



Annual Report  
- 2008 -



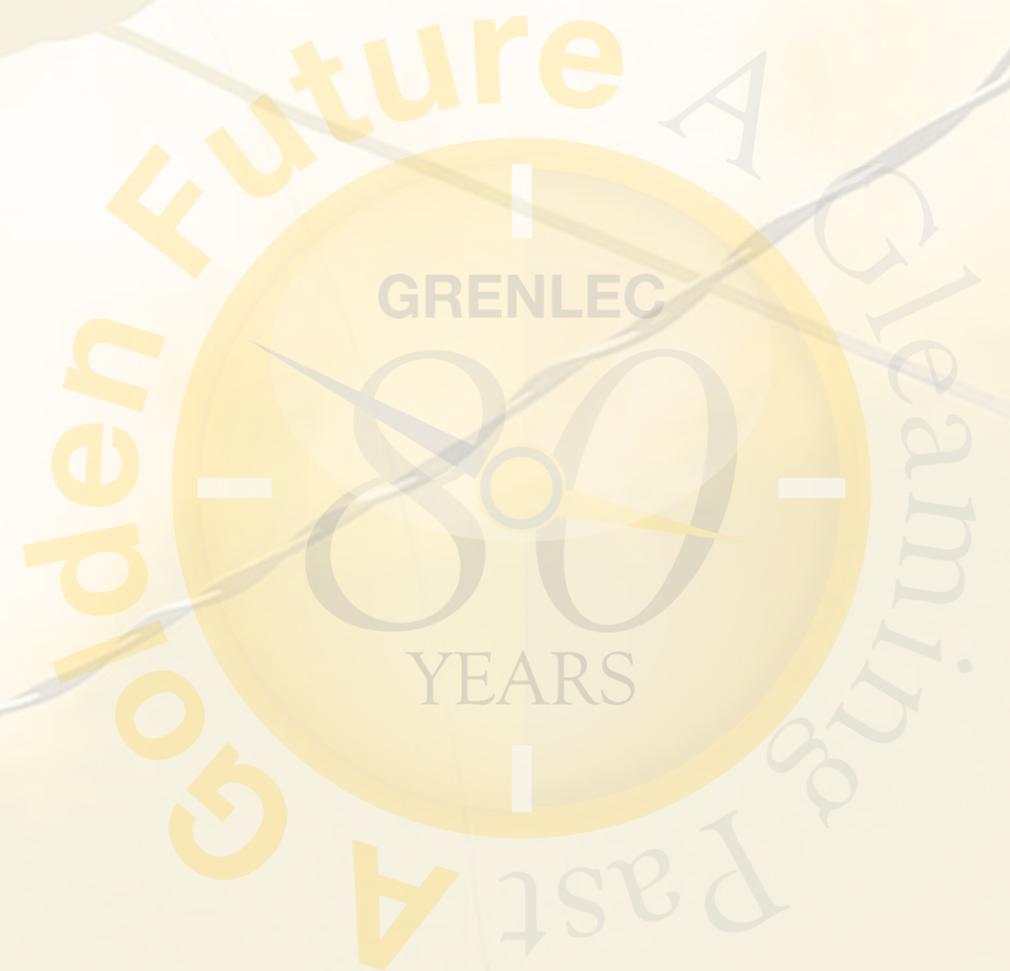
SERVING THE NATION

## Cover Design Notes

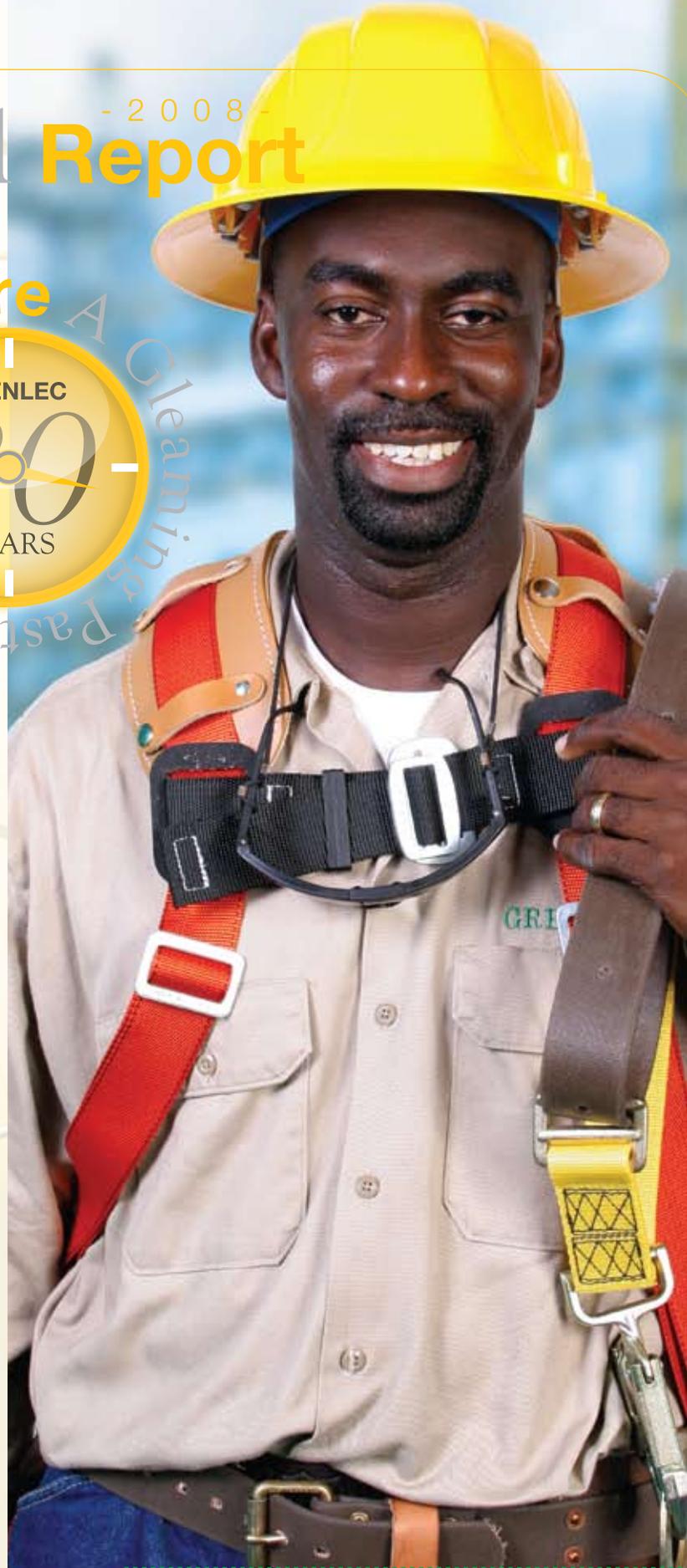
GRENLEC has been proudly 'Serving the Nation' for 80 years.

Its growth into a **World Class Company** is being made possible by its ethos, its visionary strategies and most important of all, its people. They make the difference!

The words and visualization of 'A Gleaming Past, A Golden Future' relate both to the past achievements and the enormous future potential of the persons and the entity which is Grenada Electricity Services Ltd.



# GRENLEC - 2008 Annual Report



## Vision Statement

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

## Mission Statement

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

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### ▶ Core Values

Respect

Integrity

Teamwork

Excellence

Satisfaction

### ▶ Strategic Priorities

- Continuous Customer Service Improvement
- Human Resources Development
- Production & Delivery Capability
- Expansion of Fuel/Energy Mix
- Cost Containment/Efficiency Improvement
- Corporate Social Responsibility



## ▶ A Gleaming Past, A Golden Future

### Directors

<b>G. Robert Blanchard, Jr.</b>	- Chairman
<b>Malcolm Harris</b>	- Vice Chairman
<b>Vernon Lawrence</b>	- Managing Director & CEO
<b>Ronald Roseman</b>	- Director
<b>Nigel Wardle</b>	- Director/Company Secretary
<b>Robert Curtis</b>	- Director
<b>Dyer Marquez</b>	- Director
<b>Allan Bierzynski</b>	- Director
<b>Ambrose Phillip</b>	- Director
<b>Arthur Campbell</b>	- Director
<b>Alfred Logie</b>	- Director
<b>Royston La Hee</b>	- Director

### Chief Executive Officer

Vernon Lawrence

### Secretary

Nigel Wardle

### 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 Ltd.**

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

#### **Bank of Nova Scotia**

Corner Granby & Halifax Streets, St. George's, Grenada, West Indies.

#### **First Caribbean International Bank (Barbados) Ltd.**

Church Street, St. George's, Grenada, West Indies.

