Schedule 2
FORM ECSRC - Q

(Select One)

Quarterly Report
For the period ended **September 30, 2011**

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

Name of Director:

Vernon Lawrence

Signature

27/10/11

Date

Name of Director:

Arthur Campbell

Signature

27/10/11

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, 2011.
2. Statement of Comprehensive Income for the nine months to September 30, 2011.
3. Statement of Cash Flow for the nine months to September 30, 2011.

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

(a) Liquidity

The Company's current ratio of 3.31 continues to be healthy and its strong liquidity position has been maintained. This occurred despite many customers continuing to face financial challenges as a result of the downturn which shows no indication of abating during the final quarter. As a result, some customers have either fallen into arrears or have been unable to reduce outstanding balances. The Company continues to engage such customers by entering into payment arrangements or continuing to work with them to minimize arrears.

During the third quarter the Company saw an increase in cash and equivalents of $1.65M despite an increase in receivables and prepayments of $1.70M and capital expenditure in the quarter of $2.11M. Cash provided by operating activities during the quarter was $9.89M compared to the $7.01M in the first half of the year. This was a significant improvement and was partly due to world fuel prices decreasing marginally during the quarter thus having a positive impact on the net fuel revenue performance.

Principal and interest repayments of $1.57M and $0.69M respectively were also made in the third quarter in accordance with the loan agreements. The cumulative principal and interest payments for the year were $6.02M and $2.85M each. Additionally, a dividend of $2.28M or 12 cents per share was paid in September making a total payout of $6.84M over the three quarters. The Company for the year to date continues to meet all of its obligations and based on its projections expects to do so for the foreseeable future.

(b) Capital Resources

Capital expenditure in the first nine months of the year totalled $7.51M inclusive of payments of $1.28M related to the new Administrative Building. From the capital budget of $10.59M there is an unexpended amount of $3.48M. Financing for these regular capital items comes from internally generated funds and the company shows the capacity to continue doing so. The company's cash flow performance and financial position indicates that it is quite capable of meeting its budgeted capital commitments to the end of the financial year. As far as generation expansion is concerned the Company does not foresee that this will be required before 2013.

c) Results of Operation

Energy sales declined in the third quarter comparative to 2010 at a slower rate of 2.89% as against the 3.81% and 3.62% of the first and second quarters respectively. Overall kWh sales in the first nine months were 3.46% below that for the same period in 2010 which is the first time since the privatization of Grenlec in 1994 that a decline in kWh sales has occurred in the absence of a hurricane. All sectors with the exception of street lights which experienced growth of 2.22% saw decline with the sharpest being domestic with 3.84%.

Non Fuel Revenue to September 2011 of $57.17M was lower than that for the same period in 2010 by 4.29%. This drop was due to a combination of lower energy sales and a 0.96% reduction in non fuel rates from February 2011. The lower energy sales is attributable to two factors; first the continued impact of the global economic recession on the Grenadian economy which has seen negative GDP growth in 2009 and 2010 and, second significantly contrasting weather conditions between the comparative periods, with 2010 experiencing high ambient temperatures. To date the second half of the year has seen sales declining at a slower rate, but higher than expected given that the temperatures in this period have not varied from 2010 significantly.

Fuel prices were 37.20% higher in the first nine months of 2011 as compared to that for 2010. However, in the third quarter fuel prices fell marginally averaging $10.48 per IGal as compared to $10.73 for the previous quarter. This decrease has lead to the fuel recovery rate improving from 91.97% in June to 94.94% as at the end of September. This is still lower than in a situation of stable prices. The budgeted recovery rate based on stable fuel prices is 99.10%. This means that the fuel cost exceeded fuel revenue for the period by $3.46M which had a net negative impact on the profit after taxes of $1.90M. The Company's expectation is that world fuel prices will continue to fluctuate, as seen over the last eight weeks, which could result in the fuel recovery rate stabilizing at its present level over the balance of the year.

Due to the higher fuel prices total revenues to September 30, 2011 were higher than that of 2010 by 13.26% despite non fuel revenue decreasing by 4.29%.

Other operating and administrative expenses increased by 0.58% in the first nine months relative to the same period in 2010. In view of the decrease in sales the Company implemented cost containment measures in the second quarter aimed at keeping 2011 overall operating and interest expenses stable relative to that of 2010. As of September 30, 2011 these expenses were 0.25 % less than that for the same period in 2010%.

