


JAMAICA PUBLIC SERVICE COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2019

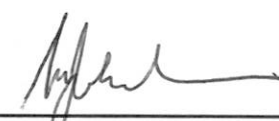
{Unaudited results in US\$ thousand}

	Sep-19	Sep-18	{Audited} Dec-18
	<u>S'000</u>	<u>S'000</u>	<u>S'000</u>
ASSETS			
Non-current assets			
Property, plant and equipment	789,188	745,126	776,513
Investment in joint venture	44,215	34,537	36,055
Employee benefits asset	<u>44,871</u>	<u>39,734</u>	<u>46,454</u>
	<u>878,274</u>	<u>819,397</u>	<u>859,022</u>
Current assets			
Cash and cash equivalents	11,312	21,076	27,267
Restricted cash	43,950	40,090	41,325
Accounts receivable	154,884	189,182	182,384
Due from related parties	377	507	588
Inventories	44,560	49,398	40,072
Tax recoverable	<u>2,620</u>	<u>1,167</u>	<u>-</u>
	<u>257,703</u>	<u>301,420</u>	<u>291,636</u>
Total assets	<u>1,135,977</u>	<u>1,120,817</u>	<u>1,150,658</u>
Shareholders' equity			
Share capital	261,786	261,786	261,786
Capital reserve	4,760	4,760	4,760
Capital redemption reserve	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>
Retained earnings	<u>186,983</u>	<u>172,814</u>	<u>170,767</u>
	<u>456,529</u>	<u>443,360</u>	<u>440,313</u>
Current liabilities			
Accounts payable and provisions	117,905	171,491	191,017
Corporation tax payable	-	3,133	943
Due to related parties	4,748	13	2,009
Short-term loans	27,000	20,000	20,000
Current portion of long-term loans	<u>43,712</u>	<u>43,145</u>	<u>35,537</u>
	<u>193,365</u>	<u>237,782</u>	<u>249,506</u>
Non-current liabilities			
Customers' deposits	30,300	28,585	29,989
Long-term loans	368,712	326,896	346,068
Preference shares	24,688	24,688	24,688
Employee benefits obligation	7,917	7,849	7,797
Decommissioning provision	9,936	9,528	9,629
Deferred taxation	<u>44,530</u>	<u>42,129</u>	<u>42,668</u>
	<u>486,083</u>	<u>439,675</u>	<u>460,839</u>
Total liabilities	<u>679,448</u>	<u>677,457</u>	<u>710,345</u>
Total shareholders' equity and liabilities	<u>1,135,977</u>	<u>1,120,817</u>	<u>1,150,658</u>

ON BEHALF OF THE BOARD



 Ha Kyoung Song Director



 Charles Johnston Director

JAMAICA PUBLIC SERVICE COMPANY LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE
PERIOD ENDED SEPTEMBER 30, 2019**

{Unaudited results in US\$ thousand}

	Quarter ended,		Year ended,	
	Sep-19 US\$'000	Sep-18 US\$'000	Sep-19 US\$'000	Sep-18 US\$'000
Operating revenue	235,006	241,980	674,921	673,518
Cost of sales	<u>(157,920)</u>	<u>(167,141)</u>	<u>(459,056)</u>	<u>(458,559)</u>
Gross profit	77,086	74,839	215,865	214,959
Operating expenses	<u>(55,323)</u>	<u>(46,670)</u>	<u>(157,253)</u>	<u>(152,671)</u>
Operating profit	21,763	28,169	58,612	62,288
Finance income	1,895	2,782	6,352	8,211
Finance expense	<u>(8,606)</u>	<u>(14,013)</u>	<u>(41,315)</u>	<u>(40,768)</u>
Net Finance costs	(6,711)	(11,231)	(34,963)	(32,557)
Other income	419	219	1,073	2,685
Other expenses	<u>(176)</u>	<u>(20)</u>	<u>(718)</u>	<u>(2,128)</u>
	15,295	17,137	24,004	30,288
Share of loss in joint venture	<u>(102)</u>	<u>(122)</u>	<u>(240)</u>	<u>(289)</u>
Profit before taxation	15,193	17,015	23,764	29,999
Taxation	<u>(4,707)</u>	<u>(4,492)</u>	<u>(7,548)</u>	<u>(8,854)</u>
Net Profit	<u>10,486</u>	<u>12,523</u>	<u>16,216</u>	<u>21,145</u>
Earnings per share/stock unit:				
Number of share/stock units (in thousands)	<u>21,828,195</u>	<u>21,828,195</u>	<u>21,828,195</u>	<u>21,828,195</u>
Net profit per share/stock unit (annualised)	<u>0.19¢</u>	<u>0.23¢</u>	<u>0.07¢</u>	<u>0.10¢</u>

