

**Schedule 2**  
**FORM ECSRC – OR**

(Select One)

**[ X ] QUARTERLY FINANCIAL REPORT** for the period ended **June 30, 2017**  
**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**

SIGNED AND CERTIFIED

SIGNED AND CERTIFIED

Date

28<sup>th</sup> July 2017

Date

31/07/17.

Name of Chief Financial Officer:

**Benedict Brathwaite**

SIGNED AND CERTIFIED

Signature

Date

24.7.17

## **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 June 30, 2017 with comparatives at June 30, 2016 and December 31, 2016 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**

|                             | <b>Covenant Ratio</b> | <b>June 2017</b> | <b>June 2016</b> | <b>December 2016</b> |
|-----------------------------|-----------------------|------------------|------------------|----------------------|
| Current Ratio               | $\geq 1.35:1$         | 2.77:1           | 2.87:1           | 2.97:1               |
| Debt Service Coverage Ratio | $\geq 1.75:1$         | 3.39:1           | 3.45:1           | 4.35:1               |
| Funded Debt to EBITDA       | $\leq 3:1$            | 2.51:1           | 2.41:1           | 1.24:1               |

As can be seen from the 2016 numbers the Company is on track to once again surpass the covenant ratios of the agreement based on the profitability to June 30, 2017.

In the second quarter of 2017 the Company's net assets increased from \$74.90M to \$77.69M. Property, plant and equipment increased from \$72.06M to \$76.21M in this period despite depreciation expense of \$1.53M.

This increase in capital assets was mainly due to three areas;

(i) \$1.1M spent YTD on the installation of a third stand-by engine at the St. George's University which is presently underway. This institution continues to expand in size and consumption and currently has a peak load higher than the 2.8MW capacity of the present stand-by units.

(ii) YTD \$1.3 M on the T&D network expansion driven by an unexpectedly high number of requests from private citizens for new services, and from the government for replacement/upgrades of the network for road improvement projects.

(iii) Other projects including- \$0.5M spent on the life extension efforts on MAK #3 engine, to ensure reliability of the Company's diesel fleet during the period of transitioning more into renewables; \$0.35M spent on new vehicles; \$0.13 on computers and servers; and \$0.21M on several miscellaneous projects, which although not requiring much capital, are essential to the speedy response to customer calls and requests.

Capital work in progress decreased from \$9.10M at the end of March 2017, to \$4.94M in the three months to June 2017 as completed projects of the Company were transferred to property, plant and equipment. The Company has continued to finance routine non-expansion capital expenditures from internal operations.

Trade receivables increased by \$1.20M, over the three months to June 2017, from \$14.64M to \$15.84M. The domestic, commercial, hotel, and government sectors were all higher, ranging from 5.7 to 11.4 percent. Statutory bodies and the industrial sector saw decreases in their balances of 26.1 and 9.9 percent respectively. The quality of the receivables continued to improve with 70 percent being current and 78 percent below 60 days. Focus on further reducing trade receivables over 60 days will continue as it is well known that the longer balances are outstanding the more difficult it becomes to recover.

## 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, favourable or unfavourable, 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 second quarter of 2017 the Company recorded a current ratio of 2.77:1 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 second quarter of 2017 was \$0.82/kWh, an increase of 0.3 percent (\$0.02/kWh) as compared to the first quarter. This increase was due to average world fuel prices slowly creeping up. The average fuel charge increased by 4.8 percent from \$0.3211/kWh to \$0.3364/kWh for the three months as compared to the previous quarter.

Cash provided by operating activities for the three months to June 30, 2017 of \$2.71M was less than the \$5.50M for the same period to March 2017. The \$8.21M of the first six months was well below the \$15.34M of the equivalent period in 2016 mainly due to an increase of \$4.36M in accounts receivable and prepayments in 2017 as against a decrease of \$3.08M in 2016. The movement in receivables and prepayments was mainly due to the direction of fuel prices in 2017 versus 2016. Additionally, adjusted profit of \$14.73M was less by \$1.83M than for the first six months of 2016. Also, accounts payable and accrued charges increased by \$2.54M based on higher fuel prices and provisions made for likely legal costs arising from the enactment of the 2016 ESA.

