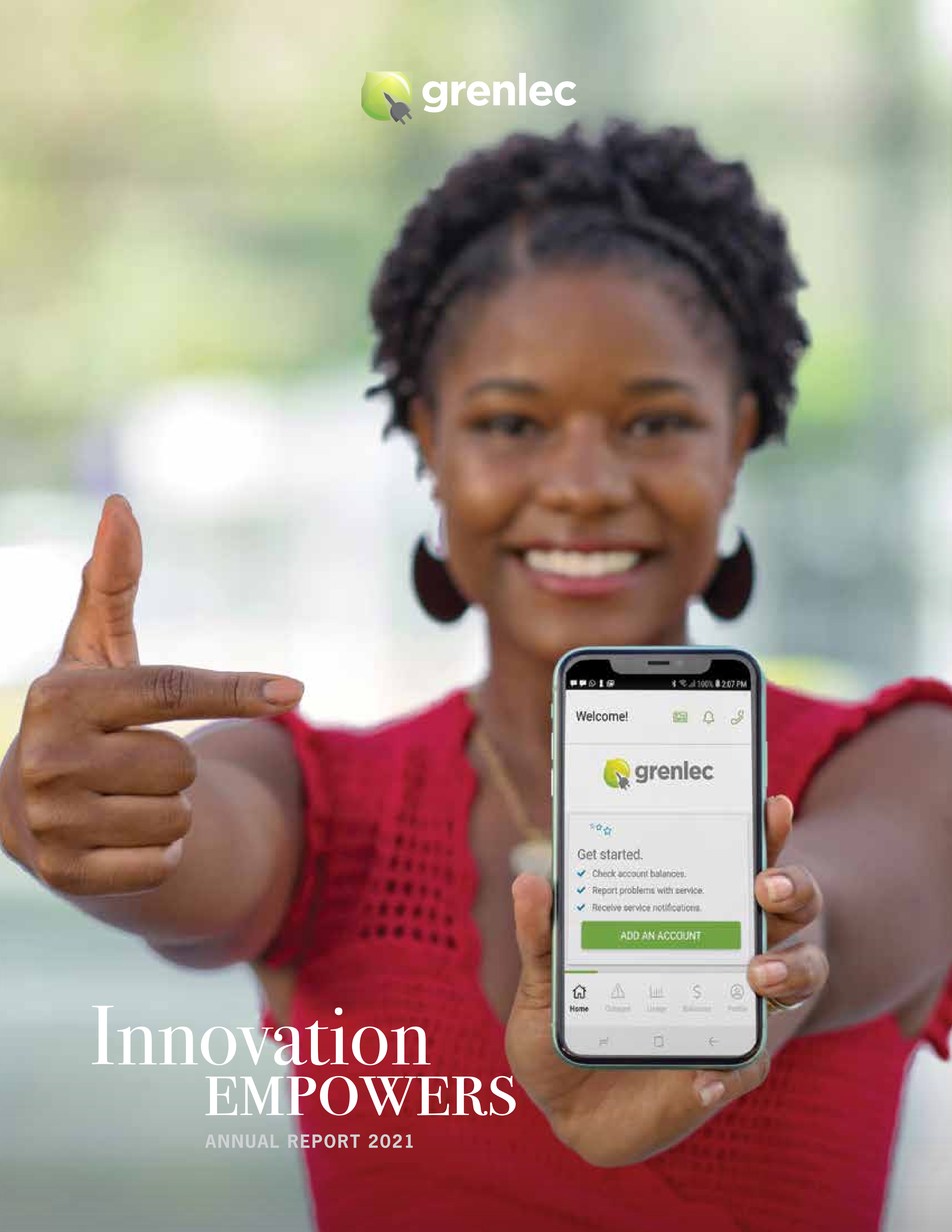

grenlec

Innovation EMPOWERS

ANNUAL REPORT 2021

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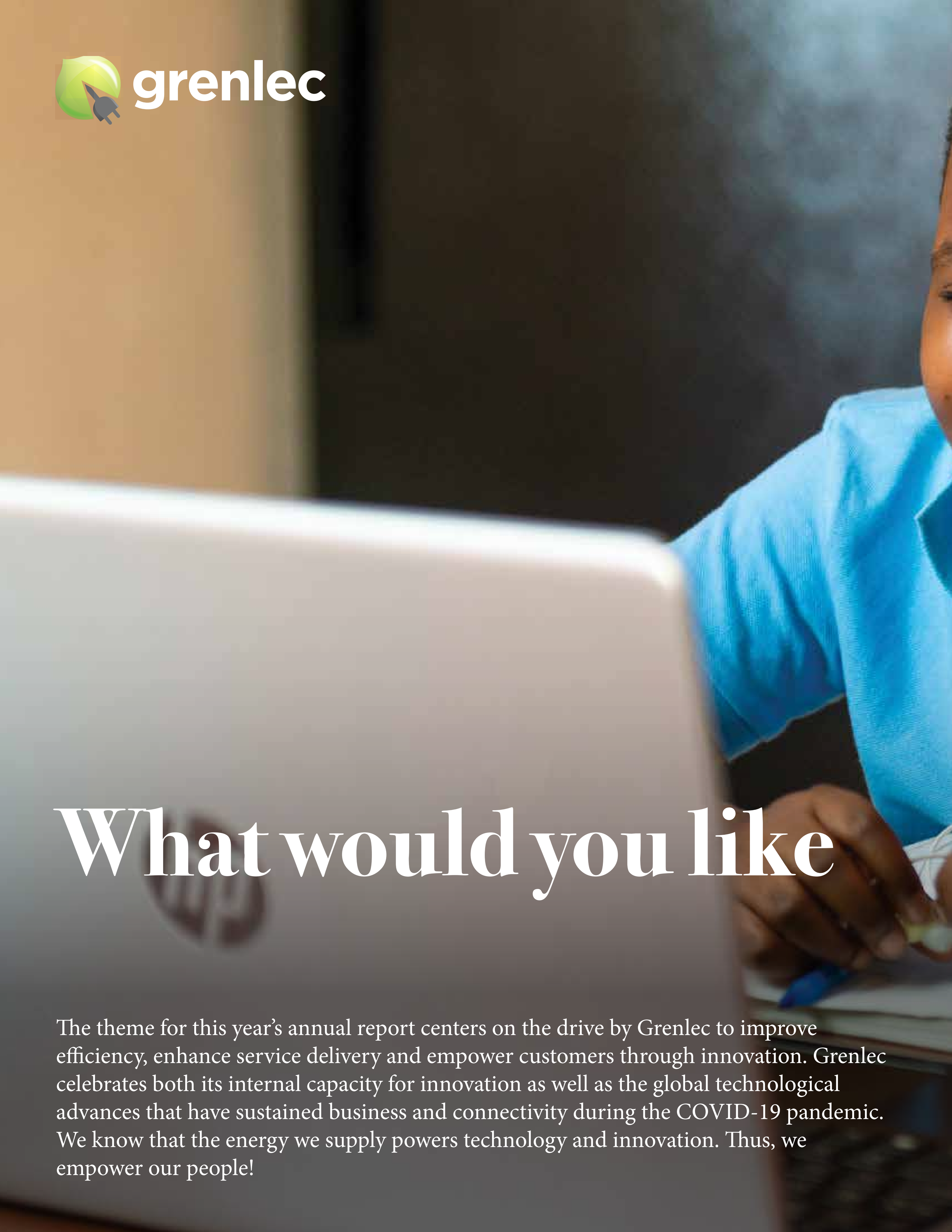


grenlec

What would you like

The theme for this year's annual report centers on the drive by Grenlec to improve efficiency, enhance service delivery and empower customers through innovation. Grenlec celebrates both its internal capacity for innovation as well as the global technological advances that have sustained business and connectivity during the COVID-19 pandemic. We know that the energy we supply powers technology and innovation. Thus, we empower our people!


the power to do?
Innovation
EMPOWERS

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), a 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 over 55,000, 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 33.7 MW, 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

(As at 31st December 2021)

Dr. Shawn Charles - Chairman
Mr. Michael Archibald
Mr. Dorsett Cromwell
Ms. Winifred Duncan-Phillip
Ms. Linda George-Francis
Mr. Kent Mitchell
Mr. Duane Noel
Ms. Alexandra Otway-Noel
Ms. Kay Simon

GENERAL MANAGER (ACTING)

Mr. Clive Hosten
(Collin Cover resigned 30 November 2021)

COMPANY SECRETARY

Ms. Lydia Courtney-Francis (appointed 23rd February 2022)
(Benedict Brathwaite retired 17 December 2021)

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

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

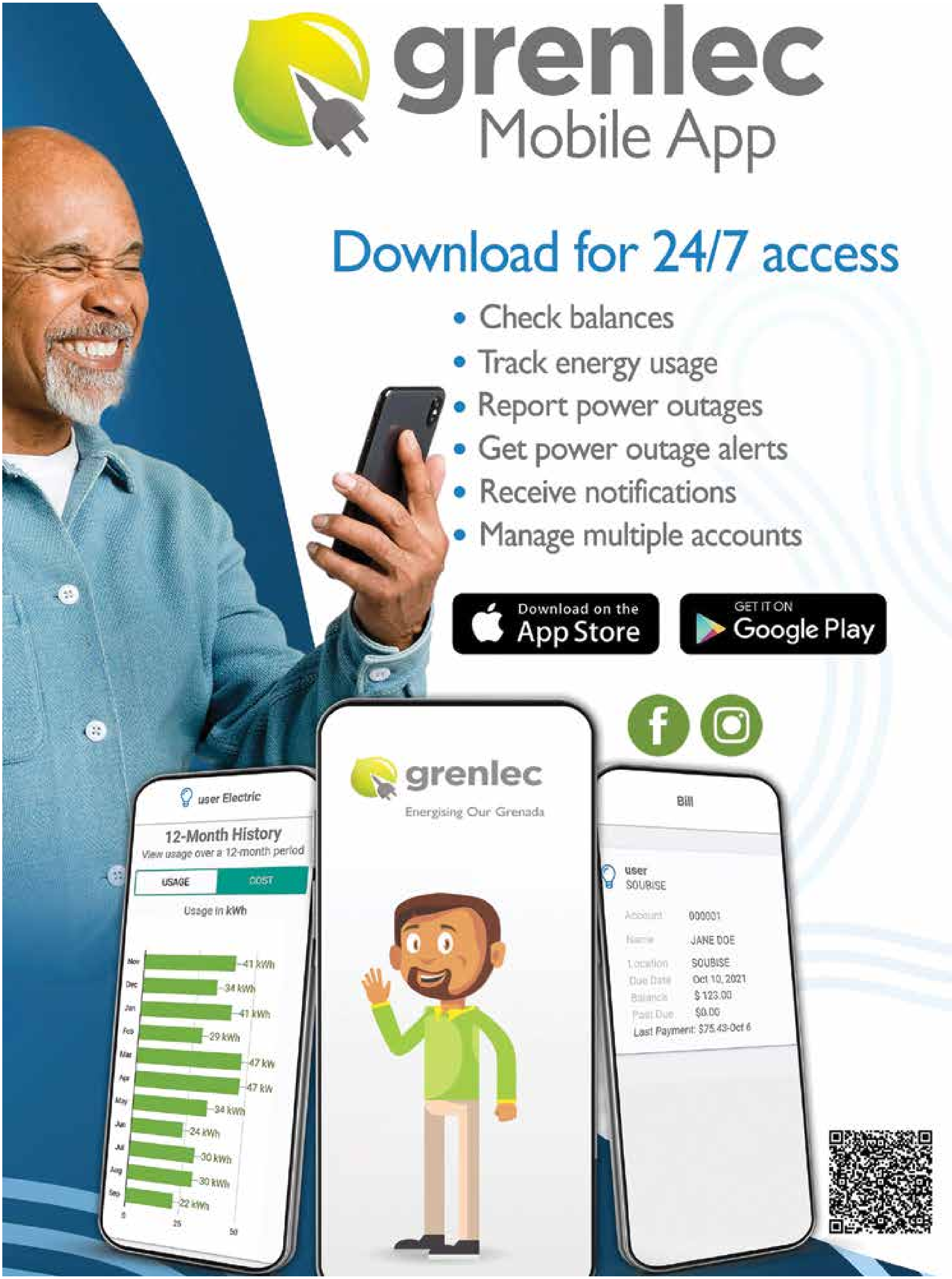
Grenada Co-operative Bank Limited
Church Street
St. George's, Grenada

ATTORNEYS-AT-LAW

Kim George & Associates
H.A. Blaize Street
St. George's, Grenada

AUDITORS

Ernst & Young
Rodney Bay
Gros Islet
St. Lucia


grenlec
Mobile App
Download for 24/7 access
• Check balances
• Track energy usage
• Report power outages
• Get power outage alerts
• Receive notifications
• Manage multiple accounts
Download on the App Store
GET IT ON Google Play
user Electric
12-Month History
View usage over a 12-month period
USAGE
COST
Usage in kWh
grenlec
Energising Our Grenada
Bill
user
SOUBISE
000001
JANE DOE
SOUBISE
Oct 10, 2021
$ 123.00
$0.00
Last Payment: $75.43-Oct 6

Innovation EMPOWERS

We are Powering the Growing Need.

Customers count on us to keep the lights on when they work hard from dawn to dusk and beyond. We grow and maintain our distribution network to reach them where they need us to be in every sector of our economy.

BOARD OF DIRECTORS

Dr. Shawn H. Charles
Chairman

Mr. Michael Archibald

Mr. Dorsett Cromwell

Ms. Winnifred Duncan-Phillip

Ms. Linda George-Francis

Mr. Kent A. Mitchell

Mr. Duane A. Noel

Ms. Alexandra Otway

Ms. Laren Kay Simon

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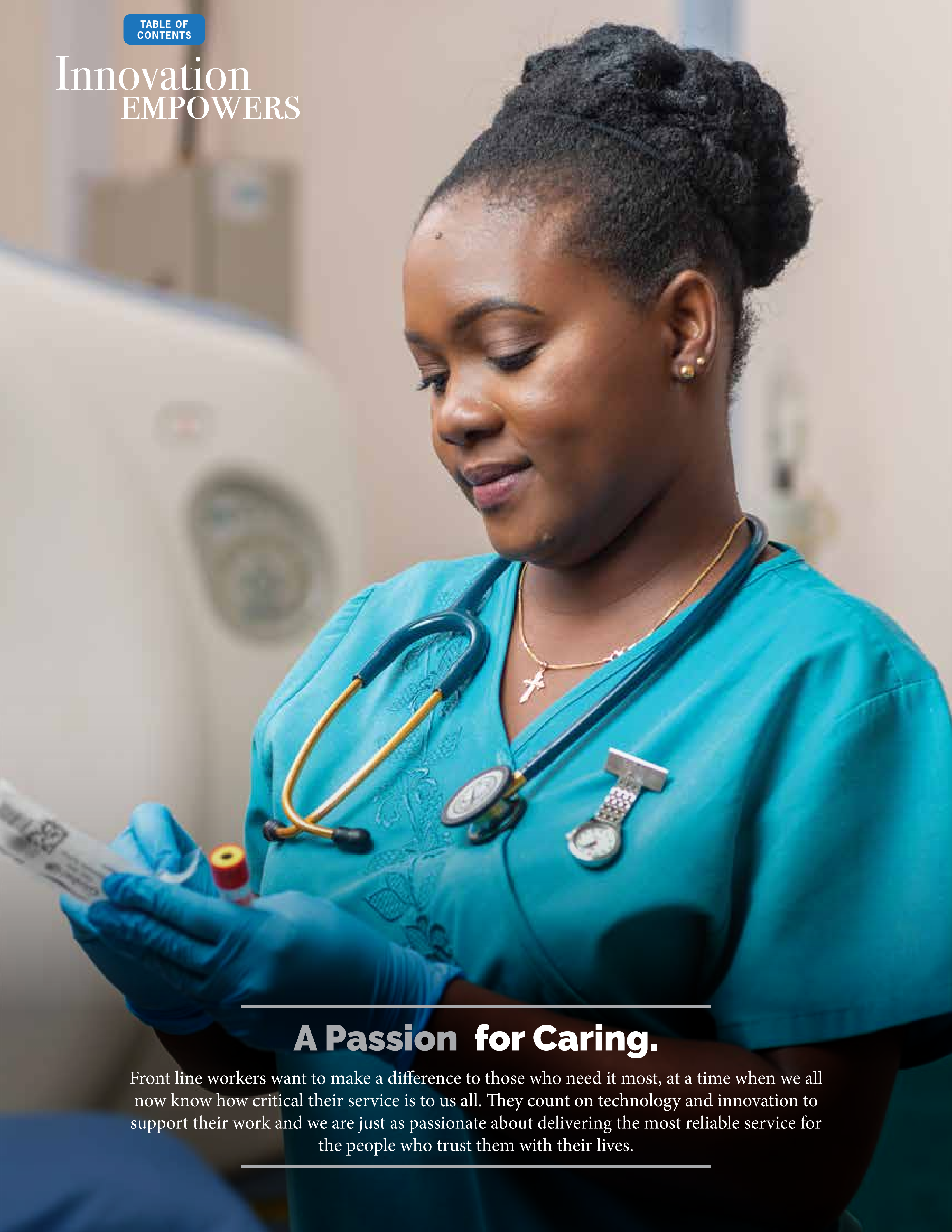

A Passion for Caring.

