

**Schedule 2
FORM ECSRC - Q**

(Select One)

Quarterly Report
For the period ended March 31, 2010

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)

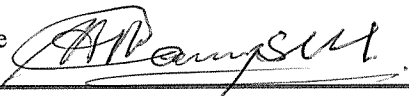
Indicate the number of outstanding shares of each of the reporting issuer's classes of common stock, as of the date of completion of this report. _____

CLASS	NUMBER
Ordinary Shares	19,000,000

SIGNATURES

Name of Director:

Arthur Campbell

Signature 

Date 29-4-10

Name of Director:

Alfred Logie

Signature 

Date 3-5-10

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, 2010.
2. Statement of Comprehensive Income for the three months to March 31, 2010.
3. Statement of Cash Flow for the three months to March 31, 2010.

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

(a) **Liquidity**

Grenlec's cash position improved from \$15.66M at the end of December 2009 to \$16.44M at the end of the first quarter of 2010. Overall current assets increased by \$5.23M during the same period as against current liabilities that increased by \$2.86M. The overall liquidity position of the company continues to be very healthy and the company is well placed to meet all of its short term commitments. This is further underscored by the current ratio of 1.61 which easily exceeds the existing covenant on the Grenlec ECSE Bond of 1.50.

Cash generated from operating activities in the first quarter was \$6.77M. This occurred despite an increase in trade receivables of \$4.01M due to increased sales on one hand and delayed payments by the Government of Grenada and some commercial customers on the other. There were no other significant movements in operating assets and liabilities as adjusted profit from operating activities of \$9.81M was principally responsible for the cash generation.

During the quarter, scheduled principal and interest repayments of \$1.54M and \$0.85M respectively were made on the Grenlec Bond and the National Insurance Scheme (NIS) loan. Additionally, a dividend of \$2.09M was declared and paid in the quarter as the financial performance exceeded budgeted projections.

(b) **Capital Resources**

Capital expenditure during the first quarter on items that related to general operations amounted to \$2.59M. The financing for these general items came from internally generated funds which the company continues to show the capacity to undertake. At

this time we foresee no difficulty in meeting the budgeted commitments to the end of the financial year. The Transmission Project which was completed in August 2009 has an outstanding balance of \$4.41M which can be adequately covered by the balance of funds from the drawdown of the GRENLEC ECSE Bond.

c) Results of Operation

In the first quarter energy generation saw GWH growth of 8.10% as compared to the same period in 2009. Non fuel sales growth of 12.75% in the same period was reflective of this along with the impact of the 4.69% rate increase that was effected in May 2009. This growth rate is significantly higher than projected at a time when the Grenadian economy continues to experience the impact of the global recession. Given this fact we are of the view that one has to be conservative as far as the sustainability of this growth rate over the course of the year.

Net fuel revenue of 102.17% was positive in a period when world fuel prices have been relatively stable. This can be reversed should world fuel prices increase as has been predicted. Equally important is the fact that current fuel efficiencies and system losses indicate that this recovery rate is sustainable if there are no sharp increases in fuel prices.

Other operating and administrative expenses increased by 0.93% in 2010 as compared to the first three months in 2009. With growth rates being lower in recent years the company has redoubled its efforts to keep costs flat in 2010. This has been done by reviewing areas of expenditure to keep the company lean without compromising on safety or quality of output.

Grenlec's profit before taxes in the quarter of \$5.79M was substantially more than budgeted. This resulted from higher than expected sales revenue while costs have been contained at 2009 levels. Should this be sustainable, it would augur well for the financial performance over the course of the year.

The company's statement of financial position shows a healthy condition with total assets of \$197.88M at March 31, 2010 as compared to \$194.10M as at December 31, 2009. The most significant increase was in accounts receivable which moved by 7.86% from \$31.04M to \$33.48M. Total liabilities increased by 1.13% or \$1.32M leading to a net asset improvement in the quarter of \$2.46M. Most 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 2010 and December 2009..

