

Schedule 2
FORM ECSRC - Q

(Select One)

Quarterly Report For the period ended March 31, 2013

or

TRANSITION REPORT _____
(Applicable where there is a change in reporting issuer's financial year)

For the transition period from _____ to _____

Issuer Registration Number: 350360

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 Quarterly 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 Interim Chief Executive Officer:

Clive Hosten




Signature

Date

25/4/13

Name of Director:

Alfred Logie




Signature

Date

25.4.13

Name of Chief Financial Officer:

Benedict Brathwaite



Signature

Date

25.4.13

INFORMATION TO BE INCLUDED IN THE REPORT

1. **Financial Statements**

(a) Included herewith are the following unaudited Financial Statements:

1. Statement of Financial Position at March 31, 2013.
2. Statement of Comprehensive Income for the three months to March 31, 2013.
3. Statement of Cash Flow for the three months to March 31, 2013.

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

(a) **Liquidity**

The Company's liquidity position continues to be very good with a current ratio of 4.05 well above the benchmark 1.50 established by lender institutions.

An average electricity rate per kWh inclusive of taxes in the first quarter of ECD1.17 meant that there was no ease to customers given the average rate in 2012 of ECD1.16. Despite this, trade receivables declined by ECD0.55M and shows positive indications given that we have seen increases of over \$3M in each of the past two years. The only sector that saw an increase was the Government of Grenada by ECD1.27M which makes the overall decrease even more significant. Of note are declines in commercial, domestic and hotel receivables of 6.10%, 2.46% and 12.51% respectively. It is important that we see substantial reductions in hotel receivables during this their peak period for tourist arrivals. Trade receivables continues to be a critical area of the Company's operations as many of our customers are facing challenging times in an economy in recession which saw GDP fall by an estimated 0.8% in 2012. As a result, the Company has been paying close attention to its collection strategies with the aim of controlling receivables by engaging customers who are in arrears to set up payment arrangements and monitoring these closely. Additionally, we have been constantly advising customers to practice conservation to ensure that they keep their bills within manageable limits.

Cash provided by operating activities to March 2013 was \$7.71M which is 31.76% of that for the entire year of 2012 Overall, during the quarter, the cash position improved by \$2.74M after meeting commitments to borrowings with principal payments of ECD1.62M and paying dividends of ECD2.28M at twelve cents per share. During this period an instalment of company tax for 2013 in the amount of ECD0.79M was also paid. The cash balance at the end of the quarter was ECD13.26M.

The Company has continued to meet all of its obligations in the first quarter and based on its cash flow projections will be able to maintain this for the foreseeable future.

(b) Capital Resources

Capital expenditure of ECD0.87M in the first quarter of 2013 was funded from internal operations. This is expected to be the same with the balance of the 2013 capital budget of ECD5.33M. Over the years the Company has only utilized external funding for major capital projects. As part of its renewable energy drive the company along with the European Union (EU) and the Government of Grenada had taken initial steps on a project to install one to two MW on a wind farm in Carriacou. The funding for the project of €3.89M was to be done jointly, with the EU meeting €2.50M or 64.20% and GRENLEC €1.39M or 35.80%. However, this project was placed on hold in the quarter as agreements with the Government of Grenada needed to be finalized. Initially, the bulk of the Company's expenditure for this project was expected to be incurred in 2013 which, based on the cash balance and expected cash flow performance, will also be financed from internally generated funds. As far as major generation expansion requiring external financing is concerned the Company does not foresee that this will be required in 2013.

(c) Changes in Financial Condition

At March 31, 2013 the covenants, as seen in the table below, showed a fair degree of consistency when compared to that of December 2011 and 2012. These covenants all easily exceed the standards that have been set by the lending institutions. During the first quarter of 2013 there has been no significant change in the Company's financial position. As at March 31, 2013 total assets stood at \$188.50M with net assets of \$77.16M which is an increase of \$0.62M over that of the \$76.54M of December 31, 2012.

Covenant Table

	Covenant Ratio	March 2013	December 2012	December 2011
Current Ratio	$\geq 1.50:1$	4.05	4.17	3.76
Interest Coverage Ratio	$\geq 2:1$	10.73	11.38	8.06
Debt Service Coverage Ratio	≥ 1.50	3.67	3.85	2.86
Bank Borrowing to Equity Ratio	$\leq 1.25:1$	0.60	0.63	0.78
Capital to Total Assets	$\geq 30\%$	32.24	33.35%	31.62%

(d) Results of Operation

The Company's financial performance in the first quarter of 2013 was better than for the comparative period in 2012 notwithstanding a decline in kWh sales of 3.90%. Profit after interest of ECD5.67M represented an increase of 13.31% over the ECD5.01M in 2012.

