

Grenada Electricity Services Limited

Financial Statements

For the year ended 31 December 2024
(Expressed in Eastern Caribbean Dollars)



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GRENADA ELECTRICITY SERVICES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

CONTENTS	Page
Company Profile	1
Independent Auditors' Report	2 - 4
Statement of Financial Position	5
Statement of Comprehensive Income	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 - 51

GRENADA ELECTRICITY SERVICES LIMITED

COMPANY PROFILE

Directors:

(As at 31 December 2024)

James Pitt - ***Chairman***

Lazarus Antoine

Allan Bierzynski

Dorsett Cromwell

Cyril Roberts

Andrea St. Bernard

Teddy St. Louis

Hugh Thomas

General Manager/CEO:

Leroy Abraham

Secretary:

Lydia Courtney- Francis

Registered Office:

Dusty Highway

Grand Anse

St. George

Grenada

Bankers:

ACB Bank Grenada

Grand Anse

St. George, Grenada

Grenada Co-operative Bank Limited

Church Street

St. George's, Grenada

Republic Bank (Grenada) Limited

Republic House

Grand Anse

St. George, Grenada

Attorney-At-Law:

Afi Ventour & Co.

Grand Anse

St. George, Grenada

Independent Auditor:

Ernst & Young

Rodney Bay

Gros Islet

St. Lucia



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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 2024 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 material accounting policy information .

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2024 and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

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' 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.

Key Audit Matters

Key audit matters are those 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.

Other information included in the Company's 2024 Annual Report

Other information consists of the information included in the Company's 2024 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2024 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.

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.



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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF GRENADA ELECTRICITY SERVICES LIMITED

Report on the Audit of the Financial Statements (Continued)

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 IFRS Accounting Standards as issued by the International Accounting Standards Board, 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.

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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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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)

- 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.

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 determined those matters that were of most significance in the audit of the financial statements of the current period and are, therefore, 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 partner in charge of the audit resulting in this independent auditor's report is Rishi Ramkissoon.

A handwritten signature in dark ink that reads 'Ernst & Young' in a cursive, stylized script.

CHARTERED ACCOUNTANTS

St. Lucia

28 March 2025

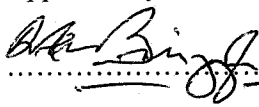
GRENADA ELECTRICITY SERVICES LIMITED

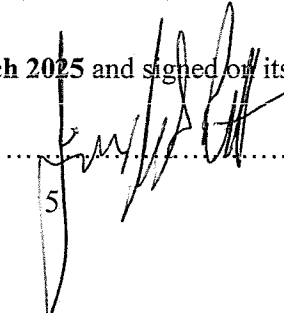
STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2024 (Expressed in Eastern Caribbean Dollars)

	Notes	2024 \$	2023 \$
ASSETS			
Non-current Assets			
Property, plant, and equipment	4	129,480,034	122,975,974
Right-of-use assets	5	2,505,396	2,420,718
Suspense jobs in progress	6	600,818	1,193,251
Capital work in progress	6	6,181,996	5,166,905
		<u>138,768,244</u>	<u>131,756,848</u>
Current assets			
Inventories	8	33,705,590	28,805,334
Trade and other receivables	9	36,075,134	37,139,158
Corporation tax recoverable	24	5,171,742	374,029
Financial assets at amortised cost	7	40,322,277	40,391,119
Cash on hand and at bank	11	21,541,658	16,710,362
		<u>136,816,401</u>	<u>123,420,002</u>
TOTAL ASSETS		<u>275,584,645</u>	<u>255,176,850</u>
EQUITY AND LIABILITIES			
Equity			
Stated Capital	12	32,339,840	32,339,840
Hurricane insurance reserve	16	33,909,667	33,909,667
Retained earnings		64,779,566	63,302,910
		<u>131,029,073</u>	<u>129,552,417</u>
Non-Current Liabilities			
Customers' deposits	13	21,338,889	20,493,266
Long-term borrowings	14	17,432,803	23,977,659
Long-term portion of lease liabilities	5	2,517,992	2,432,597
Deferred income (CCRIF)	19	21,805,691	-
Deferred tax liability	24	18,473,082	17,109,302
		<u>81,568,457</u>	<u>64,012,824</u>
Current Liabilities			
Short-term borrowings	14	6,535,967	7,067,575
Trade and other payables	17	37,610,541	36,110,340
Current portion of lease liabilities	5	350,064	287,557
Customers' contribution to line extensions	18	13,865,799	11,505,632
Retirement benefits payable	15	515,032	338,602
Profit sharing payable	17	4,109,712	6,301,903
		<u>62,987,115</u>	<u>61,611,609</u>
TOTAL LIABILITIES		<u>144,555,572</u>	<u>125,624,433</u>
TOTAL EQUITY AND LIABILITIES		<u>275,584,645</u>	<u>255,176,850</u>

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

Approved by the Board of Directors on 27 March 2025 and signed on its behalf by:

: Director

: Director

GRENADA ELECTRICITY SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024 (Expressed in Eastern Caribbean Dollars)

	Notes	2024 \$	2023 \$
REVENUE			
- Non-fuel charge	20	109,701,680	99,258,112
- Fuel charge		141,029,641	149,242,605
Unbilled revenue adjustments	2(v)	<u>(2,750,500)</u>	<u>1,353,952</u>
Gross revenue		247,980,821	249,854,669
Other income	21	<u>4,618,575</u>	<u>2,831,576</u>
Total income		<u>252,599,396</u>	<u>252,686,2454</u>
LESS: OPERATING EXPENSES			
Production expenses		(39,024,561)	(25,385,123)
Diesel consumed		(141,029,641)	(134,886,599)
Administrative expenses		(26,138,904)	(24,988,256)
Distribution services		(22,651,293)	(21,022,722)
Planning and engineering		<u>(3,049,273)</u>	<u>(3,290,058)</u>
Total operating expenses	22	<u>(231,893,672)</u>	<u>(209,572,758)</u>
Operating profit		20,705,724	43,113,487
Less: Finance costs	23	<u>(1,990,804)</u>	<u>(2,203,969)</u>
Profit for year before allocations and taxation		<u>18,714,920</u>	<u>40,909,518</u>
ALLOCATIONS			
Less – Regulatory fees		(2,388,626)	(1,685,532)
Donations		-	(2,140,959)
Profit sharing		<u>(5,934,293)</u>	<u>(8,144,340)</u>
		<u>(8,322,919)</u>	<u>(11,970,831)</u>
Profit for year before taxation		10,392,001	28,938,687
Taxation	24	<u>(2,835,345)</u>	<u>(7,653,542)</u>
NET PROFIT FOR THE YEAR		<u>7,556,656</u>	<u>21,285,145</u>
TOTAL COMPREHENSIVE INCOME		<u>7,556,656</u>	<u>21,285,145</u>
EARNINGS PER SHARE	26	<u>0.40</u>	<u>1.12</u>