Covenant Table

	Covenant Ratio	March 2010	December 2009
Current Ratio	$\geq 1.50:1$	1.61	1.60
Interest Coverage Ratio	$\geq 2:1$	10.21	18.01
Debt Service Coverage Ratio	≥ 1.50	4.44	2.53
Bank Borrowing to Equity Ratio	$\leq 1.25:1$	0.87	0.91
Capital to Total Assets	$\geq 30\%$	36.14%	35.84%

3. Disclosure of Risk Factors.

With each passing period the hurricane reserve improves and presently stands at \$8.5M, 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 \$8.50M has been restored to above 50% of pre Ivan levels.
- A New Electricity Supply Act – this was proposed by the previous administration without becoming a reality but it is still important to note that an adverse change in this Act can change the landscape in which the Company operates if it allows competition into the market.
- 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 legal proceedings outstanding as at March 31, 2010 that could materially impact on the company's position.

5. Changes in Securities and Use of Proceeds.

No change in securities during the period.

6. Defaults Upon Senior Securities.

- (a) Payments of principal and interest to the ECSE on the Grenlec Bond and on 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.

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

GRENADA ELECTRICITY SERVICES
Balance Sheet at 31/3/2010

	March 2010 EC \$	December 2009 EC \$
ASSETS		
CURRENT ASSETS		
Cash and due from banks	16,442,377.26	15,660,820.73
Hurricane Fund	7,304,294.41	7,205,759.81
Accounts Receivable	33,477,130.08	31,038,317.62
Segregated Retirement Investments	14,521,977.24	14,335,734.60
Other Investments	29,485.36	29,485.36
Inventories	16,140,901.91	15,979,810.66
Prepayments	<u>1,991,120.23</u>	<u>420,258.78</u>
	89,907,286.49	84,670,187.56
PRPOERTY PLANT AND EQUIPMENT		
	98,281,550.07	102,150,599.55
Suspense Jobs in Progress	2,084,337.26	1,582,278.05
Capital Work in Progress	5,422,377.97	3,511,161.10
Deferred Exchange Loss	<u>2,186,149.92</u>	<u>2,186,149.92</u>
TOTAL ASSETS	<u>197,881,701.71</u>	<u>194,100,376.18</u>
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES		
Amount Due to Related Company	196,275.95	86,702.59
Accounts Payable and Accrued Expenses	20,639,567.84	21,154,927.30
Consumers' Deposits	8,819,692.98	8,582,423.49
Consumers' Advances for Construction	909,649.78	891,368.49
Provision for Retirement Benefits	19,871,126.64	19,493,580.44
Provision for Profit Sharing	4,146,719.31	3,080,405.18
Provision for Income Tax	<u>1,297,542.12</u>	<u>(268,041.41)</u>
	55,880,574.62	53,021,366.08
LONG TERM DEBT	<u>61,984,577.62</u>	<u>63,522,155.53</u>
TOTAL LIABILITIES	<u>117,865,152.24</u>	<u>116,543,521.61</u>
SHAREHOLDERS EQUITY		
Stated Capital	32,339,840.00	32,339,840.00
Other Reserve	13,405.36	13,405.36
Hurricane Reserve	8,500,000.01	8,000,000.00
Retained Earnings	37,203,609.21	35,947,780.25
Profit to Date after Dividends	<u>1,959,694.89</u>	<u>1,255,828.96</u>
	<u>80,016,549.47</u>	<u>77,556,854.57</u>
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	<u>197,881,701.71</u>	<u>194,100,376.18</u>

