



Panoramic view of the berth of the New Cruise Ship Terminal with ship in port.  
Reconstruction of the National Stadium in progress.  
Bruce Bain Power Plant in foreground after two hurricanes.

*A depiction of "Regainig Stability Together".*

*(St. George's - Grenada)*



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

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## 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  
Daniel 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:

**National Commercial Bank of Grenada Limited**  
NCB House, Grand Anse, St. George's, Grenada, West Indies.  
**RBT 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.

## Solicitors:

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

## Auditors:

**Pannell Kerr Forster - Chartered Accountants**  
Pannell House, Grand Anse, St. George's, Grenada, West Indies.

## Registrar:

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

# Notice of Meeting

**Notice is hereby given** that the Forty-Seventh Annual Meeting of Shareholders of Grenada Electricity Services Limited will be held at the Grenada Grand Beach Resort, Grand Anse, St. George's, on Tuesday, May 9th, 2006 at 4:30 p.m. to:

1. Receive the Annual Report, the Audited Financial Statements for the year ended December 31, 2005 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 3rd day of April, 2006

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 instead of him/her. 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 11th, 2006 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



- 1 **Mr. G. Robert Blanchard Jr**, Chairman
- 2 **Mr. Malcolm Harris**, Vice Chairman
- 3 **Mr. Vernon Lawrence**, Managing Director
- 4 **Mr. Nigel Wardle**, Director
- 5 **Mr. Ashton Frame**, Director
- 6 **Mr. Nelson Louison**, Director
- 7 **Mr. Arthur Campbell**, Director
- 8 **Mr. Daniel Curtis**, Director
- 9 **Mr. Lawrence Samuel**, Director
- 10 **Mr. Alister Bain**, Director
- 11 **Mr. Ronald Roseman**, Director
- 12 **Mr. Chester Palmer**, Director



- 1 **Mr. Vernon Lawrence**, Managing Director & Chief Executive Officer
- 2 **Mr. John McDonald**, Manager - Carriacou & Petite Martinique
- 3 **Mr. Erwin Roden**, Manager - Generation
- 4 **Mr. Glenn Phillip**, Co-ordinator, Loss Reduction & Joint Pole
- 5 **Mrs. Zarah Chase**, Manager - Corporate Communications
- 6 **Mr. Philbert Lewis**, Manager - Human Resources
- 7 **Mr. Jeffrey Neptune**, Manager - Information Technology
- 8 **Mrs. Cassandra Slocombe**, Manager - Customer Services
- 9 **Mr. Benedict Brathwaite**, Financial Comptroller
- 10 **Mr. Don Forsyth**, Senior Electrical Engineer
- 11 **Ms. Claudia Alexis**, Director - Customer Services/Corporate Secretary
- 12 **Mr. Clive Hosten**, Chief Engineer
- 13 **Mr. Eric Williams**, Acting Manager - Distribution

# Chairman's Report



*G. Robert Blanchard Jr. - Chairman*

My Fellow Stakeholders,

It is with a great sense of pride and fulfillment that I reflect on the 2005 financial year. A year of recovery and stabilization as we rebuilt the Company after the devastation by Hurricane Ivan in 2004. It was a year to rebuild the distribution infrastructure, stabilize our financial position, and assist our staff in rebuilding their own homes and recover from the trauma of the disaster.

The year started with the continuation of the restoration of our distribution infrastructure, which was severely damaged by the hurricane. By April 2005, we were happy to have electricity available to all our customers who had completed the rebuilding of their facilities to safely access power from our system.

However, the Hurricane season of 2005 brought another adversity, as Grenada was again hit by Emily in July 2005, just 10 months after Ivan.

The Company was not daunted by the additional challenges, our confidence did not waiver and our staff worked relentlessly to restore power to all the areas which were hit by Emily. Carriacou suffered the brunt of the

wrath of Emily and we had to provide logistic, material and human support to the sister isle. In three weeks, all four feeders which comprise the island's distribution system were back to normal.

Within a few weeks, on the mainland, we were back in a position to continue to serve all our customers who were ready to access electricity. It is within this context, that our Company's performance generated widespread recognition and respect in the year under review.

On behalf of the Board of Directors, I must pay tribute to the Chief Executive and his hard working team of 200 employees for this outstanding performance. As we end the year, the distribution system is fully restored and rehabilitated to provide more reliable service to the people of Grenada and a more robust infrastructure in place to withstand future windy conditions.

We have seen our sales recover to ninety six (96%) of pre-Ivan levels. We have also seen profitability and stabilization of our cash flow position despite the depletion of our reserves, occasioned by the absence of insurance to cover the post-hurricanes restoration costs.

We are truly pleased to have been profitable after clearing all our hurricane expenses and can now look forward to increased profitability in 2006. This will put us in a position to start to provide investment returns to our valued shareholders early in 2006.

Our Company's performance in rising to the challenge of providing the platform for the restoration of the Grenada economy has now placed us in the position of a Corporate Leader. Our reputation is now very strong. Our employees are energized and well positioned to improve our service delivery to the Grenadian people. Our purpose is well established - "we want to be a world-class energy service provider of which Grenadians



# Chairman's Report

will be proud". We are determined to maintain our status as an exemplary Corporate Citizen. We are leading by example and we are continuing to build confidence in Grenada.

We go forward, with the unstinting resolve to make GRENLEC the number one company in Grenada. We will continue to work tirelessly to provide first class energy services to the country's population and to support the communities in ways which can only redound to the bolstering of a sound national development agenda.

I extend my gratitude to all the Directors for their support during the year. I wholeheartedly thank the Management and Staff for their hard work and dedication during a particularly

challenging year. This tremendous dedication and support has enabled GRENLEC to bounce back quickly following the devastation of two hurricanes.

To our Customers and Shareholders who have suffered, we empathize with you and thank you for your continued loyal support. We are especially grateful to our Shareholders for their understanding and forbearance as they had to forfeit dividends while we got through this very difficult period.



*G. Robert Blanchard Jr. - Chairman*



*Vernon Lawrence - Managing Director & CEO*

The year 2005 can best be characterized as a year of recovery and rebuilding after the devastation of hurricane Ivan in September, 2004. The year started with 71% of the Company's distribution network rebuilt. Peak demand was at 16.8 MW, which represents 65.7% of the pre-Ivan level. The total number of customers connected at that time was 15,990, representing 42.7% of the total prior to Ivan.

The Company's major focus was therefore the full restoration of the distribution infrastructure and the reconnection of all customers whose facilities were in a state of readiness for the safe restoration of electricity.

We must say special thanks to our distribution personnel who worked relentlessly and achieved the target date of April 15, 2005 for full restoration of the distribution system. By this time, the peak demand had grown steadily to 21.5MW with 27,532 customers back on the power system.

Immediately thereafter the Company commenced a comprehensive rehabilitation program to ensure that the distribution system was made more robust to withstand any future hurricane.

On July 13, 2005, Emily a category one hurricane, struck the country. The system being more robust, withstood the challenge. Damage to the mainland was far less extensive than in Carriacou, where residents voluntarily provided valuable assistance in the restoration of the distribution system. Our line crews were thus able to restore all areas within three weeks and we extend sincere thanks to

the residents of Carriacou for their assistance and excellent demonstration of community spirit.