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

GRENADA ELECTRICITY SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024 (Expressed in Eastern Caribbean Dollars)

	Stated Capital (Note 12) \$	Hurricane Insurance Reserve (Note 16) \$	Retained Earnings \$	Total Equity \$
Balance at 1 January 2023	32,339,840	32,000,000	51,527,432	115,867,272
Dividends (Note 29)	-	-	(7,600,000)	(7,600,000)
Total comprehensive income	-	-	21,285,145	21,285,145
Allocation for the year (Note 16)	-	1,909,667	(1,909,667)	-
Balance at 31 December 2023	<u>32,339,840</u>	<u>33,909,667</u>	<u>63,302,910</u>	<u>129,552,417</u>
Balance at 1 January 2024	32,339,840	33,909,667	63,302,910	129,552,417
Dividends (Note 29)	-	-	(6,080,000)	(6,080,000)
Total comprehensive income	-	-	7,556,656	7,556,656
Balance at 31 December 2024	<u>32,339,840</u>	<u>33,909,667</u>	<u>64,779,566</u>	<u>131,029,073</u>

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

GRENADA ELECTRICITY SERVICES LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024 (Expressed in Eastern Caribbean Dollars)

	Notes	2024 \$	2023 \$
OPERATING ACTIVITIES			
Profit for the year before taxation		10,392,001	28,938,687
Adjustments for:			
Depreciation on property, plant, and equipment and right-of-use assets	4,5	11,340,356	11,154,275
Loss/(gain) on disposal of property, plant, and equipment	21	581,088	(2,189)
Movement in provision for inventory obsolescence	8	(76,073)	-
Finance cost	23	1,990,804	2,203,969
Amortisation of customers' contribution to line extension	4	-	(341,626)
Net change in provision for other liabilities and charges		<u>344,406</u>	<u>4,399,191</u>
Operating surplus before working capital changes		24,572,582	46,352,307
(Decrease)/increase in trade and other receivables		1,064,024	(1,135,619)
Increase in inventories (net)		(4,824,183)	(88,588)
Increase in trade and other payables		1,445,904	5,199,696
Increase in deferred income		<u>21,805,691</u>	<u>-</u>
		44,064,018	50,327,796
Income tax paid		(6,269,278)	(6,088,413)
Interest and finance charges paid		<u>(1,936,507)</u>	<u>(2,039,784)</u>
Cash provided by operating activities		<u>35,858,233</u>	<u>42,199,599</u>
INVESTING ACTIVITIES			
Proceeds on disposal of property, plant, and equipment		182,604	129,914
Disposal/(purchase) of financial assets (net)		68,842	(1,865,197)
Purchase of property, plant, and equipment	4,6	<u>(18,661,157)</u>	<u>(10,798,291)</u>
Cash used in investing activities		<u>(18,409,711)</u>	<u>(12,533,574)</u>
FINANCING ACTIVITIES			
Dividends paid	29	(6,080,000)	(7,600,000)
Payment of principal portion of lease liabilities	5	(306,385)	(303,479)
Repayment of borrowings	14	(7,076,464)	(5,986,291)
Customers' deposits (net)	13	<u>845,623</u>	<u>1,143,215</u>
Cash used in financing activities		<u>(12,617,226)</u>	<u>(12,746,555)</u>
Net increase in cash and cash equivalents		4,831,296	16,919,470
Cash and cash equivalents			
- at the beginning of year		<u>16,710,362</u>	<u>(209,108)</u>
- at the end of year	11	<u><u>21,541,658</u></u>	<u><u>16,710,362</u></u>

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

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (Expressed in Eastern Caribbean Dollars)

1. CORPORATE INFORMATION

Grenada Electricity Services Limited (the Company) is public and registered in Grenada. It generates and supplies electricity throughout Grenada, Carriacou, and Petite Martinique.

On 24 December 2020, the Government of Grenada owned 71.4% of the Company's ordinary share capital.

The National Insurance Scheme holds 11.6% of the ordinary share capital, while the general public holds the remaining 17%.

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 exercising and performing functions relating to electricity supply in Grenada. The Company is listed on the Eastern Caribbean Securities Exchange.

The registered office is at Grand Anse, St. George's, Grenada.

2. MATERIAL ACCOUNTING POLICIES

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

(a) *Basis of preparation*

The company's financial statements have been prepared in accordance with IFRS Accounting Standards 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 judgment when 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.

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (Expressed in Eastern Caribbean Dollars) (Continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

(b) *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 2024. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- **Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback**
The amendment to IFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments had no impact on the financial statements of the Company.

- **Amendments to IAS 1 - Classification of Liabilities as Current or Non-current**

The amendments to IAS 1 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, an entity is required to disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments had no impact on the financial statements of the Company.

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (Expressed in Eastern Caribbean Dollars) (Continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

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

(i) *New accounting standards, amendments, and interpretations (continued)*

- **Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7**
The amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments had no impact on the financial statements of the Company.

(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.

- Lack of exchangeability – Amendments to IAS 21- effective for annual reporting periods beginning on or after 1 January 2025
- Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 effective for reporting periods beginning on or after 1 January 2026
- Annual Improvements to IFRS Accounting Standards – Volume 11 effective for reporting periods beginning on or after 1 January 2026
- Power Purchase Agreements – Amendments to IFRS 9 and IFRS 7 effective for reporting periods beginning on or after 1 January 2026
- IFRS 18 Presentation and Disclosure in Financial Statements- effective for reporting periods beginning on or after 1 January 2027
- IFRS 19 Subsidiaries without Public Accountability: Disclosures- effective for reporting periods beginning on or after 1 January 2027

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (Expressed in Eastern Caribbean Dollars) (Continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

(c) *Property, plant, and equipment*

Property, plant, and equipment are stated at historical cost, less accumulated depreciation and impairment losses. Historical cost includes expenditures 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. They are recognised as income in the statement of comprehensive income.

Subsequent expenditure

The cost of replacing part of an item of property, plant and equipment is recognised 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 derecognised. The costs of the day-to-day servicing and other repairs and maintenance of property, plant and equipment are recognised in the statement of comprehensive income during the financial period they are incurred.

Depreciation

Depreciation is recognised 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 sure 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 are completed and available for use.

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (Expressed in Eastern Caribbean Dollars) (Continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

(c) *Property, plant, and equipment (continued)*

Depreciation (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 - 50
Motor vehicles	15
Furniture and equipment	1 - 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 asset's carrying amount is greater than its estimated recoverable amount.

