

**Schedule 2  
FORM ECSRC – OR**

(Select One)

**QUARTERLY FINANCIAL REPORT** for the period ended September 30th 2019  
Pursuant to Section 98(2) of the Securities Act, 2001

**OR**

**TRANSITION REPORT**  
for the transition period from January 2019 to September 2019  
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: 345640

Grenreal Property Corporation Limited

(Exact name of reporting issuer as specified in its charter)

Grenada W.I.

(Territory or jurisdiction of incorporation)

P.O. Box 1950, Melville Street, St. George's, Grenada

(Address of principal executive Offices)

(Reporting issuer's:

Telephone number (including area code): 1 473 435 8372

Fax number: 1 473 435 8373

Email address: info@grenreal.com

Not Applicable

(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	7,662,598

**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:

**Dennis S. M. Cornwall**

SIGNED AND CERTIFIED

31-10-2019  
Date

Name of Director:

**Ronald Hughes, Chairman**

SIGNED AND CERTIFIED

31/10/2019  
Date

Name of Chief Financial Officer:

**Lindy Smith-McLeod**

SIGNED AND CERTIFIED

31-10-19  
Date

## **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***

Grenreal has recorded an decrease in net assets of \$365,978 for the year to September 2019 from that of December 2018 . This is as result of Grereal's resolve to regularise some balance sheet accounts. Despite the reduction in receivables by \$155,570 to \$328,607( December 2018- \$484,177) Grenreal had to settle most of its obligation on long outstanding debt to the Government of Grenada during this period and Grenreal has begun payment on the Syndicate Bond, depleting cash.

Overall total income for the year to September 2019 was EC\$3,547,072 (2018-\$3,300,086) an increase of 7% above that of the same period for 2018. However, this figure is \$179,427 or 5% less than the budgeted figure of \$3,726,500.00. The budgeted shortfall stems from delays in the commencement of operations of expected tenants.

Total revenue for the quarter ending September 2019 was EC\$1,117,953; (Quarter ending September 2018: EC\$1,043,306).

Grenreal is slightly behind at this stage to achieve its budgeted revenue of EC\$4,999,500.00 million by end of December 2019.

Total expenses for the year to September 2019 totaled EC \$2,872,763 (2018- \$2,906,951) a decrease of EC 34,188. Bond interest is included in this total expense figure. It should be noted that interest expense has been reduced with the commencement of the principal payments.

There has also been a further decrease Provisions for Doubtful Debts as collections have been made on a number of long outstanding receivables, also as the perceived risk of non collection on some tenants accounts has been reduced.

Payables and accrued expenses has been reduced by EC \$715,476 (September 2019- \$728,553, December 2018- \$1,444,029.00). This is as a result of Grenreal's significant reduction in amounts due to the Government of Grenada on long outstanding VAT.

Overall profit for January to September 2019 was EC\$674,309. compared to the outturn of EC\$393,136.00 for the same period in 2018, Net profit for the quarter to September 2019 was EC\$232,567.00 compared to a net profit of EC \$72,610 for the same period last year.

By the end of the year 2019, Grenreal expects a new upscale restaurant and sports bar to commence operations. Also expected and confirmed to commence operations, is a micro business financing company and pharmacy. These new lease agreement would allow Grenreal achieve or almost achieve its budgeted income.

### **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*

As of September 30th, 2019 the company's working capital ratio( current assets : current liabilities) is 0.45:1. In the end of September 2018 this ratio was slightly lower at 0.41:1. This means that there is 45 cents of current assets to cover every dollar of current liabilities. In the month of November, the last payment on outstanding VAT to Government of Grenada will be settled. Additionally, the amount of \$114K due to Melville Street Property Management Company Ltd. will be settled. This will slightly improve this year's working capital ratio.

The company's debt to equity ratio is 68 : 1. There is 68 cents of long term debt to every dollar of equity. This ratio is also expected to change as principal repayments on the loan of \$24.4M commences at the end of July 2019 and the company continues to improve its operating profit. The total shareholders loan balance of \$2.2M is to be converted to 6% preference shares.

Grenreal's main source of revenue is derived from rental income and from other indirect services. There is a dependence on the cruise sector during the peak season and the retail sector all year round. The increase in rental rates at the beginning of 2019 has contributed to an increase in net Profit over that of previous years and therefore an increase in net equity.

### 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.

The Company does not have any off-balance sheet transactions.

## 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*

Grenreal continues to enjoy operations in a stable political and economic environment. The financial year 2018 saw economic growth in Grenada of 3.5%. Economic growth is expected to continue throughout 2019 albeit at a slower rate. This growth has had a positive effect on commerce. There has been an increase in inquiries for rental spaces.

As the main port of entry for cruise passengers, Grenreal maintains its competitive advantage during the cruise season. Grenreal is also working towards improving local passenger throughput.

Total Income for the year ended September 30th, 2019 was EC\$3,547,072 (year ended September 30th, 2018: EC\$3,300,086), an increase of 7%. Operational Expenses increased by \$93,274.54 to \$1,259,780 (\$1,166,506 - September 2018). However, General Expenses decreased by \$20,785 to \$298,235 (\$319,020 - September 2018). The increase in operational expenses are mainly a result of (1) roof repairs, (2) upgrade in security cameras, (3) landscaping costs. Grenreal continues to collect on old outstanding rent that had previously been provided for or has been written off. This has had a positive effect on profit for the year.