In the first three months of 2013 the Company has experienced contraction in kWh sales as noted earlier of 3.90%. This follows decline in sales of 2.15% and 1.35% in 2011 and 2012 respectively, which were the first years without a hurricane that we had experienced such an occurrence. The major sectors commercial and domestic have seen lower sales relative to the first quarter of 2012 of 4.99% and 2.58% each. While industrial has seen growth of 0.93% in the same period this is mainly due to the operations of the Grenada Breweries that had an extended lockout for most of the first quarter of 2012. Partially responsible for the declines seen in the quarter was an unusually short billing cycle in March 2013 as borne out by the decline in street light sales of 7.44% compared to the corresponding period in 2012. However, in an economy that has been severely depressed since the global economic downturn in 2008 we are unlikely to see growth soon and our positive outlook is for sales to be flat comparative to 2012.

Total revenues of ECD46.78M to March 2013 were lower by 2.58% (ECD1.24M) than the ECD48.02M in 2012. This was mainly due to the decline in kWh sales which had a negative impact on both the non-fuel and fuel charges.

The rate increase of 3.71% on March 1, 2012 had its final impact relative to the prior year in this quarter. It would have almost fully offset the decline in sales in the first two months while partially doing so in March because of prorating when rate changes are introduced. This meant that the fall in non-fuel dollar sales was 1.05%, significantly less than that of the kWh units.

World fuel prices as occurred in 2012 fluctuated over the first three months of 2013. The average price per imperial gallon paid by the Company in this period was ECD10.77 which was 2.62% lower than the ECD11.06/IG of the equivalent quarter in 2012. Despite this the average fuel charge in the first quarter of 2013 of ECD0.6555 was higher than that of the corresponding period in 2012 of ECD0.6466. This is not unusual given the three month rolling average and meant a fuel cost recovery rate of 100.53% marginally above the 100.11% of the first quarter of 2012. The financial impact in dollars of this recovery rate was ECD0.13M on profit after interest.

Operating and administrative expenses other than for fuel decreased by 8.78% (\$1.20M) in the first quarter of 2013 relative to the equivalent period in 2012. Both technical and administrative expenses experienced favourable variances during this period. A significant factor in this reduction was depreciation expenses which were lower by \$0.60M or 50% of the overall decrease. Additionally, the Company has maintained tight controls over costs which we see as imperative given the decreased unit sales that we continue to experience.

Interest costs of ECD0.77M in the first quarter of 2013 reflect a decline of 11.61% compared to the ECD0.87M to March of 2012. This is expected as the Company continues to reduce its borrowings by making payments as scheduled.

System losses twelve months rolling average of 8.20% at March 31, 2013 was a reversal of the recent experience of losses consistently below 8%. However, we expect to return to losses below 8% very shortly as this movement was mainly due to unusually high system losses in March 2013 which was affected by the billing cycle and this is expected to be reversed in April. This is a key strategic driver for the Company and its importance cannot be over emphasized in the context of declining sales numbers.

Fuel efficiency of 19.35kWh's per imperial gallon in the first three months of 2013 exceeds the 19.23kWh's achieved in the same period last year and represents a 0.62% improvement. Fuel efficiency for 2012 was 19.17kWh's per imperial gallon. This, like system losses, is very important as it is a key performance indicator for the Company and has a significant impact on its financial performance.

3. Disclosure of Risk Factors.

With each passing period the Hurricane Reserve improves and presently stands at \$14.50M which reduces the main risk exposure associated with post-hurricane recovery. The major risk factors facing the Company continue to be as follows:

- Hurricanes - as clearly established after Hurricane Ivan in 2004 when approximately 90% of our distribution system was affected. This continues to be the most immediate and significant risk being faced. This 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. Additionally, the Hurricane Fund of \$14.10M has been restored to pre Ivan levels.
- A New Electricity Supply Act –Any change to existing legislation can change the landscape in which the Company operates if it allows competition into the market. There is no information that indicates this is a likely occurrence presently. However, a new regional regulatory body Eastern Caribbean Energy Regulatory Authority (ECERA) is being established by the governments of the Organization of Eastern Caribbean States (OECS). This is not scheduled to be in effect within the next two years but it is uncertain how this will impact on the current rate structures that exist at this time.
- Sharply increasing fuel prices can over the short run impact negatively on the Company's cash flow and profitability.

