

(Select One)

Schedule 2
FORM ECSRC – OR

[X] QUARTERLY FINANCIAL REPORT for the period ended September 30, 2023
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 (Ag):

Clive Hosten

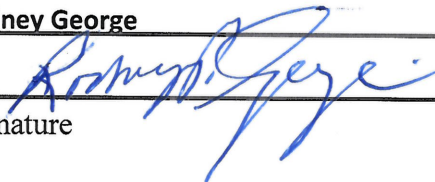
Signature



Name of Director:

Rodney George

Signature



Date: 27th October 2023

Date: 27th October 2023

Name of Chief Financial Officer:

Lydia Courtney-Francis

Signature



Date: 27th October 2023

1. Financial Statements.

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

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

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

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

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

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

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

The discussion should focus on aspects such as liquidity; capital resources; changes in financial condition; results of operations; material trends and uncertainties and measures taken or to be taken to address unfavourable trends; key performance indicators; and non-financial indicators.

General Discussion and Analysis of Financial Condition

The following table provides information as at September 30, 2023, with comparatives at September 30, 2022, and December 31, 2022, of GRENLEC's compliance with various financial loan covenants.

There was a marked improvement in all ratios (Debt Service Coverage, Funded Debt to EBITA, and Liquidity) at the end of the third quarter, as compared to the same period in 2022. A review of the data in the table below indicates that the Company's performance continues to improve over the same period in 2022 and is also ahead of December 2022.

Covenant Table

	Covenant Ratio	Sep-23	Sep-22	Dec-22
Current Ratio	$\geq 1.35:1$	2:01	1.70:1	1.99:1
Debt Service Coverage Ratio	$\geq 1.75:1$	2.62:1	1.63:1	2.54:1
Funded Debt to EBITDA	$\leq 3:1$	1.07:1	3.04:1	1.61:1

Grenlec's performance is significantly ahead at the third quarter in comparison to the equivalent period last year. The third quarter continued to see consecutive month-on-month kWh unit sales growth (except August 2023) as was the case in the first and second quarters of 2023, with a 3.69% increase for this period compared to the same period of 2022. The non-fuel dollar sales continue to perform strongly compared to September of 2022 and have recorded a year-on-year increase of 33.41%. The major factor affecting the increase was the restoration of the non-fuel rate after a 25% discount, which was granted to customers from the 5th January 2022 to 9th September 2022.

In the first nine months of 2023, the Company's net assets increased from \$109.8M to \$129.6M. Non-current assets remained relatively flat at \$131.4M, marginally down from \$131.8M at year-end, and with a depreciation expense of \$8.4M considered. Cash and cash equivalents increased significantly from \$975K at the end of December 2022 to \$26.6M in the nine months to September 2023. The net increase in cash and cash equivalents of \$25.62M was due mainly to the restoration of the non-fuel rate to 2016 prices coupled with the decrease in the debtor balance. The favorable fuel cost recovery rate as fuel prices dropped on prior year levels is also a contributing factor.

Trade receivables decreased by 18.1% over the first three quarters of 2022, to \$33.55M, with all sectors showing decreases. This overall decrease was mainly due to the average decrease in fuel prices from \$11.94 per imperial gallon in December 2022 to \$9.70 per imperial gallon in September 2023, resulting in lower billed balances, coupled with improved cash collections performance. Debtor days recorded at December 2022 decreased by 7.20 days to 31.38 days over the nine months to September 2023 and are mostly on a budget of 31.35 days. At September 2022, Debtor days were at a high of 44.43 days. The quality of the accounts receivable portfolio for the current portion declined slightly to 86.7% for up to 90 days compared to 88.4% in December 2022 and 89.6% in September 2022, while

the amounts outstanding over 90 days increased from 10.2% to 13.3% for the same period.

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) Capital Resources

As at the end of the third quarter of 2023, the Company recorded a current ratio of 2.0:1 and was in a position to meet its operational requirements at a level above the lender institution's benchmark of

1.35:1.