Cash used in investing activities of \$3.16M to June 30, 2017 was an increase of \$1.98M over that to March 31, 2017 of \$1.18M. Cash used in investing activities over the first six months of 2016 was \$1.53M. The main factors in the use of this cash was purchase of fixed assets of \$9.07M which was offset by a decrease in capital work in progress of \$3.70M and an increase in consumer contribution for line extension of \$1.77M.

Financing activities in the second quarter of 2017 was similar to that of the first with the payment of the regular quarterly dividend of thirteen cents per share and repayment of borrowings as scheduled. For the first six months cash utilized was \$5.95M compared to the \$30.98M over the equivalent period of 2016 when a special dividend of \$57M and early repayment of existing loans of \$15.70M occurred offset by a new loan facility of \$48.05M.

Overall, during the first six months of the year, the cash position decreased by \$0.90M with a balance at the end of the period of \$0.96M. 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 \$4.84M in the first six months of 2017 was funded from internal operations. A balance of \$7.16M remains from the budgeted capital expenditure of \$12M 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 (PV) and or wind turbine farms. Progress to date has been slow and it is not expected to be any faster in 2017 given the uncertainty the Company faces with the passage of the 2016 ESA.

The Company is now reviewing 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 Petite 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 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 favourable or unfavourable 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 six months of 2017, reflected by its profit before interest, showed a 5.6 percent decline as compared to the same period in 2016, a reduction of \$1.08M to \$18.07M. This decline was due to increased operating costs.

KWh sales saw a 1.3 percent growth, over the same period in 2016. However, this must be viewed in the context of the Company increasing its kWh sales after the notable growth in 2016 of 6.6 percent. Management, although expecting to meet its budgeted sales target, is not optimistic that the 2016 level of growth will be duplicated, as the Company experienced unprecedented kWh sales in the months of August through November 2016.

Total revenue to June 2017 increased by 13.9 percent, to \$74.11M as compared to the equivalent period of 2016. The 27.8 percent increase in average fuel prices to \$5.33 per imperial gallon, in comparison with that to June 2016, led to higher fuel charge rates. As such, the fuel charge revenue increased by 30.3 percent from \$24.55M to \$31.99M, mainly accounting for the increased revenue.

The fuel cost recovery rate over the six months to June was 108.4 percent producing a net benefit of \$2.48M compared to the \$1.65M from a comparative rate of 107.2 percent over the equivalent period of 2016. The recovery rate in the first half of the year has been similar to that of same period in 2016 as fuel prices, just as last year, have been fluctuating.

Operating and administrative expenses other than fuel of \$26.53M increased by 15.4 percent in the first six months of 2017 relative to the \$23M in the comparative period of 2016. This increase was due to a provision for legal expenses higher than that of 2016 by \$2.72M and the benefit in 2016 of an exchange gain on the repayment of the EIB borrowings of \$0.63M because of a favourable exchange rate. The other expenses were comparative to that of 2016 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 six months of 2017 operating expenses were lower than budget by 4.1 percent.

Interest costs of \$1.34M in the first six months of 2017 reflects a decrease of 30.7 percent compared to the \$1.93M to June 2016. The new borrowings in 2016 led to interest penalties being applicable as a result of an early repayment of borrowings from the EIB, in accordance with the agreement, and accounts for the higher financing costs in 2016.

System losses twelve months rolling average of 7.61 percent at June 30, 2017 was marginally above the 7.58 percent for the year 2016. This would not have had a notable impact on the fuel cost recovery rate comparison between the years. 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 with a view of sustaining if not decreasing system losses.

Fuel efficiency of 19.26kWh's per imperial gallon in the first six months of 2017 was almost equal to the 19.28kWh's achieved in the same period last year. Fuel efficiency in 2016 was 19.13kWh'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.

### **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 \$23M 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 \$22.37M 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. 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. 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.
- 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 June 30, 2017 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 June 30, 2017.

(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 June 30, 2017 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.

