

**Schedule 2
FORM ECSRC - Q**

(Select One)

Quarterly Report For the period ended September 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

31/10/13
Date

Name of Director:

Linda George-Francis

L. George-Francis
Signature

31/10/13
Date

Name of Chief Financial Officer:

Benedict Brathwaite

B. Brathwaite
Signature

31.10.13
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 September 30, 2013.
 2. Statement of Comprehensive Income for the nine months to September 30, 2013.
 3. Statement of Cash Flow for the nine months to September 30, 2013.

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

(a) Liquidity

The Company continued to maintain a sound liquidity position with its current ratio at 2.95:1 well above the benchmark of 1.50:1 established by lender institutions.

The average rate of electricity over the nine months of 2013 was ECD1.15 which is marginally below the \$1.16 for the same period in 2012. However, to September this year the Company saw a decrease in trade receivables of 6% (ECD1.97M). This is even more significant given that the Government of Grenada's trade debtors rose by \$1.53M. This positive is further exemplified by the continued declines we have seen in the commercial and domestic sectors receivables of 11.3% and 11.6% respectively. The Company continues to pay special attention to its receivables, particularly as we are aware of the negative impact of the economic recession on our customers.

Cash provided by operating activities to September 2013 was \$20.51M which is 84.6% of that for the entire year of 2012. Overall, during the first nine months of the year, the cash position grew by \$1.07M after making principal payments on borrowings of ECD7.31M and paying dividends of ECD6.84M at twelve cents per share per quarter. Additionally, in this period instalments of company tax totalling ECD7.07M were made inclusive of an advance of \$2.19M. The cash balance at the end of the quarter was ECD3.59M (11.8% lower than that of the end of 2012).

The Company has continued to meet all of its obligations in the third quarter and, based on its cash flow projections, will be able to maintain this for the foreseeable future. These projections are inclusive of an amount of \$6.08M which is expected to be paid to the Trustees in the fourth quarter of 2013 to fully fund the Retirement Trusts that has been established or is in the process of being finalized.

(b) Capital Resources

Capital expenditure of ECD4.47M in the first nine months of 2013 was funded from internal operations. This is expected to be the same with the balance of the 2013 capital budget of ECD1.73M. 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 was placed on hold in the first quarter as agreements with the Government of Grenada needed to be finalized and remained so throughout the second and third quarters. We are open to holding discussions with the GoG which can lead to a resumption of the project at the earliest opportunity. Initially, the bulk of the Company's expenditure for this project was expected to be incurred in 2013, but this is now unlikely to occur before 2014 provided that the EU funding is still available. As far as major generation expansion which will require external financing is concerned, the Company does not foresee that this will occur before the end of 2014.

(c) Changes in Financial Condition

At September 30, 2013 the covenants, as seen in the table below, continued to show improvement over the already very good numbers of December 2012. These covenants all easily exceed the standards that have been set by the lending institutions. Over the first three quarters of 2013 the Company's financial position has remained relatively steady. As at September 30, 2013 total assets stood at \$195.55M with net assets of \$81.55M which is an increase of \$1.06M over that of the \$80.49M of June 30, 2013.

Covenant Table

	Covenant Ratio	September 2013	June 2013	December 2012
Current Ratio	$\geq 1.50:1$	2.95:1	3.04:1	2.68:1
Interest Coverage Ratio	$\geq 2:1$	13.21:1	13.46:1	8.06:1
Debt Service Coverage Ratio	$\geq 1.50:1$	3.17:1	3.71:1	2.86:1
Bank Borrowing to Equity Ratio	$\leq 1.25:1$	0.40:1	0.44:1	0.51:1
Equity to Assets	$\geq 30\%$	50.52%	50.45%	43.70%

(d) Results of Operation

The Company's financial performance in the first nine months of 2013 was significantly better than for the comparative period in 2012, notwithstanding a decline in kWh sales of 1.5%. Profit after interest of ECD22.43M represented an increase of 18.4% over the ECD18.95M in 2012. The main factors that have driven the financial performance over the

past two years are primarily: the fuel cost recovery rate resulting from fluctuating fuel prices; lower operating expenses of which reduced depreciation has been a significant factor; and, decreased interest costs as borrowings have been repaid.

The decline in kWh sales over the first nine months of the year has followed contractions in 2011 and 2012 of 2.2% and 1.4% respectively. While the relatively small industrial sector saw an increase of 2.8%, the larger commercial and domestic sectors showed decreases of 2% and 1.3% respectively. Given the fiscal difficulties and high unemployment that continue to exist in the local economy it is unlikely that the trend of contraction will be reversed before the end of 2013. Additionally, the Government of Grenada has indicated that they will be introducing a three year structural adjustment programme which would indicate that any growth in kWh sales is likely to be minimal in the short term.

This decline in kWh sales along with a marginally lower fuel charge, resulting from decreased fuel prices, impacted negatively on the Company's overall revenue performance. Total revenue of ECD142.65M experienced a 2.5% fall compared to the equivalent nine months last year.