#### **Grenada Co-operative Bank Ltd.**

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

#### **Eastern Caribbean Securities Exchange (ECSE)**

P.O. Box 94, Bird Rock, Basseterre, St. Kitts, West Indies.

Notice is hereby given that the Fiftieth Annual Meeting of Shareholders of Grenada Electricity Services Limited will be held at the Main Conference Room, Grenada National Stadium, Queen's Park, St. George's, on Wednesday, May 13 2009 at 4:30 p.m.

to:

- Receive the Annual Report, the Audited Financial Statements for the year ended December 31, 2008 together with the Auditors Report thereon.
- Re-appoint the Auditors and authorize the Directors to determine their remuneration
- Elect Directors

### Close of business

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

Dated this 23rd day of March, 2009.

By order of the Board



**Nigel Wardle**  
Company Secretary

### Notes

- A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his or her stead. A proxy need not be a member. A proxy form is included in this report for your convenience. It must be completed and signed in accordance with the notes on the form.
- Only shareholders on record at the close of business on Monday, April 13, 2009 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



**Nigel Wardle**  
Director



**Allan Bierzynski**  
Director



**Dyer Marquez**  
Director



**Robert Curtis**  
Director



**Arthur Campbell**  
Director



**Ronald Roseman**  
Director



**Ambrose Phillip**  
Director



**Royston La Hee**  
Director



**Alfred Logie**  
Director

# Management Team



Viewing from  
left to right

**Jeffrey Neptune** - Manager of Information Technology

**Glenn Phillip** - Co-ordinator of Loss Reduction & Joint Pole

**Benedict Brathwaite** - Financial Controller

**Michael Allen** - Manager of Generation

**Eric Williams** - Acting Manager of Distribution

**Vernon Lawrence** - Managing Director & Chief Executive Officer

**Don Forsyth** - Manager of Planning & Engineering

**Jacqueline Williams** - Manager of Human Resources

**Cassandra Slocombe** - Manager of Customer Services

**Clive Hosten** - Chief Engineer

**John Mc Donald** - Manager of Carriacou & Petite Martinique



*Managing Director & Administrative Team*



G. Robert Blanchard Jr.  
Chairman

“We were indeed proud to be the second company in Grenada to be listed on the Eastern Caribbean Securities Exchange, giving both existing and potential Shareholders a reliable market to buy and sell shares and being able to assess the value of their investment on an ongoing basis.”

2008 was a year in which the price of fuel affected your company and its customers on a scale never seen before. The magnitude of these swings in fuel prices was large enough to dwarf most other changes in the Company's operations. It is critical in reviewing our 2008 performance to keep this in mind.

During the first half of the year the price of oil on the world market continued its climb which had started at the beginning of the previous year. Between January and July 2008 the price had increased by nearly 60% moving from US\$92.97 per barrel to an all time high of US\$147.50 per barrel in July 2008. This pushed the fuel charge from \$0.51 per kilo-watt-hour (kWh) in January 2008 to an alarming level of \$0.81 per kilo-watt-hour (kWh) in August 2008, which resulted in electricity prices moving to the unprecedented level of EC\$1.20 per kWh by August 08. This placed a severe burden on our customers who found it particularly difficult to cope with these increases at a time when there were also massive increases in gas, food and other basic items whose prices had also increased due to the fuel price increase.

The steep rise in oil price and the inherent lag in the Company's recovery of fuel cost from customers placed enormous burden on the Company's cash flow which was already under severe stress due to the enormous build-up of receivables resulting from the difficulties customers were having in paying their bills on time. In August, oil price started its decline and with the onset of the global financial crisis it had a precipitous fall so that by December 2008 it was down to less than US\$40.00 per barrel, its lowest level in over two years. This decline gave customers a well needed reprieve as it pushed the fuel rates down to \$0.51 per kWh at year end, with a further drop expected in early '09.

The rapid decline in fuel price allowed the Company to improve its fuel cost recovery rate for the year and allowed the Company to achieve a creditable financial performance by the end of the year. This, along with a one-time gain from the sale of our Halifax Street building, allowed the Company to record a profit before taxes of \$19.4M. However, a large portion of this profit was the recovery of prior year shortfall in fuel revenue as a result of the drop in fuel prices. On an operating basis, the Company still has room to improve and I want our Shareholders to know that your Board and Management will work diligently in controlling costs and increasing efficiencies in all areas of our operations.

The listing of the Company's shares on the Eastern Caribbean Securities Exchange marked the achievement of an important milestone. We were indeed proud to be the second company in Grenada to be so listed giving both existing and potential Shareholders a reliable market to buy and sell shares and being able to assess the value of their investment on an ongoing basis. The shares began trading at \$11.00, and we are proud that, despite the downturn in the financial markets worldwide, the value of the Company's shares remains strong at \$11.00 per share. Your Board decided in 2008 to increase our dividend by 10% to 44¢ per share. We are pleased we were able to do this in what was a very challenging year.

For year 2008 energy sales grew by 4.3% showing a slowing down in the growth of 9.4 % that was recorded for the previous year and less than the 6.3% projected at the start of the year. This performance, although modest, reflected the onset of challenging economic times. Accordingly, your Board and Management undertook a comprehensive review of the Company's Strategic Plan to ensure that we had a robust plan going forward to meet these new challenges. By the end of the year a new Strategic Plan, "VISION 2013" was launched which will provide

the basis for moving forward to meet the enormous challenges ahead of us.

At the last Annual General Meeting in July 2008, four new Directors were appointed to the Board, namely Messrs. Allan Bierzynski, Ambrose Phillip, Royston La Hee and Alfred Logie to replace Messrs. Lawrence Samuel, Nelson Louison, Chester Palmer and Ashton Frame. We welcome the new Directors and must also convey sincere appreciation to the four outgoing Directors who served on the GRENLEC Board for several years.

The results of 2008 confirmed GRENLEC's ability to successfully adapt to the rapidly changing environment. It is the result of the hard work of a committed Board of Directors, Management Team and Employees who are focused on transforming the Company into a world class organization. On behalf of the Board I congratulate and applaud the Management and Staff for another year of exemplary performance, and I thank my fellow Directors and Shareholders for their continued contributions and support.

We pledge to continue the work to build GRENLEC to be the leading company in Grenada and a truly World Class Company.

G. Robert Blanchard Jr.  
Chairman

## ► Overview

During the year 2008, GRENLEC embarked on a number of initiatives designed to exploit the gains and achievements of 2007 and earlier years which the Company views as a launch pad towards realizing its future strategic objectives. The theme, 'A Gleaming Past, A Golden Future' epitomizes the perspective of past achievements and the philosophy that best describes our approach to achieving the Company's vision.

The Company's management is very proud of its outstanding accomplishments for the year 2008, which clearly demonstrate the Company's ability to adapt to the challenges of an ever-changing business environment and to achieve positive results in very challenging times. The critical highlights of the Company's operation are as follows:

- Energy Sales grew by 4.41%
- Non-fuel revenues grew by 7.05% while total revenue grew by 33.16% due to the fuel cost growing by 54.22%
- Pre-tax profits grew by 66.34% partly due to a gain from the sale of property and recovery of fuel revenue under recovered in previous years
- System losses remain in single digits at 8.61% and marginally above the target 8.5%
- Return on invested capital was 16.14%

Growth of Energy Sales (kWh) for the year was substantially less than the 9.4% recorded in the previous year and even less than the 7% growth projection at the beginning of the year. This decline in growth rate clearly reflects the slowdown in the economy as Grenada, like the rest of the world, faces one of the worst economic crises. This crisis

commenced in earnest during the latter half of the year, while the first half was characterized by the continued escalation in oil prices which started in the previous year. The price of oil increased by almost 60% in the first six months of the year, moving from US\$92.97 per barrel in January 2008 to US\$147.50 per-barrel in July 2008.

This unprecedented increase of the oil price on the world market pushed the cost of fuel to an alarming level, which resulted in a commensurate increase in the fuel rate charged to customers. This resulted in the overall electricity rate for residential customers increasing to EC\$1.20 per kWh by September 2008, a level which placed an enormous burden on customers who became angry and complained bitterly about the high rates.

In August, the oil price started its decline and brought much relief to customers. By the end of the year, this decline had resulted in a reduction in the fuel rate leading to the electricity rate being reduced to EC\$0.90 per kWh. This downward trend is likely to continue in the New Year and, if the lower oil price is maintained, will result in a further reduction in electricity rates.

The rapid decline in fuel price in the latter half of the year allowed the Company to recover the cost of fuel dating back to last year, when the continuous decline in oil price resulted in an under recovery of EC\$2.35M. This revenue recovery for the previous year along with the gain from the sale of the Halifax Street Office resulted in the substantial growth in profitability for the year.

