

JAMAICA PUBLIC SERVICE COMPANY LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2022



KPMG
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INDEPENDENT AUDITORS' REPORT

To the Members of
JAMAICA PUBLIC SERVICE COMPANY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of Jamaica Public Service Company Limited ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), set out on pages 8 to 81, which comprise the Group's and the Company's statements of financial position as at December 31, 2022, the Group's and the Company's statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at December 31, 2022, and of the Group's and the Company's financial performance and cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and the Jamaican Companies Act.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for 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.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICA PUBLIC SERVICE COMPANY LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of employee benefits asset

Group operates a defined benefit pension plan that provides retirement benefits to the members. Significant estimates are made in valuing the Group's employee benefit asset.

The valuation of these benefits is considered to be a significant risk, as given the value of the assets, small changes in the assumptions can have a material financial impact on the Group. The key assumptions involved in calculating employee benefit asset and obligations are discount rates, inflation, and future increases in salaries and pensions.

Management appointed an external actuarial expert in measuring the employee benefit asset and obligations at the reporting date.

The use of significant assumptions increases the risk that management's estimate can be materially misstated.

How the matter was addressed in our audit

Our audit procedures in response to this matter, included

- Evaluating the independence and objectivity of the appointed actuarial expert.
- Using our own actuarial specialists to assist in determining that the actuarial valuation was performed in accordance with the requirements of IAS 19 *Employee Benefits*.
- Testing employee data provided by management to the actuarial expert.
- Assessing key assumptions used by the actuary, including inflation and discount rates, by comparing them to information from independent sources.
- Assessing whether disclosures in the financial statements are appropriate in respect of the Group's employee benefit arrangements.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICA PUBLIC SERVICE COMPANY LIMITED

Report on the Audit of the Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Standards, and the Jamaican Companies Act, 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.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICA PUBLIC SERVICE COMPANY LIMITED

Report on the Audit of the Financial Statements (continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements (continued)

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 Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditors' 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 auditors' 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 ISAs 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.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditors' report. This description, which is located at pages 6-7, forms part of our auditors' report.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICA PUBLIC SERVICE COMPANY LIMITED

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

The partner on the audit resulting in this independent auditors' report is Nigel Chambers.

Chartered Accountants
Kingston, Jamaica

March 27, 2023



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICA PUBLIC SERVICE COMPANY LIMITED

Appendix to the Independent Auditors' report

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICA PUBLIC SERVICE COMPANY LIMITED

Appendix to the Independent Auditors' report (continued)

We communicate with those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

JAMAICA PUBLIC SERVICE COMPANY LIMITED


Group Statement of Financial Position

December 31, 2022

(Expressed in United States Dollars)

| | <u>Notes</u> | <u>2022</u> \$'000 | <u>2021</u> \$'000 |
|---|--------------|-----------------------|-----------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 810,872 | 803,603 |
| Right-of use assets | 6(a)(i) | 473,538 | 511,127 |
| Intangible assets | 7 | 17,298 | 17,972 |
| Investment in equity-accounted investee | 8(b) | 91,457 | 78,712 |
| Employee benefits asset | 9(a)(i) | <u>44,285</u> | <u>47,449</u> |
| | | <u>1,437,450</u> | <u>1,458,863</u> |
| Current assets | | | |
| Cash and cash equivalents | 10 | 60,123 | 42,783 |
| Restricted cash | 11 | 54,523 | 51,447 |
| Accounts receivable | 12 | 189,423 | 152,773 |
| Corporation tax recoverable | | 2,819 | - |
| Due from related parties | 18(a)(i) | 2,733 | 1,351 |
| Inventories | 13 | <u>33,841</u> | <u>30,176</u> |
| | | <u>343,462</u> | <u>278,530</u> |
| Total assets | | <u>1,780,912</u> | <u>1,737,393</u> |
| Shareholders' equity | | | |
| Share capital | 14 | 261,786 | 261,786 |
| Capital reserve | 15 | 18,899 | 19,288 |
| Capital redemption reserve | 16 | 3,000 | 3,000 |
| Retained earnings | | <u>286,745</u> | <u>250,836</u> |
| | | <u>570,430</u> | <u>534,910</u> |
| Current liabilities | | | |
| Accounts payable and provisions | 17 | 146,719 | 113,588 |
| Corporation tax payable | | - | 2,535 |
| Due to related parties | 18(a)(ii) | 42,698 | 23,501 |
| Lease liabilities | 6(a)(ii) | 28,814 | 26,970 |
| Current portion of long-term loans | 20 | 35,713 | 45,567 |
| Employee benefits obligation | 9(b) | <u>8,992</u> | <u>-</u> |
| | | <u>262,936</u> | <u>212,161</u> |
| Non-current liabilities | | | |
| Customers' deposits | 19 | 46,430 | 32,704 |
| Long-term loans | 20 | 335,779 | 355,830 |
| Lease liabilities | 6(a)(ii) | 490,300 | 517,628 |
| Preference shares | 21 | 24,688 | 24,688 |
| Deferred taxation | 22 | 22,189 | 25,141 |
| Decommissioning provision | 23 | 28,160 | 27,742 |
| Employee benefits obligation | 9(b) | <u>-</u> | <u>6,589</u> |
| | | <u>947,546</u> | <u>990,322</u> |
| Total liabilities | | <u>1,210,482</u> | <u>1,202,483</u> |
| Total shareholders' equity and liabilities | | <u>1,780,912</u> | <u>1,737,393</u> |

The financial statements on pages, 8 to 81 were approved by the Board of Directors on March 24, 2023, and signed on its behalf on March 27, 2023 by:



Yong Hyun Kim Director



Minna Israel Director

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

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Group Statement of Profit or Loss and Other Comprehensive Income
Year ended December 31, 2022

(Expressed in United States Dollars)

| | <u>Notes</u> | <u>2022</u> \$'000 | <u>2021</u> \$'000 |
|--|--------------|-----------------------|-----------------------|
| Operating revenue | 24 | 1,163,587 | 973,369 |
| Cost of sales | 25(a) | (775,232) | (595,876) |
| Gross profit | | 388,355 | 377,493 |
| Operating expenses | 25(b) | (258,712) | (241,603) |
| Impairment loss on trade receivables | 12 | (7,435) | (9,671) |
| Operating profit | | <u>122,208</u> | <u>126,219</u> |
| Finance income | | 7,148 | 6,144 |
| Finance costs | | (72,610) | (78,582) |
| Net finance costs | 25(c) | (65,462) | (72,438) |
| Other income | 26(a) | 5,578 | 2,846 |
| Other expenses | 26(b) | (5,453) | (7,876) |
| | | 56,871 | 48,751 |
| Share of profit in equity-accounted investee, net of tax | 8(b) | <u>12,745</u> | <u>2,420</u> |
| Profit before taxation | | 69,616 | 51,171 |
| Taxation | 27 | (15,238) | (9,073) |
| Profit for the year | | <u>54,378</u> | <u>42,098</u> |
| Other comprehensive income | | | |
| Items that will never be reclassified to profit or loss: | | | |
| Remeasurement loss on defined benefit plan | 9(a)(v) | (5,787) | (5,947) |
| Tax on remeasurement loss on defined benefit plan | 22 | <u>1,929</u> | <u>1,982</u> |
| Other comprehensive loss, net of tax | | (3,858) | (3,965) |
| Total comprehensive income attributable to shareholders | | <u>50,520</u> | <u>38,133</u> |
| Earnings per share | 28 | <u>0.25¢</u> | <u>0.19¢</u> |

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

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Group Statement of Changes in Shareholders' Equity
 Year ended December 31, 2022
 (Expressed in United States Dollars)

| | Share <u>capital</u> \$'000 (Note 14) | Capital <u>reserve</u> \$'000 (Note 15) | Capital redemption <u>reserve</u> \$'000 (Note 16) | Retained <u>earnings</u> \$'000 | <u>Total</u> \$'000 |
|--|--|--|--|---------------------------------------|------------------------|
| Balance at December 31, 2020 | <u>261,786</u> | <u>19,288</u> | <u>3,000</u> | <u>222,703</u> | <u>506,777</u> |
| Total comprehensive income for the year 2021: | | | | | |
| Profit for the year | - | - | - | 42,098 | 42,098 |
| Other comprehensive income: | | | | | |
| <i>Items that will not be reclassified to profit or loss</i> | | | | | |
| Remeasurement loss on defined benefit plan, net of tax | <u>-</u> | <u>-</u> | <u>-</u> | (3,965) | (3,965) |
| Total comprehensive income for the year | <u>-</u> | <u>-</u> | <u>-</u> | <u>38,133</u> | <u>38,133</u> |
| Transactions with owners of the company: | | | | | |
| Dividends [note 29(a)] | <u>-</u> | <u>-</u> | <u>-</u> | (10,000) | (10,000) |
| Balance at December 31, 2021 | <u>261,786</u> | <u>19,288</u> | <u>3,000</u> | <u>250,836</u> | <u>534,910</u> |
| Total comprehensive income for the year 2022: | | | | | |
| Profit for the year | - | - | - | 54,378 | 54,378 |
| Other comprehensive income: | | | | | |
| <i>Items that will not be reclassified to profit or loss</i> | | | | | |
| Remeasurement loss on defined benefit plan, net of tax | <u>-</u> | <u>-</u> | <u>-</u> | (3,858) | (3,858) |
| Total comprehensive income for the year | <u>-</u> | <u>-</u> | <u>-</u> | <u>50,520</u> | <u>50,520</u> |
| Transfer from capital reserves on disposal of property | - | (389) | - | 389 | - |
| Transactions with owners of the company: | | | | | |
| Dividends [note 29(a)] | <u>-</u> | <u>-</u> | <u>-</u> | (15,000) | (15,000) |
| Balance at December 31, 2022 | <u>261,786</u> | <u>18,899</u> | <u>3,000</u> | <u>286,745</u> | <u>570,430</u> |

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

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Group Statement of Cash Flows
 Year ended December 31, 2022
 (Expressed in United States Dollars)

| | <u>Notes</u> | <u>2022</u> \$'000 | <u>2021</u> \$'000 |
|---|--------------|-----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit for the year | | 54,378 | 42,098 |
| Adjustments for: | | | |
| Depreciation and amortisation | 5,6,7 | 116,578 | 118,107 |
| (Gain)/loss on disposal of property, plant and equipment | | (205) | 11 |
| Amortisation of debt issuance costs | 25(c) | 788 | 990 |
| Unrealised foreign exchange losses, net | 25(c) | (5,845) | (5,897) |
| Interest expense | 25(c) | 68,913 | 71,279 |
| Interest income | 25(c) | (7,148) | (6,144) |
| Taxation expense | 27 | 16,261 | 14,369 |
| Deferred tax | 22 | (1,023) | (5,296) |
| Employee benefits asset/obligation, net | | (8,574) | (5,958) |
| Share of profit in equity-accounted investee | 8(b) | (<u>12,745</u>) | (<u>2,420</u>) |
| Cash generated before changes in working capital | | 221,378 | 221,139 |
| Restricted cash | | (3,076) | (2,935) |
| Accounts receivable | | (27,501) | (8,280) |
| Inventories | | (3,665) | 9,113 |
| Accounts payable and provisions | | 42,112 | 18,261* |
| Due from/to related parties | | 17,815 | (4,462) |
| Customers' deposits and advances | | <u>12,876</u> | <u>6,099</u> |
| Cash generated from operations | | 259,939 | 238,935 |
| Taxation paid | | (<u>21,615</u>) | (<u>17,002</u>) |
| Net cash provided by operating activities | | <u>238,324</u> | <u>221,933</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Sales proceeds from disposal of property, plant and equipment | | 826 | - |
| Purchase of property, plant and equipment | 5 | (80,920) | (67,676) |
| Purchase of intangible assets | 7 | (2,304) | (4,095) |
| Interest received | | <u>5,717</u> | <u>4,943</u> |
| Net cash used in investing activities | | (<u>76,681</u>) | (<u>66,828</u>) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayment of long-term loans | | (33,318) | (44,747) |
| Payment of lease liabilities | | (27,239) | (26,467) |
| Interest paid | | (67,185) | (79,717)* |
| Dividend paid | | (<u>17,334</u>) | (<u>12,334</u>)* |
| Net cash used in financing activities | | (<u>145,076</u>) | (<u>163,265</u>) |
| Net increase/(decrease) in cash and cash equivalents | | 16,567 | (8,160) |
| Effect of changes in exchange rates | | 773 | (3,407)* |
| Net cash and cash equivalents at beginning of year | | <u>42,783</u> | <u>54,350</u> |
| NET CASH AND CASH EQUIVALENTS AT END OF YEAR | | <u>60,123</u> | <u>42,783</u> |

*Reclassified (see note 33)

