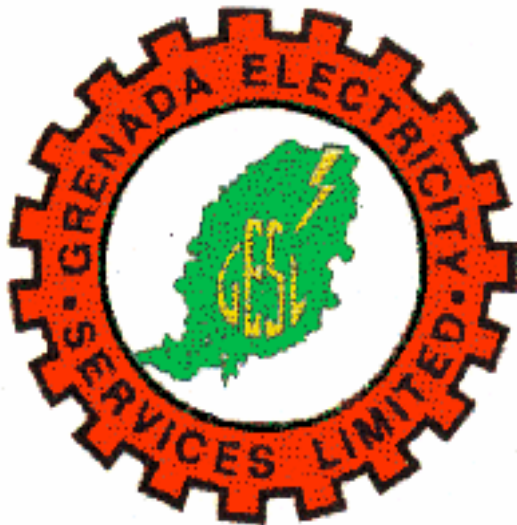


# RESEARCH REPORT



## **GRENADA ELECTRICITY SERVICES LIMITED**

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

Prepared by:  
National Mortgage Finance Company of Dominica Ltd  
64 Hillsborough Street, Roseau, Dominica

April 2008

## *DISCLAIMER/DISCLOSURE*

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This report was prepared by the National Mortgage Finance Company of Dominica Ltd. a wholly owned subsidiary of the National Bank of Dominica and a licensed full-service broker/dealer. This report is not a complete analysis of every material fact regarding this company, industry or investment and is not a 'buy' or 'sell' recommendation. The report was prepared using audited financial information from the Company's Auditors and Management and is a starting point for research by potential investors

Grenada Electricity Services Ltd. confirms that to the best of its knowledge and belief the information provided in the report fairly represents the facts and there is no other fact, the omission of which would make any statement in this report misleading.

## *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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# ***DEFINITIONS AND ABBREVIATIONS***

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**CSR**

Corporate Social Responsibility

**Currency**

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

**Debt Service Ratio (DSR)**

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

**DPS - Dividend per share**

The amount of dividend that shareholders have or will receive over a year for each share they own

**EPS - Earnings per share**

The portion of the company’s profit allocated to each outstanding share of common stock

**EBIT**

Earnings before Interest and Taxes

**EBITDA**

Earnings before Interest, Taxes, Depreciation and Amortization

**CURRENT RATIO**

Ratio of the company’s current asset to its short term debt

**QUICK RATIO**

Ratio of the company’s current assets excluding inventory to its short term debt

**ROA**

Return on Assets

**ROE**

Return on Equity

**ECCB**

Eastern Caribbean Central Bank

**ECSE**

Eastern Caribbean Securities Exchange

**PKF**

Pannell Kerr Forster Professional Services

**GRENLEC**

Grenada Electricity Services Limited

**Lead Broker Dealer**

National Mortgage Finance Company of Dominica Limited

**Licensed ECSE-Member Broker Dealer**

Broker Dealers licensed by the ECSRC and registered with the ECSE

**MW / KW**

Megawatt / Kilowatt

**GWhs**

Gigawatt-hours

**KWhs / KWHRS**

Kilowatt-hours

**KV**

Thousands of Volts

**OECS**

The Organisation of Eastern Caribbean States

# ***GRENADA ELECTRICITY SERVICES LTD***

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## *The Company*

Grenada Electricity Services Limited (GRENLEC) was incorporated under the provisions of the Companies Ordinance (Ch. 47 of the Revised Laws of Grenada, 1934). GRENLEC, created in 1960 by an Act passed in the Grenada Legislative Council, is the sole provider of electricity on the islands of Grenada, Carriacou and Petit Martinique. On November 8, 1996 GRENLEC was issued a certificate of continuance under section 365 of the Companies Act.

The Electricity Supply Act gave the Company the sole and exclusive license to generate, transmit, distribute and sell electricity for a period of eighty (80) years with effect from 1<sup>st</sup> January 1961. In the revised Electricity Supply Act of 1994, GRENLEC's exclusive license was extended to include an additional 32 years to 2073.

## *Capital structure*

GRENLEC is currently capitalized with a single class of ordinary shares. The share capital of the Company comprises 25,000,000 authorized ordinary shares of which 19,000,000 are issued and fully paid at no par value. At present, 50% of the shares are held by Grenada Private Power Limited a subsidiary of WRB Enterprises Inc., a U.S. based investor, with the remainder of the equity being distributed among the Government of Grenada owning 10%, Grenada National Insurance Scheme owning 11%, employees owning 4.5% and, Grenadian and other investors owning 24.5%. (See Table 1)

WRB Enterprises Inc., the parent company, of Grenada Private Power Limited, is one of the largest privately owned holding companies in Tampa, Florida. The Company owns a diversified portfolio of investments that include banking, real estate, electric utilities, telecommunications and other investments in the US, the Caribbean and Europe. This includes electric utilities and telecommunications companies in the Turks and Caicos Islands, Dominica and Grenada.

*Table 1.*  
**Major Shareholders of GRENLEC**

Name of Owner	Current Holding	Number of Shares Held
<b>Grenada Private Power Limited.</b>	50%	9,500,000
<b>Government of Grenada</b>	10%	1,900,000
<b>NIS -Grenada</b>	11%	2,090,000
<b>Other Shareholders</b>	29%	5,510,000
<b>TOTAL SHAREHOLDING</b>	<b>100%</b>	<b>19,000,000</b>

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

	<u>2007 (ECD)</u>
Authorized	
25,000,000 ordinary shares	\$40,566,400
Issued	
19,000,000 ordinary shares of no par value	\$32,339,840

### *Corporate Social Responsibility*

GRENLEC's practice of good Corporate Social Responsibility has engendered goodwill in the community and continues to directly enhance the reputation of the Company, build loyalty and strengthen its identity as a corporate leader. The Company believes that its Corporate Social Responsibility (CSR) policies reflect the client's key value drivers, which include: safety, integrity,

collaborative working where possible, customer care, clear and simple communication, creative solutions and appropriate technology while attracting, training & retaining the best workforce.

Various departments of GRENLEC have undertaken activities in keeping with this commitment; the operations of the Generation Department are guided by respect for the environment and its sustainability as well as increased reliability of service. The Customer Service Transformation Plan is engineered, to drastically improve the quality of services given, while paying attention to all customers including those with special needs. Human Resources Department's focus on employees and their commitment to maintain GRENLEC as a "preferred place of work" is a moving target that the Company is determined to pursue while striving to provide a safe and healthful workplace for their employees and communities, while operating with the highest levels of integrity in billing and other operations.

The success of the communications programmes, have created employee and community engagement that has brought meaning to the CSR strategy. The aim and challenge are to position Corporate Social Responsibility at the heart of the business in such a way that it is real at all levels of the Organization.

The CSR goes hand in hand with good corporate citizenship which is evident through investing in local community initiatives by way of sponsorships, financial contributions or training opportunities to develop relationships with the communities served. To this end, five percent of the pre-tax profits are invested in community projects. GRENLEC's desire is to become involved in more employee-participation projects and volunteerism in order to build stronger community relations, since they believe that meaningful community relations is more than a financial donation.

### *Corporate Governance*

The Grenada Electricity Services Limited business is conducted by its employees, managers and corporate officers led by the Managing Director, with oversight from the Board of Directors. The Board periodically reviews the Company's corporate governance principles and current practices.

The Board and the corporate officers recognize that the long-term interests of the Company are advanced when they are responsive to the concerns of communities, customers, employees, public officials, shareholders and suppliers.

## ***DIRECTORS AND SENIOR MANAGEMENT***

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### **PROFILE OF DIRECTORS AND SENIOR MANAGEMENT:**

#### **DIRECTORS:**

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

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

Mr. G. Robert Blanchard, Jr. is the President of WRB Enterprises Inc. since 2002 and prior to this was its Executive Vice President from 1991. He has been Chairman of Grenada Electricity Services Ltd since 1999, and was its Managing Director from 1994 – 2004. Since 2004, he has been Chairman of Dominica Electricity Services Ltd. and has been Chairman of Turks & Caicos Utilities, Ltd., WIV Cable TV, Ltd. and their affiliated companies since 1996. From 1986 to 1987, he was a Special Assistant to the Governor of Florida. He presently serves as a Director on the following Boards: The Bank of Tampa, the Tampa Banking Co., and Center State Banks of Florida, H. Lee Moffitt Cancer Center & Research Institute Foundation, Inc; and The Florida Aquarium. He is a past member of the Greater Tampa Chamber of Commerce, Committee of 100 Advisory Board; YMCA Tampa Metropolitan Area; and the Ybor City Development Corporation.

##### **Mr. Malcolm Harris**

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

Mr. Malcolm Harris has served as a Director and Chief Financial Officer of WRB Enterprises, Inc. since 1988. In 1994 he became a Director of Grenada Electricity Services Ltd. He is also a Director of

Dominica Electricity Services Limited and Turks and Caicos Utilities. Mr. Harris qualified as a member of the Institute of Chartered Accountants in England and Wales in 1967; the Institute of Taxation in 1968; and holds a Masters Degree in Business Administration from the University of Miami.

**Mr. Nigel Wardle**

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

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

**Mr. Ronald Roseman**

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

Mr. Ronald Roseman is the President of Coastal Electric, a company involved in Utility Infrastructure construction, including substations and high voltage transmission and distribution systems. He also served as President of Southeastern Electric and Dycom Industries. Dycom Industries Inc. is a public company trading on the New York stock exchange. Mr. Roseman's experience in the electric utility construction dates back to 1956.