Front line workers want to make a difference to those who need it most, at a time when we all now know how critical their service is to us all. They count on technology and innovation to support their work and we are just as passionate about delivering the most reliable service for the people who trust them with their lives.

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CHAIRMAN'S REPORT

Dr. Shawn H. Charles | Chairman

"Cognizant of this toll the situation has taken, we focused on supporting team members and encouraging the adoption of lifestyles that promote health and safety."

After eighteen months of managing through the COVID-19 pandemic, we reflect on the challenges and more importantly, achievements of working together to meet and overcome them. Many people wrestled with financial and health impacts related to the pandemic and others lost loved ones.

Cognizant of this toll the situation has taken, we focused on supporting team members and encouraging the adoption of lifestyles that promote health and safety. Among the measures, we promoted vaccinations as one of the best tools available to boost immunity and reduce the symptoms of COVID-19.

While the pandemic has tested all of us, team members and customers, our team rose to the occasion. During the year, we modified processes and approaches to cope with the changing realities of illness, increased unemployment, higher commodity prices, supply chain issues and increasing fuel prices driven by COVID -19.

Like other businesses, Grenlec was affected by COVID-19 infections, particularly in the latter part of August and September when there was a wave of infections and hospitalisations. Even then, our team members made the adjustments that were necessary for us to maintain our service delivery, albeit with some changes. We are grateful for our team members, who served our Company and customers with commitment and professionalism despite their personal circumstances. Together with other frontline workers, our team helped our nation navigate the pandemic and we thank them for their essential role.

PROFIT

Notwithstanding the challenges, the extraordinary efforts of our team members in 2021 realised a $19.35M profit before tax, 11.91% lower than the $21.96 achieved in 2020. There was an extra-ordinary item of $10.88M for insurance refund related to an engine failure in 2020. If one discounts the effect of this refund, the true profit on operations was $8.55M, 61% lower than 2020.

This lower profit margin is attributable to higher operating costs, as well as a $5.5M under-recovery on the cost of fuel. The low fuel cost recovery rate of 93.38% was the lowest on record. This fuel cost recovery rate is determined by the 3-month rolling average used to calculate the fuel charge paid by customers. When fuel prices are increasing, customers are cushioned from sharp increases and our Company under-recovers on the cost of fuel. During the year under review, there was a tremendous increase in fuel costs, which started to increase in January and continued through to year-end.

DIVIDENDS

These fuel price increases, the associated lower fuel cost recovery rate and the continued impact of COVID-19 meant lower earnings per share.

At $0.78, your Company's earnings per share (EPS), represented an 8% decline on the eighty-five cents earned in 2020.

Nonetheless, your Board maintained the same level of dividends as 2020, with the total dividend paid of $0.52 in four quarterly installments of thirteen cents per share.

Your shares listed on the Eastern Caribbean Securities Exchange (ECSE) traded at between $10.00 and $11.50 per share in 2021 and was listed at a price of $10.50 per share as of 15 August 2022.

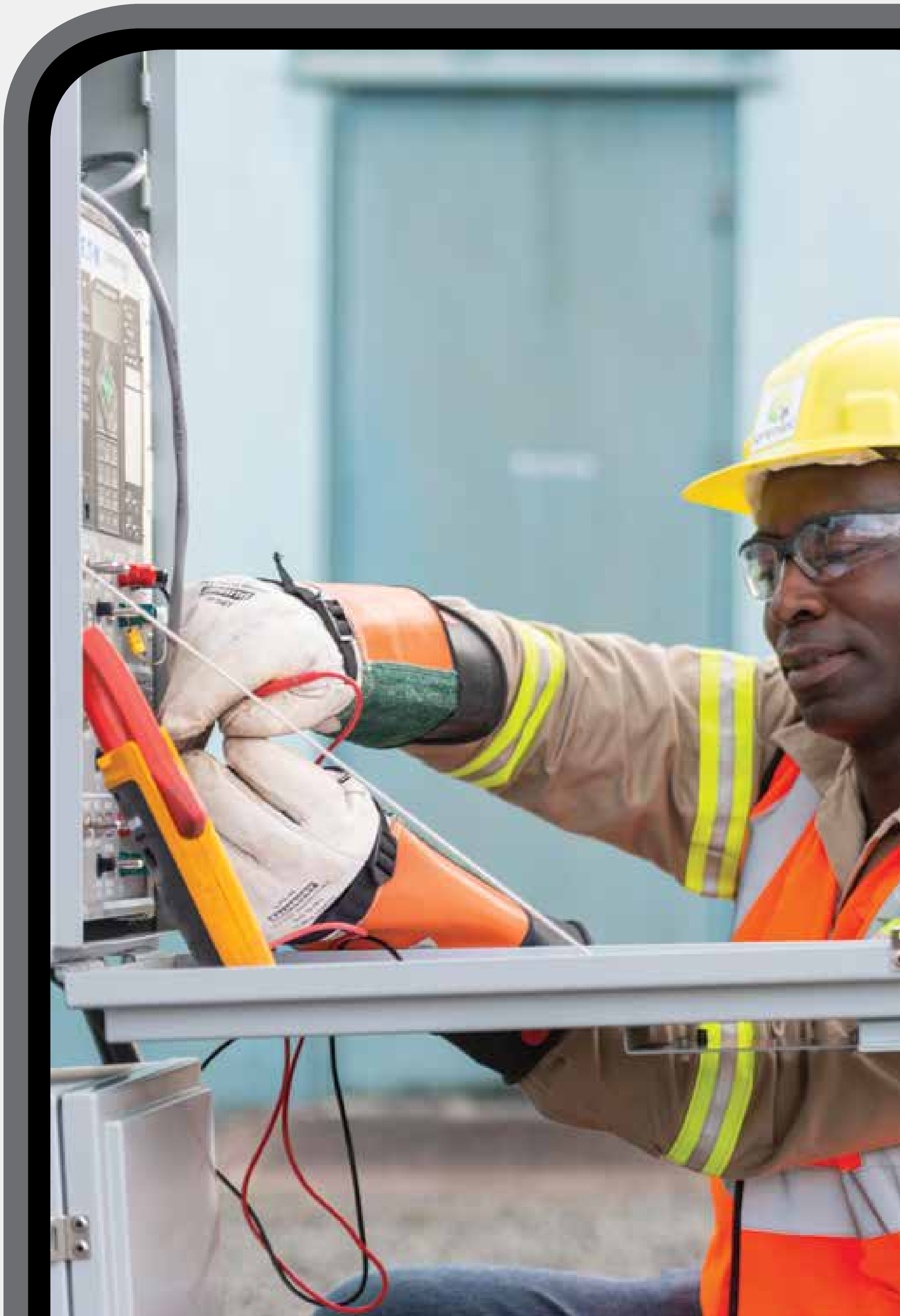
NEW GENERATOR COMMISSIONED

A new Wartsila 9.7 MW engine was commissioned in September. The purchase of the new engine was necessitated by a major failure of one of our largest units, an 8 MW Wartsila engine. Having recognized the criticality of the loss regarding the marginalized generating capacity, your Board took the decision to purchase a new engine, which was readily available and has the capacity to be converted to burn liquefied natural gas (LNG).

While the need to ensure reliable electricity supply necessitated the purchase of another fossil fuel engine, your Company's commitment to increase renewable energy penetration remains resolute.

RELIEF FOR ELECTRICITY CUSTOMERS

Responding to an overture from the Government of Grenada, your Board agreed a 25% reduction in the non-fuel charge for customers, pending final authorization by the Public Utilities Regulatory Commission (PURC). The PURC authorization was communicated to Grenlec in January 2022 and the rate deduction implemented shortly thereafter. This initial 6-month decrease is intended to provide relief to customers against the backdrop of increasing electricity costs caused by world fuel prices as well as acute economic hardship experienced by many families and businesses due to the COVID-19 pandemic. This relief measure took effect on 5 January 2022.



To provide further relief to customers, the Government of Grenada also legislated changes to the Valued Added Tax and Environmental Levy. These adjustments took effect on 24 December 2021.

1. **Value Added Tax**

   VAT is now zero-rated for the first 500 kWh for domestic customers. 15% VAT continues to apply to the non-fuel amount for commercial and industrial customers as well as to the non-fuel amount over 500 kWh for domestic customers.

2. **The Environmental Levy** is a fee that was added to the electricity bill through legislation for expediency. Grenlec collects this fee from domestic customers and remits it to the Solid Waste Management Authority.

   There is now a flat charge of $10.00 applied to the electricity bill where usage exceeds 500 kWh. No charge is applicable for usage up to 500 kWh.

THE GRENLEC COMMUNITY PARTNERSHIP INITIATIVE (GCPI)

During the year under review, your Company invested $1.6M in community projects, many of which focused on youth, education and the environment. Significantly, in social services, Grenlec began work with the Rotary Clubs in Grenada to design and execute a programme to assist individuals and families with electricity bills and costs of rewiring after fires and other emergencies. While the idea for the 'Good Neighbour Initiative' was born before the COVID-19 pandemic, its development and execution during this period allows our Company, together with the Rotary Clubs and other partners to respond to the needs of customers who have been unduly affected by the pandemic. We are grateful for this continued partnership with Rotary, which is administering this programme for customers throughout our tri-island state.

REGULATORY FRAMEWORK

The Company attended all of the PURC public consultations on the new draft regulations. These draft regulations include a new tariff setting methodology, generation expansion and competitive bidding, licenses and permits, the grid codes and the renewable energy self-generation program. This was followed by more detailed discussions between the PURC and the Company on specific areas of the regulations.

In relation to the tariff setting methodology, it is set to incorporate a return on rate base for the non-fuel component of the tariff, which represents a change from the price-cap RPI minus 2 mechanism in the 1994 legislation. While this will be examined through a series of studies, namely a Cost-of-Service Study, Load Research and Integrated Resource Plan, an interim tariff is expected to be implemented during this phase. Changes are also proposed to the fuel charge calculation using a monthly adjustment factor to reflect the actual cost of fuel to customers. It removes any over or under recovery of the fuel charge to the Company due to changes in fuel prices. A new renewable energy charge is also expected within the new tariff structure.

The Renewable Energy Self-generator Program is devised to encourage both residential and commercial customers to offset their energy consumption with rooftop PV Solar.

Notwithstanding the challenges, the extraordinary efforts of our team members in 2021 realised a $19.35M profit before tax.

An interim measure was implemented that incorporates a net metering arrangement with 50% banking and 50% net billing. This program requires more discussion and analysis to ensure that the Company is not overly disadvantaged by this interim measure and the subsequent final arrangements.

OUR PEOPLE

During the year, we welcomed Mr. Michael Archibald to our Board of Directors, following the retirement of Mr. Devon Charles. We thank Mr. Charles for his excellent contributions to our Company and wish him continued success in his endeavors.

It was a period of change with Mr. Collin Cover transitioning from the role of General Manager in October 2021 and Mr. Benedict Brathwaite, the Company Secretary and Financial Controller of more than 25 years retiring in June 2021.

We extend our appreciation to Mr. Cover for his leadership through a time of significant change. His work, together with the management team, has enhanced resilience and despite the external circumstances, yielded strong Company performance.

Mr. Clive Hosten, Chief Engineer has stepped up as Acting General Manager, and we are grateful for his service during these tough times.

Having officially retired in June, Mr. Brathwaite continued in his roles until December. We thank him for his commitment to high standards, improving efficiency and mentoring team members.

Mr. Brathwaite has been succeeded by Ms. Lydia Courtney-Francis, who joined the management team as the new Financial Controller and was subsequently appointed Company Secretary.

Our team has steered us through another challenging year, and we are grateful to have the combination of skills and experience that our people bring to bear on our charge to deliver reliable energy service.

As I write, we are encouraged by signs of economic recovery, which we had some benefit of in 2021. In 2021, we recorded sales growth in both the domestic and commercial customer categories of 1.95% and 5.33% respectively. Industrial customers recorded the highest growth at 7.57%.

As economic activity strengthens with the upswing in tourism and reopening of other sectors, we expect further positive impacts on our business.

Shawn Charles

Dr. Shawn H. Charles | Chairman

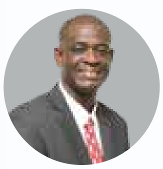
MANAGEMENT TEAM

9:45

GRENLEC
Management Team

Clive Hosten
General Manager (Acting)

Dwayne Cenac
Manager, Generation



Wallace Collins
Manager, Carriacou and Petite Martinique

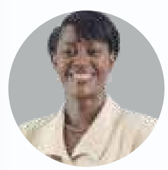
Lydia Courtney-Francis
Financial Controller

Prudence Greenidge
Manager, Corporate Communications

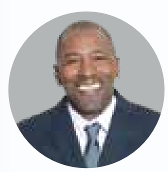
9:45

GRENLEC
Management Team

Jeffrey Neptune
Manager, Information Systems



Casandra Slocombe
Manager, Customer Services



Eric Williams
Manager, Transmission & Distribution

Jacquline Williams
Manager, Human Resources

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Innovation EMPOWERS

Every Family is Our Family.

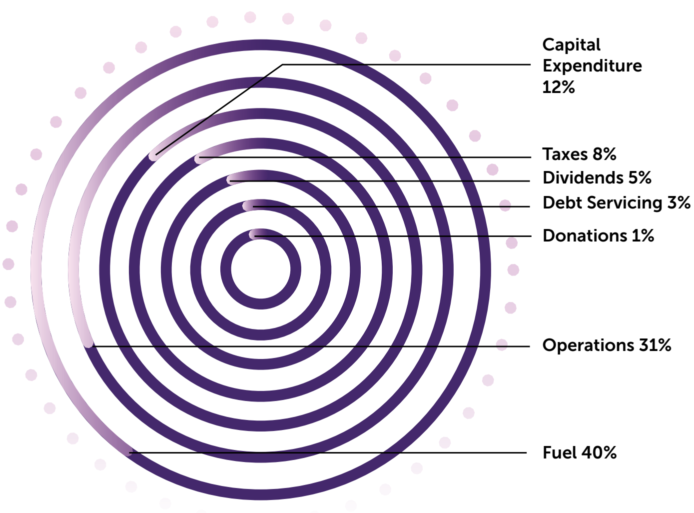
Our customers count on us to have what they need when they need it. They are not just customers, they are our wider family, our community. We know that our consistent performance is critical to drive the economy, enrich lifestyles and power the future development of every family's dreams. You can count on us.