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

JAMAICA PUBLIC SERVICE COMPANY LIMITED


Company Statement of Financial Position


December 31, 2022

(Expressed in United States Dollars)

| | <u>Notes</u> | <u>2022</u> \$'000 | <u>2021</u> \$'000 |
|---|--------------|-----------------------|-----------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 810,840 | 803,603 |
| Right-of-use assets | 6 | 473,537 | 511,121 |
| Intangible assets | 7 | 17,298 | 17,972 |
| Investment in subsidiaries | 8(a)(i) | 46,004 | 46,004 |
| Employee benefits asset | 9(a)(i) | <u>44,285</u> | <u>47,449</u> |
| | | <u>1,391,964</u> | <u>1,426,149</u> |
| Current assets | | | |
| Cash and cash equivalents | 10 | 57,489 | 42,759 |
| Restricted cash | 11 | 54,523 | 51,447 |
| Accounts receivable | 12 | 189,065 | 152,018 |
| Corporation tax recoverable | | 3,241 | - |
| Due from related parties | 18(a)(i) | 1,883 | 1,294 |
| Inventories | 13 | <u>33,841</u> | <u>30,176</u> |
| | | <u>340,042</u> | <u>277,694</u> |
| Total assets | | <u>1,732,006</u> | <u>1,703,843</u> |
| Shareholders' equity | | | |
| Share capital | 14 | 261,786 | 261,786 |
| Capital reserve | 15 | 18,899 | 19,288 |
| Capital redemption reserve | 16 | 3,000 | 3,000 |
| Retained earnings | | <u>237,749</u> | <u>216,551</u> |
| | | <u>521,434</u> | <u>500,625</u> |
| Current liabilities | | | |
| Accounts payable and provisions | 17 | 145,861 | 113,250 |
| Corporation tax payable | | - | 2,341 |
| Due to related parties | 18(a)(ii) | 43,647 | 24,775 |
| Lease liabilities | 6 | 28,813 | 26,964 |
| Current portion of long-term loans | 20(b) | 35,713 | 45,567 |
| Employee benefits obligation | 9(b) | <u>8,992</u> | <u>-</u> |
| | | <u>263,026</u> | <u>212,897</u> |
| Non-current liabilities | | | |
| Customers' deposits | 19 | 46,430 | 32,704 |
| Long-term loans | 20 | 335,779 | 355,830 |
| Lease obligations | 6 | 490,300 | 517,627 |
| Preference shares | 21 | 24,688 | 24,688 |
| Deferred taxation | 22 | 22,189 | 25,141 |
| Decommissioning provision | 23 | 28,160 | 27,742 |
| Employee benefits obligation | 9(b) | <u>-</u> | <u>6,589</u> |
| | | <u>947,546</u> | <u>990,321</u> |
| Total liabilities | | <u>1,210,572</u> | <u>1,203,218</u> |
| Total shareholders' equity and liabilities | | <u>1,732,006</u> | <u>1,703,843</u> |

The financial statements on pages, 8 to 81 were approved by the Board of Directors on March 24, 2023, and signed on its behalf on March 27, 2023 by:


 Director
 Yong Hyun Kim


 Director
 Minna Israel

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

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Company Statement of Profit or Loss and Other Comprehensive Income
Year ended December 31, 2022

(Expressed in United States Dollars)

| | <u>Notes</u> | <u>2022</u> \$'000 | <u>2021</u> \$'000 |
|--|--------------|-----------------------|-----------------------|
| Operating revenue | 24 | 1,154,058 | 966,532 |
| Cost of sales | 25(a) | (775,232) | (595,876) |
| Gross profit | | 378,826 | 370,656 |
| Operating expenses | 25(b) | (251,523) | (236,036) |
| Impairment loss on trade receivables | 12 | (7,435) | (9,671) |
| Operating profit | | <u>119,868</u> | <u>124,949</u> |
| Finance income | | 7,148 | 6,144 |
| Finance costs | | (72,617) | (78,580) |
| Net finance costs | 25(c) | (65,469) | (72,436) |
| Other income | 26(a) | 5,575 | 2,846 |
| Other expenses | 26(b) | (5,453) | (7,876) |
| Profit before taxation | | 54,521 | 47,483 |
| Taxation | 27 | (14,854) | (8,823) |
| Profit for the year | | <u>39,667</u> | <u>38,660</u> |
| Other comprehensive income | | | |
| Items that will never be reclassified to profit or loss: | | | |
| Remeasurement loss on defined benefit plan | 9(a)(v) | (5,787) | (5,947) |
| Tax on remeasurement loss on defined benefit plan | 22 | <u>1,929</u> | <u>1,982</u> |
| Other comprehensive loss, net of tax | | (3,858) | (3,965) |
| Total comprehensive income attributable to shareholders | | <u>35,809</u> | <u>34,695</u> |

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

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Company Statement of Changes in Shareholders' Equity
Year ended December 31, 2022

(Expressed in United States Dollars)

| | Share capital \$'000 (Note 14) | Capital reserve \$'000 (Note 15) | Capital redemption reserve \$'000 (Note 16) | Retained earnings \$'000 | Total \$'000 |
|--|---|---|---|--------------------------------|-----------------|
| Balance at December 31, 2020 | 261,786 | 19,288 | 3,000 | 191,856 | 475,930 |
| Total comprehensive income for the year 2021: | | | | | |
| Profit for the year | - | - | - | 38,660 | 38,660 |
| Other comprehensive income: | | | | | |
| <i>Items that will not be reclassified to profit or loss</i> | | | | | |
| Remeasurement loss on defined benefit plan, net of tax | - | - | - | (3,965) | (3,965) |
| Total comprehensive income for the year | - | - | - | 34,695 | 34,695 |
| Transactions with owners of the company: | | | | | |
| Dividends [note 29(a)] | - | - | - | (10,000) | (10,000) |
| Balance at December 31, 2021 | <u>261,786</u> | <u>19,288</u> | <u>3,000</u> | <u>216,551</u> | <u>500,625</u> |
| Total comprehensive income for the year 2022: | | | | | |
| Profit for the year | - | - | - | 39,667 | 39,667 |
| Other comprehensive income: | | | | | |
| <i>Items that will not be reclassified to profit or loss</i> | | | | | |
| Remeasurement loss on defined benefit plan, net of tax | - | - | - | (3,858) | (3,858) |
| Total comprehensive income for the year | - | - | - | 35,809 | 35,809 |
| Transfer from capital reserves on disposal of property | - | (389) | - | 389 | - |
| Transactions with owners of the company: | | | | | |
| Dividends [note 29(a)] | - | - | - | (15,000) | (15,000) |
| Balance at December 31, 2022 | <u>261,786</u> | <u>18,899</u> | <u>3,000</u> | <u>237,749</u> | <u>521,434</u> |

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

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Company Statement of Cash Flows
Year ended December 31, 2022
(Expressed in United States Dollars)

| | <u>Notes</u> | <u>2022</u> \$'000 | <u>2021</u> \$'000 |
|---|--------------|-----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit for the year | | 39,667 | 38,660 |
| Adjustments for: | | | |
| Depreciation and amortisation | 5,6,7 | 116,571 | 118,101 |
| (Gain)/loss on disposal of property, plant and equipment | | (205) | 11 |
| Amortisation of debt issuance costs | 25(c) | 788 | 990 |
| Unrealised foreign exchange losses, net | 25(c) | (5,838) | (5,897) |
| Interest expense | | 68,913 | 71,279 |
| Interest income | 25(c) | (7,148) | (6,144) |
| Taxation expense | 27 | 15,877 | 14,119 |
| Deferred tax | 22 | (1,023) | (5,296) |
| Employee benefits asset/obligation, net | | (8,574) | (5,958) |
| Cash generated before changes in working capital | | 219,028 | 219,865 |
| Restricted cash | | (3,076) | (2,935) |
| Accounts receivable | | (27,905) | (8,073) |
| Inventories | | (3,665) | 9,113 |
| Accounts payable and provisions | | 41,592 | 18,200* |
| Due from/to related parties | | 18,283 | (3,605) |
| Customers' deposits and advances | | <u>12,876</u> | <u>6,099</u> |
| Cash generated from operations | | 257,133 | 238,664 |
| Taxation paid | | (21,459) | (16,760) |
| Net cash provided by operating activities | | <u>235,674</u> | <u>221,904</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Sales proceeds from disposal of property, plant and equipment | | 826 | - |
| Purchase of property, plant and equipment | 5 | (80,886) | (67,676) |
| Purchase of intangible assets | 7 | (2,304) | (4,095) |
| Interest received | | <u>5,717</u> | <u>4,943</u> |
| Net cash used in investing activities | | <u>(76,647)</u> | <u>(66,828)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayment of long-term loans | | (33,318) | (44,747) |
| Payment of lease liabilities | | (27,233) | (26,463) |
| Interest paid | | (67,185) | (79,716)* |
| Dividend paid | | (17,334) | (12,334)* |
| Net cash used in financing activities | | <u>(145,070)</u> | <u>(163,260)</u> |
| Net increase/(decrease) in cash and cash equivalents | | 13,957 | (8,184) |
| Effect of changes in exchange rates | | 773 | (3,407)* |
| Net cash and cash equivalents at beginning of year | | <u>42,759</u> | <u>54,350</u> |
| NET CASH AND CASH EQUIVALENTS AT END OF YEAR | | <u><u>57,489</u></u> | <u><u>42,759</u></u> |

*Reclassified (see note 33)

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

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022*(Expressed in United States Dollars)*1. Identification, Regulation and Licence

(a) Identification:

Jamaica Public Service Company Limited ("the Company") is incorporated and domiciled in Jamaica as a limited liability company. The company 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 principal activities of the Company are generating, transmitting, distributing and supplying electricity in accordance with the terms of the amended Electricity Licence, 2016 (the Licence), granted on January 27, 2016, by the Minister of Science, Technology, Energy and Mining.

The Company holds a 100% interest in South Jamaica Energy Holdings Limited (SJEH). The primary activity of SJEH is the holding of a 50% interest in South Jamaica Power Company Limited. The Company also holds 100% interest in Caribbean Blue Skies Energy Limited (CBSE) whose primary activities are the provision of operation and maintenance services to entities within in the energy industry.

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

(b) Regulatory arrangements and tariff structure:

The Licence authorises the Company to supply electricity for public and private purposes within the Island of Jamaica, subject to regulation by the Office of Utilities Regulation (OUR). The OUR is 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 Company 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.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022*(Expressed in United States Dollars)*1. Identification, Regulation and Licence (continued)

(b) Regulatory arrangements and tariff structure (continued):

Since the expiration of the initial three-year period, the Company has the right, together with other persons, to compete for the right to develop new generation capacity. The Licence was extended in August 2007 for an additional period of six years through to 2027 upon the sale of the Company by Mirant Corporation to Marubeni Corporation.

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

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 Company 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 Company 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 to provide for a Self-Insurance Sinking Fund in case of a major catastrophe affecting the Company's operations.

2. Statement of compliance and basis of preparation

(a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board and comply with the provisions of the Jamaican Companies Act.

Certain new and amended standards and interpretations came into effect during the current financial year. The Group has assessed them and has adopted those which are relevant to its financial statements, but their adoption did not result in any changes to amounts recognised or disclosed in these financial statements.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022*(Expressed in United States Dollars)*2. Statement of compliance and basis of preparation (continued)

(b) Basis of preparation:

These financial statements are presented in United States dollars, which is the functional currency of the Company.

Except where otherwise indicated, all financial information presented in United States dollars has been rounded to the nearest thousand.

The financial statements are prepared under the historical cost basis, modified for the inclusion of land at valuation, and defined benefits asset and obligation at fair value of plan assets less the present value of the defined benefits asset and obligation as explained in note 3(b).

Basis of consolidation

The consolidated financial statements comprise of the Company and its subsidiaries for the year ended December 31, 2022.

A subsidiary is an entity controlled by and forming part of the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity, exposure to variable returns from the investee and a link between the power the Group has and the variability of returns. In assessing control, the existence and effect of potential voting rights that are currently exercisable are considered. Subsidiaries are consolidated from the date on which the Group effectively takes control until the date that control ceases. Accounting policies of subsidiaries are aligned with the policies adopted by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(c) Use of estimates and judgements:

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if applicable.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022*(Expressed in United States Dollars)*2. Statement of compliance and basis of preparation (continued)

(c) Use of estimates and judgements (continued):

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if applicable.

Judgements made by management in the application of IFRS Standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

(i) Post-employment benefits (note 9):

The amounts recognised in the consolidated financial statements for post-employment benefits are determined actuarially using several assumptions.

The primary assumptions used in determining the amounts recognised include expected rates of salary and pension increases, and the discount rate used to determine the present value of estimated future cash flows required to settle the obligations.

The discount rate is determined based on the estimated yield on long-term government securities that have maturity dates approximating the terms of the Group's obligation. In the absence of such instruments in Jamaica, the Group extrapolated from the longest-tenured security on the market. Any changes in these assumptions will affect the amounts recorded in the financial statements for these obligations.

(ii) Allowance for impairment losses on receivables (note 12):

Allowances for expected credit losses ("ECL") are determined upon origination of the trade accounts receivable based on a model that calculates the ECL based on a matrix of days past due, considering actual credit loss experience over the last 12 months and analysis of future delinquency.

The average ECL rate increases in each segment of days past due until the rate is 100% for the segment of 365 days or more past due. The use of assumptions make uncertainty inherent in such estimates. Gross carrying amount of trade receivables is written off when the Group has no reasonable expectations of recovering a receivable balance in its entirety or portion thereof.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022*(Expressed in United States Dollars)*2. Statement of compliance and basis of preparation (continued)

(c) Use of estimates and judgements (continued):

(iii) Lease arrangements:

Management evaluates all purchase arrangements to assess whether they contain leases [Notes 3(q) and 4].

(iv) Unbilled revenue:

Unbilled revenue at each month-end is estimated consistently based on the average amounts billed in the billing period immediately preceding each reporting date, including amounts unbilled for Independent Power Provider (IPP) charges.

(v) Capitalisation and useful lives of property, plant and equipment:

Management exercises judgement in determining whether the costs incurred can be capitalised, based on whether they are expected to generate significant future economic benefits to the Group.

Further judgement is applied in the annual review of the useful lives of all categories of property, plant and equipment and the resulting depreciation thereon.

(vi) Allowance for inventory obsolescence:

The Group assesses its inventory on an annual basis to determine any allowance that should be carried for items that are in good condition but will not be used in the foreseeable future. Allowance is also made for items that have deteriorated or become damaged while in stock.