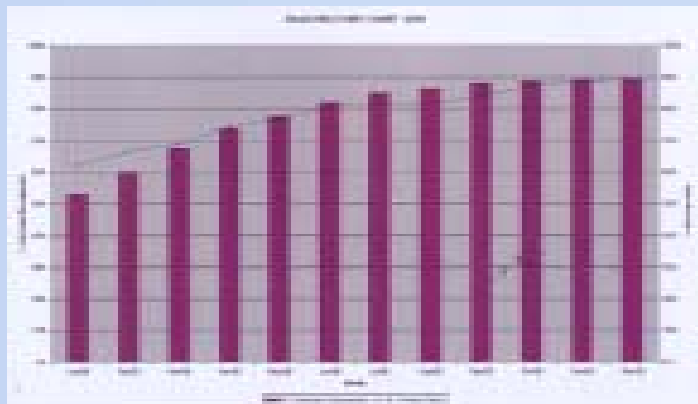
## Financial Review

The year of recovery and rebuilding applied not only to the Company's infrastructure but also its financial position to which special focus had to be given. At a time when the Company's customer base was seriously eroded and revenues severely depressed, expenses for the restoration of the infrastructure was at an all-time high. In the absence of any insurance coverage available for our outdoor plant, we faced major challenges in respect of our finances.

However, with solid support from our bankers and long-standing suppliers, the Company succeeded in steadily rebuilding its financial position and at the end of the year it showed remarkable recovery.

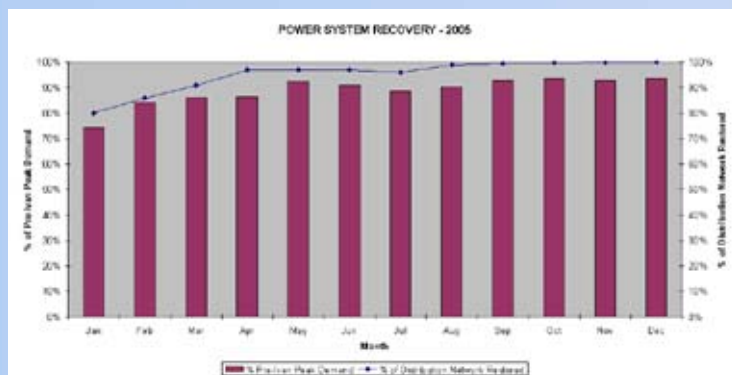
## Sales

In our thrust to restore the revenue base and maximize revenue flows to rebuild the Company's financial position, special focus was given to the reconnection of customers to the system in the fastest possible time. As such a Billing Recovery Project was introduced to account for every customer who was connected to the system prior to the hurricane and to ensure that all those who were reconnected were accurately billed. This project was very successful and resulted in sales at the end of the year being 132.2GWH,



exceeding sales for 2004 by 4.81% and the projections for 2005 by 5.07%.

The recovery was spectacular in all customer categories but the Industrial sector was most outstanding showing a 7.4% growth over pre-Ivan levels. Sales growth for commercial customers exceeded the targets by 8.6%, while that for residential customers fell marginally below the target by 1.53%.



## Revenues

With this recovery in sales, non-fuel revenue ended the year at \$52.9M, 5.23% above target, exceeding our 2004 performance by 5.12%. Fuel revenue for 2005 was \$47.6M, representing 30.31% increase over 2004 and along with other revenues resulted in total intake for the year being \$105.1M, an increase of 29.54% over 2004.

## Fuel Expenses

The year under review saw fuel prices rising to unprecedented levels on the world market peaking at over US\$70 per barrel in September 2005. For the year the average cost was \$6.27 per gallon, 41.7% more than the average price in 2004. This movement in fuel price pushed the fuel rates charged to our customers from an average price of 25.88 cents per KWh in 2004 to 36.93 cents in 2005, reflecting an increase of 42.70%. This resulted in fuel expenses being \$51.2M, exceeding fuel revenue of \$47.6M recovered from customers. This under-recovery was due to the ongoing increase in fuel price and the inherent time lag for the recovery of fuel cost during periods of rising prices. We are optimistic that fuel prices will decline in the New

Year, allowing the Company to recover the shortfall.

## Non-Fuel Expenses

There was an increase in our non-fuel operating expenses of 13.71% as compared to 2004. This was altogether due to the complete depletion of our hurricane reserves and the fact that all additional expenditures relating to the hurricane restoration had to be charged to operating expenses.

Hurricane expenses of \$7.58M were charged against the reserve during 2005. This meant that in the two years 2004 and 2005, \$16M of hurricane expense was debited to the reserve, reducing it to zero as at December 2005. In addition to this amount, an additional \$1.44M was charged to Distribution expenses, putting our total hurricane expense for the years 2004 and 2005 at \$17.44M.

Despite all these extra-ordinary expenses, the substantial revenue loss and the negative impact of rising fuel prices, the Company made pre-tax profits of \$3.8M for the year.

## Balance Sheet

At the end of the year, your Company's balance sheet was quite strong with total assets of \$150.8M, thereby showing an increase of 8.3% above the 2004 level of \$139.2M. This increase occurred mainly in capital work in progress that rose by \$16.1M as payments were made towards the purchase of the Wärtsilä generators. As we look to the future, this strong financial position will enable us to continue on our drive to maximize shareholders wealth both in terms of returns and increase in the value of your investment.

## Rate Change

In accordance with the Electricity Supply Act of 1994, there was an effective non-fuel rate reduction of 0.08% in 2005, as an increase in rates the previous year had not been applied. The RPI to December 2003 was 1.64% and this meant that with the formula of RPI-2 non fuel

charge rates had to be decreased. An application for this rate decrease was made through the Minister of Energy in September 2004 and this rate reduction was implemented as of January 2005.

## Bondholders

We must express our thanks to our Bondholders who, at a Bondholders meeting in December, unanimously approved our request that the European Investment Bank (EIB) be allowed a pari-passu arrangement in the assets that were secured under the \$50M bond issue. This allowed us to enter into agreements under the most favourable financial terms that were available for the acquisition of two Wartsila 8MW generators, which were needed to supply the increased demand projected for 2006.

## Listing on the Eastern Caribbean Stock Exchange

Another year has passed with the Company not achieving its long standing objective of being listed on the Eastern Caribbean Stock Exchange. This has not been achieved for any of the local companies because the requisite legislative changes remain to be made by the Grenada authorities.

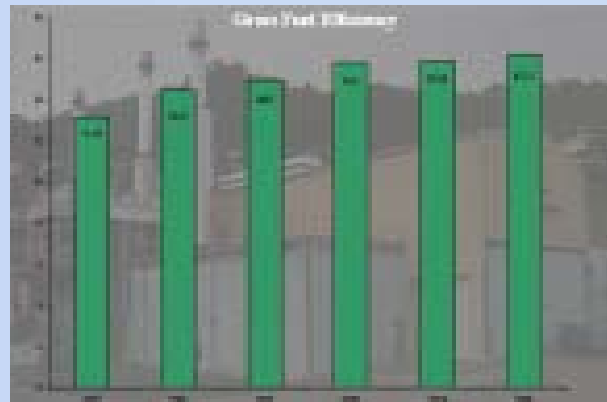
## Operations

### Generation

The generation infrastructure was able to withstand the force of another hurricane as Emily had no impact on the Company's generating capacity which stood at 37.6 MW, providing adequate reserve margin for the year during the period when each of our major units was out of service for major overhaul.

