HOPE IS CONTAGIOUS TOO

grenlec

Grenada Electricity Services Ltd
ANNUAL REPORT 2020

HOPE IS CONTAGIOUS TOO

Grenlec has proudly powered the people of Grenada, Carriacou and Petite Martinique for decades. But, what our tri-island nation really runs on is the strength of our unity and love.

Grenlec knows that Grenada will smile again. Through good times and bad, our people have always stood together. Now, as we face the many challenges of the COVID-19 pandemic, Grenlec stands in solidarity with our customers, shareholders and other partners. Together, we will overcome.

This year's annual report reflects on the challenges we faced in the year under review and looks ahead with optimism, powered by love, unity and light.

We are proud. We are united. We are Grenada.

CONTENTS

VISION STATEMENT

To become a world-class energy service provider and to be the corporate leader in Grenada, Carriacou and Petite Martinique, exceeding the expectations of all stakeholders.

MISSION STATEMENT

To deliver excellent energy services in Grenada, Carriacou and Petite Martinique, at the least possible cost while maintaining the highest standards and values.

Corporate Information

CORPORATE PROFILE

The Grenada Electricity Services Ltd. (Grenlec), the sole licensed provider of electricity in Grenada, Carriacou and Petite Martinique, is publicly traded on the Eastern Caribbean Securities Exchange (ECSE).

With a customer base of more than 54,000, our Company has been providing integrated services of generation, transmission and distribution of electricity since 1960. With total installed capacity of 52.07MW and peak demand of 31.86MW, Grenlec is proud to serve the people of Grenada, Carriacou and Petite Martinique.

Grenlec is rising to the challenge of providing safe, reliable service by continually investing in service enhancement, its employees, infrastructure and communities.

DIRECTORS

Mr. Duane Noel – Chairman (Ag)
Dr. Bert Brathwaite
Ms. Winnifred Duncan-Phillip
Mr. Ashton Frame
Ms. Linda George-Francis
Mr. Cleaver Williams

G. Robert Blanchard Jr. –Chairman - *resigned December 2020*
Robert Blenker- *resigned December 2020*
Robert Curtis- *resigned December 2020*
Edward Parry- *resigned December 2020*
Deborah Roseman - *resigned December 2020*
Murray Skeete - *resigned December 2020*

GENERAL MANAGER

Mr. Collin Cover

COMPANY SECRETARY

Mr. Benedict A. Brathwaite

REGISTERED OFFICE

Dusty Highway
Grand Anse
St. George
Grenada

BANKERS

CIBC FirstCaribbean International Bank (Barbados) Limited
Church Street
St. George's, Grenada

Republic Bank (Grenada) Limited
Republic House
Grand Anse
St. George, Grenada

Cayman National Bank
Grand Cayman
Cayman Islands

RBTT Bank Grenada Limited
Cnr. Cross & Halifax Streets
St. George's, Grenada

Grenada Co-operative Bank Limited
Church Street
St. George's, Grenada

The Bank of Tampa
Florida, U.S.A.

ATTORNEYS-AT-LAW

Mitchell and Co.
Grand Anse
St. George, Grenada

AUDITORS

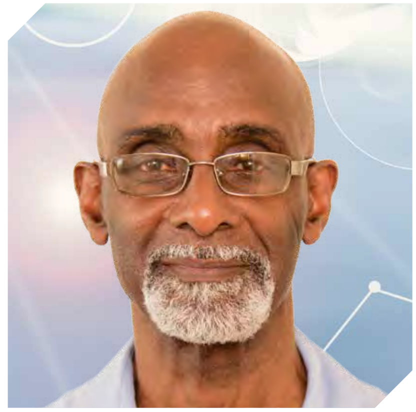
PKF Accountants and Business Advisers
Pannell House
Grand Anse
St. George's, Grenada

NOTHING CAN DIM OUR LIGHT

CELEBRATING GRENADA'S INDEPENDENCE
with the Lantern Floral Exposition

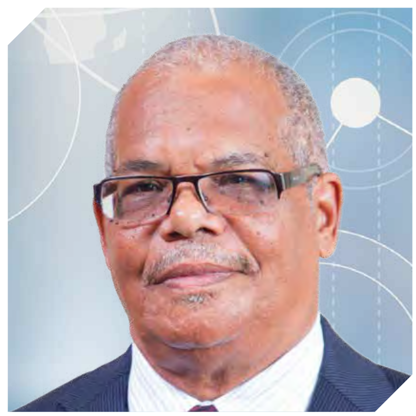
Board of Directors

Mr. Duane Noel
-Chairman (Ag)



Dr. Bert Brathwaite

Ms. Winnifred Duncan-Phillip



Mr. Ashton Frame

Ms. Linda George-Francis

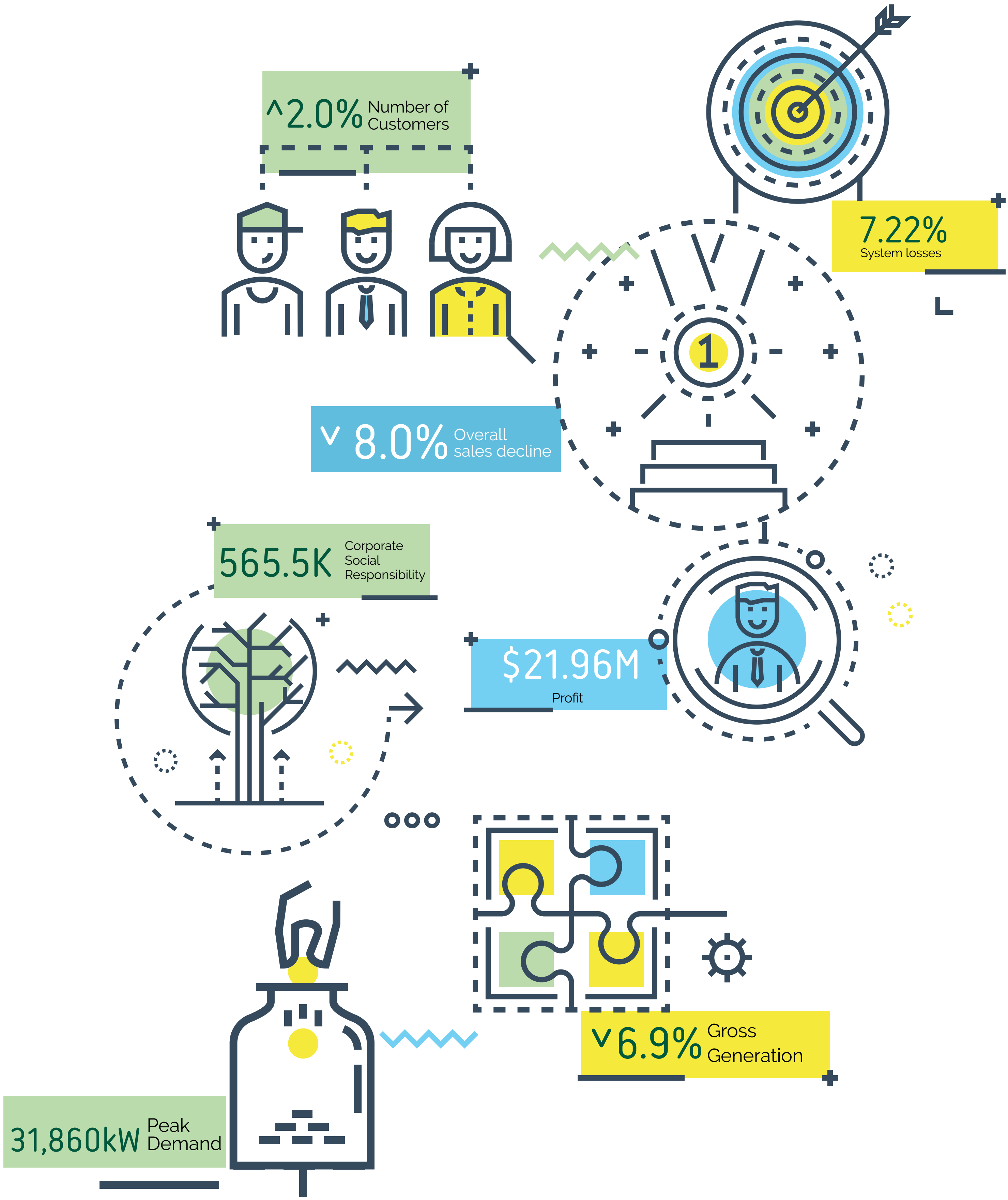
Mr. Cleaver Williams

GRENLEC MOBILE APP

Launching in 2021

- Easy and convenient access to current electricity bills and payment information for multiple accounts.
- View your electricity bills and monthly usage.
- Report outages to Grenlec.
- Report faults on street lights, lines and poles.
- Receive service notices.
- Grenlec will send you messages about power outages that may affect you and provide updated restoration information.

Year at a Glance



GRENADA RUNS ON LOVE

REWARDING CUSTOMER LOYALTY
Grand Prize winner of 2020 Bill for Free (BFF) Promotion was awarded electricity credit for 1 year. 14 other customers won electricity credit for 6 months. All awards valued up to a maximum of $300 monthly.

Chairman's Report

The strength and resolve of our team were tested in 2020 and they held stead-fast, producing good financial results.

The year 2020 started with a sterling sales performance in the first quarter. However, by the second quarter of 2020 it was evident that the COVID-19 pandemic would affect the lives of our customers and the business environment of the country would be altered in a way that would test our Company in many ways.

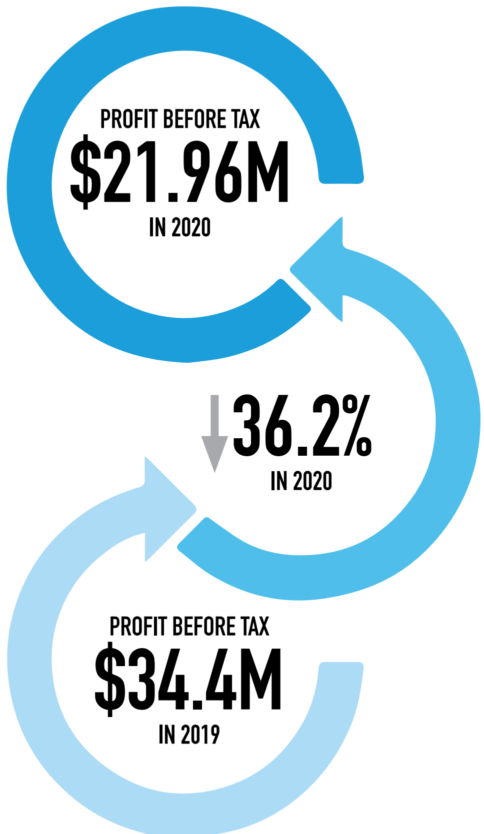
With the announcement of the pandemic in March and the declaration of a limited State of Emergency, your Board and Management took decisive operational decisions, implementing new protocols for using and cleaning our facilities and committing resources to safeguard team members and customers. Strict safety measures were implemented, so we could continue to provide reliable electric service as so many of our nation's home-bound students, workers and enterprises conducted business online.

COVID-19 RESPONSE

Among the Company's earliest initiatives, at a time when so little was known about COVID-19, a cadre of Grenlec team members in Grenada, Carriacou and Petite Martinique, volunteered to stay in safe houses during the lockdown period. Many team members worked remotely and others remained on call and responded to emergencies as the Company sought to keep employees safe, while maintaining reliable service to customers.

The Company prioritised job and financial security during the initial stages of the pandemic. We take pride in the fact that we were able to avoid any salary reductions or layoffs. We also paid profit sharing prior to the 2019 AGM, despite the agreement with the Grenada Technical and Allied Workers (GTAWU) that it should be paid within the month following the AGM.

With the indefinite closure of St. George's University and contraction of tourism and other sectors, financial projections were revised downwards. The drastic slowing of our economy necessitated that each department identify opportunities for cost containment and efficiency improvements.



Given the lockdown, the shutdown of public transportation as well as the reality of temporary and permanent business closures, the Company proactively suspended disconnections from March – August 2020, ensuring customers would not go without power due to financial hardships. Simultaneously, collections and communications focused on encouraging customers to use online banking and third-party payment agencies to continue paying their bills.

As public transportation remained suspended until late May, when there was an opportunity to do so, Grenlec organised 'Pop Up' Bill Payment Centres in St. David, lower St. Andrew and St. Mark, areas in which payment services were not readily accessible.

Customers were provided welcome relief as Grenlec partnered with the Government of Grenada on its proposal to provide a 30% discount to customers in April, May and June. The Government's contribution was $8.5M and Grenlec's was $3M as your Company yet again responded to customers' needs

LOWER FUEL CHARGE

Customers also benefitted from fuel prices, which were lower than in 2019. In fact, world fuel prices fell to such levels that over the last four months of 2020, the fuel charge ranged from $0.21 to $0.29 per kWh, leading to some of the lowest rates over the past five years.