**Mr. Robert Curtis**

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

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

**Mr. Vernon L. Lawrence**

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

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

**Mr. Arthur Campbell**

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

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

**Mr. Chester Palmer**

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

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

**Mr. Dyer Marquez**

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

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

**Mr. Ashton Frame**

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

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

**Mr. Nelson Louison**

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

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

**Mr. Lawrence Samuel**

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

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

**SENIOR MANAGEMENT:**

**Mr. Vernon Lawrence**

Profession : Engineer  
Qualification : MBA, BSc Electrical Engineering (1<sup>st</sup> Class Hons.)  
Substantive Position : Managing Director/CEO

**Mr. Benedict Brathwaite**

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

**Mr. Clive Hosten**

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

**Mr. Eric Williams**

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

**Mrs. Zarah Chase**

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

**Ms. Jacqueline Williams**

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

**Mr. Jeffrey Neptune**

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

**Mr. Don Forsyth**

Profession : Engineer

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

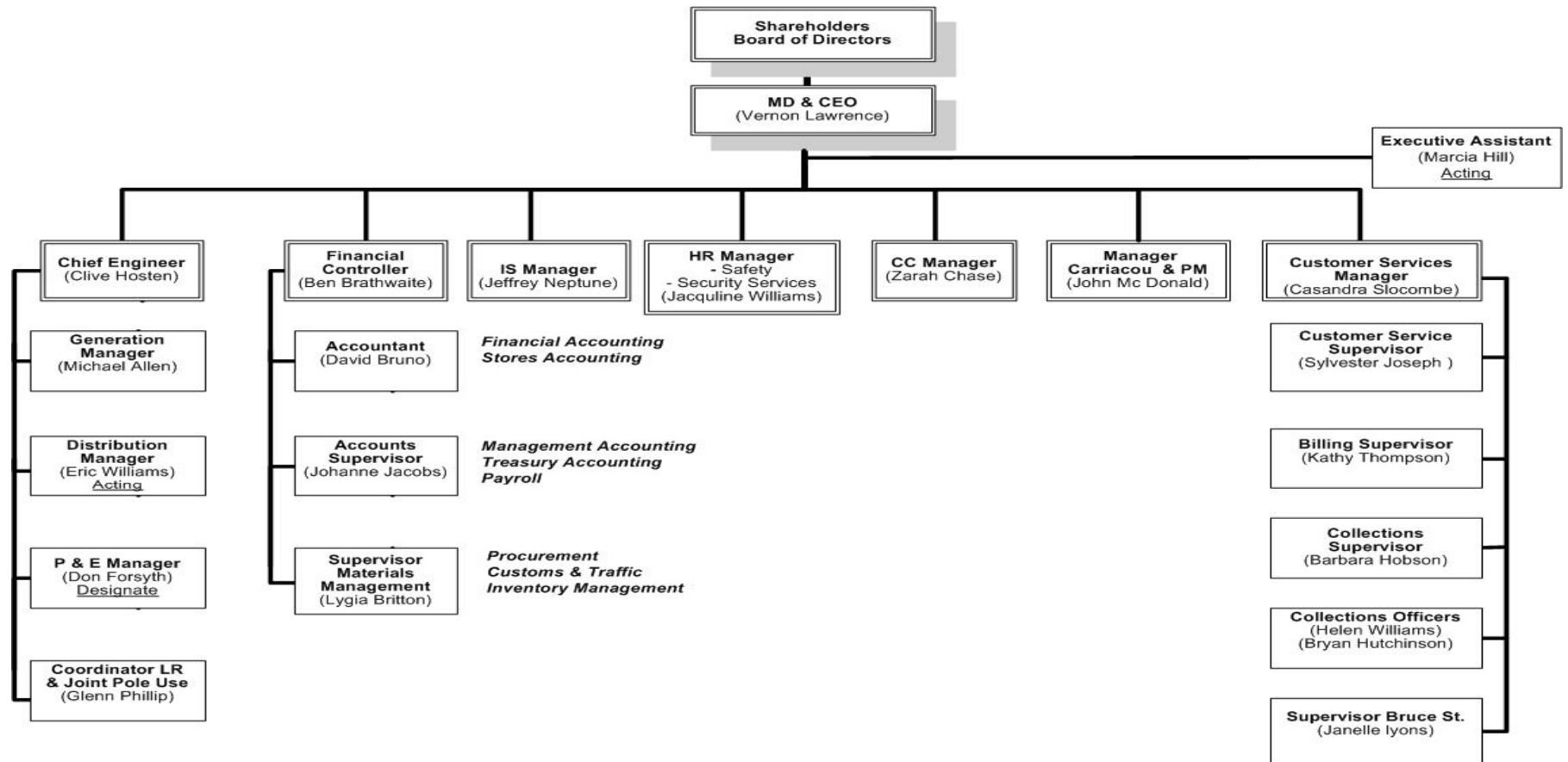
**Mr. Michael Allen**

Profession : Engineer  
Qualification : MBA, B Sc. Mechanical Engineering  
Substantive Position : Generation Manager (Since April 7, 2008)

**Mr. John Mc Donald**

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

# Organizational Structure



## Key

MD - Managing Director  
 CEO - Chief Executive Officer  
 HR - Human Resource  
 IS - Information Systems  
 CC - Corporate Communications  
 CS - Customer Service  
 LR - Loss Reduction  
 FC - Foreign crews  
 PM - Petite Martinique

Grenada Electricity Services Ltd

## *BUSINESS REVIEW*

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GRENLEC is the sole provider of electricity on the islands of Grenada, Carriacou and Petite Martinique. In 2007, GRENLEC generated 185,569,196 kilowatt-hours (KWh) of power and served 39,318 customers. Sales for 2007 totaled 165,225,090 kilowatt-hours (KWh). In 2003 prior to Hurricane Ivan, GRENLEC sold 138,292,268 kilowatt-hours (KWh) of power to 36,437 customers. In 2007, more than half the energy sales (54%) were to commercial customers. Another 40% were to residential customers, and the remaining 6% were to industrial customers. These levels are consistent with Pre Hurricane Ivan levels as outlined in table 2 where 54% were sales to commercial customers, while residential and industrial customers were 41% and 5% respectively.

*Table 2. Customer Base in 2007 and 2003 (Year prior to Hurricane Ivan)*

Customer Category	Number		Sales - KWh		Avg. Annual Usage per Customer	
	2003	2007	2003	2007	2003	2007
Domestic	31,707	34225	56,419,698	65,748,854	1,779	1921
Commercial	4,690	5058	74,370,642	89,569,231	15,857	17,708
Industrial	40	35	52284226	6,480,019	132,106	185,143
Street Lighting			2,217,532	3,426,986		

### *Generation System*

Electricity is generated primarily at the Queen's Park Power Station which is located on the west coast of the island about 1.6 kilometers to the North of the capital city St. George's. Power is also generated at St. George's University in the south of the island where 2.8 MW of generation is installed. Demand for electricity has been increasing at an average annual rate in excess of 8% since 1998. Growth in 2003, prior to Hurricane Ivan, was 8.23%.

In the latter part of 1999, GRENLEC embarked on a program to expand its electricity supply capacity through the acquisition of two 5.5 MW generating units. This project was completed in mid 2001 bringing the installed total capacity to approximately 32 MW, with a peak demand of approximately 22.5 MW.

In September 2002, GRENLEC was again expanding its production capacity as part of its expansion plan to meet the continued strong demand growth, and to replace aging and less efficient generators which were plagued with breakdowns. Consequently, a 7.45 MW generating unit was added. This project was completed in August 2003 and it increased the installed capacity to approximately 38.8 MW.

Based on the forecast for further increase in demand and the need to retire other old generators, a third phase of the Generation Expansion Plan was developed to provide additional units by 2006. A turnkey contract was signed with Wartsila of Finland in April 2005 for the supply and installation of two 8 MW generating units. These new units were fully commissioned in May 2006 bringing the total installed capacity to 49 MW. Peak demand in 2007 was recorded at 27.65 MW.

### *Distribution System*

The Distribution System consists of eight radial 11KV feeders which emanates from the Queen's Park Power Plant. These feeders traverse the entire island and provide electrical power to every village. Each feeder is also designed so that it can be interconnected with another feeder to improve the security of supply (see figure 1). Additionally, the feeders are equipped with auto reclosers and special puffer switches to improve the operational flexibility and reliability of the system. These pole-mounted devices are also part of the Distribution SCADA (Supervisory Control and Data Acquisition) system which allows remote control and monitoring via HMI (Human Machine Interface) in the control room at the Queen's Park Power Plant.

Over the last five years there has been significant demand growth in the south of the island. This steady increase in demand has reached the point where the feeders in this area are almost to the full extent of their current carrying capacity. The possibility of ringing feeders and transferring load from one feeder to another has also become limited. Consequently, it has become necessary for the