JAMAICA PUBLIC SERVICE COMPANY LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE
PERIOD ENDED SEPTEMBER 30, 2019**

{Unaudited results in US\$ thousand}

	Sep-19	Sep-18
	US\$'000	US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period	16,216	21,145
Adjustments for non-cash items:		
Depreciation and amortisation	56,794	59,313
Loss on disposal of property, plant and equipment	193	389
Unrealised foreign exchange gains	(2,440)	(1,446)
Amortisation of debt issuance costs	3,530	2,094
Interest income	(4,300)	(5,171)
Interest capitalised	(2,052)	(3,040)
Interest expense	31,093	30,340
Income tax expense	5,686	7,349
Deferred tax expense	1,862	1,505
Share of loss in joint venture	240	289
Employee benefit obligations, net	1,703	1,886
	108,525	114,653
Increase/(decrease) in working capital:		
Restricted cash	(2,625)	(1,647)
Accounts receivable	27,450	27,315
Inventories	(4,488)	(7,993)
Payables and provisions	(63,572)	(16,070)
Taxation	(9,249)	(3,653)
Due (from)/to related companies, net	2,950	168
Customer deposits and advances	311	1,435
Cash provided by operating activities	59,302	114,208
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of share in joint venture	(8,400)	(19,175)
Proceeds from sale of property, plant and equipment	600	-
Purchase of property, plant & equipment	(68,210)	(66,304)
Interest received	4,350	4,309
Cash used in investing activities	(71,660)	(81,170)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term loans received/(repaid), net	7,000	(3,000)
Long-term loans received/(repaid), net	29,729	15,348
Interest paid	(40,326)	(33,589)
Cash used in financing activities	(3,597)	(21,241)
Decrease/(increase) in cash & cash equivalents	(15,955)	11,797
Cash and cash equivalents at beginning of period	27,267	9,279
Cash and cash equivalents at end of period	11,312	21,076

JAMAICA PUBLIC SERVICE COMPANY LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2019**

{Unaudited results in US\$ thousand}

	<u>Share Capital</u>	<u>Capital Reserve</u>	<u>Capital Redemption Reserve</u>	<u>Retained Earnings</u>	<u>TOTAL</u>
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Balance as at December 31, 2017	261,786	4,760	3,000	154,247	423,793
Profit for the period	-	-	-	21,145	21,145
Balance as at September 30, 2018	261,786	4,760	3,000	175,392	444,938
Balance as at December 31, 2018	261,786	4,760	3,000	170,767	440,313
Profit for the period	-	-	-	16,216	16,216
Balance as at September 30, 2019	261,786	4,760	3,000	186,983	456,529

JAMAICA PUBLIC SERVICE COMPANY LIMITED
NOTES TO THE ABRIDGED FINANCIAL STATEMENTS
(UNAUDITED) SEPTEMBER 30, 2019

1. Corporate structure and nature of business

Jamaica Public Service Company Limited (“the Company”) is incorporated and domiciled in Jamaica as a limited liability company and is owned by MaruEnergy JPSCO 1 SRL and EWP (Barbados) 1 SRL each holding 40% interest in the Company’s shares, with the Government of Jamaica (GOJ) holding 19.9% and private individuals 0.1%. MaruEnergy JPSCO I SRL, is incorporated in Barbados and is ultimately owned by Marubeni Corporation which is incorporated in Japan. EWP (Barbados) 1 SRL is incorporated in Barbados and is ultimately owned by the Korea Electric Power Corporation which is incorporated in South Korea.

