Schedule 2
FORM ECSRC - Q

(Select One)

Quarterly Report For the period ended **June 30, 2014**

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. H

Signature

30/7/14

Date

Name of Director:

Anthea DeBellotte

A DeBellotte

Signature

30/7/14

Date

Name of Chief Financial Officer:

Benedict Brathwaite

B.A. Brathwaite

Signature

30.7.14

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 June 30, 2014 and December 31, 2013.
2. Statement of Comprehensive Income for the six months to June 30, 2014 and 2013, and year ended December, 2013; and
3. Statement of Cash Flows for the six months to June 30, 2014 and year ended December 31, 2013.

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

(a) Liquidity

During the first six months of the year, the Company continued to meet its liquidity needs through the use of internal resources, while still maintaining its current ratio (2.08:1) at a level above lender institutions' benchmark (1.50:1).

The electricity rate remained at $1.14 over the six months to June 2014, lower than that for the same period in 2013, which averaged $1.16. This marginal decrease was mainly attributed to a decrease in fuel charge (cents/kWh) which moved from an average of $0.66 in 2013 to $0.63 in 2014.
However, there was an increase in trade receivables of $2.41M, or 7.73% over this same period. This was due solely to the $2.69M (48.77%) increase in Government of Grenada's receivable balances. The only sectors experiencing decreases for the period under review were Domestic (8.53%) and Industrial (6.04%). Not only was there an increase in receivables over the year to June 2014 but there was also a worsening of the portfolio with the balances over 90 days moving from 31.36% (June 2013) of total receivables to 34.04% (June 2014). The Company is continuing to pay particular attention to the receivables portfolio in light of its declining strength.

Cash provided by operating activities to June 30, 2014 was $8.42M which is 46.84% of that for the entire year of 2013. Overall, during the first six months of the year, the cash position grew by $1.93M after making principal payments on borrowings of $4.22M and paying dividends of $4.56M at twelve cents per share. Additionally, in this period instalments of company tax totalling $3.64M were made. The cash balance at the end of June 2014 was $1.02M.

The Company met all of its obligations in the first half of the year, and, based on its current cash flow projections, will be able to maintain this for the foreseeable future. These projections are inclusive of an amount of $5.4M which is expected to be paid to the Trustees of the unionized Trust in the third quarter of 2014 to fully fund that Retirement Trust which is in the process of being finalized.

(b) Capital Resources

Capital expenditure of $1.69M in the first six months of 2014 was funded from internal operations. This is expected to be the same with the balance of the 2014 capital budget of $3.69M, as it is not subject to any agreement that would require capital expenditures on a designated schedule. 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 (GoG) 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 is to be done jointly, with the EU meeting €2.50M or 64.20% and the Company €1.39M or 35.80%. This project was delayed in 2013 as the new administration took time to consider it. After the Company received an advisory in December 2013 this project has been reactivated. It is now envisaged that the bulk of the Company's expenditure for this project will be incurred in the 2015. To date only $0.54M has been expended for this project by the Company.

As far as major generation expansion which will require external financing is concerned, the Company does not foresee that this is likely to occur before the end of 2015. The Company is presently working on plans for a 2-4 MW solar farm which is expected to be commissioned in 2015.

c) Changes in Financial Condition

The following table provides information as at June 30, 2014 with comparatives at March 31, 2014 and December 31, 2013 of the Company's compliance with various financial loan covenants. All the covenants have been exceeded.

Covenant Table

	Covenant Ratio	June 2014	March 2014	December 2013
Current Ratio	>= 1.50:1	2.08:1	2.12:1	1.99:1
Interest Coverage Ratio	>= 2:1	16.99:1	17.62:1	13.43:1
Debt Service Coverage Ratio	>= 1.50:1	4.03:1	5.12:1	3.96:1
Bank Borrowing to Equity Ratio	<= 1.25:1	0.29:1	0.33:1	0.37:1
Equity to Assets	>= 30%	38.36%	38.39%	52.54%

In the first half of 2014 the Company's net assets increased from $83.47M to $88.41M. Property plant and equipment decreased from $81.91M to $77.24M principally due to depreciation of $5.33M. Capital work in progress increased from $2.90M to $4.26M as the Company continued to make routine non expansion capital expenditures financed from internal operations.