(d) *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 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.

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (Expressed in Eastern Caribbean Dollars) (Continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

(d) *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 counterparty's option, result in its settlement by the issue of equity instruments do not affect its classification. The Company classifies all other liabilities as non-current, including deferred tax assets and liabilities.

(e) *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 Dollar is the Company's functional currency and 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).

Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (Expressed in Eastern Caribbean Dollars) (Continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

(f) 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 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.

ii. Impairment of financial assets

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

The Company applies a simplified approach to calculating expected credit losses for trade receivables. Therefore, the Company does not track changes in credit risk but 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 some instances, 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.

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (Expressed in Eastern Caribbean Dollars) (Continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

(f) *Financial investments (continued)*

ii. **Impairment of financial assets (continued)**

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 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 the failure of a debtor to make contractual payments and the 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.

Provision is made as follows:

- 100% on receivables ≥ 90 days
- 50% on receivables ≥ 60 days
- 0.3% on receivables ≥ 30 days
- 0.2% on receivables < 30 days

Accounts are written off against the provision when they are considered uncollectible. The total provision at 31 December 2024 amounted to \$2,580,155 (2023 - \$2,584,917) (Note 9).

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (Expressed in Eastern Caribbean Dollars) (Continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

(f) *Financial investments (continued)*

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 recognise the financial asset and recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable, and the cumulative gain or loss recognised in other comprehensive income and accumulated in equity is recognised 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 recognise under continuing involvement and the part it no longer recognises based on the relative fair values of those parts on the date of the transfer.

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 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 with an indefinite life, such as 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.

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (Expressed in Eastern Caribbean Dollars) (Continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

(g) Inventories

Inventories consist of fuel, distribution, generation supplies and other materials, which are stated at the lower 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 realised 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.

(h) 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 2f (ii) for the policy guidance on the calculation of expected credit losses for trade receivables. Trade receivables, being short-term, are not discounted.

(i) Cash on hand and at bank

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

(j) Stated Capital

Ordinary shares are classified as equity.

(k) Trade payables

Trade payables are obligations to pay for goods or services acquired in the ordinary course of business from suppliers. If payment is due within one (1) year or less, trade payables are classified as current liabilities. Otherwise, they are presented as non-current liabilities.

(l) Borrowings

Borrowings are recognised at fair value net of transaction cost incurred. Borrowings are subsequently stated at amortised 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.

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (Expressed in Eastern Caribbean Dollars) (Continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

(m) Customers' deposits

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

(n) Customers' contribution to line extensions

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

Contributions more than the applicable capital cost of line extensions are recorded as other revenue in the completion period. Non-refundable contributions received for jobs not yet started or completed at the year-end are grouped with creditors, accrued charges, and provisions. Refundable contributions received for jobs not yet started or completed at the year-end and jobs completed at year-end are also grouped with creditors, accrued charges and provisions. The capital costs of customer line extensions are included in property, plant, and equipment (Note 4).

(o) Employee benefits

Profit sharing scheme

The Company operates a profit-sharing scheme, and the profit share to be distributed to unionised 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 is accounted for in the same manner as profit sharing.

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (Expressed in Eastern Caribbean Dollars) (Continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

(o) *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 additional employee contributions are voluntary. Pension costs are accounted for based on total contributions payable in the year (Note 15).

The plan's assets are held separately by the relevant Trust. 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.

(p) *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. It 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 regarding 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 expected to apply when the asset is realised, or the liability is settled, based on tax rates (and tax laws) enacted or substantively enacted at the reporting date.

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (Expressed in Eastern Caribbean Dollars) (Continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

(q) *Deferred Income*

The deferred income liability represents the net proceeds of a parametric insurance payout from the Caribbean Catastrophe Risk Insurance Facility (CCRIF) in July 2024 related to the passage of Hurricane Beryl. These funds are expected to be used for expenses and capital items in the upcoming years. They were earmarked for use in the Company's hurricane restoration efforts and for capital projects to improve the resilience of its Transmission and Distribution network in the event of any future natural disasters, along with any other Board-approved project.

When the expenditure relates to an expense item, it is recognised as income systematically over the periods when the related costs are expensed, for which it is intended to compensate. The Company has chosen to present amounts related to an expense item as other income in the statement of comprehensive income. When the expenditure relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

(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

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 recognised 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 hours ("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 revenue receivable is included in accrued income.

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (Expressed in Eastern Caribbean Dollars) (Continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

(r) *Revenue recognition (continued)*

Fuel charge

Fuel costs are passed to customers through the fuel charge mechanism, which allows for the recovery of fuel costs required for the generation of electricity over time. The fuel charge mechanism was amended during the year ended December 31, 2023, through the vehicle of the Interim Tariff which was promulgated by the Public Utilities Regulatory Commission (PURC) effective October 1, 2023. This tariff instituted a Fuel Adjustment Clause (FAC) mechanism to prevent future occurrences of under or over-recovery of fuel costs by the Utility at year-end. This mechanism will be further reviewed and adjusted, where necessary, during the full tariff review exercise. For the time being, the Company recognises fuel revenue based on the amount paid for fuel in the reporting period.

Sundry revenue

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

Revenue from pole-sharing arrangements, equipment rental, and other services is recognised 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.

Value added tax

Value-added taxes collected by the Company because 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 proposed and declared during the period are accounted for as an appropriation of retained earnings in the statement of changes in equity.

Dividends 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 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.

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (Expressed in Eastern Caribbean Dollars) (Continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

(u) *Finance costs*

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

(v) *Unbilled revenue adjustments*

The provision and adjustment at 31 December 2024, with comparatives, are calculated as follows:

	2024 \$	2023 \$
Revenue for December after discounts	<u>20,081,958</u>	<u>25,582,958</u>
50% of above provision at 31 December (note 9)	10,040,979	12,791,479
Provision at 1 January	<u>(12,791,479)</u>	<u>(11,437,527)</u>
(Decrease)/increase in provision during the year	<u>(2,750,500)</u>	<u>1,353,952</u>

(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 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.

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (Expressed in Eastern Caribbean Dollars) (Continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

(w) *Leases (continued)*

Right-of-use assets (continued)

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
- Furniture and Equipment 25 years

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

The Company also assess the right-of-use assets for impairment when such indicators exist (Note 2 f (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 2024.

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (Expressed in Eastern Caribbean Dollars) (Continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

(x) *Allocations*

Allocations in the statement of comprehensive income refer to both statutory and 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) stipulates 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) per cent 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).

Profit sharing

The Company has contractual obligations with its non-management and management groups regarding the annual payment of profit 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 whether assets are impaired at each statement of financial position date. An asset is impaired when its carrying value exceeds its recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of future cash flows. Provisions are made for the excess of the carrying value over its recoverable amount.

