Schedule 2
FORM ECSRC-OR

(Select One)
[ ] QUARTERLY FINANCIAL REPORT for the period ended 30, June 2024
Pursuant to Section 98(2) of the Securities Act, 2001

OR

[ ] TRANSITION REPORT
for the transition period from to
Pursuant to Section 98(2) of the Securities Act, 2001
(Applicable where there is a change in reporting issuer's financial year)

Issuer Registration Number: GRENLEC27091960G

Grenada Electricity Services Limited
(Exact name of reporting issuer as specified in its charter)

(Territory or jurisdiction of incorporation)

Dusty Highway, Grand Anse, St. George's, P.O. Box 381
(Address of principal executive Offices)

Reporting issuer's:
Telephone number (including area code): (473) 440-3391
Fax number: (473) 440-4106
Email address: mail@grenlec.com

, ,
(Former name, former address and former financial year, if changed since last report)

(Provide information stipulated in paragraphs 1 to 8 hereunder)

Indicate the number of outstanding shares of each of the reporting issuers classes of common stock, as of the date of completion of this report 1 .

CLASS	NUMBER
Ordinary	19000000

SIGNATURES

A Director, the Chief Executive Officer and Chief Financial Officer of the company shall sign this Annual Report on behalf of the company. By so doing each certifies that he has made diligent efforts to verify the material accuracy and completeness of the information herein contained.

The Chief Financial Officer by signing this form is hereby certifying that the financial statements submitted fairly state the company's financial position and results of operations, or receipts and disbursements, as of the dates and period(s) indicated. The Chief Financial Officer further certifies that all financial statements submitted herewith are prepared in accordance with International Accounting Standards consistently applied (except as stated in the notes thereto) and (with respect to year-end figures) including all adjustments necessary for fair presentation under the circumstances.

Name of Chief Executive Officer:
Clive Hosten

Signature:

31st July 2024
Date

Name of Director:
James Pitt

Signature:

31st July 2024
Date

Name of Chief Financial Officer:
Lydia Courtney-Francis

Signature

31st July 2024
Date

1. **Financial Statements.**

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

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

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

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

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

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

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

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

The following table provides information as of June 30, 2024, with comparatives at June 30, 2023, and December 31, 2023, of Grenlec's compliance with various financial loan covenants. At the end of the second quarter of 2024, the company's performance was lower than the same period in 2023 and has been impacted mainly by the implementation of the Fuel Adjustment Clause (FAC) in October 2023, which treats fuel as a pass-through cost to customers immediately compared to the prior application of a three-month rolling average. Importantly, the company is no longer able to account for over and under-recovery on fuel and revenue performance is reported on non-fuel charges and other miscellaneous revenues only. The *Current Ratio and Funded Debt to EBITDA* are well within their covenants while the Debt *Service Coverage Ratio* is not within range and has deteriorated compared to both December 2023 and June 2023. A review of the data in the Covenant Table indicates the Company's performance is below that of 2023.

Covenant Table

	Covenant Ratio	**June 2024**	**June 2023**	**December 2023**
Current Ratio	>= 1.35:1	1.87:1	2:1	2.01:1
Debt Service Coverage Ratio	>= 1.75:1	1.23:1	2.33:1	4.88:1
Funded Debt to EBITDA	<= 3:1	1.95:1	1.41:1	0.75:1

Grenlec's unit sales performance improved significantly in the year's second quarter compared to the equivalent period last year. Throughout the second quarter, the company achieved monthly record kWh sales, resulting in a year-to-date growth of 15.21% compared to 2023 and a 10.29% increase in sales compared to the same quarter of last year. Economic conditions indicate a comprehensive and continued resurgence from the pandemic, with the IMF projecting a near 4.0% real GDP growth from their visit in June 2024. However, this could taper off with the recent passage of Hurricane Beryl which hit the island on 1st July 2024. Damage assessment and economic impacts have not been fully assessed as at the time of filing this report.

In the first half of 2024, the Company's net assets increased from $129.55M to $134.85M.
Non-current assets increased from $131.76M to $133.3M during this same period and is the net effect of work in progress, offset by depreciation. There was a decrease in cash and cash equivalents from

$20.24M at the end of December 2023 to $15.23M by June 2024. This decrease is attributed to in part by accounting for the non-fuel charge only and treating fuel as a pass-through to our customers. At this time last year, fuel recovery at a rate of 126.53%, resulted in an over-recovery of $16.15M on fuel costs.

