

Schedule 2
FORM ECSRC – OR

(Select One)

☒ **QUARTERLY FINANCIAL REPORT** for the period ended September 30, 2016
Pursuant to Section 98(2) of the Securities Act, 2001

OR

☐ **TRANSITION REPORT**
for the transition period from _____ to _____
Pursuant to Section 98(2) of the Securities Act, 2001
(Applicable where there is a change in reporting issuer's financial year)

Issuer Registration Number: GRENLEC27091960G

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 Annual 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 Chief Executive Officer:

Name of Director:

Collin Cover

Linda George-Francis

S SIGNED AND CERTIFIED

S SIGNED AND CERTIFIED

Date 28th Oct 2016

Date 28/10/16

Name of Chief Financial Officer:

Benedict Brathwaite

SIGNED AND CERTIFIED

Date

28.10.16

INFORMATION TO BE INCLUDED IN FORM ECSRC-OR

1. Financial Statements

Provide Financial Statements for the period being reported in accordance with International Accounting Standards. The format of the financial statements should be similar to those provided with the registration statement. Include the following:

- (a) Condensed Balance Sheet as of the end of the most recent financial year and just concluded reporting period.
- (b) Condensed Statement of Income for the just concluded reporting period and the corresponding period in the previous financial year along with interim three, six and nine months of the current financial year and corresponding period in the previous financial year.
- (c) Condensed Statement of Cash Flows for the just concluded reporting period and the corresponding period in the previous financial year along with the interim three, six and nine months of the current financial year and the corresponding period in the previous financial year.
- (d) By way of *Notes to Condensed Financial Statements*, provide explanation of items in the financial statements and indicate any deviations from generally accepted accounting practices.

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

Discuss the reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations during the reporting period. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated. Discussion of material changes should be from the end of the preceding financial year to the date of the most recent interim report.

The Management's Discussion and Analysis should disclose sufficient information to enable investors to judge:

1. The quality of earnings;
2. The likelihood that past performance is indicative of future performance; and
3. The issuer's general financial condition and outlook.

It should disclose information over and above that which is provided in the management accounts and should not be merely a description of the movements in the financial statements in narrative form or an otherwise uninformative series of technical responses. It should provide management's perspective of the company that enables investors to view the business from the vantage point of management.

The discussion should focus on aspects such as liquidity; capital resources; changes in financial condition; results of operations; material trends and uncertainties and measures

taken or to be taken to address unfavourable trends; key performance indicators; and non-financial indicators.

General Discussion and Analysis of Financial Condition.

The following table provides information as at September 30, 2016 with comparatives at September 30, 2015 and December 31, 2015 of GRENLEC's compliance with various financial loan covenants. All ratios are well within the target and we can expect this to continue to be so.

Covenant Table

	Covenant Ratio	September 2016	September 2015	December 2015
Current Ratio	$\geq 1.35:1$	2.59:1	2.68:1	3.72:1
Debt Service Coverage Ratio	$\geq 1.75:1$	4.57:1	4.26:1	5.08:1
Funded Debt to EBITDA	$\leq 3:1$	1.62:1	0.58:1	0.39:1

In the first nine months of 2016 the Company's net assets decreased from \$101.96M to \$50.96M. Property plant and equipment decreased from \$75.15M to \$71.06M in this period, due primarily to depreciation expense of \$5.14M. Capital work in progress increased from \$2.37M at the end of 2015, to \$9.10M in the nine months to September 2016 as the Company continued to make routine non-expansion capital expenditures financed from internal operations.

Trade receivables increased by \$0.72M, over the nine months to September 2016, from \$15.28M. The hotel, commercial and domestic sectors increased by 18.7, 5.9 and 5.6 percent respectively while industrial, government and statutory bodies saw decreases of 26.8, 6 and 2 percent each. Although higher the hotel sector has seen a significant decrease since the first quarter at which point it was up by 30.8 percent. Focus on further reducing their balances will continue as we move into the peak-season for the industry.