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (Expressed in Eastern Caribbean Dollars) (Continued)

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

(b) *Property, plant, and equipment*

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

(c) *Provision for expected credit losses of trade receivables*

The Company calculates ECLs for trade receivables using a provision matrix. The provision rates are based on days past due.

The provision matrix is initially based on the Company's historical observed default rates. Then, the company calibrates 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 forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not represent the customer's actual default in the future.

(d) *Unbilled revenue*

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

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed in Eastern Caribbean Dollars)
(Continued)

4. PROPERTY, PLANT AND EQUIPMENT

	Land \$	Building and Construction \$	Plant and Machinery \$	Motor Vehicles \$	Furniture and Equipment \$	Total \$
For the year ended 31 December 2024						
Opening book value	1,864,860	10,696,556	104,350,550	2,305,920	3,758,088	122,975,974
Additions for the year	-	226,994	12,446,544	1,602,827	3,935,785	18,212,150
Adjustments for the year	-	14,581	(1,164)	-	12,932	26,349
Disposals for the year	-	-	(705,252)	(44,413)	(14,027)	(763,692)
Depreciation charge for the year (Note 22)	-	(570,650)	(8,547,489)	(950,969)	(901,639)	(10,970,747)
NET BOOK VALUE	<u>1,864,860</u>	<u>10,367,481</u>	<u>107,543,189</u>	<u>2,913,365</u>	<u>6,791,139</u>	<u>129,480,034</u>
Balance at 31 December 2024						
Cost	1,864,860	33,204,675	323,548,293	19,004,510	21,621,297	399,243,635
Accumulated depreciation	-	(22,837,194)	(216,005,104)	(16,091,145)	(14,830,158)	(269,763,601)
NET BOOK VALUE	<u>1,864,860</u>	<u>10,367,481</u>	<u>107,543,189</u>	<u>2,913,365</u>	<u>6,791,139</u>	<u>129,480,034</u>

No borrowing costs were capitalised during 2024 and 2023. The adjustments for the year refer to amounts capitalised in the previous period for which credit was received in the current year or for which the scope of the capital project was not executed according to the original plan. The depreciation expense in the statement of cash flows includes the depreciation for right-of-use assets of \$369,609 (2023: \$355,725) (Note 5).

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed in Eastern Caribbean Dollars)
(Continued)

4. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land \$	Building and Construction \$	Plant and Machinery \$	Motor Vehicles \$	Furniture and Equipment \$	Total \$
For the year ended 31 December 2023						
Opening book value	1,864,860	11,183,971	106,510,311	3,141,742	3,854,386	126,555,270
Opening customers' contribution to line extensions (Note 2n)	-	-	-	-	-	(341,626)
	1,864,860	11,183,971	106,510,311	3,141,742	3,854,386	126,213,644
Additions for the year	-	78,395	6,217,148	213,971	836,318	7,345,832
Adjustments for the year	-	-	1,147	-	-	1,147
Disposals for the year	-	-	(73,872)	(53,853)	-	(127,725)
Depreciation charge for the year (Note 22)	-	(565,810)	(8,304,184)	(995,940)	(932,616)	(10,798,550)
Movement in customers' contribution to line extensions for the year	-	-	-	-	-	341,626
NET BOOK VALUE	<u>1,864,860</u>	<u>10,696,556</u>	<u>104,350,550</u>	<u>2,305,920</u>	<u>3,758,088</u>	<u>122,975,974</u>
Balance at 31 December 2023						
Cost	1,864,860	32,963,100	311,808,165	17,446,096	17,686,607	381,768,828
Accumulated depreciation	-	(22,266,544)	(207,457,615)	(15,140,176)	(13,928,519)	(258,792,854)
NET BOOK VALUE	<u>1,864,860</u>	<u>10,696,556</u>	<u>104,350,550</u>	<u>2,305,920</u>	<u>3,758,088</u>	<u>122,975,974</u>

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (Expressed in Eastern Caribbean Dollars) (Continued)

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:

	Buildings \$	Land \$	Furniture and Equipment \$	Total \$
Balance at 1 January 2023	735,445	2,025,017	9,977	2,770,439
Additions	6,004	-	-	6,004
Depreciation expense (Note 22)	<u>(191,409)</u>	<u>(163,706)</u>	<u>(610)</u>	<u>(355,725)</u>
Balance at 31 December 2023	550,040	1,861,311	9,367	2,420,718
Additions	166,003	288,284	-	454,287
Depreciation expense (Note 22)	<u>(198,013)</u>	<u>(170,986)</u>	<u>(610)</u>	<u>(369,609)</u>
Balance at 31 December 2024	<u>518,030</u>	<u>1,978,609</u>	<u>8,757</u>	<u>2,505,396</u>

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

	2024 \$	2023 \$
As at 1 January	2,720,154	3,017,629
Adjustment	-	15,998
Additions	454,287	6,004
Accretion of interest (Note 23)	151,780	149,299
Payments	<u>(458,165)</u>	<u>(468,776)</u>
As at 31 December	2,868,056	2,720,154
Less: current portion	<u>(350,064)</u>	<u>(287,557)</u>
Long-term portion	<u>2,517,992</u>	<u>2,432,597</u>

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed in Eastern Caribbean Dollars)
(Continued)

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 2024.

The ageing of lease liabilities is as follows:

	2024 \$	2023 \$
Less than 1 year	350,064	287,557
Between 1 and 2 years	587,130	438,391
Between 2 and 5 years	198,372	252,843
Over 5 years	<u>1,732,490</u>	<u>1,741,363</u>
Total	<u>2,868,056</u>	<u>2,720,154</u>

6. **SUSPENSE JOBS AND CAPITAL WORK IN PROGRESS**

	Suspense Work in Progress \$	Capital Work in Progress \$	Total \$
For the year ended 31 December 2024			
Opening book value	1,193,251	5,166,905	6,360,156
Additions and transfers for the year (net)	<u>(592,433)</u>	<u>1,015,091</u>	<u>422,658</u>
NET BOOK VALUE	<u>600,818</u>	<u>6,181,996</u>	<u>6,782,814</u>
Balance at 31 December 2024			
NET BOOK VALUE	<u>600,818</u>	<u>6,181,996</u>	<u>6,782,814</u>

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed in Eastern Caribbean Dollars)
(Continued)

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

	Suspense Work in Progress \$	Capital Work in Progress \$	Total \$
For the year ended 31 December 2023			
Opening book value	1,034,892	1,873,952	2,908,844
Additions and transfers for the year (net)	<u>158,359</u>	<u>3,292,953</u>	<u>3,451,312</u>
NET BOOK VALUE	<u>1,193,251</u>	<u>5,166,905</u>	<u>6,360,156</u>
Balance at 31 December 2023			
NET BOOK VALUE	<u>1,193,251</u>	<u>5,166,905</u>	<u>6,360,156</u>

