

Schedule 2
FORM ECSRC-OR

(Select One)

☐ **QUARTERLY FINANCIAL REPORT** for the period ended 30, September 2018
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)

(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

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(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 issuers classes of common stock, as of the date of completion of this report 1.

CLASS	NUMBER
Ordinary Shares	19000000

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:

Collin Cover

Name of Director:

Linda George-Francis

SIGNED AND CERTIFIED

SIGNED AND CERTIFIED

29th Oct 2018

Date

29th Oct. 2018

Date

Name of Chief Financial Officer:

SIGNED AND CERTIFIED

Signature

29.10.18

Date

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:

1. Condensed Balance Sheet as of the end of the most recent financial year and just concluded reporting period.
2. 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.
3. 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.
4. 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, 2018 with comparatives at September 30, 2017 and December 31, 2017 of GRENLEC's compliance with various financial loan covenants. All ratios are better than target and we can expect this to continue to be so.

Covenant Table

	Covenant Ratio	September 2018	September 2017	December 2017
Current Ratio	$\geq 1.35:1$	2.35:1	2.63:1	2.78:1
Debt Service Coverage Ratio	$\geq 1.75:1$	4.74:1	4.33:1	3.78:1
Funded Debt to EBITDA	$\leq 3:1$	1.48:1	1.75:1	1.37:1

In the third quarter of 2018 the Company's net assets increased from \$82.02M to \$83.72M. Property, plant and equipment fell from \$81.20M to \$79.73M in this period based on depreciation expense of \$1.71M. Additions to capital assets in the period was for T&D network expansion of \$0.59M. Capital work in progress increased from \$8.45M at the end of June 2018, to \$10.22M in the three months to September 2018. The Company has continued to finance routine non-expansion capital expenditures from internal operations.

Trade receivables increased by \$3.41M, over the three months to September 2018, from \$16.64M to \$20.05M. This was mainly due to timing based on the last working day in September being the 28th prior to the due date of our large commercial customers. Their payments were received in early October. The government, statutory bodies, hotels and industrial sectors all had lower balances, ranging from 2.5 percent for hotels to 38.2 percent for statutory bodies. The commercial and domestic sectors saw increases in their balances of 39.6 and 13.6 percent respectively which are both related to the timing referred to earlier. The quality of the receivables was impacted positively by the timing issue with current balances being 77% of the overall outstanding as compared to 72% in June. Balances over 90 days fell from 19% to 16%. Overall, other than for the timing issue there was not a material change in the trade receivables between the second and third quarters. Although effort is being made to reduce the total receivables, greater emphasis is being placed on collecting the receivables over 60 days by using interactive voice messages (IVR) to remind customers of their balances due. To date there seems to be an increase in the payment of current bills. By this means the over 60 days will decrease and enable the results of the efforts targeted there to be able to be assessed.

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 2018 the Company recorded a current ratio of 2.35:1 which is above the lender institution's benchmark of 1.35:1 and was in position to meet its operational requirements.

The average electricity rate in the third quarter of 2018 was \$0.94/kWh, an increase of 2.8 percent (\$0.02/kWh) as compared to the second quarter. This increase was due to average world fuel prices slowly creeping up. The average fuel charge increased by 5.9 percent from \$0.4321/kWh to \$0.4578/kWh for the three months as compared to the previous quarter.

Cash provided by operating activities for the three months to September 30, 2018 of \$4.10M was more than the \$3.89M for the second quarter to June 2018. The \$13.80M of the first nine months was less than the \$14.32M of the equivalent period in 2017 mainly due to increases in inventory \$2.49M and accounts receivable and prepayments \$4.08M which were both higher than that for the equivalent period of 2017. These were partially offset by accounts payable and accrued charges increasing by \$2.54M relative to the \$4.16M for the same period in 2017. Additionally, adjusted profit of \$20.81M was more than the \$19M of the first nine months of 2017.

Cash used in investing activities of \$6.54M to September 30, 2018 was an increase of \$2.33M compared to June 30, 2018 of \$4.21M. Cash used in investing activities over the first nine months of 2017 was \$6.46M. The main factors in the use of this cash was purchase of fixed assets of \$5.81M and an increase in capital work in progress of \$3.86M which was offset by a decrease in loans and receivables financial assets of \$3.96M.

Financing activities in the second quarter of 2018 was similar to that of the first two quarters with the payment of the regular quarterly dividend of thirteen cents per share and repayment of borrowings as scheduled. For the first nine months cash utilized was \$8.91M the same as that for the equivalent period of 2017.