On February 29, 2016 the Company signed a Mortgage Debenture with CIBC FirstCaribbean International Bank (Barbados) Limited for a credit facility of up to XCD\$48.05M. The loan will bear interest at a rate of 4.75% per annum over the first five years and thereafter the interest will be the prime rate less 5.90% subject to a floor of 3.60% per annum. Presently the prime rate is 9.50% per annum. The loan is amortized over a twelve year period and repayable over 32 quarterly principal payments of XCD\$1,001,041.67 with a balloon payment of XCD\$16,016,666.56.

The Company's decision to restructure its financial position by refinancing its existing debt of \$16.05M at a lower interest rate and to pay a special dividend of \$3.00 per share was based on its low debt to equity and dividend pay-out ratios, which were well below its established policy, over a number of years.

Liquidity and Capital Resources

Provide a narrative explanation of the following (but not limited to):

- i) The reporting issuer's financial condition covering aspects such as liquidity, capital

resources, changes in financial condition and results of operations.

- ii) Any known trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of action that the reporting issuer has taken or proposes to take to remedy the deficiency.
- iii) The issuer's internal and external sources of liquidity and any material unused sources of liquid assets.
- iv) Provisions contained in financial guarantees or commitments, debt or lease agreements or other arrangements that could trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation such as adverse changes in the issuer's financial ratios, earnings, cash flows or stock price or changes in the value of underlying, linked or indexed assets.
- v) Circumstances that could impair the issuer's ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential or that could render that activity commercially impracticable such as the inability to maintain a specified level of earnings, earnings per share, financial ratios or collateral.
- vi) Factors specific to the issuer and its markets that the issuer expects will affect its ability to raise short-term and long-term financing, guarantees of debt or other commitment to third parties, and written options on non-financial assets.
- vii) The relevant maturity grouping of assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. Commentary should provide information about effective periods and the way the risks associated with different maturity and interest profiles are managed and controlled.
- viii) The issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments.
- ix) Any known material trends, favorable or unfavorable, in the issuer's capital resources, including any expected material changes in the mix and relative cost of capital resources, considering changes between debt, equity and any off-balance sheet financing arrangements.

Discussion of Liquidity and Capital Resources

(a) Liquidity

As at the end of the third quarter of 2016 the Company recorded a current ratio of 2.59:1 and was in position to meet its operational requirements at a level above lender institutions' benchmark of 1.35:1.

The average electricity rate over the first nine months of 2016 was \$0.75/kWh, a decline of 17.6 percent (\$0.16/kWh) as compared to the same period last year. This decrease was driven by two main factors; (i) the 35.7 percent reduction in average fuel charge (from \$0.4130/kWh to \$0.2654/kWh) for the nine months as compared to the equivalent period last year, and (ii) the decline in average non-fuel charge in the first nine months as compared to the same period in 2015 from \$0.4332/kWh to \$0.4227 (2.4 percent).

Cash provided by operating activities for the nine months to September 30, 2016 of \$23.34M was below the \$26.87M for the same period in 2015. However, it exceeds the \$21.73M for the entire year of 2015. Adjusted profit was \$3.94M less than for the nine months of 2015 while receivables and prepayments increased by \$1.03M and accounts payable and accrued charges decreased by \$2.33M.

Cash used in investing activities of \$4.16M to September 30, 2016 was less than 50% of that used in the first nine months of 2015 of \$8.51M. It was however, more than that for the year 2015 of \$2.51M. During this period there was an increase in capital work in progress of \$6.73M mainly due to the installation of a 937kW PV project.

Financing activities had some significant movements in the first nine months of 2016 and saw cash utilized of \$33.95M compared to the \$11.79M over the equivalent period of 2015. Proceeds from borrowings of \$48.05M was more than offset by repayments of borrowings of \$18.10M and dividends paid of \$64.41M. Dividends paid were a special dividend of \$3.00 per share and regular quarterly dividends of thirteen cents per share in each of the first three quarters.

Overall, during the first nine months of the year, the cash position decreased by \$14.76M with a balance at the end of the period of \$1.85M. The Company met all of its obligations in the period, and, based on its current cash flow projections can be expected to continue to do so for the foreseeable future.