MANAGEMENT REVIEW AND ANALYSIS 2021

OVERVIEW

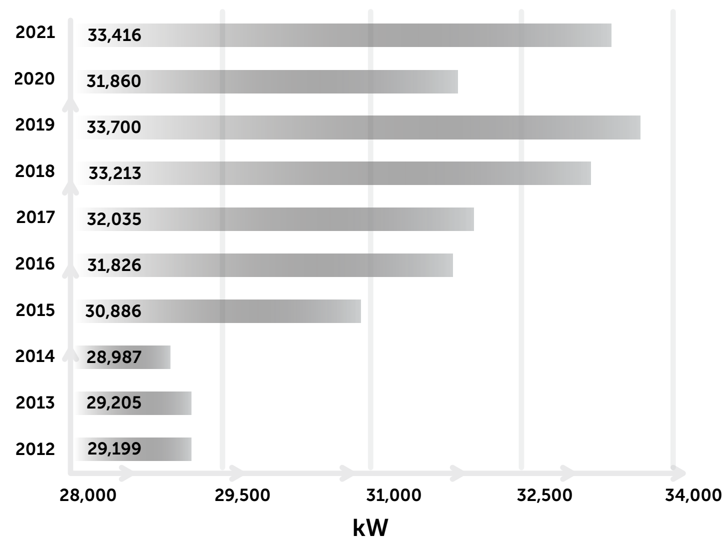
- kWh sales increased 3.63% over 2020
- Revenues were $178.27M
- Pre-tax profits were $19.35M
- System losses were 6.61%
- Return on equity was 13.52%
- Earnings per share were $0.78
- Gross Generation 224,564 MWh
- Peak Demand 33.4 kW
- Grenlec Community Partnership Initiative (GCPI) - $1.6M

How Your Dollar was Spent



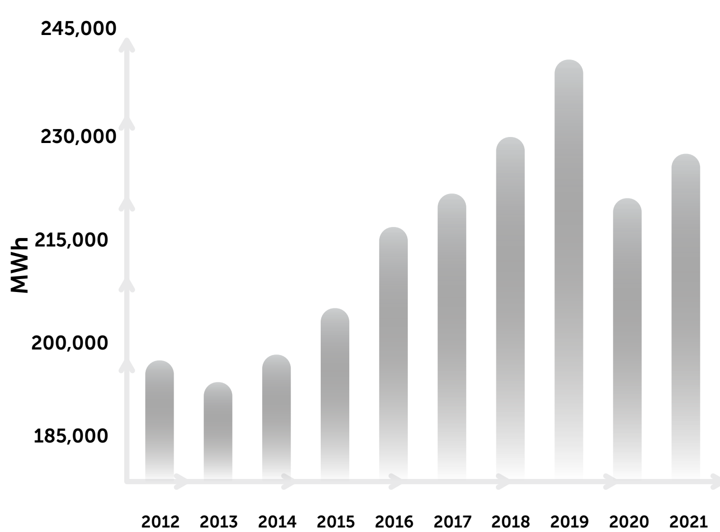
Dividends	9,880,000
Debt Servicing	6,967,655
Taxes (Income, VAT, Env. Levy, Stamp)	17,039,208
Donations	1,569,431
Capital Expenditure	24,678,525
Operations	63,515,653
TOTAL	**$ 207,473,074**

Peak Demand (2012-2021)



After declining to 31,860 kW in 2020 due to the pandemic, peak demand rose to 33,400 as economic activity increased.

Gross Generation



After a COVID-19 related decline of 6.9% in 2020 compared to a record year in 2019, gross generation of 228,913MWh in 2021 represented a 2.8% increase over 222,727MW in 2020.

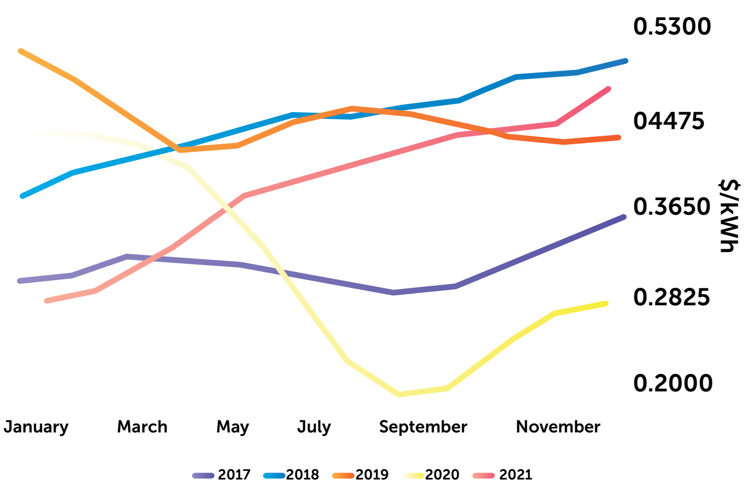
FINANCIAL REVIEW

Although we continued to face the protracted effects of the COVID-19 pandemic and high fuel prices, the financial performance for 2021 was mostly consistent with the prior year, with a marginal increase of 2.78% in gross generation and 3.63% kWh sales growth compared to 2020.

Driven by world demand, fuel prices increased rapidly, reaching US$75.82/barrel in June and ending the year at $78.88/barrel. Given the 3-month rolling average used to calculate the monthly fuel charge paid by customers, these world fuel price increases resulted in a fuel recovery rate of 93.57% or under recovery of $5.39M.

This under-recovery on the cost of fuel as well as higher operating costs led to profit before taxes of $19.35M, a 11.9% decrease from 2020.

Changes in Fuel Charge 2017-2021



Changes in Fuel Charge 2017-2021

Month	$per kwh	$per kwh	$per kwh	$per kwh	$per kwh
	2017	2018	2019	2020	2021
January	0.3209	0.3894	0.5103	0.4382	0.2884
February	0.3262	0.4089	0.4858	0.4390	0.2963
March	0.3416	0.4199	0.4518	0.4286	0.3200
April	0.3380	0.4300	0.4243	0.4087	0.3511
May	0.3346	0.4431	0.4310	0.3623	0.3820
June	0.3247	0.4567	0.4510	0.3021	0.3957
July	0.3164	0.4557	0.4602	0.2372	0.4096
August	0.3105	0.4628	0.4575	0.2055	0.4209
September	0.3161	0.4677	0.4478	0.2122	0.4353
October	0.3386	0.4866	0.4365	0.2491	0.4417
November	0.3567	0.4915	0.4329	0.2799	0.4459
December	0.3769	0.5001	0.4371	0.2893	0.4775
Annual Average	0.3334	0.4510	0.4522	0.3210	0.3887

In 2021, rising fuel prices pushed the fuel charge higher every month, resulting in an average fuel charge to customers of $0.3887 compared to $0.3210/kWh in 2020.

SALES

Total sales growth in 2021 was 3.63%. Negative sales growth in the first quarter of 2021 was consistent with the performance in the last quarter of 2020.

However, from April 2021, as economic activity increased with the revival of the hotel and tourism sector as well as other businesses, the last nine months of 2021 recorded growth resembling 2019. December 2021 sales of 18,611 MWh outperformed December 2020 (16,863 MWh) and was better than December 2019 (18,383 MWh).

Customer Categories	2021 GWh	2020 GWh	%
Domestic	86.01	84.38	1.94% growth
Commercial	110.17	104.62	5.30% growth
Industrial & Street Light	11.52	11.14	3.41% growth
Total	207.70	200.14	3.63% growth overall compared to a decline of 8% in 2020

Number of Customers	2021	2020	Increase
	55,181	53,337	3.46%

Total Revenues

	2021	2020	Change from 2020-2021	Notes
Revenue from Non-fuel Charge (EC$M)	$85.50M	$82.65M	$2.85M more	3% increase in non-fuel revenues from higher sales.
Average Fuel Charge paid by Customers (EC cents)	38 cents/ kWh	33 cents/ kWh	5 cents (15%) increase	Fuel charge revenues increased by 3.48%.
Total Revenue (EC$M)	$178.28M	$148.08M	$30.2M more	Fuel revenue, unbilled and an extra-ordinary item of $10.8M for an insurance claim were the main drivers.
Average Fuel Prices/Imperial Gallon paid by Grenlec (EC$)	$6.94	$4.82	$2.12 increase	Beginning in January, fuel prices rose each month in the year.

While the average consumption per Domestic customer remained relatively unchanged, it increased in both the Commercial (1.6%) and Industrial (10.6%) customer categories.

Sundry revenues grew by an unusual 296%, mainly due to an insurance claim for the failed DG#4 Wartsila engine, which suffered a catastrophic failure in October 2020.

Net Fuel Recovery

The net fuel recovery rate of 93.57% was well below the targeted 99.41% and significantly lower than the 113.52% achieved in 2020. This resulted from drastic and sustained increases in world fuel prices in concert with the 3-month rolling average calculation for the fuel charge customers pay Grenlec. Rising fuel prices throughout the year resulted in an annual average of $6.94/IG in contrast with $4.82/IG in 2020 when fuel prices generally declined. When world fuel prices are rising as they did throughout 2021, Grenlec recovers its expenditure on fuel at a slower rate than when prices are falling because customers pay an average of the fuel price over the prior 3 months. Consequently, while a fuel recovery benefit of $7.5M was recorded in 2020, under recovery on fuel cost was $5.4M in 2021.

Non-Fuel Operating Expenses and Costs

Non-fuel operating expenses of $63.74M were higher than the prior year by 6.0% ($3.61M). This was driven mainly by cost increases for employee costs and line maintenance.

Insurance costs, which are closely monitored, have risen annually from 2019 with an almost 100% increase over that period. In 2021, the Company paid $940K more for insurance than in 2020.

All other departments recorded positive variances compared to budget as management continued with its efficiency initiatives.

Borrowing of $16.2M for the new generator and the finance costs for treatment of leases in accordance with IFRS 16 increased financing costs by $0.04M. We continued to meet our obligations according to schedule and to finance capital expenditure and system improvements from operating cash flow.

Financial Position

	2021	2020	Change from 2020-2021	Notes
Total Assets (EC$M)	$232.89M	$204.14M	$28.75M	Installation of the new Wartsila generator.
Total Liabilities (EC$M)	$123.06M	$97.68M	$25.38M	Increase reflects portion of the long-term liability related to the loan for the new DG#4 engine.
Net Assets (EC$M)	$109.83M	$106.46	$3.37M	
Retained Earnings (EC$M)	$45.49M	$44.12M	1.37% increase	
Return on Invested Capital (%)	15%	17%	2% decline	
Debt to Equity Ratio	40%	30%	10% increase	Increased borrowing related to the purchase of a new generator.

Property, Plant and Equipment increased substantially by $21.3M (20.88%) over 2020, mainly due to the addition of the new Wartsila Engine.

Trade Receivables also increased significantly, ending the year $4.7M more than 2020. The impact of COVID-19 is still being felt with all sectors contributing to the increased debt.

The Team continues to work with customers to closely manage the situation, while affording credit arrangements that will allow customers to pay outstanding amounts and reduce trade receivables over time.

Cash and cash equivalents improved compared to 2020, with a growth of 26 % or $2.5M.

While there was a slight deterioration in the debt covenants, the current and debt service ratios remain well within the stipulated guidelines at 2.02:1 and 3.55:1 respectively.

	2021	2020	Change from 2020-2021	Notes
Trade Receivables (EC$M)	17.19	12.48	37.7% increase	COVID-19 continued to affect prompt settlements in most of the sectors. Despite these challenges, the team must be commended for achieving the 2021 collections target.
Debtor Days Outstanding	35.37	28.05	Increased by 7.32 days	Measures the length of time it takes to collect on credit sales. While the Government of Grenada generally kept its account current, the increase in debtor days was attributable to higher rates and delayed payments across all customer categories.

Cash Flows

Cash flows refer to the movements of money into and out of a business, typically categorised as cash flows from operations, investing and financing. The $16.55M from operating activities was lower than the prior year by 24.29%. Additional financing of $16.2M cash was secured to procure the new generator installed during the year.

The net outflow related to investing activities was mainly for capital expenditure projects. Expenditure related to new projects amounted to $24.68M.

Other financing activities refers to cash provided for day-to-day operations, financing debts and payment of dividends. During the period, total dividend payments amounted to $9.88M and funds allocated to principal loan repayments were $4.92M.

There was an overall increase of $2.5M in cash.

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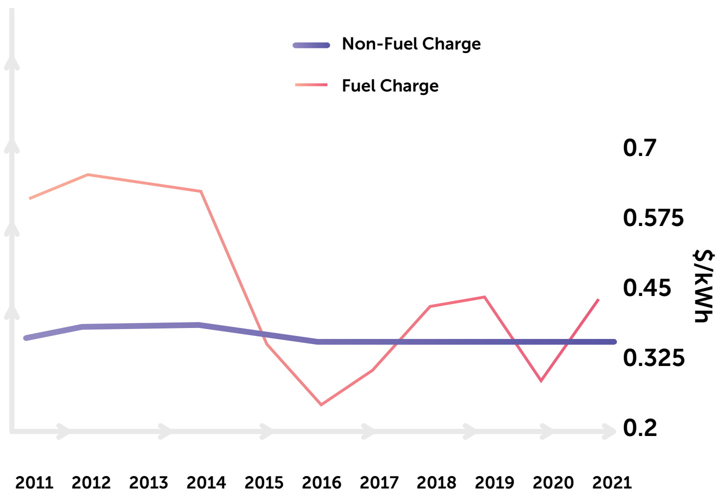
Non-Fuel Rate Adjustment

Electricity Charges (Domestic) 2011-2021



Non-Fuel charge remained unchanged ($0.4057 for domestic customers) from the 2016 levels. $0.4057kWh. Conversely, the average annual fuel charge increased by 14 cents from 2020.

Consultations continued with the Public Utilities Regulatory Commission (PURC) about an interim electricity tariff, particularly the non-fuel component.

Typically, consultations and assessments for rate changes can take up to 2 years. While some progress was made during the year, a new tariff mechanism has not yet been finalised.

Significantly, on the request of the Government of Grenada, in December 2021 your Board approved a 25% reduction in the non-fuel charge to ease the burden on customers of high electricity prices caused by escalating world fuel prices. This non-fuel rate decrease was implemented on 5 January 2022.

Risk Management

Although the projection is for fewer named storms than the record breaking 30 storms in 2020 and 21 storms in 2021, 2022 has been forecasted as another destructive hurricane season, with 16 named storms, well above the long-term season average of 12.

Grenlec continues to be prudent in maintaining its Hurricane Reserve, which was restated in 2015 to shareholder's equity and is not available for distribution to shareholders. The value of the reserve was $32M at the year ended 31st December 2021. While the Company's other assets are adequately covered by commercial insurance policies, this Reserve is intended to mitigate against the risk of natural disasters that might affect the Transmission and Distribution system.

Apart from this apparent risk, we continue to focus on all other risks, including operational, credit, interest rate, foreign exchange, and liquidity. Management and Board Committees monitor those risks.

ENHANCING CUSTOMER SERVICE & EFFICIENCY


Distribution Expansion - Levera


Substation Maintenance

Grenlec Mobile App Grenlec Improving Customer Experience

In December, the Company launched a mobile app that provides customers with on-demand access to their account information through their mobile devices. The Company has received positive responses from customers about its functionality.

Through the mobile app, customers have the convenience of viewing current bill balances, recent payments and the last twelve months of usage history. The mobile app is also an integrated customer communication channel, provided through the Outage Management System (OMS) and designed to allow customers to easily report new power outages, view the status of ongoing outages and report issues related to streetlights, poles and lines.

By leveraging the advances made in the mapping of the Distribution Network using the Geographical Information System (GIS), the app can be used to send text messages to customers in specific areas, to inform about existing outages, future planned maintenance in their area, or upcoming due dates for bills.

The Grenlec Mobile App is an addition to a suite of tools that are designed to enhance customer experience. It is available for download on both Android and iOS platforms via Google Play and the App Store.

Technology Supporting Service Delivery

In 2021, Grenlec' s information technology initiatives were designed to improve reliability, efficiency, productivity and security. Among these projects were:

- The migration of the legacy Microsoft Office and Lotus Notes systems, including email to the cloud-based Office 365 platform and Outlook.
- The installation of a new data storage facility in the core data centre to facilitate the increasing demand for more agile storage within the data center.
- The launch of Grenlec's Incidence Response Plan (IRP), which provides the framework and guidance for managing and responding to Information Security Incidents.