## ► Financial Review

The review of the Company's financial performance during 2008 can best be done by viewing the year in two distinct parts. First there was the period from January to July when there was the unprecedented rapid rise in world oil prices to record levels. During this period, GRENLEC like all of its customers faced severe financial challenges. Profit after interest for the period ending July 31, 2008 was EC\$2.49M, a mere 25% of what had been achieved over the same period in 2007. This was totally due to the steep rise in fuel cost and the inherent lag in recovery of this cost from customers. By that time the cost paid for fuel was EC\$10.2M more than the revenue recovered for fuel. Had this situation continued, the Company's financial performance for the year would have been nothing less than disastrous.

Fortunately, the second part of the year brought a welcome reprieve for both the Company and its customers. For the last five months of the year, oil

price fell from its peak in July to as low as US\$40.00 per barrel in December 2008. This sudden fall in the oil price resulted in GRENLEC not only being able to recover from the fuel revenue recovery lag of the first seven months of 2008, but it was also able to recover a major portion of the shortfall which had accumulated during prior years when oil prices were continuously rising. This recovery along with the gain on the sale of the property meant that our financial performance moved from a state of near-calamity to a profitability position which was quite good.

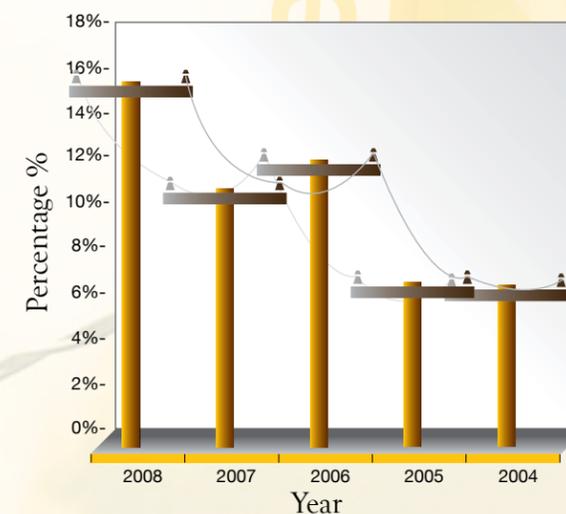
Profit before taxes of EC\$19.42M in 2008 reflected a growth of 66.34% over the EC\$11.68M in 2007. With an effective tax rate of 23.47% in 2008, this meant that the after tax profits were EC\$14.86M. Earnings per share of EC\$0.78 were an improvement of 81.40% over the EC\$0.43 in 2007.

## Sales

Energy Sales for 2008 was 173.3GWh reflecting a growth of 4.41% which was less than the projected 6.7% but significantly below the 9.39% that was recorded in 2007. The major growth sector was commercial which recorded a growth of 7.85% over the previous year. The domestic sector which is our other dominant sector showed a marginal growth of 0.73%. This may have been partly due to the high rates for much of the year, which led to conservation practices which were strongly advocated by the Company, and which customers adopted on a wide scale.

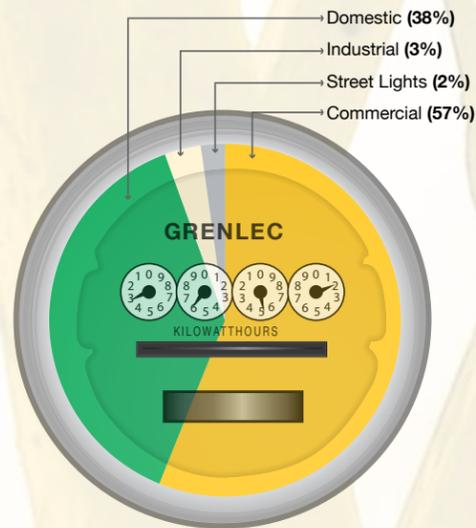
In 2008, our customer base grew by 4.84% moving from 39,318 in 2007 to 41,222. The average annual usage for our domestic and industrial customers

Return On Invested Capital (ROIC)



however, saw declines when compared to 2007. On the positive side, the commercial sector had its largest average usage increase in the last five years.

Sales 2008



## Net Fuel Revenue

Fuel revenue in 2008 was 106.51% of the cost of fuel to the Company. This compares favorably with all of the prior years and its impact can be clearly seen when one notes that in 2007 the recovery rate was 96.83%. Since fuel revenue lags fuel costs both when prices are increasing and decreasing, the direction and extent of price movement towards year end dictates the recovery rate experienced.

In 2008, the average price paid for diesel was EC\$10.00 per IG as compared to the EC\$7.51 in 2007, which represented a 33% increase. However, over the last four months the price paid per IG fell from EC\$13.31 in July to EC\$4.87 in December, a drop of 63% over the period. Since the fuel charge is calculated based on fuel prices in the prior three months, it fell at a slower rate.

## Total Revenues

The impact of high fuel prices in 2008 was widespread but no more so than on our fuel revenue and by extension our total revenues. Total revenues grew by 33.16% as compared to 2007 with a movement of EC\$46M leading to overall revenues of EC\$188.85M. Fuel revenue grew at an even higher rate of 54.12% in direct relationship to the increases in world fuel prices over the period.

An important contribution in total revenue in 2008 was the gain from the sale of our administrative building on Halifax Street. This brought in a gain of some EC\$2.6M based on a sale price of EC\$3.7M. These monies have been invested in a certificate of deposit as it is the intention that they will be utilized in the construction of a new administrative building.

Average Fuel Price



## Operating and Administrative Expenses

Non fuel expenses increased by 14.5% moving from EC\$47.5M to EC\$54.4M between 2007 and 2008 mainly due to the substantial increase of 33% in administrative expenses. This enlarged administrative expenses figure was due primarily to the payment of wage increases retroactive to January 2007. This arose from the job evaluation exercise which was completed in 2008 in keeping with the Collective Agreement with the Workers' Union. The provision for bad debts also increased substantially due to the dramatic increase in sales revenue caused by increased oil prices.

## Balance Sheet

GRENLEC's financial position continues to be strong as reflected in its Balance Sheet as at December 31, 2008 with total assets of EC\$194.17M. This is a EC\$1M decline as compared to 2007 while total liabilities declined by EC\$7.5M to EC\$125.88M.

GRENLEC continues to easily meet and surpass all of the key financial ratios per the covenants as set out in the bond and other loan agreements.

## Non-Fuel Rate Adjustment

While the Company was entitled to an increase in the non-fuel rates in keeping with the Electricity Supply Act, it took the decision to forego this increase in recognition of the extreme hardship being experienced by customers, caused by the high fuel rates brought about by high fuel prices. It is important to note that this decision was taken at a time when the Company itself was experiencing shortfalls in its fuel revenue recovery.

## Dividends

The dividend paid in 2008 increased from forty (40) cents in 2007 to forty-four (44) cents which is a 10% improvement on any previous annual dividend. The Company places great emphasis on providing predictable and sustainable growth in earnings to its shareholders through added value. In light of the current economic and financial situation facing the world, the performance of your investment is significant.



Finance Team

## Listing on Eastern Caribbean Securities Exchange

With the Government of Grenada clearing the legal impediments to the listings of Grenadian companies, GRENLEC was proud to be the second company to list its shares on the Eastern Caribbean Securities Exchange (ECSE) in July 2008. This marked the achievement of a long standing objective of the Company, thus providing shareholders with an accessible market for buying and selling of shares. Additionally, shareholders by accessing the ECSE website, will be able to have more information as to the actual market value of their shares.

## Risk Management

We continue to look at the management of risk as a priority area. All of our assets are fully insured with the exception of our distribution and transmission lines. In the case of the distribution system, we continue to make an annual provision of EC\$2M to our hurricane fund. Shortly after year end, we made the actual transfer to have it fully funded at EC\$6M in keeping with the provision. In addition to this, we continue to take steps to review the operations along with our insurers, to ensure that our enterprise risk management system allows us to mitigate against likely disasters.



## Service with Positive Attitudes and Actions Rewarding Quality

The Company agreed to a number of programs to drive improvement of service quality to meet world class standards as part of its strategic plan; Vision 2013.

Project SPAARQ (Service with Positive Attitudes and Actions Rewarding Quality) began in July, 2008.

SPAARQ was launched to identify and implement systems which enhance the service experience of customers at every point of contact within the Company. The team of champions, drawn from various departments across the Company, approached this task with immense drive and enthusiasm.

Primary objectives of the project are:

- Establishment of service standards
- Development of Customer Charter and review of processes
- Review of processes and monitoring systems within the service delivery chain

The major elements of phase one have been completed and will culminate with the internal launch of the Customer Charter early in 2009. Following the launch, Charter performance will be audited for approximately six months, before implementation of the second phase; Launching the Charter to the public.