3. Summary of significant accounting policies

(a) Property, plant and equipment and intangible assets:

Recognition and measurement

In accordance with IAS 16, additions to property, plant and equipment, replacement of retirement units of plant in service, or additions to construction work-in-progress include direct labour, materials, professional fees and an appropriate charge for overheads. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022

(Expressed in United States Dollars)

3. Summary of significant accounting policies (continued)

(a) Property, plant and equipment and intangible assets (continued):

Recognition and measurement (continued)

Land was last revalued as at December 31, 2020, by an independent valuator using the Market Comparable Basis which utilises the sale values for similar properties within the relevant period.

Valuations are performed with sufficient frequency to ensure that the fair value of the revalued assets do not differ materially from their carrying amounts at the reporting date.

Property, plant and equipment being constructed are measured at cost less recognised impairment losses.

Intangible assets include computer software measured at cost, less amortisation and impairment losses, and land rights measured at cost. Impairment losses are recognised in profit or loss in operating expenses.

Depreciation and amortisation:

Land and land rights are not depreciated. Other property, plant and equipment and intangible assets are depreciated or amortised on the straight-line basis at annual rates estimated to write down the assets to their recoverable values over their expected useful lives.

The depreciation rates, which are specified by the Licence, are as follows:

| | |
|----------------------------|---------------------------------|
| Steam production plant | 4% |
| Hydraulic production plant | 2%, 2.5% & 3.08% |
| Other production plant | 2.5, 4%, 4.17% & 5% |
| Transmission plant | 4% |
| Distribution plant | 3.33%, 4%, 6.67%, 10% & 20% |
| General plant & equipment: | |
| Buildings and structures | 2% |
| Transport equipment | 8.33% & 14.29% |
| Other equipment | 6.67%, 8.33%, 10%, 16.67% & 20% |

Computer software, which is classified as an intangible asset, is amortised at 16.67% per annum. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the asset. All other expenditure is recognised in profit or loss as incurred.

Useful lives and residual values are reviewed at each reporting date and adjusted as appropriate.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022*(Expressed in United States Dollars)*3. Summary of significant accounting policies (continued)

(b) Employee benefits:

Employee benefits, comprising pensions and other post-employment assets and obligations included in these financial statements have been actuarially determined by a qualified independent actuary, appointed by management.

The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations are conducted in accordance with IAS 19, and the financial statements reflect the Group's post-employment benefits asset and obligation as computed by the actuary.

(i) Pension assets:

The Group participates in two pension plans (a defined benefit plan and a defined contribution pension plan), the assets of which are held separately from those of the Group.

Obligations for contributions to the defined contribution pension plan are recognised as an expense in profit or loss as incurred.

The defined benefit pension plan requires the Group to contribute a percentage of employees' pensionable earnings and employees to contribute a similar amount. Such contributions, which are actuarially determined, provide for current costs and amounts to amortise any past service deficits disclosed over the average future working lifetime of the active membership.

The Group's net obligation in respect of the defined benefit pension plan is calculated at each reporting date by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods, discounting it to determine its present value, and deducting the fair value of the plan assets.

To the extent that the obligation is less than the fair value of the plan assets, the asset recognised is restricted to the discounted value of future benefits available to the Group in the form of future refunds or reductions in contributions.

The discount rate applied is the yield at reporting date on long-term government instruments that have maturity dates approximating the term of the Group's obligation. In the absence of such instruments in Jamaica, it has been necessary to estimate the rate by extrapolating from the longest-tenured security on the market.

The calculation of the net defined benefits obligation/asset is performed by the appointed actuary using the Projected Unit Credit Method.

Remeasurements of the net defined benefits obligation/asset, which comprise actuarial gains and losses, and the effect of the asset ceiling (if any, excluding interest), are recognised in other comprehensive income.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022*(Expressed in United States Dollars)*3. Summary of significant accounting policies (continued)

(b) Employee benefits (continued):

(i) Pension assets (continued):

The Group determines the net interest expense/income on the net defined benefit liability/asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit obligation/asset, taking into account any changes in the net defined benefit obligation/asset during the period as a result of contributions and benefit payments.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(ii) Other employee benefits:

A provision is made for unutilized vacation and sick leave in respect of service rendered by employees up to the reporting date. Pursuant to collective bargaining agreements, employees are entitled to a termination benefit in relation to their unutilized vacation and sick leave entitlements that accumulate in certain instances over the life of their service. The provision includes estimated employer's statutory contributions arising on leave-vesting. No discounting is applied to unutilized vacation and leave as the timing cannot reliably be determined.

(c) Cash and cash equivalents:

Cash and cash equivalents comprise cash and bank balances including short-term deposits with maturities ranging between one and three months from the reporting date.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, net of outstanding bank overdrafts.

(d) Accounts receivable:

Trade and other accounts receivable are measured at amortised cost less impairment losses. An impairment loss is recognised using the expected credit loss model for the entire lifetime of such financial assets on initial recognition, and at each subsequent reporting period, even in the absence of a credit event or if a loss has not occurred. The provision methodology considers past events and current conditions, as well as reasonable and supportable forecasts affecting collectability [see also note 3(1)].

(e) Inventories:

Inventories comprise fuel stocks and generation, transmission and distribution spare parts. Inventories are valued at the lower of cost, determined on a weighted average cost basis, and net realisable value.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022*(Expressed in United States Dollars)*3. Summary of significant accounting policies (continued)

(f) Accounts payable:

Trade and other accounts payable are recorded initially at amounts representing the fair value of the consideration due for goods and services received by the reporting date, whether or not billed. Thereafter they are measured at amortised cost.

(g) Provisions:

A provision is recognised in the statement of financial position when the Group has an obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of that obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money, and, where appropriate, the risks specific to the obligation.

Decommissioning obligations

The Group's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration and capitalised in the relevant asset category. Decommissioning obligations are measured at the present value of management's best estimate of the expenditure required to settle the present obligation as at the reporting date.

Subsequent to the initial measurement, the obligation is adjusted at each reporting date to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time (and unwinding of the discount) is recognised within finance costs whereas increases/decreases due to changes in the estimated future cash flows or changes in the discount rate are capitalised. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

(h) Borrowings:

(i) Capitalisation of borrowing costs:

Borrowing costs directly attributable to the construction of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(ii) Debt issuance costs:

These represent legal, accounting and financing fees associated with securing certain long-term loans, which are amortised on an effective interest basis over the lives of the loans.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022

(Expressed in United States Dollars)

3. Summary of significant accounting policies (continued)

(h) Borrowings (continued):

(iii) Interest-bearing borrowings:

Interest-bearing borrowings are recognised initially at fair value plus transaction costs directly attributable to the issue of the financial liabilities. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost using the effective interest method.

(i) Customers' deposits:

Given the long-term nature of customer relationships, customers' deposits and construction advances are shown in the statement of financial position as non-current liabilities (i.e., amounts not likely to be repaid within twelve months of the reporting date). Interest is credited annually on customers' deposits at rates prescribed by the Licence.

(j) Preference shares:

The Group's redeemable preference shares are classified as liabilities because they bear non-discretionary dividends and are redeemable in cash by the holders. Non-discretionary dividends thereon are recognised as interest expense in profit or loss as accrued.

(k) Share capital:

Ordinary shares are classified as equity.

(l) Impairment

Financial assets

The Group recognises allowances for Expected credit losses (ECLs) on:

- financial assets measured at amortised cost; and
- contract assets

The Group measures loss allowances at an amount equal to lifetime ECLs. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward looking information.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022*(Expressed in United States Dollars)*3. Summary of significant accounting policies (continued)

(1) Impairment (continued)

Financial assets (continued)

The Group assumes that the credit risk on financial assets has increased significantly if it is more than 90 days past due.

The Group recognises loss allowances for ECLs and considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to action such as realising security if any is held; or
- the financial asset is more than 365 days past due.

Life-time ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised costs are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- increased probability that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022*(Expressed in United States Dollars)*3. Summary of significant accounting policies (continued)

(1) Impairment (continued)

Write-off

The gross carrying amount of a financial asset is written down (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in the net charge for 'impairment losses on financial instruments' in the statement of profit or loss.

Financial assets that are written off are still subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Non-financial assets

The carrying amount of the Group's non-financial assets (other than inventories and deferred tax assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

A contract with a customer that results in a recognised financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022*(Expressed in United States Dollars)*3. Summary of significant accounting policies (continued)

(m) Revenue recognition:

Sale of electricity

Revenue is recognised over time for the price, before tax on sales, expected to be received by the Company for electricity supplied as a result of its ordinary activities, as the electricity is consumed by the customer. Revenues are recognized net of any trade discounts granted to customers. Customer bills are due within 30 days.

Sale of goods (energy saving equipment)

Revenue is recognised at a point in time for the price, before tax on sales, expected to be received by the Company for goods and services supplied, as contractual performance obligations are fulfilled and control of goods and services passes to the customer. Revenues are decreased by any trade discounts granted to customers. Transactions between the Company and its subsidiaries are eliminated on consolidation.

Variable consideration is recognised when it is highly probable that a significant reversal in the amount of cumulative revenue recognised for the contract will not occur and is measured using the expected value or the most likely amount method, whichever is expected to better predict the amount based on the terms and conditions of the contract.

For contracts that permit return of goods, revenue is recognised to the extent that it is highly probable that a significant reversal will not occur.

The right to recover returned goods is measured at the previous carrying amount of inventory less any expected cost to recover.

Interest income

Interest income is recognised in profit or loss using the effective interest method. The “effective interest rate” is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instruments to its gross carrying amount.

When calculating the effective interest rate for financial instruments, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition of a financial asset.

The ‘amortised cost’ of a financial asset is the amount at which the financial asset is measured on initial recognition plus or minus the cumulative amortisation of transaction costs, discounts and premiums, minus the principal repayments. For financial assets, this value is adjusted for any expected credit loss allowance.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022*(Expressed in United States Dollars)*3. Summary of significant accounting policies (continued)

(m) Revenue recognition (continued):

Interest income (continued)

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

The effective interest rate of a financial asset is calculated on initial recognition. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Operation and maintenance services income

Revenue from plant operations and maintenance services are recognised over time as the services are provided. Customer obtains control of service based upon operation and maintenance activities performed during the period at rates specified in the contract.

(n) Taxation:

Current and deferred taxes:

Taxation on profit or loss for the year comprises current and deferred tax. Taxation is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income.

Current tax is the expected tax payable on the income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is computed by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

A deferred tax liability is recognised for taxable temporary differences, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022

(Expressed in United States Dollars)

3. Summary of significant accounting policies (continued)

(o) Related parties

A related party is a person or company that is related to the entity which is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the “reporting entity”, that is, “the Company and Group”).

(a) A person or a close member of that person’s family is related to the Group if that person:

- (i) Has control or joint control over the Group;
- (ii) Has significant influence over the Group; or
- (iii) Is a member of the key management personnel of the Group or of a parent of the Company.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan established for the benefit of employees of either the Group or an entity related to the Group.
- (vi) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (vii) The entity is a post-employment benefit plan established for the benefit of employees of either the Group or an entity related to the Group.
- (viii) The entity is controlled, or jointly controlled by a person identified in (a).
- (ix) A person identified in (a)(i) has significant influence over the reporting entity or is a member of the key management personnel of the reporting entity (or of a parent of the entity).
- (x) The entity or any member of a group of which it is a part, provides key management services to the company.

A related party transaction involves the transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

The Group’s key related party relationships are with its primary shareholders, their parent companies, subsidiary, fellow subsidiaries and associated companies, the Government of Jamaica, directors, key management personnel and its two pension plans.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022*(Expressed in United States Dollars)*3. Summary of significant accounting policies (continued)

(p) Interest in equity-accounted investee:

The Group's interest in equity-accounted investee comprise interest in associate and it is classified and accounted for as follows:

- Associates – entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates is accounted for using the equity method.

They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

(q) Leases:

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects an expectation that the Group will exercise a purchase option.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022*(Expressed in United States Dollars)*3. Summary of significant accounting policies (continued)

(q) Leases (continued):

(i) As a lessee (continued)

In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments, less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is:

- a change in future lease payments arising from a change in an index or rate;
- a change in the Group's estimate of the amount expected to be payable under a residual value guarantee;
- a change in the Group's assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022

(Expressed in United States Dollars)

3. Summary of significant accounting policies (continued)

(q) Leases (continued):

(i) As a lessee (continued)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on the straight-line basis over the lease term as part of 'other revenue'.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022*(Expressed in United States Dollars)*3. Summary of significant accounting policies (continued)

(r) Foreign currencies:

Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to United States dollars at the rates of exchange ruling at that date. Gains and losses arising from fluctuations in exchange rates are included in profit or loss.

For the purposes of the statement of cash flows, realised foreign currency gains and losses are treated as cash items and included in cash flows from operating or financing activities along with movement in the relevant balances.

(s) Segment reporting:

An operating segment is a component of an entity:

- (i) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- (ii) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- (iii) for which discrete financial information is available.

The Group maintains an integrated operating structure and its operations are reviewed by management and directors as a whole and not in segments. The operations of the subsidiaries are not material for segment disclosure. Consequently, no segment disclosures are included in the financial statements.

(t) Financial instruments and fair value measurement:

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. In these financial statements, financial assets comprise trade and other receivables, cash and cash equivalents, long term receivables, due from related parties, other assets and restricted cash. Financial liabilities comprise trade and other payables, loan from bank due to related parties, also financial substitutes; preference shares, customer deposits and other payables.

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022*(Expressed in United States Dollars)*3. Summary of significant accounting policies (continued)

(t) Financial instruments and fair value measurement (continued):

(ii) Classification and subsequent measurement

The financial assets that meet both of the following conditions and are not designated as at fair value through profit or loss are classified as “Held to collect” and measured at amortised cost:

- a) held within a business model whose objective is to hold assets to collect contractual cash flows, and
- b) whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding,

Amortised cost represents the net present value (“NPV”) of the consideration receivable or payable as of the transaction date. This classification of financial assets comprises the following captions:

- Cash and cash equivalents
- Trade receivables
- Due from related parties

Due to their short-term nature, the Company initially recognises these assets at the original invoiced or transaction amounts, less expected credit losses.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described in their respective accounting policy notes.

