



Vision Statement

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

Mission Statement

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



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Corporate Information

Directors

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

Chief Executive Officer

Vernon Lawrence

Secretary

Claudia Alexis

Registered Office

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

Email: mail@grenlec.com

Website: www.grenlec.com

Bankers

Republic Bank (Grenada) Ltd.

Republic House, Grand Anse, St. George's, Grenada, West Indies.

RBTT Bank Grenada Limited

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

Bank of Nova Scotia

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

First Caribbean International Bank (Barbados) Limited

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

Solicitor

Grant, Joseph & Company

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

Auditors

Pannell Kerr Forster - Accountants and Business Advisers

Pannell House, Grand Anse, St. George's, Grenada, West Indies.

Registrar

FINCOR

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



Notice of Meeting

Notice is hereby given that the Forty-Eighth Annual Meeting of Shareholders of Grenada Electricity Services Limited will be held at the Grenada Grand Beach Resort, Grand Anse, St. George's, on Thursday, May 17, 2007 at 4:30 p.m. to:

1. Receive the Annual Report, the Audited Financial Statements for the year ended December 31, 2006 together with the Auditors' Report thereon.
2. Re-appoint the Auditors and authorize the Directors to determine their remuneration.
3. Elect Directors.

Close of Business

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

Dated this 28th day of March, 2007.

By order of the Board

Claudia Alexis
Secretary

- Notes:**
- (1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his or her stead. A proxy need not be a member. A proxy form is included in this report for your convenience. It must be completed and signed in accordance with the notes on the form.
 - (2) Only shareholders on record at the close of business on April 18, 2007 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



Sitting from left to right - Mr. Vernon Lawrence, Managing Director, Mr. Ronald Roseman, Director, Mr. Chester Palmer, Director, Mr. Robert Curtis, Director, Mr. Ashton Frame, Director

Standing from left to right - Mr. Nelson Louison, Director, Mr. Malcolm Harris, Vice Chairman, Mr. Alistair Bain, Director, Mr. G. Robert Blanchard Jr., Chairman, Mr. Nigel Wardle, Director, Mr. Lawrence Samuel, Director, Mr. Arthur Campbell, Director



Management



From Left to Right:

Mrs. Zarah Chase, Manager - Corporate Communications

Ms. Jaqueline Williams, Manager - Human Resources

Mr. Eric Williams, Acting Manager - Distribution

Mr. Benedict Brathwaite, Financial Controller

Mr. Jeffrey Neptune, Manager - Information Technology

Mr. Clive Hosten, Chief Engineer

Mr. Don Forsyth, Senior Electrical Engineer

Ms. Claudia Alexis, Director - Customer Services/Corporate Secretary

Mrs. Cassandra Slocombe, Manager - Customer Services

Mr. Glenn Phillip, Co-ordinator, Loss Reduction & Joint Pole

Mr. John McDonald, Manager - Carriacou & Petite Martinique

Mr. Vernon Lawrence, Managing Director & Chief Executive Officer

Mr. Erwin Roden, Manager - Generation



Chairman's Statement

I expected 2006 to be a rebound year and it was.

Your Company has returned to pre Ivan levels in terms of power demand and the bottom line. This is indeed significant.

We faced some challenges along the way but have overcome. We had to contend with the ever-increasing price of oil for the first nine months of the year, as customers felt the impact in their pockets and it negatively affected our cash flow.

By the end of the year however, the fuel charge was less than the cost of fuel, due to the sharp decline in oil prices during the last quarter. The recovery was swift. This situation provided a much needed respite.

GRENLEC continues the march to be the leading service provider locally, with a world class approach to the customer experience and the technology that drives the business. As you are aware, in our business, efficiency is vital to maintaining profitability and our new generators, coupled with the work of the loss reduction team, have made a huge impact on the financial state of our Company.

In 2007 the challenges will not disappear: volatility in oil prices, adjustment to the VAT in October and its implications will be issues to deal with.

Despite these concerns, the broad consensus is that the general environment for business looks healthy. Certainly, at GRENLEC, we are looking forward to the next 12 months. Opportunities seem to be emerging in the tourism and housing development industries. So we enter 2007 with confidence.

I am delighted to be serving as Chairman, working with an outstanding group of people at an exciting and demanding time for GRENLEC, and a promising period for our shareholders.

We are truly appreciative of the investor confidence we have been able to maintain through the ups and downs of the economic landscape.

On a final note, I thank the Management and staff for their outstanding service in 2006 and Mr. Marquez for his many years of dedication to GRENLEC. I wish him a long and happy retirement.

Sincerely,

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Mr. G. Robert Blanchard Jr. - Chairman



Management Review and Analysis

Overview

The year 2006 was one of “quiet achievement” for our Company as we continue to strive to recover completely from the effects of Hurricanes Ivan and Emily. These achievements were realized by the positive contributions from various areas of operations. They were attained despite the prevailing high fuel prices which put additional strain on our cash position that was still in the early phase of recovery, after the vast expenditures for restoring the Company’s infrastructure. Highlights of the year’s accomplishments include:

- * Strong Sales growth of 14.3%.
- * Record after-tax profits of \$8.08M
- * Reduction of System Losses to 9.62%, the lowest in a normal year.
- * Increased Fuel efficiency to a record level of 19.6KWh per Imperial gallon.

Peak demand increased from 23.84MW at the end of 2005 to 25.65 MW in 2006, while the number of customers increased from 33,402 to 36,779, reflecting almost a complete recovery to pre-hurricane levels, when peak demand was 25.8MW. The Company continued its maintenance programme on its Distribution system which brought about a significant reduction in outages.

GRENLEC sustained its major thrust in improving the reliability and quality of service to customers. As such, we continued the preventive maintenance programme on the Distribution system, which brought about significant reduction in outages. Two new 8MW Wartsila generating units were also commissioned, allowing the retirement of two old and inefficient units and bringing the Generation Capacity up to 49MW, thereby providing significant increase in the spare capacity and putting the Company in a good position to meet the additional demand for the World Cup.

During the year under review, there was a major focus on the training and development of the GRENLEC team of 200 employees, putting action to the fact that outstanding employees are essential to responding effectively to today’s changing market place. Our thrust is also predicated on widespread evidence that satisfied employees are far more likely to deliver the outstanding customer service we are committed to provide.

As the entire country continued to rebuild in the aftermath of two hurricanes, providing social development assistance to our impact communities and others was also an area of special attention during the year. As a result, we embarked on major educational and building projects in different parts of the island.

Our commitment to being the number one service provider locally, with a trained and motivated staff, strikes a delicate balance between our respect for the environment, and our Corporate Social Responsibility, without compromising the short and long term financial results to our shareholders.



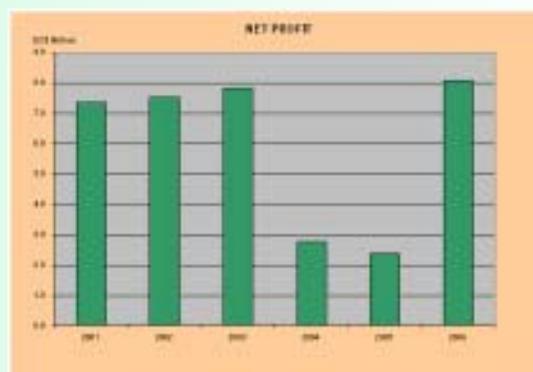
Management Review and Analysis - cont'd

Financial Review

Our financial performance in 2006 was nothing short of outstanding with pre-tax profits of \$10.85M, equalling pre-hurricane levels. This led to the further strengthening of our financial position and placed the Company at an advanced stage of recovery when compared to pre Ivan levels. This performance was achieved against the backdrop of depleting resources for hurricane restoration and rebuilding efforts on the Distribution system in 2004 and 2005.

Sales

Sales for 2006 was 151.7GWh, reflecting a growth of 14.73% over the previous year and 9.3% over 2003, the last year that was unaffected by a hurricane. All sectors showed good growth, the most noteworthy being domestic at 20.31%. However, growth of 11.49 and 4.04% respectively as at December 2006, in the commercial and industrial sectors also played a part in the overall performance.



This performance was realized despite the fact that the customer base of our two most significant sectors, commercial and domestic, were 2.74% and 1.19% less than prior to Ivan respectively. This is an indicator that there are still customers who are not in a position to accept the service that is now available island wide.

Revenues

In keeping with Kilowatt-hour sales, Non-fuel Sales revenue grew by 13.77%, increasing from EC\$52.9M in 2005, to EC\$ 60.18M in 2006.

