

**Schedule 2
FORM ECSRC – OR**

(Select One)

QUARTERLY FINANCIAL REPORT for the period ended June 30, 2019
Pursuant to Section 98(2) of the Securities Act, 2001

OR

TRANSITION REPORT
for the transition period from _____ to _____
Pursuant to Section 98(2) of the Securities Act, 2001
(Applicable where there is a change in reporting issuer's financial year)

Issuer Registration Number: GRENLEC27091960G

Grenada Electricity Services Ltd.

(Exact name of reporting issuer as specified in its charter)

Grenada W.I.

(Territory or jurisdiction of incorporation)

Dusty Highway, Grand Anse, St. George's, P.O. Box 381

(Address of principal executive Offices)

(Reporting issuer's:

Telephone number (including area code): (473) 440-3391

Fax number: (473) 440-4106

Email address: mail@grenlec.com

(Former name, former address and former financial year, if changed since last report)

(Provide information stipulated in paragraphs 1 to 8 hereunder)

Indicate the number of outstanding shares of each of the reporting issuer's classes of common stock, as of the date of completion of this report. _____

CLASS	NUMBER
Ordinary Shares	19,000,000

SIGNATURES

A Director, the Chief Executive Officer and Chief Financial Officer of the company shall sign this Annual Report on behalf of the company. By so doing each certifies that he has made diligent efforts to verify the material accuracy and completeness of the information herein contained.

The Chief Financial Officer by signing this form is hereby certifying that the financial statements submitted fairly state the company's financial position and results of operations, or receipts and disbursements, as of the dates and period(s) indicated. The Chief Financial Officer further certifies that all financial statements submitted herewith are prepared in accordance with International Accounting Standards consistently applied (except as stated in the notes thereto) and (with respect to year-end figures) including all adjustments necessary for fair presentation under the circumstances.

Name of Chief Executive Officer:

Collin Cover

Collin Cover
Signature

Date

29th July 2019

Name of Director:

Linda George-Francis

Linda George-Francis
Signature

Date

29th July 2019.

Name of Chief Financial Officer:

Benedict Brathwaite

B. Brathwaite
Signature

Date

29.7.19

INFORMATION TO BE INCLUDED IN FORM ECSRC-OR

1. Financial Statements

Provide Financial Statements for the period being reported in accordance with International Accounting Standards. The format of the financial statements should be similar to those provided with the registration statement. Include the following:

- (a) Condensed Balance Sheet as of the end of the most recent financial year and just concluded reporting period.
- (b) Condensed Statement of Income for the just concluded reporting period and the corresponding period in the previous financial year along with interim three, six and nine months of the current financial year and corresponding period in the previous financial year.
- (c) Condensed Statement of Cash Flows for the just concluded reporting period and the corresponding period in the previous financial year along with the interim three, six and nine months of the current financial year and the corresponding period in the previous financial year.
- (d) By way of *Notes to Condensed Financial Statements*, provide explanation of items in the financial statements and indicate any deviations from generally accepted accounting practices.

2. Management's Discussion and Analysis of Financial Condition and Results of Operation.

Discuss the reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations during the reporting period. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated. Discussion of material changes should be from the end of the preceding financial year to the date of the most recent interim report.

The Management's Discussion and Analysis should disclose sufficient information to enable investors to judge:

1. The quality of earnings;
2. The likelihood that past performance is indicative of future performance; and
3. The issuer's general financial condition and outlook.

It should disclose information over and above that which is provided in the management accounts and should not be merely a description of the movements in the financial statements in narrative form or an otherwise uninformative series of technical responses. It should provide management's perspective of the company that enables investors to view the business from the vantage point of management.

The discussion should focus on aspects such as liquidity; capital resources; changes in financial condition; results of operations; material trends and uncertainties and measures

taken or to be taken to address unfavourable trends; key performance indicators; and non-financial indicators.

General Discussion and Analysis of Financial Condition

The following table provides information as at June 30, 2019 with comparatives at June 30, 2018 and December 31, 2018 of GRENLEC's compliance with various financial loan covenants. In the first six months the Company's ratios have already bettered the covenants that are based on a twelve month rolling average.