As of January 2019, Grenreal commenced a three year thrust to return rental rates to the original, pre recession levels. This has contributed to the increase in rental income and consequently general service fee income. Grenreal expects further benefits from this initiative as three new units have become available from dividing existing unit. Two of these previously discounted spaces have now been rented at their full rate. Grenreal is actively working toward full occupancy. Negotiations are finalised with a new international food franchise, and Duty Free Caribbean for additional floor space. Due to unforeseen delays, however, both companies have requested an extension of time to start operation. Grenreal also expects a new upscale restaurant by the end 2019.

Increases in operational income are in line with Grenreal's goal of maximising income. There has been a 200% increase in public relations and promotions expense for the year to September 2019 from that of the same period last year. This is a result of the goal of repositioning marketing and promotions. The aim is to attract high end tenants and customers to its current tenant mix, and to capture more of the local youthful population. The professional services corridor on the second floor is also a new selling point. The increases in maintenance costs, the increase in security costs and the upgrade in security technology, also reflects the aim of improving the ambience of the malls and improving the general experience of persons visiting the malls.

Interest on shareholder loans was accrued in June for the period under review and paid. Although the terms of reference on the Syndicate Bond have not been formalised, principal payments have commenced. This has resulted in a significant reduction in interest expense. Shareholder loans are to be converted to 6% preference shares. Grenreal awaits formal arrangements.

During the year to September, 2019, a number of new tenants have commenced operations. These tenants are mainly boutique and variety store tenants. RBTT bank has commenced operation of its ATM facilities on the compound. A micro finance company Axcel Finance and JDIA Pharmacy are to commence operations during the month of November, 2019. Their deposits have been submitted.

As of September 30th, 2019, the combined vacancy rate is 8.37%.



### 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.

Risk factors that may impact on Grenreal's operations:

Nature of the real estate industry:

There are existing shopping malls in Grenada that can be viewed as competitors of Grenreal. In terms of pricing they can have lower rates. However, Grenreal as the sole cruise passenger mall on the island retains a competitive edge.

Dependency on economic conditions:

Limited economic activity has an adverse impact on revenue collections. At the end of the cruise season some tenants may have difficulty keeping afloat. To curtail this Grenreal offers slow season discounts for duty free tenants and general discounts for non duty free tenants. Grenreal is currently on a three year thrust to reduce discounts to 0%. The board of directors and management are currently in the process of reviewing the effects of the first year of rent increases.

Development of the tourism industry

The Grenada Tourism Authority (GTA) markets Grenada as a tourism destination. Grenreal is expected to benefit from the work of the GTA if it continues to actively engage cruise liners and the cruise liners continue to agree to include Grenada in their destination package. The GTA has launched its "Something For Everyone" campaign targeting Caribbean and other stay over visitors. The malls are expected to benefit from this campaign.

Liquidity risk

Grenreal can face difficulty in meeting its financial obligations in particular loan payments. The company as far as possible continues to mitigate same by ensuring sufficient resources are available when due, under both stressed and normal conditions. As part of receivables management tenants are actively engaged to comply with lease terms and conditions and granted discounts.

Changes in legislations

Grenreal can be adversely affected by Government policies on taxation. Increases in tax rates reduce the spending power of both business and customers by reducing disposable income. Further, implementation of cruise passenger head tax may discourage calls from some cruise liners.

Operational risks

The possibility of deficiencies in company information and control systems, human error and disasters are assessed regularly and measures are implemented to reduce same. In particular continuous upgrades to systems, supervisory control to minimize human error, insurance coverage for natural disasters and other policies where applicable.

#### **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.

The company is not involved in any ongoing legal proceedings.

#### **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 has not been any changes to the number and type of securities since the company's listing in July 2008.

(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)

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

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- Name and address of underwriter(s)

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- Amount of expenses incurred in connection with the offer \_\_\_\_\_

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

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- Payments to associated persons and the purpose for such payments

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

Not Applicable

**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.

The company never had any event of default before the securities listing in July 2008.

- (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.

Not Applicable

**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.

The annual Shareholders' Meeting occurred on 21st May, 2019.

- (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.

At the Shareholders meeting held on the 21st May 2019, the following persons continued to be directors of the company:  
Sukru Evrengun, Linus Spencer Thomas, Fay Roberts, Ronald Hughes, Anthony Maughn, Ron Antoine, Fitzroy O'Neale, Richard W. Duncan, George Bain.  
Newly appointed directors are Christopher Husbands and Dorset Cromwell.

- (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 Advisors were unanimously re-appointed as auditors.

Minutes of the Shareholders Meeting held on 17th July 2018 were approved.

Two new Directors were appointed to the Board of Directors. Additionally, the remaining directors were re-appointed at the Shareholders' Meeting held on 21st May, 2019.

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

Not Applicable

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

Not Applicable

**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.

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