Fuel revenue was \$65.95M which represents an increase of 38.39% over 2005. This was primarily due to high fuel prices which peaked in August at an all time high of US\$77 per barrel, pushing the fuel rate to 0.4640 in September and total electricity rates to more than EC\$ 0.80 per KWh. The lag between fuel price increase, and adjustments in fuel charge, placed enormous pressure on the Company's already depleted cash balances. A severe burden was also placed on our customers, making it difficult for them to keep up with their payments, which pushed up receivables and further increased our cash flow challenges.

In September, fuel prices started a welcome decline which allowed the Company to reduce the fuel charge by approximately 12% by year-end thereby easing the burden on customers. This decline and the lag effect in adjusting fuel rates resulted in fuel revenue exceeding fuel cost by 1.5m, compensating for some of the shortfall in fuel revenue of \$3.5M, which was experienced during 2005.



Management Review and Analysis - cont'd

Fuel Expenses

With Fuel prices at unprecedented levels in the second half of 2005 and trending upward well into the third quarter of 2006, the average price of fuel peaked at \$7.73 per Imperial gallon in August. This resulted in the average price for the year increasing by 12.76% to \$7.07 as compared to \$6.27 in 2005. Fuel expenses were therefore pushed to \$64.25M an increase of 25.57% over 2005 with the price increase accounting for over 50% of this movement. The medium term expectation is for world fuel prices to remain comparatively high and this led the Company to invite bids to ascertain that fuel was being purchased at the most competitive price to contain fuel expenses. Improving fuel efficiency also was given special focus.

Non Fuel Expenses

There was a significant increase of 23.7% in expenses by the Generation Department in order to increase electricity production to meet the increase in sales growth. This was due to overhauls, maintenance and depreciation on generators. On the other hand the Distribution Department saw a marked decline of 26.70%, in expenses over 2005, more than offsetting the increase in Production as hurricane related expenses diminished. This resulted in the increase of non-fuel expenses increasing by a mere 0.84%.

Balance Sheet

The Company's financial position at December 2006 strengthened as compared to 2005. The total assets stood at \$164.9M at December 2006, an increase of \$14.1M (9.35%) in comparison to 2005. This increase occurred mainly in property, plant and equipment. At the same time, total liabilities over the equivalent period was \$9M more than that of 2005.

Your Company is now poised to return to the financial position and the liquidity levels that existed prior to Ivan that should accommodate returns on your investment more in keeping with expectations.

Rate Change

In keeping with the Electricity supply Act of 1994 and with the Reference Price Index (RPI) for 2004 being 106.77, the Company was entitled to an increase in the non-fuel rate of 0.48%. With prevailing high fuel prices during the year, the Company took the decision not to implement this increase and further burden our customers.

Dividends

In 2006 the Company reintroduced dividend payments that had been stopped from the third quarter of 2004. This was started at five (5) cents per share which was 50% of the last dividend paid in the second quarter of 2004. As the Company's operations improved, it was reflected in the dividend payout that increased to eight (8) cents per share by the last quarter of 2006.



Management Review and Analysis - cont'd

Listing on Eastern Caribbean Stock Exchange

Yet another year has passed and our long standing objective to list on the stock exchange has not been achieved. This is still due to the fact that the necessary legislative changes to the Act remain outstanding.

Operations

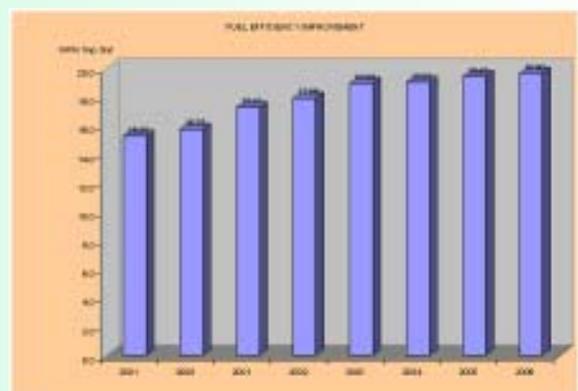
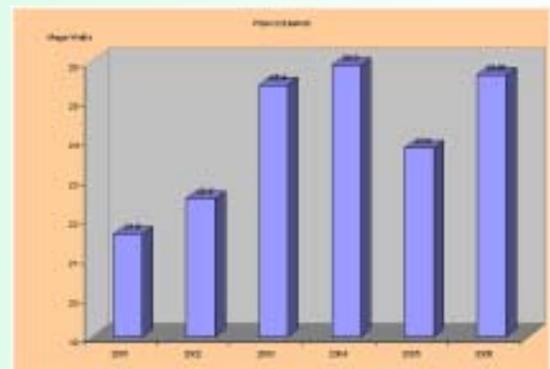
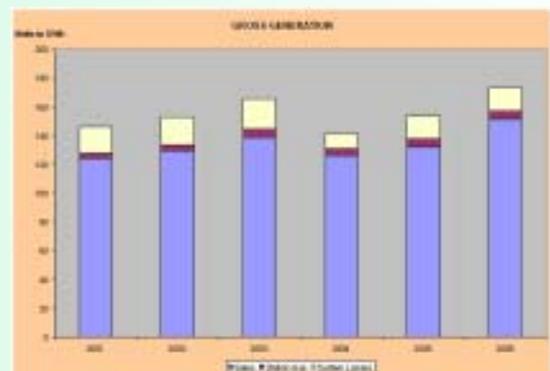
Generation

The Company started 2006 with peak demand at 22.77MW, still depressed by the effects of Hurricanes Emily and Ivan. However this figure grew to 25.65MW by the end of the year, just marginally below the pre-Ivan peak of 25.85MW. Gross Generation for the year was 173.6 GWh, reflecting an increase of 13% over 2005 and exceeding gross generation of 165.6GWh for 2003, the year preceding Ivan. This indicated that by the end of the 2006, demand had fully recovered from the effects of the hurricanes.

One of the highlights of the year was the commissioning of two eight (8) MW Wartsila generating units at Queen's Park in May 2006. This facilitated the retirement of two old and inefficient units and increased the Company's installed capacity to 49.7MW thereby increasing the reserve margin and the Company's ability to meet the demands for reliable and efficient power.

Gross Fuel Efficiency improved from 16.2kWh/Gal in 2005 to 16.4kWh/Gal which exceeded the targets primarily due to the commissioning of the more efficient units and the retirement of two old ones.

An environmental audit was conducted on the Queens Park Plant in mid-2006 with specific emphasis on the fuel and lubrication systems. This audit was a Cradle-to-Grave type, reviewing these fuel and oil systems from their entrance to the plant, through storage, consumption and disposal. The





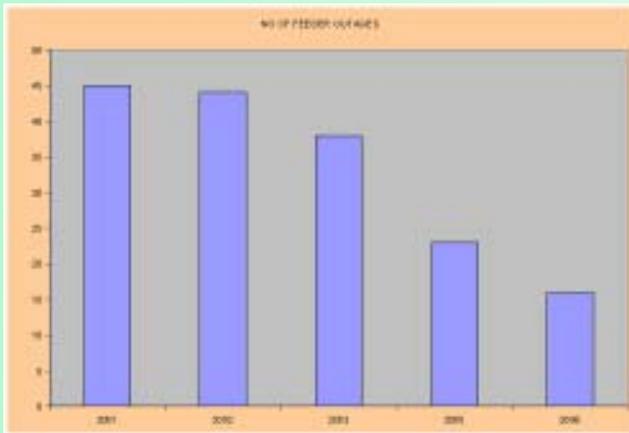
Management Review and Analysis - cont'd

audit provided several recommendations for improvement, which were being implemented up to the end of the year.

Disposal of decommissioned engines and equipment from the Queens Park was also a major focus in 2006. Seven obsolete engines were removed, as well as support apparatus such as radiators, fuel tanks, and exhaust piping. The areas which became available were cleaned and made safe for ongoing operations.

Distribution

The Department continued its thrust in 2006, to reduce outages on the Distribution system and thereby improve the quality and reliability of supply to customers. It continued its emphasis on preventive maintenance, which resulted in outages on the Distribution System for the year being over 50% below target.



In order to improve the quality and reliability of supply to customers, the Department restructured 2.2 miles (from Gouyave to Victoria) of the 9.3 miles of lines to be replaced (up to Sauteurs). By the end of the year, the section of the line from Gouyave Town to Victoria was substantially completed despite the challenges faced with the very difficult terrain and obtaining permission from land owners for placement of guys and poles.

The reliability of the supply to Grenville Town, Princess Alice Hospital at Mirabeau and to customers in the surrounding areas was also improved by constructing an alternate HV circuit.