Trade and other receivables increased by $2.14M over the six months to June 2014 to $37.49M, from $35.35M. This was primarily due to an increase of 12.25% in GoG receivables over the first two quarters of the year. The Company is continuing to work along with the GoG to reduce its receivables balance. To date their balances to December 2013 have been settled.

In January of 2014 the Company transferred $3.84M to the MAPSA Trust thus completing the movement of funds under the control of the Company for that Trust in compliance with the Insurance Act No. 5 of 2010. The non-unionized trust remains incomplete at the end of June and, once established it will require the transfer of the remaining retirement liability and asset from the Company's financial statements.

d) Results of Operation

The Company experienced a moderate improvement in its financial performance for the first half of 2014 as compared to the same period in 2013. There was a 10.97% increase in profit after interest, from last year's $15.99M, to $17.74M. This performance, although commendable, was a substantial decline from the results reported for the first quarter of 2014 of 57.21%. The main drivers of this were: the fuel cost recovery rate- although this was over 100% (106.66%) it was slightly lower than the first quarter's 108.42% partially explaining the weaker financial performance in comparison to last quarter's; operating and financing expenses declined as compared to last year by 1.63%, however this decrease was lower than last quarter's 5.56% decline.

There was a 1.84% increase in kWh sales, over the same period in 2013. This performance is noteworthy as it is the first year that there was an increase in unit sales, as compared to the comparative period, for the first half of the year, since 2010/2011. This growth of 1.60M kWh is almost totally accounted for by sales to Sandals La Source which opened in December 2013. As was expected, the commercial sector expanded by 4.02%, while the domestic decreased by 1.11%. The relatively small industrial sector marginally increased by 0.07%.

The growth in kWh sales and a non-fuel rate increase of 0.77% from February 1, 2014 combined to produce an increase in non-fuel revenue of 2.19% to June 2014, over the first half of 2013. Total revenue of $95.61M experienced a slight increase of 0.05% in comparison to the equivalent six months of 2013.

Operating and administrative expenses other than for fuel decreased by 3.90% ($0.99M) in the first half of 2014 relative to the equivalent period in 2013. The only department to experience a positive variance was the Generation department of 16.64%. This came primarily as a result of the ongoing Preventative Maintenance Program and resulted in an 18.22% decline in maintenance and overhaul expenditure for the period.

The other departments averaged an unfavourable variance of approximately 1.7%. Additionally, the Company maintains tight controls over costs which is an imperative given the difficult economic climate under which we operate.

Interest costs of $1.24M in the first six months of 2014 reflect a decline of 17.55% compared to the $1.51M to June of 2013. This is expected as the Company continues to reduce its borrowings by making payments as scheduled.

System losses twelve months rolling average of 7.45% at June 30, 2014 reflects a decrease of 0.58% in comparison to the first half of 2013 and was reflected in the fuel cost recovery and the Company's financial performance for the period. This is a key strategic driver for the Company and its importance cannot be over emphasized in the context of the difficult economic conditions under which the Company is operating.

Fuel efficiency of 19.22kWh's per imperial gallon in the first six months of 2014 lags behind the 19.25kWh's achieved in the same period last year and represents a 0.19% decline. Fuel efficiency for 2013 was 19.19kWh's per imperial gallon. 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 $17.00M 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 $17.00M is now 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 competition is introduced into the market. There is no formal information indicating 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) although only St Lucia and Grenada have signed onto the program. As of now it is still uncertain whether the introduction of a regulatory body will have any impact on the existing operations.

