

**Schedule 2
FORM ECSRC - Q**

(Select One)

Quarterly Report
For the period ended June 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: _____

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:

Name of Director:

Vernon Lawrence

Claudette Joseph

Signature 

Signature 

Date August 3rd 2010 3/

Date August 3rd 2010

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

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

(a) **Liquidity**

Grenlec's cash position of \$15.36M at the end of June 2010 continued to be very good despite a slight reduction from the \$16.44M at the end of the first quarter of 2010. There was a marginal increase in current assets (\$0.11M) and current liabilities (\$0.73M) during the second quarter. This meant that the overall liquidity position of the company continues to be very healthy and leaves the company well placed to meet all of its short term commitments. This is further underscored by the current ratio of 1.59 which exceeds the existing covenant on the Grenlec ECSE Bond of 1.50.

Cash generated from operating activities in the second quarter was \$7.24M bringing the total for the year to \$14.01M. In the first six months of the year there has been a reduction in the cash balance of \$0.30M even though receivables have increased by \$4.74M. This increase in receivables is not a major concern as over 51% of the portfolio is now current as compared to 37% at the beginning of the year. The principal driver of the cash generation is the financial performance in the first six months with an adjusted profit from operating activities of \$17.47M.

During the quarter, scheduled principal and interest repayments of \$2.71M and \$1.46M respectively were made bringing the totals for the year to \$4.25M (principal) and \$2.31 (interest). Additionally, a dividend of \$2.09M was declared which was paid early in the third quarter as the financial performance continued to exceed budgeted projections.

(b) Capital Resources

In the second quarter capital expenditure on items that related to general operations amounted to \$1.56M bringing the year to date total to \$3.68M. The financing for these regular capital 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. As at June 30, 2010 Grenlec has also expended an amount of \$1.78M on a new Administrative Building estimated to cost \$4.7M. The financing for this project is based on \$3.7M from the sale of the previous administrative building which was sold in 2008 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 6.95% in the second quarter continued to be much stronger than projected despite being lower than the 8.10% of the first quarter. Non fuel sales growth because of the impact of the rate increase in May 2009 is higher at 10.61%. The two will become closer 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 101.59% in a period when world fuel prices first increased in April and then declined in the subsequent months. Importantly, current high fuel efficiencies and low 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 0.53% in 2010 as compared to the first six 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 \$9.43M over the first six months exceeded budget by 31.20% and for the same period in 2009 by 32.49%. In 2009 there was a net fuel revenue variance over 2010 of \$3.31M. Given that much of this benefit was eroded in 2009 it indicates that we are on track to easily surpass the profit performance of last year. 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 \$196.85M at June 30, 2010 as compared to \$190.45M as at June 30,

2010. The most significant increase was in accounts receivable which moved by \$5.32M from \$27.63M to \$32.95M. Total liabilities increased by 1.13% or \$1.51M leading to a net asset improvement in the quarter of \$0.96M. 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 June and March 2010.

Covenant Table

	Covenant Ratio	June 2010	March 2010
Current Ratio	$\geq 1.50:1$	1.59	1.61
Interest Coverage Ratio	$\geq 2:1$	9.28	10.21
Debt Service Coverage Ratio	≥ 1.50	3.28	4.44
Bank Borrowing to Equity Ratio	$\leq 1.25:1$	0.82	0.87
Capital to Total Assets	$\geq 30\%$	36.57%	36.14%

3. Disclosure of Risk Factors.

With each passing period the hurricane reserve improves and presently stands at \$9.0M. 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 June 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 and EIB 11, EIB111 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.

The Annual General Meeting was held on Friday May 7, 2010 and the election of Directors was placed to a vote of Security Holders. Two new Directors were elected as follows:

Alan Bierzynski;
Ambrose Phillip.

They replaced:

Raymond E Gittens;
Arthur Campbell .

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 30/6/2010

	June 2010	June 2009
<u>INCOME</u>		
Sales - Non Fuel Charge	40,017,859.48	36,175,963.15
- Fuel Charge	40,351,841.84	30,439,901.30
Unbilled Sales Adjustments	374,798.93	(1,539,131.99)
Net Sales	<u>80,744,500.25</u>	<u>65,076,732.46</u>
Sundry Revenue	1,324,983.40	1,063,129.76
TOTAL INCOME	<u><u>82,069,483.65</u></u>	<u><u>66,139,862.22</u></u>
<u>OPERATING COSTS</u>		
Production less Diesel Consumed	9,453,515.31	10,758,198.43
Diesel Consumed	39,721,174.50	26,496,169.47
Hurricane Provision	1,000,000.02	1,000,000.02
Planning & Engineering	965,836.13	836,861.48
Distribution	7,885,019.33	7,645,042.62
TOTAL OPERATING COSTS	<u><u>59,025,545.29</u></u>	<u><u>46,736,272.02</u></u>
<u>CORPORATE SERVICES</u>	<u>8,321,675.73</u>	<u>7,239,315.38</u>
PROFIT BEFORE INTEREST	<u><u>14,722,262.63</u></u>	<u><u>12,164,274.82</u></u>
<u>INTEREST</u>		
Bank Loan Interest	2,070,193.06	2,340,033.61
Other Bank Interest	4,264.85	1,410.61
Consumer Deposit Interest	160,145.25	148,909.69
TOTAL INTEREST COSTS	<u><u>2,234,603.16</u></u>	<u><u>2,490,353.91</u></u>
PROFIT AFTER INTEREST	<u><u>12,487,659.47</u></u>	<u><u>9,673,920.91</u></u>
<u>OTHER CHARGES</u>		
Disposal of Fixed Assets	(27,600.84)	(44,909.27)
Donations	625,602.17	477,195.84
Profit Sharing	2,457,648.83	2,113,320.13
TOTAL OTHER CHARGES	<u><u>3,055,650.16</u></u>	<u><u>2,545,606.70</u></u>
PROFIT BEFORE TAXES	9,432,009.31	7,128,314.21
Corporation Tax @ 30%	2,828,626.33	2,137,320.29
PROFIT AFTER TAXES	<u><u>6,603,382.98</u></u>	<u><u>4,990,993.92</u></u>
Dividends	4,180,000.00	4,180,000.00
RETAINED PROFIT to date	<u><u>2,423,382.98</u></u>	<u><u>810,993.92</u></u>