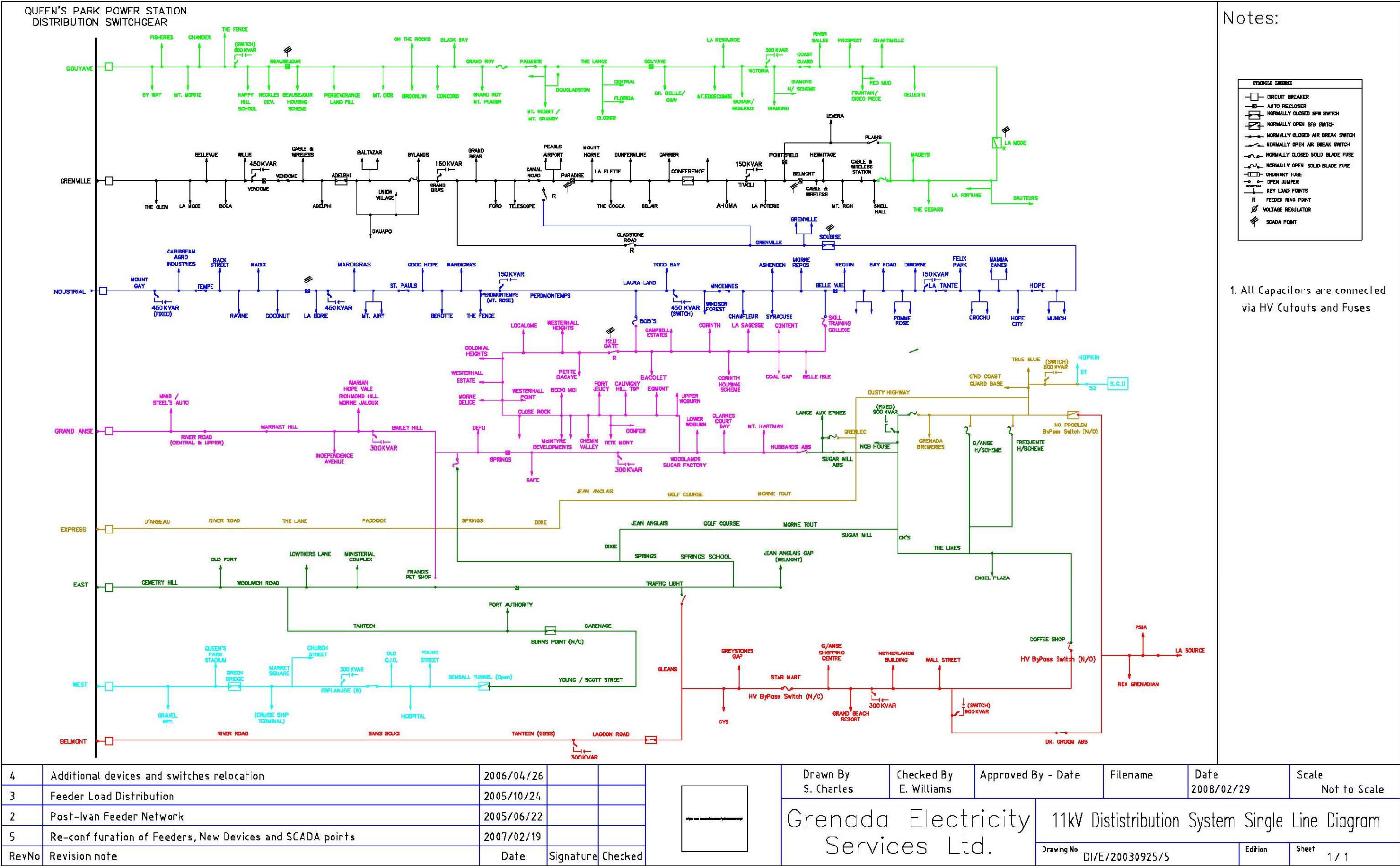
introduction of a 33kV Transmission System with Substations to transmit electrical power to the main load centers and cater for new commercial projects. The planning for this Transmission Network commenced before hurricane Ivan, however during the restoration process which followed the hurricane, the opportunity was taken to construct one of the transmission lines which was previous designed to be built between Queens Park and Grand Anse. This line is presently energized at 11KV and is being used as an 'express' feeder to provide electrical power to our largest customer the St. George's University and the surrounding community.

### *Proposed Transmission System*

An Electrical System Review was performed by Stanley Consultants Inc. who delivered their final report in March 2001. That report examined various options for transferring power from Queens Park Power Station to the various load centers and recommended the establishment of a transmission system on the island to enable GRENLEC to supply the load demand to the year 2010. The recommendations of this report formed the basis of GRENLEC's proposed 33KV transmission system.

Phase 1 of the transmission system development plan focuses on the critical load area on the south-western part of the island and requires the establishment of substations at Queen's Park and Grand Anse; connected by two 33kV transmission lines. Since one of the transmission lines is already constructed, contracts have been awarded for the construction the other line and the two substations. The entire project is scheduled for completion by January 2009. The existing feeders will be reconfigured to increase the number of distribution feeders leaving the Queen's Park Substation from five to seven, and will provide five new distribution feeders emanating from the new Grand Anse Substation.

Figure 1



# SWOT Analysis

---

To further discuss the market positioning and risks associated with GRENLEC, the SWOT Analysis identifies the information from an environmental analysis and separates it into internal (strengths and weaknesses) and external issues (opportunities and threats). This type of analysis determines what may assist the firm in accomplishing its objectives, and which obstacles must be overcome or minimized to achieve the desired results.

## Strengths

- Natural Monopoly by virtue of its size and establishment buttressed by an exclusive license to generate, transmit, distribute and sell electricity in Grenada.
- New and modern Generation Infrastructure
- Robustly rebuilt Distribution Network (Rebuilt during the restoration period after Hurricanes Ivan & Emily).
- Strong and qualified management
- Benefits from the expertise of WRB Enterprises Inc.
- Diesel fuel, machinery & equipment, consumables, spares, etc. are readily obtainable from a multiplicity of overseas sources. Appropriate stock levels of diesel fuel and consumable spares are kept on hand thereby reducing downtime. In addition, the existing power generating assets are maintained based on a structured maintenance programme.

## Weaknesses

- Absence of Transmission Network for transporting electrical power
- Financial performance dependent on the level of economic activity

## Opportunities

- Economic growth - expansion of the tourism and housing industries
- Improvements in customer service
- Improvement in Cost efficiencies
- Increased demand fueled by open investment climate
- Excellent financial performance history to attract cheaper debt

### *Threats*

- Market Liberalization
- Technology – high replacement cost
- Infrastructure susceptible to natural disasters
- Political instability
- Rising cost of fuel
- Alternative forms of generation from non- carbon based solutions

### *Strategic Plan Summary*

GRENLEC has focused its Strategic priorities into six key drivers namely:

- Production & Delivery Capability
- Customer Service
- Human Resource Development
- Fuel/Energy Mix
- Cost containment/ efficiency improvement
- Corporate image

In implementing these strategies GRENLEC will focus on the following:

- Placing a strong focus on preventive maintenance, efficiency improvement and cost containment to reduce downtime and operating costs.
- Placing a greater emphasis on staff selection, training and motivation to enhance production and service delivery.
- Making better use of market research and analysis to inform change strategies.
- Placing a new focus on relationship management to improve relations with our stakeholders.
- Installing an upgraded MIS for timely performance review and management decision making.

# FINANCIAL PERFORMANCE

## Overall Performance

GRENLEC registered a record level of profit of \$8,078,693 in 2006, surpassing the financial performance prior to Hurricane Ivan. The Company accomplished this without increasing its non-fuel rate, which it was entitled to increase by 0.48%, as per the Electricity Supply Act of 1994. This decision was made based on the fact that the Company felt that its customers were already burdened as a result of the uncontrollable high fuel cost. In 2007, pretax profits grew by a further 7.1% despite the unprecedented increase in fuel price which impacted the Company's financial performance.

This improved financial performance enabled the Company to reintroduce dividend payments that were discontinued because of the impact of Hurricane Ivan since the third quarter of 2004. In 2006, dividend of 26 cents per share was paid and in 2007 dividend payout was increased to pre-hurricane levels of 40 cents per share. GRENLEC's key performance indicators are summarized in Tables 3 and 4 below:

<b>Table 3</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Summary of Audit Statements</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Total Assets	139,208,663	150,860,685	164,987,408	195,117,766
Current Assets	46,890,416	55,961,307	59,897,964	87,112,427
Total Liabilities	78,012,091	92,860,086	101,848,116	129,333,911
Current Liabilities	32,320,885	36,590,880	34,541,201	41,625,501
<b>Net Worth</b>	<b>61,196,572</b>	<b>58,000,599</b>	<b>63,139,292</b>	<b>65,783,855</b>
Gross Income	81,100,406	105,055,456	128,052,580	141,827,843
Operating Cost	61,726,303	83,788,275	95,638,410	108,962,275
Admin Expenses	9,701,606	11,290,392	12,890,798	12,569,988
Interest	3,480,092	3,595,638	4,605,043	4,536,005
Other Charges	2,124,959	2,535,579	4,073,018	4,083,212
Profit before Tax	4,067,446	3,845,572	10,845,311	11,676,363
Provision for income tax	1,300,439	1,456,881	2,766,618	3,431,800
<b>Profit after tax</b>	<b>2,767,007</b>	<b>2,388,691</b>	<b>8,078,693</b>	<b>8,244,563</b>

*Table 4. Financial Summary and Ratios*

Share Capital	30,830,464	30,830,464	30,830,464	32,339,840	32,339,840
Stockholders Equity	56,644,928	55,611,935	58,000,599	61,139,292	61,783,855
<b>BALANCE SHEET ACTIVITY</b>					
Current Assets	42,441,619	46,890,415	55,961,307	59,897,964	87,112,427
Current Liabilities	27,568,426	32,320,885	36,590,880	34,541,201	41,625,501
Fixed Assets	85,228,748	79,280,773	72,248,748	99,899,427	92,794,408
Total Assets	143,464,672	139,208,690	150,860,685	164,987,408	195,117,766
Total Liabilities	74,819,744	78,012,091	92,860,086	101,848,116	129,333,911
Inventory	8,899,062	11,987,131	18,534,699	15,949,487	15,544,373
<b>PROFIT &amp; LOSS ACCOUNT</b>					
Revenue	88,732,614	81,100,406	105,055,456	128,052,580	141,827,843
Operating Expenses	59,816,577	61,726,303	83,788,275	95,638,410	108,962,275
EBITD	18,903,620	9,672,497	9,976,789	19,523,372	20,295,580
EBIT	15,029,689	6,192,405	6,381,151	14,918,329	15,759,575
Interest Expense	3,873,931	3,480,092	3,595,638	4,605,043	4,536,005
Net Income	7,827,995	2,767,007	2,388,691	8,078,693	8,244,563
<b>PRODUCTION</b>					
Units Sold (kWhs)	138,292,268	125,510,756	131,571,196	151,007,627	165,225,090
No. of Customers	36,437	16,270	33,402	36,779	39,318
Energy Produced	165,659,322	141,617,565	153,701,824	173,490,255	185,569,196
<b>IMPORTANT RATIOS</b>					
Return on Sales	9%	3%	2%	6%	6%
Debt/Equity ratio	81%	76%	93%	105%	105%
ROE	14%	5%	4%	13%	13%
ROA	5%	2%	2%	5%	4%
EPS	0.41	0.15	0.13	0.43	0.43
Current Ratio	1.54	1.45	1.53	1.73	2.09
Quick Ratio	1.22	1.08	1.02	1.27	1.72
Dividends per share	0.40	0.20	0.00	0.26	0.40

### *Liquidity:*

Working Capital increased steadily over the years 2004 to 2007 from \$14.5M to \$45.4M respectively. The current ratio has also shown improvement and was reported at 2.09:1 at the end of 2007 which was up from 1.73:1 in 2006. Current assets increased by 45.43% in 2007 compared to 2006, with receivables comprising 35.4% of total current assets. Receivables from consumers increased marginally by 6% from 2006 to 2007. The increase was mainly due to growth in KWh sales and the increase in fuel charge resulting from the rising oil prices.