- An amendment to the Electricity Supply Act No, 39 of 2013 was enacted as of December 31, 2013. This amendment adjusted the concessions of all customs and other import duties on the importation of all plant, machinery, equipment, meters, instruments, fuel, lubricants and materials to which the Company was entitled from 100% to 50%. While this amendment by itself does not pose a risk, it increases the possibility that further unilateral amendments which may be inconsistent with the majority shareholders

Eight Directors were nominated in accordance with the Memorandum and Articles of Association. This allows Grenada Private Power Limited to nominate six persons, the Government of Grenada to nominate one person and for the employees to nominate one person. The Government of Grenada nominated Mr. Dwight Horsford as their representative. Ms Linda George-Francis was nominated by the employees.

The Directors nominated were as follows:

Mr. G. Robert Blanchard, Jr. –GPP
Mr. Robert Blenker- GPP
Mr. Wayne Burks- GPP
Mr. Ronald Roseman- GPP
Mr. Nigel Wardle- GPP
Mr. Dwight Horsford- Government Representative
Ms. Linda George- Francis- Employees' Repres entative

PKF were re-appointed as Auditors for the year ending December 31, 2014 on majority vote by a show of hands.

8. Other Information.

None.

GRENADA ELECTRICITY SERVICES

Statement of Financial Position as at June 30th, 2014 and December 31st , 2013

	June 2014 EC $	December 2013 EC $
ASSETS		
Non Current Assets		
Property Plant and Equipment	77,239,810	81,907,855
Suspense Jobs in Progress	1,988,049	1,682,618
Capital Work in Progress	4,257,826	2,902,314
Deferred Exchange Loss	1,207,246	1,207,246
Available-for-sale financial assets	848,191	872,388
	85,541,121	88,572,421
Current Assets		
Inventories	15,703,396	15,197,303
Trade and Other Receivables	37,484,434	35,346,510
Segregated Retirement Investments	6,783,031	9,993,896
Income Tax Prepaid	478,617	908,592
Loans and receivables financial assets	30,542,158	30,910,203
Cash and cash equivalents	9,637,406	2,103,515
	100,629,041	94,460,019
TOTAL ASSETS	186,170,162	183,032,440
SHAREHOLDERS EQUITY AND LIABILITIES		
SHAREHOLDERS EQUITY		
Stated Capital	32,339,840	32,339,840
Other Reserve	8,308	8,308
Retained Earnings	51,126,251	44,189,174
Profit to Date after Dividends	4,934,092	6,937,076
	88,408,491	83,474,398
Non Current Liabilities		
Consumers' Deposits	11,836,812	11,428,931
	49,288,665	52,105,089
Current Liabilities		
Amount Due to Related Parties	23,628	91,971
Short- term borrowings	16,231,171	10,630,726
Trade and other payables	15,755,686	15,077,082
Consumers' Advances for Construction	999,764	1,003,906
Current portion of provision for retirement benefits	12,208,438	16,120,574
Provision for Profit Sharing	3,254,319	4,528,694
	48,473,005	47,452,953
TOTAL LIABILITIES	97,761,671	99,558,042
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	186,170,162	183,032,440

GRENADA ELECTRICITY SERVICES
STATEMENT OF COMPREHENSIVE INCOME
For the six months ended June 30th, 2014 and 2013 and year ended December 31st, 2013