PROFIT

Against this backdrop, profit before taxation fell from $34.40M in 2019 to $21.96M in 2020, a reduction of 36.2%, despite the impact of a 113.52% ($7.5M) fuel charge over-recovery. This was largely due to the trickle-down effects of the COVID-19 pandemic, which resulted in an 8% decline in kWh sales and a 3.8% increase in operating costs, net of fuel.

DIVIDENDS

Your Company's earnings per share (EPS) of eighty-five cents in 2020 was 31.45% lower than the one dollar and twenty-four cents earned in 2019. This was a direct impact of the COVID-19 pandemic.

Dividends of $0.52, in four quarterly payments of thirteen cents per share, were kept at the same level as the payout in each year following the special dividend of 2016.

Your Board is eagerly anticipating the publication of the Public Utilities Regulatory Commission (PURC) regulations to understand what the new operating environment will be. This will allow for an informed decision about whether to adjust your quarterly dividend payment.

Your shares listed on the ECSE were trading at $12.00 per share by the end of 2020, up from a listing of $10.00 at the end of 2019. This share price of $12.00 continued to hold as of March 31, 2021.

CHANGE IN MAJORITY SHAREHOLDER

As of December 24, 2020, the Government of Grenada became the majority shareholder of the Company, after purchasing the shares of Grenada Private Power Limited, in accordance with the March 2020 ruling of the International Centre for Settlement of Investment Disputes (ICSID).

Consequently, the directors appointed by Grenada Private Power (GPP), namely Mr. G. Robert Blanchard Jr., Mr. Robert Blenker, Mr. Robert Curtis, Mr. Edward Parry, Ms. Deborah Roseman and Mr. Murray Skeete, resigned with immediate effect. We take the opportunity to thank GPP/WRB Enterprises for their 26 years of partnership.

Unfortunately, due to the pandemic, an Annual General Meeting (AGM) was unable to be held in 2020 and as such new directors were not appointed to the Board during the year. However, as laid out in section 76, subsection 1 of the Company's Articles of Association, which states, "unless the company shall otherwise determine in general meeting the number of directors shall not be less than five nor more than twelve", your Company's business was undertaken by the six remaining Directors (Mr. Duane Noel – Acting Chairman, Dr. Bert Brathwaite, Ms. Linda George-Francis, Ms. Winnifred Duncan-Phillip, Mr. Ashton Frame and Mr. Cleaver Williams).

MAJOR CHANGES

Immediately following GPP's exit, the Board conducted a series of reviews of the Company and initiated dialogue with management that will impact the following:

1. Modification to the Articles of Association
2. A review of the Generation Assets
3. Review all outstanding Union/Staff Matters
4. RFP for New External Auditors
5. Review of the Regulatory Environment – PURC
6. Review of outstanding legal proceedings

Articles of Association
The initial changes in the Articles of Association were required to allow for hosting future Annual General Meetings electronically due to the COVID-19 protocols and to facilitate the eminent change and make-up of Directors. Further changes are scheduled to be made, especially to address improvements to the Good Governance Practices.

Review of the Generation Assets
A complete review of all the Generation Assets was done to assess their condition and as a launching platform for a strategic planning process. The ages of the main units range from 13 –25 years.

On 1 October, 2020, there was a major failure of one of our largest engines, an 8MW Wartsila engine. To ensure reliability of supply and to have the additional capacity to allow maintenance to be done on other units, the Board immediately approved the rental of 6MW of generation from Aggreko. A decision then had to be made to either seek the quickest available replacement, which could be made operational within six months of signing the contract or wait at least eighteen months for a natural gas (LNG) fired plant or sufficient renewable energy to maintain the required system reliability of 99.5%. Given that the unit with the shortest lead time could be converted to burn LNG at a later date, a decision was made to purchase the 9.2MW Wartsila engine, which was readily available. Based on contractual arrangements and the schedule, the new unit is expected to be installed and fully functional at Queen's Park by the end of July 2021. Moving forward, the Company has taken a position to move away from fossil fuel engines to more environmentally friendly units and significantly increase the Company's renewable energy focus and investments.

Union/Staff Matters
The Board reviewed all Union related matters and has been able to settle an outstanding matter that had been referred to the Ministry of Labour. The Management was also given the approval to proceed with the 2021 negotiation process.

RFP for External Auditors
A critical area that was addressed is the Company's
A critical area that was addressed is the Company's
External Auditors. The present External Auditors has been engaged for the past 30+ years. As this is not considered a good governance practice, the Board took the decision to prepare a Request for Proposal for Auditors to be approved at the upcoming Annual General Meeting.

Legal Matter – Past Directors
The Board took the decision to have the new counsel review existing legal issues. The matter filed against the three past local Directors several years ago was terminated.

Review of the Regulatory Environment – Public Utilities Regulatory Commission
The Electricity Act (2016) and the development of the Public Utility Regulatory Commission (PURC) require Grenlec to operate under a new regulatory environment. Grenlec's legal challenges of issues related to the PURC were ended and the Company has started a series of strategic discussions with PURC about the draft regulations.

The development of the new regulatory environment is critical as it impacts issues such as the return your Company will be allowed to make on the Rate Base. (The Rate Base is the amount of capital or assets the Company will be allowed to make a return on.)

The PURC will also determine the implementation of a renewable interconnection policy, and how the renewable energy (RE) policy will affect the company. Further guidance from the PURC about the process and rates for RE interconnections are still outstanding.

THE GRENLEC COMMUNITY PARTNERSHIP INITIATIVE - GCPI

Though the normal functions of the GCPI were delayed due to the COVID-19 pandemic, the Company reached out to provide support to frontline organisations. Among these, the Ministry of Health, Royal Grenada Police Force and care institutions for children and the elderly benefitted from support of $500,000.

The Company continues to set aside 5% of its pre-tax profits for community projects.

OTHER ISSUES

As I write, the COVID-19 pandemic continues to negatively impact your Company's sales and collections. Simultaneously, rising fuel prices have eroded the fuel cost recovery benefit that supported profitability in 2020. Shareholders can therefore expect the 2021 financial performance to continue to fall well below 2019 levels as the world continues the recovery process.

The approval of several COVID-19 vaccines has provided strong hope of recovery and heightened anticipation of the resumption of classes at St. George's University's True Blue Campus as well as tourism-related services. It is critical that we adhere to the COVID-19 protocols, that our citizens see the benefits of taking the vaccine approved by the health authorities and understand the direct relationship of vaccination to the protection of lives and the overall recovery of our Country.

We expect that ultimately there will be a sharp recovery in the economy, given that the pandemic caused no infrastructural damage, unlike what existed after the passage of Hurricane Ivan. However, this recovery might not take place until the last quarter in 2021, which could limit the significance of its impact on 2021's performance.

As we move forward, there is the need to improve efficiencies, implement renewable energy initiatives, lower the cost of electricity to our consumers and manage operational costs, while maintaining safety and reliability as part of the Company's overarching goal.

We thank the management and team for their commitment to excellence and making the adjustments that have been necessary. The strength and resolve of our team were tested in 2020 and they held steadfast, producing good financial results. We are confident that our team is well positioned to face the existing and any new challenges that may lie ahead.

Duane Noel
Chairman (Ag)

Management Team

1. **Collin Cover**
   General Manager
2. **Benedict Brathwaite**
   Financial Controller
3. **Dwayne Cenac**
   Manager, Planning and Engineering
4. **Wallace Collins**
   Manager, Carriacou and Petite Martinique
5. **Prudence Greenidge**
   Manager, Corporate Communications
6. **Clive Hosten**
   Chief Engineer
7. **Selcrest Husbands**
   Manager, Generation
8. **Jeffrey Neptune**
   Manager, Information Systems
9. **Casandra Slocombe**
   Manager, Customer Services
10. **Eric Williams**
    Manager, Transmission & Distribution
11. **Jacquline Williams**
    Manager, Human Resources

UNITED EVEN WHEN APART

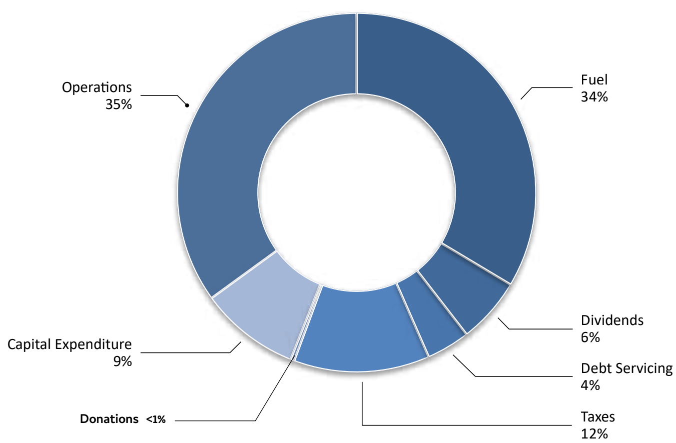
CONNECTING PEOPLE
Grenlec Team Members returning from restoration work in the Bahamas.

Management Review and Analysis 2020

OVERVIEW

- kWh sales retracted by 8% compared to 2019
- Revenues were $148M.
- Pre-tax profits were $21.96M.
- System losses were 7.22%.
- Return on equity was 14.56%.
- Earnings per share were $0.85.
- Gross Generation of 222,727MWh.
- Peak Demand of 31.9kW.
- Grenlec Community Partnership Initiative (GCPI) support of $565.5K with $500K to frontline COVID-response and Care Institutions.

HOW YOUR DOLLAR WAS SPENT

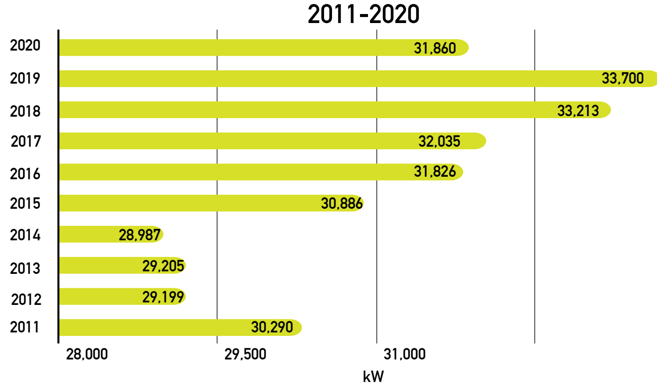


HOW GRENLEC'S DOLLAR WAS SPENT IN 2020

Fuel	**55,936,153**
Dividends	**9,880,000**
Debt Servicing	**6,526,587**
Taxes (Income, VAT, Env Levy, Stamp)	**20,401,584**
Donations	**565,478**
Capital Expenditure	**13,900,914**
Operations	**58,322,787**
TOTAL	**$ 165,533,503**

PEAK DEMAND

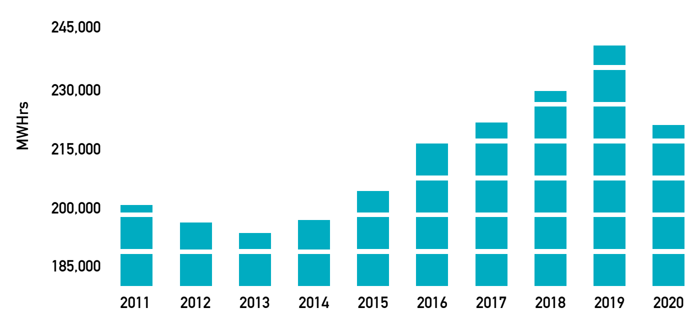
2011-2020



Peak demand declined to 31,860kW compared to 33,700kW in 2019, an impact of the pandemic.

GROSS GENERATION

2011-2020



After a record year in 2019, gross generation of 222,727MWh represented a 6.9% decline due to the COVID-19 pandemic.

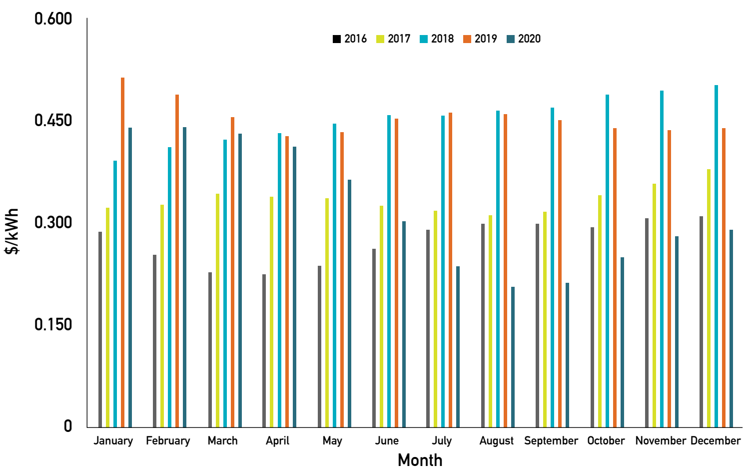
FINANCIAL REVIEW

Consistent with historical observation, there was a clear correlation between Grenada's economy and the Company's sales performance in 2020, with GDP declining by 11.3%, while kWh sales fell by 8% compared to 2019. The only other year that the Company experienced such a large drop in kWh sales was 2004 (9.11%) because of Hurricane Ivan.