## Customer Service

In 2008, the GRENLEC service team rose admirably to the challenge of providing quality service to a consuming public who were extremely unhappy with the record high electricity rates. The skill, drive and resilience of our staff were essential as we sought to deliver customer service with empathy and care, whilst simultaneously implementing strategies to reduce receivables and meet collection targets. Each month saw successive increases in the fuel charge to customers, peaking at 80.39 cents per kWh in August, 2008. This pushed the overall cost of electricity to the domestic customer to an all time high of EC\$1.20 per kWh. Understandably, these rises prompted public outcry in the media, on talk shows and the internet, as customers grappled with similar increases in other basic living costs, including essential food items.

The Company saw a marked increase in customer queries with the rising fuel charge, which led to a consequential increase in turnaround times during the same period, as the volume of customers challenging

their rising bills increased. Customer Service Representatives were busily employed explaining the reasons for increases in bills, imparting conservation tips and analyzing customer usage patterns. Other factors which impacted the payable amount on customers' bills, such as number of billing days and estimated usage, were also proactively managed.

A supportive public education campaign was initiated to encourage customers to use energy efficiently. However, the full impact of this campaign was overshadowed once general elections for the country were announced. GRENLEC also made itself available on the main radio call-in programs to provide customers with the opportunity to debate the issue(s) and air their grievances.

A key message emerging from these and other consultations was the frustration customers were experiencing. Regrettably, many were unable to realize significant reductions in their bills even whilst utilizing suggested energy conservation practices. Savings made were not enough to make customers feel



Customer Service Team (Bruce Street)

compensated for the increases in fuel charges, even though bills would have been much higher without these energy conservation practices. The Collections Team was particularly challenged as a number of customers complained of the real hardships being experienced, which directly affected their ability to meet payment due dates. As we approached year's end, the consequences of the financial crisis in the USA were also being felt in Grenada. This resulted in a number of businesses being late in the payment of their respective bills.

In December 2008, however, there was 'year-end cheer' for customers, as the fuel charge fell to 51.10 cents per kWh, the lowest price in almost a year. This was a welcome reprieve from a traumatic year of high prices. However, by this time a large number of customers had accumulated significant outstanding arrears and the Company's receivables were at an all time high. In acknowledgement of the circumstances leading to this situation, the **Clean Slate 09** promotion was launched in mid November, 2008. Its objective was to encourage customers

to start afresh, by clearing arrears before the start of 2009. The reconnection charge was waived for disconnected customers who paid amounts owing, whilst others qualified for entries and vouchers in a Grand Prize Draw.

The program brought some well needed Christmas cheer to customers who responded positively to end the year on a good note.



*Meter Reading Team*



*Customer Service Team (Halifax Street & Grenville)*

## ► Human Resources

### *Training & Development*

The Company continued its ongoing thrust to enhance its human capital which is recognized as its most valuable asset, and which is considered a key enabling strategy in building and consolidating for growth and development.

This investment in the Company's human capital focused on two key objectives:

- Honing of skills of employees to perform competently and confidently at their current level
- Preparation of employees for taking on greater responsibilities in the near future

A critical component of this strategy was the implementation of a comprehensive training program, which included over forty-three training courses covering various areas of the Company's operations.

This program included specialized overseas training for forty employees and was complemented by various in-house and local courses, covering such diverse topics as – Hazard Identification and Management, Damage Claims Investigation, Trouble-Shooting, Customer Service Enhancement, and Supervisory Management.

Along with general management and broad-based skill training of its people, GRENLEC recognizes that there are certain specific competencies relevant to our industry which must be developed, to meet the immediate job requirements and ensure effective succession planning. The Company therefore extended its apprenticeship programme to its Generation Department. Consequently, seven persons commenced a two year training programme as Generation Apprentices. The programme is designed to expose trainees to all areas of power plant operations and maintenance with the expectation that at the end of the programme, adequate levels of competency in plant mechanical maintenance, plant electrical maintenance, plant operations and fleet maintenance, will be demonstrated.



*Human Resource Team*

As part of its strategy for succession planning, the Company granted study leave to four team members to allow them to achieve the necessary academic preparation to fill critical senior positions in the organization. One member is completing a Masters Degree in Power Systems with a view to return to fill a critical need for System Planning Engineer, while the others are preparing to fill needs in Finance and Occupational Health & Safety and Environment. One member of the Distribution Department completed a one month training programme in Electric Power Engineering in China, organized by the North China Electric Power University.

Targeted training and the practice of job enlargement allowed for the internal filling of positions which became available. Positions which were filled in this manner were the Manager - Planning and Engineering, Human Resource Officer and Customer Service Supervisor.

## Labour Relations

The relatively peaceful industrial climate was disrupted in July 2008, when employees represented by the Grenada Technical and Allied Workers Union went on strike because of dissatisfaction with the consultant's recommendation with respect to the job evaluation which was agreed to in the Collective Agreement. The kind assistance of the Minister of Labor enabled the dispute to be settled within four days before there was any serious disruption of service to customers.

Based on the agreements reached in the settlement of the dispute, the results of the job evaluation were implemented in August and September 2008, when team members received compensation retroactive to January 2007. The exercise also allowed for roles and responsibilities to be further clarified, and an equitable ranking and grading of positions.

The withdrawal of service by employees in an essential service without the matter being properly ventilated

in keeping with the Labor Code and the Essential Services Act, underscores the need for both the Union and the Company to increase their efforts to ensure that the agreed process for settling disagreements are exhausted, and that strike action is taken only as a last resort. The process of repairing relationships has progressed very well and will continue into the New Year.

## Staff Recognition & Retirement

The Company conveyed special thanks to three employees who retired after serving a total of one hundred and forty-six (146) years of service. Peter Cox contributed forty-four years; McLean Coutain gave thirty six years and Claudia Alexis thirty six years. Ellis Morris retired under less favorable circumstances, following an accident in 2007 that left him paralyzed.

The employees were recognized at the Annual Awards & Recognition Ceremony at which a total of thirty-six persons received awards for long service, outstanding and academic achievements. Special mention must be made of Michael Whiteman who was recognized for over forty years of sterling service.

The Safety Award first won by Carriacou and Petite Martinique in 2006 and again in 2007, was yet again retained in 2008; thereby accumulating a total of 1,661 days without loss of time due to accident or injury.

At the end of the year the staff total stood at 215. As we move forward, it is the Company's intent to keep the human capital factor at center stage, recognizing this is imperative in realizing its future vision of becoming a world class energy service provider.



Petite Martinique Team

## Information Technology

### Business Continuity Plan

The leverage of Information Technology to achieve greater efficiency and effectiveness remains a key element of GRENLEC's strategy and as such, the Company continued its drive to improve its Information Technology (IT).

The Company, working with its external consultant, completed its Business Continuity Plan (BCP) which was started in 2007. This plan ensures that services can be re-established quickly and completely in the event of interruptions caused by disasters of any magnitude. The Plan provides written guidelines and procedures for preparation, recovery and resumption of critical business functions, which could be adversely affected by disasters and also provides procedures for handling a variety of emergency situations including fire, acts of God and communicable diseases.



IT Team

The BCP will be coordinated and managed by a set of technical and non-technical teams and will aid in ensuring organizational stability through an orderly recovery process, in the event of significant problems and disruptions.

### Supervisory Control and Data Acquisition (SCADA)

During the year the Company commenced the implementation of a plan for the upgrade of the existing Supervisory Control and Data Acquisition (SCADA) network at the power plant. The old system, with its unsupported software and archaic hardware, will give way to a newer Windows 2003 network. The system will have a separate data logging server and Windows XP clients.

The benefits of this new system include faster data trending, greater system security and greater scalability of the software and hardware components.

### Automatic Meter Reading (AMR)

Since the advent of Hurricane Ivan, GRENLEC took the decision to replace existing meters, which were damaged, and installed only meters which are equipped to be read remotely (AMR ready). This project continued throughout 2008 and involved the development of a system to update the Customer Information System (CIS) database, with the radio ID's for each AMR meter that is deployed, on the system.

This system will allow meter readers to obtain readings much more efficiently as they will no longer be required to be physically close to the meter to

capture the information required, but can do so by simply driving past the meter. At the end of the year over fifty percent (50%) of customer meters were ready to be read remotely.

As we look to 2009, GRENLEC will be exploring the possibility of utilising the latest technology by moving to Advanced Metering Infrastructure (AMI). This new meter technology will allow 2-way communication between the meter and the data collection system and enable access to information such as: kWh, load profile, voltage, and alarms of abnormal condition, outage and restoration notification. It will also facilitate the remote connection/disconnection of meters, thereby eliminating the need for workmen to travel long distances to perform these functions.

