

Schedule 2
FORM ECSRC – OR

(Select One)

☒ **QUARTERLY FINANCIAL REPORT** for the period ended March 31, 2021
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:

Collin Cover

SIGNED AND CERTIFIED

Name of Director:

Linda George-Francis

SIGNED AND CERTIFIED

Date

30th April 2021

Date

30/04/2021

Name of Chief Financial Officer:

Benedict Brathwaite

SIGNED AND CERTIFIED

Signature

Date

30.4.21

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 March 31, 2021 with comparatives at March 31, 2020 and December 31, 2020 of GRENLEC's compliance with various financial loan covenants. Within the first three months the ratios that are dependent on profitability usually lag the covenant based on the time frame. The first quarter performance for 2021 was below the usual expected level due to the ongoing impact of COVID-19 on the Company's kWh sales and ultimately its profitability (represented by EBITDA, below).

Covenant Table

	Covenant Ratio	March 2021	March 2020	December 2020
Current Ratio	$\geq 1.35:1$	2.11:1	2.52:1	2.27:1
Debt Service Coverage Ratio	$\geq 1.75:1$	4.23:1	2.73:1	7.04:1
Funded Debt to EBITDA	$\leq 3:1$	19.83:1	3.48:1	1:1

The Company's performance for the first quarter of 2021 was substantially behind that of 2020. The hope is that as the various restrictions, especially those imposed on international travel, are lifted there will be gradual improvements to kWh sales, one of our main drivers of performance.

In the first three months of 2021 the Company's net assets decreased from \$106.46M to \$103.77M. Non-current assets increased from \$113.68M to \$119.02M in this period despite depreciation expense of \$2.10M. Cash and cash equivalents marginally decreased from \$9.73M at the end of 2020, to \$9.33M in the three months to March 2021 due to a reduction kWh sales, and an unfavourable fuel cost recovery rate.

Trade receivables increased by a marginal \$0.12M, over the three months to March 2021, to \$12.60M. The commercial (4.60%), government (0.75%), statutory bodies (4.43%) and industrial sectors (15.86%) increased while, domestic (1.69%) and hotels (14.42%) both decreased. This overall increase was mainly due both to the increase in fuel prices from \$4.65/IGal in December 2020 to \$6.16/IGal in March 2021 as well as a slowing down in collections of outstanding balances due to the financial constraints placed on both the residential and commercial sectors by COVID-19. Debtor days increased by 2.78 days to 30.83 days over the three months to March 2021. The quality of the accounts receivable portfolio improved marginally with the current portion increasing from 62% to 70%, while the 90 days remained at 22% (14%- March 2020).

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 first quarter of 2021 the Company recorded a current ratio of 2.11:1 and was in position to meet its operational requirements at a level above the lender institution's benchmark of 1.35:1.

The average electricity rate over the first three months of 2021 was \$0.78/kWh, a decrease of 15.22 percent (\$0.14/kWh) as compared to the same period last year. This decrease was due to lower world fuel prices in 2021 compared to that at the beginning of 2020. The average fuel charge has decreased by 32.88 percent from \$0.4370/kWh to \$0.2933/kWh for first three months of 2020 as compared to the equivalent period last year.

Cash provided by operating activities for the three months to March 31, 2021 of \$4.76M was 61.62% lower than that for the three months to March 2020. Adjusted profit was \$8.15M lower than for the first three months of 2020 due to the 10.70% decline (\$2.34M) in non-fuel sales; fuel cost recovery benefit being less than 2020 by \$4.46M and the newly implemented first installment of regulatory fees paid to the PURC for 2019 of \$0.96M.

Receivables and payables increased by \$1.20M and 1.71M respectively, largely due to the increases in fuel price during the first three months of 2021.

Cash used in investing activities of \$7.42M to March 31, 2021 was more than twice that used of \$3.67M in the first three months of 2020. The main factors in the use of this cash was capital works in progress that saw an outflow of \$6.37M, \$5.82M of which related to the first installment paid for the purchase of a replacement engine for the failed Wartsila unit in the final quarter of 2020.

Financing activities in the first three months of 2020 was mainly the payment of the regular quarterly dividend of thirteen cents per share and repayment of borrowings as scheduled. In addition, the Company received the first installment of \$5.95M of a \$16.20M loan taken to finance the purchase of a replacement engine for the Generation department. This resulted in cash provided by financing activities of \$2.26M.

Overall, during the first three months of the year, the cash position decreased by \$0.39M to \$9.33M. 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 \$7.24M in the first three months of 2021 was funded from both internal operations and the first drawdown, of \$5.95M, from a new loan from CIBC FirstCaribbean in the amount of \$16M. This loan was negotiated to finance a replacement engine (costed at \$16M) for Wartsila engine which failed in the last quarter of 2020. A balance of \$11.28M remains from the budgeted capital expenditure of \$12.70M (not including the new engine) in 2021 which will be funded from operations.

The Company does not face any significant challenge with regards to capital resources for its recurrent or capital operations. It has an overdraft facility with CIBC FirstCaribbean in the amount of \$6M. Additionally, it has \$6.45M in certificates of deposits that are not associated with the Hurricane Fund that is included within the \$36.47M under financial assets at amortised cost.

The Company's largest customer, the St. George's University continues to operate below full capacity as the majority of its students and faculty have transitioned to the virtual learning environment. The University has announced its intention to recommence on-campus studies in August of 2021. This should result in an improvement to kWh sales in the last two quarters of the year.

In like manner, the largest hotel on island reopened for business at the end of the first quarter of 2021 and it is expected that in the short-term occupancy levels will improve.