During the year the Department completed a number of projects relating the Roads and Bridges Improvement projects and others associated with ICC Cricket World Cup preparation. Included among these were: the National Stadium underground project, relocation of poles and lines from Tempe to Tanteen to facilitate road projects, relocation of poles at Queen's Park for Bridge and Stadium construction and the new St. George's University substation.

Planning and Engineering

The Department resumed its planning activities since the demand for electricity had virtually recovered to pre-hurricane levels. Renewed focus was directed at meeting the projected growth in demand and improving



Management Review and Analysis - cont'd

the security and reliability of the Power System at the lowest cost. The Department reviewed the demand forecast over the next ten years which indicates demand would increase by pre-hurricane level by the end of 2006 and thereafter would grow at an average of 6 % for the next five years .

This forecast also indicates that over 60% of this growth would take place in the South of the Island, thus re-enforcing the need to develop the Transmission System to meet the fast-growing demand in this part of the island. The necessary engineering designs, specification and contract documents were done for the development of a new 33KV substation at Queen's Park and another at Grand Anse, as well as for a second Transmission Line which will connect these two substations.

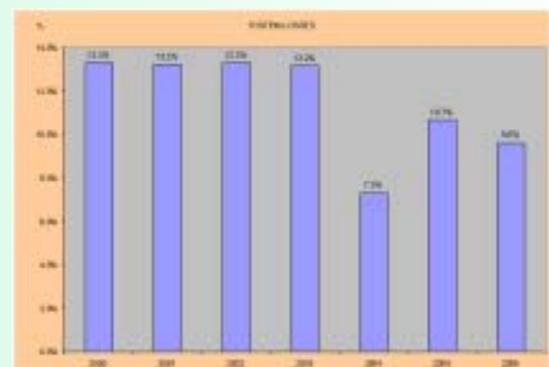
A number of engineering projects were also designed and implemented including a seventh substation at St. George's University, the Grenada National Stadium underground supply and the Melville Street reclaimed land underground supply.

The Supervisory Control and Data Acquisition (SCADA) project made major headway during the year and was commissioned to allow remote control of a number of line devices including Auto Reclosers, and Sectionalizing Puffer Switches are ready to be automated. The automation process also necessitated a review of the Company's Switching Procedure, facilitated by the Department to ensure that all safety concerns were considered and addressed before final implementation of Phase 1 on the SCADA project.

The first phase consisted of the hardware and software involved in the placement of twelve field devices to be controlled and monitored remotely from the System Control Room.

Plans were also developed to install four new Auto reclosers on the Distribution system to foster better selectivity in isolating faults on the system, so as to minimize the number of customers affected by forced outages. These Reclosers have been purchased and will be installed in 2007.

In focusing on the Company's loss reduction strategy, the Department, together with the co-operative effort of the Distribution Department and the Loss Reduction Co-ordinator, reviewed the Capacitor Placement Plan which was developed before Hurricane Ivan. Based on this review 2.25 MVars of both switched and fixed capacitors were strategically placed on the Distribution System in 2006, which resulted in the improvement of the System's power factor from 0.88 to 0.93. This along with other work in relation to loss reduction, resulted in the continued reduction in system losses which was at 9.62% down from 10.63 % in 2005.





Management Review and Analysis - cont'd

The Planning and Engineering Department sought to improve the management of the workflow pertaining to line extensions, staking and estimating by implementing a Lotus Notes database to manage the entire process, from the time a customer applies for a connection to the time he/she is provided a quote from the Company.

Work was also done during the year to improve the Company's internal radio communication system and in this regard a new VHF communication trucking system was procured. This will be commissioned along with a third repeater, and will result in improving the island-wide coverage of our internal communication system. It will also allow seamless transition from one repeater's area of coverage of another, therefore making communication between different work teams at various locations easier and more efficient.

In this age, readily available information is key to timely and sensible decision-making. To this end, a major data capture exercise was undertaken to update the GIS with all the Distribution primary assets in the aftermath of the Hurricane restoration effort. This project lasted six months, and all (Distribution) primary equipment is now geo-referenced and in the GIS database.

Human Resources

We continue to recognize our Human resources as our most valuable asset. After spending the post-hurricane period primarily on rebuilding the Company's physical assets, the Year 2006 was declared "The Year of the People", to ensure special focus was given to both our employees and customers.

The beginning of the year saw the implementation of the results from the job evaluation exercise for all managerial, supervisory and administrative support staff. From this exercise, roles and responsibilities were further clarified and compensation aligned with duties and responsibilities. External equity was also established. From all indications the Company maintained its position as a leader in the labor market and an "Employer of Choice."

A major effort was made to improve staff morale, employee relations and to continue our people development programme, which was suspended in the aftermath of the hurricanes. Employees from all departments attended training programmes to increase their competency to discharge duties more effectively and efficiently.

Among the highlights of that programme, was the training of twelve linemen who became certified under the Caribbean Association of Utilities (CARILEC) four-year Linemen Training Programme.

Another thirteen linemen completed Level 3 of this programme and are scheduled to complete Level 4 in 2007. In addition, Refresher Hotline Training was completed for three linemen. Five linemen completed and were certified in Basic Hotline skills, and one Supervisor successfully completed and received certification in Hotline training.



Management Review and Analysis - cont'd

Further training for one engineer, three supervisors and eight linemen is scheduled for February 2007. Eight linesmen/technicians are scheduled to complete a certification programme in electrical testing of hotline equipment, tools and rubber protective gears in February 2007. The Company's increased capacity to work on the lines live would significantly reduce the number of planned outages to customers.

In the Generation Department, six operational and maintenance staff received training from Wartsila, at their factory in Finland. The exercise covered all aspects of plant operations and maintenance, in order to sharpen their competence in operating the new units, which were installed during the year.

Consistent with our goal of service excellence, nine customer service representatives were appointed. Towards the end of the year, the Company was successful in recruiting to the vacant position, a Human Resource Manager. Miss Jacqueline Williams joined the GRENLEC family in November and is expected to continue the thrust to build our human capital to a level which will ensure the realization of our vision of becoming a truly world class Company.

In various areas of the Company's operations, team members who were identified as having great potential were trained to serve in higher positions. Consequently, one of our trainee engineers who successfully completed his two-year training with the Company, was retained in the position of an Engineer and a total of seven team members were promoted to fill existing vacancies or new positions.

As the human factor continued to take centre stage during the year, over seventy-five percent of staff were exposed to congruent training organized locally or internationally. These sessions were so structured that some members from each department received exposure. The benefits of these training opportunities are seen when team members are able to make more sound technical decisions, effect closure in skills gaps, as well as demonstrate maturity and leadership in the execution of their duties. We continue to devise strategies to assess the sustained benefit of training to the organization and will continue this process in 2007, as we roll out our training plan.

On another front, we have sought to heighten the awareness of Health and Safety. In this regard, over thirty such sessions were carried out throughout the Company with team members having the opportunity to interact one-and-one or in groups with a health care professional. Special mention must be made to the spectacular improvement in safety performance of the Distribution Department, where such Performance was less than satisfactory in previous years. Concentrated and ongoing efforts to raise awareness of safety and accident prevention, both on and off the job, brought positive results with the Department ending the year with 304 days (21,280 man-days) worked without an accident -just four days short of the previous record of 308 days.

The Generation Department has consistently set the pace for safety and was the winner last year, That Department was however, overtaken by Carriacou and Petite Martinique which captured the 2006 Safety Award.



Management Review and Analysis - cont'd

This year of the people could not have ended without saying thanks to staff for their sterling contribution throughout the year. As done over the years, we took time off to recognize special employees at our Year End Awards and Retirement Ceremony. Team members were saluted for top performance, academic achievement and years of service. We note that amongst the thirty-one persons who were recognized for years of service, two persons celebrated thirty years with the company.

Retirement

After 28 years of service, Dyer Marquez quietly slipped into retirement in 2006, not without his peers and supervisors recalling his sense of humour and his gift to foster cheer, goodwill and team building. We wish him a productive retirement!

Customer Services

During the year, customer satisfaction remained a top priority for all and special focus was given to the reduction of waiting time for all services. Through the joint efforts of key departments, the Company introduced same day service for new connections and dramatically reduced the waiting time for such to the delight of our customers. Special efforts were also made to reduce waiting time at the office and the number of meters not read, in order to cut down on the number of estimated bills.

The new Customer Information System, "CISInfinity", was successfully implemented in March and provided more tools to better serve customers. The new bill was also a welcome change for customers who provided positive feedback on its improved layout, additional information and the easily understood alpha-numeric display of the date.

