

**Schedule 2  
FORM ECSRC - Q**

**(Select One)**

Quarterly Report For the period ended June 30, 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**

C. Hosten

Signature

30/8/13

Date

Name of Director:

**Wayne Burks**

Wayne Burks

Signature

30.8.13

Date

Name of Chief Financial Officer:

**Benedict Brathwaite**

B.A. Brathwaite

Signature

30.8.13

Date

## 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 June 30, 2013.
2. Statement of Comprehensive Income for the six months to June 30, 2013.
3. Statement of Cash Flow for the six months to June 30, 2013.

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

#### (a) Liquidity

The Company maintained a solid liquidity position with its current ratio at 3.04:1 well above the benchmark of 1.50:1 established by lender institutions.

The average rate of electricity over the first half of 2013 was ECD1.16 which reflected an identical position as at the same period in 2012. However during this year the Company saw a decrease in trade and other receivables of 1.6% (ECD0.59M). This is even more significant given that the Government of Grenada's trade debtors rose by almost 100% (\$2.74M). On a positive note we continued to see declines in the commercial and domestic sectors receivables of 7.9% and 5.6% respectively. The Company continues to pay special attention to its receivables, particularly as we are aware of the impact of the economic recession on our customers.

Cash provided by operating activities to June 2013 was \$12.27M which is 50.6% of that for the entire year of 2012. Overall, during the first half of the year, the cash position deteriorated by \$0.41M after meeting commitments to borrowings with principal payments of ECD3.24M and paying dividends of ECD4.56M at twelve cents per share per quarter. During this period an instalment of company tax for 2013 in the amount of ECD3.93M inclusive of an advance of \$0.48M was also paid. The cash balance at the end of the quarter was ECD3.34M (14% lower than that of the end of 2012).

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

#### (b) Capital Resources

Capital expenditure of ECD3.17M in the first half of 2013 was funded from internal operations. This is expected to be the same with the balance of the 2013 capital budget of

ECD3.03M. 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%. This project which was placed on hold in the first quarter as agreements with the Government of Grenada needed to be finalized remained so throughout the second quarter. We remain optimistic that discussions with the GoG can be finalized in the third quarter leading to a resumption of the project before the end of 2013. Initially, the bulk of the Company's expenditure for this project was expected to be incurred in 2013 but this is now more likely to occur in 2014 and will 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 June 30, 2013 the covenants, as seen in the table below, showed general improvement when compared to that of March 2013 and December 2012. These covenants all easily exceed the standards that have been set by the lending institutions. During the first two quarters of 2013 there has been no significant change in the Company's financial position. As at June 30, 2013 total assets stood at \$193.52M with net assets of \$80.49M which is an increase of \$3.33M over that of the \$77.16M of March 31, 2013.

#### Covenant Table

	<b>Covenant Ratio</b>	<b>June 2013</b>	<b>March 2013</b>	<b>December 2012</b>
Current Ratio	$\geq 1.50:1$	3.04:1	2.78:1	2.68:1
Interest Coverage Ratio	$\geq 2:1$	13.46:1	10.73:1	8.06:1
Debt Service Coverage Ratio	$\geq 1.50:1$	3.71:1	3.67:1	2.86:1
Bank Borrowing to Equity Ratio	$\leq 1.25:1$	0.44:1	0.48:1	0.51:1
Capital to Total Assets	$\geq 30\%$	33.84%	32.46%	32.11%

### d) **Results of Operation**

The Company's financial performance in the first half of 2013 was better than for the comparative period in 2012 notwithstanding a decline in kWh sales of 1.8%. Profit after interest of ECD15.99M represented an increase of 26.1% over the ECD12.68M in 2012.

The Company continued to experience a decline in kWh sales over the first half of the year (1.8%) following contractions in 2011 and 2012 of 2.2% and 1.4% respectively. Only the industrial sector saw an increase of 1.4%, while the commercial and domestic sectors showed

decreases of 2.6% and 0.9% respectively. This is expected to continue as there is little likelihood of a turnaround in either the global or local economies before the end of 2013.

This decline in kWh sales impacted negatively on the Company's overall revenue performance which was ECD95.56M, a 2.8% decrease from last year.

During the first six months of the year fuel prices continued to fluctuate while generally decreasing, with an average price of ECD10.29 per imperial gallon being paid over the period. This is 3.5% lower than that for the equivalent period in 2012. The impact of this along with reasonable efficiency performances was a fuel recovery rate of 107.8% which represented an increase of 2% relative to the 105.8% for the comparable period of 2012.

Operating and administrative expenses, net of fuel, decreased by 12.2% (\$3.52M) in the first half of 2013 in comparison 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 \$1.26M or 36% of the overall decrease. Additionally, the Company has successfully employed cost containment mechanisms to ensure that controllable costs are kept at minimum levels given the continued unit sales decline.

There was an expected decrease in interest costs (14.1%; \$0.25M) over the first two quarters of 2013 as compared to June 2012. This was as a result of the Company's continued servicing of its debt as scheduled.