GRENADA ELECTRICITY SERVICES
COMBINED TRADING SUMMARY AS OF 31/3/2010

	March 2010	March 2009
<u>INCOME</u>		
Sales - Non Fuel Charge	19,902,628.12	17,647,227.99
- Fuel Charge	19,664,137.05	17,486,643.28
Unbilled Sales Adjustments	646,447.60	(1,835,324.67)
Net Sales	<u>40,213,212.77</u>	<u>33,298,546.60</u>
Sundry Revenue	690,084.37	611,900.16
TOTAL INCOME	<u><u>40,903,297.14</u></u>	<u><u>33,910,446.76</u></u>
<u>OPERATING COSTS</u>		
Production less Diesel Consumed	4,974,564.04	4,674,774.51
Diesel Consumed	19,246,896.53	11,905,099.10
Hurricane Provision	500,000.01	500,000.01
Planning & Engineering	470,518.26	416,649.30
Distribution	3,234,084.07	3,639,142.45
TOTAL OPERATING COSTS	<u><u>28,426,062.91</u></u>	<u><u>21,135,665.37</u></u>
<u>CORPORATE SERVICES</u>	<u><u>3,823,668.50</u></u>	<u><u>3,640,036.14</u></u>
PROFIT BEFORE INTEREST	<u><u>8,653,565.73</u></u>	<u><u>9,134,745.25</u></u>
<u>INTEREST</u>		
Bank Loan Interest	1,042,710.95	1,167,852.01
Other Bank Interest	3,883.72	1,410.61
Consumer Deposit Interest	75,363.10	73,119.65
TOTAL INTEREST COSTS	<u><u>1,121,957.77</u></u>	<u><u>1,242,382.27</u></u>
PROFIT AFTER INTEREST	<u><u>7,531,607.96</u></u>	<u><u>7,892,362.98</u></u>
<u>OTHER CHARGES</u>		
Disposal of Fixed Assets	(20,100.00)	(16,500.00)
Donations	377,585.40	395,443.14
Profit Sharing	1,388,844.14	1,432,952.77
TOTAL OTHER CHARGES	<u><u>1,746,329.54</u></u>	<u><u>1,811,895.91</u></u>
PROFIT BEFORE TAXES	5,785,278.42	6,080,467.07
Corporation Tax @ 30%	1,735,583.53	1,824,140.13
PROFIT AFTER TAXES	<u><u>4,049,694.89</u></u>	<u><u>4,256,326.94</u></u>
Dividends	2,090,000.00	2,090,000.00
RETAINED PROFIT to date	<u><u>1,959,694.89</u></u>	<u><u>2,166,326.94</u></u>

GRENADA ELECTRICITY SERVICES LIMITED
Statement of Cash Flows
For the year to 31st March, 2010

	March 2010	December 2009
Operating Activities		
Profit before Income Tax	5,785,278.42	12,686,419.86
Adjustments for:		
Depreciation	4,049,155.15	14,553,747.36
(Profit) / Loss on disposal of fixed assets	<u>(20,100.00)</u>	<u>(42,028.30)</u>
	9,814,333.57	27,198,138.92
Changes in Operating Assets / Liabilities		
Decrease / (Increase) in receivables and prepayments	(4,009,673.91)	6,605,867.33
Increase / (Decrease) in accounts payable and accrued charges	(259,808.68)	6,685,527.67
(Decrease) / Increase in provision for retirement benefits	377,546.20	1,386,010.27
Decrease / (Increase) in inventory	(161,091.25)	(1,648,914.88)
Increase / (Decrease) in related company balance	109,573.36	(172,656.81)
Payment of income tax	(170,000.00)	(1,800,000.00)
Increase in provision for profit sharing	<u>1,066,314.13</u>	<u>(860,226.29)</u>
	6,767,193.42	37,393,746.21
Investing Activities		
Disposal of fixed assets	20,100.00	94,685.00
Suspense jobs in progress (increase) / decrease	(502,059.21)	309,333.25
(Increase) in Capital Work in Progress	(1,911,216.87)	19,802,767.94
Hurricane Fund Decrease / (Increase)	(98,534.60)	(3,228,798.19)
Increase in segregated investment	(186,242.64)	(1,195,960.16)
Increase in consumer contribution to line extension	(96,105.67)	1,525,203.79
Purchase of fixed assets	<u>(84,000.00)</u>	<u>(36,699,754.00)</u>
	(2,858,058.99)	(19,392,522.37)
Financing Activities		
Provision for hurricane insurance reserve	500,000.01	2,000,000.00
Loan proceeds	-	-
Repayment of Loan	(1,537,577.91)	(7,676,320.06)
Dividends paid	<u>(2,090,000.00)</u>	<u>(8,360,000.00)</u>
	(3,127,577.90)	(14,036,320.06)
Net Increase /(Decrease) in cash and cash equivalents	781,556.53	3,964,903.78
Net cash - at the beginning of year	<u>15,660,820.73</u>	<u>11,695,916.95</u>
	16,442,377.26	15,660,820.73
Represented by		
Cash and due from banks	<u>16,442,377.26</u>	<u>15,660,820.73</u>