Overall, during the first nine months of the year, the cash position decreased by \$1.66M reflected by an overdraft balance at the end of the period of \$2.49M. A timing difference in collections at the end of September 2018 accounts for the decrease in 2108 as compared to an increase of \$0.80M for the equivalent period of 2017. 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 \$11.19M in the first nine months of 2018 was funded from internal operations. A balance of \$1.95M remains from the budgeted capital expenditure of \$13.14M

for the year which 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. Progress to date has been slow and this is expected to continue for the balance of 2018 given the uncertainty the Company faces since the passage of the 2016 ESA. (See discussion on the 2016 ESA in the Disclosure of Risk section.)

The Company continues to review its options for a 3MW of ground mounted solar PV project on 33 acres of leased land in Pearls St. Andrew and a 300 kW solar project with battery storage in Petit Martinique. It is possible that a phased development to the Pearls solar PV project might be used. External funding would most likely be required for either of these projects.

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 offbalance 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 2018, reflected by its profit before interest, showed a 6.6 percent increase as compared to the same period in 2017, an improvement of \$1.53M to \$24.81M. This increase occurred despite a decline in the fuel cost recovery rate from 103.3 percent at September 2017 compared to 98.4 percent at September 2018.

KWh sales growth in the quarter to September was 4.5 percent over the same period in 2017 and above the 2.6 and 2.3 percent of the previous quarters. YTD kWh sales growth of 3.2% is ahead of the budgeted 2.3 percent. KWh sales in the last quarter of 2017 was 26 percent of the annual sales and we expect the historical pattern of higher sales in the period October to December to continue.

Total revenue to September 2018 increased by 17.4 percent, to \$130.82M as compared to the equivalent period of 2017. The 38.2 percent increase in average fuel prices to \$7.45 per imperial gallon, in comparison with that to September 2017 of \$5.39, led to higher fuel charge rates. As such, the fuel charge revenue increased by 35.9 percent from \$47.91M to \$65.14M, mainly accounting for the increased revenue.

The fuel cost recovery rate over the nine months to September was 98.4 percent producing a net loss of \$1.07M compared to a net benefit of \$1.54M from a comparative rate of 103.3 percent over the equivalent period of 2017. The recovery rate is negatively impacted by upward fuel price movement. Fuel prices trended upwards in the first nine of 2018 with a low of \$6.94/IG in June to a high of \$7.96/IG in September.

Operating and administrative expenses other than fuel of \$39.79M was lower by 4.8 percent in the first nine months of 2018 relative to the \$41.79M in the comparative period of 2017. Corrective and planned maintenance was higher than that for the same period of 2017 by \$1.05M and planned overhaul by \$1.01M. However, these were offset by professional expenses and legal fees in 2018 being lower than for the same period in 2017 by a combined \$4.29M. The other expenses were comparable to that of 2017 as tight controls over costs were maintained in recognition that with no change in the non-fuel charge rate and low kWh sales growth it is unlikely that there will be a significant increase in non-fuel revenue. Over the first nine months of 2018 operating expenses other than fuel were higher than budget by 0.6 percent.

Interest costs of \$1.91M in the first nine months of 2018 reflects a decrease of 4.2 percent compared to the \$2.00M to September 2017. With no new borrowings in 2018 we would expect financing costs to

continue a gradual decline consistent with the loan agreement.

System losses twelve months rolling average of 8.28 percent at September 30, 2018 was above the 8.12 percent for the year 2017. In the last three months of 2017 system losses averaged 7.63 percent in comparison to the first nine months of 2018 that had an average of 8.50 percent. Low system losses is important given that it is a key strategic driver for the Company and in the context of the challenging economic conditions under which the Company is operating.

Fuel efficiency of 19.00 kWh's / IG in the first nine months of 2018 was above the 18.97 kWh's / IG achieved in the same period last year. Fuel efficiency for the year 2017 was 19.02 kWh's per imperial gallon. This, like system losses, is very important as it is a key performance indicator for the Company that has a significant impact on its financial performance. In 2018 to date it has fluctuated but the last two months has seen efficiencies above 19.30 kWh/IG as overhauls on large units were completed.