Both customers and staff were also pleased with the more pleasant and accommodating environment in the customer service area on the ground floor of our administration building. It was attractively renovated during the year.

Our Major Accounts Programme was re-implemented in 2006 after hurricane Ivan. Account Managers are now assigned and the feedback from our large customers, who now get more personalized attention, is very positive. A Customer Services Charter was also drafted and is being finalized. It will be implemented during 2007, giving customers our commitment to meet certain specific targets of performance.

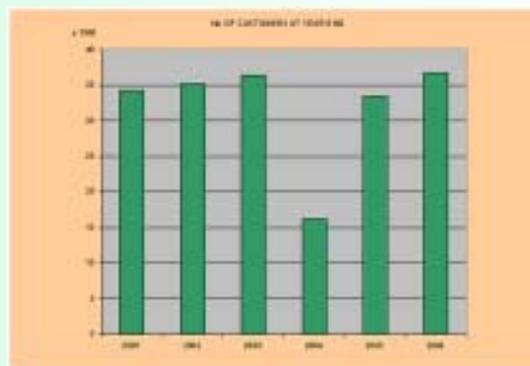
The effects of high electricity bills as a result of the escalating price of fuel posed a major challenge for customers who clearly struggled to keep up with payments of their bills. This led to mounting complaints about high bills as well as an increase in receivables. By the final quarter of the year, as fuel price started its decline, the drop was eventually reflected on the bills, much to their relief.



Management Review and Analysis - cont'd

Our aggressive thrust to reduce the number of unread meters and estimated bills was a strong driving force behind the dramatic improvements in the performance of our Meters Readers. The consequent reduction in the number of unread meters, contributed to a significant reduction in system losses. Our customer base has also moved from 33,402 in 2005 to 36,779 in 2006.

For 2007, we are optimistic that our customer service plan, now being rolled out, will bear fruit in influencing a new customer service culture throughout the Company. The support of all staff is crucial to its success.



Our present Administration building on Halifax street is in the process of being sold and plans for the new headquarters at Dusty Highway are being finalized. Our collections office will soon be relocated to the new port development. It will provide for bill payments, customers' queries and application for electricity. Other related services will remain at headquarters.

Management Information Systems

The implementation of the new Customer Information System (CIS) was one of the Company's main achievements for 2006. All end-users and administrators training were completed on schedule and by go-live in March, all functional areas of the new CIS were fully operational. During the implementation of this system the data-base technology was changed. These data-base enhancements have provided GRENLEC with improved management reports which are now in wide use throughout the Company, promoting timely analysis and management intervention.

During the year the entire data communications network on the mainland was replaced with fiber optical cables. This new backbone has allowed GRENLEC to simplify its data network. With the exception of a few servers, most pieces of data sensitive equipment are now housed in our main data center at Halifax Street. The Company is now enjoying faster inter-office connection speeds for services like email and web browsing. The modern fiber switches and network equipment have now positioned the Company to take advantage of emerging technologies such as Voice-over-IP and other telephony solutions.

The Company also initiated a project to upgrade its main accounting software to the latest version. New modules were also added to the existing accounting package to allow all accounting functions to be done on one single software platform, thus allowing full integration. The first phase of this project was completed in November 2006 and full implementation will be completed in the first quarter of 2007.



Management Review and Analysis - cont'd

The Company also commenced a project for the introduction of Automatic Meter Reading AMR which is to be implemented on a phase basis. The first phase will involve the replacement of the existing meter-reading hand held devices with those capable of reading remotely. This will facilitate the remote reading of radio-enabled meters. In anticipation of this project, over 13,000 such meters were installed to replace meters which were destroyed by the Hurricanes. The balance of old meters without remote reading capability will be replaced over the next three years by which time the AMR system will be fully implemented. Automatic meter reading is expected to greatly improve the accuracy and speed of meter reading and will eliminate the challenges the Company now faces in not being able to access meters, such as locked premises, bad dogs, etc. The world leader in AMR solutions, Itron, was selected to provide the new meter reading devices. Implementation is expected in the first quarter of 2007.

Corporate Social Responsibility

We believe a real commitment to corporate social responsibility unites an organization, strengthens its reputation and creates vital links with the communities in which it operates. In the year under review, many elements of this holistic approach were addressed.

CSR for our organization obligates us to consider the interests of customers, employees, shareholders, communities, and ecological concerns in all aspects of our operations. This adherence is beyond our statutory obligation to comply with legislation.

Evidence of this can be seen through activities this year undertaken by various departments: the Generation Department in consideration of the environment, Our Customer Services Department's Customer Transformation Plan to improve the services given; our Human Resources Department's focus on employees and our commitment to maintaining GRENLEC as a "preferred place of work". We strive to provide a safe and healthful workplace for our employees, and communities and operate with the highest levels of integrity in billing and other operations.

Our practice of good Corporate Social Responsibility has engendered goodwill in the community and continues to directly enhance the reputation of the Company and strengthen its identity as a corporate leader.

Community Outreach

It is important to distinguish CSR from charitable donations and philanthropy, although they may sometimes interlink. Concerning donations, the year 2006 saw the completion of a Community Centre in Black Bay, the start of work on a basketball court in Maran, and the near completion of a 37-station Communications and Modern Languages laboratory at the T.A. Marryshow Community College in Tanteen.

In addition, we provided assistance of \$5,000.00 each to 16 institutions to improve the lives of children and elderly persons in state-assisted care institutions. Three institutions were added to that list in 2006, they are: Cedars Home for women (shelter for victims of domestic abuse), the Mt. Gay mental hospital and the Fr. Maligan's Home for (abandoned or abused) Boys, the only boys home on the island.



Management Review and Analysis - cont'd

We also partnered again this year with GRENCODA, a local community development agency, to provide opportunities for secondary and tertiary level education to marginalised students.

Additionally, we assisted scores of small educational, social and other developmental ventures, bringing the total given in donations for the year to just over \$520,000.00.

Looking Ahead

2006 saw Grenlec restoring its sales to the levels that we had expected to achieve in 2004. We therefore look forward to 2007 with a vision of strong growth in sales, increased profits and ever-improving cash flows. This no doubt will be reflected in the quality of our shareholders' investment both in terms of value and returns.

We are off to a great start in delivering another successful year of performance to our shareholders in 2007. While we are not hopeful of any significant drop in oil prices, stability will make life easier.

Our team of workers is resilient and are aware of the need to re-strategise and overcome new challenges, or shades of old ones.

We will continue to place emphasis on the development of our human capital in order to make the difference between average and excellent service to our customers, and in achieving overall improved efficiency in all areas of operation.

By the time of your receipt of this report, we would have hosted the many cricket fans from all over the world visiting for ICC Cricket World Cup and would have kept vital electricity-driven activities going at the stadium and elsewhere. We are confident we can keep the lights on island wide with capacity to spare. Our Safe Kite Flying Campaign is expected to bear fruit in reducing the number of kite related outages.

Amidst all the activity and challenges, our mission and vision remain our beacon as we maneuver our way to greater success next year.

Appreciation

Our sincerest gratitude is extended to our Board of Directors, our hard working staff and our supportive shareholders. With the interest of all our stakeholders at heart, the Company will continue to strive for greater financial and overall success.

We thank you all for your continued support.

We believe we can only get better at what we do, as we serve Grenada, Carriacou and Petite Martinique.



GRENLEC Shows Appreciation for Strong Media Relations

It was indeed a pleasant and rewarding experience to hear members of the media fraternity express sentiments on the openness and symbiotic nature of their relationship with GRENLEC, a relationship which has been consistently strengthening.

Over thirty persons from the media and the GRENLEC Management team enjoyed a meal and shared matters of interest pertinent to both groups, at the function held November 29, at the restaurant of True Blue Bay Resort.

Deputy President of the Media Workers Association of Grenada, Rawle Titus, commented that the 2nd GRENLEC Annual Media Appreciation Luncheon comes at a time when the “gate keepers” are facing a barrage of criticism for the manner, extent or value of their news coverage.



GRENLEC's Managing Director / CEO, Vernon Lawrence speaking to members of the Media



Deputy President of the Media Workers Association of Grenada, Rawle Titus

He said it is special and refreshing indeed, to have someone - or better still an organization - say “thank you”.

GRENLEC's Managing Director/CEO, Vernon Lawrence took the opportunity to make an appeal to the public and invited the media to assist, in asking kite fliers to refrain from flying kites during the period of World Cup Cricket, April 10-20, 2007. The aim is to significantly reduce or eliminate the possibility of kite-related outages for that time.