Current Liabilities increased by 20.5%, with Accounts Payable comprising 48% of total current liabilities, increasing by 90% when compared to 2006. Cash increased significantly by 20%, while the overdraft decreased by 34%.

### *Stability:*

The Debt Ratio remained constant from 2005 to 2007 at 0.62. Total assets increased by 18.26%, while total liabilities reflected a 26.98% overall increase between 2006 and 2007. Long-term debt comprised 56% of the total liabilities and increased by 26%. This was due in large part to GRENLEC's continued efforts to upgrade its existing network post Hurricanes Ivan and Emily.

### *Profitability:*

GRENLEC was able to generate a profit of \$8,244,563 in 2007 compared to \$8,078,693 in 2006, fueled by an increase in sales of 10.7%. Return on assets slowed in 2007 to 4.22% from 4.9%, along with return on equity, which decreased to 12.0% from 12.8%. Net Profit Margin also decreased from 6.31% to 5.81%. Non-fuel sales revenue grew by 11.24% from 2006 to 2007 or by approximately \$6 million while fuel revenue totaled \$71.69 million which represented an increase of 8.74% over 2006. This was due mainly to continued high fuel prices which filtered into the electricity rates. The lag between fuel price increases and adjustments in fuel charge placed additional pressure on the cash flow.

Operating costs increased by approximately 13.93% from the previous year while administrative cost marginally declined by 2.49%. However, fuel consumed was sustained at 67.95% of total operating cost consistent with the 2006 level.

# *RISK ANALYSIS*

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## *Country Risk*

Grenada's economy has rebounded from the aftermath of two hurricanes in 2004 and 2005 namely Hurricanes Ivan and Emily; however, public debt presents a challenge to the country. Debt levels rose to 125 percent of GDP by the end of 2006.

Growth in real GDP is projected in 2007, as the expansion in agriculture and tourism activities are expected to continue to fuel this growth, as well as marked recovery in other sectors is likely. Fiscal outflows reported in 2006 to 2007 have slowed as compared to the early post Ivan period. This trend is expected to continue as the Country furthers its efforts to restore fiscal stability.

An IMF country review in 2007 cited several concerns with the current debt situation and weak fiscal position of the Island. It was noted that the authority's home-grown reform program focused appropriately on achieving financial stability, sustainable real growth, poverty alleviation and the mitigation of vulnerabilities. In addition, the implementation of an automatic mechanism for setting fuel prices and a broadly-based National Reconstruction Levy has assisted and will continue to assist in moving the Country towards its goals.

## *Operational Risk*

Adverse impact from natural disasters such as hurricanes remains the largest individual risk factor faced by GRENLEC. The Company has adopted a proactive and preventative approach to risk mitigation in this area through the establishment of a Hurricane Reserve Fund. Annually, the Company sets aside a reserve contribution of EC\$2 million from operating revenue for this purpose. This reserve allowed the Company to fund \$14M of the approximately \$17M it costed to rebuild the system after Hurricane Ivan.

### *Regulation of the Industry*

The Company is exposed to potential changes in the Electricity Supply Act (ESA) which may further liberalize the sector, thus enabling competitors in the generation or distribution of power. GRENLEC was granted a further extension on its license in the 1994 revision of the ESA. Notwithstanding, GRENLEC has already begun to solidify its position as the only electricity provider on the Island by continuously expanding its capacity to meet current and expected demand.

### *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 negotiated favorably with lenders.

### *Credit Risk*

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

### *Dividend Policy*

The Dividend payments by GRENLEC are determined by the Company after a review of its financial statements and growth objectives as determined by the Board of Directors.

During the period 2001 to 2007 with the exception of 2005, the year after hurricane Ivan, shareholders received an annual dividend between \$0.26 and \$0.40 a share, which were paid from net income.

Based on its continued level of profitability, the Company expects to continue to payout dividend to its shareholders from net income. GRENLEC intends to payout dividends in 2008 consistent with the last five years. Dividends per share are expected to grow over the next nine (9) years from 0.40 in 2007 to 0.60 in 2015. There are presently two publicly listed Electricity Supply Companies on the ECSE with dividend payout ranging from \$0.15 to \$1.42, making dividend payments to both current and potential investors reasonably attractive. (See table 5)

*Table 5. Dividends Paid from 2002 to 2007*

<b>Ratio</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>EC\$</b>						
Earnings Per Share*	0.43	0.43	0.13	0.15	0.41	0.4
Dividends Per Share	0.40	0.26	0	0.20	0.40	0.40
Dividend Payout Ratio( %	0.92	0.61	0.00	1.37	0.97	1.01
<b>Dividends</b>	7,600,000	4,940,000	0.0	3,800,000	7,600,000	7,600,000

\*Earnings per share computation excludes the amount of 10.5 cents per share which is transferred to hurricane reserve each year

# ***ECONOMIC AND INDUSTRY ANALYSIS***

## *Review of the Economy of Grenada*

Grenada has a largely tourism-based, small, open economy. Over the past two decades, the economy has shifted from being agriculture dominant to a services dominant economy, with tourism serving as the leading foreign currency earning sector. The Country's principal export crops are the spices; nutmeg and mace. Other crops for export include cocoa, citrus fruits, bananas, cloves, and cinnamon. The agricultural sector contributed 67% of the country's GDP. Real GDP growth averaged 7% between 2005 and 2006 and is expected to maintain a steady rate of about 3% in 2007, and 4% beyond. Manufacturing industries in Grenada operate on a small scale.

Since the events of September 11, 2001, economic growth declined as a result of adverse shocks such as the slowdown in the global economy and natural disasters. To deal with these shocks, the Government of Grenada employed an expansionary fiscal policy, while the private sector contribution saw a decline. By 2003, public debt increased to near 110 percent of GDP, followed by the dramatic events of September 2004 when Hurricane Ivan hit the country. Government's revenues declined and its policy shifted to deal with the post-hurricane clean-up in 2004.

As the damage of Hurricane Ivan to the economy exceeded 200 percent of GDP, economic growth registered a negative growth of -3.0% in 2004, compared with a positive growth rate of 5.8% in 2003. In 2005 all major productive and service sectors of the economy showed signs of recovery. There was a 12.1% growth in the economy due to the emphasis on reconstruction and cruise tourism and the significant aid received from the international community.

Significant activity related to Cricket World Cup 2007 commenced in 2006, and economic activity in Grenada continued to expand in 2006, although at a slower rate relative to the increase in 2005. Preliminary Real GDP growth data estimate that the Country recorded positive real growth of 1.3% in 2006. The slowdown in the rate was attributed to a decline in

construction activity as major hurricane construction work was completed in 2005. The increase in output in 2006 reflected a rebound in activity in the agricultural sector and tourism industry. Consumer prices rose by 1.7% during 2006. The overall balance on the central Government's fiscal accounts shifted to a deficit from a surplus in 2005, which was attributed to an increase in capital expenditure. Total outstanding public sector debt rose, reflecting an increase in both domestic and external debt stocks.

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

Successful debt restructuring by the Government has resulted in a favorable country rating. Debt restructuring negotiations are ongoing with the few remaining creditors.

Although reconstruction has proceeded quickly with significant aid from the international community, tourism and agricultural activities remain weak and has nearly offset the stimulus from the reconstruction boom. The Country is still facing the difficult task of reconstruction and recovery, while public debt is unsustainable and the Government faces large financing gaps. In the years ahead, reinvigorating growth will be a high priority and continued efforts will be needed to address vulnerabilities.

# SECURITY VALUATION

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## *Development and Expansion*

GRENLEC will continue to improve operational efficiency to better satisfy stakeholders and build the corporate image.

The Company plans to place a strong focus on preventative maintenance, efficiency improvement and cost containment in an effort to reduce downtime and operating costs. In order that this can be achieved, GRENLEC has recently sought funding by means of a Bond issue in December 2007 to raise \$45.6 million to refinance higher interest debt and to fund the development of the 33 kV Transmission Network. The primary objective of the transmission development project is to improve the capacity of the power system to transfer from the power station to the main load centers thereby relieving heavily loaded distribution lines.

## *Business Growth*

The major thrust of the Company is in improving the reliability and quality of service to customers, by linking two 33 kV substations to be constructed to meet its present and future power demands to the year 2010. In 2007 GRENLEC's peak demand increased to 27.89 MW from a level of 25.65 MW in 2006, surpassing pre-hurricane levels when peak demand was 25.8MW.

While on the path to resume profitability and improve business prospects, the Company has focused intently on the issue of reducing system losses. This has produced excellent results evidenced by a 43.1% decline in system losses from 13.16% in 2003 to 7.49% in 2007.

## *Projected Financial Performance for the Period 2008 to 2016*

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

The accounting policies utilized in the preparation of the financial statements at December 31, 2007 have been followed in the preparation of these forecasts and are in keeping with International Financial Reporting Standards (IFRS).