System losses twelve months rolling average showed an unfavourable variance as compared to June 2012, of 0.9%. Management is continuing to investigate this negative trend and steps will be taken to see this reversed in the near future. This is especially imperative considering the unstable economic climate in which the Company is currently operating.

Fuel efficiency of 19.25kWh's per imperial gallon in the first six months of 2013 exceeds the 19.12kWh's achieved in the same period last year and represents a 0.7% 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 \$15M 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 is now marginally more than the pre Ivan level of \$14M.

- 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 June 30, 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 June 30, 2013.

**6. Defaults Upon Senior Securities.**

- (a) Payments of principal and interest to the Eastern Caribbean Securities Exchange (ECSE) on the Grenlec Bond, the European Investment Bank (EIB) and the National Insurance Baord (NIB) on their respective loans have been made during the quarter ended June 30, 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 June 30th, 2013 and December 31<sup>st</sup>, 2012**

	June 2013 EC \$	December 2012 EC \$
<b>ASSETS</b>		
<b>Non Current Assets</b>		
Property plant and equipment	82,696,900.56	86,042,931.84
Suspense jobs in progress	1,969,467.54	1,407,580.68
Capital work in progress	4,028,242.94	3,512,535.92
Deferred exchange loss	948,305.06	948,305.06
Available-for-sale financial assets	851,942.73	876,140.00
	<u>90,494,858.83</u>	<u>92,787,493.50</u>
<b>CURRENT ASSETS</b>		
Inventories	15,682,732.89	15,507,888.49
Trade and other receivables	35,613,991.58	36,204,175.65
Segregated retirement investments	19,879,855.46	19,613,931.26
Income tax prepaid	479,719.25	195,102.00
Loans and receivables financial assets	28,671,087.73	26,375,717.00
Cash and cash equivalents	2,701,737.77	4,072,519.00
	<u>103,029,124.68</u>	<u>101,969,333.40</u>
<b>TOTAL ASSETS</b>	<u>193,523,983.51</u>	<u>194,756,826.90</u>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Stated capital	32,339,840.00	32,339,840.00
Other reserves	12,060.00	12,060.00
Retained earnings	44,189,174.46	38,793,180.48
Profit / (Loss) to date after dividends	3,948,940.63	5,395,993.98
	<u>80,490,015.09</u>	<u>76,541,074.46</u>
<b>Non Current Liabilities</b>		
Consumers' deposits	10,579,974.71	10,171,094.94
Borrowings	28,705,235.39	31,945,548.00
Provision for retirement benefits	24,833,738.59	24,033,554.00
Hurricane reserve	15,000,000.02	14,000,000.00
	<u>79,118,948.71</u>	<u>80,150,196.94</u>
<b>Current Liabilities</b>		
Amount due to related company	94,634.92	140,218.97
Short- term borrowings	13,443,543.52	14,403,726.00
Trade and other payables	15,779,183.04	17,654,588.00
Consumers' contribution to line extensions	1,146,277.17	1,085,813.57
Current portion of provision for retirement benefits	500,000.00	500,000.00
Provision for Profit Sharing	2,951,381.06	4,281,208.96
	<u>33,915,019.71</u>	<u>38,065,555.50</u>
<b>TOTAL LIABILITIES</b>	<u>113,033,968.42</u>	<u>118,215,752.44</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<u>193,523,983.51</u>	<u>194,756,826.90</u>