7. FINANCIAL ASSETS AT AMORTISED COST

	Interest rate (%)	Maturity	2024 \$	2023 \$
Government of Grenada - Treasury Bills	3.00	2025	800,132	800,132
Fixed deposit - Republic Bank (Grenada) Ltd	0.10	2025	10,680,987	10,670,306
Fixed deposit - Grenada Co-operative Bank Ltd.	0.25	2025	13,043,238	13,010,711
Fixed deposit - ACB Grenada Bank	0.10	2025	6,183,290	6,177,107
Corporate Paper- Eastern Caribbean Home Mortgage Bank	3.00	2025	<u>9,614,630</u>	<u>9,732,863</u>
			<u>40,322,277</u>	<u>40,391,119</u>

Included in the above is \$33,836,185 for Hurricane Insurance Reserve (Note 16), which is invested in Treasury bills and fixed deposits held with the Government of Grenada, Republic Bank (Grenada) Limited, ACB Grenada Bank, Eastern Caribbean Home Mortgage Bank (ECHMB), and the Grenada Co-operative Bank Limited.

Due to their short-term nature, the fair values of financial assets at amortised cost equal their carrying values.

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (Expressed in Eastern Caribbean Dollars) (Continued)

8. INVENTORIES

	2024 \$	2023 \$
The following is a breakdown of inventories on hand:		
Motor vehicle spares	1,554,044	1,523,028
Distribution	11,248,997	8,338,003
Generation spares	19,987,477	17,663,086
Fuel and lubricating oil	859,364	972,325
General stores	<u>1,336,651</u>	<u>1,165,694</u>
	34,986,533	29,662,136
Less: Obsolescence provision	<u>(2,010,136)</u>	<u>(2,126,408)</u>
	32,976,397	27,535,728
Goods in transit	<u>729,193</u>	<u>1,269,606</u>
	<u>33,705,590</u>	<u>28,805,334</u>

The value of inventory adjustments recognised through the Statement of Comprehensive Income during the year is included in the respective departments' expenses of \$76,073 (2023 - \$4,600).

9. TRADE AND OTHER RECEIVABLES

	2024 \$	2023 \$
Trade receivables	22,908,664	23,197,400
Less: Provision for expected credit losses (Note 2f ii,10)	<u>(2,516,497)</u>	<u>(2,529,378)</u>
Trade receivables- net	<u>20,392,167</u>	<u>20,668,022</u>
Other debtors	908,664	1,221,116
Less: Provision for expected credit losses (Note 2f ii,10)	<u>(63,658)</u>	<u>(55,539)</u>
	<u>845,006</u>	<u>1,165,577</u>
	<u>21,237,173</u>	<u>21,833,599</u>
Unbilled revenue (Note 2v)	10,040,979	12,791,479
Prepayments	<u>4,796,982</u>	<u>2,514,080</u>
	<u>14,837,961</u>	<u>15,305,559</u>
	<u>36,075,134</u>	<u>37,139,158</u>

Other debtors relate to sundry revenue receivable at year-end—Note 2 (r). Due to the short-term nature of these assets, the fair values of trade and other receivables equal their carrying values.

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed in Eastern Caribbean Dollars)
(Continued)

9. TRADE AND OTHER RECEIVABLES (continued)

The ageing of trade and other receivables is as follows:

	2024			2023		
	Trade receivables \$	Other receivables \$	Expected credit losses \$	Trade receivables \$	Other receivables \$	Expected credit losses \$
30 days	15,641,371	299,967	(31,246)	18,416,238	612,789	(55,164)
31-60 days	4,657,255	150,533	(13,972)	2,279,142	178,797	(22,792)
61-90 days	297,617	109,121	(149,268)	137,408	170,061	(77,798)
Over 90 days	<u>2,312,421</u>	<u>349,043</u>	<u>(2,385,669)</u>	<u>2,364,612</u>	<u>259,469</u>	<u>(2,429,163)</u>
	<u>22,908,664</u>	<u>908,664</u>	<u>(2,580,155)</u>	<u>23,197,400</u>	<u>1,221,116</u>	<u>(2,584,917)</u>

10. MOVEMENT IN PROVISION FOR EXPECTED CREDIT LOSSES

	2024 \$	2023 \$
(i) Customers' accounts		
Balance at 1 January	2,529,378	3,278,598
(Decrease)/increase in provision (Note 22)	<u>(12,881)</u>	<u>(749,220)</u>
Balance at 31 December	<u>2,516,497</u>	<u>2,529,378</u>
(ii) Other debtors		
Balance at 1 January	55,539	99,216
(Decrease)/increase in provision (Note 22)	<u>8,119</u>	<u>(43,677)</u>
Balance at 31 December	<u>63,658</u>	<u>55,539</u>
Total Expected Credit Losses	<u>2,580,155</u>	<u>2,584,917</u>

There were no direct write-offs for impaired receivables during the year to the statement of comprehensive income (2023 - nil). There was no recovery of bad debts written off during the year (2023 - Nil).

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed in Eastern Caribbean Dollars)
(Continued)

11. CASH ON HAND AND AT BANK

	2024	2023
	\$	\$
Cash on hand	7,200	7,200
Republic Bank (Grenada) Limited	2,414,010	3,706,949
Grenada Co-operative Bank Limited	<u>19,120,448</u>	<u>12,996,213</u>
	<u>21,541,658</u>	<u>16,710,362</u>

For the statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	2024	2023
	\$	\$
Cash on hand and at bank	21,541,658	16,710,362
Cash and cash equivalents	<u>21,541,658</u>	<u>16,710,362</u>

12. STATED CAPITAL

	2024	2023
	\$	\$
Authorised 25,000,000 ordinary shares of no-par value		
Issued and fully paid 19,000,000 ordinary shares of no-par value	<u>32,339,840</u>	<u>32,339,840</u>

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (Expressed in Eastern Caribbean Dollars) (Continued)

13. CUSTOMERS' DEPOSITS

Under the 2016 Electricity Act (EA) Schedule 1, all customers are required to provide a security deposit, which is usually equivalent to one (1) month's consumption. Interest accrued is credited to customers' accounts at a rate of 4% (2023 - 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).

