

**Schedule 2
FORM ECSRC - Q**

(Select One)

Quarterly Report
For the period ended September 30, 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: 350360

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:

Vernon Lawrence

Signature 

Date 29/10/10

Name of Director:

Alan Bierzynski

Signature 

Date 29/10/10

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 September 30, 2010.
2. Statement of Comprehensive Income for the nine months to September 30, 2010.
3. Statement of Cash Flow for the nine months to September 30, 2010.

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

(a) **Liquidity**

Cash and due from banks of \$14.48M at the end of September 2010 reflects a healthy cash position despite a slight reduction from the \$15.36M at the end of the second quarter of 2010. There was a marginal increase in current assets (\$2.74M) and current liabilities (\$1.30M) during the third quarter. This means that the overall liquidity position of the company continues to be very strong and leaves the company well placed to meet all of its short term commitments. This is further seen by the current ratio of 1.60 which exceeds the existing covenant on the Grenlec ECSE Bond of 1.50.

Cash generated from operating activities in the third quarter was \$4.96M bringing the total for the year to \$18.97M. In the first nine months of the year there has been a reduction in the cash balance of a relatively low \$1.18M even though receivables have increased by \$1.98M. The principal driver of the cash generation has been the financial performance in the first nine months with an adjusted profit from operating activities of \$25.72M.

During the quarter, scheduled principal and interest repayments of \$1.55M and \$0.81M respectively were made bringing the totals for the year to \$5.79M (principal) and \$3.13M (interest). Additionally, a dividend of \$2.09M or 11 cents per share was recommended and was expected to be paid early in the fourth quarter as the financial performance continued to exceed budgeted projections.

(b) Capital Resources

Capital expenditure of \$1.44M in the third quarter brought the total that related to general operations for the year to date to \$4.19M. The financing for these regular capital items came from internally generated funds and the company continues to show the capacity to do so. The company's cash flow performance and position indicates that it is quite capable of meeting its budgeted capital commitments to the end of the financial year. As at September 30, 2010 Grenlec had also expended an amount of \$2.63M on a new Administrative Building estimated to cost \$4.7M. The financing for this project came from the sale of the previous administrative building in 2008 for \$3.7M with the difference being made up from internally generated funds. In addition the Transmission Project which was completed in August 2009 has an outstanding balance of \$3.75M which is adequately covered by the balance of funds from the drawdown of the GRENLEC ECSE Bond.

c) Results of Operation

Sales growth in kWh of 2.58% in the third quarter continued to be positive despite being lower than that of 8.10% and 6.95% seen in the first two quarters. "Overall Sales growth to September of 5.70% is 1.67% above projections while Revenue growth is even higher at 7.87% because of the impact of the rate increase in May 2009. " This gap will continue to narrow in future months as the rest of the year will not have a non fuel rate variance. Given that the Grenadian economy is still sluggish after the global recession one has to be conservative about the sustainability of this level of growth even in the short term.

Net fuel revenue remained positive at 102.19% as world fuel prices have been relatively stable over the course of the nine months. Significant factors in this are high fuel efficiencies and low system losses which would indicate that this recovery rate is sustainable if there are no sharp increases in fuel prices.

Other operating and administrative expenses increased by 1.03% in 2010 as compared to the first nine months of 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 of \$13.70M over the first nine months exceeded budget by 25.34% and for the same period in 2009 by 46.68%. The financial performance in the first nine months has easily surpassed all of our expectations and we are on track to exceed the profit performance of 2009 and maybe even that of 2008, which was our best year to date.

The company's statement of financial position shows a healthy condition with total assets of \$198.00M at September 30, 2010 and net assets of \$82.37M. 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 September and June 2010.

Covenant Table

	Covenant Ratio	September 2010	June 2010
Current Ratio	$\geq 1.50:1$	1.60	1.59
Interest Coverage Ratio	$\geq 2:1$	9.23	9.28
Debt Service Coverage Ratio	≥ 1.50	3.45	3.28
Bank Borrowing to Equity Ratio	$\leq 1.25:1$	0.79	0.82
Capital to Total Assets	$\geq 30\%$	36.81%	36.57%

3. Disclosure of Risk Factors.

With each passing period the hurricane reserve improves and presently stands at \$9.50M, 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 \$9.00M 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 September 30, 2010 that could materially impact on the company's position.