An Annual General Meeting was held on Wednesday May 10, 2017.

- (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.**

The four Directors elected were as follows:

Alister Bain;  
Anthea DeBellotte;  
Ashton Frame;  
Lawrence Samuel.

The Board of Directors at the end of the AGM was as follows:

|                         |          |
|-------------------------|----------|
| G. Robert Blanchard Jr. | Chairman |
| Alister Bain            |          |
| Robert Blenker          |          |
| Robert Curtis           |          |
| Anthea DeBellotte       |          |
| Linda George-Francis    |          |
| Ashton Frame            |          |
| Duane Noel              |          |
| Edward Parry            |          |
| Ronald Roseman          |          |
| Lawrence Samuel         |          |
| Murray Skeete           |          |

- (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.**

PKF Accountants and Business Advisers were appointed as auditors for the year ending December 31, 2017 on a majority vote by a show of hands.

- (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<br>June 30, 2017<br>EC \$ | Unaudited<br>June 30, 2016<br>EC \$ | Audited<br>December 31, 2016<br>EC \$ |
|--|-------------------------------------|-------------------------------------|---------------------------------------|
| <b>ASSETS</b>  |                                     |                                     |                                       |
| <b>Non Current Assets</b>                            |                                     |                                     |                                       |
| Property Plant and Equipment                         | 76,208,847.15                       | 69,736,119.90                       | 71,934,183.35                         |
| Suspense Jobs in Progress                            | 1,776,321.88                        | 2,609,012.73                        | 2,296,655.00                          |
| Capital Work in Progress                             | 4,940,864.90                        | 8,856,012.26                        | 8,645,737.00                          |
| Deferred Financing Costs                             | -                                   | 989,198.94                          | -                                     |
| Available-for-sale financial assets                  | 811,967.12                          | 844,065.21                          | 800,065.75                            |
|  | <u>83,738,001.05</u>                | <u>83,034,409.04</u>                | <u>83,676,641.10</u>                  |
| <b>CURRENT ASSETS</b>                                |                                     |                                     |                                       |
| Inventories  | 16,787,497.80                       | 15,010,624.12                       | 16,441,220.56                         |
| Trade and Other Receivables                          | 24,333,454.01                       | 18,281,584.52                       | 19,969,895.20                         |
| Loans and receivables financial assets               | 33,547,377.57                       | 33,279,254.58                       | 33,411,543.09                         |
| Cash and cash equivalents                            | 3,130,745.97                        | 1,296,651.43                        | 1,859,488.59                          |
|  | <u>77,799,075.35</u>                | <u>67,868,114.65</u>                | <u>71,682,147.44</u>                  |
| <b>TOTAL ASSETS</b>                                  | <u>161,537,076.40</u>               | <u>150,902,523.69</u>               | <u>155,358,788.54</u>                 |
| <b>SHAREHOLDERS EQUITY AND LIABILITIES</b>           |                                     |                                     |                                       |
| <b>SHAREHOLDERS EQUITY</b>                           |                                     |                                     |                                       |
| Stated Capital                                       | 32,339,840.00                       | 32,339,840.00                       | 32,339,840.00                         |
| Other Reserve  | -                                   | 8,040.00                            | -                                     |
| Provision for Hurricane Insurance Reserve            | 22,999,999.86                       | 21,000,000.02                       | 22,000,000.00                         |
| Retained Earnings                                    | 19,053,572.63                       | 69,607,253.97                       | 69,607,253.97                         |
| Profit / (Loss) to Date after Dividends              | 3,299,505.68                        | (53,382,656.35)                     | (50,553,681.34)                       |
|  | <u>77,692,918.17</u>                | <u>69,572,477.64</u>                | <u>73,393,412.63</u>                  |
| <b>Non Current Liabilities</b>                       |                                     |                                     |                                       |
| Consumers' Deposits                                  | 14,899,783.58                       | 14,199,567.93                       | 14,921,943.65                         |
| Long-term Borrowings                                 | 39,040,624.97                       | 43,044,791.66                       | 41,042,708.31                         |
| Deferred tax liability                               | 1,879,230.75                        | 430,047.09                          | 1,879,230.75                          |
|  | <u>55,819,639.30</u>                | <u>57,674,406.68</u>                | <u>57,843,882.71</u>                  |
| <b>Current Liabilities</b>                           |                                     |                                     |                                       |
| Amount Due to Related Company                        | (34,788.23)                         | (1,019.98)                          | -                                     |
| Bank overdraft                                       | 2,174,735.71                        | 1,856,326.30                        | -                                     |
| Short- term borrowings                               | 4,004,166.68                        | 4,004,166.68                        | 4,008,250.99                          |
| Trade and other payables                             | 15,561,462.02                       | 9,359,990.05                        | 12,365,037.00                         |
| Consumers' Advances for Construction                 | 949,021.20                          | 1,541,971.65                        | 1,583,807.03                          |
| Current portion of provision for retirement benefits | 462,370.63                          | 272,309.87                          | 195,254.85                            |
| Provision for Profit Sharing                         | 2,984,963.36                        | 2,954,461.80                        | 4,960,633.10                          |
| Income Tax payable                                   | 1,922,587.56                        | 3,667,433.00                        | 1,008,510.23                          |
|  | <u>28,024,518.93</u>                | <u>23,655,639.37</u>                | <u>24,121,493.20</u>                  |
| <b>TOTAL LIABILITIES</b>                             | <u>83,844,158.23</u>                | <u>81,330,046.05</u>                | <u>81,965,375.91</u>                  |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>     | <u>161,537,076.40</u>               | <u>150,902,523.69</u>               | <u>155,358,788.54</u>                 |