(b) Capital Resources

Non-expansion capital expenditure of \$11.04M in the first nine months of 2016 was funded from internal operations. Of this \$6.40M related to a PV project which is expected to add 937 kW to the generation system. This project is the single largest renewable energy project in Grenada to date and will bring the total installed capacity owned by the Company to over 1MW. The balance of \$2.64M from the 2016 capital budget of \$8.19M will be similarly funded from operations. Over the years the Company has only utilized external funding for major capital projects.

The Company, as part of its strategic plan, has set a target of having 20 percent of its generation capacity from renewable energy by 2020. To achieve this goal will require the Company to make capital investments in solar photovoltaics and or wind turbine farms. Although progress has been slow the Company has begun to take small steps towards achieving the goal of the strategic plan.

In the second half of 2015 the Company was able to execute leases for over 33 acres of land for solar PV in Pearls St. Andrew. The Company is now in the design phase of a project to install approximately 3MW of ground mounted solar PV on the site by 2017. External funding would most likely be required for a project as this.

Off Balance Sheet Arrangements

Provide a narrative explanation of the following (but not limited to):

- i) Disclosures concerning transactions, arrangements and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of, or requirements for capital resources.
- ii) The extent of the issuer's reliance on off-balance sheet arrangements should be described fully and clearly where those entities provide financing, liquidity, market or credit risk support, or expose the issuer to liability that is not reflected on the face of the financial statements.
- iii) Off-balance sheet arrangements such as their business purposes and activities, their economic substance, the key terms and conditions of any commitments, the initial on-going relationship with the issuer and its affiliates and the potential risk exposures resulting from its contractual or other commitments involving the off- balance sheet arrangements.
- iv) The effects on the issuer's business and financial condition of the entity's termination if it has a finite life or it is reasonably likely that the issuer's arrangements with the entity may be discontinued in the foreseeable future.

None

Results of Operations

In discussing results of operations, issuers should highlight the company's products and services, facilities and future direction. There should be a discussion of operating considerations and unusual events, which have influenced results for the reporting period. Additionally, any trends or uncertainties that might materially affect operating results in the future should be discussed.

Provide a narrative explanation of the following (but not limited to):

- i) Any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, the extent to which income was so affected.
- ii) Significant components of revenues or expenses that should, in the company's judgment, be described in order to understand the issuer's results of operations.
- iii) Known trends or uncertainties that have had or that the issuer reasonably expects

will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

- iv) Known events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), and changes in relationships should be disclosed.
- v) The extent to which material increases in net sales or revenues are attributable to increases in prices or to increases in the volume or amount of goods or services being sold or to the introduction of new products or services.
- vi) Matters that will have an impact on future operations and have not had an impact in the past.
- vii) Matters that have had an impact on reported operations and are not expected to have an impact upon future operations.
- viii) Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships that have or are reasonably likely to have a current or future effect on the registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.
- ix) Performance goals, systems and, controls.

Overview of Results of Operations

The Company's financial performance for the first nine months of 2016, reflected by its profit before interest, showed a 0.9 percent decline as compared to the same period in 2015, a reduction of \$0.25M to \$27.89M.

KWh sales grew by 7.2 percent, over the same period in 2015 offsetting a decrease in non-fuel rates of 2.35 percent implemented January 1, 2016. The resulting increase in non-fuel revenue was 3.7 percent. The growth in kWh sales occurred in the two major sectors with the commercial sector expanding by 5.6 percent and the domestic by 10.4 percent while the industrial sector which had contracted for the past two years and the first quarter of 2016 grew by 2.6 percent.

Total revenue to September 2016 declined by 11.8 percent, to \$100.80M as compared to the equivalent period of 2015. The 26.8 percent decline in average fuel prices to \$4.38 per imperial gallon, in comparison with that to September 2015, led to reduced fuel charge rates. As such, the fuel charge revenue declined by 31.1 percent from \$55.88M to \$38.53M, mainly accounting for the decreased revenue.

The fuel cost recovery rate over the nine months to September was 105 percent producing a net benefit of \$1.83M compared to the \$8.61M from a comparative rate of 118.2 percent over the equivalent period of 2015. The recovery rate of the first quarter has declined in each of the subsequent quarters as fuel prices have trended upwards since March.