GRENLEC's Corporate Communications Manager, Zarah Chase, was quick to point out that the Company was not expecting anything short of fairness and accuracy in coverage by the media, despite the relationship being enjoyed. She explained that the Company's open media relations policy is geared to ensure ease of acquisition of information from the Company to underpin factual reporting by journalists.

Each media practitioner was given a copy of a Strunk and White's *Elements of Style*, a popular journalists' English usage text, which was much appreciated.



Lew Smith

A special token was given to Lew Smith, BBC correspondent and local newscaster, for over 30 years of service to the media, making him the longest serving. He reflected, “it is the first public gesture of its kind”.



A One of a Kind Laboratory for Grenada's Premier Tertiary Institution

The T.A. Marryshow Community College will soon begin the teaching of modern languages and Communications with new technological flare, making it the only facility of its kind on the island.

GRENLEC this year financed the new lab to a tune of over two hundred and fifty thousand dollars (\$250,000.00). The scope of works includes the reorganization of the existing space, installation of partitions and construction of computer cluster desks.

It is home to Thirty Seven computers, a server, two projectors, other audio-visual equipment and accessories.

Each of the computers is networked to the lab's server so that a tutor can examine each student's work from his/her station. The system also interfaces with the College's intranet and students will be able to access the courses from any computer station on site, not necessarily in the lab.

The aim is to facilitate as many students as possible: full timers, persons in the corporate world, and the society at large.

The college will be adding four new languages to its curriculum with the advent of the new lab which is due to start classes in 2007. They are Chinese, Portuguese, German and Italian.

It is the plan of administrators to market the programmes in the region, eventually.



*New Modern Languages and Communications Lab
at the T.A. Marryshow Community College*



Celebrating Excellence

For Staff of the Company, our year-end Awards and Retirement Ceremony is a special achievement occasion to share with colleagues and spouses.

The hosting of the December 16, 2006, function, took on added significance in the wake of full restoration of electricity to customers, who by that that time rebuilt their homes and businesses and were back on the system, pushing power demand back up to pre-Ivan levels.

All staff made the kind of year we had, possible. Persons who gave outstanding service received awards - a fitting incentive not to be trivialized.

For one man it was a tribute of thanks and happy wishes on retirement. Dyer Marquez said goodbye earlier this year, after twenty-eight years with the Company. Gifts, and tributes in words and music were small expressions to say thanks for giving that portion of his life to help build the Company.

Thirty-one employees were recognized for remaining with the GRENLEC family for between ten and thirty years in five year increments. Lygia Britton, Supervisor, Materials Management and



Energy Minister, Hon. Gregory Bowen makes presentation to Yoograph Persaud



Dyer Marquez receiving gift from Director, Ronald Roseman



Lygia Britton, Supervisor, Materials Management

Cleaver Williams, Fleet Supervisor stood at the helm for having given three decades of loyal service.

Five top performers from five departments were also recognized, along with twelve linemen who attained



Celebrating Excellence - cont'd

certificates of competency during the year. Two persons who attained Certificates in Business Administration from UWI, took the walk of fame stage side.

The food and dancing brought the curtains down at the Grenada Grand Beach Resort and closed another year of challenges and triumphs.



James Nicholas, most outstanding performer for the Distribution Department



Cleaver Williams receives award from Director, Chester Palmer



Emrol Logan, Carriacou's star employee receives his award from the Minister of Energy, Hon. Gregory Bowen



Khary Delves, Most outstanding performer, Finance



Andy Murray, most outstanding meter reader, gets compliments and award from Minister Bowen



Hats Off to The Loss Reduction Team!

As GRENLEC continued the march to full recovery after two hurricanes, Ivan in 2004 and Emily in 2005, it became evident that loss reduction had to be tackled aggressively, while on the path to resume profitability, and at a time when fuel prices were at an all time high.

As with other power utilities worldwide, GRENLEC has the mandate of providing a safe, affordable, adequate and reliable supply of electricity. This goal continues to be evasive in most of the Caribbean regions, partly because of system losses that continuously plague them.

System loss can be defined as the difference between the total output energy delivered by the generators (Net Generation) and that actually sold to the customers (Sales). These losses are comprised of two essential components: Technical and Non-Technical losses.

Technical losses are related to the physical nature of the equipment and the infrastructure of the power system, i.e. copper loss, transformer, switches, connections, etc. In contrast, Non Technical losses are caused by actions external to the power system. Possible reasons are:

- I. Electricity theft
- II. Faulty Metering Equipment
- III. Consumers connected but not on the billing data base
- V. Incorrect Installations
- VI. Improper account set-up
- VII. Billing Errors and Omissions



Meter reader, Regis, on the job

To head up this initiative, Mr. Glen Phillip was given the position of Loss Reduction Co-ordinator. He forged ahead with technician Israel Jeremiah and with assistance from other individuals and departments. They achieved impressive results.

Also complementing this major drive was the installation and commissioning of a new Distribution line to the load centre in the south of the Island, which reduced technical losses on the lines.

Work Undertaken:

- 1: Capacitor placement on the Distribution System
- 2: Reconductoring of Distribution Lines
- 3: Load Management
- 4: Metering Audits and Testing
- 5: Improved Meter reading Accuracy
- 6: Billing Audits & Investigations.



Hats Off to The Loss Reduction Team! - cont'd

Mr. Phillip said the combined effort of each person/department focused on a specific area, which contributed to a net reduction on the system. He added that the process and teamwork are ongoing and flexible, because the benefits must be sustained.

The Planning Department, led by its Manager Don Forsyth, was faced with the task of load management and capacitor placement. Load management entailed configuring the feeders such that the efficiency of the system can be optimized. As a means of improving the power factor on the system, an aggressive capacitor placement programme was undertaken, leading to the placement of fixed and switched capacitors. This improved the system power factor from an average of 0.88 to 0.91.

Parts of the Gouyave feeder were reconductored by the Distribution Department, under the leadership of Manager, Eric Williams. The small conductors were replaced with larger conductors in an effort to reduce the voltage drop and increase the current carrying capacity of the feeder.

In addition, a joint operation was undertaken with the Customer Services Department and the metering division to check all meters that were registering zero (a phenomenon birthed largely by Ivan). During this operation, all the meters that were not in use on the system were removed and all meters found malfunctioning were replaced. Consumers that were not metered had meters installed and checks on the accuracy of the meters for some of the large consumers were done.

To complete the circle the meter readers had to ensure that all the meters on the system were read accurately and the billing section ensured that all the consumers were billed accurately.

The result of this combined effort of the entire GRENLEC team brought positive results by reducing system losses to a new low of 9.62%.



Reconductoring Gouyave Feeder



Israel Jeremiah and Kester Lewis conduct analysis of power consumption at a customer's premises



Wendy preparing bills for dispatch



Meter Readers Set New Record for Meter Reading

The accurate reading of customers' meters is critical for accurate billing and when the Company is unable to read these meters, it must estimate the usage, which then becomes a major source of complaints by customers.

In the aftermath of hurricane Ivan the meter readers faced major challenges, and the level of unread meters was as high as 30%. The major setback was the non-location of meters: some were put away by homeowners perceptibly, until they rebuilt, some were given away to persons who recovered early and needed electricity, others went unseen among debris etc. Also, the usual problems of inaccessible properties, ferocious dogs, and unfavorable weather continued.

As the months passed, the levels of unread meters declined as meter readers worked assiduously. By the end of 2005 they reduced the level of unreads to 5.6%. In 2006 they were challenged to achieve a further reduction, and to support this drive, an incentive programme was introduced in the Customer Services Department. It was geared to recognize and reward outstanding meter reading performance. A photo



Meter Readers in Hand Held Training Seminar

with citation of the best quarterly performer was mounted in the Customer Service area. This seemingly small gesture had a motivating effect on the readers, who engaged in friendly rivalry and watched their figures drop further.

Andy Murray and Jamason Pilgrim were early leaders and Andy retained the top position for the four quarters with his last unread figure as of December, 2006, being 0.05%. Jamason followed close at the heels with 0.43% for the same period, while Paul Isaac registered 1.28%.

The overall level of unread meters, at December 2006 was reduced to 1.9%, setting a new record of performance. All other readers ended the year with unreads below 4% which is a great achievement.

We express special commendation to all our meter readers. The GRENLEC family salutes you for a job well done!