Covenant Table

	Covenant Ratio	June 2019	June 2018	December 2018
Current Ratio	>= 1.35:1	2.04:1	2.17:1	2.63:1
Debt Service Coverage Ratio	>= 1.75:1	4.23:1	2.99:1	5.27:1
Funded Debt to EBITDA	<= 3:1	1.70:1	2.64:1	1.20:1

In the first six months of 2019 the Company's net assets increased from \$86.51M to \$93.85M. Property plant and equipment increased from \$82.00M to \$88.54M in this period despite depreciation expense of \$3.70M. Cash and cash equivalents increased from \$5.33M at the end of 2018, to \$11.81M in the six months to June 2019 but this was more than offset by an overdraft increase of \$7.14M. The Company benefited from a favourable fuel cost recovery by \$5.29M but had an adverse movement in trade and other receivables.

Trade and other receivables increased by \$5.30M, over the six months to June 2019, from \$18.37M. The domestic (3.5%), hotels (8.1%), statutory bodies (20.2%) and government (3.5%) all declined. However, commercial (22.6%) and industrial (10.6%) increased by more than the lower balances in the other sectors. The increase in commercial was mainly due to the month ending on a weekend that meant that the due dates for many of our largest customers was early July. The quality of the receivables continues to improve with 79% being current and 85% below 60 days. Focus on further reducing trade receivables over 60 days will continue as it is well known that the longer balances are outstanding the more difficult they are to recover.

Liquidity and Capital Resources

Provide a narrative explanation of the following (but not limited to):

- i) The reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations.
- ii) Any known trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of

action that the reporting issuer has taken or proposes to take to remedy the deficiency.

- iii) The issuer's internal and external sources of liquidity and any material unused sources of liquid assets.
- iv) Provisions contained in financial guarantees or commitments, debt or lease agreements or other arrangements that could trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation such as adverse changes in the issuer's financial ratios, earnings, cash flows or stock price or changes in the value of underlying, linked or indexed assets.
- v) Circumstances that could impair the issuer's ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential or that could render that activity commercially impracticable such as the inability to maintain a specified level of earnings, earnings per share, financial ratios or collateral.
- vi) Factors specific to the issuer and its markets that the issuer expects will affect its ability to raise short-term and long-term financing, guarantees of debt or other commitment to third parties, and written options on non-financial assets.
- vii) The relevant maturity grouping of assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. Commentary should provide information about effective periods and the way the risks associated with different maturity and interest profiles are managed and controlled.
- viii) The issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments.
- ix) Any known material trends, favorable or unfavorable, in the issuer's capital resources, including any expected material changes in the mix and relative cost of capital resources, considering changes between debt, equity and any off-balance sheet financing arrangements.

Discussion of Liquidity and Capital Resources

(a) Liquidity

As at the end of June 2019 the Company recorded a current ratio of 2.04:1 and was in position to meet its operational requirements at a level above the lender institution's benchmark of 1.35:1.

The average electricity rate over the first six months of 2019 was \$0.95/kWh, an increase of 5.4 percent (\$0.05/kWh) as compared to the same period last year. This increase was mainly due to the higher world fuel prices at the end of 2018 that impacted the fuel charge at the beginning of 2019. The average fuel charge has increased by 18.5 percent from \$0.3926/kWh to \$0.4652/kWh for the six months as compared to the equivalent period last year.

Cash provided by operating activities for the six months to June 30, 2019 of \$16.20M was significantly above the \$9.70M for the same period in 2018. Adjusted profit was \$5.83M more than for the first six months of 2018 based on a fuel cost recovery benefit of \$5.29M whilst increases in accounts payable and accrued charges of \$7.56M was offset by increases in receivables and prepayments of \$5.30M and inventory of \$1.80M.

Cash used in investing activities of \$10.90M to June 30, 2019 contrasted to that used of \$4.821M in the first six months of 2018. The main factors in the use of this cash was purchase of fixed assets of \$4.00M and a restatement of consumer contribution to line extension from a contra fixed asset to current liabilities.

Financing activities in the first six months of 2019 was limited to the payment of the regular quarterly dividend of thirteen cents per share and repayment of borrowings as scheduled. This saw cash utilized of \$6.94M the same as that for the equivalent period of 2018.