The Government of Jamaica’s ownership in the Company is held collectively through the Accountant General’s Department and the Development Bank of Jamaica Limited. In accordance with a Shareholder’s Agreement, the majority shareholders have the right to appoint six members of the Board of Directors while the GOJ has the right to appoint three. Additionally, certain significant decisions of the Board of Directors require a unanimous vote of the appointed directors.

The Company has a 100% subsidiary, South Jamaica Energy Holdings Limited (SJEH), through which it holds its investment in South Jamaica Power Company Limited (SJPC). SJPC is a joint venture with MaruEnergy JPSCO 1 SRL, EWP (Barbados) 1 SRL and the Petrocaribe Development Fund, for the construction and operation of a power plant. The plant will be located in Old Harbour and is currently under construction.

The Company and its subsidiary are collectively referred to as the Group. The principal activities of the Group are generating, transmitting, distributing and supplying electricity in accordance with the terms of the All-Island Electric Licence, 2001, granted on June 30, 2001, by the Minister of Mining and Energy and subsequently amended and restated on August 19, 2011 and January 27, 2016 (“The Licence” or the “Electricity Licence, 2016”).

The registered office of the Group is situated at 6 Knutsford Boulevard, Kingston 5, Jamaica, W. I., and its preference shares are listed on the Jamaica Stock Exchange.

2. Regulatory arrangements and tariff structure

The Licence authorises the Group to supply electricity for public and private purposes within the Island of Jamaica, subject to regulation by the Office of Utilities Regulation (OUR) established pursuant to the Office of Utility Regulation Act, 1995, and as subsequently amended, with power and authority to require observance and performance by the company of its obligations under the Licence, and to regulate the rates charged by the company.

Under the provisions of the Licence, the Group is granted the exclusive right to transmit, distribute and supply electricity throughout the Island of Jamaica for a period of twenty years and to develop new generation capacity within the first three years from the effective date of the Licence. Since the expiration of this initial three-year period, the Group has the right, together with other persons, to compete for the right to develop new generation capacity.

Schedule 3 of the Licence defines the rates for electricity and the mechanism for rate adjustments.

JAMAICA PUBLIC SERVICE COMPANY LIMITED
NOTES TO THE ABRIDGED FINANCIAL STATEMENTS
(UNAUDITED) SEPTEMBER 30, 2019

2. Regulatory arrangements and tariff structure (cont'd)

Under the Licence, the rates for electricity consist of a Non-Fuel Base Rate, which is adjusted annually using the Performance Based Rate-making Mechanism; and a Fuel Rate, which is adjusted monthly to reflect fluctuations in actual fuel costs, net of adjustments for prescribed efficiency targets. Both rates (fuel and non-fuel) are adjusted monthly to account for movements in the monetary exchange rate between the United States (US) dollar and the Jamaica dollar.

These rates are determined in accordance with the tariff regime, which provides that the OUR annually reviews the company's efficiency levels (system losses and heat rate) and, where appropriate, adjusts these in the tariff. Under the rate schedule the Group should recover its actual fuel costs, net of the prescribed efficiency adjustments, through its Fuel Rate.

As of June 1, 2004, and thereafter, on each succeeding fifth anniversary, the Group must submit a filing to the OUR for further rate adjustments to its Non-Fuel Base Rate. The rate filing, which requires OUR approval, is based on a test year and includes defined "efficient" non-fuel operating costs, depreciation expenses, taxes, and a fair return on investment.