Trade receivables witnessed a decrease of 3.82% reaching $22.29M compared to the position in December 2023 ($23.17M), and $21.56M at June 2023. This decline from December 2023 position was observed across all customer classes and can be credited to two factors: the reduction in fuel prices resulting in a lower electricity charge from $1.18 per kWh in December 2023 to $1.02 per kWh in June 2024, and an improvement in customer collections.

Moreover, debtor days experienced a reduction of 2.64 days, decreasing to 29.77 days over the six months ending in June 2024. It's important to note that the current portion of the accounts receivable portfolio improved to 83.7%, up from 79.4% in December 2023. The amount outstanding for over 90 days, decreased to 9.2% from 10.2% during the same period which speaks to the good quality of the debt held.

Liquidity and Capital Resources

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

i. The reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations.
ii. Any known trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of action that the reporting issuer has taken or proposes to take to remedy the deficiency.
iii. The issuer’s internal and external sources of liquidity and any material unused sources of liquid assets
iv. Provisions contained in financial guarantees or commitments, debt or lease agreements or other arrangements that could trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation such as adverse changes in the issuer’s financial ratios, earnings, cash flows or stock price or changes in the value of underlying, linked or indexed assets.
v. Circumstances that could impair the issuer’s ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential or that could render that activity commercially impracticable such as the inability to maintain a specified level of earnings, earnings per share, financial ratios or collateral.

vi. Factors specific to the issuer and its markets that the issuer expects will affect its ability to raise short-term and long-term financing, guarantees of debt or other commitment to third parties, and written options on non-financial assets.
vii. The relevant maturity grouping of assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. Commentary should provide information about effective periods and the way the risks associated with different maturity and interest profiles are managed and controlled.
viii. The issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments.
ix. Any known material trends, favorable or unfavorable, in the issuer's capital resources, including any expected material changes in the mix and relative cost of capital resources, considering changes between debt, equity and any off-balance sheet financing arrangements.

Discussion of Liquidity and Capital Resources

- **Liquidity**

As at the end of the first half of 2024, the Company recorded a current ratio of 1.87:1 and was in the position to meet its operational requirements at a level above the lender institution's benchmark of 1.35:1.

From January to June 2024, the average electricity rates decreased to $1.04 / kWh, indicating a significant decrease of 9.62% compared to the average rate of $1.14/kWh for the same period in 2023. This decrease can be attributed to the fall in fuel prices when compared to the rates from the previous year.

As of June 30, 2024, the Company's cash flow position, represented by cash and cash equivalents (net of overdrafts), stands at $15.23M, which is a decrease of $1.48M from December 31, 2023, and still lower than the $20.45M recorded in June 2023.

During the year's first half, the company successfully settled its scheduled borrowing commitments of $3.80M and paid dividends to its shareholders at a rate of 0.08 cents per share, resulting in a total dividend payout of $3.04M.

Receivables decreased by $0.884M, while payables decreased by $2.40M, largely due to the increased customer collection and reduced fuel prices for the first six months of 2024.

The cash utilized in investing activities amounted to $6.96M as of June 30, 2024, which is higher than the figure of $4.06M for the same period in 2023. This expenditure primarily represents investments made in capital works in progress and suspense jobs.

Financing activities of $6.99 are lower than the $7.25M in the first six months of 2023 and represent repayment of borrowings as scheduled and approval of the two-quarters of dividend payments at $0.08 per share per quarter.

Overall, the Company's cash position remained stable at $15.23M in the first six months of the year. Throughout this period, the Company successfully fulfilled its substantive obligations, and based on its current cash flow projections, it is expected to continue meeting its commitments for the foreseeable future.

- **Capital Resources**

Capital expenditure of $7.1M in the first half of 2024 was funded by the cash flow generated from internal operations. To date, only 27.13% of the capital budget has been spent; hence the company anticipates a ramp-up in capital spending over the next six months of the year.

The Company does not face any significant challenge with regard to capital resources for its recurrent or capital operations. It has an overdraft facility with Grenada Co-operative Bank Limited, amounting to $6.0M. Additionally, it has $6.45M in certificates of deposits that are not associated with the Hurricane Fund that is included within the $40.31M under financial assets at amortized cost.