Overall, during the first six months of the year, the cash position decreased by \$0.65M mainly due to the timing of collections from large customers at the end of June. The Company met all of its obligations in the period, and, based on its current cash flow projections can be expected to continue to do so for the foreseeable future.

(b) Capital Resources

Non-expansion capital expenditure of \$4.65M in the first six months of 2019 was funded from internal operations. A balance of \$7.59M remains from the budgeted capital expenditure of \$12.24M in 2019 which will be similarly funded from operations. Over the years the Company has only utilized external funding for major capital projects.

The Company does not face any significant challenge with regards to capital resources for its recurrent or capital operations. It has an overdraft facility with CIBC FirstCaribbean in the amount of \$6M. Additionally, it has in excess of \$6M in certificates of deposits that are not associated with the Hurricane Fund that is included within the \$31.71M under loans and receivables financial assets

At the end of the second quarter the Company had purchased two 1.2MW backup units in the amount of \$2.50M that were not included in the 2019 capital budget. This along with additional generating capacity for Carriacou and Petite Martinique is expected to cost \$4.8M for which the Company is likely to source external funding in the amount of \$3.7M.

Off Balance Sheet Arrangements

Provide a narrative explanation of the following (but not limited to):

- i) Disclosures concerning transactions, arrangements and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of, or requirements for capital resources.
- ii) The extent of the issuer's reliance on off-balance sheet arrangements should be described fully and clearly where those entities provide financing, liquidity, market or credit risk support, or expose the issuer to liability that is not reflected on the face of the financial statements.
- iii) Off-balance sheet arrangements such as their business purposes and activities, their economic substance, the key terms and conditions of any commitments, the initial on-going relationship with the issuer and its affiliates and the potential risk exposures resulting from its contractual or other commitments involving the off- balance sheet arrangements.
- iv) The effects on the issuer's business and financial condition of the entity's termination if it has a finite life or it is reasonably likely that the issuer's arrangements with the entity may be discontinued in the foreseeable future.

None

Results of Operations

In discussing results of operations, issuers should highlight the company's products and services, facilities and future direction. There should be a discussion of operating considerations and unusual events, which have influenced results for the reporting period. Additionally, any trends or uncertainties that might materially affect operating results in the future should be discussed.

Provide a narrative explanation of the following (but not limited to):

- i) Any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, the extent to which income was so affected.
- ii) Significant components of revenues or expenses that should, in the company's judgment, be described in order to understand the issuer's results of operations.
- iii) Known trends or uncertainties that have had or that the issuer reasonably expects

will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

- iv) Known events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), and changes in relationships should be disclosed.
- v) The extent to which material increases in net sales or revenues are attributable to increases in prices or to increases in the volume or amount of goods or services being sold or to the introduction of new products or services.
- vi) Matters that will have an impact on future operations and have not had an impact in the past.
- vii) Matters that have had an impact on reported operations and are not expected to have an impact upon future operations
- viii) Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships that have or are reasonably likely to have a current or future effect on the registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.
- ix) Performance goals, systems and, controls.

Overview of Results of Operations

The Company's financial performance for the first six months of 2019, reflected by its profit before interest, showed a 39.8 percent increase as compared to the same period in 2018, a growth of \$6.57M to \$23.12M. The main factors driving this were a positive fuel cost recovery rate of 112.16 percent (\$5.29M) and kWh sales growth.

The fuel cost recovery rate was driven by falling fuel prices in the first two months of the year based on the fuel supply contract with a first-in-first-out (FIFO) inventory system. Although world fuel prices fell in the last two months of 2018 its impact on the fuel charge did not take full effect until March 2019. Fuel prices have since generally been increasing over the subsequent months.

KWh sales growth saw monthly records for each of the first six months resulting in a 5.2 percent increase, over the same period in 2018. This is also ahead of the budgeted growth in kWh sales for 2019 of 2.5 percent.