	2024 \$	2023 \$
Balance at 1 January	20,493,266	19,350,051
New deposits	1,271,634	851,759
Interest accrued	794,181	753,596
Net transfers and deposits refunded	<u>(1,220,192)</u>	<u>(462,140)</u>
Balance at 31 December	<u>21,338,889</u>	<u>20,493,266</u>

14. BORROWINGS

	2024 \$	2023 \$
Grenada Co-operative Bank Ltd (GCBL)		
Balance at 1 January	31,045,234	37,031,525
Less: Principal repayments	<u>(7,076,464)</u>	<u>(5,986,291)</u>
Total borrowings at 31 December	<u>23,968,770</u>	<u>31,045,234</u>
Less: Current portion	<u>(6,535,967)</u>	<u>(7,067,575)</u>
Non-current portion	<u>17,432,803</u>	<u>23,977,659</u>

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (Expressed in Eastern Caribbean Dollars) (Continued)

14. BORROWINGS (continued)

On 17 July 2023, the CIBC First Caribbean International Bank (Barbados) Limited operations in Grenada were taken over by the Grenada Co-operative Bank Ltd (GCBL). At this time, a participation arrangement was entered between the Banks, resulting in the sharing of facilities agreed between the Company and CIBC First Caribbean International Bank (Barbados) Limited. All the terms of the original loan agreements remained the same.

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 amortised over twelve (12) years 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 collateralised 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 4.75% per annum over the first five (5) years. Afterwards, 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 amortised over ten (10) years and repayable via thirty-two quarterly principal payments of \$92,950 plus quarterly interest payments.

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, the prime rate minus 4.75% per annum. Presently, the prime rate is 8.50% per annum. The loan is amortised 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 Grenada Co-operative Bank Limited, with 6% per annum interest. There were no interest charges on the bank overdraft facility for the year ended 31 December 2024 (2023—nil).

As of 31 December 2024, the Company complies with the loan covenants required with CIBC First Caribbean International Bank (Barbados) Limited/ Grenada Co-operative Bank Limited under the existing credit facilities.

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed in Eastern Caribbean Dollars)
(Continued)

14. BORROWINGS (continued)

The ageing of non-current borrowings is as follows:

	2024 \$	2023 \$
Between 2 and 5 years	17,432,803	23,158,809
Over 5 years	<u>-</u>	<u>818,850</u>
Total	<u>17,432,803</u>	<u>23,977,659</u>

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

	<u>Carrying Value</u>		<u>Fair Value</u>	
	2024 \$	2023 \$	2024 \$	2023 \$
Borrowings	23,968,770	31,045,234	28,437,872	33,229,904

The fair values are based on cash flows discounted using a rate based on the Company's average borrowing rate of 3.74% (2023 - 3.73%).

15. RETIREMENT BENEFITS PAYABLE

The Company operates a defined contribution plan for its employees. The relevant trust pays benefits accrued upon employees' resignation or retirement. Pension cost for the year was \$3,019,470 (2023 - \$2,757,144) in the statement of comprehensive income (Note 22).

The balance of \$515,032 within the statement of financial position relates to amounts due to the non-management and management Trusts for December 2024 (2023 - \$338,602).

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (Expressed in Eastern Caribbean Dollars) (Continued)

16. HURRICANE INSURANCE RESERVE

	2024 \$	2023 \$
Balance at the beginning of the year	33,909,667	32,000,000
Add: Allocation for the year	<u>-</u>	<u>1,909,667</u>
Balance at the end of year	<u>33,909,667</u>	<u>33,909,667</u>

The Company paused the annual allocation to the Hurricane Insurance Reserve in 2024. The reserve continues to be backed by short-term investments held at various financial institutions (Note 7) as self-insurance for its transmission and distribution network. The parametric insurance cover was increased during 2024, with a resultant increase of \$485,158 (2023-\$90,033). The parametric insurance policy commenced on 1 September 2023 and is held with the Caribbean Catastrophe Risk Insurance Facility (CCRIF).

During 2024, the Company received a parametric insurance payout of \$25,062,768 after the passage of Hurricane Beryl on July 1, 2024, which devastated its operations in the north of Grenada and Carriacou (Note 2q) (Note 19).

17. TRADE AND OTHER PAYABLES

	2024 \$	2023 \$
Trade creditors	14,889,924	14,174,107
Sundry creditors	9,151,441	10,064,969
Accrued expenses	<u>13,569,176</u>	<u>11,871,264</u>
Total trade and other payables	<u>37,610,541</u>	<u>36,110,340</u>

The allocation for profit sharing (Note 2x) for the year is calculated on pre-tax profits. The profit sharing payable at year-end amounts to \$4,109,712 (2023: \$6,301,903). As of the start of 2024, the provision for donations was \$6,092,807. With a 2024 spend of \$1,163,994, the year ended with a substantial closing provision balance of \$4,928,813. The decision was made to postpone the annual donation allocation until these funds have been disbursed per the GCPI policy. A review of this decision will be done in 2026.

18. CUSTOMERS' CONTRIBUTION TO LINE EXTENSIONS

	2024 \$	2023 \$
Balance at 1 January	11,505,632	9,906,011
Additions	2,569,233	1,988,733
Refunds, transfers to income and reversals (net)	<u>(209,066)</u>	<u>(389,112)</u>
Customers' contributions at 31 December	<u>13,865,799</u>	<u>11,505,632</u>

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed in Eastern Caribbean Dollars)
(Continued)

19. DEFERRED INCOME (CCRIF)

	2024	2023
	\$	\$
At 1 January		
Received during the year	25,062,768	-
Released to the statement of comprehensive income	<u>(3,257,077)</u>	<u>-</u>
At 31 December	<u>21,805,691</u>	<u>-</u>
Current	-	-
Non-current	21,805,691	-

The insurance payout of \$25,062,768 from the Caribbean Catastrophe Risk Insurance Facility (CCRIF) was received in settlement of the Company's parametric insurance policy, which was triggered upon the passage of Hurricane Beryl in July 2024. (Note 2q)

20. REVENUE- NON-FUEL CHARGE

	2024	2023
	\$	\$
Domestic	41,200,685	38,083,624
Commercial	64,643,293	57,603,711
Industrial	2,464,167	2,166,879
Street lighting	<u>1,393,535</u>	<u>1,403,898</u>
	<u>109,701,680</u>	<u>99,258,112</u>

21. OTHER INCOME

	2024	2023
	\$	\$
Sundry revenue (Note 2r)	5,199,663	2,829,387
(Loss)/gain on disposal of property, plant, and equipment	<u>(581,088)</u>	<u>2,189</u>
	<u>4,618,575</u>	<u>2,831,576</u>

The amounts related to the release of deferred income from CCRIF into the statement of comprehensive income are included as part of sundry revenue. (Note 2q)

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed in Eastern Caribbean Dollars)
(Continued)