*Standing from left to right: Andy Murray, Cyrone Fraser, Hyacinth Gabriel, Paul Isaac, Fabian Francis, Tyrone Alexander, Matthew Jeremiah (new)
Sitting from left to right: Shawn Mitchell, Roy Charles, Winston Regis, Jamason Pilgrim.*



Power Factor: More Than Electricity

In electrical engineering, the term power factor speaks of the ratio between real power and apparent power in a circuit. Primarily low power factor loads increase losses in a power distribution system and results in increased cost for electrical energy use.

Well, some employees in GRENLEC took their job consciousness to the hilt and named their music band Power Factor.

The band provided entertainment at the Company's Annual Awards and Retirement Ceremony and was highly appreciated by colleagues and friends in attendance.

With a little more practice they could become a force to reckon with on the local music landscape!



The outfit comprised Joseph Neckles, Control Operator in the vocals as well as Hanney Alexis Admin Assistant. Wendy Lett on the shack-shack and in the vocal line, Ranna Rogier, General Clerk, another back up singer. Andy Murry and Roy Charles, Meter Readers; Lawrence Ross, Mechanic; Maurice Neptune, Switchboard Operator all played guitars interchangeably. Technician, Isreal Jeremiah and Manager, Planning and Engineering Don Forsyth, were instrumental in bringing the group together with a few friends from outside.





The Grenlec Five Year Strategic Plan

Putting People in the Picture

In the first quarter of the year, the Company released its 5-year business plan which provides the foundation and direction for GRENLEC for that period and sets targets for achieving high but realistic levels of operational, financial and human performance up to 2010.

It documents the Company's purpose for being, who we are, where we want to go and how we intend to get there over the long term. It articulates the key philosophies, concepts, ideas and directions which, when put into effect, profoundly shape the nature and face of our business.



Business Plan being examined by Brian Hutchinson

The plan, produced in-house, has its genesis in the strategic planning session conducted by GRENLEC in October 2002, when a Five-year Strategic Plan was developed for updating each year. Hurricane Ivan changed both the physical and economic landscape and severely derailed the original plan. In light of the new realities, a different sustainable direction had to be charted to take us out of the crisis and put us back on a path of growth and development.



Hotline training

Since the broad approaches to be taken in attaining our long term objectives cannot be achieved without the "highly trained and motivated staff", referenced in the Company's Mission Statement, we focused this year on staff training and development. Every department had some of its staff trained. Sessions covered the following areas:

- * Leadership for managers
- * Level 3 & 4 Lineman Training
- * Hotline Training for Linemen
- * First Aid for all Staff
- * Electrical Safety for Supervisors
- * Attitude & Professionalism in the Workplace
- * Time Management
- * Administrative Professional Programme
- * Electrical Grounding & Bonding, Power Quality & Lighting Protection
- * Achieving Extra-Ordinary Customer Service



Lawrence Ross and Irvin George in Finland

The document also specifies performance targets to be met in customer service delivery. To buttress these achievements, we have started the design of a customer service transformation plan soon to be completed and implemented.



Renewable Energy: Where Are We?

Plans for the establishment of a wind farm are well underway. Discussions have been held with Tennessee Valley Infrastructure Group (TVIG) to lead the project. After the initial study and preliminary testing for wind availability, at least two sites have been identified for possible harvesting. One of them is the River Antoine area. Legal and other lease arrangements are currently under negotiation.

The Company has purchased two wind stations and is awaiting the conclusion of negotiations in order to set them up for further testing of wind consistency. Once the project becomes a reality, it is envisioned that about 12 wind towers will be constructed with an installed capacity of 3 MW.

The towers occupy minimal acreages and farmers will continue to work their lands beside/under these structures, while earning an income from the leasing of their properties.

About one year of public relations is recommended for educating the public on the value and other matters related to wind power prior to construction of the towers.

GRENLEC is apace with many other regional countries taking this initiative.

Statistics from the Caribbean Association of Electric Utilities (CARILEC)*show that a number of electric utilities that currently use fossil fuel are exploring renewable energy. This is an effort to promote a cleaner environment and an energy mix that is as diverse as is practical, efficient and sustainable, taking the least cost of supply of electricity into consideration. They include:



*Wind farm in Idaho USA, visited by our Chief Engineer,
Mr. Clive Hosten*

Wind Turbines: Existing Wind Farms:- Jamaica and Curacao

Wind Farms also in Guadeloupe and Martinique (not CARILEC member)

Feasibility Studies with Wind Measurement:- Studies and wind measurement data collection in Aruba, Barbados Studies and wind measurement data collection in Aruba, Barbados, Dominica, Grand , Dominica, Grand Cayman, Grenada, Guyana, Nevis, Puerto Rico, St. Kitts, St. Lucia, Cayman, Grenada, Guyana, Nevis, Puerto Rico, St. Kitts, St. Lucia, St. Vincent.



Renewable Energy: Where Are We? - cont'd

Within the next two years

Barbados, Guyana & Puerto Rico are at a close stage of having wind farms.

Feasibility Studies: All other utilities have done some sort of feasibility study in varying detail.

It is the company's hope that this project will become a reality within the next three years.

- * **Carilec comprises 30 Full (Utility) Members from 28 countries in the Caribbean Region, 4 Affiliate Members and 48 Associate Members (companies that provide equipment, materials and services to the utilities).**



Auditors' Report

Pannell Kerr Forster
Chartered Accountants



Worldwide

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Report of the Auditors to the Members of Grenada Electricity Services Limited

We have audited the accompanying Balance Sheet at 31st December, 2006 and the related Statements of Income, Changes in Shareholders' Equity and Cash Flows for the year then ended. These financial statements are the responsibility of those charged with governance. 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above as set out on pages 32 to 42 present fairly in all material respects, the financial position of the Company at 31st December, 2006 and the results of its operations for the year then ended in conformity with International Financial Reporting Standards.

GRENADA
9th March, 2007

Chartered Accountants



Balance Sheet

At 31st December, 2006

(Expressed in Eastern Caribbean Currency Dollars)

2006 Annual Report

	Notes	2006 \$	2005 \$
ASSETS			
Current Assets			
Cash and due from banks		2,767,214	3,569,640
Accounts receivable	3	29,243,125	22,599,529
Segregated retirement investment		11,166,527	10,756,968
Inventories	4	15,949,487	18,534,699
Prepayments		771,611	500,471
		59,897,964	55,961,307
Investments	5	1,737,947	1,703,709
Property, Plant and Equipment	6	99,899,427	72,248,748
Suspense, jobs in progress		732,324	672,335
Capital work in progress	7	1,264,696	20,274,586
Deferred exchanges loss		1,455,050	-
TOTAL ASSETS		164,987,408	150,860,685
Liabilities and Shareholders' Equity			
Current Liabilities			
Bank overdraft		4,304,038	5,000,263
Amount due to related company	13	127,116	1,324,441
Current portion of long-term debt	8	6,697,990	5,706,312
Accounts payable and accrued expenses		10,614,360	15,033,799
Consumers' deposits		5,788,148	5,415,198
Consumers' advances for construction		1,189,989	1,631,255
Current portion of provision for retirement benefits		500,000	500,000
Provision for profit sharing		2,617,063	1,543,733
Provision for income tax		2,702,497	435,879
		34,541,201	36,590,880
Provision for Retirement Benefits		14,416,337	13,070,301
Long Term Debt	8	52,890,578	43,198,905
		101,848,116	92,860,086
Shareholders' Equity			
Stated capital	9	32,339,840	30,830,464
Share premium	10	-	1,509,376
Revaluation reserve	11	3,828,527	3,828,527
Retained earnings		24,970,925	21,832,232
		61,139,292	58,000,599
Provision for Hurricane Insurance Reserve	12	2,000,000	-
		63,139,292	58,000,599
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		164,987,408	150,860,685

The notes on pages 36 to 42 form part of these financial statements

Director

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Director



Statement of Income

For the year ended 31st December, 2006

(Expressed in Eastern Caribbean Currency Dollars)

	2006 \$	2005 \$
INCOME		
Sales - non fuel charge	60,183,380	52,900,135
- fuel charge	65,933,851	47,642,123
Unbilled sales adjustments	487,217	2,456,984
	126,604,455	102,999,242
Total Sales		102,999,242
Sundry revenue	1,448,125	2,032,446
Profit on disposal of fixed assets	-	23,768
	128,052,580	105,055,456
OPERATING COSTS		
Production costs	15,941,528	12,882,946
Fuel consumed	64,248,149	51,166,856
Provision for hurricane insurance reserve	2,000,000	2,000,000
Distribution services	12,306,561	16,788,998
Planning and engineering	1,142,172	949,475
	95,638,410	83,788,275
Administration	12,890,798	11,290,392
Profit for year before interest	19,523,372	9,976,789
Deduct: interest	4,605,043	3,595,638
	14,918,329	6,381,151
OTHER CHARGES		
Loss on disposal of fixed assets	200,364	-
Donations	735,898	319,058
Profit sharing	3,136,756	2,216,521
	4,073,018	2,535,579
Profit for year before income tax	10,845,311	3,845,572
Deduct: Provision for income tax	2,766,618	1,456,881
Profit for year after income tax	8,078,693	2,388,691
Earnings per share	0.43	0.13