Total revenue to June 2019 increased by 10.7 percent, to \$93.12M as compared to the equivalent period of 2018. The 16.8 percent decrease in average fuel prices to \$6.92 per imperial gallon in the first quarter of 2019, in comparison with that of \$8.32 for the last quarter of 2018, led to a higher fuel cost recovery rate. As such, the fuel charge revenue was 18.7 percent higher than that of the first six months of 2018 despite the average fuel prices being the same at \$7.21/IG.

The fuel cost recovery rate over the six months to June was 112.2 percent producing a net benefit of \$5.29M compared to a loss of \$0.71M from a comparative rate of 98.3percent over the equivalent period of 2018. The recovery rate has been declining since the first quarter as fuel prices that initially trended downwards in 2019 have been increasing. We can expect to see further decreases in the recovery rate in coming months if the trend of fuel prices increasing since February continues.

Operating and administrative expenses other than fuel of \$26.47M increased by 2.9 percent in the first six months of 2019 relative to the \$25.72M in the comparative period of 2018. This increase was mainly due to adverse variances in salaries and wages in administration and planning and engineering and annual stamp tax as a result of higher revenues. The other expenses were comparative to that of 2018 as tight controls over costs were maintained in recognition that with no change in the non-fuel charge rate since 2016 the Company is dependent on kWh sales growth and efficiency improvement to counter price increases. Over the first six months of 2019 operating expenses were lower than budget by 1.3 percent.

Interest costs of \$1.17M in the first six months of 2019 reflects a decrease of 8.6 percent compared to the \$1.27M to June 2018. There were no new borrowings since 2016 hence the reduction in interest as the CIBC loan is being repaid as scheduled.

System losses twelve months rolling average of 7.07 percent at June 30, 2019 was lower than the 8.02 percent for the equivalent period to June 2018. The lower system losses would have had a positive impact on the fuel cost recovery rate. This is a key strategic driver for the Company and its importance cannot be over emphasized in the context of the challenging conditions under which the Company operates. Management will therefore monitor it closely with a view of maintaining the low system losses of the past several years.

Fuel efficiency of 19.13kWh's per imperial gallon in the first six months of 2019 is in line with the budget but above the 18.94kWh's achieved in the same period last year and represents a 1 percent improvement. Fuel efficiency for 2018 was 19.05kWh's per imperial gallon which indicates that we must not become too optimistic as the longer view of a year is more significant given the vagaries of operations in short periods. This, like system losses, is very important as it is a key performance indicator for the Company that has a significant impact on its financial performance.

3. Disclosure about Risk Factors.

Provide a discussion of the risk factors that may have an impact on the results from operations or on the financial conditions. Avoid generalised statements. Typical risk factors include untested products, cash flow and liquidity problems, dependence on a key supplier or customer, management inexperience, nature of business, absence of a trading market (specific to the securities of the reporting issuer), etc. Indicate if any risk factors have increased or decreased in the time interval between the previous and current filing.

The major risk factors facing the Company continue to be as follows:

- Hurricanes

As clearly established after Hurricane Ivan hit Grenada in 2004 when approximately 80 percent of our distribution system was affected, hurricanes continue to be the most immediate and significant risk being faced. This risk has been partially offset by the strengthening of the distribution system which has been made more robust in the rebuilding period after hurricanes Ivan and Emily. Further the distribution system is maintained in this condition by a consistent pole inspection and replacement program. With each passing period that Grenada is not significantly affected by a hurricane the Company's Hurricane Reserve increases, and presently it stands at \$27M which mitigates the main risk exposure associated with post-hurricane recovery. Additionally, the Hurricane Fund of \$26.09M is more than the pre Ivan level of \$14M.

- The 2016 Electricity Supply Act, 2017 Electricity Act and the 2016 Public Regulatory Commission Act

- The 2016 ESA and the 2016 PURC Acts had commencement dates of August 1, 2016. These Acts fundamentally alter the regulatory and operating framework. Section 71 of the 2016 ESA repealed the Electricity Supply Act, 1994 (ESA 1994). The 2016 ESA separates generation and transmission entities to allow competition in both the generation and distribution areas, and to increase generation by renewable energy. The Act is silent on the issue of whether concessions on customs duties will continue as per the Electricity Supply Act No, 39 of 2013 or be removed altogether. The regulations under the new Act have not yet been promulgated.
- On March 22, 2017, GPP the holder of 50% of Grenlec's shares filed a demand notice with the GoG in regards to Government's Share Purchase Agreement obligations with GPP. GPP is a subsidiary of WRB Enterprises Inc who have had a Management Contract with Grenlec since 1994. The ICSID arbitration panel heard this matter in mid-June 2019 and both parties now await the decision of the Tribunal.