Operating and administrative expenses other than fuel of \$36.22M decreased by 6.8 percent in the first nine months of 2016 relative to the \$38.86M in the comparative period of 2015. These decreases were due to lower depreciation of \$2.67M and an exchange gain on the repayment of the EIB borrowings of \$0.63M because of a favourable exchange rate. The Company continues to maintain tight controls over costs as it recognises that with the decrease in the non-fuel charge rate, kWh sales growth in excess of 2.35 percent will be required to have an increase in non-fuel revenue. Over the first nine months of 2016 operating expenses were lower than budget by 8.3 percent.

Interest costs of \$2.63M in the first nine months of 2016 reflects an increase of 75.6 percent compared to the \$1.50M to September 2015. This was due to new borrowings and interest penalties that became applicable as a result of an early repayment of borrowings from the EIB in accordance with the agreement.

System losses twelve months rolling average of 7.53 percent at September 30, 2016 was below the 8.26 percent for 2015. This would have had a positive impact on the fuel cost recovery rate. This is a key strategic driver for the Company and its importance cannot be over emphasized in the context of the challenging economic conditions under which the Company is operating. Management will therefore monitor it closely to ensure that an upward trend is not established.

Fuel efficiency of 19.19kWh's per imperial gallon in the first nine months of 2016 fell marginally below the 19.28kWh's achieved in the same period last year and represents a 0.4 percent decline. Fuel efficiency for 2015 was 19.24kWh'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 about Risk Factors.

Provide a discussion of the risk factors that may have an impact on the results from operations or on the financial conditions. Avoid generalised statements. Typical risk factors include untested products, cash flow and liquidity problems, dependence on a key supplier or customer, management inexperience, nature of business, absence of a trading market (specific to the securities of the reporting issuer), etc. Indicate if any risk factors have increased or decreased in the time interval between the previous and current filing.

With each passing period without Grenada being significantly affected by a tropical storm the Hurricane Reserve increases, and presently stands at \$21.50M 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 percent 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 \$20.68M is more than the pre Ivan level of \$14M.
- The Electricity Supply Act, 2016
 - On May 11, 2016, the Lower House of the Grenadian parliament passed the Electricity Supply Bill, 2016 (ESB 2016) and the accompanying Public Utilities Regulatory Commission Bill, 2016 (collectively, the Bills 2016). It was subsequently passed in the Upper House of parliament, gazetted as an Act on July 15, 2016, and on July 29 the commencement date of the Acts coming into force was gazetted as August 1.
 - Section 71 of ESA 2016 repeals the Electricity Supply Act, 1994 (ESA 1994) under which Grenada Electricity Services Ltd. (Grenlec) operates. The Act separates generation and transmission entities to allow competition in both the generation and distribution areas, and to increase generation by renewable energy. The changes are many and may have a negative financial impact on the Company. A serious concern that has been voiced by many is the significant amount of power that is vested in a single Government Minister. The Act is silent on the issue of whether concessions on custom duties will continue as per the Electricity Supply Act No, 39 of 2013 or be removed altogether
- 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 percent to 50 percent. In 2015 the amendment meant additional duties paid by GRENLEC of \$0.59M following the \$0.35M of 2014. While these amounts are not excessive they can become significantly higher in a year in which capital expenditure is undertaken for additional generation capacity. The Company has the option to recover exogenous costs incurred by a change in the law but has chosen not to do so at this time.
- With the full repayment in March 2016 of borrowings from the EIB which was transacted in euros GRENLEC's primary foreign exchange risk was removed. Current borrowings are in EC\$ which limits exposure to foreign currency rates. Foreign exchange risk now relates to purchases most of which are transacted in United States dollars, which has a fixed exchange rate.
- Sharply increasing fuel prices can over the short run impact negatively on the Company's cash flow and profitability.

4. Legal Proceedings.

A legal proceeding need only be reported in the ECSRC – OR filed for the period in which it first became a reportable event and in subsequent interim reports in which there have been material developments. Subsequent Form ECSRC – OR filings in the same financial year in which a legal proceeding or a material development is reported should reference any previous reports in that year. Where proceedings have been terminated during the period covered by the report, provide similar information, including the date of termination and a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

There were no pending legal proceedings outstanding as at September 30, 2016 that could materially impact on the Company's position.