## Fiber Optic Cables

The Company installed over 3,300 meters of fiber optic cable between the IT Headquarters at Halifax Street and the Bruce Street and Queens Park offices. Thirty

percent (30%) of this cable was run underground. The new cables eliminate the dependency on other service providers to facilitate this very critical telecommunications link. Work has started which will allow a larger portion of the fiber optic cables to be moved to eliminate its exposure from damage due to windstorms, thereby improving its reliability.

These Fibre Optic links are now carrying all of GRENLEC's data and voice traffic between these locations. In addition, the Transmission Line between our compound at Grand Anse and Queens Park has been equipped with Optical Ground Wire (OPGW), which will allow the Company to have a telecommunication link with all its offices via fibre optic cable.



Generation Team

## Generation

The year 2008 saw Gross Generation of electricity increase by 6.5% over 2007 with a total of 187.7GWHrs produced. Peak Demand increased from 27.89MW in 2007 to 29.39MW reflecting an increase of 5.3%. Gross Fuel Efficiency for the year at Queens Park was 16.27kWh/US Gal, marginally less than the previous year, primarily due to the impact of defects in the fuel system of the newer Wartsila units.

The 30,000-hour major overhaul of the 8MW MaK No.3 Unit was successfully completed and through this overhaul, the Company achieved a reduction in oil consumption down to levels which were recorded when the unit was first commissioned. Plant availability and efficiency on the unit has remained high since its return to service.

The cylinder liners in the 5.5MW MaK 1 units were replaced in December 2008, to improve the high lube oil consumption which has plagued this unit since its overhaul in 2007. The unit was returned to service with improved oil consumption and has maintained its high level of efficiency.

The issue of cracks and fretting observed on the crankshafts of the two new Wartsila units remain outstanding matters and a recent inspection performed in December 2008 identified continued fretting on the surfaces of the crankshaft and counterweights on both engines. This matter is therefore a critical one which will be addressed with Wartsila in a meeting early in the New Year.

In June 2008, there was a catastrophic failure of one of the three Cummins Units in Carriacou which made it necessary for an emergency transfer of one of the 1.1MW containerized units from Queens Park to address the shortfall in capacity. A replacement unit has been ordered and will be commissioned in early 2009.

Gross Generation



## ► Transmission and Distribution

### System Reliability

The improvement of reliability of the distribution system continued to be a major focus of the Distribution Department, with the key objective being to reduce the number and duration of forced outages on the system.

In this regard, our objective of having less than two (2) forced Feeder Outages per month for the year was achieved in 2008, which represented a 25% reduction over the previous year. The number of forced outages on the High Voltage (HV) and Low Voltage (LV) System also declined by 44% and 12% respectively. This continued reduction in system outages resulted from preventative maintenance measures which included a comprehensive debushing program for the distribution system. This preventative maintenance program also included the scheduled inspection of distribution lines to identify defects and to correct these defects before they led to system failure and outages. In this regard, four hundred and ninety-three (493) or 60% of defective HV and LV poles were replaced and other pole line defects repaired.



Carriacou Team

### System Upgrade

The Company also focused on the upgrading of its distribution system to meet increased demand for electricity and forty-two hundred (4,200) feet of 50mm<sup>2</sup> conductor was replaced with 175mm<sup>2</sup> conductors on the Gouyave feeder. Seventeen hundred and fifty (1,750) feet of 50mm<sup>2</sup> lines was replaced with 100mm<sup>2</sup> lines along with the replacement of pole hardware to improve voltage levels and to prevent tracking, a major cause of pole top fires in the saline environment along the coastal areas of St. Andrew's. In order to supply new customers and meet increased demand from existing customers, approximately 2.8 MVA of transformer capacity was added to the distribution system. These jobs included underground installations at St. George's University, Port Louis, Prickly Bay Development, RBTT Bank and Andall Supermarket.

### 33kV Transmission System Development Project

The work to develop a Transmission Network to meet increased demand for power in the south of the country continued throughout the year. The Company used its internal resources from the Distribution Department along with additional contracted linemen from overseas, to construct approximately 5.5 miles of 33kV transmission lines which included an Optical Ground Wire (Fibre Optic Cable). This new 33kV line overlaid existing 11kV distribution lines allowing for the entire distribution lines along the route of the transmission lines to be upgraded and transferred to new transmission poles.

Two hundred and thirteen (213) transmission poles (60ft and 55ft) were installed between energized 11kV distribution lines of which 99% were erected and fitted with pole hardware without the interruption of electricity supplies to customers. While the installation of the conductors necessitated scheduled interruptions to some customers, with good advance project planning and consultation, the scope of the interruptions was limited to the immediate work area. The impact of necessary disruptions to vehicular traffic was minimized by scheduling most of the outages when traffic flow was at a minimum, i.e. on weekends.

At the end of 2008, the project was 97% complete. The Company wishes to record its sincere thanks to

the public for their patience and understanding, while it carried out this project which was critical in ensuring that it continued to improve quality of service.

Contracts were signed with an overseas firm for the supply of five power transformers and the turnkey supply of two 33KV substations at Queens Park and Grand Anse. A local company was sub-contracted to do the site and civil works which commenced in August 2008. The five (5) substation transformers were shipped and spotted in November 2008 and by the end of the year all major materials and equipment were on site. The entire project is now scheduled to be completed by March 2009.



Distribution Team

## ► System Planning

### Renewable Interconnection Policy

The diversification of the Fuel/Energy mix and the use of alternative energy sources are two critical strategic objectives. To facilitate this, the Company commenced implementation of its Interconnection Policy. This policy provides clear guidelines for the interconnection of renewable energy sources to the Company's grid, and clearly outlines the process for application, approval, commissioning and general administration of renewable interconnections on the GRENLEC system.

In order to promote the use of renewable energy, this policy provides for net metering of renewable energy sources of 10KW or less. By the end of the year, twenty one (21) Photo Voltaic (PV) installations of less than 10 kW were connected to the system as well as a single 80 kW wind turbine which is to be commissioned soon. The Company will periodically review the policy to ensure that it remains current and relevant.

### Wind Project

The Company continued negotiations with two land owners with a view to finalizing the lease of sites which are considered suitable to install two wind farms. Negotiations are still in progress for the long term lease of both sites. Meanwhile, the owners have given GRENLEC permission to install wind loggers and commence measurements. The data looks promising with wind speed at both sites averaging approximately 7.6 meters per second.

### VHF Communications

The Company undertook a project to upgrade its radio communication system and a new system was commissioned with repeaters at Mt. Maitland and Kublal. The system provides improved VHF communication for all of GRENLEC's field crews via seamless roaming across repeater zones.

Seventy percent (70%) of all GRENLEC's mobile and base station units have been retrofitted with the new logic board and have been commissioned. The development of the database structure has been completed and will be continuously updated as new radio units are added to the system.

### Geographic Information System (GIS)

The Company continued the implementation of its GIS system and during the year intensified its efforts to capture and map the entire distribution network including all transformers, LV lines, customer connections and meters.

As at December 2008, over 80% of customers meters and LV lines have been mapped with the data, which includes detailed information on each meter captured. This data will be integrated within the existing GIS and subsequently linked to the Customer Information System (CIS) and should be fully functional by the first quarter of 2009.

### Outage Management System

As part of its strategy to improve operating efficiency and enhance customer service, the Company commenced work to replace the existing Trouble Call program with a state of the art outage management system. This system will improve the Company's capacity to manage outage calls from customers and help to identify and restore outages sooner and more efficiently. It will be integrated with the GIS and CIS

and other systems to provide valuable information to improve Company operations.

Initial data collection and process reviews have been completed and a test version of the new system is now installed and operating in parallel with the existing system. All works are scheduled to be completed so that this system can be commissioned into full service early in 2009.

## ► Loss Reduction 2008

The reduction of system losses in its two primary manifestations, technical and non-technical, remained a key imperative of the Company throughout 2008 and the program for reducing system losses continued in earnest.

In tackling non technical losses, attention was focused to ensure that each customer was being accurately metered and billed for energy used. In this regard, an aggressive campaign was launched to identify and replace malfunctioning meters. The year ended with system losses at 8.6% marginally more than the target of 8.5% set at the beginning of the year.

The program for reducing technical losses included the reconducting of primarily, distribution feeder with larger size conductors, and replacements of joints with special connectors (ampact joints) to reduce energy losses due to slack joints. Capacitor banks were also strategically placed on the Distribution Network to improve the system Power Factor to the target level of 0.95.



Loss Reduction Team

## ► Corporate Social Responsibility

GRENLEC's practice of good Corporate Social Responsibility (CSR) continued to engender goodwill in the community, by directly enhancing the reputation of the Company, building loyalty, and strengthening its identity as a corporate leader. The Company believes that its CSR policies reflect its key value drivers. These include: safety, integrity, collaborative working where possible, customer care, clear and simple communication, creative solutions and appropriate technology while attracting, training and retaining the best workforce.