Commissioning Wartsila Generator

After an 11-week installation period, a new Wartsila 9.7 MW 20V32 engine was successfully commissioned and put into full service in September, increasing the Company's overall power generation capacity to 52 MW. During the installation period, significant civil, mechanical and electrical works were completed.

The purchase of the new engine was necessitated by a major failure of one of the Company's largest units, an 8MW Wartsila engine. Your Board took the decision to purchase a unit, which was readily available and has the capacity to be converted to burn LNG.

There were some unplanned service interruptions related to the integration of the engine into the electrical operating system, however these were not unusual, as the Company advised customers before the start of the commissioning period.

Weeks into the commercial operation of the unit, an issue developed with the exhaust gas support system, which limited the output capacity of the engine. The Original Equipment Manufacturer (OEM) quickly addressed the issue, shipping replacement parts by mid-December. The issue was resolved with the installation of the new parts in January 2022.

In September, Aggreko rental engines were returned. These units had been rented after the generator failure to ensure reliable supply as well as facilitate maintenance on our existing engines.

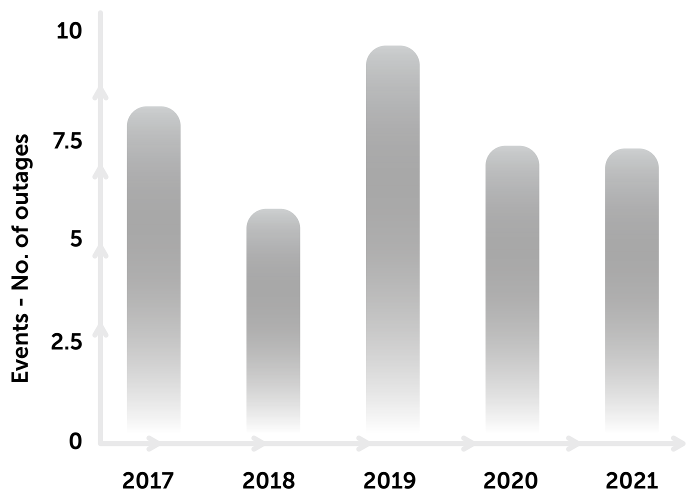
Low Voltage Phase Audit Project

The team commenced the Low Voltage Phase Audit Project to allow Transmission & Distribution ((T&D) crews to accurately identify the phase connections at any point along the Distribution Network. The project involved the installation of a long-range phase identification system at the Grand Anse substation and field work to capture existing connection data.

The system uses a combination of cloud technology and GPS timestamps to match the angle of the phase voltage at the measurement site against the angle of the reference phase at the Substation. An audit was conducted of the single-phase lines and transformers and the data updated in the GIS model of the T&D network.

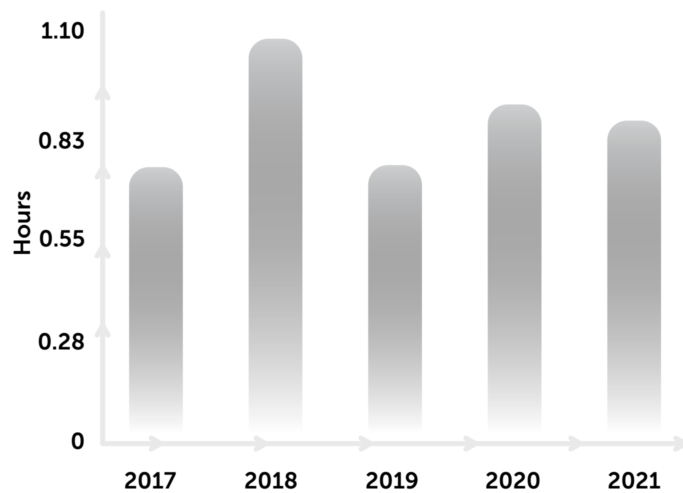
Accurate phase connection data, enables improved engineering analysis of network loads, leading to better balanced system loads and improved system losses. The phase data will also improve the accuracy of the reliability indices, especially where single phase outages occur on three-phase sources.

SAIFI - System Average Interruption Frequency Index 2017 -2021



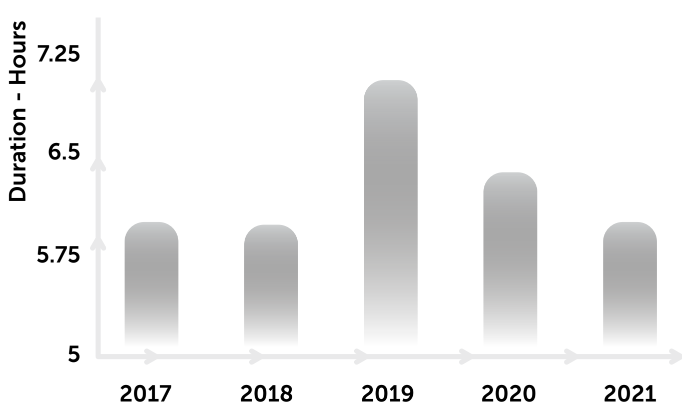
SAIFI is the average number of sustained interruptions per customer during the year.

CAIDI - Consumer Average Interruption Duration Index 2017 - 2021

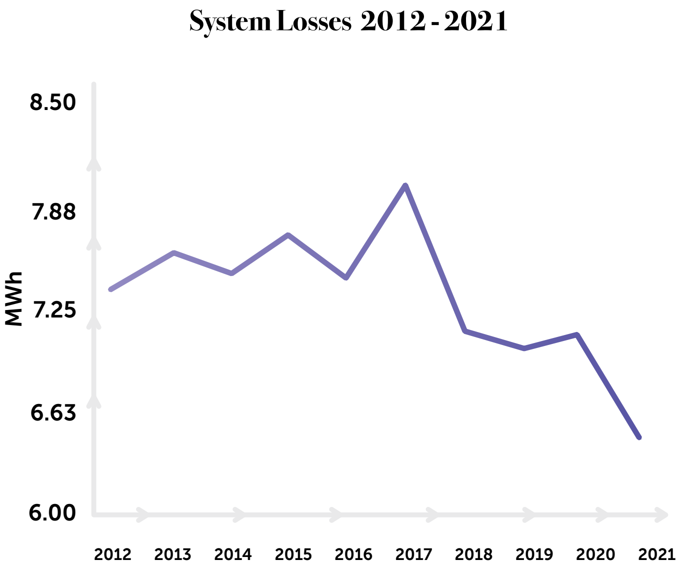


CAIDI is the average duration of an interruption. The average duration of an interruption to the power supply in 2022 was 50 minutes compared to 52 minutes in 2021

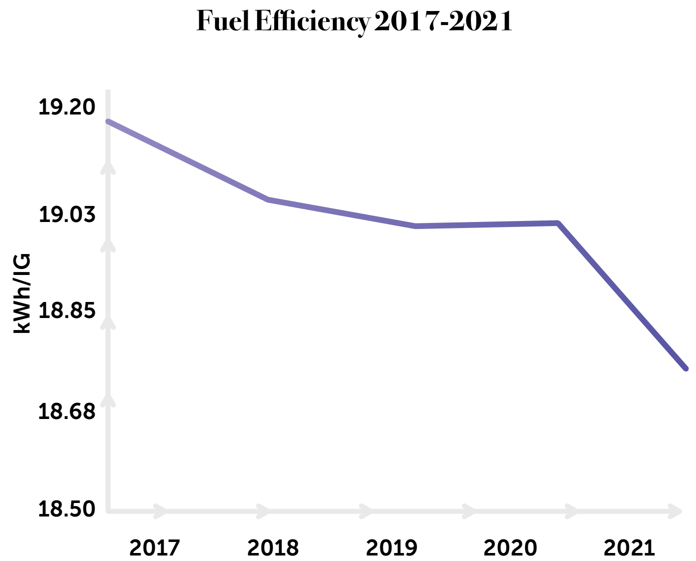
SAIDI - System Average Interruption Duration Index 2017 - 2021



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



At 6.61%, system losses surpassed the 7.14% record of 2019.



In 2021, fuel efficiency was 18.66kWh/IG compared to 19.02kWh/IG due to rental of high speed engines.

OUR PEOPLE

Consistent with its Vision, the Company continues to focus on skills training and professional development of team members.

Significantly, the Lineman & Generation Apprenticeship Programmes were successfully completed by 22 new individuals. Through this programme, the Company recruits and trains individuals, who fill positions vacated through retirement and other processes. 15 people completed the Lineman Programme and 7 completed the Generation Programme.

As part of our continuous development ethos, team members availed themselves of a variety of training opportunities. Among these were:

CARILEC Occupational Health & Safety Seminar

CARILEC Negotiating Power Purchase Agreements Workshop

CARILEC Lineworkers Rodeo & Manufacturers' Symposium

CARILEC Power Plant Operator 2

CARILEC GIS Workshop

ETAP Advanced Power System Analysis

IBEFORUM Certified Asset Management Assessor IS055000

OSHA 30-hour Safety Programme

Maintenance Planning & Scheduling Workshop

Virtual SEL-3530 Real-Time Automation Controller (RTAC)

Wartisila UNIC (2nd Gen) Engine Control System

Environment, Health and Safety

2021 brought many challenges associated with the COVID-19 pandemic. Among these, employee illness and its impact on the Company's human resource availability. Given the circumstances, the focus on health and safety was heightened through education as well as the publication of protocols and guidelines. Throughout the year, it was necessary to review and update protocols as more information became available and the situation changed.

At the beginning of 2021, the Company undertook a commitment to promote safety leadership throughout the organisation because strong safety leadership is critical in building a safety culture. 37 Managers and supervisors were required to successfully complete an Occupational Safety and Health Administration (OSHA) 30-hour safety certification programme, with the goal of improving management's sensitivity to safety issues and individuals' and knowledge about the activities that promote a safe and healthy working environment.

Safety is a priority in Grenlec's operations and this means tracking departments' performance in key areas. At 2,952 days, Planning and Engineering Department finished the year with the best departmental lost-time record, a milestone reflecting a strong focus on safety.

Safety Statistics 2017 - 2021

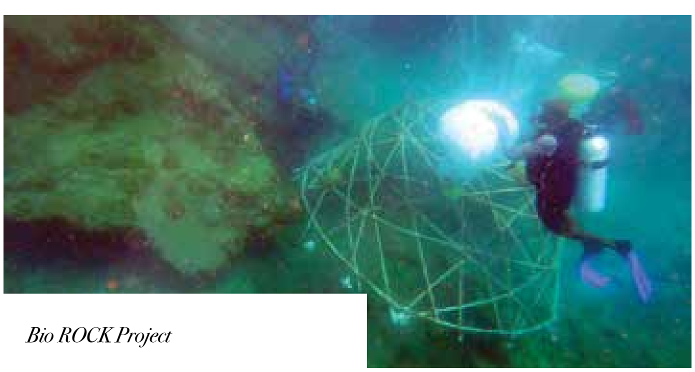
(based on Canadian Electrical Association Standard adopted by CARILEC)

Year	2017	2018	2019	2020	2021
Lost-Time Injury Frequency Rate (No. of accidents x 200,000/ actual work hours)	1.0	1.5	1.8	2.8	1.8
All Injury Frequency (AIF) Rate (includes days lost because of injury, injuries for which medical treatment is sought and fatalities x 200,000 / exposure hours)	1.0	2.7	3.8	2.1	1.3
Lost-Time Injury Severity Rate (No. of lost days x 200,000 /exposure hours)	11.1	32.6	11.5	63.3	21.0
Vehicular Incident Frequency Rate /1 million	1.2	3.6	4.6	5.3	0.0

GRENLEC Community Partnership Initiative (GCPI) 2021 Report

The Grenlec Community Partnership Initiative (GCPI) contributes to community development in Grenada, Carriacou and Petite Martinique by partnering with communities and organisations to empower vulnerable groups and communities. Funding is drawn from 5% of the Company's pre-tax profits, which is set aside annually for community projects.

During the year under review, the Company invested $1.6M in community projects, many of which focused on youth, education and the environment. Significantly, Grenlec endowed $287K to Care Institutions, which it supports annually. This included an additional $15,000 for each institution for COVID-19 relief.



Bio ROCK Project

Solar Installation to Power Biorock Project at L'Esterre, Carriacou

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Belair Home Extends Paving in the Yard

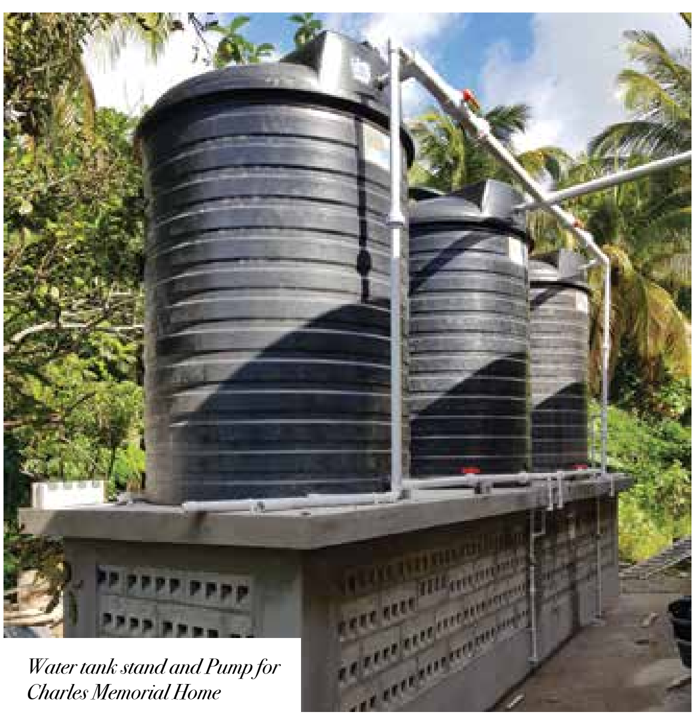
Expansion and Renovation of the Home Economics Room at River Sallee Government School

Expansion and Renovation of the Home Economics Room at River Sallee Government School

GCPI Back to School Project for St. George's SDA. Interom and security system

GND Schools - Completion of Library for Dover Govenrment School, Carriacou. Building to be outfitted.

J.W. Fletcher Catholic Secondary School Hosted its own Debating Competition



Water tank stand and Pump for Charles Memorial Home

Wheelchair Ramp for Charles Memorial Home

Students at Presentation Brother's College using the new computers to facilitate Autocad instruction.

Good Neighbour Initiative (GNI)

Grenlec worked with the Rotary Clubs in Grenada to develop an initiative that provides financial assistance to electricity customers.

This programme is independently administered by the Rotary Clubs in Grenada and funded through the Grenlec Community Partnership Initiative (GCPI). Rotary has established partnerships with a range of community organisations, which will serve as recommenders and will assist individuals with completing applications for assistance.

The Good Neighbour Initiative is designed to benefit eligible individuals and families, who require short-term assistance with electricity bill payment and/or other costs that are associated with replacing or maintaining electricity supply at their homes (such as replacement electrical wiring, relocation of meters) due to fires or other emergencies.

Of the $250K committed for the project, $70,000 was disbursed in 2021.

