

JAMAICA PUBLIC SERVICE COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2019


{Unaudited results in US\$ thousand}

	Dec-19 \$'000	{Audited} Dec-18 \$'000
ASSETS		
Non-current assets		
Property, plant and equipment	858,621	776,513
Investment in associated company	53,362	36,055
Employee benefits asset	46,129	46,454
	<u>958,112</u>	<u>859,022</u>
Current assets		
Cash and cash equivalents	35,016	27,267
Restricted cash	44,627	41,325
Accounts receivable	163,566	182,384
Due from related parties	1,434	588
Inventories	41,844	40,072
Tax recoverable	4,301	-
	<u>290,788</u>	<u>291,636</u>
Total assets	<u>1,248,900</u>	<u>1,150,658</u>
Shareholders' equity		
Share capital	261,786	261,786
Capital reserve	4,760	4,760
Capital redemption reserve	3,000	3,000
Retained earnings	188,930	170,767
	<u>458,476</u>	<u>440,313</u>
Current liabilities		
Accounts payable and provisions	157,747	191,017
Corporation tax payable	-	943
Due to related parties	5,840	2,009
Short-term loans	14,000	20,000
Current portion of lease obligations	6,918	-
Current portion of long-term loans	53,470	35,537
	<u>237,975</u>	<u>249,506</u>
Non-current liabilities		
Customers' deposits	31,638	29,989
Lease obligations	47,495	-
Long-term loans	386,054	346,068
Preference shares	24,688	24,688
Employee benefits obligation	8,003	7,797
Decommissioning provision	10,041	9,629
Deferred taxation	44,530	42,668
	<u>552,449</u>	<u>460,839</u>
Total liabilities	<u>790,424</u>	<u>710,345</u>
Total shareholders' equity and liabilities	<u>1,248,900</u>	<u>1,150,658</u>

ON BEHALF OF THE BOARD


Seiji Kawamura

Chairman


Ha Kyoung Song

Director

JAMAICA PUBLIC SERVICE COMPANY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED DECEMBER 31, 2019

{Unaudited results in US\$ thousand}

	Quarter ended,		Year ended,	
	Dec-19	Dec-18	Dec-19	Dec-18
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Operating revenue	213,338	234,736	888,259	908,254
Cost of sales	<u>(129,638)</u>	<u>(161,034)</u>	<u>(588,694)</u>	<u>(619,593)</u>
Gross profit	83,700	73,702	299,565	288,661
Operating expenses	<u>(63,913)</u>	<u>(58,379)</u>	<u>(221,166)</u>	<u>(211,050)</u>
Operating profit	<u>19,787</u>	<u>15,323</u>	<u>78,399</u>	<u>77,611</u>
Finance income	1,785	2,971	8,137	11,179
Finance expense	<u>(16,010)</u>	<u>(6,257)</u>	<u>(57,325)</u>	<u>(47,025)</u>
Net Finance costs	(14,225)	(3,286)	(49,188)	(35,846)
Other income	1,618	(2,423)	2,691	4,775
Other expenses	<u>(3,316)</u>	<u>(16)</u>	<u>(4,034)</u>	<u>(6,654)</u>
	3,864	9,598	27,868	39,886
Share of profit/(loss) in associated company	<u>8,372</u>	<u>(128)</u>	<u>8,132</u>	<u>(417)</u>
Profit before taxation	12,236	9,470	36,000	39,469
Taxation	<u>(289)</u>	<u>6</u>	<u>(7,837)</u>	<u>(8,848)</u>
Net Profit	<u>11,947</u>	<u>9,476</u>	<u>28,163</u>	<u>30,621</u>

JAMAICA PUBLIC SERVICE COMPANY LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONDENSED) FOR THE
PERIOD ENDED DECEMBER 31, 2019**