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 \$25.50M 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, particularly in the light of the expected increase in the number of major hurricanes annually that meteorologists are predicting due to climate change. 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 \$24.04M is more than the pre Ivan level of \$14M.
- The 2016 Electricity Supply Act and 2016 Public Regulatory Commission Act
- The 2016 ESA and the 2016 PURC Acts had commencement dates of August 1, 2016. These Acts fundamentally alters the regulatory and operating framework. Section 71 of the 2016 ESA repeals the Electricity Supply Act, 1994 (ESA 1994) under which Grenlec operated. The 2016 ESA 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 are expected to have a negative financial impact on the Company. 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. The regulations under the new Act have not yet been promulgated.
- On March 22, 2017, GPP the holder of 50% of Grenlec's shares filed a demand notice with the Government of Grenada (GoG) in regards to government's Share Purchase Agreement obligations with GPP. GPP is asserting that the GoG breached the terms of the SPA and as a consequence has contractually initiated a repurchase of its shares by the GoG. GPP is a

subsidiary of WRB Enterprises Inc who have had a management contract with Grenlec since 1994.

- On May 5, 2017 GPP the holder of 50% of Grenlec's shares along with WRB its parent company filed a request for arbitration with the World Bank's International Centre for the Settlement of Investment Disputes (ICSID) to enforce the Government of Grenada's contractual obligation to repurchase the 50% Grenlec shareholding that Government previously sold to GPP. This matter is ongoing and it is unlikely that the arbitration panel will give a decision before the summer of 2019.
- In February 2018 in response to the 2017 EA the Company filed a constitutional motion in the high court of Grenada challenging the enactment of a social fund that requires network licensees to contribute 5% of pre-tax profits to be administered by a committee appointed by the Minister of Public Utilities. This is ongoing and has been delayed as a result of problems relating to the availability of court facilities.
- Current borrowings are in EC\$ which limits exposure to foreign currency rates. Foreign exchange risk 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, 2018 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, 2018.

(b) 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)
31st Dec 1969

Offer closing date (provide explanation if different from date disclosed in the registration statement)
31st Dec 1969

Name and address of underwriter(s)

Amount of expenses incurred in connection with the
offer

Net proceeds of the issue and a schedule of its use

Payments to associated persons and the purpose for such payments

(c) 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 installment, 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 installment, 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 were made as scheduled during the quarter ended September 30, 2018 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.

31st Dec 1969

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

N/A

8. 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.

N/A

GRENADA ELECTRICITY SERVICES
Statement of Financial Position

	Unaudited September 30, 2018 EC \$	Unaudited September 30, 2017 EC \$	Audited December 31, 2017 EC \$
ASSETS			
Non Current Assets			
Property Plant and Equipment	79,731,889.11	75,197,644.34	79,385,243.93
Suspense Jobs in Progress	2,843,267.32	2,209,962.86	1,621,983.92
Capital Work in Progress	10,218,364.30	7,212,086.89	6,360,367.12
Available-for-sale financial assets	818,016.44	818,015.44	800,065.75
	<u>93,611,537.17</u>	<u>85,437,709.53</u>	<u>88,167,660.72</u>
CURRENT ASSETS			
Inventories	19,703,033.57	16,742,989.52	17,212,091.86
Trade and Other Receivables	26,997,978.59	23,454,043.41	22,914,367.42
Income Tax Prepaid	-	-	92,156.95
Loans and receivables financial assets	29,644,511.01	33,598,127.66	33,606,868.69
Cash and cash equivalents	3,514,530.54	2,484,008.70	1,460,892.91
	<u>79,860,053.71</u>	<u>76,279,169.29</u>	<u>75,286,377.83</u>
TOTAL ASSETS	<u>173,471,590.88</u>	<u>161,716,878.82</u>	<u>163,454,038.55</u>
SHAREHOLDERS EQUITY AND LIABILITIES			
SHAREHOLDERS EQUITY			
Stated Capital	32,339,840.00	32,339,840.00	32,339,840.00
Provision for Hurricane Insurance Reserve	25,500,000.03	23,500,000.03	24,000,000.00
Retained Earnings	22,266,799.63	19,053,572.63	19,053,572.63
Profit / (Loss) to Date after Dividends	3,613,975.15	2,735,720.35	3,213,226.92
	<u>83,720,614.81</u>	<u>77,629,133.01</u>	<u>78,606,639.55</u>
Non Current Liabilities			
Consumers' Deposits	16,210,945.19	15,133,996.95	15,404,494.85
Long-term Borrowings	34,035,416.62	38,039,583.30	37,038,541.63
Deferred tax liability	5,301,240.92	1,879,230.75	5,301,241.00
	<u>55,547,602.73</u>	<u>55,052,811.00</u>	<u>57,744,277.48</u>
Current Liabilities			
Amount Due to Related Company	150,156.04	28,539.63	-
Bank overdraft	6,006,840.01	1,684,843.21	-
Short- term borrowings	4,004,166.68	4,004,166.68	6,300,572.48
Trade and other payables	16,625,339.63	16,464,514.86	14,633,999.32
Consumers' Advances for Construction	911,028.54	1,435,901.33	1,167,899.68
Current portion of provision for retirement benefits	205,096.80	69,387.81	405,678.34
Provision for Profit Sharing	4,498,733.81	4,108,044.49	4,594,971.70
Income Tax payable	1,802,011.83	1,239,536.80	-
	<u>34,203,373.34</u>	<u>29,034,934.81</u>	<u>27,103,121.52</u>
TOTAL LIABILITIES	<u>89,750,976.07</u>	<u>84,087,745.81</u>	<u>84,847,399.00</u>
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	<u>173,471,590.88</u>	<u>161,716,878.82</u>	<u>163,454,038.55</u>