The notes on pages 36 to 42 form part of these financial statements



Statement of Changes in Shareholders' Equity

For the year ended 31st December, 2006

(Expressed in Eastern Caribbean Currency Dollars)

	Stated Capital	Revaluation Reserve	Share Premium	Retained Earnings	Total
Balance at 1st January, 2005	30,830,464	3,828,527	1,509,376	19,443,541	56,611,908
Profit for the year after income tax	-	-	-	2,388,691	2,388,691
Balance at 31st December, 2005	30,830,464	3,828,527	1,509,376	21,832,232	58,000,599
Dividends paid	-	-	-	(4,940,000)	(4,940,000)
Profit for the year after income tax	-	-	-	8,078,693	8,078,693
Reallocation	1,509,376	-	(1,509,376)	-	-
Balance at 31st December, 2006	\$32,339,840	\$3,828,527	\$-	\$24,970,925	\$61,139,292

The notes on pages 36 to 42 form part of these financial statements



Statement of Cash Flows

For the year ended 31st December, 2006
(Expressed in Eastern Caribbean Currency Dollars)

2006 Annual Report

	2006 \$	2005 \$
Operating Activities		
Profit before income tax	10,845,311	3,845,572
Adjustments for:		
Depreciation	12,459,565	11,590,947
Loss/(profit) on disposal of fixed assets	200,364	(23,768)
	3,505,240	15,412,751
Changes in Operating Assets/Liabilities		
Increase in receivables and prepayments	(6,914,736)	(330,214)
(Decrease)/increase in accounts payable and accrued charges	(4,487,755)	1,176,930
Increase in provision for retirement benefits	1,346,036	1,313,073
Decrease/(increase) in inventory	2,585,212	(6,547,568)
(Decrease)/increase in related company balance	(1,197,325)	999,138
Increase/(decrease) in provision for profit sharing	1,073,330	(632,654)
Income tax paid	(500,000)	-
Cash provided by operating activities	15,410,002	11,391,456
Investing Activities		
Decrease in investments	263	1,091,477
Disposal of fixed assets	195,443	91,100
(Increase)/decrease in suspense jobs in progress	(59,989)	369,292
Decrease/(increase) in capital work in progress	19,009,890	(16,135,668)
(Increase)/decrease in short term investments	(34,501)	5,061,771
Increase in segregated investment	(409,559)	(21,182)
Increase in consumer contribution to line extension	11,434	228,463
Purchase of fixed assets	(40,517,485)	(4,854,745)
Cash used in investing activities	(21,804,504)	(14,169,492)
Financing Activities		
Deferred exchange loss	(1,455,050)	-
Loan proceeds	16,437,626	15,163,358
Dividends paid	(4,940,000)	-
Increase/(decrease) in provision for hurricane insurance reserve	2,000,000	(5,584,664)
Repayment of loan	(5,754,275)	(4,809,958)
Cash provided in financing activities	6,288,301	4,768,736
Net (decrease)/increase in cash and cash equivalents	(106,201)	1,990,700
Net overdraft - at the beginning of year	(1,430,623)	(3,421,323)
Net overdraft - at the end of year	(1,536,824)	(1,430,623)
Represented by		
Cash and due from banks	2,767,214	3,569,640
Bank overdraft	(4,304,038)	(5,000,263)
	(1,536,824)	(1,430,623)

The notes on pages 36 to 42 form part of these financial statements



Notes to the Financial Statements At 31st December, 2006

(Expressed in Eastern Caribbean Currency Dollars)

1. Registration and Principal Activity

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

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

2. Significant Accounting Policies

(a) Basis of Accounting

These financial statements are expressed in Eastern Caribbean Currency Dollars and are prepared on the historical cost convention. The accounting policies conform with International Financial Reporting Standards (IFRS) in all material respects.

(b) Use of Estimates

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

(c) Foreign Currencies

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

EC\$2.7169 to US\$1.00	-	(2005: EC\$2.7169)
EC\$3.7570 to Euro 1.00		

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

(d) Fixed Assets

Some fixed assets are stated at historical cost. The Company's land, Queen's Park building and generation equipment were revalued by professional valuers in 1989 while the Company's assets in Carriacou were revalued by professional valuers in 1994. These valuations were accepted by the Directors and included in the fixed assets. Depreciation is provided on the straight line basis over the estimated useful lives of the depreciable assets at the following rates:-

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



Notes to the Financial Statements At 31st December, 2006

(Expressed in Eastern Caribbean Currency Dollars)

2. Significant Accounting Policies - cont'd

(e) Stores

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

(f) Provision for Bad and Doubtful Debts

Provision is made based on 2% of Annual Gross Sales. Accounts are written off against the provision when they are considered to be bad. The total provision at 31st December, 2006 amounted to EC\$3,690,757 (2005 - EC\$2,831,133). Included therein is a specific provision of \$633,319 on consumer accounts and \$399,103 on other debtors.

(g) Consumers' Contribution to Line Extension

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

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

(h) Provision for Unbilled Sales

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

The provision and adjustment with comparatives at 31st December, 2006 are calculated as follows:

	2006 \$	2005 \$
Sales revenue for December after discounts	10,531,059	9,556,625
50% of above = provision at 31/12/06	5,265,530	4,778,313
= provision at 31/12/05	4,778,313	2,321,329
Increase/(decrease) in provision during the year	487,217	2,456,984

(i) Investments

Available for Sale

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

Held to Maturity

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



Notes to the Financial Statements

At 31st December, 2006

(Expressed in Eastern Caribbean Currency Dollars)

3. Accounts Receivable

	2006	2005
	\$	\$
Consumers' accounts	24,953,074	18,231,441
Less: Provision for doubtful debts	3,251,654	2,411,041
	21,701,420	15,820,400
Provision for unbilled sales	5,265,529	4,778,313
Other debtors	2,276,176	2,000,816
	29,243,125	22,599,529

4. Stores

The following is a breakdown of stock on hand

Motor vehicle spares	454,462	460,449
Distribution	10,178,866	12,817,840
Generation spares	4,363,980	4,187,855
Fuel and lubricating oil	338,659	339,089
General stores	1,747,383	2,021,391
Stationery	42,615	62,604
	17,125,965	19,889,228
Less: Obsolescence provision	1,176,478	1,354,529
	15,949,487	18,534,699

5. Investments

Available for sale

536 ordinary shares in the Republic Bank of Grenada Limited

Government of Grenada Treasury Bills

Short Term - held to maturity

Certificates of Deposit

US\$ - Certificate of Deposit

	16,080	16,080
	847,737	848,000
	863,817	864,080
	869,975	835,474
	4,155	4,155
	874,130	839,629
	1,737,947	1,703,709



Notes to the Financial Statements

At 31st December, 2006

(Expressed in Eastern Caribbean Currency Dollars)

6. Fixed Assets

	Land	Building & Construction	Plant & Machinery	Motor Vehicles	Furniture & Equipment	Total
Balance at January 1st, 2006						
Cost	285,826	21,526,479	77,273,548	8,232,402	6,909,516	114,227,771
Valuation	1,114,336	3,286,716	48,524,123	-	-	52,925,175
Additions for the year	1,400,162	24,813,195	125,797,671	8,232,402	6,909,516	167,152,946
Sales/disposals	67,306	39,852	36,885,003	304,250	3,221,074	40,517,485
	-	-	(4,951,202)	(758,465)	(1,855,397)	(7,565,064)
Balance at December 31st, 2006	1,467,468	24,853,047	157,731,472	7,778,187	8,275,193	200,105,367
ACCUMULATED DEPRECIATION						
Balance at January 1st, 2006	-	9,856,197	67,481,402	6,307,882	5,106,211	88,751,692
Charge for year	-	1,226,993	9,526,472	975,104	730,996	12,459,565
Written back on sales/disposals	-	-	(4,721,638)	(629,589)	(1,818,030)	(7,169,257)
Balance at December 31st, 2006	-	11,083,190	72,286,236	6,653,397	4,019,177	94,042,000
Balance at December 31st, 2006	1,467,468	13,769,857	85,445,236	1,124,790	4,256,016	106,063,367
Less: Consumer contribution to line extension	-	-	-	-	-	(6,163,940)
Net Book Value - December 31st, 2006	\$1,467,468	\$13,769,857	\$85,445,236	\$1,124,790	\$4,256,016	\$99,899,427
Balance at December 31st, 2005	1,400,162	14,956,998	58,316,269	1,924,520	1,803,305	78,401,254
Less: Consumer contribution to line extension	-	-	-	-	-	(6,152,506)
Net Book Value - December 31st, 2005	\$1,400,162	\$14,956,998	\$58,316,269	\$1,924,520	\$1,803,305	\$72,248,748