Peak Demand for the year rebounded as the distribution system was restored and by the end of the year the peak demand had climbed to 23.84MW, which represents 92 % of the pre-Ivan peak. Gross generation also surpassed the 2004 levels by 8.45%. Overall, fuel efficiency improved from 15.8kWh per Imperial gallon in 2004 to 16.2kWh/gallon, exceeding the target of 16.0KWh/gallon.

When hurricane Ivan struck in September 2004, your Company was in the process of finalizing a contract with Wartsila NSD for the purchase



of two 8 Mw engines. The contract was put on hold, pending the restoration of demand. With the increasing demand in the early part of 2005 and the depletion of our reserve capacity the contract was signed in April. The project is in its completion stage with commissioning scheduled for March 2006.

### Distribution

During the first quarter of 2005, all efforts were concentrated on the restoration of the distribution system. Our line crews, with the assistance of our friends from other Caribbean utilities, worked relentlessly to repair the distribution network. It was through their commitment, dedication and hard work that we were able to meet our date of April 15th for the complete rebuilding of the distribution network throughout the island of Grenada. Our congratulations go out to them once again for achieving this formidable task in record time.

The opportunity was also taken to upgrade the overhead network in accordance with our revised construction manual. Many new and improved materials and equipment were used in line with international standards.

A team from one of our neighboring Caribbean islands also assisted and trained our staff in the refurbishing of transformers for reuse on the system, affording us the opportunity to save on the purchase of new ones and equipping our staff to perform this activity on an ongoing basis.

## Transmission System Development

With the continuing development in the south of the island, it has been recognized that a transmission network will be required to meet this demand in the short to medium term. The timing of this transmission system has always been a critical aspect of GRENLEC's planning process and therefore the Company commissioned an internal study to review the distribution system and determine how to optimize its longevity, so that the transmission network would be developed and be ready for commissioning at the time needed.

During the hurricane restoration process, the Company took the opportunity to build one transmission line from Queen's Park to Grand Anse over the existing distribution lines which were being restored. This eliminated the need for outages which would be necessary if the work was not done during this restoration period.

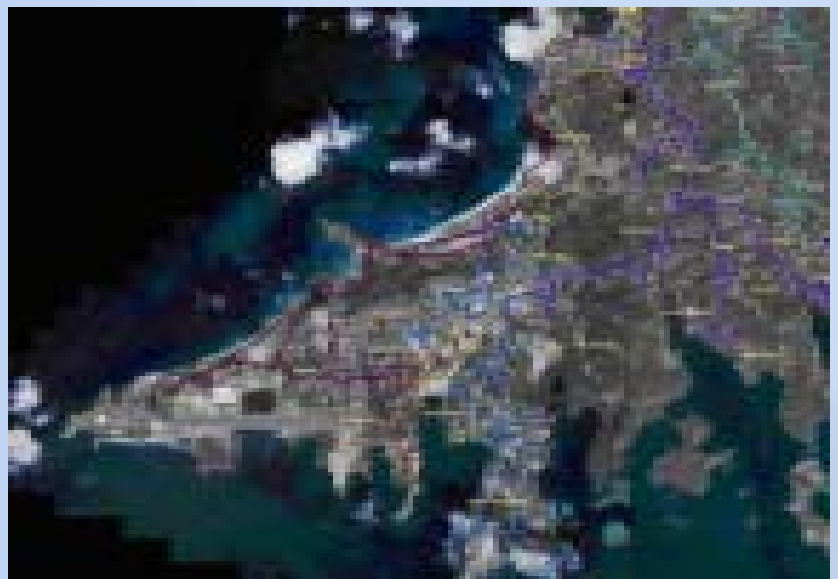
This transmission line was completed in September 2005 but because it is not yet ready for operation at 33KV, it was energized at 11KV and used as an express feeder to provide power to the south of the island. This will allow the Company to defer the completion of the transmission network. Based on the projected load growth, this network is now scheduled to be completed by the second quarter of 2007.

## Planning and Engineering

A number of underground design projects were undertaken in 2005. Detailed designs and material listings were prepared for an additional 11kV/400V sub-station at St. George's University (SGU), underground designs were also prepared for Melville Street and the reclaimed land at the new cruise ship facility, and the immediate perimeter of the Market Square. These projects are expected to be commissioned/constructed in 2006.

The first phase of the SCADA development project resumed after the restoration of electricity to the island. In this phase GRENLEC focused on 12 field devices to be controlled and monitored remotely from the System Control Room. All necessary hardware and software have been installed. This phase of the project will be completed, early in 2006.

Our Geographical Information System (GIS) effort facilitated the acquisition of a satellite imagery map of Grenada. This was utilized throughout the Company during the year. The image gives a view of the entire island upon which all GRENLEC assets are superimposed. The satellite image has proven very useful in the staking of many planned jobs. As a result of the many network changes made to the distribution system, a project was initiated to recapture and update the existing GIS data.



*Satellite imagery map with Transmission Line plotted*

Two-man crews are in the process of visiting every distribution HV pole and capturing all the relevant data that would lead to a detailed and updated GIS.

## System Losses

In 2005, GRENLEC continued its aggressive loss reduction campaign by focusing on both technical and non technical losses. A comprehensive HV capacitor placement drive was initiated and over 4500 kVARs of fixed and switched capacitors were installed. This marked the first time ever that GRENLEC has installed automatically switched capacitors. With the implementation of the Loss Reduction Program, losses were reduced to 10.67%, down from 13.15%, which was recorded prior to hurricane Ivan.

## Human Resources

The value of the Company's Human Resources was always at the forefront of the Company's plans as it continued to assist with the rebuilding of employees' homes during 2005. An assistance program was set up with contributions of \$270,467.00 from member utilities of CARILEC. Seventy-one of our two hundred employees benefited from that program. We sincerely thank the donors for their generous assistance.

As the Company embarked on its rebuilding program, it was reorganized to effectively face the new challenges of the post-Ivan era. Mr. Clive Hosten was promoted to the newly created position of Chief Engineer to direct all the technical operations of the Company and to ensure that the technical departments act as a team, supporting each other for optimum operational efficiency. Mr. Erwin Roden was employed to fill the vacancy of Generation Manager created by the promotion of Mr. Hosten.

In its continued pursuit to transform the Company to a world-class customer service organization, Miss Claudia Alexis was appointed Customer Services Director and Mrs. Cassandra Slocombe recruited as Customer Service Manager to give the necessary focus to Customer Service Operations.

Other appointments included the appointment of Mr. Jeffrey Neptune to the position of Information Systems Manager and Mr. Benedict Brathwaite to the position of Financial Controller.

During the year the Company continued its thrust in the training and development of staff. Several employees attended both external and internal training programs.

Promoting a culture of safety and wellness was also given special priority and the Generation Department received an award for working 1301 days without a loss time accident, while Carriacou and Petite Martinique received an award for achieving 1411 days. A program for health checks for all employees was also introduced to assist them in the early detection of any health related issues.