4. Legal Proceedings.

There were no pending legal proceedings outstanding as at March 31, 2013 that could materially impact on the Company's position.

5. Changes in Securities and Use of Proceeds.

There were no changes in securities during the quarter ended March 31, 2013.

6. Defaults Upon Senior Securities.

- (a) Payments of principal and interest *to the* ECSE on the Grenlec Bond and NIS on their respective loans have been made during the quarter ended March 31, 2013 as per existing agreements.
- (b) No arrears in the payment of dividends have occurred and there are no restrictions.

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

(a) None

8. Other Information.

None.

GRENADA ELECTRICITY SERVICES

Balance Sheet as at March 31st, 2013 and December 31st, 2012

	March 2013 EC \$	December 2012 EC \$
ASSETS		
Non Current Assets		
Property Plant and Equipment	83,286,101.92	86,042,932.24
Suspense Jobs in Progress	1,766,033.02	1,407,581.08
Capital Work in Progress	4,384,329.75	3,512,535.92
Deferred Exchange Loss	948,305.06	948,305.06
	<u>90,384,769.75</u>	<u>91,911,354.30</u>
 CURRENT ASSETS		
Inventories	14,877,493.67	15,507,888.42
Accounts Receivable	34,328,238.05	35,297,688.50
Prepayments	1,782,646.13	647,615.76
Segregated Retirement Investments	19,740,556.63	19,613,931.26
Hurricane Fund	14,101,254.34	14,005,229.42
Other Investments	28,140.00	28,140.00
Cash and due from banks	13,261,064.60	10,521,661.92
	<u>98,119,393.42</u>	<u>95,622,155.28</u>
 TOTAL ASSETS	 <u>188,504,163.17</u>	 <u>187,533,509.58</u>
 SHAREHOLDERS EQUITY AND LIABILITIES		
SHAREHOLDERS EQUITY		
Stated Capital	32,339,840.00	32,339,840.00
Other Reserve	12,060.00	12,060.00
Retained Earnings	44,189,174.46	38,793,180.48
Profit / (Loss) to Date after Dividends	618,192.49	5,395,993.98
	<u>77,159,266.95</u>	<u>76,541,074.46</u>
 Non Current Liabilities		
Consumers' Deposits	10,183,133.28	10,171,094.94
Borrowings	37,730,995.95	39,346,761.25
Provision for Retirement Benefits	24,715,289.18	24,533,554.46
Hurricane Reserve	14,500,000.01	14,000,000.00
	<u>87,129,418.42</u>	<u>88,051,410.65</u>
 Current Liabilities		
Amount Due to Related Company	160,703.40	140,218.97
Accounts Payable and Accrued Expenses	17,208,994.44	17,628,884.65
Consumers' Advances for Construction	1,104,187.38	1,085,813.57
Provision for Profit Sharing	5,487,573.41	4,281,208.96
Provision for Income Tax	254,019.17	(195,101.68)
	<u>24,215,477.80</u>	<u>22,941,024.47</u>
 TOTAL LIABILITIES	 <u>111,344,896.22</u>	 <u>110,992,435.12</u>
 TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	 <u>188,504,163.17</u>	 <u>187,533,509.58</u>

GRENADA ELECTRICITY SERVICES
COMBINED TRADING SUMMARY

For the three months ended March 31st, 2013 and 2012 and year ended December 31st, 2012