Off Balance Sheet Arrangements

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

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

None

Results of Operations

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

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

- i) Any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, the extent to which income was so affected.

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

Overview of Results of Operations

The Company's financial performance for the first three months of 2021, reflected by its profit before interest, showed a 114.11 percent decrease as compared to the same period in 2020, a decline of \$8.17M to \$(1.01)M. The main factors responsible for this decline were the decrease in kWh sales of 9.63% (10.70% fall in non-fuel revenue of \$2.29M); a reduction in the fuel cost recovery benefit of \$4.46M as compared to 2020 (for the first quarter of 2021, the Company experienced an unfavourable fuel recovery of \$1.76M as compared to the favourable recovery of \$2.7M for the same period in 2020) ; the costs associated with the rental of temporary generating units of \$1.69M; payment of first installment of regulatory fees to PURC for 2019 in the amount of \$0.96M.

KWh sales retracted by 9.63 percent in the first quarter of 2021 which was substantially below the 2.5 percent increase over the same period in 2020. This is behind the budgeted growth in kWh sales for 2021 of 6.85 percent.

The average fuel charge \$0.2933 in the first quarter of 2021 was 32.88 percent less than that for the equivalent period of 2020 leading to the lower overall revenue. Fuel revenue in the first three months was 25.23 percent below the 2020 total.

Total revenue to March 2021 decreased by 24.21 percent, to \$34.18M as compared to the equivalent period of 2020.

The fuel cost recovery rate over the three months to March was 88.76 percent producing a net loss of \$1.76M compared to a benefit of \$2.7M from a rate of 113.35 percent over the equivalent period of 2020. The recovery rate in the first quarter was lower than that of 2020 as fuel prices began to rise after its unsustainable low levels in 2020. Since March we have seen world fuel prices continue on an upward trajectory which is likely to have a significant negative impact on the fuel cost recovery rate in the coming months.

Operating and administrative expenses other than fuel of \$16.77M increased by 17.44 percent in the first three months of 2021 relative to the \$14.28M in the comparative period of 2020. This increase was mainly due to an adverse variance of \$2.11M between the years with regards to expenditure in the Generation department. Specifically, the majority of the unfavourable variance related to the cost to rent generating units from Aggreko, as a temporary replacement for the failed Wartsila engine, in the amount of \$1.69. The other departments' expenses were comparative to that of 2020 as tight controls over costs were maintained in recognition that with no change in the non-fuel charge rate since 2016 the Company is dependent on kWh sales growth and efficiency improvement to counter price increases. Over the first three months of 2021 operating expenses were lower than budget by 17.35 percent.

Interest costs of \$0.64M in the first three months of 2021 were in line with 2020's \$0.63.

System losses twelve months rolling average of 6.40 percent at March 31, 2021 was lower than the 6.98 percent at the equivalent point in March 2020. The lower system losses would have had a positive impact on the fuel cost recovery rate. It 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 operates. Management monitors system losses closely with the view of keeping it as low as technically possible.

Fuel efficiency of 15.23kWh's per imperial gallon in the first three months of 2020 was below the 15.81kWh's achieved in the same period last year and represents a 3.67 percent decline. During the final quarter of 2020 the Wartsila #4 engine suffered a catastrophic failure, which resulted in the need to rent a few small units from Aggreko, in the short term. The units were commissioned in December 2020 and are expected to remain in use for the first half of 2021. Notably, these units are less efficient than the unit that they replaced, resulting in a negative impact on the fuel efficiency. Once replaced, we expect to see further improvements to fuel efficiency. Fuel efficiency is very important as it is a key performance indicator for the Company and has a significant impact on its financial performance.

3. Disclosure about Risk Factors.

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

The major risk factors facing the Company continue to be as follows:

- Hurricanes

As clearly established after Hurricane Ivan hit Grenada in 2004 when approximately 90 percent of our distribution system was affected, hurricanes continue to be the most immediate and significant risk being faced. This risk 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. Further the distribution system is maintained in this condition by a consistent pole inspection and replacement program. With each passing period that Grenada is not significantly affected by a hurricane the Company's Hurricane Reserve increases, and presently it stands at \$30.5M which mitigates the main risk exposure associated with post-hurricane recovery. Additionally, the Hurricane Fund of \$29.99M is more than the pre Ivan level of \$14M.

It is important to note that the PURC has disclosed its intention to institute an Electricity Disaster Fund (EDF) in the updated draft tariff regulations, which forms part of the draft regulations. The specific guidelines relating to the implementation and management of the EDF will be defined by a procedures document, to be released. The intended purpose of the fund would solely be for natural disasters, and will, for all intents and purposes, replace the existing Hurricane Fund.

- The 2016 Electricity Supply Act, 2017 Electricity Act and the 2016 Public Regulatory Commission Act
 - The 2016 EA and the 2016 PURC Acts had commencement dates of August 1, 2016. These Acts fundamentally alter the regulatory and operating framework. Section 71 of the 2016 ESA repealed the Electricity Supply Act, 1994 (ESA 1994). 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 Act is silent on the issue of whether concessions on customs duties will continue as per the Electricity Supply Act No, 39 of 2013 or be removed altogether. Public Consultation sessions were held during 2020 on the draft regulations under the new Act. And the PURC have commenced working groups to address concerns raised.

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 March 31, 2021 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 March 31, 2021.

(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 on loans of \$48.05M in March 2016 and \$3.72M in August 2019 were made during the quarter ended March 31, 2021 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.

None.

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

N/A

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

N/A

- (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