## Management Information System

Our Information Systems are constantly under review to make them more user-friendly and efficient. They drive all our business operations and therefore staff had to be constantly trained to meet these new requirements.

A new Customer Information System (CIS) was purchased from Advanced Utility Systems of Canada. It is expected to augment the delivery of service to GRENLEC's customers and is part of its program for providing first-class service. A new bill format will also be implemented as part of the new system. The new bill is expected to be more customer friendly and will provide much more information to our customers.

The Company is also upgrading its telecommunications infrastructure using fiber optic links to provide high-speed lines which will reduce communications cost, improve operational efficiencies and facilitate faster and more reliable electronic communication among our various departments. Additionally, these new optical links will serve to improve the reliability of GRENLEC's core information systems by providing the backbone on which critical pieces of data and information will be shunted for real-time backup and security.

We have also deployed an Enterprise Messaging service as part of our thrust to provide key employees with any-time, any-where access to its information systems. The PDA-like devices provide users with both telephone and email services from almost anywhere on the globe.

## Community Outreach

Despite the financial challenges of the year under review, we were still able to assist in meeting some critical needs in the community. The strategy was to focus our limited resources on rebuilding, education and providing psychological relief to the public at large.

The Company responded to a request by the Ministry of Education for a complement of computers to enable students to complete their secondary education. Thirty-six (36) systems were donated, to be shared among three schools. GRENLEC also provided equipment to the T. A. Marryshow Community College to help meet the reprographic needs of students and staff. A number of organizations, which provide scholarships for students, were given assistance. These include GRENCODA and the Grenada, Carriacou and Petite Martinique Fund for Needy Students.

The Company was also able to complete the rebuilding of a gazebo destroyed by Ivan and a fountain both situated at the Botanical Gardens. The rebuilding of these two structures was intended to replace some familiar landmarks and thus help lessen the psychological impact of hurricane devastation.

Your Company also co-sponsored a Gospel rally for the inspiration of hope.

In addition GRENLEC sponsored a number of sporting and cultural events and provided donations to over twelve (12) homes for the needy to help in the care of the nation's institutionalized aged persons and children.

## Outlook

The Company looks to the future with much optimism. The rebuilding process will continue and we project that sales will achieve pre-Ivan

levels by the end of the first quarter of 2006. Thereafter we envision continued growth and forecast that sales for 2006 will exceed that of 2005 by 19.1%. We should therefore see increased profits and strong cash flows to enable us to re-start the payments of dividend by the end of the first quarter of 2006.

As we embrace the opportunities of this new era, the Company will strive to impact the development of the tri-island state of Grenada and position itself as a leader in the development of the nation. We intend to achieve this largely by placing greater emphasis on our people, because we strongly believe that people are key to the realization of the Company's mission and vision.

## Appreciation

I wish to thank the Chairman and the Board of Directors for their guidance and advice in the course of the past year. To our Shareholders, we thank you for your understanding and forbearance, warranted by our change of fortunes over the year and for your continuing support and confidence in this, our Company.

To our Customers, we truly appreciate your understanding and patience as we worked to restore your electricity after the hurricanes and your responsiveness to our call for the timely payment of your bills.

Finally, I thank and commend the Management Team and all Staff of GRENLEC for their unwavering support, dedication and hard work during one of the most challenging periods of our history. Their commitment, drive and resilience have clearly demonstrated our capacity to be a world class energy service provider and position the Company as a true leader in the development of our nation.

Thanks to you all.



Vernon L. Lawrence  
*Managing Director & CEO*

# When Emily Visited Carriacou

Carriacou, our sister island is known for her strong custody of the island's folklore.

Whether the climatic "aberration" of July 14, 2005 will be added to the repertoire of most-told stories there, only time will tell, but the population carries vivid memories of hurricane Emily, how she struck and what she left behind.

The only other such event in living memory on the island, was hurricane Janet of September 22, 1955 - half a century ago.



From an electric utility standpoint, just the tiny airport in Lauriston, Government offices and a privileged few had supply at that time.

The Manager of GRENLEC, Carriacou, Mr. John Mac Donald said, although the necessary preparation was made, such as the piling of sandbags at doorways and installing shutters, it did not occur to him that the weather would get so severe.

By mid-afternoon Wednesday July 13, the two generators were shut off and covered owing to high winds.

Three technical workers stayed out the night at the Control Room: Patrick Cudjoe, Clifton Quashie and Johnson Hamer.

Dawn revealed a measure of destruction beyond anything in

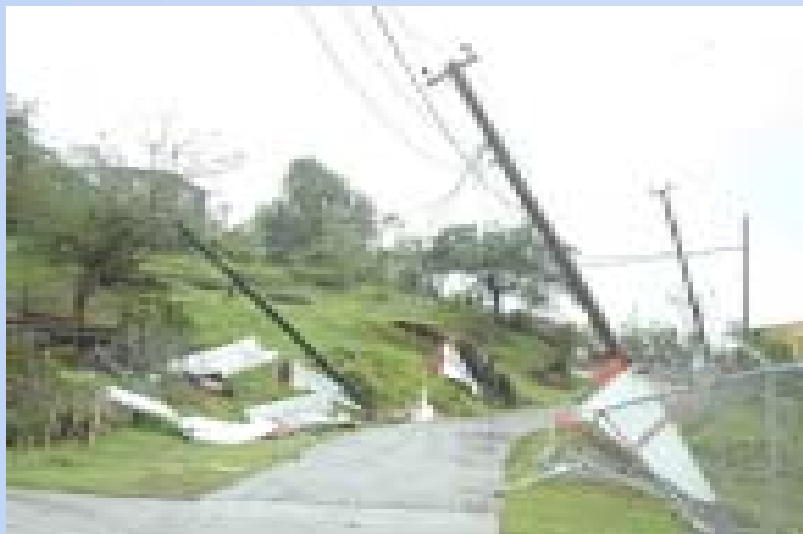
living memory. All four feeders were affected, some more than others. Twenty five poles were broken, eighteen of them HV; two thousand four hundred feet of conductors were damaged. More than one hundred homes and businesses, mainly to the north, were destroyed or damaged. The population of 7000 plus was stunned but snapped out of it to carry on repair work on their own homes or their neighbours'. A sense of community boomed, and roofs were replaced in record time.

The good news is, restoration was swift. Effort was placed on dividing the small workforce into groups to work on all feeders simultaneously as a priority restoration plan began to roll out. In forty-eight hours the hospital was back on supply then the businesses.

A bucket truck was sent by sea from the mainland and two additional climbers. Two other helpers came from our neighbouring Petite Martinique dependency where we have a small facility, and in about three weeks Carriacou was back on the road again.

GRENLEC says thanks to all the persons in the community who came out and gave support to dig holes and help in other necessary activities.

Restoration was quick but rebuilding lives and perspectives continue.





# GRENLEC Recognizes Outstanding Service

Friday May 20, 2005 was an important day in the calendar of events for GRENLEC, as the Company hosted its restoration award ceremony to honour all its employees who made re-electrification possible, following hurricane Ivan on September 7, 2004. The function held at the Grenada Grand Beach Resort was attended by about two hundred persons comprising members of staff, spouses, Directors, media, the Minister of Agriculture and Public Utilities and other guests.