5. Changes in Securities and Use of Proceeds.

No change in securities during the quarter.

6. Defaults Upon Senior Securities.

(a) Payments of principal and interest to the ECSE on the Grenlec Bond, EIB 11 and NIS loans 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
COMBINED TRADING SUMMARY AS OF 30/9/2010

	September 2010	September 2009
<u>INCOME</u>		
Sales - Non Fuel Charge	59,734,334.31	55,369,845.06
- Fuel Charge	61,049,777.18	45,503,521.85
Unbilled Sales Adjustments	398,423.58	(944,589.12)
Net Sales	<u>121,182,535.07</u>	<u>99,928,777.79</u>
Sundry Revenue	2,004,849.47	1,765,336.91
TOTAL INCOME	<u>123,187,384.54</u>	<u>101,694,114.70</u>
<u>OPERATING COSTS</u>		
Production less Diesel Consumed	14,840,639.92	16,051,105.11
Diesel Consumed	59,739,425.21	43,632,847.25
Hurricane Provision	1,500,000.03	1,500,000.03
Planning & Engineering	1,363,787.55	1,275,637.55
Distribution	12,128,597.66	11,569,941.03
TOTAL OPERATING COSTS	<u>89,572,450.37</u>	<u>74,029,530.97</u>
<u>CORPORATE SERVICES</u>	<u>12,104,292.00</u>	<u>11,111,046.99</u>
PROFIT BEFORE INTEREST	<u>21,510,642.17</u>	<u>16,553,536.74</u>
<u>INTEREST</u>		
Bank Loan Interest	3,061,285.35	3,433,651.81
Other Bank Interest	5,293.26	10,502.94
Consumer Deposit Interest	244,282.62	215,733.40
TOTAL INTEREST COSTS	<u>3,310,861.23</u>	<u>3,659,888.15</u>
PROFIT AFTER INTEREST	<u>18,199,780.94</u>	<u>12,893,648.59</u>
<u>OTHER CHARGES</u>		
Disposal of Fixed Assets	(26,206.96)	(44,909.27)
Donations	911,138.56	637,458.01
Profit Sharing	3,619,131.89	2,965,375.90
TOTAL OTHER CHARGES	<u>4,504,063.49</u>	<u>3,557,924.64</u>
PROFIT BEFORE TAXES	13,695,717.45	9,335,723.95
Corporation Tax @ 30%	4,107,738.78	2,795,197.95
PROFIT AFTER TAXES	<u>9,587,978.67</u>	<u>6,540,526.00</u>
Dividends	6,270,000.00	6,270,000.00
RETAINED PROFIT to date	<u>3,317,978.67</u>	<u>270,526.00</u>

GRENADA ELECTRICITY SERVICES**Balance Sheet at 30/9/2010**

	September 2010 EC \$	December 2009 EC \$
ASSETS		
CURRENT ASSETS		
Cash and due from banks	14,483,600.42	15,660,820.73
Hurricane Fund	7,462,747.35	7,205,759.81
Accounts Receivable	33,015,370.29	31,038,317.62
Segregated Retirement Investments	15,821,661.26	14,335,734.60
Other Investments	29,485.36	29,485.36
Inventories	15,938,720.83	15,979,810.66
Prepayments	6,009,435.04	420,258.78
	<u>92,761,020.55</u>	<u>84,670,187.56</u>
PRPROPERTY PLANT AND EQUIPMENT		
	90,975,086.11	102,150,599.55
Suspense Jobs in Progress	2,619,007.32	1,582,278.05
Capital Work in Progress	9,460,329.82	3,511,161.10
Deferred Exchange Loss	2,186,149.92	2,186,149.92
	<u>2,186,149.92</u>	<u>2,186,149.92</u>
TOTAL ASSETS	<u>198,001,593.72</u>	<u>194,100,376.18</u>
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES		
Amount Due to Related Company	218,342.31	86,702.59
Accounts Payable and Accrued Expenses	23,108,146.51	21,154,927.30
Consumers' Deposits	9,220,178.36	8,582,423.49
Consumers' Advances for Construction	1,162,030.57	891,368.49
Provision for Retirement Benefits	20,713,506.07	19,493,580.44
Provision for Profit Sharing	3,579,259.45	3,080,405.18
Provision for Income Tax	(100,679.63)	(268,041.41)
	<u>57,900,783.64</u>	<u>53,021,366.08</u>
LONG TERM DEBT		
	<u>57,725,976.81</u>	<u>63,522,155.53</u>
TOTAL LIABILITIES	<u>115,626,760.45</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	9,500,000.03	8,000,000.00
Retained Earnings	37,203,609.21	35,947,780.25
Profit to Date after Dividends	3,317,978.67	1,255,828.96
	<u>82,374,833.27</u>	<u>77,556,854.57</u>
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	<u>198,001,593.72</u>	<u>194,100,376.18</u>