We have seen a steady decline in the average electricity rate over the first nine months of 2023, with September recording a rate of \$1.00/kWh, compared to \$1.22/kWh in September 2022 and \$1.25/kWh at the end of December 2022. However, we have seen an uptick in fuel price per imperial gallon over the last three months, and while the average energy rate was \$1.07/kWh in 2022, year-to-date, the average price is \$1.10/kWh due to the recent increases. We expect this new upward trend to continue until the end of the year 2023.

Cash provided from operating activities for the nine months to September 30, 2023, of \$26.5M was higher than the negative (\$545K) for the same period last year. Profit before Tax of \$26.42M was 570% higher than the first nine months of 2022, mainly due to a combination of the return to the standard non-fuel rate on 9th September 2022 and the fuel cost over-recovery being \$14.4M. Receivables decreased by \$2.44M, while there was a slight increase in payables of (50K) compared to the year-end. This was largely due to the increases in cash collection and the decrease in fuel prices during the first six months of 2023.

Cash used in investing activities was \$7.78M for the first three quarters of 2023, as compared to \$12.05M at December 2022 and \$8.99M at September 2022. This represents Capital Works YTD and is at a comparable rate to the prior year. Purchase of Property, Plant, and Equipment YTD is 2.9M, while Work in Progress and Suspense Jobs are at \$4.85M.

Financing activities in the first nine months of 2023 related mainly to the payment of the first three quarter's dividends at a lower rate of ten cents per share compared to the thirteen cents previously paid. The Board has taken a prudent approach to the reinstatement of dividends as the company's performance stabilizes and also in preparation for upcoming investments in 2024, which will be undertaken. Repayment of borrowings took place as scheduled. These resulted in cash used in financing activities of \$10.08M, while at the prior year, September YTD was lower at \$7.02M, a reflection of the lower dividend payment.

Overall, during the first nine months of the year, the cash position increased by 373% from December 2022's cash balance of (\$4.34M). The Company met all 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

Capital Project and Suspense Jobs was \$4.85M, which, when net of proceeds from Disposal (\$129K), amounted to \$4.71M. This is significantly low for this time of the year, and it is anticipated that some projects will roll over into 2024.

The Company does not face any significant challenge with regard to capital resources for its recurrent or capital operations. It has maintained its overdraft facility with Grenada Co-operative Bank Limited (who took over the operations of CIBC) in the amount of \$6M. Additionally, there are \$6.5M in certificates of deposits that are not associated with the Hurricane Fund, which is included within the

reported \$38.65M of financial assets at amortized cost.

Off Balance Sheet Arrangements

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

i) Disclosures concerning transactions, arrangements and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of, or requirements for capital resources.

ii) The extent of the issuer's reliance on off-balance sheet arrangements should be described fully and clearly where those entities provide financing, liquidity, market or credit risk support, or expose the issuer to liability that is not reflected on the face of the financial statements.

iii) Off-balance sheet arrangements such as their business purposes and activities, their economic substance, the key terms and conditions of any commitments, the initial on-going relationship with the issuer and its affiliates and the potential risk exposures resulting from its contractual or other commitments involving the offbalance sheet arrangements.

iv) The effects on the issuer's business and financial condition of the entity's termination if it has a finite life or it is reasonably likely that the issuer's arrangements with the entity may be discontinued in the foreseeable future.

None

Results of Operations

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

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

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

Overview of Results of Operations

The Company's financial performance for the first nine months of 2023 showed significant improvement on 2022 revenues, which was impacted by the 25% discount on the non-fuel rate afforded to customers, restored on 9th September 2022. In the current year, the company is also experiencing an over-recovery on fuel, compared to an under-recovery for the same period last year. Both factors have positively impacted Profit before Interest at \$36.54M, which recorded a marked increase of 366% as compared to the same period in 2022 (\$9.98M).

Non-fuel revenue increased by 33.40% compared to September 2022. The company experienced a year-to-date 2023 fuel cost recovery rate of 114.98%. This resulted in a benefit of \$14.4 million to Profit Before Financing. In contrast, the fuel cost recovery rate in September 2022 was 93.76%, leading to an under-recovery of (\$7.06M) for that period. Fuel costs have decreased year on year by 14.89%.