The following statements are included:-

1. Five year financial performance - Balance Sheet 2003 to 2007
2. Five year financial performance - Income Statement 2003 to 2007
3. Five year financial performance – Statement of Cash Flows 2003 to 2007
4. Projected Income Statement 2008 to 2016
5. Projected Balance Sheet 2008 to 2016
6. Projected Cash flow 2008 to 2016

# FIVE YEAR BALANCE SHEET

## GRENLEC FIVE (5) YEAR FINANCIAL PERFORMANCE FOR THE PERIOD 2003 TO 2007 BALANCE SHEET

For years ended December 31, 2003-2007  
(Expressed in Eastern Caribbean Currency Dollars)

	2003 \$	2004 \$	2005 \$	2006 \$	2007 \$
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and due from banks	1,056,163	376,711	3,569,640	2,767,214	26,340,242
Accounts receivable	19,456,793	20,988,399	22,599,529	29,243,125	30,882,813
Segregated retirement investment	10,369,695	10,735,786	10,756,968	11,166,527	12,562,797
Inventories	8,899,062	11,987,131	18,534,699	15,949,487	15,544,373
Prepayments	2,659,906	2,802,388	500,471	771,611	1,191,534
Income taxes Prepaid					590,668
	42,441,619	46,890,415	55,961,307	59,897,964	87,112,427
<b>INVESTMENTS</b>	12,702,936	7,856,957	1,703,709	1,737,947	7,359,716
<b>PROPERTY, PLANT AND EQUIPMENT</b>	85,228,748	79,280,773	72,248,748	99,899,427	92,794,408
Suspense, jobs in progress	1,123,242	1,041,627	672,335	732,324	687,204
Capital work in progress	1,968,127	4,138,918	20,274,586	1,264,696	4,380,321
Deferred exchange loss	-	-	-	1,455,050	2,783,690
<b>TOTAL ASSETS</b>	<b>143,464,672</b>	<b>139,208,690</b>	<b>150,860,685</b>	<b>164,987,408</b>	<b>195,117,766</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Bank overdraft	3,056,290	3,798,034	5,000,263	4,304,038	2,842,875
Amount due to related company	88,510	325,303	1,324,441	127,116	94,127
Current portion of long term debt	6,360,848	4,617,839	5,706,312	6,697,990	6,987,532
Accounts payable and accrued expenses	7,705,288	13,657,858	15,033,799	10,614,360	20,169,397
Consumers' deposits	4,735,716	4,958,829	5,415,198	5,788,148	6,822,869
Consumers' advances for construction	2,411,980	2,286,635	1,631,255	1,189,989	910,527
Current portion of provision for retirement benefits	1,000,000	500,000	500,000	500,000	1,000,000
Provision for profit sharing	2,209,794	2,176,387	1,543,733	2,617,063	2,797,674
Provision for income tax	-	-	435,879	2,702,497	-
	<b>27,568,426</b>	<b>32,320,885</b>	<b>36,590,880</b>	<b>34,541,201</b>	<b>41,625,001</b>
Provision for Retirement Benefits	10,324,407	11,757,228	13,070,301	14,416,337	15,786,294
Deferred Income	436,540	-	-		
Long Term Debt	36,490,371	33,933,978	43,198,905	52,890,578	71,922,616
	<b>74,819,744</b>	<b>78,012,091</b>	<b>92,860,086</b>	<b>101,848,116</b>	<b>129,333,911</b>
<b>SHAREHOLDERS EQUITY</b>					
Stated capital	30,830,464	30,830,464	30,830,464	32,339,840	32,339,840
Share premium	1,509,376	1,509,376	1,509,376	-	
Revaluation Reserve	3,828,527	3,828,527	3,828,527	3,828,527	
Retained Earnings	20,476,561	19,443,568	21,832,232	24,970,925	29,444,015
	56,644,928	55,611,935	58,000,599	61,139,292	61,783,855
Provision for Hurricane insurance reserve	12,000,000	5,584,664	-	2,000,000	4,000,000
	68,644,928	61,196,599	58,000,599	63,139,292	65,783,855
	<b>143,464,672</b>	<b>139,208,690</b>	<b>150,860,685</b>	<b>164,987,408</b>	<b>195,117,766</b>

# FIVE YEAR INCOME STATEMENT

## GRENLEC FIVE (5) YEAR FINANCIAL PERFORMANCE FOR THE PERIOD 2003 TO 2007

### STATEMENT OF INCOME

For years ended December 31, 2003-2007

(Expressed in Eastern Caribbean Currency Dollars)

	2003	2004	2005	2006	2007
	\$	\$	\$	\$	\$
<b>INCOME</b>					
Sales- Non Fuel Charge	55,329,396	50,071,598	52,900,135	60,183,380	66,948,993
- Fuel Charge	30,421,111	30,473,871	47,642,123	65,933,851	71,698,722
Unbilled sales adjustments	736,711	(1,500,927)	2,456,984	487,217	1,013,285
<b>Total Sales</b>	<b>86,487,218</b>	<b>79,044,542</b>	<b>102,999,242</b>	<b>126,604,448</b>	<b>139,661,000</b>
Sundry Income	2,245,396	2,001,920	2,032,446	1,448,125	2,116,789
Profit on disposal of fixed assets	-	53,944	23,768	-	50,054
	<b>88,732,614</b>	<b>81,100,406</b>	<b>105,055,456</b>	<b>128,052,573</b>	<b>141,827,843</b>
<b>OPERATING COSTS</b>					
Production Costs	14,911,614	14,538,078	12,882,946	15,941,528	18,416,715
Fuel consumed	31,494,018	32,810,997	51,166,856	64,248,149	74,045,776
Provision for Hurricane Insurance Reserve	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Distribution services	10,468,998	11,470,062	16,788,998	12,306,561	13,146,080
Planning and engineering	941,947	907,166	949,475	1,142,172	1,353,704
	<b>59,816,577</b>	<b>61,726,303</b>	<b>83,788,275</b>	<b>95,638,410</b>	<b>108,962,275</b>
<b>Administration</b>	10,012,417	9,701,607	11,290,392	12,890,798	12,569,988
Profit for year before interest	18,903,620	9,672,496	9,976,789	19,523,365	20,295,580
Deduct: interest	3,873,931	3,480,092	3,595,638	4,605,043	4,536,005
	<b>15,029,689</b>	<b>6,192,404</b>	<b>6,381,151</b>	<b>14,918,322</b>	<b>15,759,575</b>
<b>OTHER CHARGES</b>					
Donations	727,005	309,620	-	200,364	-
Profit Sharing	2,855,482	1,815,339	319,058	735,898	787,979
Disposal of fixed assets	489,589	-	2,216,521	3,136,756	3,295,233
	<b>4,072,076</b>	<b>2,124,959</b>	<b>2,535,579</b>	<b>4,073,018</b>	<b>4,083,212</b>
Profit for year before income tax	<b>10,957,613</b>	<b>4,067,445</b>	<b>3,845,572</b>	<b>10,845,304</b>	<b>11,676,363</b>
Deduct: Provision for income tax	3,129,618	1,300,439	1,456,881	2,766,618	3,431,800
Profit for Year after income tax	<b>7,827,995</b>	<b>2,767,006</b>	<b>2,388,691</b>	<b>8,078,686</b>	<b>8,244,563</b>
Earnings Per Share	<b>0.41</b>	<b>0.15</b>	<b>0.13</b>	<b>0.43</b>	<b>0.43</b>

# FIVE YEAR STATEMENT OF CASH FLOWS

## GRENADA ELECTRICITY SERVICES LIMITED FIVE YEAR STATEMENT OF CASH FLOWS YEARS ENDING DECEMBER 2003 TO 2007

	2003	2004	2005	2006	2007
	EC\$	EC\$	EC\$	EC\$	EC\$
<b>OPERATING ACTIVITIES</b>					
Profit before income tax	10,957,613	4,067,446	3,845,572	10,845,311	11,676,363
Adjustment for:					
Depreciation	10,546,885	11,067,290	11,590,947	12,459,565	14,459,629
(Profit)/loss on disposal of fixed assets	489,589	(53,944)	(23,768)	200,364	(50,054)
Deferred Exchange Lost				(1,455,050)	(1,328,640)
	21,994,087	15,080,792	15,412,751	22,050,190	24,757,298
Changes In Operating Assets/Liabilities					
Increase in receivables and prepayments	(1,993,681)	(2,145,504)	(330,214)	(6,914,736)	(2,059,611)
Increase/(decrease) in accounts payable and accrued charges	(3,152,764)	6,050,338	1,176,930	(4,487,755)	10,310,296
Increase in provision for retirement benefits	1,184,094	932,821	1,313,073	1,346,036	1,869,957
Increase/(decrease) in inventory	533,223	(3,088,069)	(6,547,568)	2,585,212	405,114
Increase /(decrease) in related company balance	(93,855)	236,793	999,138	(1,197,325)	(32,989)
(Decrease)/increase in provision for profit sharing	125,115	(33,407)	(632,654)	1,073,330	180,611
Income Tax Paid	(3,725,154)	(829,023)	-	(500,000)	(6,724,965)
<b>Cash provided by operating activities</b>	<b>14,871,065</b>	<b>16,204,741</b>	<b>11,391,456</b>	<b>13,954,952</b>	<b>28,705,711</b>
<b>INVESTING ACTIVITIES</b>					
Decrease/(increase) in investments	(353)	19	1,091,477	263	-
Disposal of fixed assets	2,818,403	102,138	91,100	195,443	124,282
Decrease/(increase) in suspense jobs in progress	(33,607)	81,615	369,292	(59,989)	45,120
(Increase)/decrease in capital work in progress	657,419	(2,170,791)	(16,135,668)	19,009,890	(3,115,625)
(Increase)/Decrease in short term investments	4,300,563	4,845,960	5,061,771	(34,501)	(5,621,769)
Increase in segregated investment	(265,296)	(366,091)	(21,182)	(409,559)	(1,396,270)
Increase in consumer contribution to line extension	505,904	119,438	228,463	11,434	658,228
Purchase of fixed assets	(12,538,992)	(5,286,947)	(4,854,745)	(40,517,485)	(8,087,066)
<b>Cash used in investing activities</b>	<b>(4,555,959)</b>	<b>(2,674,659)</b>	<b>(14,169,492)</b>	<b>(21,804,504)</b>	<b>(17,393,100)</b>
<b>FINANCING ACTIVITIES</b>					
(Decrease)/increase in provision for hurricane insurance reserve	2,000,000	(6,415,336)	(5,584,664)	2,000,000	2,000,000
Repayment of loan	(5,658,056)	(4,299,402)	(4,809,958)	(5,754,275)	(28,373,420)
Dividends paid	(7,600,000)	(3,800,000)	0	(4,940,000)	(7,600,000)
Decrease in deferred income	(436,540)	(436,540)	0		0
Loan Proceeds	0	0	15,163,358	16,437,626	47,695,000
<b>Cash used in financing activities</b>	<b>(11,694,596)</b>	<b>(14,951,278)</b>	<b>4,768,736</b>	<b>7,743,351</b>	<b>13,721,580</b>