GRENADA ELECTRICITY SERVICES
STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Three Months Ended		Unaudited Nine Months Ended		Audited
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017	December 31, 2017
<u>INCOME</u>					
Sales - Non Fuel Charge	21,832,827.36	21,001,472.64	63,456,469.13	61,653,539.10	83,287,156.10
- Fuel Charge	24,018,189.64	15,921,516.51	65,141,561.90	47,908,663.45	65,636,365.45
Unbilled Sales Adjustments	633,747.70	65,954.93	1,243,201.65	504,976.21	794,034.43
Net Sales	46,484,764.70	36,988,944.08	129,841,232.68	110,067,178.76	149,717,555.98
Sundry Revenue	239,285.66	339,757.52	977,060.91	1,373,668.13	1,818,788.03
TOTAL INCOME	46,724,050.36	37,328,701.60	130,818,293.59	111,440,846.89	151,536,344.01
<u>OPERATING COSTS</u>					
Production less Diesel Consumed	4,529,269.67	4,552,505.98	12,239,098.39	10,496,714.81	14,881,135.90
Diesel Consumed	24,384,911.88	16,862,632.88	66,212,854.76	46,372,212.49	65,370,240.15
Planning & Engineering	986,444.39	650,038.01	2,312,384.50	1,999,680.48	2,635,219.97
Distribution	3,620,507.35	3,894,338.55	11,206,971.28	11,378,926.40	15,436,571.21
TOTAL OPERATING COSTS	33,521,133.29	25,959,515.42	91,971,308.93	70,247,534.18	98,323,167.23
<u>CORPORATE SERVICES</u>	4,936,590.58	6,160,308.69	14,034,770.35	17,911,768.66	20,420,675.43
PROFIT BEFORE INTEREST	8,266,326.49	5,208,877.49	24,812,214.31	23,281,544.05	32,792,501.35
<u>INTEREST</u>					
Bank Loan Interest	485,724.36	513,664.64	1,417,104.76	1,559,362.37	2,060,911.67
Other Bank Interest	17,183.37	1,089.38	43,407.54	8,133.63	16,269.32
Consumer Deposit Interest	156,157.42	145,444.30	453,172.32	430,658.34	583,398.79
TOTAL INTEREST COSTS	639,065.15	660,198.32	1,913,684.62	1,998,154.34	2,660,579.78
PROFIT AFTER INTEREST	7,627,261.34	4,548,679.17	22,898,529.69	21,283,389.71	30,131,921.57
<u>ALLOCATIONS</u>					
Hurricane Provision	500,000.01	500,000.17	1,500,000.03	1,500,000.03	2,000,000.00
Donations	356,363.07	202,433.96	1,069,926.49	988,162.77	1,406,596.08
Profit Sharing	1,525,999.72	1,123,081.13	4,580,067.24	4,309,969.76	5,952,245.27
TOTAL OTHER CHARGES	2,382,362.80	1,825,515.26	7,149,993.76	6,798,132.56	9,358,841.35
PROFIT BEFORE TAXES	5,244,898.54	2,723,163.91	15,748,535.93	14,485,257.15	20,773,080.22
Corporation Tax @ 30%	1,573,469.56	816,949.24	4,724,560.78	4,339,536.80	4,257,843.05
Deferred Tax			-	-	1,344,888.00
PROFIT AFTER TAXES	3,671,428.98	1,906,214.67	11,023,975.15	10,145,720.35	15,170,349.17
Dividends	2,470,000.00	2,470,000.00	7,410,000.00	7,410,000.00	9,880,000.00
RETAINED PROFIT to date	1,201,428.98	(563,785.33)	3,613,975.15	2,735,720.35	5,290,349.17