	June 2014	June 2013	December 2013
INCOME			
Sales - Non Fuel Charge	39,271,914	38,428,511	78,004,472
- Fuel Charge	55,734,055	56,788,891	112,360,801
Unbilled Sales Adjustments	(212,629)	(746,001)	(244,236)
Net Sales	94,793,341	94,471,401	190,121,037
Sundry Revenue	814,292	1,084,367	2,108,030
TOTAL INCOME	95,607,633	95,555,768	192,229,067
OPERATING COSTS			
Production less Diesel Consumed	6,157,792	7,390,183	16,236,402
Diesel Consumed	52,247,638	52,702,440	105,680,363
Hurricane Provision	1,000,000	1,000,000	2,000,000
Planning & Engineering	1,289,450	1,261,985	2,413,261
Distribution	7,921,271	7,736,506	16,884,546
TOTAL OPERATING COSTS	68,616,151	70,091,113	143,214,573
CORPORATE SERVICES	8,003,563	7,966,419	16,476,246
PROFIT BEFORE INTEREST	18,987,918	17,498,236	32,538,248
INTEREST			
Bank Loan Interest	1,022,483	1,275,783	2,390,963
Other Bank Interest	1,721	34,743	52,713
Consumer Deposit Interest	220,079	198,686	417,696
TOTAL INTEREST COSTS	1,244,283	1,509,212	2,861,373
PROFIT AFTER INTEREST	17,743,636	15,989,024	29,676,875
OTHER CHARGES			
Disposal of Fixed Assets	(21,500)	(44,484)	(82,734)
Donations	888,251	801,619	1,487,980
Profit Sharing	3,313,949	3,076,743	5,853,542
TOTAL OTHER CHARGES	4,180,700	3,833,878	7,258,789
PROFIT BEFORE TAXES	13,562,936	12,155,146	22,418,087
Corporation Tax @ 30%	4,068,843	3,646,205	6,361,011
PROFIT AFTER TAXES	9,494,092	8,508,941	16,057,076
Dividends	4,560,000	4,560,000	9,120,000
RETAINED PROFIT to date	4,934,092	3,948,941	6,937,076

GRENADA ELECTRICITY SERVICES LIMITED

Statement of Cash Flows

For the six months ended June 30th, 2014 and year ended December 31st, 2013

	June 2014	December 2013
Operating Activities		
Profit before Income Tax	13,562,936	22,418,087
Adjustments for:		
Depreciation	5,331,529	11,155,792
Profit on disposal of fixed assets	(21,500)	(82,734)
	18,872,965	33,491,145
Changes in Operating Assets / Liabilities		
(Increase)/decrease in receivables and prepayments	(2,137,924)	857,666
Increase/(decrease) in accounts payable and accrued charges	1,082,342	(1,401,579)
Decrease in provision for retirement benefits	(3,912,136)	(8,412,980)
(Increase)/ decrease in inventory	(506,093)	310,585
Decrease in related company balance	(68,343)	(48,248)
Payment of income tax	(3,638,868)	(7,074,501)
(Decrease)/increase in provision for profit sharing	(1,274,375)	247,485
Cash provided by operating activities	8,417,569	17,969,573
Investing Activities		
Decrease in available for sale financial assets	24,197	3,752
Disposal of fixed assets	21,500	109,057
Increase in Suspense jobs in progress	(305,431)	(275,037)
Increase/(decrease) in Capital Work in Progress	(1,355,512)	610,222
Decrease/(increase) in loans and receivables financial assets	368,045	(4,534,486)
Decrease in segregated investment	3,210,865	9,620,035
Decrease in consumer contribution to line extension	(327,826)	(244,876)
Purchase of fixed assets	(335,658)	(6,802,161)
Increase in other reserves	-	(3,752)
Cash provided by/(used in) investing activities	1,300,181	(1,517,246)
Financing Activities		
Provision for hurricane insurance reserve	1,000,000	2,000,000
Repayment of Loan	(4,224,305)	(7,311,435)
Dividends paid	(4,560,000)	(9,120,000)
Cash used in financing activities	(7,784,305)	(14,431,435)
Net Increase in cash and cash equivalents	1,933,446	2,020,892
Net cash - at the beginning of year	(909,102)	(2,929,994)
- at the end of period	1,024,344	(909,102)
Represented by		
Cash and due from banks	9,637,406	2,103,515
Bank overdraft	(8,613,062)	(3,012,617)
	1,024,344	(909,102)