During the year, the Company continued its thrust to be the Corporate Leader but faced severe challenges as it sought to improve its corporate image in the midst of turbulent economic times, with the impact of high oil prices and its negative effects on electricity rates. The Company sought to cushion the blow of high electricity rates by making every effort to provide customers with information, tips and updates on conserving electricity and using it efficiently.

As part of its Corporate Social Responsibility, GRENLEC returned 5% of its pre-tax profits to the community. During 2008, the Company embarked on a number of projects and made several donations which included:

- Complete rehabilitation of the Home for Adolescent Girls, which is estimated to cost over EC\$250,000
- Donations of computers, printers, photo copy machines and other equipment to schools and other community groups
- Cheque donations of EC\$5,000 to fifteen

- Caregiving Homes at the end of the year
- Sponsorship of St Joseph's Convent in the Junior Achievement Competition. (The participants made us proud by winning the competition as well as ten of the eleven awards)
- Sponsorship of the Under 19 Cricket Competition in Carriacou
- Sponsorship of a four-week community cricket program for students between the ages of eight to sixteen years
- Donation to Grenada Community Development Agency (GRENCODA) to support their Student Assistance Program
- Sponsorship of Computer Training program for disabled persons
- In the aftermath of Hurricanes Gustav & Ike, donations were sent to Cuba, as well as a work crew to assist in the island's restoration

One of the major highlights of 2008 was the re-introduction of the GRENLEC Inter-Secondary School Debating Competition which the Company organized and implemented. This was the largest inter-secondary schools debating competition in Grenada in which all of the island's twenty one (21) secondary schools participated. This reflected the Company's commitment to invest in the development of the youths of Grenada, Carriacou and Petite Martinique, and facilitated students of the various secondary schools to engage in healthy debate. The coaching, preparation and participation of the students in this competition sharpened their skills in research, debating and oral presentation. These skills will be of lasting benefit to them in whatever career they choose.

## ► Future Outlook

With the entire world struggling to recover from one of its worst economic crises, it is clear that 2009 is going to be a very challenging year. The Company's load forecast indicates that sales will continue to grow at the same levels as those recorded in 2008, with an annual sales growth projected to be 4.2% and Peak Demand forecasted to increase by 4.1%. The commercial and industrial categories are each expected to grow by 4.8% annually, while the domestic category is anticipated to grow at a slightly lower rate of 4.4%.

The price of oil is expected to increase from its end-of-year level of US\$40 per barrel, but to remain well

below the highs of 2008. Lower fuel prices should be good news for our customers who are looking for continued relief. However, it is our hope that customers will continue to play a supportive role by continuing with the conservation practices which were started during the period of very high prices.

Looking forward to 2009, we expect that further challenges will need to be met and overcome. The platform for success that the Company has now built and established, gives every reason for confidence that we will be equal to these and achieve another very successful year.

## ► Appreciation

Sincere gratitude is extended to the Board of Directors, our hardworking Management and Staff and our supportive Shareholders. As we continue our journey to become a truly world class company, we will strive for greater success and continue do better as we serve Grenada, Carriacou and Petite Martinique.



Planning & Engineering Team

## Listed on the Eastern Caribbean Securities Exchange (ECSE)

Wednesday July 16th 2008 marked the ceremonial listing of the Company's shares on the Eastern Caribbean Securities Exchange (ECSE).



GRENLEC Chairman, G. Robert Blanchard Jr. at the Annual General Meeting of Shareholders

The brief ceremony, which preceded the Company's Annual General Meeting of Shareholders, was held at the St. Andrew's Room, Grenada Grand Beach Resort, St. George's. It was attended by Senior Government officials, representatives of the ECSE and Commonwealth Scholarship Fellowship Plan (CSFP), members of the Board of Directors, management and staff of the Company, business associates, shareholders and the media.

Managing Director and CEO Vernon Lawrence, in giving the welcome remarks, noted that the ceremony marked a special and historic occasion for GRENLEC, which was the second Grenadian company to list its Shares on the ECSE, and the first and only company to list Securities in the form of Bonds.

Mr. Lawrence expressed how proud and honored he was to have GRENLEC listed on the ECSE, as only prestigious and leading companies have their shares listed on the Stock & Securities Exchange. He added that the listing of the Company's shares provides a real market for shareholders to trade and establish real value for their investment. Listing additionally provides an opportunity for potential investors to purchase shares in the Company, and also affords the Company opportunities to access funds or loans at lower costs.

The Company's chairman G. Robert Blanchard Jr., remarked that the listing of GRENLEC's shares on the ECSE is the culmination of a partnership which began fourteen years ago between his company WRB Enterprises, and the government and people of Grenada. The people of Grenada, he stated, saw it fit to bless this partnership with their money; entrusting it to the care and keeping of GRENLEC. They did so with the confidence that the Company would be run in a manner that all would be proud of, delivering a level of service that the country deserves, and ultimately benefiting them from an investment standpoint. He



Mr. Gregory De Gannes, Managing Director of National Bank of Dominica

added that it was always envisioned that Shareholders of GRENLEC would be part of a regional market, not solely a local one. He thanked the shareholders, the Board of Directors, and the management and staff for all the hard work put into making this vision a reality.

Other distinguished guest speakers included Mr. Gregory De Gannes, Managing Director of National Bank of Dominica and its subsidiary companies, and Mr. Tarlie Francis, Vice President of Caribbean Financial Services Corporation (CFSC), who iterated the importance of GRENLEC's share listing on the ECSE.

General Manager of the ECSE, Trevor Blake, congratulated GRENLEC on the listing of its shares on the ECSE. To mark the auspicious occasion, he presented a commemorative plaque to the Company's chairman G. Robert Blanchard Jr. Mr. Blake also took the opportunity to show and explain to the audience



General Manager of the ECSE, Trevor Blake, presenting an award to GRENLEC

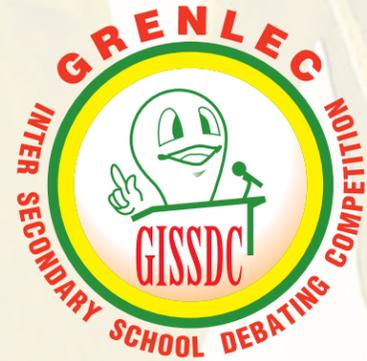
and shareholders, how the Company's shares will be traded on the exchange.

The shares will be known in the regional securities market by the trading symbol, "GESL".



## GRENLEC Inter-Secondary School Debating Competition (GISSDC)

...powering bright ideas



powering bright ideas!

GISSDC logo

As part of its strategic initiative, the Company through its Corporate Communications Department embraced the challenge to sponsor and coordinate, the largest Inter-Secondary School Debating Competition in Grenada (GISSDC).

The initiative is part of the Company's commitment to invest in the development of the youths of Grenada, Carriacou and Petite Martinique, by facilitating their engagement in healthy debate. Having obtained the permission of the Ministry of Education and support of the Principals' Association, the Company sought to invite all twenty-one secondary schools across Grenada and Carriacou to participate in the 2008 competition. The overwhelmingly favorable responses to the invitation confirmed the high level of national excitement and anticipation ignited by the prospect of bright young minds participating in such a competition. Over one hundred and fifty students and thirty coaches were exposed to training in critical areas such as research, organization and oral communication skills.

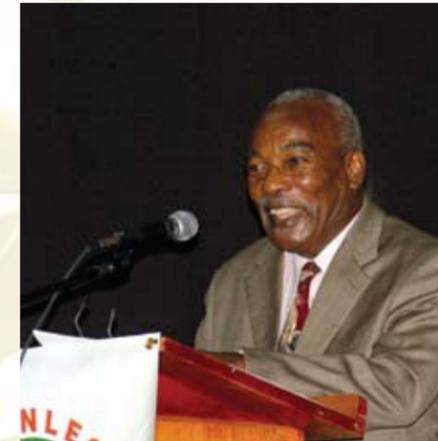
To assist the Company with the coordination of the program, a project coordinator was contracted to act as a medium between the schools and GRENLEC. Other subcommittees were formed to ensure that all aspects of the project ran smoothly and fairly,



A Debater in Action



Prime Minister Hon. Tillman Thomas



Former Governor General, Sir Paul Scoon

with former Governor General Sir Paul Scoon giving leadership to the Motions and Grievance Committee.

The competition, which began with an opening ceremony at the Grenada Trade Centre, Grand Anse on Wednesday October 1st, 2008, saw an exciting debate between Hillsborough Secondary and Presentation Brother's College. This set the stage for the eight-week long event.