5. Changes in Securities and Use of Proceeds.

- (a) Where the rights of the holders of any class of registered securities have been materially modified, give the title of the class of securities involved. State briefly the general effect of such modification upon the rights of holders of such securities.

There were no changes in securities during the quarter ended September 30, 2016.

(a) Where the use of proceeds of a security issue is different from that which is stated in the registration statement, provide the following:

- Offer opening date (provide explanation if different from date disclosed in the registration statement)

N/A

- Offer closing date (provide explanation if different from date disclosed in the registration statement)

N/A

- Name and address of underwriter(s)

N/A

- Amount of expenses incurred in connection with the offer N/A

- Net proceeds of the issue and a schedule of its use

N/A

- Payments to associated persons and the purpose for such payments

N/A

(b) Report any working capital restrictions and other limitations upon the payment of dividends.

None.

6. Defaults upon Senior Securities.

- (a) If there has been any material default in the payment of principal, interest, a sinking or purchase fund instalment, or any other material default not satisfied within 30 days, with respect to any indebtedness of the reporting issuer or any of its significant subsidiaries exceeding 5 per cent of the total assets of the reporting issuer and its consolidated subsidiaries, identify the indebtedness. Indicate the nature of the default. In the case of default in the payment of principal, interest, or a sinking or purchase fund instalment, state the amount of the default and the total arrears on the date of filing this report.

Payments of principal and interest to CIBC FirstCaribbean for a loan of \$48.05M in March 2016 was made as scheduled during the quarter ended September 30, 2016 as per the agreement.

- (b) If any material arrears in the payment of dividends have occurred or if there has been any other material delinquency not satisfied within 30 days, give the title of the class and state the amount and nature of the arrears or delinquency.

No arrears in the payment of dividends have occurred and there are no restrictions.

7. Submission of Matters to a Vote of Security Holders.

If any matter was submitted to a vote of security holders through the solicitation of proxies or otherwise during the financial year covered by this report, furnish the following information:

- (a) The date of the meeting and whether it was an annual or special meeting.

A special meeting was held on August 15, 2016.

- (b) If the meeting involved the election of directors, the name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting.

N/A

- (c) A brief description of each other matter voted upon at the meeting and a statement of the number of votes cast for or against as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.

At an Extraordinary General Meeting (excluding the Government of Grenada) held on Monday August 15, 2016 the following special resolution was passed based on a poll of security holders:

**SPECIAL RESOLUTION OF
GRENADA ELECTRICITY SERVICES LIMITED**

RESOLVED as a special resolution that:-

1. Grenada Electricity Services Limited ("the Company") is hereby authorized to take, and it is hereby approved that the Company shall take, all such measures as are within the law, including but not limited to legal proceedings or alternative dispute resolution proceedings (whether such proceedings be conducted within or outside of Grenada), found or deemed necessary or desirable to protect and preserve the assets of the Company and the rights of the Shareholders of the Company as are set out in sections 3, 13 and 29 of the Electricity Supply Act Chapter 86A of the 2010 Revised Laws of Grenada.
2. The Company is authorised to expend such sums as are found or deemed necessary or desirable to retain the necessary expertise, including but not limited to financial, accounting, valuation, technical and legal advisers or legal counsel to enable the Company to carry out and give effect to the above.
3. The directors and proper officers of the Company be and are hereby authorised to do all things and execute all instruments and documents necessary or desirable to carry out and give effect to the above.

The requirement for a special resolution is that it be passed by a majority of not less than 75 per cent of the votes cast by the shareholders who voted in respect of the resolution. The poll conducted resulted in a vote of 86.79 per cent in favour of the resolution.

- (d) A description of the terms of any settlement between the registrant and any other participant.

N/A

- (e) Relevant details of any matter where a decision was taken otherwise than at a meeting of such security holders.

N/A

Other Information.