	March 2013	March 2012	December 2012
<u>INCOME</u>			
Sales - Non Fuel Charge	18,833,317.87	19,032,363.72	78,574,698.57
- Fuel Charge	27,982,786.45	28,455,706.72	115,988,054.41
Unbilled Sales Adjustments	(584,525.25)	(90,835.26)	339,051.90
Net Sales	46,231,579.07	47,397,235.18	194,901,804.88
Sundry Revenue	552,544.59	623,723.43	2,489,132.86
TOTAL INCOME	46,784,123.66	48,020,958.61	197,390,937.74
<u>OPERATING COSTS</u>			
Production less Diesel Consumed	3,661,078.87	4,252,033.84	17,120,358.09
Diesel Consumed	27,834,483.13	28,432,578.80	111,032,741.40
Hurricane Provision	500,000.01	500,000.01	2,000,000.00
Planning & Engineering	640,416.98	589,763.76	2,214,786.02
Distribution	3,740,599.46	4,074,919.87	16,428,727.27
TOTAL OPERATING COSTS	36,376,578.45	37,849,296.28	148,796,612.78
<u>CORPORATE SERVICES</u>			
	3,962,542.19	4,291,223.35	18,032,392.58
PROFIT BEFORE INTEREST	6,445,003.02	5,880,438.98	30,561,932.38
<u>INTEREST</u>			
Bank Loan Interest	645,865.52	775,652.29	2,931,067.33
Other Bank Interest	34,437.07	5,049.84	88,629.17
Consumer Deposit Interest	92,628.25	93,778.46	373,911.54
TOTAL INTEREST COSTS	772,930.84	874,480.59	3,393,608.04
PROFIT AFTER INTEREST	5,672,072.18	5,005,958.39	27,168,324.34
<u>OTHER CHARGES</u>			
Disposal of Fixed Assets	-	(16,997.75)	(118,207.22)
Donations	283,547.17	251,243.75	1,364,326.58
Profit Sharing	1,248,733.81	1,160,554.62	5,546,070.99
TOTAL OTHER CHARGES	1,532,280.98	1,394,800.62	6,792,190.35
PROFIT BEFORE TAXES	4,139,791.20	3,611,157.77	20,376,133.99
Corporation Tax @ 30%	1,241,598.71	1,083,923.05	5,860,140.01
PROFIT AFTER TAXES	2,898,192.49	2,527,234.72	14,515,993.98
Dividends	2,280,000.00	2,280,000.00	9,120,000.00
RETAINED PROFIT to date	618,192.49	247,234.72	5,395,993.98

GRENADA ELECTRICITY SERVICES LIMITED

Statement of Cash Flows

For the three months ended March 31st, 2013 and year ended December 31st, 2012

	March 2013	December 2012
Operating Activities		
Profit before Income Tax	4,139,791.20	20,376,133.99
Adjustments for:		
Depreciation	2,879,239.77	12,837,193.87
Profit on disposal of fixed assets	-	(118,207.22)
Prior Year Adjustment	-	1.09
	7,019,030.97	33,095,121.73
Changes in Operating Assets / Liabilities		
Increase in receivables and prepayments	(165,579.92)	(3,079,986.56)
(Decrease) / Increase in accounts payable and accrued charges	(389,478.06)	1,216,321.07
Increase in provision for retirement benefits	181,734.72	792,915.95
Increase in inventory	630,394.75	144,190.68
Increase / (Decrease) in related company balance	20,484.43	(49,750.49)
Payment of income tax	(792,477.86)	(9,035,747.10)
Increase in provision for profit sharing	1,206,364.45	1,194,287.71
	7,710,473.48	24,277,352.99
Cash provided by operating activities		
Investing Activities		
Disposal of fixed assets	-	164,086.75
Suspense jobs in progress (increase) / decrease	(358,451.94)	182,276.93
Increase in Capital Work in Progress	(871,793.83)	(655,933.55)
Hurricane Fund Increase	(96,024.92)	(2,402,115.52)
Increase in segregated investment	(126,625.37)	(553,086.88)
Increase in consumer contribution to line extension	(122,409.45)	(582,771.77)
Purchase of fixed assets	-	(7,714,872.24)
Decrease in other reserves	-	(1,340.00)
	(1,575,305.51)	(11,563,756.28)
Cash used in investing activities		
Financing Activities		
Provision for hurricane insurance reserve	500,000.01	2,000,000.00
Repayment of Loan	(1,615,765.30)	(7,098,016.41)
Dividends paid	(2,280,000.00)	(9,120,000.00)
	(3,395,765.29)	(14,218,016.41)
Cash provided by financing activities		
Net Increase /(Decrease) in cash and cash equivalents	2,739,402.68	(1,504,419.70)
Net cash - at the beginning of year	10,521,661.92	12,026,081.62
	13,261,064.60	10,521,661.92
- at the end of period		
Represented by		
Cash and due from banks	13,261,064.60	10,521,661.92