This sales impact that led to lower fuel revenues than 2019 resulted in profit before taxes of $21.96M, a 36.17% decrease over 2019.

Average world fuel prices plummeted from US$56.99 in 2019 to US$39.68 per barrel, the lowest in over 15 years. This was a direct result of the fall in demand for fuel with the world-wide shutdown caused by the COVID-19 pandemic. Conversely, as the world's economies began to improve and the demand for fuel increased, prices had begun to rise by year end.

CHANGES IN FUEL CHARGE 2016-2020



Fuel prices in 2020 generally fell, resulting in an average fuel charge to customers of $0.3210/kWh compared to $0.4522/kWh in 2019.

Sales

In the first quarter of 2020, kWh sales growth continued along the same trajectory of the record-breaking 2019 with each month of the first quarter setting monthly records. As a result, there was 2.5% sales growth compared to the first quarter of 2019.

The first in a series of lockdowns and curfews due to COVID-19 was enacted during the last week of March 2020. By the end of the second quarter, sales were down by 7% compared to 2019 (7.3GWh), a decline of 16% in the second quarter alone.

While there was slow improvement in the second half of the year as the country slowly began to reopen, a spike in COVID-19 cases in mid-December resulted in another series of curfews and the temporary closure of some key commercial entities, including the largest hotel on island. Overall sales decreased by 17,379MWh (8%), more than double the increase experienced over the previous year.

Customer Categories	2020 GWh	2019 GWh	%
Domestic	84.38	82.68	2.05% growth
Commercial	104.62	123.01	15% contraction
Industrial & Street Light	11.14	12.10	7.93% decline
Total	200.14	217.79	17,379MWh (8%) decline – compared to growth of 4.3% in 2019 and 4.4% in 2018.

Number of Customers	2020	2019	Increase
	53,337	52,301	2.00%

Total Revenues

	2020	2019	Change from 2019-2020	Notes
Revenue from Non-fuel Charge (EC$M)	$86.65M	$94.15M	$7.5M decline	8.4% decline in non-fuel revenue consistent with the decline in kWh sales.
Average Fuel Charge paid by Customers (EC cents)	33 cents/ kWh	46 cents/ kWh	13-cent decrease	Fuel charge revenue decreased by 36%.
Total Revenue (EC$M)	$148.08M	$192.47M	$44.39M less	This decrease was driven mainly by the plunge in world fuel prices due to COVID-19.
Average Fuel Prices/Imperial Gallon paid by Grenlec (EC$)	$4.82	$7.16	$2.34 decrease	Comparable to the 4.%. increase in kWh sales.

The average annual consumption, per customer increased by 2% over the previous year for the domestic sector, but decreased by 16.8% for the commercial sector and by 8.6% for the industrial sector.

Sundry revenues increased by $525K, primarily due to WRB's reimbursement of legal fees of $1.4M, based on the International Centre for the Settlement of Investment Disputes (ICSID) ruling of March 2020. Generally, other revenues from new connections, reconnections and other miscellaneous transactions fell by almost $900K as a direct result of the pandemic.

Net Fuel Cost Recovery

The fuel cost recovery rate of 113.52% in 2020 was 3.3% higher than that of 2019. This was due to the significant reduction in fuel prices, especially in the first half of 2020. Generally, fuel prices followed a downward trajectory, resulting in an annual average of $4.82/IG with the highest monthly price being $7.07/IG and the lowest $2.90/IG. Consequently, the Company recorded a positive fuel cost recovery rate due to the three-month rolling-average calculation and a roll-over benefit from 2019. The net fuel cost recovery benefit in 2020 was $7.54M, $1.6M higher than 2019. Note that the Company's contribution of $3M to a '30% pandemic relief' discount to customers meant that net fuel revenue was 4.5% lower than it would have been without the contribution.

Non-Fuel Operating Expenses and Finance Costs

Non-fuel operating expenses of $57.88M were $2.13M more than the $55.75M of 2019. This was primarily due to increased expenses related to the overhaul of generators of $11.96M, which was $3.65M in excess of 2019's $8.31M due mainly to an increase in the price of spares.

In the final quarter of 2020, one of the Company's most efficient generators, Wartsila number 4, suffered a catastrophic failure, necessitating the rental of supplemental generation from Aggreko to help maintain a reliable supply while the process of sourcing and purchasing a new engine commenced. The costs associated with the rental of the Aggreko units in 2020 was EC$1.7M.

The other departments all recorded favourable variances in relation to budget as Management continued with its cost containment and efficiency initiatives.

Finance costs increased by $0.05M mainly because of new borrowings in August 2019 of $3.72M along with the finance costs as a result of IFRS 16 (leases). The CIBC FirstCaribbean loan of 2016 continued to be repaid according to schedule. Other capital expenditure and system improvements were financed from operating cash flows.

Financial Position

	2020	2019	Change from 2019-2020	Notes
Total Assets (EC$M)	$204.14M	$205.72M	$1.5M less	
Total Liability (EC$M)	$97.68M	$105.49M	$7.81M decrease	
Net Assets (EC$M)	$106.46M	$100.23M	$6.23M Increase	
Retained Earnings (EC$M)	$44.12M	$39.89M	10% increase	Significantly below the 41% increase in 2019.
Return on Invested Capital (%)	30%	37%	7% decrease	
Debtor Days Outstanding	28.05 days	34.13 days	Decreased by 6.18 days	A measure of the length of time it took the company to collect on its credit sales.

While both non-current assets and inventory increased by almost $6M each, there were substantial decreases in trade and other receivables, which fell by $8.68M (in line with the $7.5M decline in non-fuel sales), and cash and cash equivalents, which decreased by $6.87M.

The Company continued to operate well within all its stipulated debt covenants such as the current and debt service coverage ratios, which stood at 2.41:1 and 5.19:1 respectively.

	2020	2019	Change from 2019-2020	Notes
Trade Receivables (EC$M)	$12.48M	$19.07M	34.5% decrease	This was due both to the 8% decline in kWh sales and the 35.9% reduction in fuel revenue.
Debtor Days Outstanding	28.05 days	34.13 days	Decreased by 6.18 days	A measure of the length of time it took the company to collect on its credit sales.

The decrease in debtor days outstanding was mostly due to the '30% pandemic relief' discount of $10.26M to customers, through a joint initiative by the Government of Grenada and the Company for the three billing periods from, April to June 2020.

Despite this initiative, the accounts receivable portfolio worsened by year-end, with accounts outstanding more than 90 days moving from 16% of the entire portfolio in 2019 to 23% in 2020. The situation was further exacerbated as the Company took the decision to put a temporary freeze on disconnections from the last week in March to mid-August to assist customers to cope with the devastating impact of the pandemic.

On a positive note, the Government of Grenada's receivables remained current for the entire year and ended with a balance of $1.18M compared to $1.44M in 2019 because of a decrease in kWh sales.

The team must be applauded for their efforts to maintain collections during this difficult period. During the period immediately following the lockdown, satellite collections points were set up in communities with limited access to payment facilities, one of a number of interventions to encourage customers to settle their outstanding balances.

Pop-Up Bill Payment Centres in St. David, St. Andrew and St. Mark

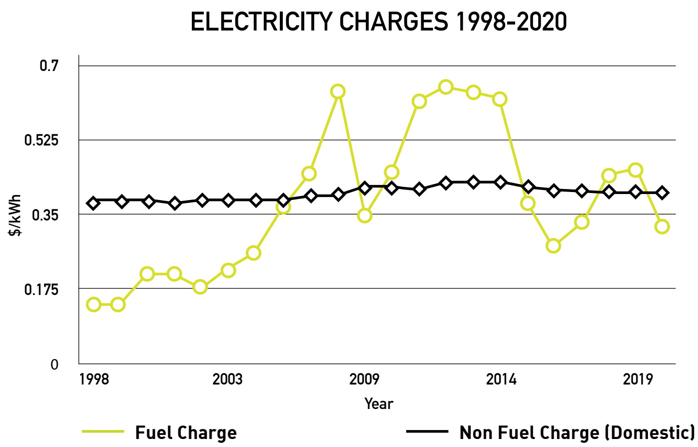
Cash Flows
Cash flows generated from operations are generally determined by the amount and timing of cash received from customers and payments made to vendors as well as the nature and amount of non-cash items. The $23.15M from operating activities in 2020 was 38.95% lower than the $37.91M of 2019, due to a $12.44M decrease in profits, an increase in year-end inventory of $5.57M because of pandemic-related postponements in overhauls, a decrease in provision for profit sharing due to the fall in profitability and a decline in trade and other payables, largely due to the fall in world fuel prices.

Cash flows used in investing activities consists primarily of capital expenditure and had a net outflow of $15.44M in 2020 as expenditure related to new assets amounted to $13.90M.

Cash flows from financing activities relate to supplemental cash provided both for day-to-day operations and capital requirements as needed. During 2020 there were the regular dividend payments of $9.88M and principal repayments of $4.38M on the CIBC FirstCaribbean loans.

The overall decrease in cash and cash equivalents for the year was $6.87M.

Non-Fuel Rate Adjustment



Since the 2016 Electricity Act (EA), the regulations guiding rate adjustments have not been enacted and the non-fuel rates of the Company have remained at $0.4375 per kWh for commercial and $0.4057 for residential customers as existed at January 1, 2016.

Fuel prices in 2020 generally fell, resulting in an average fuel charge to customers of $0.3210/kWh compared to $0.4522/kWh in 2019.

Public consultation sessions for the draft regulations circulated in December 2019 by the Public Utilities Regulatory Commission (PURC) were carried out during the first quarter of 2020 but had to be postponed due to the restrictions related to the pandemic.

Risk Management
The Hurricane Reserve, which increased to $30M by the end of 2020, mitigates the risk of natural disasters that might affect our distribution system. The fund is now well above the level of the expenses ($17M) that resulted from Hurricane Ivan. With a much more robust system, it gives some level of comfort that this risk is being minimised continually. Additionally, all our other assets are adequately covered by commercial insurance policies.

The Hurricane Reserve, which was restated in 2015 to shareholders' equity is not available for distribution to shareholders.

Given our experience, while hurricanes remain our primary focus, we will continue to ensure that systems are in place to mitigate all other identified areas of risk such as operational, credit, interest rate, exchange rate and liquidity. Management and or Committees of the Board monitor these risks.

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

OUR PEOPLE

2020 tested the mettle of our team members as well as the level of preparedness to meet the changing needs of our business and customers. We are heartened that despite the challenging year that 2020 was, the Grenlec team demonstrated commendable resilience.

The ongoing cost containment efforts were especially appreciated as the decline in sales was comparable to 2004 (Hurricane Ivan). Resultantly, all departments, with the exception of Generation, which had some understandable setbacks, were able to maintain their operating expenses in line with the amended post-COVID budget and well below 2019 levels. This speaks volumes to the Company's commitment to controlling the variables that are within its control. For the third year in succession, the team has maintained system losses below the budget of 7.50% with a marginal increase of 0.08% from 7.14% in 2019 to 7.22%. Encouragingly, as at the end of the first quarter of 2021, the 12-month average for system losses was 6.40%.

The team also worked tirelessly to maintain the reliability of the aging generation plant and managed for almost three months with reduced generation capacity as a result of the failure of the Wartsila #4 engine.

BUILDING CAPACITY

Understandably, the training plan was scaled back to match the financial and other realities of the time. Notwithstanding this, the Company grasped every opportunity to foster team development, participating in and hosting a variety of technical and other training programmes consistent with our vision. Among these were:

- Supervisor in Training
- Transformational Thinking
- Transformational Leadership for Supervisors in Training
- Quality Customer Service
- Internal Hotline (working while system is energised) Training

HEALTH AND SAFETY

Health and safety continues to be an area of focus for our teams with monthly health and safety meetings and other ongoing programmes to keep it in the forefront.

The COVID-19 pandemic required the Company to raise team and customer awareness, modify its policies and procedures and monitor compliance. In December 2020, with the confirmation of a new cluster of positive cases, our ability to respond was tested as one positive case and 23 other team members were identified as primary or secondary contacts and were quarantined in accordance with the Ministry of Health's procedures. We are grateful for the support of the Ministry of Health, which provided guidance and worked with us to ensure team members were proven COVID-free prior to returning to work.