Off Balance Sheet Arrangements

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

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

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

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

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

None

Results of Operations

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

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

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

ii) Significant components of revenues or expenses that should, in the companys judgment, be described in order to understand the issuer's results of operations.

iii) Known trends or uncertainties that have had or that the issuer reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

iv) Known events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), and changes in relationships should be disclosed.

v) The extent to which material increases in net sales or revenues are attributable to increases in prices or to increases in the volume or amount of goods or services being sold or to the introduction of new products or services.

vi) Matters that will have an impact on future operations and have not had an impact in the past.

vii) Matters that have had an impact on reported operations and are not expected to have an impact upon future operations

viii) Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships that have or are reasonably likely to have a current or future effect on the registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

ix) Performance goals, systems and, controls.

Overview of Results of Operations

The Company's financial performance for the first six months of 2024, reflected by its Profit before Interest of $17.67M, which was lower than June 2023 by $10.43M and 27.36% ahead of the budgeted $12.83M. This result was due to the net effect of positive kWh sales growth and the fuel adjustment clause (FAC) resulting in the neutral effect of the fuel charge and fuel costs. The benefit of the fuel recovery of $16.15M, materializing through sustained fuel price decreases in 2023, is not a feature in 2024 and is the biggest contributing factor to the reduced performance year on year.

Non-fuel revenue continued to grow from 2023's performance, improving by 10.74% in 2024, adding $7.69M to revenue compared to the first half of 2023. Given the FAC treatment, fuel revenue for the first six months of the year is treated as a passthrough and has zero effect on revenues. Fuel prices for the first six months of the year continued to fluctuate, starting the year at $9.69/imperial gallon, increasing to $10.34/imperial gallon by the end of the first quarter and falling back to $9.69 per imperial gallon by the end of June 2024. This movement led to fuel charges averaging at $0.5787/kWh, 9.62% lower than the first six months of 2023 ($0.6831 per kWh). All over-recovery on fuel in any given month has been passed back to customers in the following month through credits on their bills.

Platts Oilgram Price Report in July 2024 shows a slight increase in fuel prices since the end of June 2023. However, the fluctuations experienced have led to both under and over-recovery costs being passed back to the customer, although the net effect to date has been a benefit to customers. We continue to monitor the downward trend as the end of June trend and early into 2024 have shown marginal reductions in fuel prices.

KWh sales (excluding own use) for the first two quarters of 2024 were 15.62% (17.22 million kWh) higher than that of 2023, and ahead of the budget by 11%. Each month for 2024 so far has exceeded the prior sales performance for the corresponding periods in 2023, with the highest monthly kWh sales in the organization's history being in 2024.

Total revenue to June 2024 increased by 6.28% percent, to $131.92M, as compared to the equivalent period of 2023 at $124.13M.

Operating and administrative expenses, other than fuel, of $39.30M to June 2024 were unfavourable compared to the budget by 4.08%, and higher by 11.81% relative to the prior year's actual $35.15M for the same period. Increases in production costs for the Generation department at a variance of

34.39% ($4.12M) was the main contributor to this variance. Unplanned cost of $1.4M and negative variance overhaul on the overhaul on the MKA 1 engine ($2.8M) are the main contributors to the negative variance reported for the year to date.

Corporate services experienced a positive variance of 3.02% when compared to the budget and a slightly negative variance of 1.08% when compared to the figures for the same period from 2023. Part of the positive variance is attributable to expenses from the unforeseen fire incident that occurred in Carriacou in May 2023 but is not a factor this year.

Despite this performance above, the company continues to experience significant increases in insurance costs, which rose by 28.46% to reach $2.17M in the current year, compared to $1.69M in the previous year. Discussions with our brokers revealed that this rise was a result of external factors, including the ongoing war in Ukraine, which impacted insurance rates across the region.

Interest expense of $1.03M for the six months to June 2024 was 6.36% lower than the $1.10M for the same period in 2023 and 30.67% lower than the budgeted $1.49M. This variance in the budget is due mainly to the interest included for additional financing on plant replacement that has not materialized to date and is further contributed to by the reduction in interest as the loan balances declined.

System losses twelve months rolling average of 7.19% in June 2024 was slightly higher than the 6.35% reported on June 30, 2023, and is over the budget of 7.00%. It is a key strategic driver for the Company, and its importance cannot be over-emphasized in the context of the challenging economic conditions under which the Company operates. Management monitors system losses closely with the view of keeping it as low as technically possible.