4. Legal Proceedings.

A legal proceeding need only be reported in the ECSRC – OR filed for the period in which it first became a reportable event and in subsequent interim reports in which there have been material developments. Subsequent Form ECSRC – OR filings in the same financial year in which a legal proceeding or a material development is reported should reference any previous reports in that year. Where proceedings have been terminated during the period covered by the report, provide similar information, including the date of termination and a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

There were no pending legal proceedings outstanding as at June 30, 2019 that could materially impact on the Company's position. However, the constitutional challenge brought by the Company against the Government of Grenada relating to the 5% Social Fund was heard on July 9, 2019 and a judgement is expected by July 31, 2019.

5. Changes in Securities and Use of Proceeds.

- (a) Where the rights of the holders of any class of registered securities have been materially modified, give the title of the class of securities involved. State briefly the general effect of such modification upon the rights of holders of such securities.

There were no changes in securities during the quarter ended June 30, 2019.

(a) Where the use of proceeds of a security issue is different from that which is stated in the registration statement, provide the following:

- Offer opening date (provide explanation if different from date disclosed in the registration statement)

N/A

- Offer closing date (provide explanation if different from date disclosed in the registration statement)

N/A

- Name and address of underwriter(s)

N/A

- Amount of expenses incurred in connection with the offer N/A

- Net proceeds of the issue and a schedule of its use

N/A

- Payments to associated persons and the purpose for such payments

N/A

(b) Report any working capital restrictions and other limitations upon the payment of dividends.

None.

6. Defaults upon Senior Securities.

- (a) If there has been any material default in the payment of principal, interest, a sinking or purchase fund instalment, or any other material default not satisfied within 30 days, with respect to any indebtedness of the reporting issuer or any of its significant subsidiaries exceeding 5 per cent of the total assets of the reporting issuer and its consolidated subsidiaries, identify the indebtedness. Indicate the nature of the default. In the case of default in the payment of principal, interest, or a sinking or purchase fund instalment, state the amount of the default and the total arrears on the date of filing this report.

Payments of principal and interest to CIBC FirstCaribbean for a loan of \$48.05M in March 2016 were made during the six months ended June 30, 2019 as per the agreement.

- (b) If any material arrears in the payment of dividends have occurred or if there has been any other material delinquency not satisfied within 30 days, give the title of the class and state the amount and nature of the arrears or delinquency.

No arrears in the payment of dividends have occurred and there are no restrictions.

7. Submission of Matters to a Vote of Security Holders.

If any matter was submitted to a vote of security holders through the solicitation of proxies or otherwise during the financial year covered by this report, furnish the following information:

- (a) The date of the meeting and whether it was an annual or special meeting.

An Annual General Meeting was held on Thursday May 9, 2019

- (b) If the meeting involved the election of directors, the name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting.

The Directors elected by poll were as follows:

Bert Brathwaite
Winnifred Duncan-Phillip;
Ashton Frame;
Cleaver Williams.

The Board of Directors at the end of the AGM was as follows:

G. Robert Blanchard Jr. Chairman
Robert Blenker
Bert Brathwaite
Robert Curtis
Winnifred Duncan-Phillip
Ashton Frame
Linda George-Francis
Duane Noel
Edward Parry
Ronald Roseman
Murray Skeete
Cleaver Williams

- (c) A brief description of each other matter voted upon at the meeting and a statement of the number of votes cast for or against as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.

PKF Accountants and Business Advisers were appointed as Auditors for the year ending December 31, 2019 on a majority vote by a show of hands.

- (d) A description of the terms of any settlement between the registrant and any other participant.

N/A

- (e) Relevant details of any matter where a decision was taken otherwise than at a meeting of such security holders.

N/A

Other Information.