Throughout the competition, the Company ensured that students were able to attend their debates by providing funding to cover transportation costs as participants visited and engaged in debates at several different host schools across the island. The achievements and impact generated by the competition has already exceeded the initially perceived scope of the initiative, namely, to raise an army of great thinkers, writers and speakers. It is impossible to quantify present and future positive 'spin offs' that the process will yield.

This year's competition culminated with a closing ceremony and final debate on Friday November 30th 2008, held at the Grenada Trade Centre. The exciting 'War of Words' was staged between Westmorland Secondary and St. Rose Modern Secondary.

Both teams displayed exemplary debating skills but in the end Westmorland Secondary was declared the winner.

The Company views this competition as an integral part of developing the intellectual capital of Grenada. Its vision is to make this outreach program the leading intellectual development program among youths. GRENLEC has pledged to make this competition its Annual Flagship Event, touching the lives of students and others throughout the entire nation.

The Company looks forward to hosting another exciting year of the Inter Secondary School Debating Competition and 'powering bright ideas' into a golden future!



GRENLEC Managing Director and CEO  
Vernon Lawrence



Westmorland Secondary School Team  
Champions of the first GISSDC

# Tribute to Significant Achievers

## ▶ A GRENLEC Stalwart Says Goodbye



**Claudia Alexis**

Former Director of Customer Service/  
Company Secretary

Friday 28th March 2008 brought the end of one era and the beginning of a new and exciting one as Claudia Alexis retired from the Company after 35 years of exemplary service.

Thirty-five years might be considered as quite a while but for Claudia it seemed like only yesterday. On September 18th 1972, she, a registered nurse, entered the doors of GRENLEC, not as a health practitioner but to take on a new role as a Billing Machine Operator.

From the very onset Claudia was identified as a disciplined and hard worker. In March 1976, she was appointed to the post of Senior Machine Operator. Claudia continued to move up within the ranks of the Company and became the first female employee within the Accounts Department. In January 1982 she was appointed as Acting Assistant Accountant and confirmed in June of the same year. During this

time she pursued extensive short-term training, which took her as far as Ireland in the United Kingdom.

In June 1984, Claudia was appointed as Secretary/Accountant. As she continued on her path of self development, she attained a Certificate in Public Administration in 1985. During the summer of that year, she served as part-time lecturer in Administrative Procedures and Policies at the local arm of University of the West Indies. In September 1987, continuing her studies, she achieved a BSC in Management Studies.

As the Company grew, management recognised the need to harness its human resource and a Personnel Department was considered a priority. Claudia's knowledge, expertise and commitment in the Administrative Department, led to her appointment, in November 1990, as Personnel Officer. During her tenure, she had responsibility for the compilation of all employee records (which were pretty limited at the time) and was also instrumental in formulating and documenting the **Administrative Policies and Procedures Manual** as well as in the publishing of the **Company's first Newsletter**.

Three years later, in September 1993, she was appointed Acting Head of Administration and Finance, to which she was confirmed in March 1994. This position was subsequently changed to Corporate Services Manager.

Claudia never lost her drive for self development and in June 1994, she enrolled in the Masters programme, qualifying in 1996 with a Masters in Business Administration. Finally in February of 2005, Claudia was appointed Director of Customer Service,

# Tribute to Significant Achievers

a position which she held up to her retirement in March 2008.

Notably, Claudia also served as the Company's Secretary up to the time of her retirement. She was appointed to this position in 1994 and gave 14 years of sterling service in this capacity.

Claudia's unique contributions were not limited to the management of the Company. She was a strong social organiser and was instrumental in the formation of the GRENLEC Sports Club; an organisation which promoted recreation, entertainment, and an avenue for building trust and camaraderie between management and employees. She was not only an organiser of Sports Club activities, but she was also an active participant; a member of the very first victorious inter-departmental cricket team, representing Administration. Along with this she was also involved in the formation of the very first Inter-sector Netball team, where she served in various capacities; as player, coach, and manager.

Recognising the need to bring administrative staff closer together, Claudia was involved in the formation of the Birthday Club within the Administration Department. Birthday celebrations took the form of both indoor and outdoor activities, including beach

parties, 'cook-ups' and visiting scenic and historic spots.

The adjective "Versatile" describes Claudia perfectly. She could and did fit in almost everywhere. She spear-headed many successful Year-End Award Ceremonies, and though busy as an organiser, she always found the time to be a participant by being in the staff choir.

Her dedication is evidenced in her remarkable attendance record; on very few occasions was she absent from work over her 35 years with GRENLEC. She carried out her duties with dignity, integrity and professionalism. Her eye for detail and the high standards she set made her a formidable character; who although a stern disciplinarian, was remarkably supportive when the need arose, and sympathetic, as the situation merited.

Indeed Claudia has left an indelible mark in the working life of all at GRENLEC. As her favourite saying goes – "Memories make us who we are; dreams make us what we become".

The Board of Directors, Management and Staff wish Claudia a Happy and Healthy Retirement!



*Vernon Lawrence wishes Claudia a Happy Retirement*

# Celebrating 80 Years of Electricity

The year 2008 marked the 80th Anniversary of Electricity Service in Grenada, making it a year for celebration under the theme “A Gleaming Past, a Golden Future.”

Celebrations began with an Ecumenical Service on Sunday February 17th 2008, at the Grenada Trade Centre. In attendance were government and parliamentary officials, business partners, retired and present employees, customers and members of the media.

Company employees displayed their many talents in both the singing of the choir and the beautiful live music accompaniment. Several local religious ministers also participated in the evening service. Together we sought to give thanks for the lives of all those who served the Company over the years. Their invaluable contribution was pivotal to GRENLEC's development, allowing all to celebrate this very significant milestone.



Following the Service, staff and guests were entertained by the Commancheros Steel Orchestra, as they enjoyed an evening of cocktails.

Continuing in the celebratory spirit; members of staff visited several sick and shut-in retirees, taking gifts and engaging them in conversation as they recalled the “good old days”. These ‘old timers’ were very happy to see the group and expressed their gratitude

for the time spent with them.

Relaxation and fun were also part of the celebrations; Monday May 12th saw a Staff and Family Fun Day held at the Beausejour Recreational Grounds. Staff, retirees and their families came out in large numbers for a day of games and socializing, it was a splendid day and a great success. Events kicked off with a March-Pass Competition between the four club houses; Orange, Green, Blue and Red.



Cricket and football along with many other track and field events, were all part of the activities participated in by adults and children alike. Stalls supplying an abundance of food and drinks ensured a steady stream of goodies and thirst quenching drinks for appetites of all sizes!

80th Anniversary celebration activities also took place during the month of October, with members of the nursing fraternity providing their services for the hosting of a Health Fair for all employees. During the two-day event, staff had various health checks, including blood pressure and hemoglobin checks, blood sugar and HIV tests and one-on-one consultations to discuss weight, diet and wellness.

The year of events ended with the Annual Awards and Retirement Function, which saw thirty six staff members and retirees receiving awards. The event ended with staff and their guests enjoying a grand time after the formalities had ended.



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

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

### Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinion

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

GRENADA:

18<sup>th</sup> February, 2009

Accountants & business advisers:



Partners: Henry A. Joseph FCCA (Managing), Pearlana J. Sylvester FCCA (Mrs.), Michelle A. Millet B.A. CGA (Mrs.)

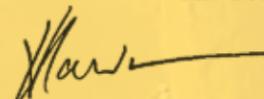
# Balance Sheet

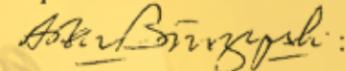
## GRENADA ELECTRICITY SERVICES LIMITED

### BALANCE SHEET AT 31ST DECEMBER, 2008 (Expressed in Eastern Caribbean Currency Dollars)

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

The notes on pages 40 to 50 form part of these financial statements

 Director

 : Director

# Statement of Income

## GRENADA ELECTRICITY SERVICES LIMITED

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

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

The notes on pages 40 to 50 form part of these financial statements

# Statement of Changes in Shareholders' Equity

## GRENADA ELECTRICITY SERVICES LIMITED

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

(Expressed in Eastern Caribbean Currency Dollars)

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

The notes on pages 40 to 50 form part of these financial statements

# Statement of Cash Flows

## GRENADA ELECTRICITY SERVICES LIMITED

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER, 2008

(Expressed in Eastern Caribbean Currency Dollars)

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

The notes on pages 40 to 50 form part of these financial statements

## GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
AT 31ST DECEMBER, 2008

## 1. CORPORATE INFORMATION

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

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

*(a) Basis of Preparation*

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

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

*(b) Foreign Currencies Translation*

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

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

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

*(c) Cash and Due from Banks*

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

## GRENADA ELECTRICITY SERVICES LIMITED

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

*(d) Property, Plant and Equipment*

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

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

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

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

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

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

*(e) Inventories*

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

*(f) Provision for Bad and Doubtful Debts*

Provision is made based on 2% of Annual Gross Sales. Accounts are written off against the provision when they are considered to be bad. The total provision at 31st December, 2008 amounted to EC\$5,110,898 (2007 - EC\$4,053,746). Included therein is a specific provision of \$975,997 on consumer accounts and \$405,317 on other debtors.