Fuel efficiency of 18.66 kWh per imperial gallon in the first six months of 2024 was lower than the 19.34 kWh per imperial gallon achieved in the same period last year and reflects the performance of the units at the plant. There have not been any changes to plant capacity in the last twelve months, and the company continues to utilize its overhaul and maintenance procedures to derive optimal performance from the plant.

3. Disclosure about Risk Factors.

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

Major Risks and Regulatory Environment

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

Small Scale Independent Power Producer (SSIPP) Pilot Program

In an effort to move forward with this long outstanding programme, Grenlec has highlighted the risk that the output of solar PV can be intermittent based on variations in cloud cover, which can ultimately affect the grid, especially as the level of RE penetration is increased. The company has requested the PURC to include as a mandatory requirement for such customers, an electric meter with its real-time functionality and enhanced measuring capability; this is necessary to monitor the output of the solar facility for systems at l00kW and above and mitigate this operational risk.

There is a backlog of customers awaiting the necessary licence and Grenlec has decided to facilitate these customers in the interim through the provision of the required meter, while the PURC includes this as a requirement in the new terms of the Power Purchase Agreement (PPA) going forward and make this term mandatory.

Grenlec and the PURC have now reached an agreement on the PPA and await the PURC on the rate mechanism that will be used for Grenlec to compensate users for the purchase of energy.

- Impact of Hurricane Beryl

On July 1st, 2024, Hurricane Beryl, a category 4 hurricane, swept through the northern part of Grenada and Carriacou and Petit Martinique causing major disruption to the electricity infrastructure.

Restoration work is almost completed in Grenada; however, we anticipate the rebuilding process in Carriacou and Petit Martinique will take approximately 3-4 months. Grenlec subscribes to parametric insurance, the payout from which will help mitigate the cost associated with rebuilding.

Our early assessment is that 4.5% of the company's total non-fuel revenue will be at risk during this period.

Generator Rental Costs

Due to the growth year-on-year in kWh usage, Grenlec has been experiencing peaks above the N-2 requirement for its current generating fleet. These peaks have been close to the 40MW threshold and represented the forecasted growth in 2025. As a result, the company must rent a capacity of 10MW of temporary power to satisfy demand, while proposals for the appropriate mix of renewable and new thermal generation are being by the company. Any replacement for thermal energy must be approved by the PURC.

4. Legal Proceedings.

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

There were no pending legal proceedings outstanding as at June 30, 2024 that could materially impact on the Company's position.

5. Changes in Securities and Use of Proceeds

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

There were no changes in securities during the six months ended June, 30 2024.

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

Offer opening date (provide explanation if different from date disclosed in the registration statement)
30th Nov -0001

Offer closing date (provide explanation if different from date disclosed in the registration statement)
30th Nov -0001

Name and address of underwriter(s)
N/A
N/A

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

Net proceeds of the issue and a schedule of its use
N/A

Payments to associated persons and the purpose for such payments
None

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

None

6. Defaults upon Senior Securities.

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

Payments of principal and interest to Grenada Co-operative Bank Ltd (GCBL) on loans of $48.05M in March 2016 and $3.72M in August 2019 and $16M in March 2021, were made during the first and second quarter ended March 31, 2024 and June 30th 2024 as per the agreement.

The loan for $48.05M was due and payable in full at the end of June 2024, however, the term has been extended for the balloon payment of $16M. This was renegotiated with GCLB to utilize the full term of 12 years over which the loan was initially amortised. All terms and conditions remain the same for the facility.

(b) If any material arrears in the payment of dividends have occurred or if there has been any other material delinquency not satisfied within 30 days, give the title of the class and state the amount and nature of the arrears or delinquency.

Dividends were paid at the rate of $0.08 per share for the second quarter of 2024 instead of the usual $0.13 per share which obtained quarterly prior to 2022. Following the suspension of dividends for 3 quarters of 2022, payments were restored at $0.10 per share quarterly in 2023. Continuous monitoring of the company’s performance to support sustained dividend payments in 2024 at the new rate of $0.08 per share quarterly is being done.

7. Submission of Matters to a Vote of Security Holders

If any matter was submitted to a vote of security holders through the solicitation of proxies or otherwise during the financial year covered by this report, furnish the following information:

(a) The date of the meeting and whether it was an annual or special meeting.

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

None

8. Other Information.

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