Three major categories of awards were given to employees: Platinum for services above and beyond; Gold for very good service, and Plaques for all who delivered satisfactory



*Zarah Chase, Corporate Communications Manager receives award from Mr. Ashton Frame - Director*



*Mr. Vernon Lawrence, Managing Director & CEO receives award from Hon. Gregory Bowen - Minister of Agriculture & Public Utilities*



*Attendees at the Grenada Function*



*Jamason Pilgrim receives award from Mr. Vernon Lawrence, Managing Director & CEO*

service. The executive managers received Acrylic Awards for strong leadership. In addition, everyone involved in restoration received a certificate of appreciation.

The Managing Director, Mr. Vernon Lawrence, said it was a proud moment for him and his staff, as the previous months were very difficult times. He noted that GRENLEC was able to triumph over the situation at great sacrifice by employees and to the delight of customers. This he says is the spirit in which the awards were conceptualized.

The Minister of Agriculture and Public Utilities remarked that the Company's employees delivered when the need for their service was most critical and the nation is grateful.

# GRENLEC Recognizes Outstanding Service

Cultural performances and live band music graced the evening, as some staffers exhibited their entertaining side on the guitar and microphone.

In Carriacou, June 10 was the date for a similar function held at the Grand View Hotel. It turned out to be a great evening. In addition to GRENLEC's staff, persons who assisted voluntarily were also invited to share in the proud occasion.



*Mr. Vernon Lawrence Managing Director & CEO receives Leadership Award from Mr. John Mac Donald, Manager, Carriacou & Petite Martinique*



*Mr. Vernon Lawrence, Managing Director & CEO presents award to Johnson Hamer*



*Awardees at the Carriacou Awards ceremony proudly take a photographic moment*



*Attendees at the Carriacou Awards ceremony*

# Retirees and Recruits

## Retirees

This year two long-standing workers transited into retirement. Mr Dudley Sam Pierre and Mrs. Hermione Hood. Scoring 67 years between them.

## Recruits

Three new persons joined the permanent staff this year. Mrs. Cassandra Slocombe, Customer Service Manager, Mr. Erwin Roden, Manager - Generation and Mr. Evelyn Bonaparte, General Clerk.

## Mrs. Hermione Hood Takes Early Retirement

*The following is a historic mosaic about the company, seen through the eyes of Mrs. Hood, three decades in retrospect. (March 2005).*



From the age of 22 to 54 she chose to stay with GRENLEC

"I joined the Company then managed by the Commonwealth Development Corporation (CDC) in July 1972, as a Billing Operator. My interest and eagerness

to be of assistance to various supervisors opened various opportunities; one of which was to assist in typing the massive monthly, quarterly and annual accounts.

In 1974, I was promoted to the position of Secretary to the Accountant and thereafter worked with three accountants. As I reminisce on those years of exhaustive hours of frantically typing the accounts on manual type-writers on deadline dates, with the overseas recipients non the wiser that the accounts were not yet in the post very often brought a great deal of satisfaction. Somehow with back-breaking effort I was able to accomplish what the accountants would often say was impossible.

In the absence of the Manager's Secretary, who was my sister, I was placed to act in that position on quite

a few occasions, and when she resigned in 1977, I was appointed. Since then I have had the pleasure of working and interacting with Managers Pritchard, Broomfield, Bullen, Francis, Bowen, Hayes, Wardle and Lawrence. With each new manager there was foreboding, excitement and anticipation as each displayed different management styles, expectations and the most challenging penmanship.

I also had the opportunity to be the recording Secretary to the Board of Directors for three years. I must say that with each manager and supervisor with whom I worked over those thirty - three years at GRENLEC, strong personality characteristics of patience, self - control, tolerance, self-denial, understanding of penmanship, and deep commitment to the company ensued.

In retrospect, I can see the hand of God leading my life each step of the way, and although there were so many occasions when situations pressed me down and almost out, I was assured that I could overcome anything with my faith in the one who holds my future. I firmly believe that God is the one who brought me to this point and I look forward eagerly to put into practice those characteristics he developed in me on my training ground at GRENLEC.

Deep appreciation is extended to every Manager, Supervisor and Co- worker who in one way or another assisted in my development for the task that is now before me. May God's blessings be yours.

## Dudley 'Sam' Pierre Calls it a Day

Mr. Pierre started with GRENLEC which was then under the Management of the Commonwealth Development Corporation 35 years ago, a time when electricity services was far less pervasive than today. In an exclusive with our Corporate Communications Manager, Sam recollected that he came to GRENLEC's Generation Department in order to help strip an engine to be shipped to St. Vincent. He was in the construction industry at the time.

When the task of the engine was completed the company kept him on temporarily, then permanently. All early managers came from England, he recalled, and some of them were very private. Back then, the Assistant Mechanic remembered work ethics were different; one just did what one had to do. Today, he

observed, workers tend to wait for instructions. Over the years he had to keep up with different ways of doing things and changes in technology.



These days Sam is enjoying keeping his grocery shop and going to the beach as often as he wants. Staff held a farewell function in his honour at the Production Department on Friday April 29, to say an initial goodbye to their co- worker. Of course Sam received his award for long service at the GRENLEC's Annual Awards and Dinner held in December.

# Two New Generators Installed

After many months of planning and preparation, two new 8MW Wärtsila generators have been acquired to replace two engines which will be retired and also increase generating capacity.

Added to the advantage of greater efficiency, the reserve margin of available energy will also be enhanced. It is to the advantage of the Company and the consumer to reach the

highest possible fuel efficiency levels, since both parties benefit. At present, the Company uses 0.05297 imperial gallons of fuel to produce (1 Kwh) of energy, making GRENLEC one of the most efficient utilities in the region.

In December, the generators were transported from Grand Mal to the Queen's Park Generation Department and placed onto their foundations. They will be commissioned in March 2006.



*Barge for transportation to Grand Mal*



*Genset being driven into place at Bruce Bain Plant*



*Transporting generator to Queen's Park Power Station*



*Genset being driven onto foundation*



*Gensets in foundations- aerial*

## New CIS for GRENLEC

March 27, 2006 is the go live day for fully implementing CIS Infinity, a new customer information system, as the Company seeks to modernize its technological capabilities. It is geared to providing better customer care and has become inevitable, since the SUNWAVE CIS was no longer supported by the vendor, Daksoft. Also the AS400, on which SUNWAVE ran, became obsolete.

The CIS serves many departments. It covers all processes relating to the customer - from application of service to termination of service. It generates work orders for services to be done by crews; manages all requests, billing, collections and handles information from meter services, inventory and the GIS. It has the

capability to process information from automatic meter readings and to interface with our accounting system.

From September 2005, the training of a core team of experts took place. These persons later trained primary and secondary users.

The old and new systems were run side by side during a testing period to ensure the required results were consistent with each other.

A feature of the new CIS is a new bill, which we hope will bring greater satisfaction to our customers. Some features of the new bill are: a six-month account history, alphanumeric presentation of date, and a detachable stub for making payments.



*Customer Service Staff in Training*







# The Making of a Thing of Beauty

The Gazebo and Fountain at the Botanical Gardens in Tanteen, St. George's were virtually completed in December 2005.

