

**Schedule 2
FORM ECSRC - Q**

(Select One)

Quarterly Report For the period ended March 31, 2012

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 Chief Executive Officer:

Vernon Lawrence



Signature

30-4-12

Date

Name of Director:

Claudette Joseph



Signature

30-4-2012

Date

Name of Chief Financial Officer:

Benedict Brathwaite



Signature

30.4.12

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 March 31, 2012.
2. Statement of Comprehensive Income for the three months to March 31, 2012.
3. Statement of Cash Flow for the three months to March 31, 2012.

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

(a) **Liquidity**

The Company's liquidity position has not had a material change in the first quarter of 2012. With a current ratio of 3.60 the company continues to be well above the benchmark 1.50 established by lender institutions.

The challenges faced by customers continued to be significant as world fuel prices remained in excess of USD100 for the entire period. The average electricity price inclusive of taxes and levies of a kWh was \$1.14 during the quarter. Despite this many customers reduced their outstanding balances with commercial and domestic receivables declining by 4.41% and 0.51% respectively. Additionally, in the first quarter, with tourism at a peak, the company experienced the usual improved payments from the hotel sector whose receivables declined by 8.61%. Overall trade receivables increased by 1.15% as the Government of Grenada's outstanding balance increased by \$1.28M and the industrial sector by 4.58%. On a case by case basis the Company engages customers who have either fallen into arrears or have been unable to reduce outstanding balances by entering into payment arrangements or continuing to work with them to minimize arrears.

Cash provided by operating activities during the quarter was \$6.67M mainly due to profit before income tax of \$3.61M and the adjustment for depreciation of \$3.49M. Overall the Company saw an increase in cash and equivalents of \$1.24M as a result of an increase in receivables and prepayments of \$2.29M and capital expenditure in the quarter of \$1.81M. Additionally, principal of \$1.59M, in accordance with the loan agreements, and a dividend of \$2.28M or 12 cents per share were paid in March.

The Company met all of its obligations in the quarter and based on its cash flow projections expects to continue doing so for the foreseeable future.

(b) **Capital Resources**

The company's plans relating to capital expenditure in 2012 does not require it to engage in external borrowing. The regular capital expenditure budgeted for the year of \$8.69M will be

managed from internally generated funds which the company has over the years demonstrated the capacity to do. It is also planned as part of its renewable energy drive that along with the European Union (EU) and the Government of Grenada the company will start a project to install 1 to 2 MW on a wind farm in Carriacou. The funding for the project of €3.89M will be done jointly, with the EU meeting €2.50M or 64.20% and Grenlec €1.39M or 35.80%. Given its cash balance, projected cash flow performance and financial position the company expects to finance its portion of the project from internally generated funds. As far as generation expansion is concerned the Company does not foresee that this will be required before 2013.

c) Changes in Financial Condition

There has been no significant change in the company's financial condition during the quarter. It continues to maintain a healthy statement of financial position with total assets of \$188.81M at March 31, 2011 and net assets of \$71.39M. Importantly, all of the financial covenants set by the lending institutions continue to be exceeded by the Company. The table below reflects the targets and actual for the quarters ended March 2012 and December 2011.

Covenant Table

	Covenant Ratio	March 2012	December 2011
Current Ratio	$\geq 1.50:1$	3.60	3.76
Interest Coverage Ratio	$\geq 2:1$	9.69	8.06
Debt Service Coverage Ratio	≥ 1.50	3.59	2.86
Bank Borrowing to Equity Ratio	$\leq 1.25:1$	0.76	0.78
Capital to Total Assets	$\geq 30\%$	31.19%	31.62%

d) Results of Operation

Energy unit sales in the first quarter were marginally lower (0.16%) than that for the same period in 2011. Given the decline in sales that was seen in particular in the first six months of 2011 this is not a positive indicator as it shows that the impact of the extended recession continues. Specifically, the industrial and domestic sectors experienced declines of 8.71% and 0.60% respectively while street lights and commercial sectors grew by 2.17% and 0.67% each. It must be noted, that similar to 2011 the first quarter of the year has seen regular rain, with ambient temperatures cooler than is usual for this time which partly explains the sales being below expectations.

Non Fuel Revenue at EC\$19.03M grew by 0.16% based on a rate increase of 3.71% which was implemented effective March 1, 2012. Non fuel rate adjustments are made annually in accordance with the Electricity Supply Act of 1994 based on a price cap formula of RPI - 2.

The Reference Price Index (RPI) is determined based on the Consumer Price Index as gazetted which is adjusted to make it neutral to the impact of increases in fuel and electricity.