GRENLEC COMMUNITY PARTNERSHIP INITIATIVE (GCPI) - 2021 HIGHLIGHTS

PRIORITY AREA	ORGANISATION	PROJECT INFORMATION	GCPI FUNDING
Education / Science & Technology	Presentation Brothers' College	12 computers for Autocad Instruction.	$30.2K
Community Development	Chambord Farmers' Group	3-phase infrastructure for water irrigation project to provide a consistent supply of water to farmers in the community for their crops and livestock.	$31.4K
Community Development	Royal Grenada Police Force (RGPF)	Firefighting gear - nozzles, hoses, multi-purpose saws, firefighting gloves and rescue blades.	$73K
Education	River Sallee Government School	Expansion and renovation of the Home Economics and School Feeding Department.	$111.5K
Education	GND Schools Incorporated (GSI)	Construction and outfitting of a library and septic system repair at Dover Government School, Carriacou.	$197.6
Education / Health	Rotary Club of Grenada East	WASH - Water, Sanitation and Hygiene is one of Rotary's areas of focus. This project has assisted in improving hygiene by improving washroom infrastructure.	$99.8K
Education	Recipients selected by Grenlec team members	St. George's SDA Primary School equipped with security and intercom systems.	$25.2K
Education	Grenada Community Development Agency (GRENCODA)	Student Assistance Programme provides support for students, including life skills training, books, uniforms, exam fees and transportation.	$20K
Science & Technology / Energy	Grenada Coral Reef Foundation	Solar installation to power biorocks installed at L'Esterre, Carriacou to revitalise coral reefs. In 2018, Biorock artificial reefs were installed to help restore and rehabilitate the reef. This phase aims to enhance the project's environmental sustainability with the addition of a renewable energy source.	$60.3K
Education	J.J. Robinson Trust & GRENCODA	Tuition for 38 TAMCC students.	$30.6K
Community Development	Ministry of Carriacou and Petite Martinique Affairs	Materials, including poles for the lighting of Hillsborough Recreation Ground.	$17K

Community Development / Social Services	Bel Air Home for Children and Adolescents	Paving of yard to facilitate easier access to the Nursery and for service vehicles and other users.	$58.2K
Regional Disaster Relief	St. Vincent & the Grenadines Volcano Relief	St. Vincent & the Grenadines Volcano Relief.	$25K
Community Development / Health	Ministry of Health	Furniture for COVID-19 Help Desk.	$11.5K

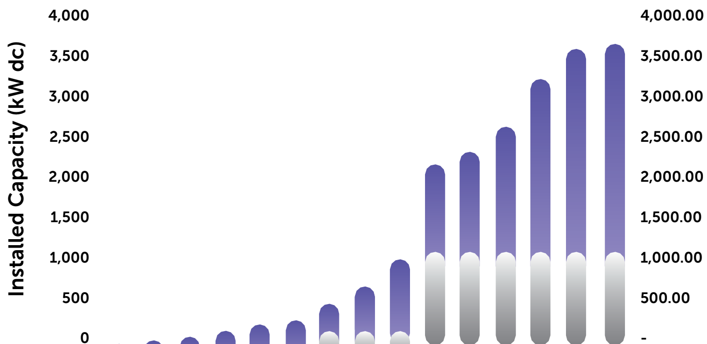
RENEWABLE ENERGY (RE)

The following table shows the change in key metrics used to demonstrate the progress towards Renewable Energy generation from 2020 to 2021 (for both Grenlec and Customer installations). The reduction in generation from Grenlec RE systems was mainly due to maintenance issues which resulted in downtimes for some of our systems.

RE Benefits					
Metric	Unit	2020	2021	Increase	Growth Rate
Grenlec RE Interconnected Capacity	MWp	1,119.35	1,119.35	0	0.00%
Customer RE Interconnected Capacity	kWp	2,481.42	2,535.58	54.16	2.20%
Total RE Interconnected Capacity	kWp	3,600.77	3,654.97	54.2	1.50%
Grenlec RE Generation	kWh	1,393,294	1,370,971	-22,323	-1.60%
Customer RE Generation	kWh	2,776,240	2,916,420	140,180	5.00%
Total Net RE Generation	kWh	4,169,534	4,287,391	117,857	2.80%
Total Net Diesel Generation	kWh	208,299,984	216,847,176	8,547,192	4.10%
Total Net Generation (Diesel + RE)	kWh	212,469,518	221,134,567	8,665,049	4.10%
RE penetration	%	1.96%	1.94%	-0.02%	-1.20%
Average homes supplied	no. of homes	2,316.41	2,381.88	65.48	2.80%
Avoided diesel quantity	USG	264,743	275,422	10,679	4.00%
Avoided CO2 emissions	kg	2,685,791	2,794,127	108,336	4.00%
	metric tonnes	2,686	2,794	108	4.00%
Peak Demand (Gross)	MW	31.31	32.23	0.92	2.90%
Grenlec RE % of peak demand	%	3.58%	3.73%	0.16%	4.40%
Combined RE % of peak demand	%	11.50%	12.16%	0.66%	5.80%

RE Capacity Trend

Cumulative RE Capacity

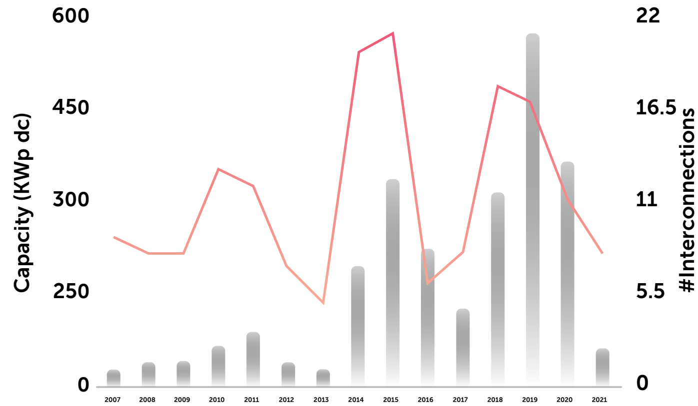


	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Customers	28.71	69.10	112.0	179.3	269.5	310.1	339.2	536.2	872.5	1,097	1,225	1,541	2,116	2,481	2,545
Grenlec	-	-	-	-	-	1.84	181.9	181.9	181.9	1,119	1,119	1,119	1,119	1,119	1,119
Total	28.71	69.10	112.0	179.3	269.5	312.0	521.1	718.1	1,054	2,216	2,344	2,660	3,235	3,600	3,604

Year

Customer RE Interconnection Participation

Annual Customer RE Interconnections



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Capacity (kW dc)	28.71	40.39	42.93	67.31	90.185	40.63	29.09	196.96	336.34	225	127.95	315.54	575.02	365.56	63.76
# Interconnections	9	8	8	13	12	7	5	20	21	6	8	18	17	11	8

Grenlec commissioned 8 new RE interconnections in 2020 adding 63.76 kWp to the total installed capacity. The number represents a decline in participation in the RE interconnection program. The primary cause of this was a pause to the program brought about by the transition to the PURC's Self-generation and Small IPP program.

Grenlec commissioned 8 new RE interconnections in 2021 adding 63.76 kWp to the total installed capacity. This represents a significant decline in participation in the RE Interconnection Programme, which resulted from a temporary halt to the programme required by the Public Regulatory Commission (PURC) as it transitioned to the PURC Self-generation and Small IPP Program.

Solar PV Irradiance Monitoring

In August 2021, three Apogee SP-214 Pyranometers were installed at various locations within Grenlec solar sites for solar energy performance monitoring.

These locations include Grand Anse, Queen's Park and Plains where Grenlec has installed the majority of its roof and ground-mounted solar systems. These sensors measure the solar radiation or Global Horizontal Irradiance (GHI) for each site and provide monitoring of how the solar irradiance levels vary over time. Using the data from these sensors, our technical team can better monitor the performance of these solar systems.

Outlook

As world economic activity began to stabilise after the austerity of almost two years of the COVID-19 pandemic, the improvement was reflected as growth within our business. While the continued development of new strains of the virus still pose a threat to economic activity and to businesses in general, we are hopeful that compliance with the national COVID-19 protocols as well as our own internal COVID-19 Guidelines will minimise the effects on our team and business.

The impact of COVID-19 coupled with high fuel prices, which rose throughout 2021, is expected to extend into 2022 and could have implications for overall business performance. Notably, continued high fuel prices in 2022 together with the 3-month rolling average used to calculate customers' fuel charge, could result in an under recovery of fuel costs paid by the Company rates.

Following Government's announcement of a 25% decrease in the non-fuel rate across all customer categories, during the 2022 Budget Presentation, the rate reduction is expected to take effect in early 2022 upon approval of the Public Utilities Regulatory Commission (PURC).

The Grenada economy is projected to expand by 4.5% in 2022, driven by strong growth in all major sectors, especially the tourism related sectors. Given the projection for rebound in the tourism sector and the expected full return of St. George's University students to its Grenada campus in the second half of 2022, generation has been forecasted to grow by 2.11% with an associated increase in kWh sales of 4.68%. Despite this growth, revenues are forecasted to decrease by 6.27% with the 25% reduction in the non-fuel rate over a six-month period.

Engagement with the PURC is expected to continue in 2022, and we anticipate the conclusion on the Interim Non-fuel Tariff Regulations and enactment of the supporting SR&Os required by the Electricity Act 19 of 2016. The completion of this interim tariff is important for forecasting key business performance indicators, particularly revenue growth rates, liquidity ratios, earnings per share (EPS) and other ratios that can impact our financial covenants/ratios.

The Company looks forward to working very closely with the PURC to achieve a regulatory framework that will balance the interests of customers and our business, ensuring fair prices for customers and a reasonable return to shareholders. It is also hoped that the regulatory framework will also serve as an enabling environment for the Company to chart renewable energy development that will align with Government's energy, environmental and sustainability goals.

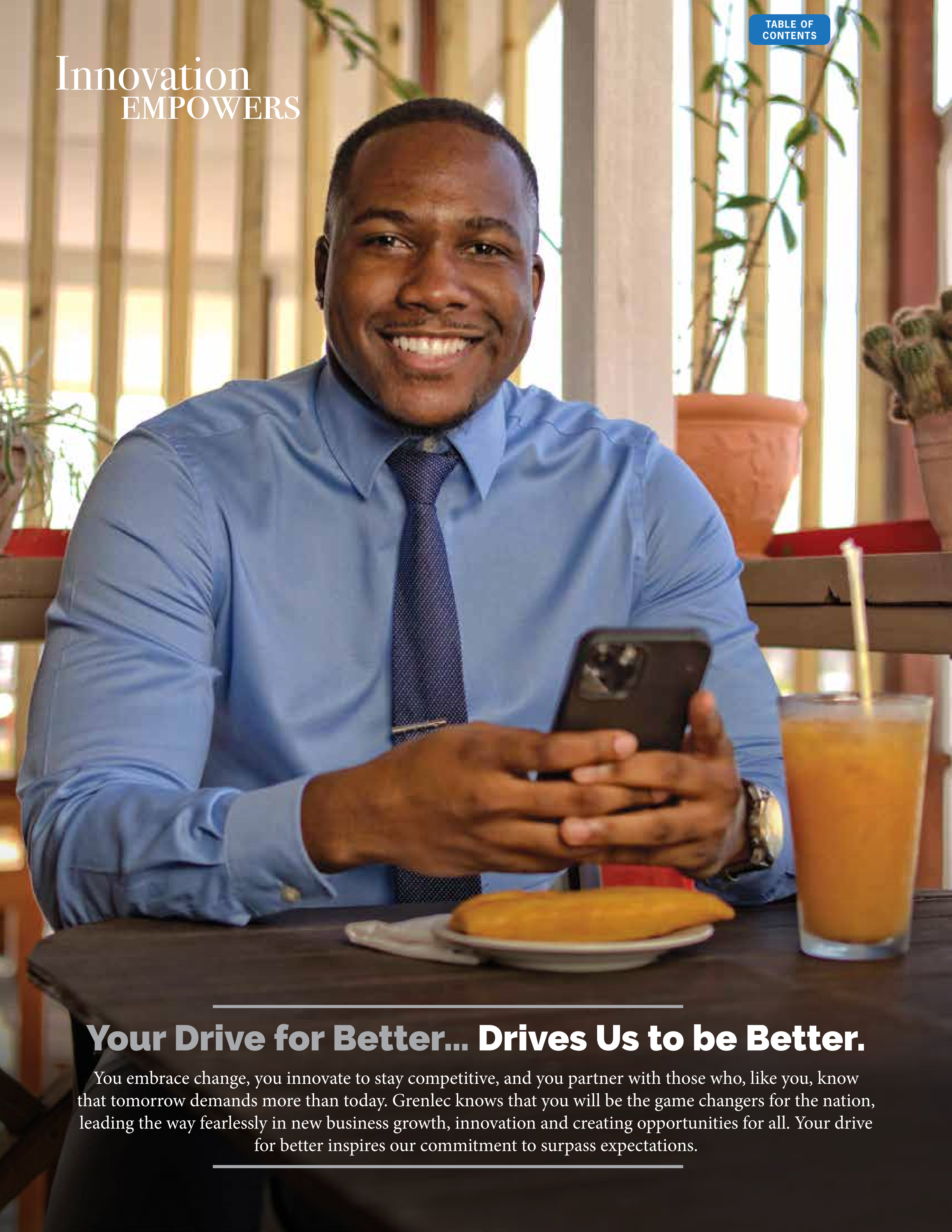
The provision for capital expenditure of $15.56M in 2022 includes investments in renewable energy, upgrading the Transmission & Distribution Network, engine overhauls, a new bucket truck for T&D and efficiency improvement projects. It also includes allocations for training team members, critical upgrades to our Scada and Communications Network as well as a new Customer Information System (CIS) to replace the outdated existing system.

As we envisage another challenging year, where our resilience will be further tested, management continues to prepare our team members to respond to those challenges. We salute their unwavering commitment in 2021 as we focus on continuing to provide the reliable and high-quality service, on which our customers rely.

Celebrating Grenada's Independence - United We Stand Designer Displays

Grenlec's Grand Anse Independence Display

Grenlec's Grenville Independence Display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Innovation EMPOWERS
Your Drive for Better... Drives Us to be Better.
You embrace change, you innovate to stay competitive, and you partner with those who, like you, know that tomorrow demands more than today. Grenlec knows that you will be the game changers for the nation, leading the way fearlessly in new business growth, innovation and creating opportunities for all. Your drive for better inspires our commitment to surpass expectations.

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INDEPENDENT AUDITOR'S 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 as at 31 December 2021 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 31 December 2021 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board of Accountants' ("IESBA") International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements dated 24 March 2021.

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.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF GRENADA ELECTRICITY SERVICES LIMITED

Report on the Audit of the Financial Statements (Continued)

Other information included in the Company's 2021 Annual Report

Other information consists of the information included in the Company's 2021 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2021 Annual Report is expected to be made available to us after the date of this auditor's report.

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.

Responsibilities of Management and the Audit Committee 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.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF GRENADA ELECTRICITY SERVICES LIMITED

Report on the Audit of the Financial Statements (Continued)

Auditor's 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 auditor's 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 ISA 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.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism 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.

EY
Building a better working world

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF GRENADA ELECTRICITY SERVICES LIMITED

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

We communicate with the Audit Committee 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 the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement Associate Partner in charge of the audit resulting in this independent auditor's report is Rishi Ramkissoon.

Ernst & Young.

CHARTERED ACCOUNTANTS
St. Lucia
11 August 2022

GRENADA ELECTRICITY SERVICES LIMITED

STATEMENT OF FINANCIAL POSITION
at 31st December 2021

(Expressed in Eastern Caribbean Currency Dollars)

ASSETS	Notes	2021 $	2020 $
Non-Current Assets			
Property, plant, and equipment	4	123,437,647	102,119,513
Right-of-use assets	5	2,301,679	2,792,693
Suspense jobs in progress	6	1,205,525	1,444,955
Capital work in progress	6	1,551,354	7,326,586
		128,496,205	113,683,747
Current Assets			
Inventories	8	24,599,345	26,183,870
Trade and other receivables	9	27,839,843	17,220,010
Corporation tax prepaid	23	1,262,393	809,300
Retirement benefits prepaid	15	-	63,585
Financial assets at amortised cost	7	38,466,700	36,452,150
Cash and cash equivalents	11	12,235,244	9,727,362
		104,403,525	90,456,277
TOTAL ASSETS		232,899,730	204,140,024
EQUITY AND LIABILITIES			
EQUITY			
Stated capital	12	32,339,840	32,339,840
Hurricane insurance reserve	16	32,000,000	30,000,000
Retained earnings		45,494,347	44,120,105
		109,834,187	106,459,945
Non-Current Liabilities			
Customers' deposits	13	18,408,587	17,812,606
Long-term borrowings	14	37,031,524	27,907,491
Long-term portion of lease liabilities	5	2,203,834	2,602,429
Deferred tax liability	23	13,807,933	11,856,574
		71,451,878	60,179,100
Current Liabilities			
Short-term borrowings	14	6,535,967	4,375,967
Trade and other payables	17	30,951,889	20,899,513
Current portion of lease liabilities	5	327,128	321,166
Customers' contribution to line extensions	18	9,148,412	7,140,290
Retirement benefits payable	15	210,058	-
Profit sharing payable	17	4,440,211	4,764,043
		51,613,665	37,500,979
TOTAL LIABILITIES		123,065,543	97,680,079
TOTAL EQUITY AND LIABILITIES		232,899,730	204,140,024

The accompanying notes form an integral part of these financial statements.