Impairment of financial assets

Impairment losses of financial assets, including receivables, are recognised using the expected credit loss model for the entire lifetime of such financial assets on initial recognition, and at each subsequent reporting period, even in the absence of a credit event or if a loss has not yet occurred, considering past events and current conditions, as well as reasonable and supportable forecasts affecting collectability.

Derecognition

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired, or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022*(Expressed in United States Dollars)*3. Summary of significant accounting policies (continued)

(t) Financial instruments and fair value measurement (continued):

(ii) Classification and subsequent measurement (continued)

*Financial liabilities**Initial recognition and measurement*

All financial liabilities are recognised initially at fair value, plus directly attributable transaction costs, in the case of loans and borrowings. The Company's financial liabilities, which include payables and accruals, loan obligations, due to parent and related companies and redeemable preference shares which are recognised initially at fair value.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described in their respective accounting policy notes.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

The Group may use derivative financial instruments such as interest rate swaps to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken to profit or loss.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022

(Expressed in United States Dollars)

3. Summary of significant accounting policies (continued)

(t) Financial instruments and fair value measurement (continued):

(ii) Classification and subsequent measurement (continued)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

A fair value measurement of a non-financial assets takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset for its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are classified within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation technique for which the lowest level input that is significant to the fair value measurement is unobservable.

(u) Standards issued but not yet effective:

New and amended standards and interpretations that are not yet effective

At the date of authorisation of these financial statements, certain new and amended standards and interpretations have been issued which were not effective for the current year and which the Group has not early-adopted. The Group has assessed them with respect to its operations and has determined that the following are relevant:

- Amendments to IAS 1, *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after January 1, 2023. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022

(Expressed in United States Dollars)

3. Summary of significant accounting policies (continued)

(u) Standards issued but not yet effective (continued):

New and amended standards and interpretations that are not yet effective (continued):

- Amendments to IAS 1, *Presentation of Financial Statements* (continued).

As part of its amendments, the requirement for a right to be unconditional has been removed and, instead, now requirement is that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

With the amendments, convertible instruments may become current. In light of this, the amendments clarify how a company classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of the company's own equity instruments, these would affect its classification as current or non-current. It has now been clarified that a company can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

The Group is assessing the impact that the amendment will have on its 2023 financial statements.

- Amendments to IFRS 16 *Leases* will apply retrospectively for annual reporting periods beginning on or after January 1, 2024. The amendments impact how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019. The amendments confirm the following
 - (i) On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.
 - (ii) After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

The Group is assessing the impact that the amendment will have on its 2024 financial statements.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022

(Expressed in United States Dollars)

3. Summary of significant accounting policies (continued)

(u) Standards issued but not yet effective (continued):

New and amended standards and interpretations that are not yet effective (continued):

- Amendments to IAS 1 *Presentation of Financial Statements* are effective for annual periods beginning on or after January 1, 2023 and may be applied earlier. The amendments help companies provide useful accounting policy disclosures.

The key amendments to IAS 1 include:

- requiring entities to disclose their *material* accounting policies rather than their *significant* accounting policies;
- *clarifying* that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are consistent with the refined definition of material:

“Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements”.

The Group is assessing the impact that the amendment will have on its 2023 financial statements.

- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* are effective for periods beginning on or after January 1, 2023, with early adoption permitted. The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimates to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 *Financial Instruments*; and
- choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates.

The Group is assessing the impact that the amendment will have on its 2023 financial statements.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022

(Expressed in United States Dollars)

3. Summary of significant accounting policies (continued)

(u) Standards issued but not yet effective (continued):

New and amended standards and interpretations that are not yet effective (continued):

- Amendments to IAS 12 *Income Taxes* are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The amendments clarify how reporting entities should account for deferred tax on certain transactions – e.g., leases and decommissioning provisions.

The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, reporting entities will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If a company previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The Group is assessing the impact that the amendment will have on its 2023 financial statements.

4. Power purchase contracts

The Group has entered into agreements with Independent Power Providers (IPPs) for the purchase of energy capacity and net energy output. The IPP arrangements are:

| | <u>Contract termination date</u> |
|--|--|
| The Jamaica Private Power Company Limited (JPPC) | December 2024 |
| Wigton Wind Farm Limited (Wigton) | April 2024, December 2030 & March 2036 |
| Jamaica Energy Partners (JEP) | February 2026 |
| West Kingston Power Partners (WKPP) | July 2032 |
| Content Solar Limited (CS) | August 2036 |
| BMR Jamaica Wind Limited (BMR) | June 2036 |
| Eight Rivers Energy Company Limited (EREC) | June 2039 |
| South Jamaica Power Company Limited (SJPC) | December 2039 |
| NFE South Power Holdings Limited | March 2040 |

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022*(Expressed in United States Dollars)*4. Power purchase contracts (continued)

All agreements are subject to termination prior to the contract dates upon the occurrence of certain events of default as specified in the agreements, and are renewable for an additional period, provided the party seeking the extension gives written notice, ranging from two to six years, before the end of the initial term.

Certain agreements require payment for available energy capacity and for certain operating costs and overheads. Additionally, certain agreements require the Group to provide a banker's guarantee in relation to contractual payments. The Group has financing arrangements with financial institutions, which guarantee access to funds by IPPs for contractually agreed payments. As at December 31, 2022, the total guarantees under Standby Letters of Credit amounted to \$44.8 million (2021: \$44.8 million). These facilities were not accessed during the year. Some of power purchase contracts contain a lease and are recognised as right-of-use asset in Note 6.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022

(Expressed in United States Dollars)

5. Property, plant and equipment

The Group

| | <u>Land & buildings</u> \$'000 | <u>Production (generation) plant & equipment</u> \$'000 | <u>Transmission and distribution plant & equipment</u> \$'000 | <u>General plant & machinery</u> \$'000 | <u>Computer equipment, office fixtures & fittings</u> \$'000 | <u>Construction work-in- progress</u> \$'000 | <u>Total</u> \$'000 |
|-----------------------|---|--|--|--|---|---|------------------------|
| Cost or valuation: | | | | | | | |
| December 31, 2020 | 81,374 | 838,417 | 1,326,784 | 41,611 | 83,913 | 71,899 | 2,443,998 |
| Additions | - | 3,276 | 7,243 | 385 | 477 | 57,435 | 68,816 |
| Transfers | 954 | 23,594 | 68,493 | - | 1,156 | (94,197) | - |
| Disposals/retirements | - | - | (707) | (111) | (53) | - | (871) |
| December 31, 2021 | 82,328 | 865,287 | 1,401,813 | 41,885 | 85,493 | 35,137 | 2,511,943 |
| Additions | 32 | 2,262 | 13,760 | 151 | 900 | 65,041 | 82,146 |
| Transfers | 3,061 | 16,523 | 18,945 | 774 | 166 | (39,469) | - |
| Disposals/retirements | (917) | (20,459) | - | (6) | (182) | - | (21,564) |
| December 31, 2022 | <u>84,504</u> | <u>863,613</u> | <u>1,434,518</u> | <u>42,804</u> | <u>86,377</u> | <u>60,709</u> | <u>2,572,525</u> |
| Depreciation: | | | | | | | |
| December 31, 2020 | 16,341 | 669,914 | 834,252 | 36,900 | 76,724 | - | 1,634,131 |
| Charge for the year | 954 | 24,716 | 46,304 | 636 | 2,460 | - | 75,070 |
| Disposals/retirements | - | - | (707) | (111) | (43) | - | (861) |
| December 31, 2021 | 17,295 | 694,630 | 879,849 | 37,425 | 79,141 | - | 1,708,340 |
| Charge for the year | 1,321 | 23,922 | 46,053 | 670 | 2,290 | - | 74,256 |
| Disposals/retirements | (299) | (20,458) | - | (6) | (180) | - | (20,943) |
| December 31, 2022 | <u>18,317</u> | <u>698,094</u> | <u>925,902</u> | <u>38,089</u> | <u>81,251</u> | <u>-</u> | <u>1,761,653</u> |
| Net book values: | | | | | | | |
| December 31, 2022 | <u>66,187</u> | <u>165,519</u> | <u>508,616</u> | <u>4,715</u> | <u>5,126</u> | <u>60,709</u> | <u>810,872</u> |
| December 31, 2021 | <u>65,033</u> | <u>170,657</u> | <u>521,964</u> | <u>4,460</u> | <u>6,352</u> | <u>35,137</u> | <u>803,603</u> |

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022

(Expressed in United States Dollars)

5. Property, plant and equipment

The Company

| | <u>Land & buildings</u> \$'000 | <u>Production (generation) plant & equipment</u> \$'000 | <u>Transmission and distribution plant & equipment</u> \$'000 | <u>General plant & machinery</u> \$'000 | <u>Computer equipment, office fixtures & fittings</u> \$'000 | <u>Construction work-in- progress</u> \$'000 | <u>Total</u> \$'000 |
|-----------------------|---|--|--|--|---|---|------------------------|
| Cost or valuation: | | | | | | | |
| December 31, 2020 | 81,374 | 838,417 | 1,326,784 | 41,611 | 83,913 | 71,899 | 2,443,998 |
| Additions | - | 3,276 | 7,243 | 385 | 477 | 57,435 | 68,816 |
| Transfers | 954 | 23,594 | 68,493 | - | 1,156 | (94,197) | - |
| Disposals/retirements | - | - | (707) | (111) | (53) | - | (871) |
| December 31, 2021 | 82,328 | 865,287 | 1,401,813 | 41,885 | 85,493 | 35,137 | 2,511,943 |
| Additions | 32 | 2,262 | 13,760 | 151 | 866 | 65,041 | 82,112 |
| Transfers | 3,061 | 16,523 | 18,945 | 774 | 166 | (39,469) | - |
| Disposals/retirements | (917) | (20,459) | - | (6) | (182) | - | (21,564) |
| December 31, 2022 | <u>84,504</u> | <u>863,613</u> | <u>1,434,518</u> | <u>42,804</u> | <u>86,343</u> | <u>60,709</u> | <u>2,572,491</u> |
| Depreciation: | | | | | | | |
| December 31, 2020 | 16,341 | 669,914 | 834,252 | 36,900 | 76,724 | - | 1,634,131 |
| Charge for the year | 954 | 24,716 | 46,304 | 636 | 2,460 | - | 75,070 |
| Disposals/retirements | - | - | (707) | (111) | (43) | - | (861) |
| December 31, 2021 | 17,295 | 694,630 | 879,849 | 37,425 | 79,141 | - | 1,708,340 |
| Charge for the year | 1,321 | 23,922 | 46,053 | 670 | 2,288 | - | 74,254 |
| Disposals/retirements | (299) | (20,458) | - | (6) | (180) | - | (20,943) |
| December 31, 2022 | <u>18,317</u> | <u>698,094</u> | <u>925,902</u> | <u>38,089</u> | <u>81,249</u> | <u>-</u> | <u>1,761,651</u> |
| Net book values: | | | | | | | |
| December 31, 2022 | <u>66,187</u> | <u>165,519</u> | <u>508,616</u> | <u>4,715</u> | <u>5,094</u> | <u>60,709</u> | <u>810,840</u> |
| December 31, 2021 | <u>65,033</u> | <u>170,657</u> | <u>521,964</u> | <u>4,460</u> | <u>6,352</u> | <u>35,137</u> | <u>803,603</u> |

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022

(Expressed in United States Dollars)

5. Property, plant & equipment (continued)

- (a) Land and buildings include land, at valuation, aggregating approximately \$40.4 million (2021: \$41 million). Of this amount, the cost of land, amounted to \$21.5 million (2021: \$21.7 million). Land is revalued every 3 years using an independent professional valuator. The previous revaluation was conducted in 2020.
- (b) The fair value of land is categorised as level 3 in the fair value hierarchy. The following table shows the valuation technique used in measuring fair value, as well as the significant unobservable inputs used.

| Valuation techniques | Significant unobservable inputs | Inter-relationship between key unobservable inputs and fair value measurement |
|---|--|--|
| <p><i>Market comparable approach:</i></p> <ul style="list-style-type: none"> • The approach is based on the principle of substitution whereby the purchaser with perfect knowledge of the property market pays no more for the subject property than the cost of acquiring an existing comparable assuming no cost delay in making the substitution. • The approach requires comparison of the subject property with others of similar design and utility, inter alia, which were sold in the recent past. • However, as no two properties are exactly alike, adjustment is made for the difference between the property subject to valuation and comparable properties. | <ul style="list-style-type: none"> • Details of the sales of comparable properties. • Conditions influencing the sale of comparable properties. • Comparability adjustments. • Average price per square meter of \$35 based on comparable properties | <p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> • Sale value of comparable properties were higher/(lower). • Comparability adjustments were higher/(lower). |

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022

(Expressed in United States Dollars)

5. Property, plant & equipment (continued)

- (c) Interest capitalised during construction for the year amounted to approximately \$1.2 million (2021: \$1.1 million). The capitalisation rate used for the year was 3.23% (2021: 3.24%)
- (d) The composite rate of depreciation for the year was approximately 5.94% (2021: 6.20%).