World fuel prices averaged USD102.87 over the first three months of 2012 and as such the average price per IG to the company was EC\$11.06. This meant an average fuel charge in the period of EC\$0.65 which is higher than it has ever been in the first quarter of any year. Compared to fuel prices for the entire year 2011 this represents an increase of 6.71% which would normally have a negative impact on the fuel recovery rate. However, due to improved system losses and fuel efficiency this has not been readily noticeable with a fuel cost recovery rate of 100.08% which compares favourably to the 98.49% of 2011. All indicators are that world fuel prices are likely to remain above USD100 per barrel in the short term. In fact the one year forecast is for a price of USD 119 per barrel. Despite this the company is hopeful that this will not be the case and prices will eventually decline thereby easing the burden on customers.

Due to the higher fuel prices total revenues (\$48.02M) to March 31, 2012 were higher than that of the equivalent period in 2011 by 11.68% despite non fuel revenue as noted earlier increasing only marginally.

Operating and administrative expenses other than for fuel decreased by 1.42% in the first quarter relative to the same period in 2011. This is an indication of the heightened emphasis that has been placed on cost containment as sales growth has disappeared since the first quarter of 2011.

Profit after taxes of \$2.53M was significantly above that for the equivalent period in 2011 of \$1.27M. This improvement is attributable mainly to the fuel cost recovery rate, the positive impact of cost containment measures and lower interest costs.

System losses twelve months rolling average to March 31, 2012 improved to 7.75% after ending the year at an impressive 8.07%. This has been one of the key strategic drivers for the company and has become even more important in the context of declining sales numbers. Despite the improvement the Company will be making every effort to continue reducing these losses by focusing on both technical and non-technical areas.

Fuel efficiency is another of the key performance indicators for the company. In the first three months the company was able to generate 19.23kWh per imperial gallon which is better than both the target and actual of 2011 of 19.04kWh. Given its impact on financial performance it is important that this improved efficiency be maintained.

3. Disclosure of Risk Factors.

With each passing period the hurricane reserve improves and presently stands at \$11.50M. 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 \$11.49M has been restored to above 75% of 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 for another five 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, 2012 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.

6. Defaults Upon Senior Securities.

- (a) Payments of principal and interest *to the* ECSE on the Grenlec Bond and the NIS loan have been made during the quarter 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 at 31/3/2012**

	March 2012 EC \$	December 2011 EC \$
ASSETS		
Non Current Assets		
Property Plant and Equipment	87,530,481.88	90,628,361.63
Suspense Jobs in Progress	1,777,172.98	1,589,858.01
Capital Work in Progress	4,083,767.42	2,856,602.37
Deferred Exchange Loss	760,436.39	760,436.39
	<u>94,151,858.67</u>	<u>95,835,258.40</u>
CURRENT ASSETS		
Inventories	15,273,758.02	15,652,079.10
Accounts Receivable	32,262,257.03	32,255,373.02
Prepayments	2,891,415.94	609,944.68
Segregated Retirement Investments	19,229,379.02	19,060,844.38
Hurricane Fund	11,701,773.86	11,601,773.90
Other Investments	29,480.00	29,480.00
Cash and due from banks	13,268,425.37	12,026,081.62
	<u>94,656,489.24</u>	<u>91,235,576.70</u>
TOTAL ASSETS	<u>188,808,347.91</u>	<u>187,070,835.10</u>
SHAREHOLDERS EQUITY AND LIABILITIES		
SHAREHOLDERS EQUITY		
Stated Capital	32,339,840.00	32,339,840.00
Other Reserve	13,400.00	13,400.00
Retained Earnings	38,795,098.48	39,111,156.46
Profit to Date after Dividends	247,234.72	(317,977.07)
	<u>71,395,573.20</u>	<u>71,146,419.39</u>
Non Current Liabilities		
Consumers' Deposits	9,492,762.70	9,639,028.88
Borrowings	44,670,678.17	46,256,908.99
Provision for Retirement Benefits	24,455,260.60	23,740,638.51
Hurricane Reserve	12,500,000.01	12,000,000.00
	<u>91,118,701.48</u>	<u>91,636,576.38</u>
Current Liabilities		
Amount Due to Related Company	196,396.36	189,969.46
Accounts Payable and Accrued Expenses	18,762,401.19	17,306,063.40
Consumers' Advances for Construction	737,457.29	724,379.81
Provision for Profit Sharing	4,240,308.07	3,086,921.25
Provision for Income Tax	2,357,510.32	2,980,505.41
	<u>26,294,073.23</u>	<u>24,287,839.33</u>
TOTAL LIABILITIES	<u>117,412,774.71</u>	<u>115,924,415.71</u>
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	<u>188,808,347.91</u>	<u>187,070,835.10</u>