**GRENADA ELECTRICITY SERVICES**  
**STATEMENT OF COMPREHENSIVE INCOME**

|                                  | Unaudited Three Months Ended |                        | Unaudited Six Months Ended |                        | Audited                |
|----------------------------------|------------------------------|------------------------|----------------------------|------------------------|------------------------|
|                                  | June 30, 2017                | June 30, 2016          | June 30, 2017              | June 30, 2016          | December 31, 2016      |
| <b><u>INCOME</u></b>             |                              |                        |                            |                        |                        |
| Sales - Non Fuel Charge          | 20,786,495.96                | 20,310,641.35          | 40,652,066.46              | 40,199,770.99          | 82,036,736.25          |
| - Fuel Charge                    | 16,692,652.11                | 11,338,975.69          | 31,987,146.94              | 24,551,034.67          | 53,838,919.75          |
| Unbilled Sales Adjustments       | 249,960.71                   | (142,258.25)           | 439,021.28                 | (480,013.05)           | 105,655.35             |
| Net Sales                        | 37,729,108.78                | 31,507,358.79          | 73,078,234.68              | 64,270,792.61          | 135,981,311.35         |
| Sundry Revenue                   | 357,213.22                   | 332,891.38             | 1,033,910.61               | 783,338.14             | 1,622,400.01           |
| <b>TOTAL INCOME</b>              | <b>38,086,322.00</b>         | <b>31,840,250.17</b>   | <b>74,112,145.29</b>       | <b>65,054,130.75</b>   | <b>137,603,711.36</b>  |
| <b><u>OPERATING COSTS</u></b>    |                              |                        |                            |                        |                        |
| Production less Diesel Consumed  | 2,614,293.94                 | 3,199,003.43           | 5,944,208.83               | 6,507,313.50           | 11,530,093.76          |
| Diesel Consumed                  | 14,821,268.34                | 12,978,512.84          | 29,509,579.61              | 22,904,403.17          | 51,946,760.80          |
| Planning & Engineering           | 652,402.79                   | 680,840.50             | 1,349,642.47               | 1,397,866.10           | 2,614,047.94           |
| Distribution                     | 3,586,821.72                 | 3,785,431.57           | 7,484,587.85               | 7,309,790.05           | 14,875,159.03          |
| <b>TOTAL OPERATING COSTS</b>     | <b>21,674,786.79</b>         | <b>20,643,788.34</b>   | <b>44,288,018.76</b>       | <b>38,119,372.82</b>   | <b>80,966,061.53</b>   |
| <b><u>CORPORATE SERVICES</u></b> | <b>6,283,961.43</b>          | <b>4,418,957.66</b>    | <b>11,751,459.97</b>       | <b>7,782,838.69</b>    | <b>19,119,283.43</b>   |