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC – MC report (used to report material changes), with respect to which information is not otherwise called for by this form, provided that the material change occurred within seven days of the due date of the Form ECSRC-OR report. If disclosure of such information is made under this item, it need not be repeated in a Form ECSRC – MC report which would otherwise be required to be filed with respect to such information or in a subsequent Form ECSRC – OR report.

None

GRENADA ELECTRICITY SERVICES
Statement of Financial Position

	Unaudited September 30, 2016 EC \$	Unaudited September 30, 2015 EC \$	Audited December 31, 2015 EC \$
ASSETS			
Non Current Assets			
Property Plant and Equipment	71,062,459.81	72,972,976.10	72,882,900.20
Suspense Jobs in Progress	2,859,430.38	2,280,271.28	2,268,136.78
Capital Work in Progress	9,102,251.67	3,254,328.72	2,372,232.86
Deferred Exchange Loss / (Gain)	-	205,560.33	(396,122.27)
Deferred Financing Costs	989,198.94	-	-
Available-for-sale financial assets	830,027.39	860,021.37	824,120.00
	<u>84,843,368.19</u>	<u>79,573,157.80</u>	<u>77,951,267.57</u>
CURRENT ASSETS			
Inventories	15,289,656.18	16,613,078.78	14,824,650.41
Trade and Other Receivables	20,338,505.00	21,680,942.84	21,364,966.87
Segregated Retirement Investments	-	6,145,359.04	-
Loans and receivables financial assets	33,349,806.89	41,182,198.89	39,775,931.81
Cash and cash equivalents	3,741,346.12	19,452,890.27	16,614,230.93
	<u>72,719,314.19</u>	<u>105,074,469.82</u>	<u>92,579,780.02</u>
TOTAL ASSETS	<u>157,562,682.38</u>	<u>184,647,627.62</u>	<u>170,531,047.59</u>
SHAREHOLDERS EQUITY AND LIABILITIES			
SHAREHOLDERS EQUITY			
Stated Capital	32,339,840.00	32,339,840.00	32,339,840.00
Other Reserve	8,040.00	8,040.00	8,040.00
Retained Earnings	69,607,253.97	61,247,152.20	61,247,152.20
Profit / (Loss) to Date after Dividends	(50,995,922.34)	6,882,848.24	8,360,101.77
	<u>50,959,211.63</u>	<u>100,477,680.44</u>	<u>101,955,133.97</u>
Non Current Liabilities			
Consumers' Deposits	14,616,784.57	13,638,548.36	14,039,359.89
Long-term Borrowings	42,043,750.60	11,824,751.76	9,124,711.47
Deferred tax liability	430,047.09	-	430,047.09
Provision for Hurricane Insurance Reserve	21,500,000.03	19,500,000.03	20,000,000.00
	<u>78,590,582.29</u>	<u>44,963,300.15</u>	<u>43,594,118.45</u>
Current Liabilities			
Amount Due to Related Company	(40,282.15)	7,509.81	84,012.82
Bank overdraft	1,891,016.25	-	-
Short-term borrowings	4,004,166.68	6,203,224.47	6,576,914.40
Trade and other payables	11,880,338.82	11,886,547.27	10,479,325.76
Consumers' Advances for Construction	1,548,820.77	1,154,643.98	1,192,640.42
Current portion of provision for retirement benefits	59,214.35	14,190,516.01	326,755.10
Provision for Profit Sharing	4,670,723.31	4,685,603.03	5,178,075.19
Income Tax payable	3,998,890.43	1,078,602.46	1,144,071.48
	<u>28,012,886.46</u>	<u>39,206,647.03</u>	<u>24,981,795.17</u>
TOTAL LIABILITIES	<u>106,603,470.75</u>	<u>84,169,947.18</u>	<u>68,575,913.62</u>
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	<u>157,562,682.38</u>	<u>184,647,627.62</u>	<u>170,531,047.59</u>