Approved by the Board of Directors on 4 August 2022 and signed on its behalf by:

B.A. Braithwaite :Director ....:Director

GRENADA ELECTRICITY SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME
for the Year Ended 31 December 2021

(Expressed in Eastern Caribbean Currency Dollars)

	Notes	2021 $	2020 $
Sales			
- non-fuel charge	19	85,498,702	82,649,287
- fuel charge		78,433,392	63,342,135
Unbilled sales adjustments	2(v)	2,266,421	(1,990,506)
Gross sales		166,198,515	144,000,916
Other income	20	12,074,514	4,080,035
Total income		178,273,029	148,080,951
LESS: OPERATING EXPENSES			
Production expenses		(18,775,761)	(22,059,913)
Diesel consumed		(83,822,603)	(55,936,153)
Administrative expenses		(22,250,768)	(19,142,819)
Distribution services		(19,329,210)	(16,111,368)
Planning and engineering		(3,381,860)	(2,818,214)
Total operating expenses	21	(147,560,202)	(116,068,467)
Operating profit		30,712,827	32,012,484
Less: Finance costs	22	(2,539,580)	(2,495,128)
Profit for year before allocations and taxation		28,173,247	29,517,356
ALLOCATIONS			
Less: Regulatory fees		(1,924,646)	-
Donations		(1,231,615)	(1,375,868)
Profit sharing		(5,671,886)	(6,182,042)
		(8,828,147)	(7,557,910)
Profit for year before taxation		19,345,100	21,959,446
Taxation	23	(4,498,266)	(5,853,232)
NET PROFT FOR THE YEAR		14,846,834	16,106,214
TOTAL COMPREHENSIVE INCOME		14,846,834	16,106,214
EARNINGS PER SHARE (cents)	25	**78**	**85**

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the Year Ended 31 December 2021

(Expressed in Eastern Caribbean Currency Dollars)

	Stated Capital (Note 12) $	Hurricane Insurance Reserve (Note 16) $	Retained Earnings $	Total Equity $
Balance at 1 January 2020	32,339,840	28,000,000	39,893,891	100,233,731
Dividends paid (Note 28)	-	-	(9,880,000)	(9,880,000)
Total comprehensive income	-	-	16,106,214	16,106,214
Allocation for the year (Note 16)	-	2,000,000	(2,000,000)	-
Balance at 31 December 2020	32,339,840	30,000,000	44,120,105	106,459,945
Correction of prior year adjustment (Note 2b)	-	-	(1,592,592)	(1,592,592)
Adjusted balance as at 1 January 2021	32,339,840	30,000,000	42,527,513	104,867,353
Dividends paid (Note 28)	-	-	(9,880,000)	(9,880,000)
Total comprehensive income	-	-	14,846,834	14,846,834
Allocation for the year (Note 16)	-	2,000,000	(2,000,000)	-
Balance at 31 December 2021	32,339,840	32,000,000	45,494,347	109,834,187

The accompanying notes form an integral part of these financial statements.

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GRENADA ELECTRICITY SERVICES LIMITED

STATEMENT OF CASH FLOWS
for the Year Ended 31 December 2021

(Expressed in Eastern Caribbean Currency Dollars)

	Notes	2021	2020
OPERATING ACTIVITIES		$	$
Profit for the year before taxation		19,345,100	21,959,446
Adjustments for:			
Depreciation on property, plant, and equipment and right-of-use assets	4,5	8,520,690	8,351,493
Gain on disposal of property, plant, and equipment	20	(8,961,115)	(99,058)
Provision for inventory obsolescence	8	525,827	335,456
Finance cost	22	2,539,580	2,495,128
Amortisation of customers' contribution to line extension	18	(737,700)	(737,700)
Net change in provision for other liabilities and charges		1,958,224	(2,595,187)
Operating surplus before working capital changes		23,190,606	29,709,578
(Increase)/decrease in trade and other receivables		(10,619,833)	8,700,123
Increase/(decrease) in trade and other payables		9,957,182	(1,716,908)
Increase in inventories		(533,894)	(5,909,758)
		21,994,061	30,783,035
Income tax paid		(3,000,000)	(6,500,000)
Interest and finance charges paid		(2,444,386)	(2,419,115)
Cash provided by operating activities		16,549,675	21,863,920
INVESTING ACTIVITIES			
Proceeds on disposal of property, plant, and equipment		10,941,011	1,213,655
Purchase of financial assets		(2,014,550)	(2,014,946)
Purchase of property, plant, and equipment	4,6	(24,678,525)	(13,901,094)
Cash used in investing activities		(15,752,064)	(14,702,385)
FINANCING ACTIVITIES			
Dividends paid	28	(9,880,000)	(9,880,000)
Payment of principal portion of lease liabilities	5	(289,743)	(322,211)
Proceeds from borrowings	14	16,200,000	-
Repayment of borrowings	14	(4,915,967)	(4,375,967)
Customers' deposits (net)	13	595,981	543,713
Cash used in financing activities		1,710,271	(14,034,465)
Net increase/(decrease) in cash and cash equivalents		2,507,882	(6,872,930)
Cash and cash equivalents			
- at the beginning of year		9,727,362	16,600,292
- at the end of year	11	12,235,244	9,727,362
REPRESENTED BY			
Cash and cash equivalents		12,235,244	9,727,362

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 Petite Martinique.

The Government of Grenada owns 71.4% of the ordinary share capital of the Company as of 24 December 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 National Insurance Scheme holds 11.6% of the ordinary share capital, while the remaining 17% is held by the general public.

The Company was issued a certificate of continuance under Section 365 of the Companies Act on 8 November 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.

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

The financial statements of the Company 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 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.

The Company has prepared the financial statements on the basis that it will continue to operate as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Adjustment to Retained Earnings

In 2021, an adjustment was made directly to retained earnings in relation to loose tools inventory in the amount of $1,592,592. Based on physical count and reconciliation analysis performed by the Company, a correction has been made in these financial statements associated with the identified loose tools with a carrying value of $1,592,592.

Impact on the 2021 statement of financial position:

	Retained Earnings $
As previously reported	(44,120,105)
Correction of prior year adjustment	1,592,592
Balance at 1 January 2021	**(42,527,513)**

Comparative Amounts

Certain comparative amounts within the statement of cashflow have been reclassified to conform to the current year's presentation. These changes have no effect on the cash and cash equivalents of the Company for the previous year.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies and disclosures

(i) New Accounting Standards, Amendments and Interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendment to IFRS effective as of 1 January 2021.The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- **Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IFRS 7, and IFRS 16)**, issued August 2020. The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition. The amendment is effective for annual statements beginning on or after 1 January 2021 and does not have an impact on the Company's financial statements.

(ii) Standards in issue not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. The Company is currently assessing the impact of adopting the standards and interpretations.

- Covid-19 Related Rent Concessions beyond 30 June 2021 – Amendments to IFRS 16 – Effective for annual reporting periods beginning on or after 1 April 2021
- Reference to the Conceptual Framework: Amendments to IFRS 3 - Effective for annual reporting periods beginning on or after 1 January 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

- Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16 - Effective for annual reporting periods beginning on or after 1 January 2022
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 - Effective for annual reporting periods beginning on or after 1 January 2022
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter - Effective for annual reporting periods beginning on or after 1 January 2022
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities – Effective for annual reporting periods beginning on or after 1 January 2022
- IAS 41 Agriculture – Taxation in fair value measurements – Effective on or after the beginning of the first annual reporting period beginning on or after 1 January 2022
- IFRS 17 'Insurance Contracts' – Effective for reporting periods beginning on or after 1 January 2023
- Definition of accounting estimates: Amendments to IAS 8 – Effective for reporting periods beginning on or after 1 January 2023
- Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2 – Effective for reporting periods beginning on or after 1 January 2023
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current – Effective for annual reporting periods beginning on or after 1 January 2023
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 – Effective for reporting periods beginning on or after 1 January 2023

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, Plant and Equipment

Property, plant, and equipment are stated at historic cost less accumulated depreciation and impairment losses. Historic 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 is not depreciated. No depreciation is provided on work-in-progress until the assets involved have been completed and available for use.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, Plant and Equipment (continued)

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 and equipment	12.5 - 20

When depreciable property, plant, and equipment other than motor vehicles and property are retired, the gross book value less proceeds net of retiral expense is charged to accumulated depreciation. For material disposals of motor vehicles and property, the asset cost and accumulated depreciation are removed with any gain or loss credited or charged to current operations

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 assets carrying amount is greater than its estimated recoverable amount.

(e) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve (12) months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period

All other assets are classified as non-current.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Current versus non-current classification (continued)

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve (12) months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(f) Foreign Currency Translation

Functional and presentation currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The Eastern Caribbean Dollars is the Company's functional currency, which is also the Company's presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the statement of comprehensive income.

All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other gains/(losses).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Foreign Currency Translation (continued)

Transactions and balances (continued)
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in the statement of comprehensive income as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

(g) Financial Investments

The Company has classified its financial investments as loans and receivables. Management determines the classification at initial recognition and reviews the designation at every reporting date. The classification depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve (12) months after the statement of financial position date. These are classified as non-current assets. The Company's loans and receivables comprise cash resources, trade, and other receivables.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial Investments (continued)

ii. Impairment of financial assets

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset is impaired.

For trade receivables, the Company applies a simplified approach in calculating expected credit losses. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Company considers its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are ninety (90) days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

An impairment analysis is performed at each reporting date to measure expected credit losses. The provision rates are based on days past due and shared credit risk characteristics and reflect the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions, and forecasts of future economic conditions. Trade receivables are written-off when there is no reasonable expectation of recovery. Indicators include failure of a debtor to make contractual payments and a failure of the debtor to engage in a repayment plan with the Company.

Expected credit losses are presented in administrative expenses in the statement of comprehensive income. Subsequent recoveries are credited against the same line item.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial Investments (continued)

ii. Impairment of financial assets (continued)

Provision is made as follows:

100% on receivables ≥90 days
50% on receivables ≥60 days
4% on receivables ≥30 days
0.4% on receivables < 30 days

Accounts are written off against the provision when they are considered uncollectible. The total provision at 31 December 2021 amounted to $3,165,071 (2020 - $3,081,184).

iii. Derecognition of financial assets

The Company derecognises a financial asset 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 or retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes 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 recognize the financial asset and recognizes a collateralized borrowing for the proceeds received. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in the statement of comprehensive income. On derecognition of a financial asset other than in its entirety, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes based on the relative fair values of those parts on the date of the transfer.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial Investments (continued)

iii. Derecognition of financial assets (continued)

The difference between the carrying amounts allocated to the part is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in the statement of comprehensive income. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised based on the relative fair values of those parts.

iv. Impairment of non-financial assets

Assets that have an indefinite life, for example, land are not subject to amortisation and are reviewed for impairment annually.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(h) Inventories

Inventories consist of fuel, distribution and generation supplies and other materials and are stated at the lower of the cost incurred in bringing each item to its present location and condition and net realisable value. Net realisable value is the price at which stock can be realized in the normal course of business. Cost is determined on an average cost basis and is carried in the books at cost less provision for obsolescence.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Trade receivables

Trade receivables are amounts due from customers for electricity or other services performed in the ordinary course of business. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for expected credit losses and discounts. See Note 2g (ii) for the policy guidance on the calculation of expected credit losses for trade receivables. Trade receivables, being short-term, are not discounted.

(j) 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.

(k) Stated capital

Ordinary shares are classified as equity.

(l) 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 (1) year or less. If not, they are presented as non-current liabilities.

(m) 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.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Customers' deposits

All categories of customers are required to provide a security deposit upon opening of their account with the Company. The deposit is refunded with interest accumulated on closure of the account. (See Note 13)

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).

(o) 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 more than 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 (Note 4).

(p) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) *Employee benefits (continued)*

Defined contribution scheme
The Company operates a defined contribution scheme for its permanent employees. The Company makes monthly contributions to the Plan and participation is voluntary for employees. Pension costs are accounted for based on total contributions payable in the year (Note 15).

The assets of the plan are held separately by the relevant Trust. The pension plan is funded by payments from participating employees and the Company. The Company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all the employees the benefits relating to employee services in the current and prior periods.

(q) *Taxation*

Current income tax
The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised directly in equity.

The current tax is the expected tax payable on taxable income for the period and is calculated based on the tax rates enacted or substantially enacted at the statement of financial position date

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate based on amounts expected to be paid to the tax authorities.

Deferred tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) 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.

Non-fuel charge energy
Revenues arising from the non-fuel charge are recognised when electricity is delivered to customers over time as the customer simultaneously receives and consumes the benefits of the electricity. Revenues are recognised on an accrual basis and include billed and unbilled revenues.

Revenues related to the sale of electricity are recognized at rates approved by the Public Utilities Regulatory Commission (PURC) and recorded based on meter readings, which are carried out on a rotational basis throughout each month.

At the end of each reporting period, the electricity delivered to customers, but not billed, is estimated and the corresponding unbilled revenue is recognised. The Company's estimate of unbilled revenue at the end of the reporting period is calculated by estimating the number of megawatt hour ("MWh") delivered to customers at the established rate expected to prevail in the upcoming billing cycle. This estimate includes assumptions as to the pattern of energy demand, weather, line losses and inter-period changes to customer classes. The unbilled sales receivable is included in accrued income.

Fuel Charge
Fuel costs are passed to customers through the fuel surcharge mechanism, which provides the opportunity to recover substantially all fuel costs required for the generation of electricity over time. The current calculation of the fuel charge is under review by the PURC and is expected to be adjusted in the coming year. The Company recognises fuel revenue on the basis of the amount recoverable for the accounting period.

Sundry Revenue
Sundry revenue is generated from the sale of goods and services, which do not form part of the principal activity of generating, distributing, and supplying of electricity. This includes pole sharing agreements, other sales, rentals, and service fees.

Revenue from pole sharing arrangements, rental of equipment and other services is recognised in line with the pole sharing agreement, when the Company provides the assets for use by the customer or when the various services are provided.

Service fees are recognised as the various services are provided.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Revenue recognition (continued)

Value Added Tax
Value added taxes collected by the Company as a result of revenue-producing activities are excluded from revenue and are remitted to the Government of Grenada in the month following collection.

Interest income
Interest income is recognised on an accrual basis.

(s) 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.

(t) Related parties

Parties are related if one (1) party can control the other party or exercise significant influence over the other party in making financial or operating decisions. Transactions entered with related parties in the normal course of business are carried out on commercial terms and conditions during the year.

(u) Finance costs

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Unbilled sales adjustments

The provision and adjustment at 31 December 2021, with comparatives, are calculated as follows:

	2021 $	2020 $
Sales revenue for December after discounts	16,300,661	11,767,818
50% of above provision at 31 December (Note 9)	8,150,331	5,883,909
Provision at 1 January	5,883,910	7,874,415
Increase/(decrease) in provision during the year	2,266,421	(1,990,506)

(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 in exchange for consideration.

Company as a lessee
The Company applies a single recognition and measurement approach for all leases and recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Leases (continued)

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 Company also assess the right-of-use assets for impairment when such indicators exist (Note 2 g (iv)).

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.

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.

After the commencement date, the amount of lease liabilities is increased to reflect accrued interest and reduced for the lease payments made. There were no lease reassessments or modifications in 2021.

