270)**	(409,559)
Increase in consumer contribution to line extension	**658,228**	11,434
Purchase of fixed assets	**(8,087,066)**	(40,517,485)
Cash used in investing activities	**(17,393,100)**	(21,804,504)
Financing Activities		
Loan proceeds	**47,695,000**	16,437,626
Dividends paid	**(7,600,000)**	(4,940,000)
Increase in provision for hurricane insurance reserve	**2,000,000**	2,000,000
Repayment of loan	**(28,373,420)**	(5,754,275)
Cash provided in financing activities	**13,721,580**	7,743,351
Net increase/(decrease) in cash and cash equivalents	**25,034,191**	(106,201)
Net overdraft - at the beginning of year	**(1,536,824)**	(1,430,623)
Net cash/(overdraft) - at the end of year	**(23,497,367)**	(1,536,824)
Represented by		
Cash and due from banks	**26,340,242**	2,767,214
Bank overdraft	**(2,842,875)**	(4,304,038)
	23,497,367	(1,536,824)

The notes on pages 35 to 42 form part of these financial statements

1. Registration and Principal Activity

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. Summary of 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). The financial statements have been prepared under the historical cost convention.

(b) **Use of Estimates**
The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(c) **Foreign Currencies**
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	-	**(2006: EC$2.7169)**
EC$4.1722 to Euro 1.00	-	**(2006: EC$3.7570)**

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.

(d) **Property, Plant and Equipment**
Property, plant and equipment consist of building, plant and machinery, motor vehicles, furniture and fittings are stated at historical cost. Depreciation is calculated on the straight line basis at the following rates per annum, so as to write off the cost of building, furniture and equipment over the period of their estimated useful lives.

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

2. Significant Accounting Policies - cont'd

(e) Stores

Stores are valued at the lower of cost and net realisable value. Cost is determined on an average basis.

(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, 2007 amounted to EC$4,053,746 (2006 - EC3,690,757). Included therein is a specific provision of $774,681 on consumer accounts and $399,103 on other debtors.

(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:

		2007	2006
		$	$
Sales revenue for December after discounts		**12,557,628**	10,531,059
50% of above	= provision at 31/12/07	**6,278,814**	5,265,530
	= provision at 31/12/06	**5,265,530**	4,778,313
Increase in provision during the year		**1,013,284**	487,217

2. Significant Accounting Policies - cont'd

(i) 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.

Held to Maturity
Investments in which Management has the intent and ability to hold to the fixed maturity date are classified as held to maturity. These investments are stated at amortised cost.

3. Cash and Due From Banks

	2007	2006
	$	$
Cash	**206,795**	379,131
Bank of Tampa	**14,126**	1,092
Bank of Nova Scotia	**139,470**	72,393
Republic Bank (Grenada) Limited	**2,565,288**	2,272,790
Grenada Co-operative Bank Limited	**23,410,763**	38,008
	26,340,242	2,767,214

The balance at Grenada Co-opertive Bank Limited includes $23 million being cash from Grenlec bond issue received December 31st, 2007.

4. Accounts Receivable

Consumers' accounts	**25,123,258**	24,953,074
Less: Provision for doubtful debts	**3,654,644**	3,251,654
	21,468,614	21,701,420
Provision for unbilled sales	**6,278,814**	5,265,529
Other debtors	**3,135,385**	2,276,176
	30,882,813	29,243,125

5. Inventories

	2007 $	2006 $
The following is a breakdown of stock on hand		
Motor vehicle spares	**660,151**	454,462
Distribution	**9,184,116**	10,178,866
Generation spares	**4,188,704**	4,363,980
Fuel and lubricating oil	**432,189**	338,659
General stores	**2,004,019**	1,747,383
Stationery	**163,651**	42,615
	16,632,830	17,125,965
Less: Obsolescence provision	**1,088,457**	1,176,478
	15,544,373	15,949,487

6. Investments

	2007 $	2006 $
Available for sale		
536 ordinary shares in the Republic Bank of Grenada Limited	**16,080**	16,080
Government of Grenada Treasury Bills	**847,737**	847,737
	863,817	863,817
Short Term - held to maturity		
Fixed deposit - Republic Bank (Grenada) Limited	**3,101,480**	-
Fixed deposit - Grenada Co-operative Bank Limited	**2,482,683**	-
Fixed deposit - Bank of Nova Scotia	**907,581**	869,975
US$ - Certificate of Deposit	**4,155**	4,155
	6,495,899	874,130
	7,359,716	1,737,947

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-opertive Bank Limited.