The team rose to the challenge of responding to the pandemic by developing and implementing new health and safety protocols to safeguard team members and customers. Both during and after the lockdown, teams remained agile, modifying work plans and rosters to maintain reliability while minimising possibility of the spread of the virus. Significant resources were expended on personal protective equipment, rigorous cleaning protocols and regular health checks for team members.

NEW PLANNING AND ENGINEERING BUILDING

This project was undertaken to promote efficiency and collaboration among department members, who were accommodated in spaces across various departments and locations.

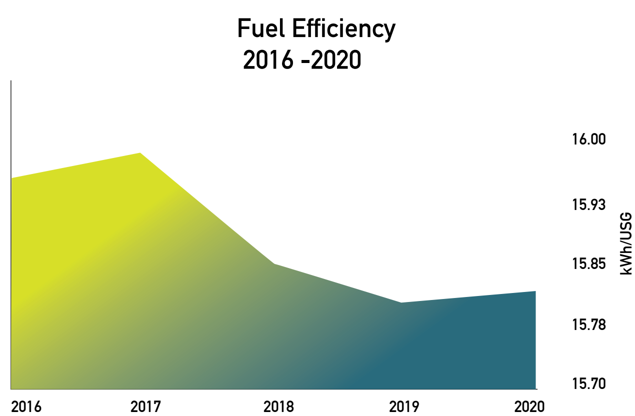
The new office facility was created by constructing a floor above the Technical Workshop building at Grenlec's Grand Anse compound.

Like the other buildings at the Grand Anse compound, the new office is powered by a dedicated feeder and backed up by a standby Generator. A dedicated UPS, which provides backup will ensure the continuous operation of the System Control function during emergencies.

New P&E Building

SERVICE, EFFICIENCY AND RELIABILITY

For every utility, reliability and efficiency are a key metrics. In the face of the many trials of 2020, our team continued to focus on delivering reliable service and achieving efficiencies.



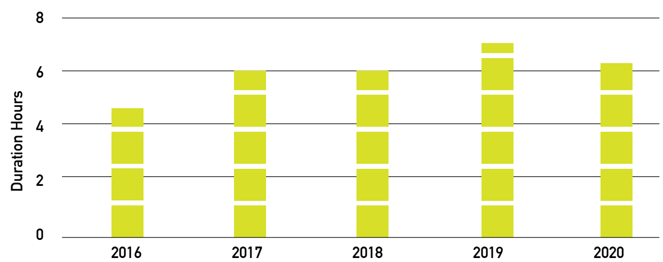
Fuel efficiency was 15.83kWh/USG in 2020 compared to 15.81kWh/USG in 2019.

Routine maintenance programmes included servicing of generators and the fleet, replacing rotted poles and pole hardware, managing vegetation to prevent trees getting in contact with the energised circuits and resulting in power outages, and performing inspections and tests on field protective devices and transformers.

2.308 MVA of transformer capacity was added to the transmission and distribution network in 2020. This was directly related to the commissioning of new construction projects.

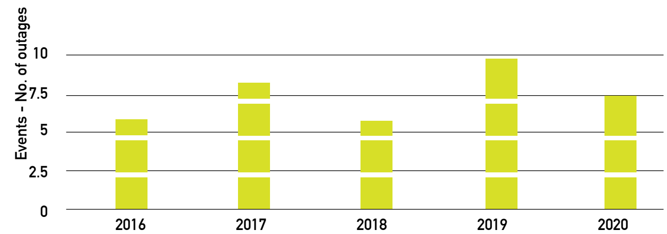
Reliability

SAIDI System Average Interruption Duration Index
2016 -2020



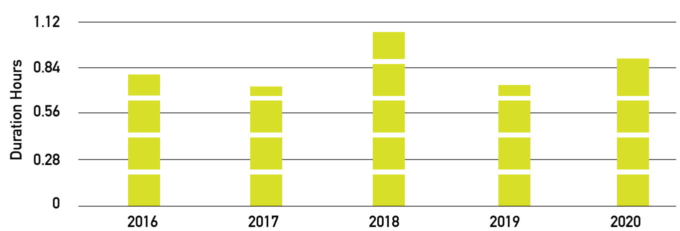
SAIDI is the average duration of interruptions per customer during the year.

SAIFI System Average Interruption Frequency Index
2016 -2020



SAIFI is the average number of sustained interruptions per consumer during the year.

CAIDI Consumer Average Interruption Duration Index
2016 -2020

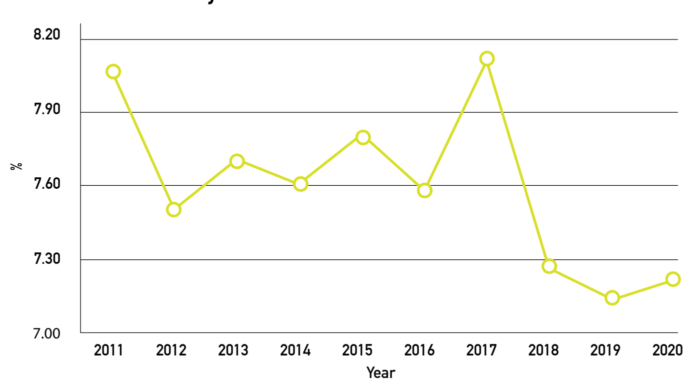


CAIDI is the average duration of an interruption. The average duration of an interruption to the power supply in 2020 was 52 minutes

Maintaining Low System Losses

High voltage line upgrades were completed on sections of the Grenville and Gouyave network. Approximately 11,000 linear feet of conductors were replaced to improve the voltage, reliability and quality of supply to communities, increase the carrying capacity of the circuit and reduce line losses.

System Losses 2011 -2020



At 7.22%, system losses remained low, marginally above the 7.14% record of 2019.

Protective Device Coordination Study

A Protective Device Coordination Study was conducted to assess all overcurrent protection devices on Grenlec's 11KV distribution feeder network and how they work with each other.

New device locations and revised protection settings were proposed for a number of existing devices. The study also made recommendations for alternate protection settings during contingency switching scenarios on the 11kV feeders.

St. George's University (SGU) Remote Monitoring Upgrade Project
Grenlec's SGU remote generator facility was initially configured to be remotely monitored and controlled through System Control, placing significant limitations on the Generation Department, which is responsible for the plant. This project has endowed the Generation Department with the ability to monitor and start the generators and tie them to the grid when needed. This will increase the efficiency of dispatching the SGU generators.

Communication System Upgrades
In 2020, the reliability of Grenlec's internal radio system was improved with the commissioning of new repeater sites at Fort Frederick, Petit Esperance and Grand Etang, along with the upgrade of the radios used in the backhaul link between Grand Etang and Carriacou. As part of the improvement project, the communication site at Mt. Maitland was de-commissioned.

Upgrades to the Distribution SCADA system continued, with the replacement of obsolete analog radios with digital radios.

Metering Improvement at Grand Anse Substation
In July 2020, five PowerLogic ION 7400 Energy Monitoring/Power Quality Meters were installed at the Grand Anse Substation. These meters comply with international metering accuracy standards such as the ANSI C12.1 2014 for revenue metering. These power quality reporting features will assist with identifying hidden weaknesses in the power system and root causes of power disturbances. With these new meter capabilities, our technical team can better understand energy usage patterns, forecast future usage and perform comprehensive power quality audits to mitigate system interruptions.

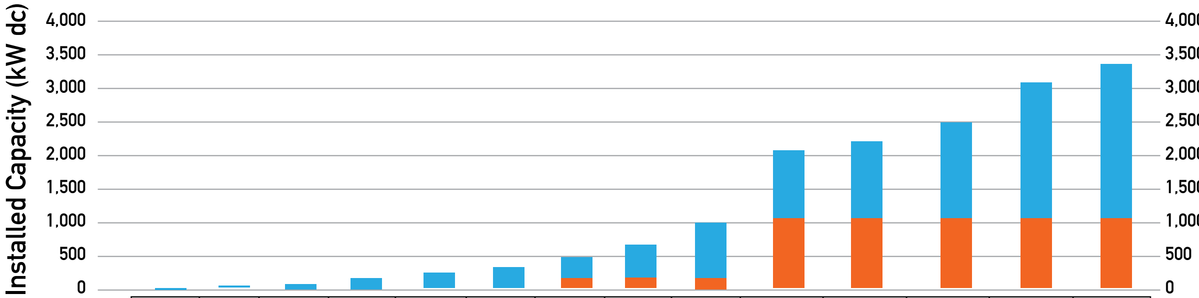
RENEWABLE ENERGY (RE)

Over the years, Grenlec's Customer Renewable Energy Interconnection Programme and company-owned, multi-site projects have steadily increased solar energy generation, despite the difficulty of securing suitable, readily available land.

RE Benefits

Metric	Unit	2018	2019	2020	Change from 2019 - 2020	Rate of Change from 2019
Grenlec RE Interconnected Capacity	MWp	1,119.39	1,119.39	1,119.35	0	0.00%
Customer RE Interconnected Capacity	kWp	1,535.78	2,154.69	2,481.42	326.74	15.20%
Total RE Interconnected Capacity	kWp	2,655.17	3,274.08	3,600.77	326.74	10.00%
Grenlec RE Generation	kWh	1,656,286	1,523,559	1,393,294	-130,265	-8.60%
Customer RE Generation	kWh	1,646,000	2,137,158	2,776,240	639,082	29.90%
Total Net RE Generation	kWh	3,302,286	3,660,717	4,169,534	508,817	13.90%
Total Net Diesel Generation	kWh	218,644,353	228,232,677	208,299,984	-19,932,693	-8.70%
Total Net Generation (Diesel + RE)	kWh	221,946,639	231,893,394	212,469,518	-19,423,876	-8.40%
RE penetration	%	1.51%	1.58%	1.96%	0.38%	24.30%
Average homes supplied	no. of homes	1,835	2,033.73	2,316.41	282.68	13.90%
Avoided diesel quantity	USG	207,066	231,272	264,743	33,471	14.50%
Avoided CO2 emissions	kg	2,100,668	2,346,228	2,685,791	339,563	14.50%
	metric tonnes	2,101	2,346	2,686	340	14.50%
Grenlec RE % of peak demand	%	3.38%	3.32%	3.58%	0.26%	7.70%
Combined RE % of peak demand	%	8.02%	9.71%	11.50%	1.79%	18.40%

Cumulative RE Capacity

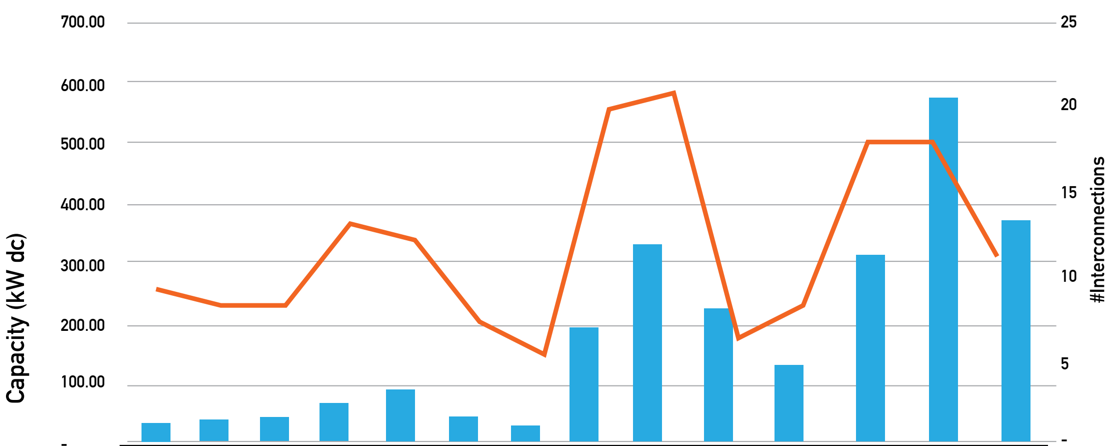


	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Customers	28.71	69.10	112.03	179.34	269.53	309.96	339.05	536.01	872.35	1,097.35	1,225.30	1,535.78	2,154.69	2,481.42
Grenlec	-	-	-	-	-	1.84	181.91	181.91	181.91	1,119.35	1,119.35	1,119.35	1,119.35	1,119.35
Total	28.71	69.10	112.03	179.34	269.53	311.8	520.96	717.92	1,054	2,216.70	2,344.65	2,660.19	3,235.21	3,600.77

YEAR

In 2020, Grenlec approved 6 interconnections amounting to 906.06 kWp and commissioned 11 (some approved in 2019) adding 365.56 kWp to the installed capacity.

Annual Customer RE Interconnections



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Capacity (kW dc)	28.71	40.39	42.93	67.31	90.19	40.43	29.09	196.96	336.34	225.00	127.95	315.54	575.02	365.56
#Interconnections	9	8	8	13	12	7	5	20	21	6	8	18	18	11

YEAR

An important aspect of the Company's drive to increase RE penetration is our Customer RE Interconnection Programme. In December 2020, Grenlec received a letter from the PURC instructing the Company to desist from issuing renewable energy interconnection licences and sub-licences. This followed an earlier notice to the public that renewable energy self-generators are required to apply to the PURC for a permit.