## GRENADA ELECTRICITY SERVICES LIMITED

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

*(g) Consumers' Contribution to Line Extension*

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

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

*(h) Provision for Unbilled Sales*

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

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

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

*(i) Trade Receivables*

Trade receivables are recognised initially at fair value and subsequently measured at the anticipated realisable value. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade receivables is impaired.

## GRENADA ELECTRICITY SERVICES LIMITED

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

*(j) Investments**Available for sale*

Investments are classified as available for sale as they are intended to be held for an indefinite period. These investments may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. These investments are stated at cost as fair market values are not available.

*Loans and receivables*

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

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

i) Impairment of inventory and trade receivables

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

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



**GRENADA ELECTRICITY SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AT 31ST DECEMBER, 2008**  
(continued)

**4. PROPERTY, PLANT AND EQUIPMENT**

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

**GRENADA ELECTRICITY SERVICES LIMITED****NOTES TO THE FINANCIAL STATEMENTS**  
**AT 31ST DECEMBER, 2008**

(continued)

**5. CAPITAL WORK IN PROGRESS**

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

**6. DEFERRED EXCHANGE LOSS**

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

**7. INVESTMENTS**

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

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

## GRENADA ELECTRICITY SERVICES LIMITED

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

## 8. INVENTORIES

The following is a breakdown of stock on hand

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

## 9. TRADE AND OTHER RECEIVABLES

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

## 10. SEGREGATED RETIREMENT INVESTMENT

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

## GRENADA ELECTRICITY SERVICES LIMITED

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

## 11. CASH AND DUE FROM BANKS

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

## 12. STATED CAPITAL

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

## 13. PROVISION FOR RETIREMENT BENEFITS

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

## 14. LOAN CAPITAL

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

## GRENADA ELECTRICITY SERVICES LIMITED

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

## 14. LOAN CAPITAL (continued)

## (A) European Investment Bank (EIB)

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

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

(C) The loan bears interest at the rate of 7% per annum and is repayable over ten (10) years by quarterly instalments of \$535,650.84 inclusive of interest.

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

## 15. PROVISION FOR HURRICANE INSURANCE RESERVE

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

## 16. RELATED PARTY TRANSACTIONS

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

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

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

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

## GRENADA ELECTRICITY SERVICES LIMITED

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

## 16. RELATED PARTY TRANSACTIONS (continued)

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

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

## 17. TRADE PAYABLES AND ACCRUED EXPENSES

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

## 18. FINANCIAL INSTRUMENTS

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

## (a) Interest rate risk

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

## (b) Credit risk

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

## GRENADA ELECTRICITY SERVICES LIMITED

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

## 19. CONTINGENT LIABILITY

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

## 20. TAXATION

## (a) Income Tax

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

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

## (b) Deferred Tax

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

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

## 21. CAPITAL COMMITMENT

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

GRENADA ELECTRICITY SERVICES LTD.  
FIVE YEAR FINANCIAL RECORD  
2004 - 2008  
EXPRESSED IN EC\$ & US\$

	2008 EC\$	2007 EC\$	2006 EC\$	2005 EC\$	2004 EC\$
<b>Income</b>	<b>188,851,458</b>	<b>141,827,843</b>	<b>128,052,580</b>	<b>105,055,456</b>	<b>81,100,406</b>
Profit Before Taxes	19,422,884	11,676,363	10,845,311	3,845,572	4,067,446
Taxation	4,559,120	3,431,800	2,766,618	1,456,881	1,300,439
<b>Net Profit</b>	<b>14,863,764</b>	<b>8,244,563</b>	<b>8,078,693</b>	<b>2,388,691</b>	<b>2,767,007</b>
<b>Shareholders' Equity</b>	<b>68,287,619</b>	<b>61,783,855</b>	<b>61,139,292</b>	<b>58,000,599</b>	<b>55,611,935</b>
<b>Represented by:</b>					
Total Assets	194,169,568	195,117,766	164,987,408	150,860,685	139,208,690
Total Liabilities	125,881,949	133,333,911	101,848,116	92,860,086	78,012,091
Hurricane Reserve	6,000,000	4,000,000	2,000,000	0	5,584,664
<b>Net Assets</b>	<b>62,287,619</b>	<b>57,783,855</b>	<b>61,139,292</b>	<b>58,000,599</b>	<b>55,611,935</b>
<b>Financial Ratios</b>					
No. of Shares	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000
Return on Shareholders' Equity	21.77%	13.34%	13.21%	4.12%	4.98%
Earnings Per Share	0.78	0.43	0.43	0.13	0.15
Dividends Per Share	0.44	0.40	0.26	0.00	0.20
	<b>US \$</b>	<b>US \$</b>	<b>US \$</b>	<b>US \$</b>	<b>US \$</b>
<b>Income</b>	<b>69,944,984</b>	<b>52,528,831</b>	<b>47,426,881</b>	<b>38,909,428</b>	<b>30,037,187</b>
Profit Before Taxes	7,193,661	4,324,579	4,016,782	1,424,286	1,506,461
Taxation	1,688,563	1,271,037	1,024,673	539,586	481,644
<b>Net Profit</b>	<b>5,505,098</b>	<b>3,053,542</b>	<b>2,992,109</b>	<b>884,700</b>	<b>1,024,817</b>
<b>Shareholders' Equity</b>	<b>25,291,711</b>	<b>22,882,909</b>	<b>22,644,182</b>	<b>21,481,703</b>	<b>20,597,013</b>
<b>Represented by:</b>					
Total Assets	71,914,655	72,265,839	61,106,447	55,874,328	51,558,774
Total Liabilities	46,622,944	49,382,930	37,721,524	34,392,624	28,893,367
Hurricane Reserve	2,222,222	1,481,481	740,741	0	2,068,394
<b>Net Assets</b>	<b>23,069,489</b>	<b>21,401,428</b>	<b>22,644,182</b>	<b>21,481,704</b>	<b>20,597,013</b>
<b>Financial Ratios</b>					
No. of Shares	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000
Return on Shareholders' Equity	21.77%	13.34%	13.21%	4.12%	4.98%
Earnings Per Share	0.29	0.16	0.16	0.05	0.05
Dividends Per Share	0.16	0.15	0.10	0.00	0.07

# Five Year Operational Record

**GRENADA ELECTRICITY SERVICES LTD.  
FIVE YEAR OPERATIONAL RECORD  
2004-2008**

	2008	2007	2006	2005	2004
<b>PRODUCTION AND SALES</b>					
<b>Gross Generation (KWhs)</b>	<b>196,957,226</b>	<b>185,569,196</b>	<b>173,490,255</b>	<b>153,701,824</b>	<b>141,617,565</b>
<b>Auxillaries &amp; Own Use</b>	7,132,714	6,903,729	6,328,617	6,394,987	5,695,582
<b>Net Generation</b>	189,824,512	178,665,467	167,161,638	147,306,837	135,921,983
<b>Sales (KWhs)</b>					
Domestic	66,231,638	65,748,854	60,088,936	49,945,747	48,358,278
Commercial	96,600,009	89,569,231	81,989,564	73,542,437	70,354,979
Industrial	5,627,661	6,480,019	5,903,123	5,673,959	4,571,556
Street Lighting	4,040,522	3,426,986	3,026,004	2,409,053	2,225,943
<b>Total Sales</b>	<b>172,499,830</b>	<b>165,225,090</b>	<b>151,007,627</b>	<b>131,571,196</b>	<b>125,510,756</b>
Loss (% of Net Generation)	8.61%	7.49%	9.62%	10.63%	7.62%
<b>Number of Consumers at Year End</b>					
Domestic	35,856	34,225	32,087	29,119	13,510
Commercial	5,330	5,058	4,656	4,250	2,740
Industrial	36	35	36	33	20
Street Lighting					
<b>Total Consumers</b>	<b>41,222</b>	<b>39,318</b>	<b>36,779</b>	<b>33,402</b>	<b>16,270</b>
<b>Average Annual Usage per Consumer Class (KWhs)</b>					
Domestic	1,847	1,921	1,873	1,715	3,579
Commercial	18,124	17,708	17,609	17,304	25,677
Industrial	156,324	185,143	163,976	171,938	228,578