22. EXPENSES BY NATURE

	2024	2023
	\$	\$
Fuel	141,029,641	134,886,599
Plant maintenance	25,179,545	12,243,827
Line maintenance	1,764,020	2,567,609
General repairs and maintenance	3,667,078	2,509,164
Hurricane expenses	2,537,377	-
Employee benefits	30,286,794	33,789,939
Depreciation (Notes 4 and 5)	11,340,356	11,154,275
Insurance	4,238,652	3,627,834
Expected credit losses (Note 10)	(4,762)	(792,897)
Other expenses	<u>11,854,971</u>	<u>9,586,408</u>
Total operating expenses	<u><u>231,893,672</u></u>	<u><u>209,572,758</u></u>
Employee benefits include:		
Salaries and wages	26,964,523	30,040,063
Social security	998,712	920,648
Pension (Note 15)	3,019,470	2,757,144
Group Insurance	<u>797,927</u>	<u>737,119</u>
	<u><u>31,780,632</u></u>	<u><u>34,454,974</u></u>
Allocated as follows:		
Operating expenses	30,286,794	33,789,939
Capitalised expenses	<u>1,493,838</u>	<u>665,035</u>
	<u><u>31,780,632</u></u>	<u><u>34,454,974</u></u>

23. FINANCE COSTS

	2024	2023
	\$	\$
Bank loans/bond interest	1,039,105	1,297,436
Interest- right-of-use assets (Note 5)	151,780	149,299
Customer deposit interest	<u>799,919</u>	<u>757,234</u>
	<u><u>1,990,804</u></u>	<u><u>2,203,969</u></u>

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (Expressed in Eastern Caribbean Dollars) (Continued)

24. TAXATION

Corporate tax expense

	2024	2023
	\$	\$
Current taxation	1,471,565	6,269,278
Deferred tax	<u>1,363,780</u>	<u>1,384,264</u>
Taxation charge	<u>2,835,345</u>	<u>7,653,542</u>

Income taxes in the statement of comprehensive income vary from amounts that would be computed by applying the statutory tax rate of 28% (2023- 28%) for the following reasons:

	2024	2023
	\$	\$
Profit for the year before taxation	<u>10,392,001</u>	<u>28,938,687</u>
Corporate tax at the applicable statutory rate 28% (2023 - 28%)	2,909,760	8,102,832
Tax effect of items that are adjustable in determining taxable profit:		
Tax effect of hurricane reserve	-	(534,707)
Effect of expenses not deductible for tax purposes	<u>(74,415)</u>	<u>85,417</u>
Tax charge for the year	<u>2,835,345</u>	<u>7,653,542</u>
Corporate tax recoverable	<u>(5,171,742)</u>	<u>(374,029)</u>

Deferred Tax

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

	2024	2023
	\$	\$
Delayed tax depreciation	66,337,953	61,404,086
Right of use assets	2,505,396	2,420,718
Lease liabilities	<u>(2,868,056)</u>	<u>(2,720,154)</u>
	<u>65,975,293</u>	<u>61,104,650</u>
Deferred tax liability at statutory rate 28% (2023 - 28%)	<u>18,473,082</u>	<u>17,109,302</u>

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (Expressed in Eastern Caribbean Dollars) (Continued)

25. RELATED PARTY TRANSACTIONS

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

	2024	2023
	\$	\$
a) Sale of electricity:		
NIS	<u>287,282</u>	<u>302,449</u>
Government of Grenada	<u>19,120,724</u>	<u>19,376,037</u>
b) Payment of dividends:		
NIS	<u>705,548</u>	<u>881,935</u>
Government of Grenada	<u>4,340,044</u>	<u>5,425,055</u>
c) Amounts due to related parties*		
NIS (NIS contributions for staff - December)	<u>165,279</u>	<u>138,563</u>
Government of Grenada (taxes at year-end)	<u>2,396,981</u>	<u>2,355,905</u>
d) Amounts due by related parties*		
NIS (electricity - December)	<u>20,191</u>	<u>23,580</u>
Government of Grenada (electricity - December, tax recoverable, subsidy receivable)	<u>6,653,406</u>	<u>2,328,129</u>

* 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. No guarantees have been provided or received for related party receivables or payables. For the year ended 31 December 2024, the Company recognised a provision for expected credit losses of \$2,921 relating to amounts owed by related parties (2023 - \$5,204).

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (Expressed in Eastern Caribbean Dollars) (Continued)

25. RELATED PARTY TRANSACTIONS (continued)

ii) Compensation of key management personnel of the Company:

	2024 \$	2023 \$
Salaries and other benefits	<u>5,236,350</u>	<u>3,271,117</u>
Directors' Fees	<u>267,903</u>	<u>349,250</u>
Past employment benefit provisions	<u>499,422</u>	<u>420,807</u>

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

26. EARNINGS PER SHARE

Earnings per share are calculated by dividing the profit or loss for the year by the weighted average number of common shares issued during the year.

	2024 \$	2023 \$
Net profit for the year	<u>7,556,656</u>	<u>21,285,145</u>
Weighted average number of common shares	<u>19,000,000</u>	<u>19,000,000</u>
Earnings per share	<u>0.40</u>	<u>1.12</u>

27. 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 of \$350,000 (2023 - \$350,000).

b. Litigation

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

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (Expressed in Eastern Caribbean Dollars) (Continued)

28. CAPITAL COMMITMENTS

The Company budgeted capital expenditures of \$16,835,837 (2023 - \$8,083,737) for the 2024 financial year. Additionally, \$9,338,643 of the incomplete 2023 approved budget was included in 2024 to facilitate the completion of several ongoing projects. At year-end, \$7,359,372 (2023 - \$4,351,807) was contracted.

29. DIVIDENDS

During the year ended 31 December 2024, a dividend of 32 cents (2023 - 40 cents) per ordinary share amounting to \$6,080,000 was declared and paid (2023 - \$7,600,000).