GRENADA ELECTRICITY SERVICES LIMITED
Statement of Cash Flows

	Unaudited Nine Months Ended		Audited Year Ended
	September 30, 2018	September 30, 2017	December 31, 2017
Operating Activities			
Profit before Income Tax	15,748,535.93	14,485,257.15	20,773,080.22
Adjustments for:			
Depreciation	5,059,205.08	4,587,063.29	6,210,753.93
Profit on disposal of fixed assets	(174.00)	(74,420.37)	(102,920.37)
	<u>20,807,567.01</u>	<u>18,997,900.07</u>	<u>26,880,913.78</u>
Changes in Operating Assets / Liabilities			
Increase in receivables and prepayments	(4,083,611.17)	(3,484,148.21)	(2,944,472.22)
Increase in accounts payable and accrued charges	2,540,919.51	4,163,625.46	2,335,606.12
(Decrease) in provision for retirement benefits	(200,581.54)	(125,867.04)	210,423.49
Increase in inventory	(2,490,941.71)	(301,768.96)	(770,871.30)
Increase in related company balance	150,156.04	28,539.63	-
Decrease in provision for profit sharing	(96,237.89)	(852,588.61)	(365,661.40)
	<u>16,627,270.25</u>	<u>18,425,692.34</u>	<u>25,345,938.47</u>
Payment of income tax	(2,830,392.00)	(4,108,510.23)	(5,358,510.23)
Cash provided by operating activities	<u>13,796,878.25</u>	<u>14,317,182.11</u>	<u>19,987,428.24</u>
Investing Activities			
Increase in available for sale financial assets	(17,950.69)	(17,949.69)	-
Disposal of fixed assets	500.00	74,950.10	102,920.00
(Increase) / Decrease in Suspense jobs in progress	(1,221,283.40)	86,692.14	674,671.08
(Increase) / Decrease in Capital Work in Progress	(3,857,997.18)	1,433,650.11	2,285,369.88
Decrease / (Increase) in loans and receivables financial assets	3,962,357.68	(186,584.57)	(195,325.60)
Increase in consumer contribution to line extension	399,356.61	1,719,123.03	2,051,195.86
Purchase of fixed assets	(5,805,532.87)	(9,570,177.04)	(15,713,010.00)
	<u>(6,540,549.85)</u>	<u>(6,460,295.92)</u>	<u>(10,794,178.78)</u>
Cash provided by/(used in) investing activities	<u>(6,540,549.85)</u>	<u>(6,460,295.92)</u>	<u>(10,794,178.78)</u>
Financing Activities			
Dividends paid	(7,410,000.00)	(7,410,000.00)	(9,880,000.00)
Provision for hurricane insurance reserve	1,500,000.03	1,500,000.03	2,000,000.00
Repayment of Loan	(3,003,125.01)	(3,007,209.32)	(4,004,166.68)
	<u>(8,913,124.98)</u>	<u>(8,917,209.29)</u>	<u>(11,884,166.68)</u>
Cash used in financing activities	<u>(8,913,124.98)</u>	<u>(8,917,209.29)</u>	<u>(11,884,166.68)</u>
Net Decrease in cash and cash equivalents	(1,656,796.58)	(1,060,323.10)	(2,690,917.22)
Net cash - at the beginning of year	<u>(835,512.89)</u>	<u>1,859,488.59</u>	<u>1,855,404.33</u>
- at the end of period	<u>(2,492,309.47)</u>	<u>799,165.49</u>	<u>(835,512.89)</u>
Represented by			
Cash and due from banks	3,514,530.54	2,484,008.70	1,460,892.91
Bank overdraft	<u>(6,006,840.01)</u>	<u>(1,684,843.21)</u>	<u>(2,296,405.80)</u>
Cash and cash equivalents	<u>(2,492,309.47)</u>	<u>799,165.49</u>	<u>(835,512.89)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

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, 2018 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, 2017.

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, 2017.

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, 2017.