GRENADA ELECTRICITY SERVICES
STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Three Months Ended September 30, 2016	Unaudited Three Months Ended September 30, 2015	Unaudited Nine Months Ended September 30, 2016	Unaudited Nine Months Ended September 30, 2015	Audited December 31, 2015
<u>INCOME</u>					
Sales - Non Fuel Charge	20,552,809.91	19,644,245.75	60,752,580.90	58,589,670.48	79,580,942.71
- Fuel Charge	13,976,076.89	17,779,866.27	38,527,111.56	55,876,927.28	72,117,272.82
Unbilled Sales Adjustments	925,635.53	320,565.22	445,622.48	(1,287,384.79)	(1,976,752.57)
Net Sales	35,454,522.33	37,744,677.24	99,725,314.94	113,179,212.97	149,721,462.96
Sundry Revenue	365,478.71	400,367.39	1,079,777.03	1,084,777.66	1,547,400.46
TOTAL INCOME	35,820,001.04	38,145,044.63	100,805,091.97	114,263,990.63	151,268,863.42
<u>OPERATING COSTS</u>					
Production less Diesel Consumed	1,969,094.86	3,964,908.24	8,476,408.36	10,632,445.73	15,689,588.93
Diesel Consumed	13,786,622.18	14,947,540.11	36,691,025.35	47,265,061.55	60,428,191.45
Hurricane Provision	500,000.01	500,000.01	1,500,000.03	1,500,000.03	2,000,000.00
Planning & Engineering	684,180.53	770,198.71	2,062,046.63	2,009,421.78	2,749,661.03
Distribution	3,694,376.91	4,355,948.11	11,004,166.96	12,336,860.63	16,883,736.54
TOTAL OPERATING COSTS	20,614,274.49	24,538,595.18	59,733,647.33	73,743,789.72	97,751,197.95
<u>CORPORATE SERVICES</u>	5,395,101.65	4,051,679.09	13,177,940.34	12,380,612.72	17,363,216.02
<u>PROFIT BEFORE INTEREST</u>	9,810,624.90	9,554,770.36	27,893,504.30	28,139,588.19	36,154,449.45
<u>INTEREST</u>					
Bank Loan Interest	559,390.31	328,004.42	2,218,310.47	1,120,557.82	1,321,722.47
Other Bank Interest	125.96	-	1,178.60	-	-
Consumer Deposit Interest	140,398.53	129,162.62	410,757.66	377,700.26	513,887.01
TOTAL INTEREST COSTS	699,914.80	457,167.04	2,630,246.73	1,498,258.08	1,835,609.48
<u>PROFIT AFTER INTEREST</u>	9,110,710.10	8,097,603.32	25,263,257.57	26,641,330.11	34,318,839.97
<u>OTHER CHARGES</u>					
Disposal of Fixed Assets	759.63	6,193.85	(68,280.19)	(30,857.14)	(10,239.57)
Donations	455,497.52	454,570.48	1,266,576.90	1,333,609.75	1,716,453.97
Profit Sharing	1,716,261.51	1,664,952.19	4,901,992.77	4,920,505.41	6,672,961.38
TOTAL OTHER CHARGES	2,172,518.66	2,125,716.52	6,100,289.48	6,223,258.02	8,379,195.78
<u>PROFIT BEFORE TAXES</u>	6,938,191.44	6,971,886.80	19,162,968.09	20,418,072.09	25,939,644.19
Corporation Tax @ 30%	2,081,457.43	2,091,566.04	5,748,890.43	6,125,423.85	7,269,495.33
<u>PROFIT AFTER TAXES</u>	4,856,734.01	4,880,320.76	13,414,077.66	14,292,648.24	18,670,148.86
Dividends	2,470,000.00	2,470,000.00	64,410,000.00	7,410,000.00	9,880,000.00
<u>RETAINED PROFIT to date</u>	2,386,734.01	2,410,320.76	(50,995,922.34)	6,882,648.24	8,790,148.86