Notes to the Financial Statements

At 31st December, 2006

(Expressed in Eastern Caribbean Currency Dollars)

7. Capital work in progress

	2006	2005
	\$	\$
Generation	162,458	-
Software upgrades	78,553	1,544,701
Building and construction	575,393	600,093
Distribution	448,292	31,958
Transmission project	-	1,518,668
Power station expansion - Queen's Park	-	16,579,166
	1,264,696	20,274,586

8. Loan Capital

	Balance at 31/12/06	Instalments due within one year	Net Long Term Debt	
	\$	\$	2006	2005
			\$	\$
(a) European Investment Bank (EIB)				
Loan (i)	5,135,790	966,934	4,168,856	5,135,790
Loan (ii)	12,149,000	-	12,419,000	-
	17,284,790	936,934	16,317,856	5,135,790
(b) FINCOR				
Loan 1	12,304,248	2,064,690	10,239,558	12,600,392
Loan 2	15,288,151	2,523,638	12,764,513	15,008,334
	27,592,399	4,588,328	23,004,071	27,608,726
(c) National Insurance Scheme	14,711,379	1,142,728	13,568,651	10,454,389
	\$59,588,568	\$6,697,990	\$52,890,578	\$43,198,905

(a) European Investment Bank (EIB)

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

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



Notes to the Financial Statements At 31st December, 2006

(Expressed in Eastern Caribbean Currency Dollars)

8. Loan Capital (cont'd)

- (b) The total loan commitment from FINCOR is EC\$50,000,000 of which EC\$43,806,721 was drawn down while \$16,214,322 was repaid at balance sheet date. The loans are repayable over ten (10) years. Loan (1) bears interest at the rate of 8.80% per annum, while the rate on loan (2) is 9% per annum.
- (c) The loan commitment is EC\$15,316,523 was fully drawn down during the financial year. The loan bears interest at the rate of 7.0% per annum. Repayment of the loan is over ten (10) years with quarterly payments of \$535,650.84 inclusive of interest.

9. Stated Capital

	2006 \$	2005 \$
Authorised 25,000,000 ordinary shares	40,566,400	40,566,400
Issued 19,000,000 ordinary shares of no par value	32,339,840	30,830,464
10. Share Premium Arising on the sale of 4,000,000 ordinary shares	-	1,509,376

The share premium balance was transferred to the capital account in accordance with Section 31 (2) of the Companies Act 1994

11. Revaluation Reserve

	2006 \$	2005 \$
Balance at 31st December, 2006	3,828,527	3,828,527

12. Provision for Hurricane Insurance Reserve

Balance at January 1st, 2006	-	5,584,664
Add: Transfer during the year	2,000,000	2,000,000
	2,000,000	7,584,664
Less: Expenses incurred during the year	-	7,584,664
Balance at December 31st, 2006	2,000,000	-



Notes to the Financial Statements

At 31st December, 2006

(Expressed in Eastern Caribbean Currency Dollars)

13. Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial operating decisions. This amount of \$127,116 is due to WRB Enterprise Inc for management fees and expenses incurred on the Company's behalf.

14. Financial Instruments

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

(a) Interest Rate Risk

Interest rate risk is the risk of loss arising from changes in prevailing interest rates. The company manages this risk by borrowing at fixed interest rates as disclosed in note 8.

(b) Credit Risk

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

15. Contingent Liability

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

16. Deferred Exchange Loss

This represents the difference arising on the revaluation of the balance sheet of the European Investment Bank Grenlec 111 Loan at the exchange rate of 3.7570 at the Balance Sheet date. The average rate existing on the dates the draw downs were received was 3.3419

17. Administrative Expenses

Included in administrative expenses is an amount of \$945,285.93 being payment by the Company in full settlement of a public liability claim. The total judgement debt on Civil Appeal No. 13 of 2005 was \$2,010,370.60. The Company's insurers, Caribbean Alliance Insurance Company Limited bears the balance of the judgement.



Five-Year Financial Record 2002-2006

	2006 EC\$	2005 EC\$	2004 EC\$	2003 EC\$	2002 EC\$
Income	128,052,580	105,055,456	81,100,406	88,732,614	77,031,563
Profit Before Taxes	10,845,311	3,845,572	4,067,446	10,957,613	9,904,290
Taxation	2,766,618	1,456,881	1,300,439	3,129,618	2,387,081
Net Profit	8,078,693	2,388,691	2,767,007	7,827,995	7,517,209
Shareholders Equity	61,139,292	58,000,599	55,611,935	56,644,928	56,416,933
Represented by:					
Total Assets	164,987,408	150,860,685	139,208,690	143,464,672	147,504,297
Total Liabilities	101,848,116	92,860,086	78,012,091	74,819,744	81,087,364
Hurricane Reserve	2,000,000	0	5,584,664	12,000,000	10,000,000
Net Assets	61,139,292	58,000,599	55,611,935	56,644,928	56,416,933
Financial Ratios					
No. of shares	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000
Return on Shareholders' equity	13.21%	4.12%	4.98%	13.82%	13.32%
Earnings Per Share	0.43	0.13	0.15	0.41	0.40
Dividends Per Share	0.26	0.00	0.20	0.40	0.40
	US\$	US\$	US\$	US\$	US\$
Income	47,426,881	38,909,428	30,037,187	32,863,931	28,530,209
Profit Before Taxes	4,016,782	1,424,286	1,506,461	4,058,375	3,668,256
Taxation	1,024,673	539,586	481,644	1,159,118	884,104
Net Profit	2,992,109	884,700	1,024,817	2,899,257	2,784,152
Shareholders' Equity	22,644,182	21,481,703	20,597,013	20,979,603	20,895,160
Represented By:					
Total Assets	61,106,447	55,874,328	51,558,774	53,135,064	54,631,221
Total Liabilities	37,721,524	34,392,624	28,893,367	27,711,016	30,032,357
Hurricane Reserve	740,741	0	2,068,394	4,444,444	3,703,704
Net Assets	22,644,182	21,481,704	20,597,013	20,979,604	20,895,160
Financial Ratios					
No. of shares	19,000,000	19,000,000	19,000,000	19,000,000	
Return on Shareholders' equity	13.21%	4.12%	4.98%	13.82%	13.32%
Earnings Per Share	0.16	0.05	0.05	0.15	0.15
Dividends Per Share	0.10	0.00	0.15	0.15	0.15



Five-Year Operational Record 2002-2006

	2006	2005	2004	2003	2002
Production And Sales					
Gross Generation (kWhs)	173,490,255	153,701,824	141,617,565	165,659,322	153,302,672
Auxillaries & Own Use	6,328,617	6,394,987	5,695,582	6,417,914	4,283,512
Net Generation	167,161,638	147,306,837	135,921,983	159,241,408	149,019,160
Sales (kWhs)					
Domestic	60,088,936	49,945,747	48,358,278	56,419,868	52,750,021
Commercial	81,989,564	73,542,437	70,354,979	74,370,642	68,628,200
Industrial	5,903,123	5,673,959	4,571,556	5,284,226	5,916,313
Street Lighting	3,026,004	2,409,053	2,225,943	2,217,532	1,919,062
Total Sales	151,007,627	131,571,196	125,510,756	138,292,268	129,213,596
Loss (% of Net Generation)	9.66%	10.68%	7.66%	13.16%	13.29%
Number of Customers at Year - End					
Domestic	32,087	29,119	13,510	31,707	30,674
Commercial	4,656	4,250	2,740	4,690	4,512
Industrial	36	33	20	40	39
Total Customers	36,779	33,402	16,270	36,437	35,225
Average Annual usage per Customer Class (kWh)					
Domestic	1,873	1,715	3,579	1,779	1,720
Commercial	17,609	17,304	25,677	15,857	15,210
Industrial	163,976	171,938	228,578	132,106	151,700