Profit after taxes of $5.57M was 41.96% below that for the equivalent period in 2010 of $9.59M and unable to cover the cumulative dividend of $6.84M declared for the first three quarters. The Company's policy has always been to pay dividends out of profits on an annual basis. Given the likelihood that the net fuel revenue performance may not see further improvement in 2011 there is uncertainty whether retained earnings will have to be utilized to sustain the current level of quarterly dividends at 12 cents per share. In case this becomes necessary only minimal amount of the 38.94M in Retained Earnings will be used as the Company's cost containment measures which begun in the second quarter is expected to continue giving positive results as seen in the third quarter.

The Company's healthy statement of financial position was maintained during the third quarter with total assets of $191.15M at September 30, 2011 and net assets of $70.02M. 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 2011 and December 2010.

Covenant Table

	Covenant Ratio	**September 2011**	**December 2010**
Current Ratio	>= 1.50:1	3.31	4.34
Interest Coverage Ratio	>= 2:1	8.03	8.51
Debt Service Coverage Ratio	>= 1.50	2.73	2.79
Bank Borrowing to Equity Ratio	<= 1.25:1	0.83	0.89
Capital to Total Assets	>= 30%	30.61%	32.86%

System losses twelve months rolling average to September 30, 2011 were 9.03% which is higher than the 8.50% to September 2010. Given the decline in sales and increasing fuel prices the Company is making every effort to reduce these losses by focusing on both technical and non technical areas.

Fuel efficiency of 15.87 kWh per US gallon is marginally below the 15.89 kWh per US gallon seen in the first half of the year. This is another area that the Company pays special attention to and our operations will be reviewed to ensure that we continue to exceed our budget in this important area of performance.

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 September 30, 2011 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
COMBINED TRADING SUMMARY AS OF 30/9/2011

	September 2011	September 2010
INCOME		
Sales - Non Fuel Charge	57,167,527.65	59,734,334.31
- Fuel Charge	78,930,134.64	61,049,777.18
Unbilled Sales Adjustments	1,267,490.64	398,423.58
Net Sales	137,365,152.93	121,182,535.07
Sundry Revenue	2,139,848.25	2,004,849.47
TOTAL INCOME	139,505,001.18	123,187,384.54
OPERATING COSTS		
Production less Diesel Consumed	13,536,234.15	14,840,639.92
Diesel Consumed	83,139,088.28	59,739,425.21
Hurricane Provision	1,500,000.03	1,500,000.03
Planning & Engineering	1,779,246.10	1,363,787.55
Distribution	12,446,576.10	12,128,597.66
TOTAL OPERATING COSTS	112,401,144.66	89,572,450.37
CORPORATE SERVICES	12,917,319.79	12,104,292.00
PROFIT BEFORE INTEREST	14,186,536.73	21,510,642.17
INTEREST		
Bank Loan Interest	2,673,514.50	3,061,285.35
Other Bank Interest	16,247.01	5,293.26
Consumer Deposit Interest	264,360.90	244,282.62
TOTAL INTEREST COSTS	2,954,122.41	3,310,861.23
PROFIT AFTER INTEREST	11,232,414.32	18,199,780.94
OTHER CHARGES		
Disposal of Fixed Assets	(42,830.02)	(26,206.96)
Donations	563,762.21	911,138.56
Profit Sharing	2,761,117.28	3,619,131.89
TOTAL OTHER CHARGES	3,282,049.47	4,504,063.49
PROFIT BEFORE TAXES	7,950,364.85	13,695,717.45
Corporation Tax @ 30%	2,385,109.44	4,107,738.78
PROFIT AFTER TAXES	5,565,255.41	9,587,978.67
Dividends	6,840,000.00	6,270,000.00
RETAINED PROFIT to date	(1,274,744.59)	3,317,978.67