(x) Allocations

Allocations in the Statement of Comprehensive Income refer to both statutory as well as other contracted commitments which the Company has a legal obligation to settle. These include:

Regulatory fees
The Public Utilities Regulatory Commission (PURC) Act No. 20 of 2016, Section 14 (subsections 2-5 and 7) stipulate that the Company is to fund the operations of the PURC by an annual assessment imposed upon it. The assessment amount shall not exceed two (2) percent of the gross revenue derived from the services of the Company in the most recently ended financial year.

Donations
The Company allocates 5% of its pre-tax profits annually as part of its Corporate Social Responsibility under the Grenlec Community Partnership Initiative (GCPI).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Allocations (continued)

Profit Sharing
The Company has contractual obligations with both its Non-Management and Management groups with respect to the annual payment of profit sharing and gain sharing respectively. These commitments are enshrined in the Collective Bargaining Agreements of both groups.

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 non-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.

(Expressed in Eastern Caribbean Currency Dollars)

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

(c) 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.

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.

(d) 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.

(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 the year ended 31 December 2021						
Opening book value	1,864,860	11,002,181	82,693,638	4,234,023	4,141,837	103,936,539
Opening customers' contribution to line extensions (Note 2o)	-	-	-	-	-	(1,817,026)
	1,864,860	11,002,181	82,693,638	4,234,023	4,141,837	102,119,513
Additions for the year	-	999,410	27,882,093	1,082,924	1,241,402	31,205,829
Adjustments for the year	-	(11,282)	(501,360)	-	-	(512,642)
Disposals for the year	-	-	(1,698,954)	(4,971)	(275,971)	(1,979,896)
Depreciation charge for the year (Note 21)	-	(543,211)	(5,425,994)	(1,162,248)	(1,001,404)	(8,132,857)
Movement in customers' contribution to line extensions for the year	-	-	-	-	-	737,700
NET BOOK VALUE	1,864,860	11,447,098	102,949,423	4,149,728	4,105,864	123,437,647
Balance at 31 December 2021						
Cost	1,864,860	32,610,402	295,102,915	17,086,329	16,126,071	362,790,577
Accumulated depreciation	-	(21,163,304)	(192,153,492)	(12,936,601)	(12,020,207)	(238,273,604)
	1,864,860	11,447,098	102,949,423	4,149,728	4,105,864	124,516,973
Less: Customers' contribution to line extensions (Note 2o)	-	-	-	-	-	(1,079,326)
NET BOOK VALUE	1,864,860	11,447,098	102,949,423	4,149,728	4,105,864	123,437,647

There were no borrowing costs capitalised during 2021 and 2020. Included in the depreciation expense in the statement of cash flows is the depreciation for right-of-use assets of $387,833 (2020: $371,576) (Note 5). The adjustments for the year refer to amounts that were capitalized in the previous period for which a credit was received in the current year, or for which the scope of the capital project was not executed according to the original plan.

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GRENADA ELECTRICITY SERVICES LIMITED

Notes to the Financial Statements
at 31st December 2021 (continued)

(Expressed in Eastern Caribbean Currency Dollars)

4. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land $	Building and construction $	Plant and Machinery $	Motor Vehicles $	Furniture and Equipment $	Total $
Balance at 1 January 2020						
Cost	1,864,860	31,264,279	263,285,681	15,388,928	13,808,221	325,611,969
Accumulated depreciation	-	(19,977,525)	(181,478,206)	(10,708,884)	(9,996,214)	(222,160,829)
Less: Customers' contribution to line extensions (Note 2o)	-	-	-	-	-	(2,554,726)
NET BOOK VALUE	1,864,860	11,286,754	81,807,475	4,680,044	3,812,007	100,896,414
For the year ended 31 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 (Note 21)	-	(642,568)	(5,249,292)	(1,065,469)	(1,022,589)	(7,979,918)
Less: Customers' 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
Balance at 31 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: Customers' contribution to line extensions (Note 2o)	-	-	-	-	-	(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 three (3) to sixty (60) years, while buildings generally have lease terms between three (3) to five (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 $	Furniture and Equipment $	Total $
Balance 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	3,164,269
Depreciation expense (Note 4)	(207,028)	(163,898)	(650)	(371,576)
Balance at 31 December 2020	388,234	2,392,651	11,808	2,792,693
Additions	-	154,369	-	154,369
Adjustment	(265)	(256,551)	(734)	(257,550)
	387,969	2,290,469	11,074	2,689,512
Depreciation expense (Note 4)	(227,053)	(160,171)	(609)	(387,833)
Balance at 31 December 2021	**160,916**	**2,130,298**	**10,465**	**2,301,679**

The adjustment arose due to a change to the incremental borrowing rate computation at year end. Depreciation expense and the accretion of interest are recorded in the statement of comprehensive income as at 31 December 2021.

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

	2021 $	2020 $
As at 1 January 2021	2,923,595	2,890,742
Adjustment	(257,260)	–
Additions	154,370	355,064
Accretion of interest	195,789	151,335
Payments	(485,532)	(473,546)
As at 31 December 2021	2,530,962	2,923,595
Less: current portion	327,128	321,166
Long-term portion	2,203,834	2,602,429

Notes to the Financial Statements
at 31st December 2021 (continued)

(Expressed in Eastern Caribbean Currency Dollars)

5. LEASES (continued)

No right-of-use assets were sub-leased and there were no variable lease payments or sale-and-lease-back transactions for the year ended 31 December 2021.

The maturity of lease liabilities is as follows:

	2021 $	2020 $
Less than 1 year	103,919	140,051
Between 1 and 2 years	327,848	264,776
Between 2 and 5 years	-	130,624
Over 5 years	2,099,195	2,388,144
Total	**2,530,962**	**2,923,595**

6. SUSPENSE JOBS AND CAPITAL WORK IN PROGRESS

	Suspense Work in Progress $	Capital Work in Progress $	Total $
For year ended 31 December 2021			
Opening book value	1,444,955	7,326,586	8,771,541
Additions and transfers for the year (net)	(239,430)	(5,775,232)	(6,014,662)
NET BOOK VALUE	**1,205,525**	**1,551,354**	**2,756,879**
Balance at 31 December 2021			
NET BOOK VALUE	**1,205,525**	**1,551,354**	**2,756,879**

6. SUSPENSE JOBS AND CAPITAL WORK IN PROGRESS (continued)

	Suspense Work in Progress $	Capital Work in Progress $	Total $
Balance at 1 January 2020			
Cost	**1,503,749**	**2,946,611**	**4,450,360**
For the year ended 31 December 2020			
Opening book value	1,503,749	2,946,611	4,450,360
Additions and transfers for the year (net)	(58,794)	4,379,975	4,321,181
NET BOOK VALUE	**1,444,955**	**7,326,586**	**8,771,541**
Balance at 31 December 2020			
NET BOOK VALUE	**1,444,955**	**7,326,586**	**8,771,541**

7. FINANCIAL ASSETS AT AMORTISED COST

	Interest rate (%)	Maturity	2021 $	2020 $
Government of Grenada - Treasury Bills	3.00	2022	800,132	800,132
Fixed deposit - Republic Bank (Grenada) Ltd	0.10-0.25	2022	12,802,453	12,789,582
Fixed deposit - Grenada Co-operative Bank Ltd.	0.25	2022	14,372,205	12,381,010
Fixed deposit - ACB Grenada Bank	0.1	2022	10,491,910	10,481,426
			38,466,700	**36,452,150**

Included in the above is an amount of $32,000,000 for Hurricane Insurance Reserve (Note 16) invested in Treasury bills and fixed deposits held with the Republic Bank (Grenada) Limited, ACB Grenada Bank, and the Grenada Co-operative Bank Limited.

The fair values of financial assets at amortised cost equal their carrying values due to the short-term nature of these assets.

8. INVENTORIES

The following is a breakdown of stock on hand:	2021 $	2020 $
Motor vehicle spares	1,403,687	1,367,616
Distribution	8,014,274	7,161,236
Generation spares	14,795,629	15,790,777
Fuel and lubricating oil	541,526	356,947
General stores	1,704,941	3,386,244
	26,460,057	28,062,820
Less: Obsolescence provision	(1,860,712)	(1,878,950)
	24,599,345	26,183,870

The cost of inventories written down and recognised as an expense during the year is included in the respective departments' expenses in the amount of $525,827 (2020 - $335,456).

9 TRADE AND OTHER RECEIVABLES

	2021 $	2020 $
Trade receivables	17,191,622	12,477,625
Less: Provision for expected credit losses (Note 2g ii,10)	(3,103,358)	(3,035,055)
Trade receivables- net	14,088,264	9,442,570
Other debtors	4,067,547	911,532
Less: Provision for expected credit losses (Note 2g ii,10)	(61,713)	(46,129)
	4,005,834	865,403
	18,094,098	10,307,973
Unbilled sales revenue (Note 2v)	8,150,330	5,883,909
Prepayments	1,595,415	1,028,128
	9,745,745	6,912,037
	27,839,843	17,220,010

Other debtors relate to sundry revenue receivable at year end - Note 2 (r).

The fair values of trade and other receivables equal their carrying values due to the short-term nature of these assets.

9. TRADE AND OTHER RECEIVABLES (continued)

The ageing of trade and other receivables is as follows:

	2021			2020		
	Trade receivables $	Other receivables $	Expected credit losses $	Trade receivables $	Other receivables $	Expected credit losses $
30 days	12,535,331	3,671,717	50,590	7,697,723	394,052	38,670
31-60 days	1,551,876	179	62,075	1,718,589	20,723	51,558
61-90 days	228,622	11,767	114,900	232,973	14,199	116,487
Over 90 days	2,875,793	383,884	2,937,506	2,828,340	482,558	2,874,469
	17,191,622	4,067,547	3,165,071	12,477,625	911,532	3,081,184

10. MOVEMENT IN PROVISION FOR EXPECTED CREDIT LOSSES

	2021 $	2020 $
(i) Customers' accounts		
Balance - beginning of year	3,035,055	3,295,436
Increase/(decrease) in provision (Note 21)	68,303	(260,381)
Balance - end of year	3,103,358	3,035,055
(ii) Other debtors		
Balance - beginning of year	46,129	45,084
Increase in provision (Note 21)	15,584	1,045
Balance - end of year	61,713	46,129
Total Expected Credit Losses	**3,165,071**	**3,081,184**

There were no direct write-offs for impaired receivables during the year to the statement of comprehensive income (2020 - $9,501). Recovery of bad debt written off was $51,351.

11. CASH AND CASH EQUIVALENTS

	2021 $	2020 $
Cash on hand	7,200	7,200
Republic Bank (Grenada) Limited	6,955,249	5,803,287
CIBC First Caribbean International Bank Limited	4,646,787	3,568,915
Grenada Co-operative Bank Limited	626,008	347,960
Cash and cash equivalents in the statement of cash flows	12,235,244	9,727,362

Cash at banks earns interest at floating rates based on daily bank deposit rates.

12. STATED CAPITAL

	2021 $	2020 $
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 at a rate of 4% (2020- 4%) per annum in the first billing cycle of the year. The cash deposit is refunded with accumulated interest when the account is terminated (Note 2m).

	2021 $	2020 $
Balance - beginning of year	17,812,606	17,268,893
New deposits	481,826	533,393
Interest accrued	688,458	661,840
Deposits refunded	(574,303)	(651,520)
Balance - end of year	18,408,587	17,812,606

14. BORROWINGS

	2021 $	2020 $
CIBC First Caribbean International Bank Limited		
Balance at 1 January	32,283,458	36,659,425
Add: Loan received during the year	16,200,000	-
	48,483,458	36,659,425
Less: Principal repayments	(4,915,967)	(4,375,967)
Total borrowings at 31 December	43,567,491	32,283,458
Less: Current portion	(6,535,967)	(4,375,967)
Non-current portion	37,031,524	27,907,491

On 29 February 2016, the Company signed a Mortgage Debenture with CIBC First Caribbean International Bank (Barbados) Limited for a credit facility of up to $48,050,000.

The loan bears interest at a rate of 4.75% per annum over the first five (5) 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 (12) year period and repayable via 32 quarterly principal payments of $1,001,042 with a balloon payment of $16,016,667. 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 $48,050,000.

On 15 August 2019, the Company signed a Mortgage Debenture with CIBC First Caribbean International Bank (Barbados) Limited for a credit facility of $3,718,000.

The loan bears interest at a rate of 4.75% per annum over the first five (5) 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 (10)-year period and repayable via 32 quarterly principal payments of $92,950 plus quarterly interest payments.

Notes to the Financial Statements
at 31st December 2021 (continued)

(Expressed in Eastern Caribbean Currency Dollars)

14. BORROWINGS (continued)

On 16 February 2021, the Company signed a Mortgage Debenture with CIBC First Caribbean International Bank (Barbados) Limited for a credit facility of $16,200,000.

The loan bears interest at a current rate of 3.75% per annum being the prime rate minus 4.75% per annum. Presently the prime rate is 8.50% per annum. The loan is amortized over a twelve (12)-year period and repayable via 30 quarterly principal payments of $500,000 plus quarterly interest payments, after a six (6) month moratorium on principal payment.

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. As of 31 December 2021, this amount was undrawn.

As at 31 December 2021, the Company was not in breach of any of its covenants with CIBC First Caribbean International Bank (Barbados) Limited under the existing credit facilities.

The maturity of borrowings is as follows:

	2021 $	2020 $
Between 2 and 5 years	25,026,041	29,030,208
Over 5 years	18,541,450	3,253,250
Total	43,567,491	32,283,458

The carrying amounts and fair value of borrowings are as follows:

	Carrying Value		Fair Value	
	2021 $	2020 $	2021 $	2020 $
Borrowings	43,567,491	32,283,458	42,000,395	30,651,406

The fair values are based on cash flows discounted using a rate based on the Company's average borrowing rate of 3.90% (2020 - 4.75%).

15. RETIREMENT BENEFITS PAYABLE

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. Pension cost for the year was $2,279,303 (2020 - $2,889,740) in the statement of comprehensive income (Note 21).

The balance of ($210,058) within the statement of financial position date relates to amounts due to the non-management and management Trusts for December 2021 (2020 – $63,585).

16. HURRICANE INSURANCE RESERVE

	2021 $	2020 $
Balance at beginning of year	30,000,000	28,000,000
Add: Allocation for the year	2,000,000	2,000,000
Balance at end of year	32,000,000	30,000,000

The Company allocates $2,000,000 per annum to its hurricane insurance reserve, backed by short-term investments held at various financial institutions (Note 7) as self-insurance for its transmission and distribution network.

17. TRADE AND OTHER PAYABLES

	2021 $	2020 $
Trade creditors		
Sundry creditors	9,759,196	4,808,413
Accrued expenses	7,841,786	7,992,800
	13,350,907	8,098,300
Total Trade and other payables	30,951,889	20,899,513

The allocation for donations and profit sharing (Note 2x) for the year is calculated on pre-tax profits net of the $1,592,592 prior year adjustment for loose tools (Note 2b).

18. CUSTOMERS’ CONTRIBUTION TO LINE EXTENSIONS

	2021 $	2020 $
Balance at 1 January	7,140,290	7,282,723
Additions	2,770,173	1,414,587
Amortisation	(737,700)	(737,700)
Refunds, transfers to income and reversals (net)	(24,351)	(819,320)
Customers’ contributions at 31 December	9,148,412	7,140,290

Notes to the Financial Statements
at 31st December 2021 (continued)

(Expressed in Eastern Caribbean Currency Dollars)

19. SALES- NON-FUEL CHARGE

	2021 $	2020 $
Domestic	35,113,027	34,488,179
Commercial	46,765,178	44,498,907
Industrial	2,047,802	1,927,988
Street lighting	1,572,695	1,734,213
	85,498,702	82,649,287

20. OTHER INCOME

	2021 $	2020 $
Sundry revenue (Note 2r)	3,113,399	3,980,977
Gain on disposal of property, plant, and equipment	8,961,115	99,058
	12,074,514	4,080,035

The gain on disposal of property, plant, and equipment relates to insurance proceeds received from the disposal of the Wartsila #4 generating unit.