6. Leases

- (a) Amounts recognised in the statement of financial position:

- (i) Right-of-use asset

| | <u>The Group</u> | | | | |
|----------------------------------|---|---|-------------------------------------|---|------------------------|
| | <u>Land and buildings</u> \$'000 | <u>Generation equipment</u> \$'000 | <u>Motor vehicles</u> \$'000 | <u>Computer equipment</u> \$'000 | <u>Total</u> \$'000 |
| Balance at January 1, 2021 | 3,619 | 542,523 | 4,767 | 49 | 550,958 |
| Depreciation charge for the year | (524) | (37,325) | (1,932) | (42) | (39,823) |
| Disposals | (7) | - | - | (1) | (8) |
| Balance at December 31, 2021 | 3,088 | 505,198 | 2,835 | 6 | 511,127 |
| Additions to right-of-use assets | - | - | 1,763 | - | 1,763 |
| Depreciation charge for the year | (514) | (37,325) | (1,500) | (5) | (39,344) |
| Disposals | (8) | - | - | - | (8) |
| Balance at December 31, 2022 | <u>2,566</u> | <u>467,873</u> | <u>3,098</u> | <u>1</u> | <u>473,538</u> |

| | <u>The Company</u> | | | | |
|----------------------------------|---|---|-------------------------------------|---|------------------------|
| | <u>Land and buildings</u> \$'000 | <u>Generation equipment</u> \$'000 | <u>Motor vehicles</u> \$'000 | <u>Computer equipment</u> \$'000 | <u>Total</u> \$'000 |
| Balance at January 1, 2021 | 3,619 | 542,523 | 4,767 | 37 | 550,946 |
| Depreciation charge for the year | (524) | (37,325) | (1,932) | (37) | (39,818) |
| Disposals | (7) | - | - | - | (7) |
| Balance at December 31, 2021 | 3,088 | 505,198 | 2,835 | - | 511,121 |
| Additions to right-of-use assets | - | - | 1,763 | - | 1,763 |
| Depreciation charge for the year | (514) | (37,325) | (1,500) | - | (39,339) |
| Disposals | (8) | - | - | - | (8) |
| Balance at December 31, 2022 | <u>2,566</u> | <u>467,873</u> | <u>3,098</u> | <u>-</u> | <u>473,537</u> |

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022

(Expressed in United States Dollars)

6. Leases (continued)

(a) Amounts recognised in the statement of financial position (continued):

(ii) Lease liability

| | <u>The Group</u> | | <u>The Company</u> | |
|-------------|------------------|----------------|--------------------|----------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> |
| Current | 28,814 | 26,970 | 28,813 | 26,964 |
| Non-current | <u>490,300</u> | <u>517,628</u> | <u>490,300</u> | <u>517,627</u> |
| | <u>519,114</u> | <u>544,598</u> | <u>519,113</u> | <u>544,591</u> |

(b) Amounts recognised in profit or loss:

| | <u>The Group</u> | |
|---|--------------------|------------------|
| | <u>2022</u> | <u>2021</u> |
| | <u>\$'000</u> | <u>\$'000</u> |
| Depreciation charge on right-of-use asset | (39,344) | (39,823) |
| Interest on lease liabilities | (39,149) | (40,989) |
| Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets | (55) | (30) |
| Expenses related to variable lease payment not included in lease liabilities | <u>(128,806)</u> | <u>(116,782)</u> |
| | | |
| | <u>The Company</u> | |
| | <u>2022</u> | <u>2021</u> |
| | <u>\$'000</u> | <u>\$'000</u> |
| Depreciation charge on right-of-use asset | (39,339) | (39,818) |
| Interest on lease liabilities | (39,149) | (40,988) |
| Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets | (55) | (30) |
| Expenses related to variable lease payment not included in lease liabilities | <u>(128,806)</u> | <u>(116,782)</u> |

(c) Amount recognised in the statement of cash flows

| | <u>The Group</u> | |
|-----------------------------------|------------------|----------------|
| | <u>2022</u> | <u>2021</u> |
| | <u>\$'000</u> | <u>\$'000</u> |
| Balance at start of the year | 544,598 | 571,073 |
| Changes from financing cash flows | (66,388) | (67,456) |
| Interest expense | 39,149 | 40,989 |
| New lease | 1,763 | - |
| Disposals | <u>(8)</u> | <u>(8)</u> |
| Balance at end of the year | <u>519,114</u> | <u>544,598</u> |

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022

(Expressed in United States Dollars)

6. Leases (continued)

(c) Amount recognised in the statement of cash flows

| | <u>The Company</u> | |
|-----------------------------------|--------------------|----------------|
| | <u>2022</u> | <u>2021</u> |
| | \$'000 | \$'000 |
| Balance at start of the year | 544,591 | 571,061 |
| Changes from financing cash flows | (66,382) | (67,451) |
| Interest expense | 39,149 | 40,988 |
| New lease | 1,763 | - |
| Disposals | (8) | (7) |
| Balance at end of the year | <u>519,113</u> | <u>544,591</u> |

(d) Leases as lessee

The Group leases power generation facilities including both fixed and variable lease payments. A typical lease runs for a period of 20 years, with an option to renew the lease after the initial term. Lease payments are derived based on a formula set by the Regulator. The contracts provide for additional rent payments that are based on changes in local price indices.

Property leases were entered into many years ago as combined leases of land and buildings. Previously, these leases were classified as operating leases under IAS 17.

The Group leases other equipment with contract terms of one to three years. These leases are short- term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

For property leases, the Group has elected not to separate lease and non-lease components accounting for them as a single lease component.

Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022

(Expressed in United States Dollars)

6. Leases (continued)

(e) Leases as lessor

The Group leases out certain of its owned commercial properties as well as leased property. All leases are classified as operating leases from the Group's perspective with the exception of a sub-lease, which the Group has classified as a finance sub-lease.

7. Intangible assets

This represents acquired software costs capitalised and land rights purchased as follows:

| | <u>The Group and Company</u> | | |
|---------------------|------------------------------|--------------------|---------------|
| | <u>Software</u> | <u>Land rights</u> | <u>Total</u> |
| | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> |
| Cost or valuation: | | | |
| December 31, 2020 | 36,516 | 8,224 | 44,740 |
| Additions | 4,095 | - | 4,095 |
| Disposals | (34) | - | (34) |
| December 31, 2021 | 40,577 | 8,224 | 48,801 |
| Additions | <u>2,304</u> | <u>-</u> | <u>2,304</u> |
| December 31, 2022 | <u>42,881</u> | <u>8,224</u> | <u>51,105</u> |
| Depreciation: | | | |
| December 31, 2020 | 27,649 | - | 27,649 |
| Charge for the year | 3,213 | - | 3,213 |
| Disposals | (33) | - | (33) |
| December 31, 2021 | 30,829 | - | 30,829 |
| Charge for the year | <u>2,978</u> | <u>-</u> | <u>2,978</u> |
| December 31, 2022 | <u>33,807</u> | <u>-</u> | <u>33,807</u> |
| Net book values: | | | |
| December 31, 2022 | <u>9,074</u> | <u>8,224</u> | <u>17,298</u> |
| December 31, 2021 | <u>9,748</u> | <u>8,224</u> | <u>17,972</u> |

Software includes software projects in development of \$2.9 million (2021: \$3.9 million).

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022

(Expressed in United States Dollars)

8. Subsidiaries and equity-accounted investee

(a) Subsidiaries

i. South Jamaica Energy Holdings Limited (SJEH)

The Company holds 46,005 ordinary shares representing 100% ownership.

The primary activity of SJEH is the holding of an investment in South Jamaica Power Company Limited [see note 8(b)].

ii. Caribbean Blue Skies Energy Limited

The Company holds 1 ordinary class share at \$1 per share representing 100% ownership. The primary activities of Caribbean Blue Skies Energy Limited are the provision of operation and maintenance services to entities within the energy industry.

(b) Equity accounted investee – South Jamaica Power Company Limited (SJPC)

Through SJEH, the Group holds a 50% interest in SJPC. The primary activity of SJPC is the operation of a power plant pursuant to an electricity generation licence. The Group has rights to its share of the net assets/ (liabilities) of the entity.

The investment in SJPC is accounted for as an interest in associated company using the equity method. See table below:

| | <u>Interest in Associate</u> | |
|----------------------------------|------------------------------|---------------|
| | <u>2022</u> | <u>2021</u> |
| | \$'000 | \$'000 |
| Balance at the start of the year | 78,712 | 76,292 |
| Share of profit | <u>12,745</u> | <u>2,420</u> |
| Balance at the end of the year | <u>91,457</u> | <u>78,712</u> |

The following table represents the summarised financial information for the equity-accounted investee as at the year end.

| | <u>Interest in Associate</u> | |
|---------------------------|------------------------------|------------------|
| | <u>2022</u> | <u>2021</u> |
| | \$'000 | \$'000 |
| Cash and cash equivalents | 48,419 | 53,947 |
| Current assets | 61,314 | 35,383 |
| Non-current assets | 307,548 | 313,641 |
| Current liabilities | (55,419) | (57,352) |
| Non-current liabilities | <u>(178,948)</u> | <u>(188,208)</u> |
| Net assets | <u>182,914</u> | <u>157,411</u> |

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022

(Expressed in United States Dollars)

8. Subsidiaries and equity-accounted investee (continued)

(b) Equity-accounted investee – South Jamaica Power Company Limited (SJPC) (continued)

| | <u>Interest in Associate</u> | |
|---|------------------------------|--------------|
| | <u>2022</u> | <u>2021</u> |
| | \$'000 | \$'000 |
| Revenue | 243,072 | 195,871 |
| Depreciation and amortization | (17) | (16) |
| Profit for the year, being total comprehensive income | <u>25,490</u> | <u>4,846</u> |
| Group's share of total comprehensive income | <u>12,745</u> | <u>2,420</u> |

Reconciliation of summarised financial information to the carrying amount of the Group's interest in equity accounted investee:

| | <u>Interest in Associate</u> | |
|---------------------------------------|------------------------------|----------------|
| | <u>2022</u> | <u>2021</u> |
| | \$'000 | \$'000 |
| Net Assets as at the end of the year | <u>182,914</u> | <u>157,411</u> |
| Carrying value | <u>91,457</u> | <u>78,712</u> |
| Interest in equity-accounted investee | <u>50%</u> | <u>50%</u> |

9. Employee benefits

(a) Defined benefit pension plan:

The Group administers a defined-benefit pension plan for selected employees and their beneficiaries. The accumulated fund is administered by the trustees who are assisted by an independent plan administrator and three fund managers; Sagicor Life of Jamaica Limited, Victoria Mutual Pensions Management Limited and NCB Insurance Company Limited.

The administrator is Employee Benefits Administrator Limited, a wholly owned subsidiary of Sagicor Life Jamaica Limited, whose offices are located at 48 Barbados Avenue, Kingston 5, Jamaica, W.I. Effective February 1, 2007, the fund was closed to new entrants.

On retirement, a member is entitled to be paid an annual pension of 2% (2021: 2%) on the highest average of the member's annual pensionable salary during any consecutive three year period of pensionable service, multiplied by the number of years of pensionable service.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022

(Expressed in United States Dollars)

9. Employee benefits (continued)

(a) Defined benefit pension plan (continued):

The plan was approved and registered pursuant to Section 13 of the Pensions (Superannuation Funds and Retirement Schemes) Act, 2004 on December 16, 2009.

(i) Employee benefits:

| | <u>The Group and Company</u> | |
|-------------------------------------|------------------------------|------------------|
| | <u>2022</u> | <u>2021</u> |
| | \$'000 | \$'000 |
| Fair value of plan assets | 213,986 | 191,324 |
| Present value of funded obligations | <u>(125,416)</u> | <u>(96,426)</u> |
| | <u>88,570</u> | <u>94,898</u> |
| Asset recognised | <u>44,285</u> | <u>47,449</u> |

The Rules of the plan permit the Company, as sponsor, an unconditional right to a maximum of 50% of the surplus on discontinuance of the plan. The economic benefit was determined as the lower of 50% of the surplus on discontinuance and the surplus on a going concern basis, in accordance with Trust deed.

(ii) Movements in funded obligations:

| | <u>2022</u> | <u>2021</u> |
|--|------------------|------------------|
| | \$'000 | \$'000 |
| Balance at beginning of year | (96,426) | (91,508) |
| Benefits paid | 4,591 | 4,696 |
| Current service cost | (1,118) | (1,909) |
| Interest cost | (8,793) | (8,466) |
| Voluntary contributions | (1,644) | (449) |
| Past service cost | (2,295) | - |
| Gain on curtailment | - | 1,804 |
| Remeasurement loss on obligation for OCI | (17,803) | (9,839) |
| Exchange gain | <u>(1,928)</u> | <u>9,245</u> |
| Balance at end of year | <u>(125,416)</u> | <u>(96,426)</u> |

(iii) Movements in plan assets:

| | <u>2022</u> | <u>2021</u> |
|--|----------------|-----------------|
| | \$'000 | \$'000 |
| Fair value of plan assets at beginning of year | 191,324 | 198,548 |
| Contributions paid: | | |
| Employer | 1,111 | 992 |
| Employees | 1,644 | 1,441 |
| Interest income on assets | 16,646 | 16,329 |
| Benefits paid | (4,591) | (4,696) |
| Administrative expenses | - | (110) |
| Remeasurement gain/(loss) on assets for OCI | 4,032 | (5,257) |
| Exchange loss | <u>3,820</u> | <u>(15,923)</u> |
| Fair value of plan assets at end of year | <u>213,986</u> | <u>191,324</u> |

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022

(Expressed in United States Dollars)

9. Employee benefits (continued)

(a) Defined benefit pension plan (continued):

(iii) Movements in plan assets (continued):

| | <u>The Group and Company</u> | |
|---|------------------------------|----------------|
| | <u>2022</u> | <u>2021</u> |
| | \$'000 | \$'000 |
| Plan assets consist of the following: | | |
| Investments quoted in active markets: | | |
| Equities | 66,102 | 70,477 |
| Government bonds | 49,693 | 40,465 |
| Corporate bonds and other debt securities | 29,030 | 38,739 |
| Pooled pension investments | 20,014 | 22,214 |
| Unquoted investments: | | |
| Real estate | 13,074 | 12,174 |
| Net current assets | <u>36,073</u> | <u>7,255</u> |
| | <u>213,986</u> | <u>191,324</u> |

Included in the plan assets as at December 31, 2022 are:

- Real estate occupied by the Group with a fair value of \$13.3 million (2021: \$12 million); and
- JPS 7.35% promissory notes with a fair value of \$809,000 (2021: \$815,000).