| <b>PROFIT BEFORE INTEREST</b>    | <b>10,127,573.78</b>         | <b>6,777,504.17</b>    | <b>18,072,666.56</b>       | <b>19,151,919.24</b>   | <b>37,518,366.40</b>   |
| <b><u>INTEREST</u></b>           |                              |                        |                            |                        |                        |
| Bank Loan Interest               | 519,917.73                   | 698,596.20             | 1,045,697.73               | 1,658,920.16           | 3,762,439.60           |
| Other Bank Interest              | 7,044.25                     | 1,052.64               | 7,044.25                   | 1,052.64               | 2,117.15               |
| Consumer Deposit Interest        | 143,176.37                   | 136,673.30             | 285,214.04                 | 270,359.13             | 557,117.04             |
| <b>TOTAL INTEREST COSTS</b>      | <b>670,138.35</b>            | <b>836,322.14</b>      | <b>1,337,956.02</b>        | <b>1,930,331.93</b>    | <b>4,321,673.79</b>    |
| <b>PROFIT AFTER INTEREST</b>     | <b>9,457,435.43</b>          | <b>5,941,182.03</b>    | <b>16,734,710.54</b>       | <b>17,221,587.31</b>   | <b>33,196,692.61</b>   |
| <b><u>ALLOCATIONS</u></b>        |                              |                        |                            |                        |                        |
| Hurricane Provision              | 499,999.89                   | 500,000.13             | 999,999.86                 | 1,000,000.02           | 2,000,000.00           |
| Donations                        | 447,871.78                   | 272,059.10             | 785,728.81                 | 811,079.38             | 1,559,834.60           |
| Profit Sharing                   | 1,729,312.54                 | 1,263,168.58           | 3,186,888.63               | 3,185,731.26           | 6,352,845.46           |
| <b>TOTAL OTHER CHARGES</b>       | <b>2,677,184.21</b>          | <b>2,035,227.81</b>    | <b>4,972,617.30</b>        | <b>4,996,810.66</b>    | <b>9,912,680.06</b>    |
| <b>PROFIT BEFORE TAXES</b>       | <b>6,780,251.22</b>          | <b>3,905,954.22</b>    | <b>11,762,093.24</b>       | <b>12,224,776.65</b>   | <b>23,284,012.55</b>   |
| Corporation Tax @ 30%            | 2,034,075.37                 | 1,171,786.27           | 3,522,587.56               | 3,667,433.00           | 5,508,510.23           |
| Deferred Tax                     |                              |                        | -                          | -                      | 1,449,183.66           |
| <b>PROFIT AFTER TAXES</b>        | <b>4,746,175.85</b>          | <b>2,734,167.95</b>    | <b>8,239,505.68</b>        | <b>8,557,343.65</b>    | <b>16,326,318.66</b>   |
| Dividends                        | 2,470,000.00                 | 56,116,824.30          | 4,940,000.00               | 61,940,000.00          | 66,880,000.00          |
| <b>RETAINED PROFIT to date</b>   | <b>2,276,175.85</b>          | <b>(53,382,656.35)</b> | <b>3,299,505.68</b>        | <b>(53,382,656.35)</b> | <b>(50,553,681.34)</b> |