Consequently, Grenlec ceased accepting new RE Interconnection applications and advised customers whose applications had been approved or were pending about the PURC requirements.

The Company awaits further guidance from the PURC about the process for RE interconnections, which will allow us to determine the terms, conditions and rates.

REGULATORY UPDATES

The 2016 Electricity Act (EA) became effective August 1, 2016, three Public Utilities Regulatory Commission (PURC) Commissioners were gazetted on October 6, 2017 and the PURC was launched on July 19, 2019.

In late February 2020, the PURC circulated a list of dates and invited the Company to participate in public consultations on the various draft regulations. Notwithstanding its objections to the inadequate period allowed for comment on the proposed regulations, the Company attended all the consultation sessions hosted by the PURC.

The Company provided comments and input during each consultation, and the Company also provided written feedback to the PURC about how the regulations could be strengthened or improved.

In our review of both the network and generation licences, the Company identified clauses that stated the following:

"When the Term of this Licence expires in accordance with Part II.C.2, the property of all shares of GRENLEC held by private persons shall be irrevocably transferred to the Government of Grenada free of charge and without payment for such transfer."

This was brought to the attention of all shareholders in a letter from the Chairman dated February 11, 2020. Grenlec notes the assurance of the Chairman of the PURC, during the public consultations, that the clause quoted from the licences will be expunged.

Grenlec fully supports independent regulation aimed at fostering balance, fairness and maintaining the high standards of service and reliability that customers have come to expect. We continue to advance the principle that while regulations can be changed, it is important that careful consideration be given in establishing them as they can have far reaching consequences for the industry, the utility and customers.

GRENLEC COMMUNITY PARTNERSHIP INITIATIVE (GCPI)

The Company reinstated its GCPI in November 2019 and as of December 31, 2021, had accumulated $4.44M. While there were pandemic-related delays in the application process, funding applications for shortlisted projects were received by mid-January 2021 with the goal of awarding up to $2.50M in projects for the 2021 period.

While the Company continues to set aside 5% of pre-tax profits annually for its corporate social responsibility initiatives, the impact of the pandemic required more careful management of project implementation to avoid negative impacts on the Company's cash flow.

In 2020, expenditure of $565.5K was focused on providing pandemic-related support to Care Institutions, the Royal Grenada Police Force, the General Hospital Laboratory and the Ministry of Health.

OUTLOOK

The year 2020 has reminded us of the vulnerability of the world economy. The coronavirus stunted world-wide productivity and led to many temporary and permanent business closures in Grenada and throughout the world. As such, we expect that the pandemic will continue to be the most decisive factor in analysing the outlook of the Company, especially in the short-term.

Our largest customer, 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 2021. This will result in an improvement to kWh sales in the last two quarters of the year.

The largest hotel on island reopened for business at the end of the first quarter of 2021 with the expectation that occupancy levels will improve in the short-term.

There are now over five viable COVID-19 vaccine options and according to data from the World Health Organisation, almost 890 million persons (11.41% of the world population) had been vaccinated as of 22nd April 2021. Grenada received its first vaccine shipment in February 2021 and these have been offered, first to frontline workers and vulnerable individuals and then to the general public. While this is hopeful news, there have been several outbreaks of COVID-19 in recent times in various parts of the world, including India, Brazil and closer to home. This certainly should remind us of the need to continue to remain on guard as we have not yet seen the end of COVID-19.

The PURC working group sessions on the draft regulations began in February 2021 and there have been many sessions since. The PURC has indicated its hope that an interim tariff structure will be implemented by the end of the second quarter of 2021. We remain hopeful that the regulatory environment will be such that it will allow for reliable and sustainable utility services at fair and reasonable prices in accordance with the PURC's mission statement. All things remaining equal, the Company is well positioned to adapt to the new regulatory regime and it has invested in training key members of its management team in utility regulation.

Our revenues, earnings, liquidity and ability to grow are dependent on the rates that are approved. We await the PURC finalising the tariff mechanism as this will be important in determining how we move forward.

Based on the 2020 ICSID ruling, the majority shares of Grenlec were purchased by the Government of Grenada in December 2020. It is left to be seen how the vision of the new majority shareholder will impact the operations of the Company.

The real GDP growth projected for Grenada for 2021 is negative 1.5%, which is way below the 3.67% average projection for the ECCU. Over the years, we have seen a direct relationship between GDP growth and kWh sales, so this should be a good indicator of the kWh sales position of the Company by the close of the year. For the first quarter of 2021, the kWh sales were behind the record-setting first quarter of 2020 by 9.63%.

Additionally, there are large infrastructural projects at Levera, St. Patrick and Mt. Hartman, St. George that are expected to commence substantial construction work in 2021. Additionally, the Royalton Hotel, which was soft launched in March 2020, but never opened to the public, due to the pandemic, may open fully during 2021.

During the final quarter of 2020, the Wartsila #4 engine suffered a catastrophic failure, which resulted in the rental of supplemental generating units from Aggreko, a Scottish supplier of temporary power generation equipment. The units were commissioned in December 2020 and are expected to remain in use for the first half of 2021. The average monthly cost to rent these units is $525K.

On April 1, 2021, the Company was able to secure a loan, in the amount of $16M, from CIBC FirstCaribbean International Bank over a term of 10 years, for the purchase of a replacement unit for the Wartsila #4 engine. This loan will be repaid by quarterly principal payments of $400K, plus interest. The new unit is expected to arrive on island in May 2021, paving the way for the rental units to be returned.

The operational capital budget of $12.70M for 2021 includes $2.17M for distribution infrastructure and $2.93M for overhaul capitalisation. A substantial amount was expended on overhauls of a few engines in 2020. While the pandemic prevented these overhauls from being completed in 2020, they are scheduled to be completed in 2021. Their timely completion will allow the Company to maintain the reliability of the current system until further upgrades can be done.

"Hard times do not create heroes. It is during the hard times when the "hero" within us is revealed.' This Bob Riley quote embodied the Grenlec Team in 2020. We salute all our Grenlec heroes and especially thank the team members in Grenada, Carriacou and Petite Martinique, who volunteered to remain in safe houses during the COVID-19 lockdown. As we continue to adapt to the requirements of the pandemic and a new regulatory environment, we are confident that our team will continue to provide excellent energy services to our customers throughout Grenada, Carriacou and Petite Martinique.

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PKF
Accountants & business advisers

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GRENADA ELECTRICITY SERVICES LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Grenada Electricity Services Limited (the Company), which comprise the statement of financial position at 31st December, 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31st December, 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Grenada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information included in the Company's 2020 Annual Report

Other information consists of the information included in the Company's 2020 Annual Report, other than the financial statements and our auditors report therein. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GRENADA ELECTRICITY SERVICES LIMITED (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters

Key audit matters are those matters that in our professional judgment were of most significance in our audit of the financial statements of the current year. These matters are addressed in the context of our audit of the financial statements as a whole, and in forming our opinions thereon, and we do not provide a separate opinion on these matters. There were no key audit matters to communicate.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GRENADA ELECTRICITY SERVICES LIMITED (continued)

Report on the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists; we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
GRENADA ELECTRICITY SERVICES LIMITED
(continued)

Report on the Audit of the Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicated with them all relationships and other matters that my reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Henry A. Joseph.

GRENADA

March 24th, 2021

PKF

Accountants & Business Advisers

STATEMENT OF FINANCIAL POSITION
at 31st December, 2020

(Expressed in Eastern Caribbean Currency Dollars)

ASSETS	Notes	2020 $	2019 $
Non-Current Assets			
Property, plant and equipment	4	102,119,513	100,896,414
Right-of-use assets	5	2,792,693	2,809,205
Suspense jobs in progress	6	1,444,955	1,503,749
Capital work in progress	7	7,326,586	2,946,611
		113,683,747	108,155,979
Current Assets			
Inventories	9	26,183,870	20,609,568
Trade and other receivables	10	17,220,010	25,920,133
Income tax prepaid		809,300	-
Retirement benefits prepaid	15	63,585	-
Financial assets at amortised cost	8	36,452,150	34,437,204
Cash and cash equivalents	11	9,727,362	16,600,292
		90,456,277	97,567,197
TOTAL ASSETS		204,140,024	205,723,176
EQUITY AND LIABILITIES			
EQUITY			
Stated capital	12	32,339,840	32,339,840
Hurricane insurance reserve	16	30,000,000	28,000,000
Retained earnings		44,120,105	39,893,891
		106,459,945	100,233,731
Non-Current Liabilities			
Customers' deposits	13	17,812,606	17,268,893
Long-term borrowings	14	27,907,491	32,283,458
Long-term portion of lease liabilities	5	2,602,429	2,644,405
Deferred tax liability	21	11,856,574	10,227,650
		60,179,100	62,424,406
Current Liabilities			
Short-term borrowings	14	4,375,967	4,375,967
Trade and other payables	17	20,899,513	22,540,408
Current portion of lease liabilities	5	321,166	246,337
Customers' contribution to line extensions	2 (m)	7,140,290	7,282,723
Provision for retirement benefits	15	-	682,800
Provision for profit sharing		4,764,043	6,470,412
Provision for income tax		-	1,466,392
		37,500,979	43,065,039
TOTAL LIABILITIES		97,680,079	105,489,445
TOTAL EQUITY AND LIABILITIES		204,140,024	205,723,176

The accompanying notes form an integral part of these financial statements

Approved by the Board of Directors on 24th March, 2021 and signed on its behalf by:

:Director :Director

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31st December, 2020

(Expressed in Eastern Caribbean Currency Dollars)

	Notes	**2020** $	2019 $
INCOME			
Sales - non fuel charge		82,649,287	90,180,659
- fuel charge		63,342,135	98,866,692
Unbilled sales adjustments	2 (v)	(1,990,506)	(136,068)
Gross Sales		144,000,916	188,911,283
Other income	18	4,080,035	3,554,631
Total income		148,080,951	192,465,914
LESS: OPERATING EXPENSES			
Production expenses		22,059,913	17,699,756
Diesel consumed		55,936,153	89,735,493
Administrative expenses		19,142,819	19,289,460
Distribution services		16,111,368	15,731,709
Planning and engineering		2,818,214	3,029,991
Total operating expenses		116,068,467	145,486,409
Operating profit		32,012,484	46,979,505
Less: Finance costs	19	2,495,128	2,547,427
Profit for year before allocations and taxation		29,517,356	44,432,078
ALLOCATIONS			
Less: Donations		1,375,868	2,121,604
Profit sharing		6,182,042	7,910,137
		7,557,910	10,031,741
Profit for year before taxation		21,959,446	34,400,337
Less: Provision for taxation			
Current tax	21	4,224,308	7,332,358
Deferred tax	21	1,628,924	3,464,481
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		16,106,214	23,603,498
EARNINGS PER SHARE		**0.85**	**1.24**

The accompanying notes form an integral part of these financial statements

GRENADA ELECTRICITY SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY
for the year ended 31st December, 2020

(Expressed in Eastern Caribbean Currency Dollars)

	Stated Capital $	Hurricane Insurance Reserve $	Retained Earnings $	Total Equity $
Balance at 1st January, 2019	32,339,840	26,000,000	28,170,393	86,510,233
Dividends paid	-	-	(9,880,000)	(9,880,000)
Allocation for the year	-	2,000,000	(2,000,000)	-
Total comprehensive income for the year: Profit for the year after taxation	-	-	23,603,498	23,603,498
Balance at 31st December, 2019	32,339,840	28,000,000	39,893,891	100,233,731
Dividends paid	-	-	(9,880,000)	(9,880,000)
Allocation for the year	-	2,000,000	(2,000,000)	-
Total comprehensive income for the year: Profit for the year after taxation	-	-	16,106,214	16,106,214
Balance at 31st December, 2020	32,339,840	30,000,000	44,120,105	106,459,945

The accompanying notes form an integral part of these financial statements

STATEMENT OF CASH FLOWS
for the year ended 31st December, 2020

(Expressed in Eastern Caribbean Currency Dollars)

	2020 $	2019 $
OPERATING ACTIVITIES		
Profit for the year before taxation	21,959,446	34,400,337
Adjustments for:		
Depreciation on property, plant and equipment and right-of-use assets	8,351,493	7,826,965
Gain on disposal of property, plant and equipment	(99,058)	(80,500)
Operating surplus before working capital changes	30,211,881	42,146,802
Decrease/(increase) in trade and other receivables	8,700,123	(1,276,732)
(Decrease)/increase in trade and other payables	(1,640,895)	2,392,208
Increase in consumers' deposits	543,713	743,375
(Decrease)/increase in consumers' contribution to line extensions- refundable	(142,433)	996,049
(Decrease)/increase in provision for retirement benefits	(746,385)	489,246
Increase in inventories	(5,574,302)	(2,517,812)
Decrease in amount due to related company	-	(117,489)
(Decrease)/increase in provision for profit sharing	(1,706,369)	1,694,487
	29,645,333	44,550,134
Income tax paid	(6,500,000)	(6,640,196)
Cash provided by operating activities	23,145,333	37,909,938
INVESTING ACTIVITIES		
Disposal of property, plant and equipment	1,213,655	80,500
Decrease in suspense jobs in progress	58,794	654,391
(Increase)/decrease in capital work in progress	(4,379,975)	5,678,423
Increase in financial assets	(2,014,946)	(1,979,889)
Decrease in customers' contribution to line extensions- non-refundable	(737,700)	(1,779,091)
Purchase of property, plant and equipment	(9,579,913)	(18,808,807)
Cash used in investing activities	(15,440,085)	(16,154,473)
FINANCING ACTIVITIES		
Dividends paid	(9,880,000)	(9,880,000)
Payment of principal portion of lease liabilities	(322,211)	(221,685)
Proceeds from borrowings	-	3,718,000
Repayment of borrowings	(4,375,967)	(4,097,117)
Cash used in financing activities	(14,578,178)	(10,480,802)
Net (decrease)/increase in cash and cash equivalents	(6,872,930)	11,274,663
Cash and cash equivalents - at the beginning of year	16,600,292	5,325,629
- at the end of year	9,727,362	16,600,292
REPRESENTED BY		
Cash and cash equivalents	9,727,362	16,600,292

The accompanying notes form an integral part of these financial statements

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.