All investments are issued by the Jamaican government or companies domiciled in Jamaica.

(iv) Credit recognised in the statement of profit or loss:

| | <u>The Group and Company</u> | |
|---|------------------------------|-----------------|
| | <u>2022</u> | <u>2021</u> |
| | \$'000 | \$'000 |
| Current service cost | 1,118 | 1,909* |
| Past service cost | 2,295 | - |
| Interest cost | 8,793 | 8,466 |
| Administrative expenses | - | 110 |
| Interest income on assets | (16,646) | (16,329) |
| Interest on effect of asset ceiling | 3,870 | 1,637* |
| Gain on curtailment | - | (1,804) |
| Exchange (gain)/loss | <u>(1,892)</u> | <u>6,678*</u> |
| Total credit | <u>(2,462)</u> | <u>(1,779)</u> |
| Net credit recognised due to limitation | <u>(1,231)</u> | <u>(890)</u> |

The credit is recognised in staff cost-other employees' costs [Note 25(b)].

*Reclassified

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022

(Expressed in United States Dollars)

9. Employee benefits (continued)

(a) Defined benefit pension plan (continued):

(v) Remeasurement loss recognised in other comprehensive income:

| | <u>The Group and Company</u> | |
|---|------------------------------|---------------|
| | <u>2022</u> | <u>2021</u> |
| | \$'000 | \$'000 |
| Remeasurement loss on obligation for OCI | 17,803 | 9,839 |
| Remeasurement loss on assets for OCI | 4,032 | 5,257 |
| Change in effect of asset ceiling | (10,262) | (5,020) |
| Exchange loss on asset and obligation for OCI | <u>-</u> | <u>1,818</u> |
| Total remeasurement loss, net | <u>11,573</u> | <u>11,894</u> |
| Remeasurement loss recognised due to limitation | <u>5,787</u> | <u>5,947</u> |

(vi) Remeasurement loss on defined benefit obligation arising from:

| | <u>The Group and Company</u> | |
|--|------------------------------|-----------------|
| | <u>2022</u> | <u>2021</u> |
| | \$'000 | \$'000 |
| Changes in financial assumptions | (31,252) | (8,413) |
| Changes in demographic assumptions | (46) | - |
| Change in effect of asset ceiling | (7,985) | - |
| Experience adjustments | <u>45,070</u> | <u>(512)</u> |
| Remeasurement loss on defined benefit obligation | <u>5,787</u> | <u>(8,925)</u> |

(vii) Remeasurement loss on defined benefit assets arising from:

| | <u>The Group and Company</u> | |
|--------------------------------|------------------------------|--------------|
| | <u>2022</u> | <u>2021</u> |
| | \$'000 | \$'000 |
| Return on plan assets | 20,678 | 20,180 |
| Interest income on plan assets | (16,646) | (14,923) |
| | <u>4,032</u> | <u>5,257</u> |

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2022
(Expressed in United States Dollars)

9. Employee benefits (continued)

(a) Defined benefit pension plan (continued):

(viii) Principal actuarial assumptions at the reporting date (expressed as weighted averages):

| | <u>The Group and Company</u> | |
|--------------------------|------------------------------|---------------|
| | <u>2022</u> | <u>2021</u> |
| Inflation rate | 5.50% | 5.00% |
| Discount rate | 13.00% | 8.00% |
| Future salary increases | 7.50% | 5.00% |
| Future pension increases | <u>0.00%*</u> | <u>0.00%*</u> |

* 3% per annum for pensioners who retired and deferred pensioners who left before September 30, 2015.

Assumptions regarding future mortality are based on (GAM94S) tables with ages reduced by five years. The expected long-term rate of return is based on the assumed long-term rate of inflation.

The weighted average duration of the defined benefit obligation as at December 31, 2022, is 22 years (2021: 16.1 years).

The Group's estimated contribution for the 12 months following reporting date is \$1.1 million (2021: \$1.06 million).

(ix) Sensitivity analysis:

The calculation of the projected benefit obligation is sensitive to the assumptions used. The table below summarises how the defined benefit obligation measured at the reporting date would have increased/ (decreased) as a result of a change in the respective assumptions by one percentage point. In preparing the analysis for each assumption, all others were held constant.

| | <u>The Group and Company</u> | | | |
|----------------------|------------------------------|-----------------|-----------------|-----------------|
| | <u>2022</u> | | <u>2021</u> | |
| | <u>Increase</u> | <u>Decrease</u> | <u>Increase</u> | <u>Decrease</u> |
| | 1% | 1% | 0.5% | 0.5% |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Discount rate | (9,431) | 11,417 | (90,271) | 103,285 |
| Future salary growth | <u>2,769</u> | <u>(2,545)</u> | <u>98,348</u> | <u>(94,601)</u> |

There were no changes to the methods used to prepare the sensitivity analyses as compared to those used in the prior year.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022

(Expressed in United States Dollars)

9. Employee benefits (continued)

(b) Other employee benefits obligation:

| | <u>The Group and Company</u> | |
|------------------------------------|------------------------------|--------------|
| | <u>2022</u> | <u>2021</u> |
| | \$'000 | \$'000 |
| Accumulated sick pay - Current | 8,992 | - |
| Accumulated sick pay – Non-current | <u>-</u> | <u>6,589</u> |

(c) Defined contribution pension plan:

The Group's contributions to the defined contribution pension plan for the year aggregated \$1.3 million (2021: \$1.2 million). These are recognised in staff cost-other employees' costs [Note 25(b)] in profit or loss.

10. Net cash and cash equivalents

| | <u>The Group</u> | | <u>The Company</u> | |
|--------------------------|------------------|---------------|--------------------|---------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash at bank and in hand | <u>60,123</u> | <u>42,783</u> | <u>57,489</u> | <u>42,759</u> |

11. Restricted cash

| | <u>The Group and Company</u> | |
|---|------------------------------|---------------|
| | <u>2022</u> | <u>2021</u> |
| | \$'000 | \$'000 |
| Self-insurance sinking fund | 53,522 | 50,446 |
| Deposit guarantees on staff loans, IPP contracts etc. | <u>1,001</u> | <u>1,001</u> |
| | <u>54,523</u> | <u>51,447</u> |

The self-insurance sinking fund is administered by the Company under the direction of the OUR [Note 1(b)]. The term deposits in the sinking fund earn interest at an average rate of 3.33% (2021: 3.49%) per annum.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022

(Expressed in United States Dollars)

12. Accounts receivable

| | <u>The Group</u> | | <u>The Company</u> | |
|---------------------------------|------------------|----------------|--------------------|----------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Trade receivables | 179,062 | 168,818 | 179,062 | 168,818 |
| Unbilled revenue | 29,232 | 35,564 | 29,232 | 35,564 |
| Allowance for impairment losses | (63,136) | (67,625) | (63,136) | (67,625) |
| | 145,158 | 136,757 | 145,158 | 204,382 |
| Prepayments | 31,931 | 9,551 | 31,769 | 9,543 |
| Other receivables | <u>12,334</u> | <u>6,465</u> | <u>12,138</u> | <u>5,718</u> |
| | <u>189,423</u> | <u>152,773</u> | <u>189,065</u> | <u>152,018</u> |

Allowances for expected credit losses are determined upon origination of accounts receivable based on a model that calculates the expected credit loss (“ECL”) on the accounts receivable and are revised at each reporting date.

Under the ECL model, the Group determines an average rate of ECL for each ageing bucket of receivables, considering actual credit loss experience over the last 12 months and analysis of future delinquency. The average ECL rate as at December 31, 2022 was 4.274% (2021: 4.489%) [Note 32 (a)[i]].

The movement in impairment losses for trade receivables is as follows:

| | <u>The Group and Company</u> | |
|----------------------------------|------------------------------|---------------|
| | <u>2022</u> | <u>2021</u> |
| | \$'000 | \$'000 |
| Balance at the beginning of year | 67,625 | 64,938 |
| Impairment loss recognised | 7,435 | 9,671 |
| Amounts written off | (11,924) | (6,984) |
| Balance at the end of year | <u>63,136</u> | <u>67,625</u> |

13. Inventories

| | <u>The Group and Company</u> | |
|---|------------------------------|---------------|
| | <u>2022</u> | <u>2021</u> |
| | \$'000 | \$'000 |
| Fuel | 11,262 | 5,996 |
| Generation spares | 6,428 | 6,323 |
| Transmission, distribution and other spares | <u>20,670</u> | <u>20,755</u> |
| | 38,360 | 33,074 |
| Less: Allowance for impairment | (4,519) | (2,898) |
| | <u>33,841</u> | <u>30,176</u> |

Inventories of \$116 million (2021: \$61 million) were recognised as inventory related expenses during the year and included in cost of sales.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022*(Expressed in United States Dollars)*14. Share capital

| | <u>No of shares</u> <u>'000</u> |
|--------------------------------------|------------------------------------|
| Authorised ordinary share capital: | |
| Ordinary stock units at no par value | 315,733 |
| Ordinary shares at no par value | <u>30,000,000</u> |
| | <u>30,315,733</u> |

| | <u>No of shares</u> <u>'000</u> | <u>2022</u> <u>\$'000</u> | <u>2021</u> <u>\$'000</u> |
|------------------------|------------------------------------|------------------------------|------------------------------|
| Issued and fully paid: | | | |
| Ordinary share capital | | | |
| Ordinary stock units | 315,733 | 5,684 | 5,684 |
| Ordinary shares | <u>21,512,462</u> | <u>256,102</u> | <u>256,102</u> |
| At year end (Note 28) | <u>21,828,195</u> | <u>261,786</u> | <u>261,786</u> |

15. Capital reserve

This represents the accumulated surplus on revaluation of land (see note 5).

| | <u>The Group and Company</u> | |
|--|------------------------------|------------------------------|
| | <u>2022</u> <u>\$'000</u> | <u>2021</u> <u>\$'000</u> |
| At the beginning of the year | 19,288 | 19,288 |
| Transfer from capital reserves on disposal of property | <u>(389)</u> | <u>-</u> |
| At the end of the year | <u>18,899</u> | <u>19,288</u> |

16. Capital redemption reserve

This represents the reserve established to facilitate the value of the Class "G" preference shares redeemed.

17. Accounts payable and provisions

| | <u>The Group</u> | | <u>The Company</u> | |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
| | <u>2022</u> <u>\$'000</u> | <u>2021</u> <u>\$'000</u> | <u>2022</u> <u>\$'000</u> | <u>2021</u> <u>\$'000</u> |
| Trade payables | 78,110 | 81,073 | 77,502 | 81,073 |
| Interest accrued on customer deposits and loans | 9,613 | 9,710 | 9,613 | 9,710 |
| Dividend payable (Note 29) | 621 | 621 | 621 | 621 |
| Other payables | 56,102 | 20,043 | 55,852 | 19,705 |
| Provisions (see below) | <u>2,273</u> | <u>2,141</u> | <u>2,273</u> | <u>2,141</u> |
| | <u>146,719</u> | <u>113,588</u> | <u>145,861</u> | <u>113,250</u> |

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022

(Expressed in United States Dollars)

17. Accounts payable and provisions (continued)

Movement in provisions during the year was as follows:

| | <u>The Group and Company</u> | |
|-------------------------------------|------------------------------|--------------|
| | <u>2022</u> | <u>2021</u> |
| | \$'000 | \$'000 |
| At the beginning of the year | 2,141 | 2,185 |
| Provisions made during the year | 503 | 143 |
| Provisions utilised during the year | (371) | (187) |
| At the end of the year | <u>2,273</u> | <u>2,141</u> |

18. Related party balances and transactions

(a) The following balances were due from/to related parties:

| | <u>The Group</u> | | <u>The Company</u> | |
|---------------------------------------|------------------|---------------|--------------------|---------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| (i) Due from: | | | | |
| South Jamaica Power Company Limited | 2,693 | 1,277 | 1,839 | 1,217 |
| South Jamaica Energy Holdings Limited | - | - | 4 | 3 |
| Maru Energy JPSCO I SRL | <u>40</u> | <u>74</u> | <u>40</u> | <u>74</u> |
| | <u>2,733</u> | <u>1,351</u> | <u>1,883</u> | <u>1,294</u> |
| (ii) Due to: | | | | |
| South Jamaica Power Company Limited | 41,185 | 23,020 | 39,859 | 23,020 |
| Caribbean Blue Skies Energy Limited | - | - | 2,275 | 1,274 |
| EWP (Barbados) 1 SRL | <u>1,513</u> | <u>481</u> | <u>1,513</u> | <u>481</u> |
| | <u>42,698</u> | <u>23,501</u> | <u>43,647</u> | <u>24,775</u> |

These balances are unsecured, interest-free and are payable on demand. No impairment allowance has been recognised in the current year in respect of amounts owed by related companies.

The Group has various ongoing transactions with related companies. These include the provision of technical support and related professional services, the acquisition of specialized equipment and spare parts and operation and maintenance support services.