**GRENADA ELECTRICITY SERVICES LIMITED**  
Statement of Cash Flows

|  | Unaudited Six Months Ended<br>June 30, 2017 | June 30, 2016          | Audited Year Ended<br>December 31, 2016 |
|--|---|------------------------|---|
| <b>Operating Activities</b>                                      |   |                        |   |
| Profit before Income Tax   | 11,762,093.24                               | 12,224,776.65          | 23,284,012.55                           |
| Adjustments for:   |   |                        |   |
| Depreciation   | 3,023,858.10                                | 4,401,195.53           | 6,613,806.69                            |
| Profit on disposal of fixed assets                               | (58,420.37)                                 | (69,039.82)            | (125,816.09)                            |
|  | <u>14,727,530.97</u>                        | <u>16,556,932.36</u>   | <u>29,772,003.15</u>                    |
| <b>Changes in Operating Assets / Liabilities</b>                 |   |                        |   |
| (Increase) / Decrease in receivables and prepayments             | (4,363,558.81)                              | 3,083,382.35           | 1,395,071.67                            |
| Increase / (Decrease) in accounts payable and accrued charges    | 2,539,479.12                                | (609,796.44)           | 3,159,461.61                            |
| Increase / (Decrease) in provision for retirement benefits       | 267,115.78                                  | (54,445.23)            | (131,500.25)                            |
| Increase in inventory  | (346,277.24)                                | (185,973.71)           | (1,616,570.15)                          |
| Decrease in related company balance                              | (34,788.23)                                 | (85,032.80)            | (84,012.82)                             |
| Payment of income tax  | (2,608,510.23)                              | (1,144,071.48)         | (5,644,071.48)                          |
| Decrease in provision for profit sharing                         | (1,975,669.74)                              | (2,223,613.39)         | (217,442.09)                            |
|  | <u>8,205,321.62</u>                         | <u>15,337,381.66</u>   | <u>26,632,939.64</u>                    |
| <b>Investing Activities</b>                                      |   |                        |   |
| (Increase) / decrease in available for sale financial assets     | (11,901.37)                                 | (19,945.21)            | 24,054.25                               |
| Disposal of fixed assets   | 58,950.00                                   | 71,750.00              | 129,750.00                              |
| Decrease / (Increase) in Suspense jobs in progress               | 520,333.12                                  | (340,875.95)           | (28,518.22)                             |
| Decrease / (Increase) in Capital Work in Progress                | 3,704,872.10                                | (6,483,779.40)         | (6,273,504.14)                          |
| (Increase) / Decrease in loans and receivables financial assets  | (135,834.48)                                | 6,496,677.23           | 6,364,388.72                            |
| Increase / (Decrease) in consumer contribution to line extension | 1,768,813.81                                | (69,596.95)            | 229,922.25                              |
| Purchase of fixed assets   | (9,067,865.34)                              | (1,187,528.46)         | (5,898,946.00)                          |
| Increase of other reserves                                       | -   | -                      | (8,040.00)                              |
|  | <u>(3,162,632.16)</u>                       | <u>(1,533,298.74)</u>  | <u>(5,460,893.14)</u>                   |
| <b>Financing Activities</b>                                      |   |                        |   |
| Provision for hurricane insurance reserve                        | 999,999.86                                  | 1,000,000.02           | 2,000,000.00                            |
| Increase in deferred financing costs                             | -   | (989,198.94)           | -                                       |
| Loan proceeds  | -   | 48,050,000.00          | -                                       |
| Repayment of Loan  | (2,006,167.65)                              | (17,098,789.80)        | 28,953,211.16                           |
| Dividends paid   | (4,940,000.00)                              | (61,940,000.00)        | (66,880,000.00)                         |
|  | <u>(5,946,167.79)</u>                       | <u>(30,977,988.72)</u> | <u>(35,926,788.84)</u>                  |
| <b>Net Increase in cash and cash equivalents</b>                 | <u>(903,478.33)</u>                         | <u>(17,173,905.80)</u> | <u>(14,754,742.34)</u>                  |
| <b>Net cash - at the beginning of year</b>                       | <u>1,859,488.59</u>                         | <u>16,614,230.93</u>   | <u>16,614,230.93</u>                    |
| <b>- at the end of period</b>                                    | <u>956,010.26</u>                           | <u>(559,674.87)</u>    | <u>1,859,488.59</u>                     |
| <b>Represented by</b>  |   |                        |   |
| Cash and cash equivalents  | <u>956,010.26</u>                           | <u>1,296,651.43</u>    | <u>1,859,488.59</u>                     |

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2017

**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 June 30, 2017 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, 2016.

**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, 2016.

**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, 2016.