Due to shortages of supplies and other small setbacks the project was behind schedule, nevertheless they are statements of great beauty.

The gazebo in particular, is a favourite place of many who visit it to escape the rain, the sun, or simply spend moments to enjoy the setting.

GRENLEC is pleased to have contributed to making this project possible with the collaboration of the Ministry of Tourism.



*Gazebo foundation work*



*Fountain*



*Gazebo taking shape*



*Gazebo and Fountain*



*Gazebo completed*



# GRENLEC Helps Restart Curriculum

Following Hurricane Ivan and the devastation to schools, not to mention the vandalism and theft as reported by the Ministry of Education, GRENLEC was moved to help in the restoration of the sector.

The Ministry of Education through the radio made a plea for assistance. Schools remained closed for weeks as Education officials struggled to plan the way ahead.

The Managing Director responded and made a commitment to assist.

The Company asked the Ministry for a list of the schools in most dire need. These were schools which needed computer equipment to prepare for examinations.

Through this partnership thirty-six (36) computer systems complete with printers were purchased from overseas and donated at a ceremony at the Ministry of Education.

The Grenville, Happy Hill and St. Mark's Secondary schools were the main recipients of the gifts.

Mr. Clive Hosten, Chief Engineer made the presentation on behalf of the Company.

The Minister of Education Hon. Claris Charles, applauded GRENLEC for the quick response to assist and encouraged the wider corporate sector to come forward and give similar support if education and the country at large are to get out of the situation in as short a time as possible.



*Chief Engineer, Clive Hosten presents gift to Permanent Secretary in the Ministry of Education, Mr. Michael Pierre*



*Computers*

Pannell Kerr Forster  
Chartered Accountants



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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, 2005 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 27 to 37 present fairly in all material respects, the financial position of the Company at 31st December, 2005 and the results of its operations for the year then ended in conformity with International Financial Reporting Standards.

GRENADA  
13th March, 2006

  
Chartered Accountants

# Balance Sheet

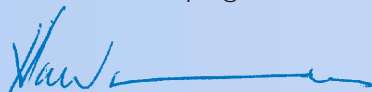
At 31st December, 2005

(Expressed in Eastern Caribbean Currency Dollars)

	Notes	2005 \$	2004 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and due from banks		3,569,640	376,711
Accounts receivable	3	22,599,529	20,988,400
Segregated retirement investment		10,756,968	10,735,786
Inventories	4	18,534,699	11,987,131
Prepayments		500,471	2,802,388
		<b>55,961,307</b>	46,890,416
<b>Investments</b>	5	<b>1,703,709</b>	7,856,957
<b>Property, Plant and Equipment</b>	7	<b>72,248,748</b>	79,280,745
Suspense, jobs in progress		672,335	1,041,627
Capital work in progress	6	20,274,586	4,138,918
<b>TOTAL ASSETS</b>		<b>150,860,685</b>	139,208,663
<b>Liabilities and Shareholders' Equity</b>			
<b>Current Liabilities</b>			
Bank overdraft		5,000,263	3,798,034
Amount due to related company		1,324,441	325,303
Current portion of long-term debt	8	5,706,312	4,617,839
Accounts payable and accrued expenses		15,033,799	13,657,858
Consumers' deposits		5,415,198	4,958,829
Consumers' advances for construction		1,631,255	2,286,635
Current portion of provision for retirement benefits		500,000	500,000
Provision for profit sharing		1,543,733	2,176,387
Provision for income tax		435,879	-
		<b>36,590,880</b>	32,320,885
<b>Provision for Retirement Benefits</b>		<b>13,070,301</b>	11,757,228
<b>Long Term Debt</b>	8	<b>43,198,905</b>	33,933,978
		<b>92,860,086</b>	78,012,091
<b>Shareholders' Equity</b>			
Stated capital	9	30,830,464	30,830,464
Share premium	10	1,509,376	1,509,376
Revaluation reserve	11	3,828,527	3,828,527
Retained earnings		21,832,232	19,443,541
		<b>58,000,599</b>	55,611,908
<b>Provision for Hurricane Insurance Reserve</b>	12	<b>-</b>	5,584,664
		<b>58,000,599</b>	61,196,572
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>150,860,685</b>	139,208,663

The notes on pages 30 to 37 form part of these financial statements

Director



Director



# Statement of Income

For the year ended 31st December, 2005

(Expressed in Eastern Caribbean Currency Dollars)

	2005 \$	2004 \$
<b>Income</b>		
Sales - non fuel charge	52,900,135	50,071,598
- fuel charge	47,642,123	30,473,871
Unbilled sales adjustments	2,456,984	(1,500,927)
	<hr/>	<hr/>
Total Sales	102,999,242	79,044,542
Sundry revenue	2,032,446	2,001,920
Profit on disposal of fixed assets	23,768	53,944
	<hr/>	<hr/>
	105,055,456	81,100,406
<b>Operating Costs</b>		
Production costs	12,882,946	14,538,078
Fuel consumed	51,166,856	32,810,997
Provision for hurricane insurance reserve	2,000,000	2,000,000
Distribution services	16,788,998	11,470,062
Planning and engineering	949,475	907,166
	<hr/>	<hr/>
	83,788,275	61,726,303
<b>Administration</b>	11,290,392	9,701,606
	<hr/>	<hr/>
Profit for year before interest	9,976,789	9,672,497
Deduct: interest	3,595,638	3,480,092
	<hr/>	<hr/>
	6,381,151	6,192,405
<b>Other Charges</b>		
Donations	319,058	309,620
Profit sharing	2,216,521	1,815,339
	<hr/>	<hr/>
	2,535,579	2,124,959
	<hr/>	<hr/>
Profit for year before income tax	3,845,572	4,067,446
Deduct: Provision for income tax	1,456,881	1,300,439
	<hr/>	<hr/>
<b>Profit for year after income tax</b>	2,388,691	2,767,007
	<hr/>	<hr/>
<b>Earning per share</b>	0.13	0.15

The notes on pages 30 to 37 form part of these financial statements

# Statement of Changes in Shareholders' Equity

For the year ended 31st December, 2005

(Expressed in Eastern Caribbean Currency Dollars)

	Stated Capital	Revaluation Reserve	Share Premium	Retained Earnings	Total
Balance at 1st January, 2004	30,830,464	3,828,527	1,509,376	20,476,534	56,644,901
Dividends paid	-	-	-	(3,800,000)	(3,800,000)
Profit for the year after income tax	-	-	-	2,767,007	2,767,007
Balance at 31st December, 2004	30,830,464	3,828,527	1,509,376	19,443,541	55,611,908
Profit for the year after income tax	-	-	-	2,388,691	2,388,691
<b>Balance at 31st December, 2005</b>	<b>\$30,830,464</b>	<b>\$3,828,527</b>	<b>\$1,509,376</b>	<b>\$21,832,232</b>	<b>\$58,000,599</b>

The notes on pages 30 to 37 form part of these financial statements

# Statement of Cash Flows

For the year ended 31st December, 2005

(Expressed in Eastern Caribbean Currency Dollars)