During the first nine months of the year fuel prices continued to fluctuate with a general decrease over the first five months and then gradually increasing over the subsequent four months. The average price per imperial gallon was ECD10.32 over the period. This is 3.1% lower than that for the equivalent period in 2012. The impact of this along with good efficiency performances was a fuel cost recovery rate of 104.1% which represented a marginal increase of 0.1% relative to the 104% for the comparable period of 2012.

Operating and administrative expenses, net of fuel, decreased by 9.6% (\$4.03M) to September 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 \$1.56M or 38.7% 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 (15.4%; \$0.40M) over the first three quarters of 2013 as compared to that to September 2012. This was as a result of no new borrowings and the Company's continued servicing of its existing debt as scheduled.

System losses twelve months rolling average showed an unfavourable variance as compared to September 2012, of 1.5%. Management has investigated this negative trend and concluded that it is due to the billing cycle and fully expects to see this significantly reversed before the end of 2013. This continues to be an imperative considering the unstable economic climate in which the Company is currently operating.

Fuel efficiency of 19.2kWh per imperial gallon in the first nine months of 2013 matched that achieved in the same period last year. Fuel efficiency for 2012 was 19.17kWh per imperial gallon which we can continue to exceed with a good last quarter. 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 \$15.50M 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 \$14.15M 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. 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). However, ECERA which GRENEC will welcome is not scheduled to be in effect within the next two years although an official launch is scheduled for November 2013. As of now it is still uncertain whether the introduction of a regulatory body will have any impact on the existing operations.
- Sharply increasing fuel prices will 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 September 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 September 30, 2013.

6. Defaults Upon Senior Securities.

- (a) Payments of principal and interest to the Eastern Caribbean Securities Exchange (ECSE) on the Grenlec Bond and the National Insurance Board (NIB) on their respective loans have been made during the quarter ended September 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 September 30th, 2013 and December 31st, 2012

	September 2013 EC \$	December 2012 EC \$
ASSETS		
Non Current Assets		
Property Plant and Equipment	80,447,379.30	86,042,931.84
Suspense Jobs in Progress	2,192,010.92	1,407,580.68
Capital Work in Progress	5,468,717.59	3,512,535.92
Deferred Exchange Loss	948,305.06	948,305.06
Available-for-sale financial assets	864,041.37	876,140.00
	<u>89,920,454.24</u>	<u>92,787,493.50</u>
CURRENT ASSETS		
Inventories	15,975,754.32	15,507,888.49
Trade and Other Receivables	35,105,967.45	36,204,175.65
Segregated Retirement Investments	19,967,674.18	19,613,931.26
Income Tax Prepaid	2,190,720.86	195,102.00
Loans and receivables financial assets	28,801,099.68	26,375,717.00
Cash and cash equivalents	3,591,310.71	4,072,519.00
	<u>105,632,527.20</u>	<u>101,969,333.40</u>
TOTAL ASSETS	<u>195,552,981.44</u>	<u>194,756,826.90</u>
SHAREHOLDERS EQUITY AND LIABILITIES		
SHAREHOLDERS EQUITY		
Stated Capital	32,339,840.00	32,339,840.00
Other Reserve	12,060.00	12,060.00
Retained Earnings	44,189,174.46	38,793,180.48
Profit / (Loss) to Date after Dividends	5,013,022.33	5,395,993.98
	<u>81,554,096.79</u>	<u>76,541,074.46</u>
Non Current Liabilities		
Consumers' Deposits	10,989,901.50	10,171,094.94
Long-term Borrowings	26,186,796.74	31,945,548.00
Provision for Retirement Benefits	25,551,434.48	24,033,554.00
Provision for Hurricane Insurance Reserve	15,500,000.03	14,000,000.00
	<u>78,228,132.75</u>	<u>80,150,196.94</u>
Current Liabilities		
Amount Due to Related Company	256,432.59	140,218.97
Short-term borrowings	12,851,559.55	14,403,726.00
Trade and other payables	16,703,416.41	17,654,588.00
Consumers' Advances for Construction	1,164,055.65	1,085,813.57
Current portion of provision for retirement benefits	500,000.00	500,000.00
Provision for Profit Sharing	4,295,287.70	4,281,208.96
	<u>35,770,751.90</u>	<u>38,065,555.50</u>
TOTAL LIABILITIES	<u>113,998,884.65</u>	<u>118,215,752.44</u>
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	<u>195,552,981.44</u>	<u>194,756,826.90</u>

**GRENADA ELECTRICITY SERVICES
COMBINED TRADING SUMMARY**

For the nine months ended September 30th, 2013 and 2012 and year ended December 31st, 2012