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC – MC report (used to report material changes), with respect to which information is not otherwise called for by this form, provided that the material change occurred within seven days of the due date of the Form ECSRC-OR report. If disclosure of such information is made under this item, it need not be repeated in a Form ECSRC – MC report which would otherwise be required to be filed with respect to such information or in a subsequent Form ECSRC – OR report.

None

GRENADA ELECTRICITY SERVICES
Statement of Financial Position

	Unaudited June 30, 2019 EC \$	Unaudited June 30, 2018 EC \$	Audited December 31, 2018 EC \$
ASSETS			
Non Current Assets			
Property Plant and Equipment	88,544,571.49	86,301,499.94	82,003,320.41
Suspense Jobs in Progress	2,405,675.75	2,535,975.39	2,158,140.10
Capital Work in Progress	9,013,081.78	8,454,223.74	8,625,034.36
Available-for-sale financial assets	811,967.12	811,967.12	800,065.75
	<u>100,775,296.14</u>	<u>98,103,666.19</u>	<u>93,586,560.62</u>
CURRENT ASSETS			
Inventories	19,891,026.47	18,652,836.41	18,091,755.78
Trade and Other Receivables	29,912,173.12	24,673,441.26	24,615,916.03
Loans and receivables financial assets	31,706,182.14	29,627,894.05	31,657,249.35
Cash and cash equivalents	11,814,686.58	1,710,465.71	5,325,628.68
	<u>93,324,068.31</u>	<u>74,664,637.43</u>	<u>79,690,549.84</u>
TOTAL ASSETS	<u>194,099,364.45</u>	<u>172,768,303.62</u>	<u>173,277,110.46</u>
SHAREHOLDERS EQUITY AND LIABILITIES			
SHAREHOLDERS EQUITY			
Stated Capital	32,339,840.00	32,339,840.00	32,339,840.00
Provision for Hurricane Insurance Reserve	27,000,000.02	25,000,000.02	26,000,000.00
Retained Earnings	28,167,273.31	22,266,799.63	22,266,799.63
Profit / (Loss) to Date after Dividends	6,339,895.88	2,412,546.17	5,903,592.93
	<u>93,847,009.21</u>	<u>82,019,185.82</u>	<u>86,510,232.56</u>
Non Current Liabilities			
Consumers' Deposits	16,556,181.00	15,910,709.46	16,525,517.84
Long-term Borrowings	31,032,291.61	35,036,458.29	33,034,374.95
Deferred tax liability	6,763,168.40	5,301,240.92	6,763,168.40
	<u>54,351,641.01</u>	<u>56,248,408.67</u>	<u>56,323,061.19</u>
Current Liabilities			
Amount Due to Related Company	166,756.31	113,002.78	117,488.74
Bank overdraft	7,137,817.52	2,991,764.44	-
Short- term borrowings	4,004,166.68	4,004,166.68	4,004,166.68
Trade and other payables	21,186,154.42	16,470,028.31	20,120,716.79
Consumers' Advances for Construction	6,918,411.12	6,011,503.36	457,735.48
Current portion of provision for retirement benefits	199,877.35	373,673.20	193,553.84
Provision for Profit Sharing	3,659,571.13	2,972,734.09	4,775,924.85
Income Tax payable	2,627,959.70	1,563,836.27	774,230.33
	<u>45,900,714.23</u>	<u>34,500,709.13</u>	<u>30,443,816.71</u>
TOTAL LIABILITIES	<u>100,252,355.24</u>	<u>90,749,117.80</u>	<u>86,766,877.90</u>
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	<u>194,099,364.45</u>	<u>172,768,303.62</u>	<u>173,277,110.46</u>