**GRENADA ELECTRICITY SERVICES  
COMBINED TRADING SUMMARY**

**For the six months ended June 30th, 2013 and 2012 and year ended December 31<sup>st</sup>, 2012**

	<b>June 2013</b>	<b>June 2012</b>	<b>December 2012</b>
<b><u>INCOME</u></b>			
Sales - Non Fuel Charge	38,428,510.56	38,571,951.03	78,574,698.57
- Fuel Charge	56,788,891.42	58,156,763.06	115,988,054.41
Unbilled Sales Adjustments	(746,001.27)	308,913.91	339,051.90
Net Sales	<u>94,471,400.71</u>	<u>97,037,628.00</u>	<u>194,901,804.88</u>
Sundry Revenue	1,084,367.32	1,252,391.60	2,489,132.86
<b>TOTAL INCOME</b>	<u><u>95,555,768.03</u></u>	<u><u>98,290,019.60</u></u>	<u><u>197,390,937.74</u></u>
<b><u>OPERATING COSTS</u></b>			
Production less Diesel Consumed	7,390,182.80	9,412,510.95	17,120,358.09
Diesel Consumed	52,702,439.52	54,983,183.73	111,032,741.40
Hurricane Provision	1,000,000.02	1,000,000.02	2,000,000.00
Planning & Engineering	1,261,985.04	1,168,921.56	2,214,786.02
Distribution	7,736,505.90	8,463,111.10	16,428,727.27
<b>TOTAL OPERATING COSTS</b>	<u>70,091,113.28</u>	<u>75,027,727.36</u>	<u>148,796,612.78</u>
<b><u>CORPORATE SERVICES</u></b>	<u>7,966,418.93</u>	<u>8,826,622.27</u>	<u>18,032,392.58</u>
<b>PROFIT BEFORE INTEREST</b>	<u>17,498,235.82</u>	<u>14,435,669.97</u>	<u>30,561,932.38</u>
<b><u>INTEREST</u></b>			
Bank Loan Interest	1,275,782.84	1,557,912.24	2,931,067.33
Other Bank Interest	34,743.03	10,508.21	88,629.17
Consumer Deposit Interest	198,686.05	187,564.88	373,911.54
<b>TOTAL INTEREST COSTS</b>	<u>1,509,211.92</u>	<u>1,755,985.33</u>	<u>3,393,608.04</u>
<b>PROFIT AFTER INTEREST</b>	<u>15,989,023.90</u>	<u>12,679,684.64</u>	<u>27,168,324.34</u>
<b><u>OTHER CHARGES</u></b>			
Disposal of Fixed Assets	(44,484.19)	(58,326.50)	(118,207.22)
Donations	801,618.96	636,996.50	1,364,326.58
Profit Sharing	3,076,743.45	2,653,346.45	5,546,070.99
<b>TOTAL OTHER CHARGES</b>	<u>3,833,878.22</u>	<u>3,232,016.45</u>	<u>6,792,190.35</u>
<b>PROFIT BEFORE TAXES</b>	12,155,145.68	9,447,668.19	20,376,133.99
Corporation Tax @ 30%	3,646,205.05	2,834,876.17	5,860,140.01
<b>PROFIT AFTER TAXES</b>	<u>8,508,940.63</u>	<u>6,612,792.02</u>	<u>14,515,993.98</u>
Dividends	4,560,000.00	4,560,000.00	9,120,000.00
<b>RETAINED PROFIT to date</b>	<u><u>3,948,940.63</u></u>	<u><u>2,052,792.02</u></u>	<u><u>5,395,993.98</u></u>



**GRENADA ELECTRICITY SERVICES LIMITED**

**Statement of Cash Flows**

**For the six months ended June 30th, 2013 and year ended December 31st, 2012**

	<b>June 2013</b>	<b>December 2012</b>
<b>Operating Activities</b>		
Profit before Income Tax	12,155,145.68	20,376,133.99
Adjustments for:		
Depreciation	5,653,440.42	12,837,193.87
Profit on disposal of fixed assets	(44,484.19)	(118,207.22)
Prior Year Adjustment		1.09
	<u>17,764,101.91</u>	<u>33,095,121.73</u>
 <b>Changes in Operating Assets / Liabilities</b>		
Decrease/ (increase) in receivables and prepayments	590,184.07	(3,028,072.00)
(Decrease) / Increase in accounts payable and accrued charges	(1,406,061.59)	1,132,011.00
Increase in provision for retirement benefits	800,184.59	792,915.95
(Increase)/decrease in inventory	(174,844.40)	143,106.00
(Decrease) in related company balance	(45,584.05)	(49,750.49)
Payment of income tax	(3,930,822.30)	(9,035,747.10)
(Decrease)/ increase in provision for profit sharing	(1,329,827.90)	1,194,287.71
	<u>12,267,330.33</u>	<u>24,243,872.80</u>
Cash provided by operating activities		
<b>Investing Activities</b>		
Decrease in available for sale financial assets	24,197.27	1,208.00
Disposal of fixed assets	67,536.37	164,086.75
Suspense jobs in progress (increase) / decrease	(561,886.86)	182,276.93
Increase in Capital Work in Progress	(515,707.02)	(655,933.55)
Increase in loans and receivables financial assets	(2,295,370.73)	(793,939.00)
Increase in segregated investment	(265,924.20)	(553,088.88)
Increase in consumer contribution to line extension	(241,722.17)	(582,773.40)
Purchase of fixed assets	(2,088,739.15)	(7,714,872.24)
Increase in other reserves	-	(1,340.00)
	<u>(5,877,616.49)</u>	<u>(9,954,375.39)</u>
Cash used in investing activities		
<b>Financing Activities</b>		
Provision for hurricane insurance reserve	1,000,000.02	2,000,000.00
Repayment of Loan	(4,200,495.09)	(7,098,016.41)
Dividends paid	(4,560,000.00)	(9,120,000.00)
	<u>(6,800,312.59)</u>	<u>(14,218,016.41)</u>
Cash used in financing activities		
Net (Decrease)/ Increase in cash and cash equivalents	(410,598.75)	71,481.00
Net cash - at the beginning of year	<u>(2,929,994.00)</u>	<u>(3,001,475.00)</u>
	<u>(3,340,592.75)</u>	<u>(2,929,994.00)</u>
- at the end of period		
<b>Represented by</b>		
Cash and due from banks	2,701,737.77	4,072,519.00
Bank overdraft	<u>(6,042,330.52)</u>	<u>(7,002,513.00)</u>
	<u>(3,340,592.75)</u>	<u>(2,929,994.00)</u>