	2005 \$	2004 \$
<b>Operating Activities</b>		
Profit before income tax	3,845,572	4,067,446
Adjustments for:		
Depreciation	11,590,947	11,067,290
Profit on disposal of fixed assets	(23,768)	(53,944)
	<b>15,412,751</b>	<b>15,080,792</b>
<b>Changes in Operating Assets/Liabilities</b>		
Increase in receivables and prepayments	(330,214)	(2,145,504)
Increase in accounts payable and accrued charges	1,176,930	6,050,338
Increase in provision for retirement benefits	1,313,073	932,821
Increase in inventory	(6,547,568)	(3,088,069)
Increase in related company balance	999,138	236,793
Decrease in provision for profit sharing	(632,654)	(33,407)
Income tax paid	-	(829,023)
	<b>11,391,456</b>	<b>16,204,741</b>
<b>Investing Activities</b>		
Decrease in investments	1,091,477	19
Disposal of fixed assets	91,100	102,138
Decrease in suspense jobs in progress	369,292	81,615
Increase in capital work in progress	(16,135,668)	(2,170,791)
Decrease in short term investments	5,061,771	4,845,960
Increase in segregated investment	(21,182)	(366,091)
Increase in consumer contribution to line extension	228,463	119,438
Purchase of fixed assets	(4,854,745)	(5,286,947)
	<b>(14,169,492)</b>	<b>(2,674,659)</b>
<b>Financing Activities</b>		
Loan proceeds	15,163,358	-
Dividends paid	-	(3,800,000)
Decrease in provision for hurricane insurance reserve	5,584,664	(6,415,336)
Repayment of loan	(4,809,958)	(4,299,402)
Decrease in deferred income	-	(436,540)
	<b>4,768,736</b>	<b>(14,951,278)</b>
Net increase/(decrease) in cash and cash equivalents	1,990,700	(1,421,196)
Net overdraft - at the beginning of year	(3,421,323)	(2,000,127)
Net overdraft - at the end of year	<b>(1,430,623)</b>	<b>(3,421,323)</b>
<b>Represented by</b>		
Cash and due from banks	3,569,640	376,711
Bank overdraft	(5,000,263)	(3,798,034)
	<b>(1,430,623)</b>	<b>(3,421,323)</b>

The notes on pages 30 to 37 form part of these financial statements

## 1. Registration and Principal Activity

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

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

## 2. 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      -      (2004: EC\$2.7169)

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

## 2. Significant Accounting Policies - continued

### (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, 2005 amounted to EC\$2,831,133 (2004 - EC\$3,048,339). Included therein is a specific provision of \$325,573 on consumer accounts and \$420,092 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, 2005 are calculated as follows:

	2005 \$	2004 \$
Sales revenue for December after discounts	<u>9,556,625</u>	4,642,658
50% of above = provision at 31/12/05	<u>4,778,313</u>	2,321,329
= provision at 31/12/04	<u>2,321,329</u>	3,822,256
Increase/(decrease) in provision during the year	<u>2,456,984</u>	(1,500,927)

### (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, 2005

(Expressed in Eastern Caribbean Currency Dollars)

## 3. Accounts Receivable

	2005 \$	2004 \$
Consumers' accounts	18,231,441	19,210,172
Less: Provision for doubtful debts	<u>2,411,041</u>	<u>2,656,664</u>
	15,820,400	16,553,508
Provision for unbilled sales	4,778,313	2,321,329
Other debtors	<u>2,000,816</u>	<u>2,113,563</u>
	<u>22,599,529</u>	<u>20,988,400</u>

## 4. Stores

The following is a breakdown of stock on hand

Motor vehicle spares	460,449	400,309
Distribution	12,817,840	5,739,289
Generation spares	4,187,855	4,193,522
Fuel and lubricating oil	339,089	221,893
General stores	2,021,391	2,186,290
Stationery	<u>62,604</u>	<u>67,747</u>
	19,889,228	12,809,050
Less: Obsolescence provision	<u>1,354,529</u>	<u>821,919</u>
	<u>18,534,699</u>	<u>11,987,131</u>

## 5. Investments

### Available for sale

536 ordinary shares in the National Commercial

Bank of Grenada Limited

16,080

16,080

Government of Grenada Treasury Bills

848,000

1,939,477

864,080

1,955,557

### Short Term - held to maturity

Certificates of Deposit

835,474

5,897,245

US\$ - Certificate of Deposit

4,155

4,155

839,629

5,901,400

1,703,709

7,856,957

# Notes to the Financial Statements

At 31st December, 2005

(Expressed in Eastern Caribbean Currency Dollars)

## 6. Fixed Assets

	Land	Building & Construction	Plant & Machinery	Motor Vehicles	Furniture & Equipment	Total
Balance at January 1st, 2005						
Cost	285,826	21,460,512	74,400,699	7,330,734	6,830,961	110,308,732
Valuation	1,114,336	3,286,716	48,524,123	-	-	52,925,175
	1,400,162	24,747,228	122,924,822	7,330,734	6,830,961	163,233,907
Additions for the year	-	65,967	3,428,662	1,147,532	212,584	4,854,745
Sales/disposals	-	-	(555,813)	(245,864)	(135,226)	(936,903)
<b>Balance at December 31st, 2005</b>	<b>1,400,162</b>	<b>24,813,195</b>	<b>125,797,671</b>	<b>8,232,402</b>	<b>6,908,319</b>	<b>167,151,749</b>
ACCUMULATED DEPRECIATION						
Balance at January 1st, 2005	-	8,638,116	59,366,287	5,376,261	4,648,455	78,029,119
Charge for year	-	1,218,081	8,670,928	1,120,391	581,547	11,590,947
Written back on sales/disposals	-	-	(555,813)	(188,770)	(124,988)	(869,571)
<b>Balance at December 31st, 2005</b>	<b>-</b>	<b>9,856,197</b>	<b>67,481,402</b>	<b>6,307,882</b>	<b>5,105,014</b>	<b>88,750,495</b>
<b>Balance at December 31st, 2005</b>	<b>1,400,162</b>	<b>14,956,998</b>	<b>58,316,269</b>	<b>1,924,520</b>	<b>1,803,305</b>	<b>78,401,254</b>
Less: Consumer contribution to line extension	-	-	-	-	-	(6,152,506)
<b>Net Book Value - December 31st, 2005</b>	<b>\$1,400,162</b>	<b>\$14,956,998</b>	<b>\$58,316,269</b>	<b>\$1,924,520</b>	<b>\$1,803,305</b>	<b>\$72,248,748</b>
Balance at December 31st, 2004	1,400,162	16,109,112	63,558,535	1,954,473	2,182,506	85,204,788
Less: Consumer contribution to line extension	-	-	-	-	-	(5,924,043)
<b>Net Book Value - December 31st, 2004</b>	<b>\$1,400,162</b>	<b>\$16,109,112</b>	<b>\$63,558,535</b>	<b>\$1,954,473</b>	<b>\$2,182,506</b>	<b>\$79,280,745</b>

# Notes to the Financial Statements

At 31st December, 2005

(Expressed in Eastern Caribbean Currency Dollars)