**GRENADA ELECTRICITY SERVICES
STATEMENT OF COMPREHENSIVE INCOME**

	Unaudited Three Months Ended		Unaudited Six Months Ended		Audited
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	December 31, 2018
<u>INCOME</u>					
Sales - Non Fuel Charge	22,363,194.88	21,231,323.43	43,670,074.52	41,623,641.77	86,669,271.73
- Fuel Charge	23,487,946.27	21,934,008.38	48,817,817.19	41,123,372.26	92,155,050.53
Unbilled Sales Adjustments	(317,740.61)	484,956.46	(687,153.98)	609,453.95	1,374,942.90
Net Sales	45,533,400.54	43,650,288.27	91,800,737.73	83,356,467.98	180,198,365.16
Sundry Revenue	714,840.74	373,235.24	1,320,045.13	737,775.25	1,540,400.21
TOTAL INCOME	<u>46,248,241.28</u>	<u>44,023,523.51</u>	<u>93,120,782.86</u>	<u>84,094,243.23</u>	<u>181,738,765.37</u>
<u>OPERATING COSTS</u>					
Production less Diesel Consumed	3,870,735.83	4,055,787.83	7,707,128.23	7,709,828.72	17,792,312.68
Diesel Consumed	23,157,760.98	22,116,443.37	43,526,143.99	41,827,942.88	91,744,790.41
Planning & Engineering	830,121.47	660,533.94	1,618,088.63	1,325,940.11	2,826,462.78
Distribution	4,008,783.69	4,127,614.16	7,628,765.53	7,586,463.93	15,287,470.29
TOTAL OPERATING COSTS	<u>31,867,401.97</u>	<u>30,960,379.30</u>	<u>60,480,126.38</u>	<u>58,450,175.64</u>	<u>127,651,036.16</u>
<u>CORPORATE SERVICES</u>	5,050,186.96	4,809,713.82	9,518,207.26	9,098,179.77	19,773,866.57
PROFIT BEFORE INTEREST	<u>9,330,652.35</u>	<u>8,253,430.39</u>	<u>23,122,449.22</u>	<u>16,545,887.82</u>	<u>34,313,862.64</u>
<u>INTEREST</u>					
Bank Loan Interest	425,079.32	472,498.52	857,063.08	951,380.40	1,870,713.76
Other Bank Interest	1,119.63	18,748.38	1,119.63	26,224.17	46,396.59
Consumer Deposit Interest	150,690.30	151,442.72	307,035.90	297,014.90	614,630.06
TOTAL INTEREST COSTS	<u>576,889.25</u>	<u>642,689.62</u>	<u>1,165,218.61</u>	<u>1,274,619.47</u>	<u>2,531,740.41</u>
PROFIT AFTER INTEREST	<u>8,753,763.10</u>	<u>7,610,740.77</u>	<u>21,957,230.61</u>	<u>15,271,268.35</u>	<u>31,782,122.23</u>
<u>ALLOCATIONS</u>					
Hurricane Provision	500,000.01	500,000.01	1,000,000.02	1,000,000.02	2,000,000.00
Donations	412,766.15	355,537.04	1,047,939.52	713,563.42	1,489,106.11
Profit Sharing	1,668,611.32	1,523,959.42	3,885,469.82	3,054,067.52	6,015,422.43
TOTAL OTHER CHARGES	<u>2,581,377.48</u>	<u>2,379,496.47</u>	<u>5,933,409.36</u>	<u>4,767,630.96</u>	<u>9,504,528.54</u>
PROFIT BEFORE TAXES	6,172,385.62	5,231,244.30	16,023,821.25	10,503,637.39	22,277,593.69
Corporation Tax @ 30%	1,788,494.68	1,569,373.29	4,743,925.37	3,151,091.22	5,032,073.28
Deferred Tax					1,461,927.48
PROFIT AFTER TAXES	4,383,890.94	3,661,871.01	11,279,895.88	7,352,546.17	15,783,592.93
Dividends	2,470,000.00	2,470,000.00	4,940,000.00	4,940,000.00	9,880,000.00
RETAINED PROFIT to date	<u>1,913,890.94</u>	<u>1,191,871.01</u>	<u>6,339,895.88</u>	<u>2,412,546.17</u>	<u>5,903,592.93</u>