## Five-Year Statement of Cash Flows Cont...

### GRENADA ELECTRICITY SERVICES LIMITED FIVE YEAR STATEMENT OF CASH FLOWS YEARS ENDING DECEMBER 2003 TO 2007

	2003	2004	2005	2006	2007
	EC\$	EC\$	EC\$	EC\$	EC\$
Net decrease in cash and cash equivalents	(1,379,490)	(1,421,196)	1,990,700	(106,201)	25,034,191
Net overdraft - at the beginning of year	(620,637)	(2,000,127)	(3,421,323)	(1,430,623)	(1,536,824)
Net overdraft - at the end of year	(2,000,127)	(3,421,323)	(1,430,623)	(1,536,824)	23,497,367
<b>REPRESENTED BY</b>					
Cash and due from banks	<b>1,056,163</b>	<b>376,711</b>	<b>3,569,640</b>	<b>2,767,214</b>	<b>26,340,242</b>
Bank overdraft	(3,056,290)	(3,798,034)	(5,000,263)	(4,304,038)	(2,842,875)
	(2,000,127)	(3,421,323)	(1,430,623)	(1,536,824)	23,497,367

# *PROJECTED NINE YEAR BALANCE SHEET*

**GRENADA ELECTRICITY SERVICES LIMITED  
PROJECTED BALANCE SHEET  
YEARS ENDING DECEMBER 2008 TO 2016**

	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>ASSETS</b>									
<b>CURRENT ASSETS</b>									
Cash at Bank and in hand	11,694,484	15,021,321	25,959,374	30,412,414	31,205,965	41,341,756	51,898,508	44,992,980	57,733,435
Hurricane Fund	5,721,867	7,721,867	9,721,867	11,721,867	13,721,867	15,721,867	17,721,867	19,721,867	21,721,867
Accounts Receivable	29,537,750	31,899,327	34,459,702	37,236,210	40,090,105	43,180,337	46,527,554	50,154,266	54,085,028
Segregated Retirement Investments	18,229,048	20,151,847	22,277,464	24,627,291	27,224,978	30,096,669	33,271,265	36,780,718	40,660,348
Other Inventments	16,080	16,080	16,080	16,080	16,080	16,080	16,080	16,080	16,080
Inventories	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
Prepayments	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
	<b>78,699,229</b>	<b>88,310,442</b>	<b>105,934,487</b>	<b>117,513,862</b>	<b>125,758,995</b>	<b>143,856,709</b>	<b>162,935,274</b>	<b>165,165,911</b>	<b>187,716,758</b>
<b>PROPERTY PLANT &amp; EQUIPMENT</b>	101,831,621	98,688,374	89,501,180	88,164,501	85,605,000	73,788,002	64,917,383	73,835,452	62,722,825
Suspense Jobs in Progress	1,093,708	1,093,709	1,093,709	1,093,709	1,093,709	1,093,709	1,093,709	1,093,709	1,093,709
Capital Work in Progress	4,138,918	4,138,918	4,138,918	4,138,918	4,138,918	4,138,918	4,138,918	4,138,918	4,138,918
<b>TOTAL ASSETS</b>	<b>185,763,476</b>	<b>192,231,443</b>	<b>200,668,294</b>	<b>210,910,990</b>	<b>216,596,622</b>	<b>222,877,338</b>	<b>233,085,284</b>	<b>244,233,990</b>	<b>255,672,210</b>

## Projected Nine-Year Balance Sheet Cont...

**GRENADA ELECTRICITY SERVICES LIMITED  
PROJECTED BALANCE SHEET  
YEARS ENDING DECEMBER 2008 TO 2016**

	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>									
<b>CURRENT LIABILITIES</b>									
Amount Due to Related Company	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Accounts Payable and Accrued Exp	11,637,125	12,218,981	12,829,930	13,471,427	14,144,998	14,852,248	15,594,860	16,374,603	17,193,333
Consumers' Deposits	6,335,210	6,631,065	6,940,735	7,264,868	7,604,137	7,959,250	8,330,947	8,720,003	9,127,227
Consumers' Advances for Construction	1,670,070	1,670,070	1,670,070	1,670,070	1,670,070	1,670,070	1,670,070	1,670,070	1,670,070
Provision for Retirement Benefits	18,229,048	20,151,847	22,277,464	24,627,291	27,224,978	30,096,669	33,271,265	36,780,718	40,660,348
Provision for Profit Sharing	3,738,341	4,197,552	4,592,798	5,306,727	5,600,320	6,243,825	7,426,676	8,150,620	8,569,395
Provision for Income Tax	704,938	791,531	866,063	1,000,688	1,056,051	1,177,396	1,400,446	1,536,960	1,615,928
	<b>42,464,732</b>	<b>45,811,046</b>	<b>49,327,060</b>	<b>53,491,071</b>	<b>57,450,554</b>	<b>62,149,458</b>	<b>67,844,264</b>	<b>73,382,974</b>	<b>78,986,301</b>
<b>LONG TERM DEBT</b>									
	72,328,224	70,646,712	70,057,467	69,042,782	62,708,191	55,919,636	48,649,601	40,865,593	32,534,863
<b>TOTAL LIABILITIES</b>	<b>114,792,956</b>	<b>116,457,758</b>	<b>119,384,527</b>	<b>122,533,853</b>	<b>120,158,745</b>	<b>118,069,094</b>	<b>116,493,865</b>	<b>114,248,567</b>	<b>111,521,164</b>
<b>SHAREHOLDERS EQUITY</b>									
Stated Capital	32,339,840	32,339,840	32,339,840	32,339,840	32,339,840	32,339,840	32,339,840	32,339,840	32,339,840
Revaluation / Revenue Reserve	3,828,527	3,828,527	3,828,527	3,828,527	3,828,527	3,828,527	3,828,527	3,828,527	3,828,527
Hurricane Reserve	6,000,000	8,000,000	10,000,000	12,000,000	14,000,000	16,000,000	18,000,000	20,000,000	22,000,000
Retained Earnings	28,802,154	31,605,319	35,115,401	40,208,770	45,729,511	52,639,877	62,423,052	73,817,056	85,982,681
	70,970,521	75,773,686	81,283,768	88,377,137	95,897,878	104,808,244	116,591,419	129,985,423	144,151,048
	<b>185,763,477</b>	<b>192,231,444</b>	<b>200,668,295</b>	<b>210,910,990</b>	<b>216,056,623</b>	<b>222,877,338</b>	<b>233,085,284</b>	<b>244,233,990</b>	<b>255,672,212</b>

# PROJECTED NINE YEAR INCOME STATEMENT

## GRENADA ELECTRICITY SERVICES LIMITED PROJECTED INCOME STATEMENT YEARS ENDING DECEMBER 2008 TO 2016

	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>INCOME</b>									
Sales - Non Fuel Charge	71,218,592	75,691,460	80,454,744	85,527,631	90,142,427	95,012,839	100,153,261	105,578,908	111,305,862
- Fuel Charge	76,470,156	83,805,174	91,843,766	100,653,420	110,308,096	120,888,848	132,484,507	145,192,421	159,119,278
Unbilled Sales Adjustments	454,672	491,995	533,411	578,439	594,561	643,798	697,337	755,565	818,909
Net Sales	148,143,420	159,988,629	172,831,921	186,759,490	201,045,084	216,545,485	233,335,105	251,526,894	271,244,049
Sundry Revenue	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
<b>TOTAL INCOME</b>	<b>149,643,420</b>	<b>161,488,629</b>	<b>174,331,921</b>	<b>188,259,490</b>	<b>202,545,084</b>	<b>218,045,485</b>	<b>234,835,105</b>	<b>253,026,894</b>	<b>272,744,049</b>
<b>OPERATING COSTS</b>									
Production less Diesel Consumed	8,684,960	9,007,287	9,342,933	9,692,493	10,056,592	10,435,882	10,831,049	11,242,808	11,671,910
Diesel Consumed	77,164,638	84,566,270	92,677,867	101,567,528	111,309,885	121,986,729	133,687,696	146,511,020	160,564,357
Depreciation on Plant	9,503,593	10,400,104	11,896,615	11,996,615	13,696,615	13,796,615	11,296,615	11,396,615	13,296,615
Hurricane Expense	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Planning & Engineering	1,128,192	1,180,041	1,234,368	1,291,295	1,350,949	1,413,463	1,478,977	1,547,638	1,619,599
Depreciation Planning & Engineering	117,441	120,964	124,593	128,331	132,181	136,146	140,230	144,437	148,770
Distribution	8,951,773	9,317,778	9,700,044	10,099,332	10,516,442	10,952,212	11,407,519	11,883,284	12,380,472
Depreciation on Distribution System	4,820,421	5,157,850	5,518,900	5,905,223	6,318,589	6,760,890	7,234,152	7,740,543	8,282,381
<b>TOTAL OPERATING COSTS</b>	<b>112,371,018</b>	<b>121,750,294</b>	<b>132,495,320</b>	<b>142,680,817</b>	<b>155,381,253</b>	<b>167,481,937</b>	<b>178,076,238</b>	<b>192,466,345</b>	<b>209,964,104</b>