The Government of Grenada owns the majority of its shares (71.4%) as of December 24th, 2020. For the 26 years prior, the Company was a subsidiary of Grenada Private Power Limited of which WRB Enterprises, Inc. was 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 under the Electricity Act 19 of 2016 and has a licence for the exercise and performance of 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.

The Company employed on average two hundred and fifty-one (251) persons during the year (2019- 246).

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention.

The preparation of financial statements in conformity with IFRS's requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Although those estimates are based on management's best knowledge of current events and conditions, actual results could differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) *Changes in accounting policies and disclosures*

(i) *New Accounting Standards, Amendments and Interpretations*

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31st, 2019 except for the adoption of new standards and interpretations below.

Amendments to IAS 1 and IAS 8: Definition of Material (Effective 1st January, 2020)

In October 2018, the International Accounting Standards Board (IASB) issued amendments to IAS 1: Presentation of financial Statements and IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments to the definition of material is not expected to have significant impact on the Company's financial statements.

(ii) *Standards in issue not yet effective*

The following is a list of standards and interpretations that are not yet effective up to the date of issuance of the Company's financial statements. These standards and interpretations may be applicable to the Company at a future date and will be adopted when they become effective. The Company is currently assessing the impact of adopting these standards and interpretations.

- Amendments to IFRS 16 – Covid-19 Related Rent Concessions (Effective 1 June, 2020)
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Phase 2 (Effective 1 January, 2021)
- Amendments to IFRS 17, IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use (Effective 1 January, 2022)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies and disclosures (continued)

(ii) Standards in issue not yet effective (continued)

- Amendments to IFRS 3 – Reference to the Conceptual Framework – (Effective 1 January, 2022)
- Amendments to IAS 37 - Onerous Contracts, Costs of Fulfilling a Contract – (Effective 1 January, 2022)
- Amendments to IAS 1 – Classification of Liabilities as Current and Non-Current – (Effective 1 January, 2023)
- Amendments to IFRS 4 – Extension of Temporary Exemption from applying IFRS 9 – (Effective 1 January, 2022)

(iii) Improvements to International Reporting Standards

The annual improvements process for the International Accounting Standards Board deals with non-urgent but necessary clarifications and amendments to IFRS.

Annual improvements to IFRS Standards 2018-2020 cycle

The following amendments are applicable to annual periods beginning on or after 1 January, 2022

IFRSs – Subject of Amendment

IFRS 1	First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter.
IFRS 9	Financial Instruments – Fees in the ’10 per cent” test for derecognition of financial liabilities.
IFRS 16	Leases – Lease incentives
IAS 41	Agriculture – Taxation in fair value measurements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, Plant and Equipment (continued)

Historical cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized as income in the statement of comprehensive income.

Subsequent Expenditure

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing and other repairs and maintenance of property, plant and equipment are recognized in the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

Depreciation is recognized in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land and rights are not depreciated. No depreciation is provided on work-in-progress until the assets involved have been completed and available for use.

The annual rates of depreciation for the current and comparative periods are as follows:

	% Per Annum
Building and construction	2.5 - 10
Plant and machinery	3.3 - 10
Motor vehicles	15
Furniture, fittings and equipment	12.5 – 20

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, Plant and Equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(d) Foreign Currencies Translation

Foreign currency transactions during the year were converted into Eastern Caribbean Currency Dollars at the exchange rates prevailing at the dates of the transactions. Assets and liabilities at the statement of financial position date are expressed in EC$ at the following rate:

EC$2.7169 to US$1.00 - (2019: EC$2.7169)

Differences on exchange on current liabilities are reflected in the statement of comprehensive income in arriving at net income for the year.

(e) Financial Instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Company becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at **amortised cost**:

- the financial asset is held in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Debt instruments that meet the following conditions are subsequently measured at **fair value through other comprehensive income (FVTOCI):**

  - the financial asset is held with the objective to achieve by both collecting contractual cash flows and selling the financial assets; and
  - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at **fair value through profit or loss (FVTPL)**.

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and

- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

Amortised cost and effective interest method (continued)

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Impairment

In relation to the impairment of financial assets, the Company uses an expected credit loss (ECL) model which requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

The Company records an allowance for expected credit losses for its trade receivables using a simplified approach to calculate ECLs whereby it recognizes a loss allowance based on lifetime ECLs at each reporting date. The ECL on these financial assets are estimated using a provision matrix that is based on its' historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The provision rates used in the provision matrix are based on days past due.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

Impairment (continued)

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If on the other hand the credit risk on a financial instrument has not increased significantly since initial recognition the Company recognizes the loss allowance for the financial instrument at an amount equal to 12-month ECL where applicable. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or actual default occurring.

Lifetime ECL represents the expected credit losses that will result for all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset has occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(i) Significant financial difficulty of the issuer or borrower;
(ii) A breach of contract, such as a default or past due event;
(iii) It is becoming probable that the borrower will enter in bankruptcy or other financial re-organization; and
(iv) The disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company’s recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a Company entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Company entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Company are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is:

1) contingent consideration of an acquirer in a business combination,
2) held for trading, or
3) it is designated as at FVTPL.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) *Financial Instruments (continued)*

Financial liabilities subsequently measured at amortised cost:

Financial liabilities that are not:

1) contingent consideration of an acquirer in a business combination,
2) held-for-trading, or
3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(f) *Inventories*

Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition and net realizable value. Cost is determined on a first-in, first-out basis. Net realizable value is the price at which stock can be realized in the normal course of business.

(g) *Trade receivables*

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Trade receivables (continued)

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Trade receivables, being short-term, are not discounted. The Company used a provision matrix to calculate its provision for expected credit loss.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at bank and short-term demand deposits with original maturity of three (3) months or less.

(i) Stated capital

Ordinary shares are classified as equity.

(j) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

(k) Borrowings

Borrowings are recognised at fair value net of transaction cost incurred. Borrowings are subsequently stated at amortized cost: any difference between the proceeds, net of transaction cost, and the redemption value is recognised in the statement of comprehensive income over the period of borrowings. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve (12) months after the date of the statement of financial position.

(l) Customers' deposits

Given the long-term nature of the customer relationship, customer deposits are shown in the statement of financial position as non-current liabilities (i.e. not likely to be repaid within twelve (12) months of the date of the statement of financial position).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Customers' contribution to line extensions

In certain specified circumstances, customers requiring line extensions are required to contribute toward the estimated capital cost of the extensions. Consumer contributions from 2018 that are not eligible for refund are recognised in income in the same period in which the costs are incurred.

Contributions prior to 2018 are amortised over the estimated useful lives of the relevant capital cost at an annual rate of 4.5%. The annual amortisation of customer contributions is deducted from the depreciation charge for Transmission and Distribution provided in respect of the capital cost of these line extensions.

Contributions in excess of the applicable capital cost of line extensions are recorded as other revenue in the period in which they are completed. Contributions received in respect of jobs not yet started or completed at the year-end are grouped with creditors, accrued charges and provisions. The capital costs of customer line extensions are included in property, plant and equipment.

(n) Employee benefits

Profit sharing scheme

The Company operates a profit-sharing scheme and the profit share to be distributed to Unionized employees each year is based on the terms outlined in the Union Agreement. Employees receive their profit share in cash. The Company accounts for profit sharing as an expense, through the statement of comprehensive income. The Company also has a gainsharing plan for management employees that are accounted for in the same manner as profit sharing.

(o) Income tax

The charge for the current year is based on the results for the year as adjusted for disallowed expenses and non-taxable income. It is calculated using the applicable tax rates for the period.

(p) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities.

(i) *Sale of energy*

Revenue from energy sales is based on meter readings, which are carried out on a rotational basis throughout each month. A provision of 50% of the current month's billings is made to record unbilled energy sales at the end of each month. This estimate is reviewed periodically to assess reasonableness and adjusted where required.
The provision for unbilled sales is included in accrued income.

(ii) *Interest income*

Interest income is recognised on an accrual basis.

(r) Dividends

Dividends that are proposed and declared during the period are accounted for as an appropriation of retained earnings in the statement of changes in equity.

Dividends that are proposed and declared after the statement of financial position date are not shown as a liability on the statement of financial position but are disclosed as a note to the financial statements.

(s) Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. Transactions entered into with related parties in the normal course of business are carried out on commercial terms and conditions during the year.

(t) Finance costs

Finance costs are recognised in the statement of comprehensive income as an expense in the period in which they are incurred.

(Expressed in Eastern Caribbean Currency Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Provision for impairment of trade receivables

Provision is made as follows:

- 100% on receivables ≥90 days
- 50% on receivables ≥60 days
- 3% on receivables ≥30 days
- 0.5% on receivables < 30 days

Accounts are written off against the provision when they are considered uncollectible. The total provision at 31st December 2020 amounted to $3,081,184 (2019 - $3,340,520).

(v) Provision for unbilled sales

The provision and adjustment at 31st December 2020, with comparatives, are calculated as follows:

		2020 $	**2019** $
Sales revenue for December after discounts		11,767,818	15,748,830
50% of above	= provision at 31/12/20	5,883,909	7,874,415
	= provision at 31/12/19	7,874,415	8,010,483
Decrease in provision during the year		(1,990,506)	(136,068)

(w) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Leases

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Buildings 3 to 5 years
- Land 3 to 60 years
- Equipment 25 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Leases (continued)

After the commencement date, the amount of lease liabilities is increased to reflect accrued interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The development of estimates and the exercise of judgment in applying accounting policies may have a material impact on the Company's reported assets, liabilities, revenues and expenses. The items which may have the most effect on these financial statements are set out below.

(a) Impairment of financial assets

Management assesses at each statement of financial position date whether assets are impaired. An asset is impaired when the carrying value is greater than its recoverable amount and there is objective evidence of impairment. Recoverable amount is the present value of the future cash flows. Provisions are made for the excess of the carrying value over its recoverable amount.

(b) Property, plant and equipment

Management exercises judgment in determining whether future economic benefits can be derived from expenditures to be capitalized and in estimating the useful lives and residual values of these assets.

(c) Impairment of inventory

Provision is made for slow-moving and obsolete stock on an annual basis.

(d) Provision for expected credit losses of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

(d) Provision for expected credit losses of trade receivables (continued)

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

(e) Unbilled sales

A provision of 50% of the current month's billing is made to record unbilled energy sales at the end of each month. This estimate is reviewed periodically to assess reasonableness and adjusted where required. The actual energy sales will be different from the estimate made.

(f) Impact of COVID 19

Background

COVID-19, which is a respiratory illness caused by a new virus, was declared a world-wide pandemic by the World Health Organisation on March 11, 2020. The Company has considered the impact of COVID-19 in preparing its financial statements.

Consideration of the statements of financial position and further disclosures

Key considerations of the impact of COVID-19 on statements of financial position and related disclosures were as follows:

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (continued)

(f) Impact of COVID-19 (continued)

Expected Credit Losses

Trade and other receivables:

For trade and other receivables, the Company adopted the simplified approach for determining the provision for expected credit losses, as permitted by IFRS 9. In response to the COVID-19 pandemic, the Company assessed the need to adjust the loss rates to incorporate forward-looking information, taking into account the expected recovery rate of receivables and various applicable macroeconomic factors. Based on the analysis performed as at 31 December 2020, no material overlay adjustments specifically related to the COVID-19 pandemic was considered necessary.