Embedded in the OUR approved tariff is an amount to be set aside monthly in case of a major catastrophe affecting the Group's operations (transfer to self-insurance sinking fund).

3. Statement of compliance, basis of preparation and significant accounting policies

(a) Basis of preparation

The unaudited interim financial statements are prepared in accordance with IAS 34 "Interim Financial Statements".

These financial statements have been prepared using the same accounting policies and methods of computation applied in preparing the financial statements for the year ended December 31, 2018 which was prepared in accordance with International Financial Reporting Standards (IFRS).

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The interim statements are presented in United States dollars, which is the currency in which the Group conducts the majority of its business (its functional currency); and are prepared under the historical cost basis, modified for the inclusion of land carried at valuation.

The interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited financial statements for the year ended December 31, 2018.

JAMAICA PUBLIC SERVICE COMPANY LIMITED
NOTES TO THE ABRIDGED FINANCIAL STATEMENTS
(UNAUDITED) SEPTEMBER 30, 2019

3. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(b) Changes in significant accounting policies

IFRS 16 'Leases'

IFRS 16, *Leases*, which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. All major leases will be brought on-balance sheet, thereby recognising new assets and liabilities.

Optional lessee exemption will apply to short-term leases and for low-value items with value of US\$5,000 or less.

The effects of the adoption of IFRS 16 on January 1, 2019 are being assessed by management and the final impact is not yet known.

4. Cash and cash equivalents

As at September 30, 2019, cash and cash equivalents include amounts restricted for use amounting to approximately \$43.9 million (Sept-18: \$40.1 million). This includes approximately \$43.0 million (Sept-18: \$39.5 million) in relation to a self-insurance sinking fund administered under the direction of the OUR (see note 2).

5. Operating expenses

	Quarter ended		Year ended	
	Sep-19	Sep-18	Sep-19	Sep-18
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Bad debt	(2,379)	(1,682)	(5,712)	(5,681)
Depreciation and amortisation	(19,393)	(20,598)	(56,794)	(59,313)
Staff costs	(18,273)	(15,802)	(50,608)	(49,382)
Other	(15,278)	(8,588)	(44,139)	(38,295)
	<u>(55,323)</u>	<u>(46,670)</u>	<u>(157,253)</u>	<u>(152,671)</u>

6. Net finance costs

	Quarter ended		Year ended	
	Sep-19	Sep-18	Sep-19	Sep-18
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Foreign exchange gain/(loss)	376	(3,069)	(6,692)	(8,334)
Other finance costs	(8,394)	(10,355)	(32,878)	(30,688)
Preference dividends	(588)	(589)	(1,745)	(1,746)
Finance income	1,895	2,782	6,352	8,211
	<u>(6,711)</u>	<u>(11,231)</u>	<u>(34,963)</u>	<u>(32,557)</u>

JAMAICA PUBLIC SERVICE COMPANY LIMITED
NOTES TO THE ABRIDGED FINANCIAL STATEMENTS
(UNAUDITED) SEPTEMBER 30, 2019

Net finance costs cont'd

Foreign exchange losses, as shown above, are the result of fluctuations in exchange rates primarily on the settlement of J\$ accounts receivables and borrowings that are denominated in currencies other than the US Dollar. The relevant period end exchange rates (J\$: US\$) are shown below:

December 31, 2017	<u>125.00</u>	December 31, 2018	<u>127.72</u>
March 31, 2018	<u>125.99</u>	March 31, 2019	<u>126.47</u>
June 30, 2018	<u>130.39</u>	June 30, 2019	<u>131.07</u>
September 30, 2018	<u>134.65</u>	September 30, 2019	<u>135.16</u>

7. Compliance with debt covenants

Under the terms of the long term loan agreements with certain international development financial institutions, the Group is required to maintain a certain financial covenant relating to minimum Debt to Earnings before Interest, Tax, Depreciation and Amortisation. The Group was fully compliant with all its loan covenant obligations as at September 30, 2019.