## Projected Nine-Year Income Statement cont...

### GRENADA ELECTRICITY SERVICES LIMITED PROJECTED INCOME STATEMENT YEARS ENDING DECEMBER 2008 TO 2016

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Coporate Services	12,179,576	12,600,062	13,036,861	13,490,669	13,962,217	14,452,267	14,961,619	15,491,106	16,041,603
Depreciation on Other Assets	608,916	627,183	645,998	665,378	685,339	705,899	727,076	748,888	771,355
<b>TOTAL ADMINISTRATION COSTS</b>	<b>12,788,492</b>	<b>13,227,245</b>	<b>13,682,859</b>	<b>14,156,047</b>	<b>14,647,556</b>	<b>15,158,166</b>	<b>15,688,695</b>	<b>16,239,994</b>	<b>16,812,958</b>
<b>PROFIT BEFORE INTEREST</b>	<b>24,483,910</b>	<b>26,511,090</b>	<b>28,153,742</b>	<b>31,422,626</b>	<b>32,516,275</b>	<b>35,405,382</b>	<b>41,070,172</b>	<b>44,320,555</b>	<b>45,966,987</b>
INTEREST									
Other Loan / Overdraft Int - Current	33,379	24,295	15,030	5,578	5,000	5,000	5,000	5,000	5,000
E.LB Loan Int - Grenlec 11-#19129	149,140	109,477	69,123	27,409					
FINCOR									
NIS Loan Int - Wartsila Generators	920,671	830,122	735,809	634,718	528,004	410,339	285,860	152,437	20,979
E.LB Loan Int - Grenlec 111-#23150	624,924	609,533	581,595	552,030	522,258	487,725	452,695	415,627	377,520
New Financing Transmission Int	3,143,168	2,929,578	2,679,703	2,411,871	2,131,250	1,817,550	1,487,765	1,134,282	758,004
Consumer Deposit Interest	218,365	231,467	245,355	260,076	275,681	292,222	309,755	328,340	348,040
<b>TOTAL INTEREST COSTS</b>	<b>5,089,647</b>	<b>4,734,472</b>	<b>4,326,615</b>	<b>3,891,682</b>	<b>3,462,193</b>	<b>3,012,836</b>	<b>2,541,075</b>	<b>2,035,686</b>	<b>1,509,543</b>
<b>PROFIT AFTER INTEREST</b>	<b>19,394,263</b>	<b>21,776,618</b>	<b>23,827,127</b>	<b>27,530,944</b>	<b>29,054,082</b>	<b>32,392,546</b>	<b>38,529,097</b>	<b>42,284,869</b>	<b>44,457,444</b>
OTHER CHARGES									
Disposal of Fixed Assets									
Donations	969,713	1,088,831	1,191,356	1,376,547	1,452,704	1,619,627	1,926,455	2,114,243	2,222,872
Profit Sharing	3,738,341	4,197,552	4,592,798	5,306,727	5,600,320	6,243,825	7,426,676	8,150,620	8,569,395
<b>TOTAL OTHER CHARGES</b>	<b>4,708,054</b>	<b>5,286,383</b>	<b>5,784,154</b>	<b>6,683,274</b>	<b>7,053,024</b>	<b>7,863,452</b>	<b>9,353,131</b>	<b>10,264,863</b>	<b>10,792,267</b>
PROFIT BEFORE TAXES	14,686,209	16,490,235	18,042,973	20,847,670	22,001,058	24,529,094	29,175,966	32,020,006	33,665,177
Corporation Tax @ 30%	4,405,863	4,947,071	5,412,892	6,254,301	6,600,317	7,358,728	8,752,790	9,606,002	10,099,553
<b>PROFIT AFTER TAXES</b>	<b>10,280,346</b>	<b>11,543,165</b>	<b>12,630,081</b>	<b>14,593,369</b>	<b>15,400,741</b>	<b>17,170,366</b>	<b>20,423,176</b>	<b>22,414,004</b>	<b>23,565,624</b>

## Projected Nine Year Cash Flows

### GRENADA ELECTRICITY SERVICES LIMITED PROJECTED CASH FLOWS YEARS ENDING DECEMBER 31, 2008 TO 2016

	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>BALANCE AT BEGINNING OF YEAR</b>	<b>6,024,913</b>	<b>11,694,484</b>	<b>15,021,321</b>	<b>25,959,373</b>	<b>30,412,413</b>	<b>31,205,964</b>	<b>41,341,756</b>	<b>51,898,508</b>	<b>44,992,979</b>
<b>INFLOWS</b>									
Net Income After Taxes	10,280,346	11,543,165	12,630,081	14,593,369	15,400,741	17,170,366	20,423,176	22,414,004	23,565,624
Depreciation	15,050,371	16,306,101	18,186,106	18,695,547	20,832,724	21,399,550	19,398,073	20,030,483	22,499,121
Hurricane Provision	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
EIB 23150-Wartsila Loan									
NIS Wartsila Loan									
New Financing - Transmission Line / Refinancing	13,530,162	4,510,054							
New Financing			6,000,000	6,000,000					
<b>TOTAL</b>	<b>40,860,879</b>	<b>34,359,320</b>	<b>38,816,187</b>	<b>41,288,916</b>	<b>38,233,465</b>	<b>40,569,916</b>	<b>41,821,249</b>	<b>44,444,487</b>	<b>48,064,745</b>
<b>OUTFLOWS</b>									
Dividendas Paid	8,360,000	8,740,000	9,120,000	9,500,000	9,880,000	10,260,000	10,640,000	11,020,000	11,400,000
<b>Capital Expenditure</b>									
Non expansion items	8,320,000	8,652,800	8,998,912	9,358,868	9,733,223	10,122,552	10,527,454	10,948,552	11,386,494
Queen's Park - Wartsila W32 - New Generators				8,000,000	8,000,000			18,000,000	
Transmission Substations & Line	13,530,162	4,510,054							
Increase / (Decrease) in Receivables	2,182,425	2,361,577	2,560,375	2,776,508	2,853,895	3,090,232	3,347,217	3,626,712	3,930,762
Increase / (Decrease) in Other working capital - <b>excluding Hurricane Fund</b>	(3,988,226)	(1,423,514)	(1,390,397)	(1,814,184)	(1,361,796)	(1,827,214)	(2,520,210)	(2,029,256)	(1,723,697)
EIB #19129 - Principal Repayments	995,931	1,026,043	1,056,155	1,090,728					
Fincor - Principla Repayments									
NIS Financing - Principal Repayments	1,142,570	1,221,932	1,312,481	1,406,795	1,507,886	1,614,599	1,732,264	1,856,743	1,990,167
New EIB - Principal Repayments		466,282	493,424	522,146	551,069	584,618	618,649	654,660	691,681
New Financing - Principal Repayments	2,648,446	3,477,309	3,727,185	3,995,016	4,275,637	4,589,337	4,949,122	5,272,605	5,648,883
Hurricane Reserve	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
<b>TOTAL</b>	<b>35,191,308</b>	<b>31,032,483</b>	<b>27,878,135</b>	<b>36,835,877</b>	<b>37,439,914</b>	<b>30,434,124</b>	<b>31,294,496</b>	<b>51,350,016</b>	<b>35,324,290</b>
<b>Annual net cashflow</b>	<b>5,669,571</b>	<b>3,326,837</b>	<b>10,938,052</b>	<b>4,453,039</b>	<b>793,551</b>	<b>10,135,792</b>	<b>10,526,753</b>	<b>(6,905,529)</b>	<b>12,740,455</b>
<b>BALANCE AT END OF YEAR</b>	<b>11,694,484</b>	<b>15,021,321</b>	<b>25,959,373</b>	<b>30,412,412</b>	<b>31,205,964</b>	<b>41,341,756</b>	<b>51,868,509</b>	<b>44,992,979</b>	<b>57,733,434</b>

# SECURITY VALUATION METHOD

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## *Our Approach*

Our valuation was based on a comprehensive review and analysis of the Company, its industry and all other relevant factors, adequately corroborated.

Our scope of review of this assignment included:

- i. A review of the audited financial statements of the Company for the fiscal years ended December 31, 2003, 2004, 2005, and 2006. and 2007
- ii. A review of the Company's projections and strategic plans for the fiscal years ending December 31, 2008, up to December 31, 2016 as prepared by the management of the Company.
- iii. A review of the budgeted income statement of the Company, as prepared by Management and believed to represent Management's best estimate of the expected results of the operations for the fiscal year to end December 31, 2008.
- iv. A review of the Company's income tax position.
- v. Interviews and correspondence with Management of the Company.
- vi. A review of published market data and other public information available to us as it relates to the industry in which the Company operates.
- vii. A review and analysis of trading multiples for comparable public companies, if any; and
- viii. A review and analysis of acquisitions within the industry for a period prior to the Valuation Date, to the extent that such data was publicly available.

We also took due note of an auction of 85,000 shares in October 2003 that was undertaken on behalf of a shareholder. The majority of sales of these shares were recorded in the range of EC\$8.50 to EC\$9.40 per share.

## *Definition of fair market value*

For the purpose of the Valuation, fair market value will be defined as the highest price available in an open and unrestricted market between informed, prudent parties acting at arm's length and under no compulsion to act, expressed in terms of money or money's worth.

It is important to note that there may be a significant difference between fair market value as determined in a notional market context and price as determined in an open market transaction.

This difference may be attributable to factors such as:

- i. The negotiation skills of the buyer, seller and their respective advisors;
- ii. The knowledge of each party with respect to the business interest and the industry in which it participates;
- iii. The amount of competition for the acquisition of a given business interest; and
- iv. The possibility of a special interest purchaser who can, or believes it can enjoy post acquisition economies of scale (i.e. synergies) or strategic advantages by combining the acquired business interest with its own.

### *Description of valuation approach*

The Valuation was prepared applying general valuation theory and methodology, as follows:

#### Valuation Approach

Two basic approaches available when determining the fair market value of a business interest are the going concern approach and the liquidation approach. The fair market value of a business interest generating a level of profitability commensurate with the assets employed should be based on a going concern approach.

#### Valuation Method

While there is no unique or exact formula which may be used to derive the fair market value of a business interest, under a going concern approach there are three general methods for determining value based on: earnings/cash flows; assets; and market comparatives described as follows:

## 1) *Earnings or Cash Flow Based Method*

### a) Capitalization of Earnings or Cash Flow Method

The mechanics of a capitalization of earning or cash flow methodology involve estimating the range of maintainable after-tax earnings or cash flow, and capitalizing that amount by a rate of return (“capitalization rate”). Adjustments are then made for redundant assets, the present value of existing tax pools, one time costs, and outstanding interest bearing debt and equivalents to derive en bloc equity value.