GRENADA ELECTRICITY SERVICES LIMITED
Statement of Cash Flows

	Unaudited Six Months Ended		Audited Year Ended
	June 30, 2019	June 30, 2018	December 31, 2018
Operating Activities			
Profit before Income Tax	16,023,821.25	10,503,637.39	24,277,594.00
Adjustments for:			
Depreciation	3,695,695.91	3,351,825.61	6,799,845.00
Profit on disposal of fixed assets	<u>(29,500.00)</u>	<u>47.44</u>	<u>(174.00)</u>
	19,690,017.16	13,855,510.44	31,077,265.00
(Increase) / Decrease in Operating Assets			
Receivables and prepayments	(5,299,376.66)	(1,759,073.84)	(1,702,342.00)
Inventory	(1,799,270.69)	(1,440,744.55)	(879,664.00)
Increase / (Decrease) in Operating Liabilities			
Accounts payable and accrued charges	7,556,776.43	2,085,372.46	5,898,369.00
Provision for retirement benefits	6,323.51	(32,005.14)	(212,124.00)
Related company balance	49,267.57	113,002.78	117,489.00
Provision for profit sharing	<u>(1,116,353.72)</u>	<u>(1,622,237.61)</u>	<u>180,953.00</u>
	19,087,383.60	11,199,824.54	34,479,946.00
Payment of income tax	<u>(2,890,196.00)</u>	<u>(1,495,098.00)</u>	<u>(4,165,686.00)</u>
	16,197,187.60	9,704,726.54	30,314,260.00
Cash provided by operating activities	<u>16,197,187.60</u>	<u>9,704,726.54</u>	<u>30,314,260.00</u>
(Increase) / Decrease in Investing Activities			
Available for sale financial assets	(11,901.37)	(11,901.37)	-
Disposal of fixed assets	29,500.00	-	500.00
Suspense jobs in progress	(247,535.65)	(913,991.47)	(536,156.00)
Capital Work in Progress	(388,047.42)	(2,093,856.62)	(2,264,667.00)
Loans and receivables financial assets	(48,932.79)	3,978,974.64	1,949,620.00
Consumer contribution to line extension	(6,235,044.76)	49,221.36	741,536.00
Purchase of fixed assets	<u>(4,001,902.23)</u>	<u>(5,216,875.60)</u>	<u>(10,159,783.00)</u>
	(10,903,864.22)	(4,208,429.06)	(10,268,950.00)
Cash provided by/(used in) investing activities	<u>(10,903,864.22)</u>	<u>(4,208,429.06)</u>	<u>(10,268,950.00)</u>
Financing Activities			
Dividends paid	(4,940,000.00)	(4,940,000.00)	(9,880,000.00)
Provision for hurricane insurance reserve	1,000,000.02	1,000,000.02	-
Repayment of Loan	(2,002,083.34)	(2,002,083.34)	(4,004,167.00)
	(5,942,083.32)	(5,942,083.32)	(13,884,167.00)
Cash used in financing activities	<u>(5,942,083.32)</u>	<u>(5,942,083.32)</u>	<u>(13,884,167.00)</u>
Net (Decrease) / Increase in cash and cash equivalents	(648,759.94)	(445,785.84)	6,161,143.00
Net cash - at the beginning of year	5,325,629.00	(835,512.89)	(835,514.00)
	4,676,869.06	(1,281,298.73)	5,325,629.00
- at the end of period	<u>4,676,869.06</u>	<u>(1,281,298.73)</u>	<u>5,325,629.00</u>
Represented by			
Cash and cash equivalents	11,814,686.58	1,710,465.71	5,325,629.00
Bank Overdraft	<u>(7,137,817.52)</u>	<u>(2,991,764.44)</u>	<u>-</u>
	4,676,869.06	(1,281,298.73)	5,325,629.00
	<u>4,676,869.06</u>	<u>(1,281,298.73)</u>	<u>5,325,629.00</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2019

1. Corporate Information

Grenada Electricity Services Limited (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 of which WRB Enterprises Inc. is the majority owner.

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

The Company operates and exercises and performs functions relating to the supply of electricity in Grenada. The Company is listed on the Eastern Caribbean Securities Exchange.

The registered office is situated at Grand Anse, St. George's, Grenada.

2. Basis of Preparation

The interim financial report for the period ended June 30, 2019 has been prepared in accordance with IAS 34, 'Interim Financial Reporting' and should be used in conjunction with the annual financial statements for the year ended December 31, 2018.

3. Significant Accounting Policies

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended December 31, 2018.

4. Use of Judgements and Estimates

In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied in the financial statements as at and for the year ended December 31, 2018.