7. Property, Plant and Equipment

	Land	Building & Construction	Plant & Machinery	Motor Vehicles	Furniture & Equipment	Total
Balance at January 1st, 2007	1,467,468	24,853,047	157,731,472	7,778,187	8,275,193	200,105,367
Additions for the year	-	626,381	6,029,265	238,155	1,193,265	8,087,066
Disposals during the year	-	-	(620,897)	(500,867)	(93,954)	(1,215,718)
Balance at December 31st, 2007	1,467,468	25,479,428	163,139,840	7,515,475	9,374,504	206,976,715
ACCUMULATED DEPRECIATION						
Balance at January 1st, 2007	-	11,083,190	72,286,236	6,653,397	4,019,177	94,042,000
Charge for year	-	1,231,021	11,429,430	893,644	905,534	14,459,629
Written back on sales/disposals	-	-	(556,245)	(500,867)	(84,378)	(1,141,490)
Balance at December 31st, 2007	-	12,314,211	83,159,421	7,046,174	4,840,333	107,360,139
Balance at December 31st, 2007	1,467,468	13,165,217	79,980,419	469,301	4,534,171	99,616,576
Less: Consumer contribution to line extension	-	-	-	-	-	(6,822,168)
Net Book Value - December 31st, 2007	**$1,467,468**	**$13,165,217**	**$79,980,419**	**$469,301**	**$4,534,171**	**$92,794,408**
Balance at December 31st, 2006	1,467,468	13,769,857	85,445,236	1,124,790	4,256,016	106,063,367
Less: Consumer contribution to line extension	-	-	-	-	-	(6,163,940)
Net Book Value - December 31st, 2006	**$1,467,468**	**$13,769,857**	**$85,445,236**	**$1,124,790**	**$4,256,016**	**$99,899,427**

8. Capital Work in Progress

	2007	2006
	$	$
Generation	**174,637**	162,458
Software upgrades	**-**	78,553
Building and construction	**881,787**	575,393
Distribution	**2,715,196**	448,292
Tools and equipment	**8,701**	-
Lands at Queen's Park	**600,00**	-
	4,380,321	1,264,696

9. Loan Capital

	Balance at 31/12/07	Instalments due within one year	Net Long Term Debt 2007	2006
	$	$	$	$
(a) European Investment Bank (EIB)				
Loan (i)	4168,856	995,930	**3,172,926**	5,135,790
Loan (ii)	13,477,640	-	**13,477,640**	12,149,000
	17,646,496	995,930	**16,650,566**	17,284,790
(b) FINCOR				
Loan 1	-	-	-	12,304,248
Loan 2	-	-	-	15,288,151
	-	**-**	**-**	27,592,399
(c) National Insurance Scheme	13,568,652	1,222,102	**12,346,550**	14,711,379
(d) Grenlec ECSE Bonds	47,695,000	4,769,500	**42,925,500**	-
	$78,910,148	$6,987,532	**$71,922,616**	$59,588,568

(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 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.

9. Loan Capital - (cont'd)

(b) The loan was repaid during the year.

(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 commencing March 20th, 2008.

10. Accounts Payable and Accrued Expenses

	2007 $	2006 $
Trade creditors	**12,100,672**	4,879,936
Sundry creditors	**1,730,313**	843,557
Accrued expenses	**6,338,412**	4,890,867
	20,169,397	10,614,360

The amount for trade creditors includes amounts of $6.6 million that relates to the transfer of the fuel contract from Chevron (W. I.) Limited to Petro Caribe.

11. Stated Capital

	2007	2006
Authorised		
25,000,000 ordinary shares	**40,566,400**	40,566,400
Issued		
19,000,000 ordinary shares of no par value	**32,339,840**	32,339,840

12. Revaluation Reserve

	2007	2006
Balance at 31st December, 2007	-	3,828,527

During the year, the company reviewed it revaluation reserve as it relates to IAS 16. The reserve was created upon valuation of the Carriacou assets in 1994 for incorporation in the company's financial records. These assets were previously owned by the Government of Grenada and should have been treated as a capital grant with annual amounts, equaled to the depreciation on the assets, being written off through the profit and loss account.

13. Provision for Hurricane Insurance Reserve

	2007 $	2006 $
Balance at January 1st, 2007	**2,000,000**	-
Add: Transfer during the year	**2,000,000**	2,000,000
Balance at December 31st, 2007	**4,000,000**	2,000,000

14. Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial operating decisions. This amount of $94,127 is due to WRB Enterprise Inc for management consultancy and expenses incurred on the Company's behalf.

15. 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 8.

(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.