GRENADA ELECTRICITY SERVICES**Balance Sheet at 30/6/2010**

	June 2010 EC \$	December 2009 EC \$
ASSETS		
CURRENT ASSETS		
Cash and due from banks	15,360,500.19	15,660,820.73
Hurricane Fund	7,332,718.37	7,205,759.81
Accounts Receivable	32,945,971.08	31,038,317.62
Segregated Retirement Investments	15,647,855.36	14,335,734.60
Other Investments	29,485.36	29,485.36
Inventories	15,450,750.75	15,979,810.66
Prepayments	<u>3,252,723.06</u>	<u>420,258.78</u>
	90,020,004.17	84,670,187.56
PRPOERTY PLANT AND EQUIPMENT		
	94,871,682.75	102,150,599.55
Suspense Jobs in Progress	2,389,964.74	1,582,278.05
Capital Work in Progress	7,385,935.68	3,511,161.10
Deferred Exchange Loss	<u>2,186,149.92</u>	<u>2,186,149.92</u>
TOTAL ASSETS	<u>196,853,737.26</u>	<u>194,100,376.18</u>
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES		
Amount Due to Related Company	204,946.24	86,702.59
Accounts Payable and Accrued Expenses	20,372,692.17	21,154,927.30
Consumers' Deposits	9,045,840.82	8,582,423.49
Consumers' Advances for Construction	1,058,807.58	891,368.49
Provision for Retirement Benefits	20,474,752.85	19,493,580.44
Provision for Profit Sharing	4,619,688.57	3,080,405.18
Provision for Income Tax	<u>825,198.55</u>	<u>(268,041.41)</u>
	56,601,926.78	53,021,366.08
LONG TERM DEBT		
	<u>59,271,572.91</u>	<u>63,522,155.53</u>
TOTAL LIABILITIES	<u>115,873,499.69</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	9,000,000.02	8,000,000.00
Retained Earnings	37,203,609.21	35,947,780.25
Profit to Date after Dividends	<u>2,423,382.98</u>	<u>1,255,828.96</u>
	80,980,237.57	77,556,854.57
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	<u>196,853,737.26</u>	<u>194,100,376.18</u>

Covenants / Ratios

Current Ratio - >= 1.50:1	1.59	1.60
Interest Coverage Ratio - >= 2:1	9.28	10.11
Debt Service Coverage Ratio - >= 1.50	3.28	2.51
Bank Borrowing to Equity Ratio - <= 1.25:1	0.82	0.91
Capital to Total Assets >= 30%	36.57%	35.84%

GRENADA ELECTRICITY SERVICES LIMITED

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

	June 2010	December 2009
Operating Activities		
Profit before Income Tax	9,432,009.31	12,686,419.86
Adjustments for:		
Depreciation	8,062,172.15	14,553,747.36
(Profit) / Loss on disposal of fixed assets	<u>(27,600.84)</u>	<u>(42,028.30)</u>
	17,466,580.62	27,198,138.92
Changes in Operating Assets / Liabilities		
(Increase) / Decrease in receivables and prepayments	(4,740,117.74)	6,605,867.33
(Decrease) / Increase in accounts payable and accrued charges	(151,378.71)	6,685,527.67
Increase in provision for retirement benefits	981,172.41	1,386,010.27
Decrease / (Increase) in inventory	529,059.91	(1,648,914.88)
Increase / (Decrease) in related company balance	118,243.65	(172,656.81)
Payment of income tax	(1,735,386.37)	(1,800,000.00)
Increase in provision for profit sharing	<u>1,539,283.39</u>	<u>(860,226.29)</u>
	14,007,457.16	37,393,746.21
Investing Activities		
Disposal of fixed assets	28,100.00	94,685.00
Suspense jobs in progress (increase) / decrease	(807,686.69)	309,333.25
(Increase) / Decrease in Capital Work in Progress	(3,874,774.58)	19,802,767.94
Hurricane Fund Decrease / (Increase)	(126,958.56)	(3,228,798.19)
Increase in segregated investment	(1,312,120.76)	(1,195,960.16)
(Decrease) / Increase in consumer contribution to line extension	(352,774.95)	1,525,203.79
Purchase of fixed assets	<u>(430,979.56)</u>	<u>(36,699,754.00)</u>
	(6,877,195.10)	(19,392,522.37)
Financing Activities		
Provision for hurricane insurance reserve	1,000,000.02	2,000,000.00
Loan proceeds	-	-
Repayment of Loan	(4,250,582.62)	(7,676,320.06)
Dividends paid	<u>(4,180,000.00)</u>	<u>(8,360,000.00)</u>
Cash provided by financing activities	<u>(7,430,582.60)</u>	<u>(14,036,320.06)</u>
Net Increase /(Decrease) in cash and cash equivalents	(300,320.54)	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>15,360,500.19</u>	<u>15,660,820.73</u>
Represented by		
Cash and due from banks	<u>15,360,500.19</u>	<u>15,660,820.73</u>