Covenants / Ratios

Current Ratio - >= 1.50:1	1.60	1.60
Interest Coverage Ratio - >= 2:1	9.23	7.94
Debt Service Coverage Ratio - >= 1.50	3.45	2.61
Bank Borrowing to Equity Ratio - <= 1.25:1	0.79	0.91
Capital to Total Assets >= 30%	36.81%	35.84%

GRENADA ELECTRICITY SERVICES LIMITED

Statement of Cash Flows For the year to 30th September, 2010

	September 2010	December 2009
Operating Activities		
Profit before Income Tax	13,695,717.45	12,686,419.86
Adjustments for:		
Depreciation	12,055,452.40	14,553,747.36
(Profit) / Loss on disposal of fixed assets	<u>(26,206.96)</u>	<u>(42,028.30)</u>
	25,724,962.89	27,198,138.92
Changes in Operating Assets / Liabilities		
(Increase) / Decrease in receivables and prepayments	(7,566,228.93)	6,605,867.33
(Decrease) / Increase in accounts payable and accrued charges	2,861,636.16	6,685,527.67
Increase in provision for retirement benefits	1,219,925.63	1,386,010.27
Decrease / (Increase) in inventory	41,089.83	(1,648,914.88)
Increase / (Decrease) in related company balance	131,639.72	(172,656.81)
Payment of income tax	(3,940,377.00)	(1,800,000.00)
Increase in provision for profit sharing	<u>498,854.27</u>	<u>(860,226.29)</u>
Cash provided by operating activities	<u>18,971,502.57</u>	<u>37,393,746.21</u>
Investing Activities		
Disposal of fixed assets	28,100.00	94,685.00
Suspense jobs in progress (increase) / decrease	(1,036,729.27)	309,333.25
(Increase) / Decrease in Capital Work in Progress	(5,949,168.72)	19,802,767.94
Hurricane Fund Decrease / (Increase)	(256,987.54)	(3,228,798.19)
Increase in segregated investment	(1,485,926.66)	(1,195,960.16)
(Decrease) / Increase in consumer contribution to line extension	(317,976.22)	1,525,203.79
Purchase of fixed assets	<u>(563,855.78)</u>	<u>(36,699,754.00)</u>
Cash used in investing activities	<u>(9,582,544.19)</u>	<u>(19,392,522.37)</u>
Financing Activities		
Provision for hurricane insurance reserve	1,500,000.03	2,000,000.00
Loan proceeds	-	-
Repayment of Loan	(5,796,178.72)	(7,676,320.06)
Dividends paid	<u>(6,270,000.00)</u>	<u>(8,360,000.00)</u>
Cash provided by financing activities	<u>(10,566,178.69)</u>	<u>(14,036,320.06)</u>
Net Increase / (Decrease) in cash and cash equivalents	(1,177,220.31)	3,964,903.78
Net cash - at the beginning of year	<u>15,660,820.73</u>	<u>11,695,916.95</u>
- at the end of year	<u>14,483,600.42</u>	<u>15,660,820.73</u>
Represented by		
Cash and due from banks	<u>14,483,600.42</u>	<u>15,660,820.73</u>