Going concern

In accordance with the requirements of IAS 1 'Presentation of Financial Statements', the Company has performed a going concern assessment as of the reporting date. While the COVID-19 pandemic has heightened the inherent uncertainty in the going concern assessment, the Company has concluded that there are no material uncertainties that may cast significant doubt on its ability to continue to operate as a going concern. The financial statements have therefore been prepared on the going concern basis.

(Expressed in Eastern Caribbean Currency Dollars)

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Building and Construction	Plant and Machinery	Motor Vehicles	Furniture and equipment	Total
Balance at 1st January, 2019						
Cost	1,864,860	30,586,994	247,001,496	14,213,269	13,136,538	306,803,157
Accumulated depreciation	-	(19,367,992)	(176,634,314)	(9,790,074)	(8,844,701)	(214,637,081)
NET BOOK VALUE	**$1,864,860**	**$11,219,002**	**$70,367,182**	**$4,423,195**	**$4,291,837**	**$92,166,076**
For year ended 31st December, 2019						
Opening book value	1,864,860	11,219,002	70,367,182	4,423,195	4,291,837	92,166,076
Additions for the year	-	677,285	16,284,185	1,175,659	671,678	18,808,807
Disposals for the year	-	-	-	-	-	-
Depreciation charge for year	-	(609,533)	(4,843,892)	(918,810)	(1,151,508)	(7,523,743)
NET BOOK VALUE	**$1,864,860**	**$11,286,754**	**$81,807,475**	**$4,680,044**	**$3,812,007**	**$103,451,140**
Balance at 31st December, 2019						
Cost	1,864,860	31,264,279	263,285,681	15,388,928	13,808,216	325,611,964
Accumulated depreciation	-	(19,977,525)	(181,478,206)	(10,708,884)	(9,996,209)	(222,160,824)
	1,864,860	11,286,754	81,807,475	4,680,044	3,812,007	103,451,140
Less: Customer contribution to line extensions	-	-	-	-	-	(2,554,726)
NET BOOK VALUE	**$1,864,860**	**$11,286,754**	**$81,807,475**	**$4,680,044**	**$3,812,007**	**$100,896,414**

(Expressed in Eastern Caribbean Currency Dollars)

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Building and Construction	Plant and Machinery	Motor Vehicles	Furniture and equipment	Total
For year ended 31st December, 2020						
Opening book value	1,864,860	11,286,754	81,807,475	4,680,044	3,812,007	103,451,140
Additions for the year	-	357,995	7,245,725	619,448	1,356,745	9,579,913
Disposals for the year	-	-	(1,110,270)	-	(4,326)	(1,114,596)
Depreciation charge for year	-	(642,568)	(5,249,292)	(1,065,469)	(1,022,589)	(7,979,918)
NET BOOK VALUE	**$1,864,860**	**$11,002,181**	**$82,693,638**	**$4,234,023**	**$4,141,837**	**$103,936,539**
Balance at 31st December, 2020						
Cost	1,864,860	31,622,274	269,421,136	16,008,376	15,160,640	334,077,286
Accumulated depreciation	-	(20,620,093)	(186,727,498)	(11,774,353)	(11,018,803)	(230,140,747)
	1,864,860	11,002,181	82,693,638	4,234,023	4,141,837	103,936,539
Less: Customer contribution to line extensions	-	-	-	-	-	(1,817,026)
NET BOOK VALUE	**$1,864,860**	**$11,002,181**	**$82,693,638**	**$4,234,023**	**$4,141,837**	**$102,119,513**

5. LEASES

The Company has lease contracts for various items of land and buildings and other equipment used in its operations. Leases of land and equipment generally have lease terms between 20 to 60 years, while buildings generally have lease terms between 3 and 5 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Building	Land	Equipment	Total
As at 1 January 2020	448,290	2,348,457	12,458	2,809,205
Additions	146,972	208,092	-	355,064
	595,262	2,556,549	12,458	3,164,299
Depreciation expense	(207,028)	(163,898)	(650)	(371,576)
As at 31 December 2020	**$388,234**	**$2,392,651**	**$11,808**	**$2,792,693**

Set out below are the carrying amount of lease liabilities and the movements during the period:

	2020	2019
As at 1 January 2020	2,890,742	3,112,427
Additions	355,064	-
Accretion of interest	151,335	136,406
Payments	(473,546)	(358,091)
As at 31 December 2020	$2,923,595	$2,890,742
Less: current portion	**$321,166**	**$246,337**
Long-term portion	**$2,602,429**	$**2,644,405**

6. SUSPENSE JOBS IN PROGRESS

This represents capital injections with respect to requested customers' suspense jobs not completed at year-end.

7. CAPITAL WORK IN PROGRESS

	2020 $	2019 $
Generation	4,687,664	1,650,168
Computers and software upgrades	2,385	70,473
Tools and test equipment	187,537	42,416
Building	756,968	265,987
Furniture and equipment	736,002	84,795
Distribution	215,876	832,772
Motor vehicles	740,154	-
	7,326,586	2,946,611

8. FINANCIAL ASSETS

Amortised cost		
Government of Grenada - Treasury Bills	800,132	800,066
Fixed deposit – Republic Bank (Grenada) Limited	12,789,582	10,952,219
Fixed deposit – Grenada Co-operative Bank Limited	12,381,010	9,453,008
Fixed deposit – RBTT Bank Grenada Limited	10,481,426	10,470,931
US$ certificate of deposit- Cayman National	-	2,760,980
	36,452,150	34,437,204

Included in the above is an amount of $30,004,554 for Hurricane Insurance Reserve invested in Treasury Bills and fixed deposits held with the Republic Bank (Grenada) Limited, RBTT Bank Grenada Limited, and the Grenada Co-operative Bank Limited.

9. INVENTORIES

	2020	2019
	$	$
The following is a breakdown of stock on hand:		
Motor vehicle spares	1,367,616	1,324,746
Distribution	7,161,236	6,749,587
Generation spares	15,790,777	10,711,541
Fuel and lubricating oil	356,947	510,644
General stores	3,386,244	2,770,142
	28,062,820	22,066,660
Less: Obsolescence provision	1,878,950	1,457,092
	26,183,870	20,609,568

10.(a)TRADE AND OTHER RECEIVABLES

Customers' accounts	12,477,625	19,066,904
Less: Provision for impairment of trade and other receivables	3,035,055	3,295,436
Trade receivables- net	9,442,570	15,771,468
Other debtors	911,532	936,371
Less: Provision for impairment of other debtors	46,129	45,084
	865,403	891,287
	10,307,973	16,662,755
Provision for unbilled sales	5,883,909	7,874,415
Prepayments	1,028,128	1,382,963
	17,220,010	25,920,133

10. (a) TRADE AND OTHER RECEIVABLES (continued)

As of the statement of financial position date, the lifetime expected loss provision for trade receivables is as follows:

	30 days	**31- 60 days**	**61-90 days**	**Over 90 days**	**Total**
Expected loss rate	0.5%	3%	50%	100%	
Gross carrying amount	$7,697,723	$1,718,589	$232,973	$2,828,340	$12,477,625
Loss provision	$38,670	$51,558	$116,487	$2,828,340	$3,035,055
					$9,442,570

10. (b) PROVISION FOR IMPAIRMENT OF TRADE AND OTHER RECEIVABLES

	2020 $	2019 $
(i) Customers' accounts		
As at December 31st, 2019	3,295,436	3,462,155
Net change in provision	(260,381)	(166,719)
As at December 31st, 2020	3,035,055	3,295,436
(ii) Other debtors		
As at December 31st, 2019	45,084	8,218
Net change in provision	1,045	36,866
As at December 31st, 2020	46,129	45,084

11. CASH AND CASH EQUIVALENTS

	2020 $	2019 $
Cash on hand	7,200	7,200
Bank of Tampa	-	596,453
Republic Bank (Grenada) Limited	5,803,287	13,540,842
CIBC First Caribbean International Bank Limited	3,568,915	2,190,752
Grenada Co-operative Bank Limited	347,960	265,045
Cash and cash equivalents in the statement of cash flows	9,727,362	16,600,292

12. STATED CAPITAL

Authorised		
25,000,000 ordinary shares of no par value		
Issued and fully paid		
19,000,000 ordinary shares of no par value	32,339,840	32,339,840

13. CUSTOMERS' DEPOSITS

All customers are required in accordance with the 2016 Electricity Act (EA) Schedule 1 to provide a security deposit, which is normally equivalent to one (1) month's consumption. Interest accrued is credited to customers' accounts in the first billing cycle of the year. The cash deposit is refunded with accumulated interest when the account is terminated.

14. BORROWINGS

	2020	2019
Long-term	**$**	$
CIBC First Caribbean International Bank Limited	32,283,458	36,659,425
Less: Current portion	4,375,967	4,375,967
Total long-term	27,907,491	32,283,458
Short-term		
Total short-term	4,375,967	4,375,967
Total borrowings	32,283,458	36,659,425

On February 29, 2016 the Company signed a Mortgage Debenture with CIBC First Caribbean International Bank (Barbados) Limited (the Bank) for a credit facility of up to XCD$48,050,000.00.

The loan bears interest at a rate of 4.75% per annum over the first five years and thereafter the interest will be the prime rate less 5.90% subject to a floor of 3.60% per annum. Presently the prime rate is 8.50% per annum. The loan is amortized over a twelve-year period and repayable via 32 quarterly principal payments of XCD$1,001,041.67 with a balloon payment of XCD$16,016,666.56. Interest will be paid quarterly in arrears and accrue on an actual/365-day basis. The facility is collateralized under a first priority mortgage obligation and debenture charge over the fixed and floating assets of the Borrower stamped to cover XCD$48,050,000.

On August 15, 2019 the Company signed a Mortgage Debenture with CIBC First Caribbean International Bank (Barbados) Limited (the Bank) for a credit facility of $3,718,000.00.

The loan bears interest at a rate of 4.75% per annum over the first five years and thereafter the interest will be the prime rate less 4.90% subject to a floor of 3.60% per annum. Presently the prime rate is 8.50% per annum. The loan is amortized over a ten-year period and repayable via 32 quarterly principal payments of XCD$92,950.00 plus quarterly interest payments.

The Company has an overdraft facility of $6 million with CIBC First Caribbean International Bank Limited with interest at the rate of 6% per annum.

15. PROVISION FOR RETIREMENT BENEFITS

The Company operates a defined contribution plan for its employees. Payment of benefits accrued is made upon the resignation or retirement of employees by the relevant Trust.

The balance of $63,585 at the statement of financial position date relates to amounts receivable from the Trusts for December 2020.

16. PROVISION FOR HURRICANE INSURANCE RESERVE

	2020 **$**	2019 $
Balance at beginning of year	28,000,000	26,000,000
Add: Provision for the year	2,000,000	2,000,000
Balance at end of year	30,000,000	28,000,000

17. TRADE AND OTHER PAYABLES

Trade creditors	4,808,413	8,628,048
Sundry creditors	7,992,800	8,648,048
Accrued expenses	8,098,300	6,785,243
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	20,899,513	22,520,408 22,540,408

18. OTHER INCOME

Sundry revenue	3,980,977	3,474,131
Gain on disposal of fixed assets	99,058	80,500
	4,080,035	3,554,631

(Expressed in Eastern Caribbean Currency Dollars)

19. FINANCE COSTS

	2020 $	2019 $
Bank loans/Bond interest	1,812,989	1,892,684
Other bank interest	12,080	5,980
Other	670,059	648,763
	2,495,128	2,547,427

20. RELATED PARTY TRANSACTIONS

i) The following transactions were carried out with WRB Enterprises, Inc., Grenada Private Power Limited and the National Insurance Scheme:

a) Sale of electricity - NIS	210,405	241,900
b) Management services- WRB Enterprises, Inc.	600,000	600,000
c) Payment of dividends:		
NIS	1,146,516	1,146,516
Grenada Private Power Limited	4,940,000	4,940,000

ii) Compensation of key management personnel of the Company:

Salaries and other benefits	3,775,048	3,888,082
Directors' Fees	310,500	243,250
Past employment benefit provisions	496,313	491,820
Loans receivable from key management personnel	12,697	39,469

21. TAXATION

Current year

Income taxes in the statement of comprehensive income vary from amounts that would be computed by applying the statutory tax rate for the following reasons:

	2020 $	2019 $
Profit for the year before taxation	21,959,446	34,400,337
Tax at applicable statutory rate (28%)	6,148,645	9,632,094
Tax effect of items that are adjustable in determining:		
Tax effect of hurricane reserve	(560,000)	(560,000)
Tax exempt income	(53,730)	(60,897)
Effect of expenses not deductible for tax purposes	(1,310,607)	(1,678,839)
Provision for taxation	4,224,308	7,332,358

Deferred tax liability

	2020	2019
Balance at the beginning of the year	(10,227,650)	(6,763,169)
Deferred tax charge	(1,628,924)	(3,464,481)
Balance at the end of the year	(11,856,574)	(10,227,650)

The deferred tax liability consists of the following components:

	2020	2019
Delayed tax depreciation	42,344,906	36,527,320
Deferred tax liability at 28%	(11,856,574)	(10,227,650)

22. CONTINGENT LIABILITIES

At the statement of financial position date, the Company was contingently liable to the Government of Grenada for customs bonds in the amount of $300,000.