16. Contingent Liability

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

17. Deferred Exchange Loss

This represents the difference arising on the revaluation of the balance sheet of the European Investment Bank Grenlec 111 Loan at the exchange rate of ECC$4.1772 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.

18. Capital Commitment

At December 31st, 2007, the Company's capital commitments totaled $19,619,735. This amount represents amounts outstanding on two contracts signed with Siemens S. A. during the year:
- Transformer contract $6,989,185 and Turnkey contract (substation Construction) $12,630,550.

Five-Year Financial Record

2003-2007

	2007 EC$	2006 EC$	2005 EC$	2004 EC$	2003 EC$
Income	**141,827,843**	**128,052,580**	**105,055,456**	**81,100,406**	**88,732,614**
Profit Before Taxes	11,676,363	10,845,311	3,845,572	4,067,446	10,957,613
Taxation	3,431,800	2,766,618	1,456,881	1,300,439	3,129,618
Net Profit	**8,244,563**	**8,078,693**	**2,388,691**	**2,767,007**	**7,827,995**
Shareholders Equity	**61,783,855**	**61,139,292**	**58,000,599**	**55,611,935**	**56,644,928**
Represented by:					
Total Assets	195,117,766	164,987,408	150,860,685	139,208,690	143,464,672
Total Liabilities	129,333,911	101,848,116	92,860,086	78,012,091	74,819,744
Hurricane Reserve	4,000,000	2,000,000	0	5,584,664	12,000,000
Net Assets	**61,783,855**	**61,139,292**	**58,000,599**	**55,611,935**	**56,644,928**
Financial Ratios					
No. of shares	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000
Return on Shareholders' equity	13.34%	13.21%	4.12%	4.98%	13.82%
Earnings Per Share	0.43	0.43	0.13	0.15	0.41
Dividends Per Share	0.40	0.26	0.00	0.20	0.40

	US$	US$	US$	US$	US$
Income	**52,528,831**	**47,426,881**	**38,909,428**	**30,037,187**	**32,863,931**
Profit Before Taxes	4,324,579	4,016,782	1,424,286	1,506,461	4,058,375
Taxation	1,271,037	1,024,673	539,586	481,644	1,159,118
Net Profit	**3,053,542**	**2,992,109**	**884,700**	**1,024,817**	**2,899,257**
Shareholders' Equity	**22,882,909**	**22,644,182**	**21,481,703**	**20,597,013**	**20,979,603**
Represented By:					
Total Assets	72,265,839	61,106,447	55,874,328	51,558,774	53,135,064
Total Liabilities	47,901,449	37,721,524	34,392,624	28,893,367	27,711,016
Hurricane Reserve	1,481,481	740,741	0	2,068,394	4,444,444
Net Assets	**22,882,909**	**22,644,182**	**21,481,704**	**20,597,013**	**20,979,604**
Financial Ratios					
No. of shares	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000
Return on Shareholders' equity	13.34%	13.21%	4.12%	4.98%	13.82%
Earnings Per Share	0.16	0.16	0.05	0.05	0.15
Dividends Per Share	0.15	0.10	0.00	0.07	0.15

	2007	2006	2005	2004	2003
Production And Sales					
Gross Generation (kWhs)	**185,569,196**	**173,490,255**	**153,701,824**	**141,617,565**	**165,659,322**
Auxillaries & Own Use	6,903,729	6,328,617	6,394,987	5,695,582	6,417,914
Net Generation	178,665,467	167,161,638	147,306,837	135,921,983	159,241,408
Sales (kWhs)					
Domestic	65,748,854	60,088,936	49,945,747	48,358,278	56,419,868
Commercial	89,569,231	81,989,564	73,542,437	70,354,979	74,370,642
Industrial	6,480,019	5,903,123	5,673,959	4,571,556	5,284,226
Street Lighting	3,426,986	3,026,004	2,409,053	2,225,943	2,217,532
Total Sales	**165,225,090**	**151,007,627**	**131,571,196**	**125,510,756**	**138,292,268**
Loss (% of Net Generation)	7.52%	9.66%	10.68%	7.66%	13.16%
Number of Consumers at Year - End					
Domestic	34,225	32,087	29,119	13,510	31,707
Commercial	5,058	4,656	4,250	2,740	4,690
Industrial	35	36	33	20	40
Total Consumers	**39,318**	**36,779**	**33,402**	**16,270**	**36,437**
Average Annual usage per Customer Class (kWhs)					
Domestic	1,921	1,873	1,715	3,579	1,779
Commercial	17,708	17,609	17,304	25,677	15,857
Industrial	185,143	163,976	171,938	228,578	132,106