These 2024 dividends were declared and approved quarterly as follows:

Quarter	Declaration Date	Approval Date	Amount \$
First	28 March 2024	3 April 2024	1,520,000
Second	27 June 2024	5 July 2024	1,520,000
Third	29 August 2024	23 September 2024	1,520,000
Fourth	11 December 2024	13 December 2024	<u>1,520,000</u>
		Total	<u><u>6,080,000</u></u>

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed in Eastern Caribbean Dollars)
(Continued)

30. FINANCIAL RISK MANAGEMENT

Financial instruments by category

At 31 December	2024 \$	2023 \$
Assets per statement of financial position	Financial assets	Financial assets
Cash on hand and at bank (Note 11)	21,541,658	16,710,362
Financial assets at amortised cost (Note 7)	40,322,277	40,391,119
Trade and other receivables (less prepayments) (Note 9)	<u>31,278,152</u>	<u>34,625,078</u>
Total	<u>93,142,087</u>	<u>91,726,559</u>
Liabilities per statement of financial position	Other financial liabilities at amortised cost \$	Other financial liabilities at amortised cost \$
Lease liabilities (Note 5)	2,868,056	2,720,154
Borrowings (Note 14)	23,968,770	31,045,234
Trade and sundry creditors (Note 17)	24,041,365	24,239,076
Customers' deposits (Note 13)	21,338,889	20,493,266
Customers' contributions to line extensions- refundable (Note 18)	13,253,435	10,859,957
Retirement benefits payable (Note 15)	515,032	338,602
Profit sharing payable (Note 17)	<u>4,109,712</u>	<u>6,301,903</u>
Total	<u>90,095,259</u>	<u>95,998,192</u>

Financial risk factors

The Company's activities expose it to various 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 minimises potential adverse effects on its financial performance and optimises shareholders' value within an acceptable level of risk. The Company's management carries out risk management under the direction of the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed in Eastern Caribbean Dollars)
(Continued)

30. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

The Board of Directors has established committees 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 oversees 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 from trade receivables is substantially reduced due to the policies implemented by management. Upon application for a new service, all customers must make a deposit, and management performs periodic credit evaluations of its general customers' financial conditions. During the year, the Company's credit risk protections of estimated credit losses (note 9) and deposits (note 13) exceeded its trade debtors by \$946,722 (maximum exposure for 2023- \$174,756).

To limit its exposure to credit risk arising from financial investments, the Company places these funds with highly rated financial institutions.

Based on the above, however, management does not believe significant credit risk exists at 31 December 2024 or 2023. Note 9 discloses further analysis of the Company's trade and other receivables.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed in Eastern Caribbean Dollars)
(Continued)

30. FINANCIAL RISK MANAGEMENT (continued)

Operational risk

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

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

- Requirements for appropriate segregation of duties, including the independent authorisation 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 and the adequacy of controls and procedures to address identified risks.
- 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. 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 self-insured via the hurricane reserve mechanism. Further, the Company's parametric insurance policy is intended to meet any shortfall in self-insurance.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty meeting the obligations associated with its financial liabilities, which 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 (Notes 11 and 14), based on expected cash flows and believes that the Company holds adequate cash and credit facilities to meet its short-term obligations.

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed in Eastern Caribbean Dollars)
(Continued)

30. FINANCIAL RISK MANAGEMENT (continued)

The table below summarises the Company's liquidity position:

Balance at 31 December 2024	Less than 1 year \$	Between 1 & 2 years \$	Between 2 & 5 years \$	Over 5 years \$	Total \$
Assets					
Cash on hand and at bank	21,541,658	-	-	-	21,541,658
Financial assets at amortised cost	40,322,277	-	-	-	40,322,277
Trade and other receivables (less prepayments)	<u>31,278,152</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,278,152</u>
Total assets	<u>93,142,087</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,142,087</u>
Liabilities					
Lease liabilities	519,938	820,144	513,994	2,602,920	4,456,996
Borrowings	7,331,450	7,088,707	11,313,967	-	25,734,124
Trade and sundry creditors	24,041,365	-	-	-	24,041,365
Customers' deposits	-	-	-	21,338,889	21,338,889
Customers' contribution to line extension- refundable (Note 18)	13,253,435	-	-	-	13,253,435
Retirement benefits payable	515,032	-	-	-	515,032
Profit sharing payable	<u>4,109,712</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,109,712</u>
Total liabilities	<u>49,770,932</u>	<u>7,908,851</u>	<u>11,827,961</u>	<u>23,941,809</u>	<u>93,449,553</u>

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed in Eastern Caribbean Dollars)
(Continued)

30. FINANCIAL RISK MANAGEMENT (continued)

Balance at 31 December 2023	Less than 1 year \$	Between 1 & 2 years \$	Between 2 & 5 years \$	Over 5 years \$	Total \$
Assets					
Cash on hand and at bank	16,710,362	-	-	-	16,710,362
Financial assets at amortised cost	40,391,119	-	-	-	40,391,119
Trade and other receivables (less prepayments)	<u>34,625,078</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,625,078</u>
Total assets	<u>91,726,559</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,726,559</u>
Liabilities					
Lease liabilities	426,100	687,097	581,478	2,784,220	4,478,895
Borrowings	8,127,812	7,350,908	17,608,868	827,648	33,915,236
Trade and sundry creditors	24,239,076	-	-	-	24,239,076
Customers' deposits	-	-	-	20,493,266	20,493,266
Customers' contribution to line extension- refundable (Note 18)	10,859,957	-	-	-	10,859,957
Retirement benefits payable	338,602	-	-	-	338,602
Profit sharing payable	<u>6,301,903</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,301,903</u>
Total liabilities	<u>50,293,450</u>	<u>8,038,005</u>	<u>18,190,346</u>	<u>24,105,134</u>	<u>100,626,935</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed in Eastern Caribbean Dollars)
(Continued)

30. 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 recognised assets or liabilities are denominated in a currency other than 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, primarily from purchasing plant, equipment, and spare parts from foreign suppliers. The Company attempts to enter into transactions denominated mainly 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.

Long-term borrowings also expose the company to interest rate risk. Borrowings issued at variable rates expose the Company to cash flow interest rate risk, while 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. On 31 December 2024, the Company held borrowings at both fixed and floating interest rates, with 7% of the portfolio being at fixed rates. The Company's interest rates and the terms of borrowings are disclosed in Note 14.

Capital risk management

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

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (Expressed in Eastern Caribbean Dollars) (Continued)

30. FINANCIAL RISK MANAGEMENT (continued)

Capital risk management (continued)

To maintain or adjust the capital structure, the company may, subject to Board approval as appropriate, vary the dividends 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 flexibility. This ratio is calculated as total borrowings divided by total equity.

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

	2024 \$	2023 \$
Total borrowings (Note 14)	<u>23,968,770</u>	<u>31,045,234</u>
Shareholders' equity	<u>131,029,073</u>	<u>129,552,417</u>
Debt to equity ratio	<u>0.18:1</u>	<u>0.24:1</u>

Fair value estimation

Fair value amounts represent estimates of the consideration currently agreed upon between knowledgeable, willing parties under no obligation to act—a quoted market price is the best evidence of this if one 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.

Due to their short-term nature, the carrying value of cash, short-term deposits, trade receivables less impairment provision, and payables is assumed to approximate their fair values. 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 available to the Company for similar financial instruments.

31. OPERATING SEGMENTS

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

32. SUBSEQUENT EVENTS

No significant events occurred after the reporting period date affecting the financial performance, position or changes therein for the reporting period presented in the annual financial statements.