21. EXPENSES BY NATURE

	2021 $	2020 $
Fuel	83,822 603	55,936,153
Plant maintenance	8,668,143	13,372,364
Line maintenance	3,843,256	2,549,422
General repairs and maintenance	2,638,867	2,587,452
Employee benefits	28,110,394	22,179,558
Depreciation (Notes 4 and 5)	8,520,690	8,351,493
Insurance	2,591,982	1,651,535
Expected credit losses (Note 10)	83,887	(259,336)
Other expenses	9,280,380	9,699,826
Total operating expenses	147,560,202	116,068,467
Employee benefits include:		
Salaries and wages	25,874,819	19,163,105
Social security	777,049	776,611
Pension (Note 15)	2,279,303	2,889,740
Group Insurance	730,875	720,663
	29,662,046	23,550,119
Allocated as follows:		
Operating expenses	28,110,394	22,179,558
Capitalised expenses	1,551,652	1,370,561
	29,662,046	23,550,119

22. FINANCE COSTS

	2021 $	2020 $
Bank loans/Bond interest	1,693,230	1,661,654
Other bank interest	5,168	12,080
Interest- right-of-use assets (note 5)	144,137	151,335
Customer deposit interest	697,045	670,059
	2,539,580	2,495,128

23. TAXATION

Corporation tax expense

	2021 $	2020 $
Current taxation	2,546,907	4,224,308
Deferred tax	1,951,359	1,628,924
Taxation charge	4,498,266	5,853,232

Income taxes in the statement of comprehensive income vary from amounts that would be computed by applying the statutory tax rate of 28% (2020- 28%) for the following reasons:

	2021 $	2020 $
Profit for the year before taxation	19,345,100	21,959,446
Corporation tax at applicable statutory rate 28% (2020-28%)	5,416,628	6,148,645
Tax effect of items that are adjustable in determining taxable profit:		
Tax effect of hurricane reserve	(560,000)	(560,000)
Over provision of prior year tax expense	(445,926)	-
Effect of expenses not deductible for tax purposes	87,564	264,587
Tax charge for the year	4,498,266	5,853,232

Corporation tax payable/(prepaid)

Corporate tax prepaid	(1,262,393)	(809,300)

23. TAXATION (continued)

The deferred tax liability on the statement of financial position consists of the following components:

Deferred Tax	2021 $	2020 $
Delayed tax depreciation	49,543,329	42,344,906
Right of use assets	2,301,679	2,792,693
Lease liabilities	(2,530,962)	(2,792,691)
	49,314,046	42,344,908
Deferred tax liability at statutory rate 28% (2020 - 28%)	13,807,933	11,856,574

24. RELATED PARTY TRANSACTIONS

i) During the year the Company engaged in transactions with its majority shareholder, Government of Grenada, as well as the National Insurance Scheme (NIS), owner of 11.6% of its shares. The following transactions were carried out with these entities:

	2021 $	2020 $
a) Sale of electricity:		
NIS	226,074	210,405
Government of Grenada	15,143,684	10,974,039
b) Management services - WRB Enterprises, Inc.	-	600,000
c) Payment of dividends:		
NIS	1,146,516	1,146,516
Grenada Private Power Limited	-	4,940,000
Government of Grenada	7,054,320	988,000
d) Amounts due to related parties*		
NIS (NIS contributions for staff - December)	119,971	119,633
Government of Grenada (taxes at year end)	2,384,377	2,137,614
e) Amounts due by related parties*		
NIS (electricity - December)	21,554	18,237
Government of Grenada (electricity - December, tax prepaid)	2,655,874	1,897,537

24. RELATED PARTY TRANSACTIONS (continued)

* The amounts are classified as trade payables and trade receivables, respectively.

Terms and conditions of transactions with related parties
The sales to and amounts due from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2021, the Company recognized provision for expected credit losses of $6,626 relating to amounts owed by related parties (2020 - $12,029).

ii) Compensation of key management personnel of the Company:

	2021 **$**	**2020** **$**
Salaries and other benefits	3,812,602	3,888,082
Directors' Fees	244,500	310,500
Past employment benefit provisions	485,448	496,313
Loans receivable from key management personnel	20,707	12,697

The amounts disclosed above are recognised as an expense during the reporting period related to key management personnel.

25. EARNINGS PER SHARE

The earnings per share is calculated by dividing the profit or loss for the year by the weighted average number of common shares in issue during the year

	2021 **$**	**2020** **$**
Net profit for the year	14,846,834	16,106,214
Weighted average number of common shares	19,000,000	19,000,000
Earnings per share (cents)	78	85

26. CONTINGENT LIABILITIES

a. *Customs bonds*
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 (2020- $300,000)

b. *Litigation*
The Company is a party to certain legal actions brought against it by third parties. In the opinion of the directors, after taking appropriate legal advice, the outcome of such actions will not result in any significant additional liabilities and therefore no provision has been made in these financial statements.

27. CAPITAL COMMITMENTS

The Company budgeted capital expenditure of $11,683,733 (2020 - $13,712,181) for the 2021 financial year. Additionally, a total of $1,013,000 of the incomplete 2020 approved budget was included in 2021 to facilitate the completion of several ongoing projects. A total of $5,610,039 (2020 - $897,256) was contracted for at year end.

28. DIVIDENDS

During the year ended 31 December 2021, a dividend of 52 cents per ordinary share amounting to $9,880,000 was declared and paid (2020 - $9,880,000).

These dividends were declared and approved on a quarterly basis as follows:

Quarter	**Approval Date**	**Declaration Date**
First	23 March 2021	23 March 2021
Second	9 June 2021	9 June 2021
Third	8 September 2021	9 September 2021
Fourth	13 December 2021	14 December 2021

29. FINANCIAL RISK MANAGEMENT

Financial instruments by category

At 31 December	2021 $	2020 $
Assets per statement of financial position	**Loans and receivables**	**Loans and receivables**
Cash and cash equivalents (Note 11)	12,235,244	9,727,362
Trade and other receivables (less prepayments) (Note 9)	26,244,428	16,191,882
Total	38,479,672	25,919,244
Liabilities per statement of financial position	**Other financial liabilities at amortised cost $**	**Other financial liabilities at amortised cost $**
Lease liabilities (Note 5)	2,530,962	2,923,595
Borrowings (Note 14)	43,567,491	32,283,458
Trade creditors (Note 17)	9,759,196	4,808,413
Customers' deposits (Note 13)	18,408,587	17,812,606
Total	74,266,236	57,828,072

Financial risk factors

The Company's activities expose it to a variety of financial risks: credit risk, operational risk, liquidity risk, insurance 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.

29. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

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.

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 counterparty 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.

Based on the above, however, management does not believe significant credit risk exists at 31 December 2021, or 2020. Further analysis of the Company's trade and other receivables is disclosed in Note 9.

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 the Company's operations.

29. FINANCIAL RISK MANAGEMENT (continued)

Operational risk (continued)

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:

- 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.

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.

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), based on expected cash flows and is of the view that the Company holds adequate cash and credit facilities to meet its short-term obligations.

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29. FINANCIAL RISK MANAGEMENT (continued)

The table below summarises the Company's liquidity position:

Balance at 31 December, 2021	Less than 1 year $	Between 1 & 2 years $	Between 2 & 5 years $	Over 5 years $	Total $
Assets					
Cash and cash equivalents	12,235,244	-	-	-	12,235,244
Trade and other receivables (less prepayments)	26,244,428	-	-	-	26,244,428
Total assets	38,479,672	-	-	-	38,479,672
Liabilities					
Lease liabilities	327,128	275,448	586,922	1,341,464	2,530,962
Borrowings	6,535,967	6,535,967	19,607,900	10,887,657	43,567,491
Trade payables	9,759,196	-	-	-	9,759,196
Customers' deposits	-	-	-	18,408,587	18,408,587
	16,622,291	6,811,415	20,194,822	30,637,708	74,266,236

(Expressed in Eastern Caribbean Currency Dollars)

29. FINANCIAL RISK MANAGEMENT (continued)

Balance at 31 December 2020	Less than 1 year $	Between 1 & 2 years $	Between 2 & 5 years $	Over 5 years $	Total $
Assets					
Cash and cash equivalents	9,727,362	-	-	-	9,727,362
Trade and other receivables	16,191,882	-	-	-	16,191,882
	25,919,244	-	-	-	25,919,244
Liabilities					
Lease liabilities	321,166	327,128	664,012	1,611,289	2,923,595
Borrowings	4,375,767	4,375,767	13,127,900	10,404,024	32,283,458
Trade payables (Note 17)	4,808,413	-	-	-	4,808,413
Customers' deposits	-	-	-	17,812,606	17,812,606
	9,505,346	4,702,895	13,791,912	29,827,919	57,828,072

(Expressed in Eastern Caribbean Currency Dollars)

29. 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.

Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. The Company is exposed to foreign exchange risk arising primarily from foreign currency borrowings and purchases of plant, equipment, and spare parts from foreign suppliers. The exchange rate of the Eastern Caribbean dollar (EC$) and the United States dollar (US$) has been formally pegged at EC$2.70=US$1.00 since July 1976.

The Company has limited exposure to foreign exchange risk, which arises primarily from the purchases of plant, equipment, and spare parts from foreign suppliers. The Company attempts to enter into transactions are largely denominated in United States dollars.

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's interest rate risk also arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk.

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. At 31 December 2021, the Company held borrowings at both fixed and floating interest rates with 7% of the portfolio being at fixed rates. The Company's exposure to interest rates and the terms of borrowings are disclosed in Note 14.

29. FINANCIAL RISK MANAGEMENT (continued)

Capital risk management

The Company's objectives when managing capital are to safeguard the ability to continue as a going concern 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.

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 based on 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.

The debt-to-equity ratios at 31 December were as follows:

	2021 $	2020 $
Total borrowings (Note 14)	43,567,491	32,283,458
Shareholders' equity	109,754,883	104,867,353
Debt to equity ratio	**0.40:1**	**0.31:1**

Fair value estimation

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no obligation to act and is best evidenced by a quoted market price, if one (1) exists. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Fair value measurements are required to reflect the assumptions that market participants would use in pricing an asset or liability, based on the best available information including the risks inherent in a particular valuation technique, such as a pricing model, and the risks inherent in the inputs to the model.

The carrying value of cash, short term deposits, trade receivables less impairment provision and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes (Note 14) is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

30. OPERATING SEGMENTS

The Company operates within one specific geographical segment being the country of Grenada where the primary business is the generation and supply of electricity to customers.

31. SUBSEQUENT EVENTS

Events after the reporting period

a. COVID-19

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 to plan its response, if necessary.

b. Union Negotiations - salaries and allowances

On 29 March 2022, the Company began negotiations on salaries and other employee benefits with the Union representing its non-Management employees for the period 1 January 2018 to 31 December 2023.

The negotiations were completed, and the Collective Bargaining Agreement duly signed on 16 June 2022. The provision for back pay is included in trade and other payables (Note 17).

GRENADA ELECTRICITY SERVICES LIMITED

FIVE YEAR OPERATIONAL RECORD 2017-2021

EXPRESSED IN EC$ & US$

	2021	2020	2019	2018	2017
PRODUCTION AND SALES					
Generation - Grenlec Diesel	224,563,914	218,528,643	237,579,974	227,651,303	220,136,016
Generation - Grenlec PV	1,408,907	1,398,113	1,558,486	1,614,893	1,655,231
Generation - PV Customers	2,940,372	2,800,487	2,183,506	1,681,036	1,429,782
Gross Generation (kWh)	**228,913,193**	**222,727,243**	**241,321,966**	**230,947,232**	**223,221,029**
Auxillaries & Own Use	**7,305,921**	**7,477,023**	**7,556,373**	**6,490,799**	**6,215,633**
Net Generation	**221,607,272**	**215,250,220**	**233,765,593**	**224,456,433**	**217,005,396**
Sales (kWh)					
Domestic	86,011,856	84,377,072	82,679,980	80,512,737	78,680,567
Commercial	110,167,815	104,620,226	123,008,954	116,955,264	110,449,387
Industrial	6,652,162	6,167,168	6,750,491	5,934,292	5,478,443
Street Lighting	4,074,943	4,495,734	4,577,319	4,668,193	4,710,779
Total Sales	**206,906,776**	**199,660,200**	**217,016,744**	**208,070,486**	**199,319,176**
Loss (% of Net Generation)	6.61%	7.22%	7.14%	7.27%	8.12%
Number of Customers at Year - End					
Domestic	47,568	45,992	45,139	44,250	43,229
Commercial	7,545	7,282	7,123	6,930	6,752
Industrial	39	40	39	38	38
Street Lights	9,081	8,824	8,755	8,713	8,628
Total Customers	**55,152**	**53,314**	**52,301**	**51,218**	**50,019**
Average Annual usage per Customer Class (kWh)					
Domestic	1,808	1,835	1,832	1,819	1,820
Commercial	14,601	14,367	17,269	16,877	16,358
Industrial	170,568	154,179	173,090	156,166	144,170

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GRENADA ELECTRICITY SERVICES LIMITED

FIVE YEAR FINANCIAL RECORD 2017-2021

	2021	2020	2019	2018	2017
	EC$	EC$	EC$	EC$	EC$
INCOME	178,273,029	148,080,951	192,465,914	181,738,765	151,536,343
PROFIT BEFORE TAXES	19,345,100	21,959,446	34,400,337	24,277,594	20,773,080
TAXATION	4,577,570	5,853,232	10,796,839	6,494,000	5,602,731
NET PROFIT	14,767,530	16,106,214	23,603,498	17,783,594	15,170,349
RESERVES					
Stated Capital & Retained Earnings	77,754,883	76,459,945	72,233,731	60,510,233	54,606,639
Hurricane Insurance Reserve	32,000,000	30,000,000	28,000,000	26,000,000	24,000,000
SHAREHOLDERS EQUITY	**109,754,883**	**106,459,945**	**100,233,731**	**86,510,233**	**78,606,639**
REPRESENTED BY:					
TOTAL ASSETS	232,885,267	204,140,024	205,723,176	179,133,533	163,480,729
TOTAL LIABILITIES	123,130,384	97,680,079	105,489,445	92,623,300	84,874,090
NET ASSETS	**109,754,883**	**106,459,945**	**100,233,731**	**86,510,233**	**78,606,639**
FINANCIAL RATIOS					
No. of shares	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000
Return on Shareholders equity	13.46%	15.13%	23.55%	20.56%	19.30%
Earnings Per Share	0.78	0.85	1.24	0.94	0.80
Dividends Per Share	0.52	0.52	0.52	0.52	0.52

	2021	2020	2019	2018	2017
	US $	US $	US $	US $	US $
INCOME	**66,027,048**	**54,844,797**	**71,283,672**	**67,310,654**	**56,124,571**
PROFIT BEFORE TAXES	7,164,852	8,133,128	12,740,866	8,991,701	7,693,733
TAXATION	1,695,396	2,167,864	3,998,829	2,405,185	2,075,086
NET PROFIT	5,469,456	5,965,264	8,742,037	6,586,516	5,618,647
SHARE CAPITAL					
RESERVES					
Stated Capital & Retained Earnings	28,798,105	28,318,498	26,753,234	22,411,197	20,224,681
Hurricane Insurance Reserve	11,851,852	11,111,111	10,370,370	9,629,630	8,888,889
SHAREHOLDERS EQUITY	40,649,957	39,429,609	37,123,604	32,040,827	29,113,570
REPRESENTED BY:					
TOTAL ASSETS	86,253,803	75,607,416	76,193,769	66,345,753	60,548,418
TOTAL LIABILITIES	45,603,846	36,177,807	39,070,165	34,304,926	31,434,848
NET ASSETS	**40,649,957**	**39,429,609**	**37,123,604**	**32,040,827**	**29,113,570**
FINANCIAL RATIOS					
No. of shares	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000
Return on Shareholders equity	13.46%	15.13%	23.55%	20.56%	19.30%
Earnings Per Share	0.29	0.31	0.46	0.35	0.30
Dividends Per Share	0.19	0.19	0.19	0.19	0.19

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