These transactions include:

| | <u>2022</u> | <u>2021</u> |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| Power purchase costs | 247,059 | 200,467 |
| Insurance expenses | 5,832 | 4,914 |
| Rental expense | 703 | 703 |
| Operation and maintenance support expenses | 1,121 | - |
| Management and other technical fees | <u>2,849</u> | <u>2,804</u> |

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022

(Expressed in United States Dollars)

18. Related party balances and transactions (continued)

(b) Related party transactions (continued):

- (i) The Group supplies electricity to related parties including the Government of Jamaica [see note 32 (a)(i)]. Total revenue from the Government for the year 2022 was \$174.6 million (2021: \$143 million).
- (ii) The Group entered into a commercial lease agreement for its Head Office land and building situated at 6 Knutsford Boulevard, Kingston 5 with The Jamaica Public Service Company Limited (JPSCO) (Original 1973) Employees' Pension Plan, a related party. The lease agreement is for an initial lease term of ten (10) years which commenced on January 1, 2013 and is renewable for a further period of five (5) years.
- (iii) Key management personnel

Key management personnel compensation comprised the following.

| | <u>2022</u> | <u>2021</u> |
|------------------------------|--------------|--------------|
| | \$'000 | \$'000 |
| Short-term employee benefits | 2,012 | 1,733 |
| Post-employment benefits | <u>43</u> | <u>41</u> |
| | <u>2,055</u> | <u>1,774</u> |

Compensation of the Group's key management personnel includes salaries, non-cash benefits and contributions to a post-employment defined benefit plan (see Note 9).

The above transactions were executed in the ordinary course of business.

19. Customers' deposits

| | <u>The Group and Company</u> | |
|---|------------------------------|---------------|
| | <u>2022</u> | <u>2021</u> |
| | \$'000 | \$'000 |
| Customers' deposits for electricity service (i) | 22,406 | 16,570 |
| Customers' advances for construction (ii) | <u>24,024</u> | <u>16,134</u> |
| | <u>46,430</u> | <u>32,704</u> |

- (i) In general, the Group requires a deposit from customers before providing service. The deposit is refundable upon termination of service subject to certain conditions. Interest is paid annually to customers and applied to their electricity accounts according to rates prescribed by the OUR [Note 1(b)], which are broadly equivalent to rates applicable to saving deposit accounts.
- (ii) This represents customer advances for construction relate to non-interest-bearing deposits obtained by the Group in relation to construction projects being undertaken by potential customers. These amounts are refundable subject to certain conditions.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022

(Expressed in United States Dollars)

20. Long-term loans

| | <u>The Group and Company</u> | |
|---|------------------------------|------------------|
| | <u>2022</u> | <u>2021</u> |
| | \$'000 | \$'000 |
| (i) Kreditanstalt fur Weideraufbau of Frankfurt Government of Jamaica (KFW/GOJ), 7% fixed rate, repayable 2030 [€3.9 million (2021: €3.9 million)] | 4,211 | 4,443 |
| (ii) Peninsula Corporation US\$10M 4.25% fixed rate, repayable 2025 | 10,000 | 10,000 |
| (iii) NCB Syndicated J\$2.45B Loan 5.96% & US\$20M 5.95% fixed rate, repayable 2029 [J\$4.0 billion (2021: J\$4.5 billion)] | 26,296 | 28,462 |
| (iv) Citibank/Overseas Private Investment Corporation US\$120M variable rate, repayable 2026 | 60,818 | 75,837 |
| (v) Caribbean Development Bank US\$25M variable rate, repayable 2029 | 17,500 | 20,000 |
| (vi) CIBC First Caribbean International Bank US\$ 80.625M fixed rate, repayable 2029 | | |
| Tranche A - US\$50.625M 6% fixed rate | 36,158 | 41,726 |
| Tranche B - J\$1.370B 7.5% fixed rate [J\$989 million (2021: J\$1.1 billion)] | 6,507 | 7,361 |
| Tranche C – US\$20.0M 5.5% fixed rate | 14,920 | 17,117 |
| (vii) Sagicor Investments 8.4% fixed rate US\$180M JMD portion, repayable 2034 [J\$10.7 billion (2021: J\$10.7 billion)] | 69,449 | 67,973 |
| (viii) Sagicor Investments 7.35% fixed rate US\$180M USD portion, repayable 2029 | 99,229 | 99,053 |
| (ix) BNS J\$2.362B 5.75% fixed rate, repayable 2027 [J\$1.9 billion (2021: J\$2.1 billion)] | 12,430 | 13,710 |
| (x) BNS US\$17.5M 4.75% fixed rate, repayable 2027 | <u>13,974</u> | <u>15,715</u> |
| Total long-term loans | 371,492 | 401,397 |
| Less: Current portion | <u>(35,713)</u> | <u>(45,567)</u> |
| Non-current portion | <u>335,779</u> | <u>355,830</u> |

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022

(Expressed in United States Dollars)

20. Long-term loans (continued)

- (i) This loan was received from the Government of Jamaica (GOJ), based on a formal on-lending agreement dated January 17, 1996. Under the terms of the original agreement with KFW, the loan is unsecured and repayable commencing in 2010 through 2030. Interest is payable semi-annually in arrears.
- (ii) This loan is unsecured and is repayable by a bullet payment at maturity in January 2025. Interest is paid quarterly at a fixed interest rate of 4.25%.
- (iii) This loan is an unsecured Syndicated Jamaican Dollar loan and has a fixed interest rate 5.95% (JMD) and 5.96% (USD). The funds were designated for refinancing of existing loan, capital expenditure and general corporate purposes. Repayment is in quarterly instalments of J\$212.46 million (US\$1.39 million equivalent) beginning December 2019 with bullet payment of J\$1.274 billion (US\$8.37 million equivalent) at maturity. The amount due is carried net of debt issuance costs of \$0.25 million (2021: \$ 0.30 million).
- (iv) This loan is unsecured and is in two tranches – \$100 million from OPIC and \$20 million from Citibank. The funds were designated for capital expenditure.
The OPIC tranche has a variable interest rate of 3-month LIBOR plus 5.4% and matures on December 15, 2026. The Citibank tranche has a variable rate of 3-month LIBOR and was fully repaid in December 2021. Repayment is in quarterly instalments beginning March 2020. The amount due is carried net of debt issuance costs of \$0.72 million (2021: \$1.1 million).
- (v) This loan is unsecured and has a variable rate calculated using a spread of 1.24% over the weighted cost of borrowings for the previous three-month period. The utilization of the funds is restricted to the Street Lighting Retrofitting Project. There is a two-year moratorium on the principal beginning January 2020, with interest payment quarterly. Repayment will be in forty (40) equal instalments of \$0.625 million.
- (vi) This loan is unsecured and is in three tranches – US\$50.625 million (Tranche A) with a fixed rate of 6% for the first five years and J\$1.370 billion (US\$10 million equivalent) – (Tranche B) with a fixed rate of 7.5% for the first five years and US\$20 million with a fixed rate of 5.5% (Tranche C). Thereafter, interest is paid at a variable rate of 3-month LIBOR plus 3.5% on Tranche A and WATBY plus 4.50% on Tranche B and 3-month LIBOR plus 2.8% on Tranche C. Principal is repaid in quarterly instalments of US\$2.24 million and J\$38.05 million respectively commencing January 2020. Interest is paid quarterly. The amount due is carried net of debt issuance costs, in the amount of \$0.49 million. (2021: \$0.57 million).
- (vii) Sagicor US\$180 million (JMD portion - J\$10.68 billion) – This loan is unsecured and has a fixed rate of 8.4% with a 5-year moratorium on the principal. The funds were utilised for liquidating and refinancing of existing debt. Quarterly principal repayment of J\$267 million will begin in May 2024 with maturity in February 2034. The amount due is carried net of debt issuance costs of \$0.79 million. (2021: \$0.89 million)
- (viii) Sagicor US\$180 million (USD portion - US \$100 million) – This loan is unsecured and has a fixed rate of 7.35% with a 5-year moratorium on the principal. The funds were utilised for liquidating and refinancing of existing debt. Quarterly principal repayment of US\$5 million will begin in May 2024 with maturity in February 2029. The amount due is carried net of debt issuance costs of \$0.77 million. (2021: \$0.95 million).

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022

(Expressed in United States Dollars)

20. Long-term loans (continued)

- (ix) This loan is unsecured and has a fixed rate of 4.75%. The funds were utilised for general corporate purposes. There is a six-month moratorium with semi-annual principal repayment of US\$875k to begin January 2021 and mature in July 2027. The amount carried is net of debt issuance costs of \$0.04 million.
- (x) This loan is unsecured and has a fixed rate of 5.75%. The funds were utilised for general corporate purposes. There is a six-month moratorium with semi-annual principal repayment of JS\$118.125 million (US\$0.77 million equivalent) to begin January 2021 and mature in July 2027.

Reconciliation of movement of long term loans to cash flows arising from financing activities;

| | <u>The Group and Company</u> | |
|-----------------------------------|------------------------------|----------------|
| | <u>2022</u> | <u>2021</u> |
| | \$'000 | \$'000 |
| Balance at start of the year | 401,397 | 455,734 |
| Changes from financing cash flows | (61,354) | (83,475) |
| Interest expense | 26,221 | 26,965 |
| Other changes | <u>5,228</u> | <u>2,173</u> |
| Balance at end of the year | <u>371,492</u> | <u>401,397</u> |

21. Preference shares

This comprises cumulative preference shares as follows:

| | <u>The Group and Company</u> | | | |
|---------------------|------------------------------|--------------|---------------|---------------|
| | <u>Number of shares</u> | | | |
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| | '000 | '000 | \$'000 | \$'000 |
| 7% Class B shares | 420 | 420 | 38 | 38 |
| 5% Class C shares | 66 | 66 | 6 | 6 |
| 5% Class D shares | 680 | 680 | 61 | 61 |
| 6% Class E shares | 300 | 300 | 27 | 27 |
| 9.5% Class F shares | <u>2,456</u> | <u>2,456</u> | <u>24,556</u> | <u>24,556</u> |
| | <u>3,922</u> | <u>3,922</u> | <u>24,688</u> | <u>24,688</u> |

The preference shares listed as Classes B, C, D and E are cumulative non-voting and are preferred only in respect of return of capital and any dividends in arrears on a winding up. Dividends on these shares are payable quarterly at fixed rates per annum in Jamaica dollars.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022

(Expressed in United States Dollars)

21. Preference shares (continued)

Class F preference shares are listed on the Jamaica Stock Exchange and are non-redeemable. The significant terms and conditions of these shares are as follows:

- (i) Priority of payment to receive all dividends over any form of capital distributions;
- (ii) Full voting rights on winding up;
- (iii) Ranking in priority to ordinary shares and stock units in issue (but behind preference shares listed as classes B, C, D and E) in the event of a winding up; and
- (iv) Dividends are payable quarterly at fixed rates per annum in Jamaica dollars indexed to the United States dollar.

Preference shares have been classified in these financial statements as financial liabilities.

22. Deferred taxation

Deferred taxation relates to:

| | <u>The Group and Company</u> | | | | | | |
|--------------------------------------|--|--|---|--|--|---|--|
| | Balance at December 31, 2020 \$'000 | Recognised in profit of loss [Note 27 (a)] \$'000 | Recognised in other comprehensive income \$'000 | Balance at December 31, 2021 \$'000 | Recognised in profit of loss [Note 27 (a)] \$'000 | Recognised in other comprehensive income \$'000 | Balance at December 31, 2022 \$'000 |
| Employee benefits, net | (14,713) | (889) | 1,982 | (13,620) | (74) | 1,929 | (11,765) |
| Unrealised foreign exchange gains | (2,261) | 3,822 | - | 1,561 | (4,383) | - | (2,822) |
| Property, plant & equipment | (42,352) | 1,241 | - | (41,111) | 27 | - | (41,084) |
| Right-of-use assets | (183,648) | 13,275 | - | (170,373) | 12,527 | - | (157,846) |
| Lease obligations | 190,353 | (8,823) | - | 181,530 | (8,493) | - | 173,037 |
| Accounts payable | 13,489 | (282) | - | 13,207 | 383 | - | 13,590 |
| Other | 6,713 | (3,048) | - | 3,665 | 1,036 | - | 4,701 |
| | <u>(32,419)</u> | <u>5,296</u> | <u>1,982</u> | <u>(25,141)</u> | <u>1,023</u> | <u>1,929</u> | <u>(22,189)</u> |

23. Decommissioning provision

| | <u>The Group and Company</u> | |
|---|------------------------------|-----------------------|
| | <u>2022</u> \$'000 | <u>2021</u> \$'000 |
| Decommissioning obligation at the beginning of the year | 27,742 | 27,010 |
| Unwinding of discount (included in finance costs) | 696 | 732 |
| Provision utilized during the year | <u>(278)</u> | <u>-</u> |
| | <u>28,160</u> | <u>27,742</u> |

The Group estimates the total undiscounted cash flows required to settle its decommissioning obligations is approximately \$37.6 million (2021: \$37.6 million), which will be incurred between 2024 and 2025. The provision has been calculated using a discount rate of 3.2%-4.8%, which is close to the risk-free rate in Jamaica.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022

(Expressed in United States Dollars)

24. Operating revenue

| | <u>The Group</u> | | <u>The Company</u> | |
|------------------------------------|------------------|----------------|--------------------|----------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Supply of electricity | 1,140,973 | 950,525 | 1,140,973 | 950,525 |
| Operation and maintenance services | 8,227 | 6,837 | - | - |
| Other revenue | <u>14,387</u> | <u>16,007</u> | <u>13,085</u> | <u>16,007</u> |
| | <u>1,163,587</u> | <u>973,369</u> | <u>1,154,058</u> | <u>966,532</u> |

25. Expenses

(a) Cost of sales

| | <u>The Group and Company</u> | |
|---|------------------------------|----------------|
| | <u>2022</u> | <u>2021</u> |
| | \$'000 | \$'000 |
| Fuel | 636,933 | 472,453 |
| Purchased power (excluding fuel) [Note 4] | 138,138 | 123,045 |
| Other | <u>161</u> | <u>378</u> |
| | <u>775,232</u> | <u>595,876</u> |