{Unaudited results in US\$ thousand}

	Dec-19	Audited
	US\$'000	Dec-18
		US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period	28,163	30,621
Adjustments for non-cash items:		
Depreciation and amortisation	85,356	80,666
Loss on disposal of property, plant and equipment	193	389
Unrealised foreign exchange losses	1,113	1,668
Amortisation of debt issuance costs	4,043	2,820
Interest income	(5,638)	(6,792)
Interest capitalised	(2,499)	(4,387)
Interest expense	44,583	40,612
Income tax expense	5,975	7,549
Deferred tax expense	1,862	1,299
Share of (profit)/loss in joint venture	(8,132)	417
Employee benefit obligations, net	531	(3,025)
	155,550	151,837
Increase/(decrease) in working capital:		
Restricted cash	(3,302)	(2,882)
Accounts receivable	18,918	29,258
Inventories	(1,772)	1,333
Payables and provisions	(33,415)	487
Taxation	(11,219)	(4,876)
Due to related companies, net	2,985	2,083
Customer deposits and advances	1,649	3,377
Cash provided by operating activities	129,394	180,617
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of share in associated company	(9,175)	(20,826)
Proceeds from sale of property, plant and equipment	600	-
Purchase of property, plant & equipment	(106,792)	(117,697)
Interest received	5,538	5,947
Cash used in investing activities	(109,829)	(132,576)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term loans received/(repaid), net	(6,000)	(3,000)
Long-term loans received/(repaid), net	52,763	23,823
Principal payments of lease obligations	(4,553)	-
Interest paid	(54,026)	(50,876)
Cash used in financing activities	(11,816)	(30,053)
Increase in cash & cash equivalents	7,749	17,988
Cash and cash equivalents at beginning of period	27,267	9,279
Cash and cash equivalents at end of period	35,016	27,267

JAMAICA PUBLIC SERVICE COMPANY LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED DECEMBER 31, 2019**

{Unaudited results in US\$ thousand}

	<u>Share Capital</u> <u>US\$'000</u>	<u>Capital Reserve</u> <u>US\$'000</u>	<u>Capital Redemption Reserve</u> <u>US\$'000</u>	<u>Retained Earnings</u> <u>US\$'000</u>	<u>TOTAL</u> <u>US\$'000</u>
Balance as January 1, 2018	261,786	4,760	3,000	148,656	418,202
Profit for the period	-	-	-	30,621	30,621
Other comprehensive income:					
Remeasurement loss on defined benefit plan, net of tax	-	-	-	1,490	1,490
Dividends	-	-	-	(10,000)	(10,000)
Balance as at December 31, 2018	261,786	4,760	3,000	170,767	440,313
Profit for the period	-	-	-	28,163	28,163
Dividends	-	-	-	(10,000)	(10,000)
Balance as at December 31, 2019	261,786	4,760	3,000	188,930	458,476

JAMAICA PUBLIC SERVICE COMPANY LIMITED
NOTES TO THE ABRIDGED FINANCIAL STATEMENTS
(UNAUDITED) DECEMBER 31, 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 1 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 and its subsidiaries, South Jamaica Energy Holdings Limited and Caribbean Blue Skies Energy Limited, 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 amended All-Island Electric Licence, 2016, (the Licence) granted on January 27, 2016, by the Minister of Science, Technology, Energy and Mining.

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) DECEMBER 31, 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 March 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
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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.

The Group has applied IFRS 16 Leases effective January 1, 2019 and has not restated prior periods as allowed by the Standard. The Group recognized the present value of the remaining lease payments of \$59 million as the lease liabilities and right-of-use assets for material long-term leases previously classified as operating leases. On initial application, the Group applied an incremental borrowing rate of 7.35% on the lease liability.

The incremental impact on the profit and loss statement for lease costs during the period was not material.

4. Cash and cash equivalents

As at December 31, 2019, cash and cash equivalents include amounts restricted for use amounting to approximately \$44.6 million (Dec-18: \$41.3 million). This includes approximately \$43.6 million (Dec-18: \$40.3 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	
	Dec-19	Dec-18	Dec-19	Dec-18
	US\$'000	US\$'000	US\$'000	US\$'000
Bad debt	(3,380)	(2,991)	(9,092)	(8,672)
Depreciation and amortisation	(28,562)	(21,353)	(85,356)	(80,666)
Staff costs	(16,997)	(13,471)	(67,605)	(62,853)
Other	(14,974)	(20,564)	(59,113)	(58,859)
	<u>(63,913)</u>	<u>(58,379)</u>	<u>(221,166)</u>	<u>(211,050)</u>

JAMAICA PUBLIC SERVICE COMPANY LIMITED
NOTES TO THE ABRIDGED FINANCIAL STATEMENTS
(UNAUDITED) DECEMBER 31, 2019

6. Net finance costs

	Quarter ended		Year ended	
	Dec-19	Dec-18	Dec-19	Dec-18
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Foreign exchange (loss)/gain	(2,007)	4,741	(8,699)	(3,593)
Other finance costs	(13,414)	(10,410)	(46,292)	(41,098)
Preference dividends	(589)	(588)	(2,334)	(2,334)
Finance income	1,785	2,971	8,137	11,182
	<u>(14,225)</u>	<u>(3,286)</u>	<u>(49,188)</u>	<u>(35,843)</u>

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:

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>
December 31, 2018	<u>127.72</u>	December 31, 2019	<u>132.57</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 December 31, 2019.