GRENADA ELECTRICITY SERVICES
COMBINED TRADING SUMMARY AS OF 31/3/2012

	March 2012	December 2011
<u>INCOME</u>		
Sales - Non Fuel Charge	19,032,363.72	77,346,776.13
- Fuel Charge	28,455,706.72	109,294,708.55
Unbilled Sales Adjustments	(90,835.26)	1,134,184.01
Net Sales	<u>47,397,235.18</u>	<u>187,775,668.69</u>
Sundry Revenue	623,723.43	3,120,874.82
TOTAL INCOME	<u><u>48,020,958.61</u></u>	<u><u>190,896,543.51</u></u>
<u>OPERATING COSTS</u>		
Production less Diesel Consumed	4,252,033.84	18,622,535.76
Diesel Consumed	28,432,578.80	110,971,540.09
Hurricane Provision	500,000.01	2,000,000.00
Planning & Engineering	589,763.76	2,296,748.22
Distribution	4,074,919.87	16,563,913.08
TOTAL OPERATING COSTS	<u><u>37,849,296.28</u></u>	<u><u>150,454,737.15</u></u>
<u>CORPORATE SERVICES</u>	<u>4,291,223.35</u>	<u>18,020,080.78</u>
PROFIT BEFORE INTEREST	<u><u>5,880,438.98</u></u>	<u><u>22,421,725.58</u></u>
<u>INTEREST</u>		
Bank Loan Interest	775,652.29	3,818,767.07
Other Bank Interest	5,049.84	19,711.15
Consumer Deposit Interest	93,778.46	370,801.34
TOTAL INTEREST COSTS	<u><u>874,480.59</u></u>	<u><u>4,209,279.56</u></u>
PROFIT AFTER INTEREST	<u><u>5,005,958.39</u></u>	<u><u>18,212,446.02</u></u>
<u>OTHER CHARGES</u>		
Disposal of Fixed Assets	(16,997.75)	(40,188.83)
Donations	251,243.75	912,631.74
Profit Sharing	1,160,554.62	4,414,014.64
TOTAL OTHER CHARGES	<u><u>1,394,800.62</u></u>	<u><u>5,286,457.55</u></u>
PROFIT BEFORE TAXES	3,611,157.77	12,925,988.47
Corporation Tax @ 30%	1,083,923.05	4,123,965.54
PROFIT AFTER TAXES	<u>2,527,234.72</u>	<u>8,802,022.93</u>
Dividends	2,280,000.00	9,120,000.00
RETAINED PROFIT to date	<u><u>247,234.72</u></u>	<u><u>(317,977.07)</u></u>

GRENADA ELECTRICITY SERVICES LIMITED

Statement of Cash Flows For the year to 31st March, 2012

	March 2012	December 2011
Operating Activities		
Profit before Income Tax	3,611,157.77	12,925,988.47
Adjustments for:		
Depreciation	3,489,552.89	14,801,397.21
Profit on disposal of fixed assets	(16,997.75)	(40,188.83)
Prior Year Adjustment	1,919.09	147,531.52
	7,085,632.00	27,834,728.37
Changes in Operating Assets / Liabilities		
Increase in receivables and prepayments	(2,288,355.27)	(3,092,682.70)
Increase in accounts payable and accrued charges	1,323,149.09	1,386,962.72
Increase in provision for retirement benefits	714,622.09	1,970,707.59
Decrease / (Increase) in inventory	378,321.08	(222,118.98)
Increase in related company balance	6,426.90	189,969.46
Payment of income tax	(1,706,918.14)	(571,427.02)
Increase /(Decrease) in provision for profit sharing	1,153,386.82	(68,029.11)
	6,666,264.57	27,428,110.33
Cash provided by operating activities		
Investing Activities		
Disposal of fixed assets	17,000.00	1,035,722.08
Suspense jobs in progress (increase) / decrease	(187,314.97)	521,985.66
Decrease / (Increase) in Capital Work in Progress	(1,227,165.05)	5,646,015.17
Hurricane Fund Increase	(99,999.96)	(3,087,920.82)
Increase in segregated investment	(168,534.64)	(2,550,617.35)
Decrease in consumer contribution to line extension	174,439.94	38,818.72
Purchase of fixed assets	(566,115.33)	(16,922,156.00)
Decrease in other reserves	-	(1,072.00)
	(2,057,690.01)	(15,319,224.54)
Cash used in investing activities		
Financing Activities		
Provision for hurricane insurance reserve	500,000.01	2,000,000.00
Repayment of Loan	(1,586,230.82)	(8,053,852.57)
Dividends paid	(2,280,000.00)	(9,120,000.00)
	(3,366,230.81)	(15,173,852.57)
Cash provided by financing activities		
Net Increase /(Decrease) in cash and cash equivalents	1,242,343.75	(3,064,966.78)
Net cash - at the beginning of year	12,026,081.62	15,091,048.40
	13,268,425.37	12,026,081.62
- at the end of period		
Represented by		
Cash and due from banks	13,268,425.37	12,026,081.62