## 7. Capital work in progress

	2005	2004
	\$	\$
Software upgrades	1,544,701	1,232,220
Building and construction	600,093	575,393
Distribution	31,958	37,348
Transmission project	1,518,668	1,195,868
Power station expansion - Queen's Park	16,579,166	1,098,089
	<b>20,274,586</b>	<b>4,138,918</b>

## 8. Loan Capital

	Balance at 31/12/05	Instalments due within one year	2005	2004
	\$	\$	\$	\$
(a) European Investment Bank (EIB)	6,074,842	939,052	5,135,790	6,074,843
(b) FINCOR				
Loan 1	14,198,570	1,598,178	12,600,392	10,255,228
Loan 2	17,603,908	2,595,574	15,008,334	17,603,907
	31,802,478	4,193,752	27,608,726	27,859,135
(c) National Insurance Scheme	11,027,897	573,508	10,454,389	-
	\$48,905,217	\$5,706,312	\$43,198,905	\$33,933,978

- (a) The EIB 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.
- (b) The total loan commitment from FINCOR is EC\$50,000,000 of which EC\$43,806,721 was drawn down while \$12,004,243 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 of which EC\$11,027,897 was 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

	2005	2004
	\$	\$
Authorised		
25,000,000 ordinary shares	40,566,400	40,566,400
Issued		
19,000,000 ordinary shares of no par value	30,830,464	30,830,464

# Notes to the Financial Statements

At 31st December, 2005

(Expressed in Eastern Caribbean Currency Dollars)

	2005 \$	2004 \$
<b>10. Share Premium</b>		
Arising on the sale of 4,000,000 ordinary shares	<u>1,509,376</u>	1,509,376
<b>11. Revaluation Reserve</b>		
Balance at 31st December, 2005	<u>3,828,527</u>	3,828,527
<b>12. Provision for Hurricane Insurance Reserve</b>		
Balance at January 1st, 2005	5,584,664	12,000,000
Add: Transfer during the year	<u>2,000,000</u>	2,000,000
	7,584,664	14,000,000
Less: Expenses incurred during the year	<u>7,584,664</u>	8,415,336
	-	5,584,664
Balance at December 31st, 2004	<u>-</u>	5,584,664

The reserve represents amounts charged to profits in lieu of insurance. The \$16m charged to the reserve account was exhausted during the post Hurricane Ivan restoration efforts. An additional amount of \$1.44m included in operating cost was incurred bringing the total expenditure to \$17.44m.

## 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 \$1,324,441 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 \$20,000 in respect of customs bonds.

## 16. **Capital Commitment**

During the year an agreement was signed with Wartsila Finland Oy for the installation of generators at Queen's Park at a cost of EC\$30,633,047.50. An amount of EC\$15,467,690.00 was unpaid at the end of the financial year.

## Five-Year Financial Record

2001-2005

	2005 EC\$	2004 EC\$	2003 EC\$	2002 EC\$	2001 EC\$
<b>Income</b>	<b>105,055,456</b>	<b>81,100,406</b>	<b>88,732,614</b>	<b>77,031,563</b>	<b>76,714,742</b>
Profit Before Taxes	3,845,572	4,067,446	10,957,613	9,904,290	9,753,798
Taxation	1,456,881	1,300,439	3,129,618	2,387,081	2,408,102
<b>Net Profit</b>	<b>2,388,691</b>	<b>2,767,007</b>	<b>7,827,995</b>	<b>7,517,209</b>	<b>7,345,696</b>
<b>Shareholders Equity</b>	<b>58,000,599</b>	<b>55,611,935</b>	<b>56,644,928</b>	<b>56,416,933</b>	<b>56,499,724</b>
<b>Represented by:</b>					
Total Assets	150,860,685	139,208,690	143,464,672	147,504,297	134,221,323
Total Liabilities	92,860,086	78,012,091	74,819,744	81,087,364	69,721,599
Hurricane Reserve	0	5,584,664	12,000,000	10,000,000	8,000,000
<b>Net Assets</b>	<b>58,000,599</b>	<b>55,611,935</b>	<b>56,644,928</b>	<b>56,416,933</b>	<b>56,499,724</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	4.12	4.98%	13.82%	13.32%	13.00%
Earnings Per Share	0.13	0.15	0.41	0.40	0.39
Dividends Per Share	0.00	0.20	0.40	0.40	0.36
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
<b>Income</b>	<b>38,909,428</b>	<b>30,037,187</b>	<b>32,863,931</b>	<b>28,530,209</b>	<b>28,412,867</b>
Profit Before Taxes	1,424,286	1,506,461	4,058,375	3,668,256	3,612,518
Taxation	539,586	481,644	1,159,118	884,104	891,890
<b>Net Profit</b>	<b>884,700</b>	<b>1,024,817</b>	<b>2,899,257</b>	<b>2,784,152</b>	<b>2,720,628</b>
<b>Shareholders' Equity</b>	<b>21,481,703</b>	<b>20,597,013</b>	<b>20,979,603</b>	<b>20,895,160</b>	<b>20,925,824</b>
<b>Represented By:</b>					
Total Assets	55,874,328	51,558,774	53,135,064	54,631,221	49,711,601
Total Liabilities	34,392,624	28,893,367	27,711,016	30,032,357	25,822,814
Hurricane Reserve	0	2,068,394	4,444,444	3,703,704	2,962,963
<b>Net Assets</b>	<b>21,481,704</b>	<b>20,597,013</b>	<b>20,979,604</b>	<b>20,895,160</b>	<b>20,925,824</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	4.12%	4.98%	13.82%	13.32%	13.00%
Earnings Per Share	0.05	0.05	0.15	0.15	0.14
Dividends Per Share	0.00	0.15	0.15	0.15	0.13

## Five-Year Operational Record

2001-2005

	2005	2004	2003	2002	2001
<b>Production And Sales</b>					
Gross Generation (kWhs)	153,701,824	141,617,565	165,659,322	153,302,672	146,352,753
Auxillaries & Own Use	6,394,987	5,695,582	6,417,914	4,283,512	3,808,695
Net Generation	147,306,837	135,921,983	159,241,408	149,019,160	142,544,058
<b>Sales (kWhs)</b>					
Domestic	49,945,747	48,358,278	56,419,868	52,750,021	50,225,178
Commercial	73,542,437	70,354,979	74,370,642	68,628,200	66,560,369
Industrial	5,673,959	4,571,556	5,284,226	5,916,313	5,373,323
Street Lighting	2,409,053	2,225,943	2,217,532	1,919,062	1,759,528
Total Sales	131,571,196	125,510,756	138,292,268	129,213,596	123,918,398
Loss (% of Net Generation)	10.68%	7.66%	13.16%	13.29%	13.07%
<b>Number of Customers at Year - End</b>					
Domestic	29,19	13,510	31,707	30,674	29,903
Commercial	4,250	2,740	4,690	4,512	4,346
Industrial	33	20	40	39	39
Total Customers	33,402	16,270	36,437	35,225	34,288
<b>Average Annual usage per Customer Class (kWh)</b>					
Domestic	1,715	3,579	1,779	1,720	1,680
Commercial	17,304	25,677	15,857	15,210	15,315
Industrial	171,938	228,578	132,106	151,700	137,778

We Could not resist sharing memories of our inaugural activity  
"Independence Eve Business Day Special Wear" 2006