	September 2013	September 2012	December 2012
<u>INCOME</u>			
Sales - Non Fuel Charge	57,841,132.90	58,168,531.72	76,574,698.57
- Fuel Charge	83,524,901.18	86,265,025.19	115,988,054.41
Unbilled Sales Adjustments	(230,392.13)	13,970.76	339,051.90
Net Sales	141,135,641.95	144,447,527.67	194,901,804.88
Sundry Revenue	1,523,484.57	1,864,220.42	2,489,132.86
TOTAL INCOME	142,659,126.52	146,311,748.09	197,390,937.74
<u>OPERATING COSTS</u>			
Production less Diesel Consumed	10,985,816.74	12,538,692.03	17,120,358.09
Diesel Consumed	80,248,430.38	82,950,119.41	111,032,741.40
Hurricane Provision	1,500,000.03	1,500,000.03	2,000,000.00
Planning & Engineering	1,951,619.73	1,685,725.19	2,214,786.02
Distribution	11,578,749.25	12,686,391.60	16,428,727.27
TOTAL OPERATING COSTS	106,264,616.13	111,360,928.26	148,796,612.78
<u>CORPORATE SERVICES</u>	11,764,139.66	13,397,484.96	18,032,392.58
PROFIT BEFORE INTEREST	24,630,370.73	21,553,334.87	30,561,932.38
<u>INTEREST</u>			
Bank Loan Interest	1,872,549.26	2,270,186.19	2,931,067.33
Other Bank Interest	50,036.21	51,741.76	88,629.17
Consumer Deposit Interest	280,906.27	281,351.30	373,911.54
TOTAL INTEREST COSTS	2,203,491.74	2,603,279.25	3,393,608.04
PROFIT AFTER INTEREST	22,426,878.99	18,950,055.62	27,168,324.34
<u>OTHER CHARGES</u>			
Disposal of Fixed Assets	(49,372.55)	(68,954.89)	(118,207.22)
Donations	1,123,697.63	951,245.11	1,364,326.58
Profit Sharing	4,420,650.09	3,969,523.05	5,546,070.99
TOTAL OTHER CHARGES	5,494,975.17	4,851,813.27	6,792,190.35
PROFIT BEFORE TAXES	16,931,903.82	14,098,242.35	20,376,133.99
Corporation Tax @ 30%	5,078,881.49	4,231,240.27	5,860,140.01
PROFIT AFTER TAXES	11,853,022.33	9,867,002.08	14,515,993.98
Dividends	6,840,000.00	6,840,000.00	9,120,000.00
RETAINED PROFIT to date	5,013,022.33	3,027,002.08	5,395,993.98

GRENADA ELECTRICITY SERVICES LIMITED

Statement of Cash Flows

For the nine months ended September 30th, 2013 and year ended December 31st, 2012

	September 2013	December 2012
Operating Activities		
Profit before Income Tax	16,931,903.82	20,376,133.99
Adjustments for:		
Depreciation	8,475,757.33	12,837,193.87
Profit on disposal of fixed assets	(49,372.55)	(118,207.22)
Prior Year Adjustment	-	1.09
	25,358,288.60	33,095,121.73
Changes in Operating Assets / Liabilities		
Decrease/ (increase) in receivables and prepayments	1,098,208.20	(3,028,072.00)
(Decrease)/ increase in accounts payable and accrued charges	(54,122.95)	1,132,011.00
Increase in provision for retirement benefits	1,517,880.48	792,915.95
(Increase)/decrease in inventory	(467,865.83)	143,106.00
Increase/ (decrease) in related company balance	116,213.62	(49,750.49)
Payment of income tax	(7,074,500.35)	(9,035,747.10)
Increase in provision for profit sharing	14,078.74	1,194,287.71
	20,508,180.51	24,243,872.80
Investing Activities		
Cash provided by operating activities		
	12,098.63	1,208.00
Decrease in available for sale financial assets	74,556.37	164,086.75
Disposal of fixed assets	(784,430.24)	182,276.93
Suspense jobs in progress (increase) / decrease	(1,956,181.67)	(655,933.55)
Increase in Capital Work in Progress	(2,425,382.68)	(793,939.00)
Increase in loans and receivables financial assets	(353,742.92)	(553,088.88)
Increase in segregated investment	(395,297.04)	(582,773.40)
Increase in consumer contribution to line extension	(2,510,091.57)	(7,714,872.24)
Purchase of fixed assets	-	(1,340.00)
Increase in other reserves	(8,338,471.12)	(9,954,375.39)
	(8,338,471.12)	(9,954,375.39)
Financing Activities		
Cash used in investing activities		
Provision for hurricane insurance reserve	1,500,000.03	2,000,000.00
Repayment of Loan	(7,310,917.71)	(7,098,016.41)
Dividends paid	(6,840,000.00)	(9,120,000.00)
Cash used in financing activities	(11,098,751.23)	(14,218,016.41)
	1,070,958.16	71,481.00
Net Increase in cash and cash equivalents	(2,929,994.00)	(3,001,475.00)
Net cash - at the beginning of year	(1,859,035.84)	(2,929,994.00)
- at the end of period	-	-
Represented by		
Cash and due from banks	3,591,310.71	4,072,519.00
Bank overdraft	(5,450,346.55)	(7,002,513.00)
	(1,859,035.84)	(2,929,994.00)