23. DIVIDENDS

During the year ended December 31st, 2020, a dividend of 52 cents per ordinary share amounting to $9,880,000 was declared and paid.

24. FINANCIAL RISK MANAGMENT

The Company's activities expose it to a variety of financial risks: credit risk, operational risk, liquidity risk and market risk (including foreign exchange and interest rate risk). The Company's overall risk management policy is to minimise potential adverse effects on its financial performance and to optimise shareholders value within an acceptable level of risk. Risk management is carried out by the Company's management under direction from the Board of Directors.

The Board of Directors has established committees which are responsible for developing and monitoring the Company's risk management policies in their specified areas. These committees report to the Board of Directors on their activities. The committees and their activities are as follows:

Audit Committee

The Audit Committee has oversight for the integrity of the financial statements and reviews the adequacy and effectiveness of internal controls and risk management procedures.

Loans Committee

The Loans Committee is comprised of members of management who are responsible for approving staff loan applications and ensuring that only those that meet the requirements set out in the Staff Loan and Procedure Policy are approved.

24. FINANCIAL RISK MANAGEMENT (continued)

The Company's exposure and approach to its key risks are as follows:

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter-party to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from the Company's trade receivables and financial investments.

Credit risk with respect to trade receivables is substantially reduced due to the policies implemented by management. Deposits are required from all customers upon application for a new service and management performs periodic credit evaluations of its general customers' financial condition.

With respect to credit risk arising from other financial assets, that of cash and cash equivalents and financial investments, the Company places these funds with highly rated financial institutions to limit its exposure.

The Company's maximum exposure to credit risk equals the carrying amount of its financial assets. Based on the above, however, management does not believe significant credit risk exists at December 31st, 2020.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk to balance the avoidance of financial losses, damage to the Company's reputation with overall cost effectiveness, and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

24. FINANCIAL RISK MANAGEMENT (continued)

Operational risk

- Requirements for appropriate segregation of duties, including the independent authorization of transactions.
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance as outlined below.

Fair value of financial assets and liabilities

Fair value amounts represent estimates of the amounts at which the instrument could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale.

The fair values of financial assets and liabilities their carrying values due to the short-term maturities of these instruments.

Insurance risk

Prudent management requires that a company protect its assets against catastrophe and other risks. In order to protect its customers and investors, the Company has fully insured its plant and machinery, buildings, computer equipment and furniture against substantially all perils. The Company's Transmission and Distribution systems are uninsured and to mitigate this risk, the Company sets aside funds on an annual basis in a hurricane reserve.

24. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management monitors the Company's liquidity reserve, which comprises overdraft facilities and cash and cash equivalents (Note 11), on the basis of expected cash flows and is of the view that the Company holds adequate cash and credit facilities to meet its short-term obligations.

(Expressed in Eastern Caribbean Currency Dollars)

24. FINANCIAL RISK MANAGEMENT (continued)

The table below summarises the Company's liquidity position:

Balance at 31st December, 2019	Current	31-60 days	61-90 days	Over 90 days	Total
	$	$	$	$	$
Current Assets					
Cash and cash equivalents	16,600,292	-	-	-	16,600,292
Loans and receivable financial assets	3,030,979	-	-	31,406,225	34,437,204
Trade and other receivables	20,896,669	3,231,183	259,989	1,532,292	25,920,133
Inventories	20,609,568	-	-	-	20,609,568
	61,137,508	3,231,183	259,989	32,938,517	97,567,197
Current liabilities					
Current portion of lease liabilities	246,337	-	-	-	246,337
Short-term borrowings	-	92,950	1,001,042	3,281,975	4,375,967
Trade payables and accrued expenses	12,211,806	1,314,170	509,457	8,504,975	22,540,408
Consumers' advances for construction	-	-	-	7,282,723	7,282,723
Provision for retirement benefits	682,800	-	-	-	682,800
Provision for profit sharing	-	-	-	6,470,412	6,470,412
Provision for income tax	-	-	1,466,392	-	1,466,392
	13,140,943	1,407,120	2,976,891	25,540,085	43,065,039
NET LIQUIDITY SURPLUS/(DEFICIT)	47,996,565	1,824,063	(2,716,902)	7,398,432	54,502,158

(Expressed in Eastern Caribbean Currency Dollars)

24. FINANCIAL RISK MANAGEMENT (continued)

Balance at 31st December, 2020	Current	31-60 days	61-90 days	Over 90 days	Total
	$	$	$	$	$
Current Assets					
Cash and cash equivalents	9,727,362	-	-	-	9,727,362
Income tax prepaid	-	-	809,300	-	809,300
Retirement benefits prepaid	63,585	-	-	-	63,585
Loans and receivable financial assets	3,037,064	-	-	33,415,086	36,452,150
Trade and other receivables	7,659,053	1,667,031	116,486	7,777,440	17,220,010
Inventories	26,183,870	-	-	-	26,183,870
	46,670,934	1,667,031	925,786	41,192,526	90,456,277
Current liabilities					
Current portion of lease liabilities	26,764	26,764	26,764	240,874	321,166
Short-term borrowings	-	92,950	1,001,042	3,281,975	4,375,967
Trade payables and accrued expenses	10,401,565	258,499	1,190,428	9,049,021	20,899,513
Consumers' advances for construction	-	-	-	7,140,290	7,140,290
Provision for profit sharing	-	-	-	4,764,043	4,764,043
	10,428,329	378,213	2,218,234	24,476,203	37,500,979
NET LIQUIDITY SURPLUS/(DEFICIT)	36,242,605	1,288,818	(1,292,448)	16,716,323	52,955,298

24. FINANCIAL RISK MANAGEMENT (continued)

Market risk

(i) Foreign exchange risk

Foreign exchange risk is the potential adverse impact on the Company's earnings and economic value due to movements in exchange rates.

The Company has a limited exposure to foreign exchange risk arising primarily from the purchases of plant, equipment and spares from foreign suppliers that are mainly transacted in United States dollars, which has a fixed exchange rate.

The Company has not entered into forward exchange contracts to reduce its exposure to fluctuations in foreign currency exchange rates.

(ii) Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The company holds primarily fixed rate financial instruments and is therefore not significantly exposed to interest rate risk.

Capital risk management

The Company's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, as well as to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may, subject to Board approval as appropriate, vary the dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company also monitors capital on the basis of a target debt-to-equity ratio of 1.25:1 or less, indicating a strong financial position and financial flexibility. This ratio is calculated as total borrowings divided by total equity.

24. FINANCIAL RISK MANAGEMENT (continued)

Capital risk management (continued)

The debt-to-equity ratios are shown below:

Capital structure

	2020 $	2019 $
Total borrowings (Note 14)	32,283,458	36,659,425
Shareholders' equity	106,459,945	100,233,731
Debt to equity ratio	**0.30:1**	**0.37:1**

25. SUBSEQUENT EVENTS

Events after the reporting period

The duration and extent of the COVID-19 pandemic and related financial, social and public health impacts of the pandemic are uncertain. As such, the actual economic events and conditions in the future may be materially different from those estimated by the Company at the reporting date. No matters have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Company. The Company will continue to closely monitor the situation in order to plan its response, if necessary.

GRENADA ELECTRICITY SERVICES LIMITED

FIVE YEAR OPERATIONAL RECORD 2016-2020

EXPRESSED IN EC$ & US$

	2020	2019	2018	2017	2016
PRODUCTION AND SALES					
Generation - Grenlec Diesel	218,528,643	237,579,974	227,651,303	220,136,016	216,195,395
Generation - Grenlec PV	1,398,113	1,558,486	1,614,893	1,655,231	882,796
Generation - PV Customers	2,800,487	2,183,506	1,681,036	1,429,782	1,429,955
Gross Generation (kWh)	**222,727,243**	**241,321,966**	**230,947,232**	**223,221,029**	**223,221,029**
Auxillaries & Own Use	**7,477,023**	**7,556,373**	**6,490,799**	**6,215,633**	**6,123,818**
Net Generation	**215,250,220**	**233,765,593**	**224,456,433**	**217,005,396**	**212,384,328**
Sales (kWh)					
Domestic	84,377,072	82,679,980	80,512,737	78,680,567	76,779,913
Commercial	104,620,226	123,008,954	116,955,264	110,449,387	109,061,085
Industrial	6,167,168	6,750,491	5,934,292	5,478,443	5,686,738
Street Lighting	4,495,734	4,577,319	4,668,193	4,710,779	4,701,059
Total Sales	**199,660,200**	**217,016,744**	**208,070,486**	**199,319,176**	**196,228,795**
Loss (% of Net Generation)	7.22%	7.14%	7.27%	8.12%	7.58%
Number of Customers at Year - End					
Domestic	45,992	45,139	44,250	43,229	42,293
Commercial	7,282	7,123	6,930	6,752	6,521
Industrial	40	39	38	38	39
Street Lights	8,824	8,755	8,713	8,628	8,461
Total Customers	**53,314**	**52,301**	**51,218**	**50,019**	**48,853**
Average Annual usage per Customer Class (kWh)					
Domestic	1,835	1,832	1,819	1,820	1,815
Commercial	14,367	17,269	16,877	16,358	16,725
Industrial	154,179	173,090	156,166	144,170	145,814

GRENADA ELECTRICITY SERVICES LIMITED

FIVE YEAR FINANCIAL RECORD 2016-2020

	2020 EC$	2019 EC$	2018 EC$	2017 EC$	2016 EC$
INCOME	148,080,951	192,465,914	181,738,765	151,536,343	137,603,711
PROFIT BEFORE TAXES	21,959,446	34,400,337	24,277,594	20,773,080	23,284,012
TAXATION	5,853,232	10,796,839	6,494,000	5,602,731	6,957,694
NET PROFIT	16,106,214	23,603,498	17,783,594	15,170,349	16,326,318
Stated Capital & Retained Earnings	76,459,945	72,233,731	60,510,233	54,606,639	49,316,290
Hurricane Insurance Reserve	30,000,000	28,000,000	26,000,000	24,000,000	22,000,000
SHAREHOLDERS EQUITY	**106,459,945**	**100,233,731**	**86,510,233**	**78,606,639**	**71,316,290**
REPRESENTED BY:					
TOTAL ASSETS	205,723,176	179,133,533	163,480,729	156,358,788	170,544,752
TOTAL LIABILITIES	105,489,445	92,623,300	84,874,090	84,042,498	48,589,618
NET ASSETS	**106,459,945**	**100,233,731**	**86,510,233**	**78,606,639**	**72,316,290**
FINANCIAL RATIOS					
No. of shares	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000
Return on Shareholders equity	15.13%	23.55%	20.56%	19.30%	22.89%
Earnings Per Share	0.85	1.24	0.94	0.80	0.86
Dividends Per Share	0.52	0.52	0.52	0.52	3.52

	US $	US $	US $	US $	US $
INCOME	**54,844,797**	**71,283,672**	**67,310,654**	**56,124,571**	**50,964,337**
PROFIT BEFORE TAXES	8,133,128	12,740,866	8,991,701	7,693,733	8,623,708
TAXATION	2,167,864	3,998,829	2,405,185	2,075,086	2,576,924
NET PROFIT	5,965,264	8,742,037	6,586,516	5,618,647	6,046,784
Stated Capital & Retained Earnings	28,318,498	26,753,234	22,411,197	20,224,681	18,265,293
Hurricane Insurance Reserve	11,111,111	10,370,370	9,629,630	8,888,889	8,148,148
SHAREHOLDERS EQUITY	39,429,609	37,123,604	32,040,827	29,113,570	26,413,441
REPRESENTED BY:					
TOTAL ASSETS	75,607,416	76,193,769	66,345,753	60,548,418	57,910,662
TOTAL LIABILITIES	36,177,807	39,070,165	34,304,926	31,434,848	31,126,851
NET ASSETS	**39,429,609**	**37,123,604**	**32,040,827**	**29,113,570**	**26,783,811**
FINANCIAL RATIOS					
No. of shares	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000
Return on Shareholders equity	15.13%	23.55%	20.56%	19.30%	22.89%
Earnings Per Share	0.31	0.46	0.35	0.30	0.32
Dividends Per Share	0.19	0.19	0.19	0.19	1.30

Notes

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Grenada Electricity Services Ltd
P.O. Box 381, St. George's
Grenada, W.I.