GRENADA ELECTRICITY SERVICES LIMITED
Statement of Cash Flows

	Unaudited Nine Months Ended September 30, 2016	September 30, 2015	Audited Year Ended December 31, 2015
Operating Activities			
Profit before Income Tax	19,162,968.09	20,418,072.09	25,939,644.19
Adjustments for:			
Depreciation	5,144,890.72	7,807,739.90	10,357,979.93
Profit on disposal of fixed assets	(68,280.19)	(30,857.14)	(10,239.57)
	<u>24,239,578.62</u>	<u>28,194,954.85</u>	<u>36,287,384.55</u>
Changes in Operating Assets / Liabilities			
Decrease in receivables and prepayments	1,026,461.87	8,574,546.03	8,890,522.13
(Increase) / Decrease in accounts payable and accrued charges	2,334,618.09	(3,826,598.39)	(4,795,011.73)
(Decrease) / Increase in provision for retirement benefits	(267,540.75)	1,398,797.01	(12,464,963.90)
(Increase) / Decrease in inventory	(465,005.77)	(1,711,494.78)	76,933.59
Decrease in related company balance	(124,294.97)	(157,454.19)	(80,951.18)
Payment of income tax	(2,894,071.48)	(5,247,079.39)	(6,325,681.85)
(Decrease) / Increase in provision for profit sharing	(507,351.88)	(352,928.97)	139,543.19
	<u>23,342,393.73</u>	<u>26,872,742.17</u>	<u>21,727,774.80</u>
Investing Activities			
(Increase) / decrease in available for sale financial assets	(5,907.39)	12,098.63	48,000.00
Disposal of fixed assets	71,750.00	38,250.00	62,250.00
Increase in Suspense jobs in progress	(591,293.60)	(386,443.28)	(374,308.78)
Increase in Capital Work in Progress	(6,730,018.81)	(1,076,176.72)	(194,080.86)
Decrease / (increase) in loans and receivables financial assets	6,426,124.92	(3,854,974.89)	(2,448,707.81)
(Increase) / Decrease in segregated investment	-	(11,161.04)	6,134,198.00
(Increase) / decrease in consumer contribution to line extension	(51,950.69)	80,100.19	88,507.90
Purchase of fixed assets	(3,275,969.45)	(3,313,147.05)	(5,826,336.46)
	<u>(4,157,265.02)</u>	<u>(8,511,454.16)</u>	<u>(2,510,478.01)</u>
Financing Activities			
Provision for hurricane insurance reserve	1,500,000.03	1,500,000.03	2,000,000.00
Increase in deferred financing costs	(989,198.94)	-	-
Loan proceeds	48,050,000.00	-	-
Repayment of Loan	(18,099,830.86)	(5,884,318.77)	(7,608,986.86)
Dividends paid	(64,410,000.00)	(7,410,000.00)	(9,880,000.00)
	<u>(33,949,029.77)</u>	<u>(11,794,318.74)</u>	<u>(15,488,986.86)</u>
Net Increase in cash and cash equivalents	<u>(14,763,901.06)</u>	<u>6,566,969.27</u>	<u>3,728,309.93</u>
Net cash - at the beginning of year	<u>16,614,230.93</u>	<u>12,865,921.00</u>	<u>12,865,921.00</u>
- at the end of period	<u>1,850,329.87</u>	<u>19,452,890.27</u>	<u>16,614,230.93</u>
Represented by			
Cash and cash equivalents	<u>1,850,329.87</u>	<u>19,452,890.27</u>	<u>16,614,230.93</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

1. Corporate information

Grenada Electricity Services Limited (the Company) is public and is registered in Grenada. It is engaged in the generation and supply of electricity throughout Grenada, Carriacou and Petit Martinique. It is a subsidiary of Grenada Private Power Limited of which WRB Enterprises Inc. is the majority owner.

The Company was issued a certificate of continuance under Section 365 of the Companies Act on November 8th, 1996.

The Company operates and exercises and performs functions relating to the supply of electricity in Grenada. The Company is listed on the Eastern Caribbean Securities Exchange.

The registered office is situated at Grand Anse, St. George's, Grenada.

2. Basis of Preparation

The interim financial report for the period ended September 30, 2016 has been prepared in accordance with IAS 34, 'Interim Financial Reporting' and should be used in conjunction with the annual financial statements for the year ended December 31, 2015.

3. Significant Accounting Policies

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended December 31, 2015.

4. Use of Judgements and Estimates

In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied in the financial statements as at and for the year ended December 31, 2015.