### b) Discounted Cash Flow Method (DCF)

The DCF methodology is a variation of the capitalization of earnings or cash flow method. The DCF methodology allows for an assessment of each year where operations are expected to change. Using a DCF, the after-tax cash flows, after deducting the net cost of sustaining capital reinvestment, are discounted along with the residual value of the business at the end of the discount period. Adjustments are then made for the redundant assets, the present value of the existing tax pools, one time costs, and outstanding interest bearing debt and equivalents to derive en bloc equity value.

This technique is often applied in situations where:

- i. The business has an infinite life; or
- ii. The business is forecast to experience change for a number of years before attaining an ongoing operating level.

## 2) *Asset Based Method*

An asset based method to determining going concern value of a business is normally used when:

- i. The value of the business is directly related to the underlying assets, such as real estate, portfolio investments; or

- ii. The net asset value of the business is higher than a capitalization earnings value or DCF, implying that there is no goodwill associated with the business.

### 3) *Market Comparative Method*

A market comparative method is used where various sources of good information are publicly available with respect to transactions involving the purchase or sale of comparable assets. The analyses of recent transactions may provide some indication of rates of return required by corporate acquirers. Performing a valuation using a market approach involves the selection of several publicly traded utility companies in order to derive an appropriate price multiple.

The recommended Price Multiple is Enterprise Value divided by EBITDA, where Enterprise Value (also referred to as Total Invested Capital or “TIC”) is calculated by adding the total equity value with the total outstanding debt.

## **CONCLUSION**

Valuations were conducted using the Capitalization of Earnings, Discounted Cash Flow and Asset Based methods in order that a value band could be established for the price range of a share price. Table 6 shows the results of the calculations and as such it is reasonable to suggest a price range for GRENLEC shares to be between **\$5.92 to \$11.09**.

**Table 6. Valuation Calculation Results**

Earnings Multiple	Peer Industry Multiples	Indicative Price
Capitalization of Earning		\$11.09
Discounted Cash Flow		\$6.63
Market Comparative	4X to 7X	\$5.92 to \$10.36

# GENERAL DISCLOSURES

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## *Corporate Governance*

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

## *Material Litigation*

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

## *Material Contracts*

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

## *Other Investments*

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

## *Rating*

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

### *Service Agreements*

There is currently in place a management consulting services contract between GRENLEC and WRB Enterprises Inc. for an annual fee of six hundred thousand dollars (\$600,000) net of Grenadian taxes, representing services equivalent to those that would be provided by approximately one and one-half qualified full time personnel plus travel accommodation and other out of pocket expenses.

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

# MATERIAL DISCLOSURES

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## *Directors' Interest*

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

<b><i>Director</i></b>	<b><i>Beneficial</i></b>	<b><i>Non- Beneficial</i></b>
G. Robert Blanchard Jr.	Nil	2,303,765
Ron Roseman	Nil	1,630,507
Robert Curtis	Nil	291,566
Malcolm Harris	29,430	27,962
Nigel Wardle	1,500	27,962
Vernon Lawrence	10,000	Nil
Arthur Campbell	7,000	Nil
Dyer Marquez	5,600	Nil
Lawrence Samuel	Nil	Nil
Chester Palmer	2,500	Nil
Nelson Louison	500	Nil
Ashton Frame	Nil	Nil

## *Remuneration of Directors*

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

## *Interest in Contracts*

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

## *Other Interests*

There are no family relationships between the Directors of the Company.

## *INVESTMENT CONCLUSION*

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GRENLEC has managed to improve its earnings situation and grown both top line and bottom line earnings over the period of review. In spite of the devastation caused by two Hurricanes during 2004 to 2005 namely Ivan and Emily, the Company has managed to regain earnings per share from 0.13 in 2005 to 0.43 in 2006 stronger than the pre-hurricane position.

The outlook for GRENLEC is positive as the Company seeks to implement its new Strategic Plan for 2008 to 2013 through improved operational efficiency, reliability, quality of customer service and commitment to the community.

**GRENADA ELECTRICITY SERVICES LIMITED**  
**Assumptions re: Non Fuel Sales Projections**

<b><u>Domestic - KWHRS</u></b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<b>6.00%</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>
Rate	0.396								
Units	65,421,804	69,347,112	73,507,939	77,918,415	81,814,336	85,905,053	90,200,305	94,710,321	99,445,837
Dollars	25,907,034	27,461,456	29,109,144	30,855,692	32,398,477	34,018,401	35,719,321	37,505,287	39,380,551
<b><u>Commercial - KWHRS</u></b>									
	<b>7%</b>	<b>7%</b>	<b>7%</b>	<b>7%</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>
Rate	0.427								
Units	91,686,154	98,104,184	104,971,477	112,319,481	119,058,649	126,202,168	133,774,299	141,800,756	150,308,802
Dollars	39,149,988	41,890,487	44,822,821	47,960,418	50,838,043	53,888,326	57,121,625	60,548,923	64,181,858
<b><u>Industrial - KWHRS</u></b>									
	<b>4%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>
Rate	0.3131								
Units	6,384,818	6,576,362	6,773,653	6,976,863	7,186,169	7,401,754	7,623,807	7,852,521	8,088,096
Dollars	1,999,086	2,059,059	2,120,831	2,184,456	2,249,989	2,317,489	2,387,014	2,458,624	2,532,383
<b><u>Street Lights - KWHRS</u></b>									
	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>
Rate	0.3748								
Units	3,239,634	3,304,427	3,370,515	3,437,926	3,506,684	3,576,818	3,648,354	3,721,321	3,795,748
Dollars	1,214,215	1,238,499	1,263,269	1,288,535	1,314,305	1,340,591	1,367,403	1,394,751	1,422,646
<b><u>Carriacou Domestic - KWHRS</u></b>									
	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>
Rate	0.396								
Units	3,878,258	3,994,606	4,114,444	4,237,877	4,365,014	4,495,964	4,630,843	4,769,768	4,912,861
Dollars	1,535,790	1,581,864	1,629,320	1,678,199	1,728,545	1,780,402	1,833,814	1,888,828	1,945,493

**GRENEDA ELECTRICITY SERVICES LIMITED**  
**Assumptions re: Non Fuel Sales Projections**

	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b><u>Commercial - KWHRS</u></b>									
	4%	4%	4%	4%	4%	4%	4%	4%	4%
Rate	0.427								
Units	3,137,390	3,247,199	3,360,851	3,478,481	3,600,228	3,726,236	3,856,654	3,991,637	4,131,344
Dollars	1,339,666	1,386,554	1,435,083	1,485,311	1,537,297	1,591,103	1,646,791	1,704,429	1,764,084
<b><u>Street Lights - KWHRS</u></b>									
	1%	1%	1%	1%	1%	1%	1%	1%	1%
Rate	0.3748								
Units	194,270	196,213	198,175	200,157	202,159	204,180	206,222	208,284	210,367
Dollars	72,813	73,541	74,276	75,019	75,769	76,527	77,292	78,065	78,846
<b>TOTAL</b>	<b>71,218,592</b>	<b>75,691,460</b>	<b>80,454,744</b>	<b>85,527,631</b>	<b>90,142,427</b>	<b>95,012,838</b>	<b>100,153,260</b>	<b>105,578,907</b>	<b>111,305,861</b>
<b>TOTAL UNITS</b>	<b>173,942,328</b>	<b>184,770,104</b>	<b>196,297,055</b>	<b>208,569,200</b>	<b>219,733,238</b>	<b>231,512,173</b>	<b>243,940,484</b>	<b>257,054,608</b>	<b>270,893,055</b>

**GRENEDA ELECTRICITY SERVICES LIMITED**  
Assumptions re: Non Fuel Sales Projections

	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Rate of Increase</b>									
<b>Production less diesel consumed</b>									
Salaries & Wages - 4%	4,208,147	4,418,554	4,639,482	4,871,456	5,115,029	5,370,780	5,639,319	5,921,285	6,217,349
Other Production Costs - 2.50%	4,476,813	4,588,733	4,703,451	4,821,037	4,941,563	5,065,102	5,191,730	5,321,523	5,454,561
Total Less depreciation	8,684,960	9,007,287	9,342,933	9,692,493	10,056,592	10,435,882	10,831,049	11,242,808	11,671,910
<b>Planning &amp; Engineering</b>									
Salaries & Wages	945,776	993,065	1,042,718	1,094,854	1,149,597	1,207,077	1,267,431	1,330,803	1,397,343
Other Planning & Engineering	182,416	186,976	191,650	196,441	201,352	206,386	211,546	216,835	222,256
Total Less depreciation	1,128,192	1,180,041	1,234,368	1,291,295	1,350,949	1,413,463	1,478,977	1,547,638	1,619,599
<b>Distribution</b>									
Salaries & Wages	5,688,444	5,972,866	6,271,509	6,585,084	6,914,338	7,260,055	7,623,058	8,004,211	8,404,422
Other Distribution Costs	3,263,329	3,344,912	3,428,535	3,514,248	3,602,104	3,692,157	3,784,461	3,879,073	3,976,050
Total Less depreciation	8,951,773	9,317,778	9,700,044	10,099,332	10,516,442	10,952,212	11,407,519	11,883,284	12,380,472
<b>Corporate Services</b>									
Salaries & Wages	4,639,881	4,871,875	5,115,469	5,371,242	5,639,804	8,921,794	6,217,884	6,528,778	6,855,217
Other Corporate Services & Costs	7,539,695	7,728,187	7,921,392	8,119,427	8,322,413	8,530,473	8,743,735	8,962,328	9,186,386
Total Less depreciation	12,179,576	12,600,062	13,036,861	13,490,669	13,962,217	17,452,267	14,961,619	15,491,106	16,041,603