GRENADA ELECTRICITY SERVICES
Balance Sheet at 30/9/2011

	September 2011 EC $	December 2010 EC $
ASSETS		
Non Current Assets		
Property Plant and Equipment	82,704,366.86	89,541,954.81
Suspense Jobs in Progress	2,898,587.27	2,111,843.67
Capital Work in Progress	11,616,859.12	8,502,617.54
Deferred Exchange Loss	1,094,619.62	1,094,619.62
	98,314,432.87	101,251,035.64
CURRENT ASSETS		
Inventories	16,886,329.42	15,429,960.12
Accounts Receivable	32,983,853.91	28,918,589.09
Prepayments	5,630,523.56	854,045.91
Segregated Retirement Investments	19,064,174.89	16,510,227.03
Hurricane Fund	11,486,785.48	8,512,781.08
Other Investments	30,552.00	30,552.00
Cash and due from banks	6,749,467.57	15,091,048.40
	92,831,686.83	85,347,203.63
TOTAL ASSETS	191,146,119.70	186,598,239.27
SHAREHOLDERS EQUITY AND LIABILITIES		
SHAREHOLDERS EQUITY		
Stated Capital	32,339,840.00	32,339,840.00
Other Reserve	14,472.00	14,472.00
Retained Earnings	38,936,203.70	37,203,609.21
Profit to Date after Dividends	(1,274,744.59)	1,760,015.73
	70,015,771.11	71,317,936.94
Non Current Liabilities		
Consumers' Deposits	9,334,234.65	9,178,561.33
Borrowings	48,623,911.22	54,644,944.79
Provision for Retirement Benefits	23,667,149.60	21,769,930.92
Hurricane Reserve	11,500,000.03	10,000,000.00
	93,125,295.50	95,593,437.04
Current Liabilities		
Amount Due to Related Company	77,652.76	-
Accounts Payable and Accrued Expenses	22,584,982.59	15,958,013.62
Consumers' Advances for Construction	1,340,137.45	1,145,934.42
Provision for Profit Sharing	2,760,630.98	3,154,950.36
Provision for Income Tax	1,241,649.31	(572,033.11)
	28,005,053.09	19,686,865.29
TOTAL LIABILITIES	121,130,348.59	115,280,302.33
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	191,146,119.70	186,598,239.27

GRENADA ELECTRICITY SERVICES LIMITED

Statement of Cash Flows

For the year to 30th September, 2011

	September 2011	December 2010
Operating Activities		
Profit before Income Tax	7,950,364.85	14,633,067.91
Adjustments for:		
Depreciation	11,307,050.59	15,954,614.00
(Profit) / Loss on disposal of fixed assets	(42,830.02)	(54,450.68)
	19,214,585.42	30,533,231.23
Changes in Operating Assets / Liabilities		
(Increase) / Decrease in receivables and prepayments	(8,841,742.47)	1,685,941.40
Increase / (Decrease) in accounts payable and accrued charges	6,976,845.32	(4,346,209.91)
Increase in provision for retirement benefits	1,897,218.68	2,276,350.48
(Increase) / Decrease in inventory	(1,456,369.30)	549,850.54
Increase / (Decrease) in related company balance	77,652.76	(86,702.59)
Payment of income tax	(571,427.02)	(4,627,043.88)
(Decrease) / Increase in provision for profit sharing	(394,319.38)	74,545.18
Cash provided by operating activities	16,902,444.01	26,059,962.45
Investing Activities		
Disposal of fixed assets	101,715.55	83,888.00
Suspense jobs in progress (increase) / decrease	(786,743.60)	(529,565.62)
Increase in Capital Work in Progress	(3,114,241.58)	(4,991,456.44)
Hurricane Fund Increase	(2,974,004.40)	(1,307,021.27)
Increase in segregated investment	(2,553,947.86)	(2,174,492.43)
Decrease in consumer contribution to line extension	(157,594.34)	(354,575.58)
Purchase of fixed assets	(4,398,175.07)	(3,020,831.00)
Cash used in investing activities	(13,882,991.30)	(12,294,054.34)
Financing Activities		
Provision for hurricane insurance reserve	1,500,000.03	2,000,000.00
Repayment of Loan	(6,021,033.57)	(7,785,680.44)
Dividends paid	(6,840,000.00)	(8,550,000.00)
Cash provided by financing activities	(11,361,033.54)	(14,335,680.44)
Net Increase /(Decrease) in cash and cash equivalents	(8,341,580.83)	(569,772.33)
Net cash - at the beginning of year	15,091,048.40	15,660,820.73
- at the end of year	6,749,467.57	15,091,048.40
Represented by		
Cash and due from banks	6,749,467.57	15,091,048.40