

**Schedule 2  
FORM ECSRC - Q**

**(Select One)**

Semi-Annual Report

For the period ended **March 31, 2009**

or

TRANSITION REPORT \_\_\_\_\_

**(Applicable where there is a change in reporting issuer's financial year)**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Issuer Registration Number: \_\_\_\_\_

**Grenada Electricity Services Ltd.**

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

**Grenada W.I.**

(Territory or jurisdiction of incorporation)

**Halifax Street, 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. \_\_\_\_\_

<b>CLASS</b>	<b>NUMBER</b>
<b>Ordinary</b>	<b>19,000,000</b>

**SIGNATURES**

Name of Chief Executive Officer:

Name of Director:

**Vernon Lawrence**

**Allan Bierzynski**

\_\_\_\_\_

\_\_\_\_\_

Signature

Signature

\_\_\_\_\_

\_\_\_\_\_

Date

Date

## **INFORMATION TO BE INCLUDED IN THE REPORT**

### **1. Financial Statements**

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

1. Balance Sheet as at March 31, 2009.
2. Statement of Income for the three months to March 31, 2009.
3. Statement of Cash Flow for the three months to March 31, 2009.

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

#### **(a) Liquidity**

Grenlec's cash position at the end of the quarter stood at \$17.62M as compared to \$11.70M at the end of December 2008. Given that only \$4M of this has been committed the cash position of the company is very strong. While there was a marginal decline in the current ratio in the period which was 1.77 this was well above the base of 1.50 that has been established in debt covenants. Other covenants in the ECSE Bond such as interest and debt service coverage continue to be easily exceeded indicating the ability to meet the obligations to financial institutions.

Cash generated from operating activities in the first quarter of 2009 at \$16.37M almost matched that of the entire year of 2008 at \$19.17M. Mainly responsible for this is a decrease in receivables of \$8.53M during the period as arrears from one of our largest customers in the St. George's University were collected. Overall collections from our customers in general have been good during this period.

During the quarter, principal and interest repayments of \$1.51M and \$0.95M respectively were made re the Grenlec Bond and the National Insurance Scheme (NIS) loan. All of these commitments were made as per schedule. Additionally, a dividend of \$2.09M was paid for the first quarter of 2009 as the financial performance in the first quarter far exceeded expectations as per the budgeted projections.

#### **(b) Capital Resources**

Expenditure on the Transmission Project during the first quarter of 2009 was \$4.39M which leaves \$4.41M to be expended in accordance with the contract. The funds to meet the unexpended balance on the contract are invested in a savings account at the Co-Op bank. In the quarter a further \$2.07M was also expended on fixed assets outside of that on transmission. Outside of major projects for which financing is obtained internally generated funds are utilized to finance the regular fixed assets as per the capital budget of \$9M.

**c) Results of Operation**

During the first quarter of 2009 world fuel prices initially continued the decline which had begun in the second half of 2008 before stabilizing at around USD50 per barrel. As a result we saw an average charge of seventy cents per kWh to our customers equalling electricity rates last seen in 2004.

The impact of declining fuel prices meant that Grenlec continued to have a positive fuel recovery rate of 146.88% with a net fuel benefit of \$5.5M. Just for comparison when prices were rising in the same period in 2008 the fuel recovery rate was 89.27% and falling with a net fuel loss of \$2.4M. It is important to note that the substantially lower fuel prices over the first quarter which averaged \$4.81 as compared to the same period in 2008 average \$9.53 has meant a lower overall revenue of \$4.2M. However, overall revenue in our industry is not necessarily significant in periods of substantial increases or decreases in fuel prices.

Non fuel revenue in the first quarter of 2009 grew by 6.28% as compared to the same period in 2008 and was marginally below the budgeted growth of 6.57%. This was based on growth in the two main sectors of commercial and residential. Given that electricity rates as stated earlier are as low as they have been for nearly five years the prospects of continued growth in 2009 looks good.

Operating and administrative costs inclusive of fuel were favourable as compared to the 2009 budget with positive variances for the non fuel costs ranging from 8.70 to 1.09%. Naturally, the variance for fuel of 35.24% was even more significant. At this time we are of the view that costs can continue to be controlled within budget.

Grenlec's profit before taxes over the period to March 31, 2009 was 132.62% of the budgeted profit and 614% as compared to that for the same period in 2008. The main factor accounting for the variances seen is the fuel recovery rate and its impact as noted earlier. Given this and the stabilization of fuel prices we can expect to see a narrowing of the variances. However, unless there is a spike in fuel prices over the course of the year the overall profitability of the company is likely to be better than budgeted.

There was not a significant increase in the total assets of the company which stood at \$191.90M as at March 31, 2009 as compared to the \$190.20M as at December 31,

2008. Importantly, though there was a decrease in the accounts receivable in the quarter of \$9M while the cash balance grew by \$6M which meant that the asset quality had improved. The balance sheet of the company continues to be strong as we continue to see improvement in key covenant ratios such as debt service coverage and bank borrowing to equity.

### **3. Disclosure of Risk Factors.**

With each passing period as the hurricane fund is financed - presently it stands at \$5.5M - it reduces the main risk exposure of recovery after a hurricane. The major risk factors facing the Company continue to be as follows:

- Hurricanes - as clearly established after their impact in 2005 and more particularly 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.
- A New Electricity Supply Act – this has been proposed for sometime now without becoming a reality but it is still important (to particularly note that the price of electricity can well become an issue.) *to note in particular as the price of electricity can well become an issue.* This Act can change the landscape in which the Company operates by allowing competition into the market.

### **4. Legal Proceedings.**

None.

### **5. Changes in Securities and Use of Proceeds.**

No change in securities during the period.

### **6. Defaults Upon Senior Securities.**

- (a) All payments of principal and interest have been made as per existing agreements.
- (b) No arrears in the payment of dividends have occurred.

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

- (a) None

### **8. Other Information.**

None.

## Part D

### Relevant Financial Data Items for Public Utility and Utility Holding Companies

#### Item Descriptions

- total net utility plant
- other property and investments
- total current assets
- total deferred charges
- balancing amount for total assets
- total assets
- common stock
- capital surplus, paid in,
- retained earnings
- total common stockholders equity
- preferred stock subject to mandatory redemption
- preferred stock not subject to mandatory redemption
- long term debt, net
- short term notes
- notes payable
- commercial paper
- long term debt-- current portion
- preferred stock-- current portion
- obligation under capital leases
- obligation under capital leases--current portion
- balancing amount for capitalisation and liabilities
- total capitalisation and liabilities
- gross operating revenue
- other operating expense
- total operating expense
- operating income (loss)
- other income (loss), net
- income before interest charges
- total interest charges
- net income
- preferred stock dividends
- earnings available for common stock
- common stock dividends
- total annual interest charges on all bonds
- cash flow from operations
- earnings per share –primary

- earnings per share -fully diluted