The company is closely monitoring the international oil market, where oil price increases are having a negative impact on fuel prices. Between August and September 2023, there was a significant increase in the average price per imperial gallon of fuel, amounting to a 16% rise. This trend is expected to continue into October 2023. This price change is now monitored daily as we keep track of our fuel cost expenditure and ensure proper planning.

Unit sales (excluding own use) for the first three quarters of 2023 was 3.70% (6.21 million kWh) higher than 2022 and 0.43% behind budget. This is the highest growth rate of consecutive monthly performance, where each month (except August 2023) produced the highest kWh sales in the history of the organization.

Total revenue to September 2023 increased by 10.43%, to \$184.09M as compared to the equivalent period of 2022. The average fuel charge in the first nine months of 2023 was \$1.10 and is lower than the equivalent period of 2022(\$1.25). Fuel revenue in the first nine months was 4.30% higher than in 2022 due mostly to the fallen prices, and this has led to the over-recovery of \$14.4M that we have experienced to date.

Operating and administrative expenses (net of fuel) of \$51.21M to September 2023 were favourable to budget by 6.84% and were higher than the prior year's actual of \$43.52M by 17.67%.

Corporate Services, Production, and Planning and Engineering departments all show a combined positive variance to budget, while Transmission and Distribution has an adverse variance of 6.60%. All departments and, by extension, the total operating costs (net of fuel) compared to September 2022 have increased by a total of \$7.69M.

Interest costs at \$1.73M for the first nine months of 2022 were marginally better than 2021's \$1.83M and is a factor of the lower loan balances.

System losses twelve months rolling average of 7.15% at September 30, 2023, has worsened from the 5.97% position at the equivalent point in September 2022 but is marginally above the 7.0% budget. The lower system losses are designed to have a positive impact on the fuel cost recovery rate. It is a

key strategic driver for the Company. Management monitors system losses closely with the view of keeping it as low as technically possible.

Fuel efficiency of 19.17/kWh per imperial gallon in the first nine months of 2023 has been consistent with the ratio we have seen for some time and was slightly above 19.14/kWh per imperial gallon achieved in the same period last year.

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:

- **Parametric Insurance**

After several months of consultation, the company has supplemented its self-insurance by adding parametric insurance to its portfolio. Effective 1st September 2023, the company subscribed to the Caribbean Catastrophic Risk Insurance Facility (CCRIF) Program, which will enable the company to claim for storm damages related to its Transmission and distribution networks. Settlement of claims meeting the criteria is usually within a 14-day window.

- **The 2016 Electricity Act, the 2017 Amended Electricity Act, and the 2016 Public Regulatory Commission Act**

Small Scale Independent Power Producer (SSIPP) Pilot Program

The first round of consultation on the Power Purchase Agreement (PPA) with the PURC, Grenlec, and the SSIPs commenced in August 2023. The SSIPs were required to submit their queries to the PURC on the outstanding matters that were not discussed at the first engagement so that the feedback could be concluded and responses provided to the SSIPs. We await the summary document with the concerns raised by the SSIPs so that the PPA can be finalized.

- Grenlec has selected a consultant to commence work on the Cost-of-Service Study. During the process, the need for an independent Load Research Study will be evaluated.
- The PURC published the Interim Tariff Determination on 25th August 2023, to take effect from 1st October 2023. Among other matters, the Fuel Adjustment Clause (FAC) will be implemented, which will treat fuel as a pass-through, and the Renewable Charge (RE) will be included for the first time in the total charge for electricity billed to the customer. Previously, Grenlec had absorbed the cost of renewables paid to RE customers who delivered Solar PV to the Grid.

4. Legal Proceedings.

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

There were no pending legal proceedings outstanding as at September 30, 2023 that could materially impact on the Company's position.

5. Changes in Securities and Use of Proceeds

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

There were no changes in securities during the quarter ended September 30, 2023.

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

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

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

Name and address of underwriter(s)

N/A

N/A

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

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

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

None.

6. Defaults upon Senior Securities.

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

Payments of principal and interest to CIBC FirstCaribbean on loans of \$48.05M in March 2016, \$3.72M in August 2019, and \$16.2M in March 2021 were made during the quarter ended September 30, 2023, 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.

N/A

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.

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

N/A

8. Other Information.

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

None