(b) Operating expenses

| | <u>The Group</u> | | <u>The Company</u> | |
|---|------------------|----------------|--------------------|----------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Depreciation and amortisation | 116,578 | 118,107 | 116,571 | 118,101 |
| Staff cost | 73,066 | 57,397 | 68,559 | 53,797 |
| Directors' fees and emoluments | 59 | 63 | 59 | 63 |
| Repairs and maintenance | 10,636 | 6,518 | 9,579 | 6,518 |
| Selling expense (advertising and marketing) | 665 | 671 | 665 | 671 |
| Audit fees | 258 | 218 | 258 | 218 |
| General expenses | <u>57,450</u> | <u>58,629</u> | <u>55,832</u> | <u>56,668</u> |
| | <u>258,712</u> | <u>241,603</u> | <u>251,523</u> | <u>236,036</u> |

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022

(Expressed in United States Dollars)

25. Expenses (continued)

(c) Net finance cost

| | <u>The Group</u> | | <u>The Company</u> | |
|--|-------------------|-------------------|--------------------|-------------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Realised foreign exchange losses, net | (8,245) | (11,712) | (8,245) | (11,712) |
| Unrealised foreign exchange gains, net | <u>5,845</u> | <u>5,897</u> | <u>5,838</u> | <u>5,897</u> |
| Foreign exchange losses, net | (<u>2,400</u>) | (<u>5,815</u>) | (<u>2,407</u>) | (<u>5,815</u>) |
| Other finance costs: | | | | |
| Long-term loans | (26,221) | (26,965) | (26,221) | (26,965) |
| Leases | (39,149) | (40,989) | (39,149) | (40,988) |
| Customer deposits | (778) | (194) | (778) | (194) |
| Bank overdraft and other | (431) | (798) | (431) | (798) |
| Preference dividends | (2,334) | (2,334) | (2,334) | (2,334) |
| Debt issuance costs and expenses | (788) | (990) | (788) | (990) |
| Other debt expenses | (<u>509</u>) | (<u>497</u>) | (<u>509</u>) | (<u>496</u>) |
| | (<u>70,210</u>) | (<u>72,767</u>) | (<u>70,210</u>) | (<u>72,765</u>) |
| | (<u>72,610</u>) | (<u>78,582</u>) | (<u>72,617</u>) | (<u>78,580</u>) |
| Finance income: | | | | |
| Interest income | 5,922 | 5,004 | 5,922 | 5,004 |
| Interest capitalised during construction | <u>1,226</u> | <u>1,140</u> | <u>1,226</u> | <u>1,140</u> |
| | <u>7,148</u> | <u>6,144</u> | <u>7,148</u> | <u>6,144</u> |
| | (<u>65,462</u>) | (<u>72,438</u>) | (<u>65,469</u>) | (<u>72,436</u>) |

Interest income arises materially from treasury transactions entered into in the ordinary course of business.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022

(Expressed in United States Dollars)

26. Other income and expenses

(a) Other income comprises:

| | <u>The Group</u> | | <u>The Company</u> | |
|---|------------------|---------------|--------------------|---------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> |
| Rental income | 175 | 144 | 175 | 144 |
| Credit balances and other deposits written off | 90 | 346 | 90 | 346 |
| Proceeds from scrap sales and other settlements | 5,108 | 2,356 | 5,105 | 2,356 |
| Gain on sale of property, plant and equipment | <u>205</u> | <u>-</u> | <u>205</u> | <u>-</u> |
| | <u>5,578</u> | <u>2,846</u> | <u>5,575</u> | <u>2,846</u> |

(b) Other expenses comprise:

| | <u>The Group</u> | | <u>The Company</u> | |
|---|------------------|---------------|--------------------|---------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> |
| Miscellaneous expenses | 420 | 2,210 | 420 | 2,210 |
| Restructuring costs | 2,326 | 4,739 | 2,326 | 4,739 |
| Inventory and other costs written off | 2,707 | 916 | 2,707 | 916 |
| Loss on disposal of property, plant and equipment | <u>-</u> | <u>11</u> | <u>-</u> | <u>11</u> |
| | <u>5,453</u> | <u>7,876</u> | <u>5,453</u> | <u>7,876</u> |

27. Taxation

(a) Taxation is computed at 33 $\frac{1}{3}$ %/25% of the results for the year, adjusted for tax purposes and comprises:

| | <u>The Group</u> | | <u>The Company</u> | |
|---|------------------|---------------|--------------------|---------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> |
| Current tax expense: | | | | |
| Current income tax expense | 16,261 | 14,369 | 15,877 | 14,119 |
| Deferred tax: | | | | |
| Origination and reversal of temporary differences (Note 22) | (1,023) | (5,296) | (1,023) | (5,296) |
| Taxation expense | <u>15,238</u> | <u>9,073</u> | <u>14,854</u> | <u>8,823</u> |

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022

(Expressed in United States Dollars)

27. Taxation

(b) Reconciliation of tax expense:

| | <u>The Group</u> | | <u>The Company</u> | |
|---|------------------|---------------|--------------------|---------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> |
| Profit before taxation | <u>69,616</u> | <u>51,171</u> | <u>54,521</u> | <u>47,483</u> |
| Computed "expected" tax at 33 $\frac{1}{3}$ %/ 25% | 23,205 | 17,057 | 18,174 | 15,828 |
| Tax effect of differences between profit for financial statements and tax reporting purposes in respect of: | | | | |
| Investment allowances | (5,363) | (3,752) | (5,363) | (3,752) |
| Loan fees disallowed | 325 | 400 | 325 | 400 |
| Unrealised foreign exchange (gains)/losses on capital items, net | 875 | (3,526) | 875 | (3,526) |
| Share of results of interest in equity-accounted investee | (4,248) | (807) | - | - |
| Other | <u>444</u> | <u>(299)</u> | <u>843</u> | <u>(127)</u> |
| Taxation expense | <u>15,238</u> | <u>9,073</u> | <u>14,854</u> | <u>8,823</u> |

28. Earnings per share (EPS)

EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year.

| | <u>The Group</u> | |
|---|-------------------|-------------------|
| | <u>2022</u> | <u>2021</u> |
| | <u>\$'000</u> | <u>\$'000</u> |
| Profit for the year | 54,378 | 42,098 |
| Number of shares (shown in thousands - Note 14) | <u>21,828,195</u> | <u>21,828,195</u> |
| Earnings per share/stock unit | <u>0.25¢</u> | <u>0.19¢</u> |

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2022

(Expressed in United States Dollars)

29. Dividends

(a) Dividends on ordinary shares:

| | <u>2022</u> | <u>2021</u> |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Interim dividend - 0.0002290615392¢ (2021: 0.00013744¢) per ordinary share-gross | 5,000 | 3,000 |
| Final dividend- 0.0004581230783¢ (2021:0.00032069¢ per ordinary share-gross | <u>10,000</u> | <u>7,000</u> |
| | <u>15,000</u> | <u>10,000</u> |

(b) Dividends on cumulative preference shares accrued at December 31, 2022 amounted to \$0.6 million (2021: \$0.6 million) [see note 17].

30. Commitments for expenditure

As at December 31, 2022, commitments for capital expenditure, for which no provision has been made in these financial statements, amounted to approximately \$2 million (2021: \$10.4 million). At the reporting date, the Group has sufficient cash resources to fulfil these commitments.

31. Contingent liabilities

As at December 31 2022, the Group is subject to various lawsuits and other third party challenges in the normal course of business. The outcome of these matters cannot be determined with certainty. However, where in the opinion of management and its legal counsel, it is more likely than not that an outflow of resources by the Group will occur and the amount can be determined, a provision is made.

As at December 31, 2022, provisions of \$2.3 million (2021: \$2.1 million) relating to pending legal actions, were made in the financial statements (Note 17).

32. Financial instruments

(a) Financial risk management:

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risks

This note presents information about the Group's exposure to each of the above risks arising in the ordinary course of the Group's business, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (continued)

December 31, 2022*(Expressed in United States Dollars)*32. Financial instruments (continued)

(b) Financial risk management (continued):

The Board of Directors, in managing the business of the Group, oversees the Group's risk management framework. Key management has responsibility for monitoring the Group's risk management policies in their specified areas and report quarterly to the Board of Directors on their activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions. The Group, through training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Group's directors have monitoring oversight of the risk management policies and are assisted in these functions by the Group's internal audit department. The internal audit department undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(i) Credit risk:

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables, unbilled revenue and other financial assets, which is stated net of an allowance for impairment losses.

As part of its management of credit risk, the Group requires account deposits from certain customers. Additionally, management has processes in place for the prompt disconnection of services to, and recovery of amounts owed by defaulting customers.

Trade receivables

The aged receivable balances are regularly monitored. Allowances are determined upon origination of the trade accounts receivable based on a model that calculates the expected credit loss ("ECL") of the trade accounts receivable and are updated over the lifetime of the receivables.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (continued)
December 31, 2022
(Expressed in United States Dollars)

32. Financial instruments (continued)

(a) Financial risk management (continued):

(i) Credit risk (continued):

Expected credit loss assessment for trade receivables as at December 31, 2022

The Group estimates expected credit losses (“ECL”) on trade receivables using a provision matrix based on historical credit loss experience as well as the credit risk and expected developments for each group of customers. The following table provides information about the ECL for trade receivables.

| | <u>The Group and Company</u> | | | |
|--------------------|------------------------------|--|--|------------------------|
| | <u>2022</u> | | | |
| <u>Age buckets</u> | <u>Computed ECL rate</u> | <u>Gross carrying amount</u> \$'000 | <u>Impairment loss allowance</u> \$'000 | <u>Credit impaired</u> |
| 1 - 30 days | 3.64% | 97,925 | 3,563 | No |
| 31-60 days | 16.78% | 6,687 | 1,122 | No |
| 61-90 days | 34.61% | 2,589 | 896 | No |
| Over 90 days | 80.09% | <u>71,861</u> | <u>57,555</u> | Yes |
| | | <u>179,062</u> | <u>63,136</u> | |

| | <u>The Group and Company</u> | | | |
|--------------------|------------------------------|--|--|------------------------|
| | <u>2021</u> | | | |
| <u>Age buckets</u> | <u>Computed ECL rate</u> | <u>Gross carrying amount</u> \$'000 | <u>Impairment loss allowance</u> \$'000 | <u>Credit impaired</u> |
| 1 - 30 days | 3.480% | 92,965 | 3,231 | No |
| 31-60 days | 13.990% | 4,017 | 562 | No |
| 61-90 days | 29.970% | 2,184 | 655 | No |
| Over 90 days | 90.698% | <u>69,652</u> | <u>63,177</u> | Yes |
| | | <u>168,818</u> | <u>67,625</u> | |

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (continued)
December 31, 2022
(Expressed in United States Dollars)

32. Financial instruments (continued)

(a) Financial risk management (continued):

(i) Credit risk (continued):

The Group considers concentrations of risk by reference to the amount of exposure it has to individual customers, including their related parties. At December 31, 2021, the Group had significant concentrations of credit risk in respect of amounts receivable from the Government of Jamaica and its affiliates, in respect of electricity charges, aggregating \$24 million (2021: \$17.4 million).

Restricted cash, cash and cash equivalents

Cash and short-term deposit balances are managed by the Group's Treasury department and amounts are held with reputable banks and financial institutions with high credit ratings and considered to have minimal risk of default.

Maximum exposure to credit risk

Impairment on restricted cash, cash and cash equivalents have been measured at 12 months ECL and reflects the short maturities of the exposures. The Group considered that cash and cash equivalents have low credit risk and therefore the ECL on such financial assets is immaterial.

(ii) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

Key management of the Group aims at maintaining flexibility in funding by keeping lines of funding available as well as by acquiring and maintaining prudent cash resources in appropriate currencies.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (continued)
December 31, 2022
(Expressed in United States Dollars)

32. Financial instruments (continued)

(a) Financial risk management (continued):

(ii) Liquidity risk (continued):

For example, the Group's Treasury department receives and monitors information from other departments regarding the liquidity profile of their financial assets and liabilities and maintains short-term liquid assets to ensure that sufficient liquidity is maintained within the Group as a whole. As at December 31, 2022, the Group had unutilized lines of credit aggregating \$68.8 million (2021: \$68.8 million).

An analysis of the contractual maturities of the Group's financial liabilities is presented below. The analysis is provided by estimating the timing of gross payments (including principal and interest) in respect of the amounts recognised in the statement of financial position.

| <u>The Group</u> | | | | | | | |
|--|--------------------|------------------|----------------|----------------|----------------|--------------------|----------------|
| <u>2022</u> | | | | | | | |
| <u>Contractual undiscounted cash flows</u> | | | | | | | |
| Carrying amount | Total cash outflow | Less than 1 year | 1-2 years | 3-5 years | 6-10 years | More than 10 years | |
| \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Accounts payable* | 144,446 | 144,446 | 144,446 | - | - | - | - |
| Long-term loans | 371,492 | 485,905 | 67,240 | 104,788 | 99,770 | 160,404 | 53,703 |
| Lease obligations | 519,114 | 834,704 | 75,456 | 74,079 | 190,278 | 269,475 | 225,416 |
| Preference shares** | 24,688 | 59,698 | 2,334 | 2,334 | 7,002 | 11,670 | 36,358 |
| Due to related parties | 42,698 | 42,698 | 42,698 | - | - | - | - |
| Customer deposits | 46,430 | 53,101 | 445 | 24,469 | 1,334 | 2,224 | 24,629 |
| Total financial liabilities | <u>1,148,868</u> | <u>1,620,552</u> | <u>332,619</u> | <u>205,670</u> | <u>298,384</u> | <u>443,773</u> | <u>340,106</u> |
| <u>2021</u> | | | | | | | |
| <u>Contractual undiscounted cash flows</u> | | | | | | | |
| Carrying amount | Total cash outflow | Less than 1 year | 1-2 years | 3-5 years | 6-10 years | More than 10 years | |
| \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Accounts payable* | 111,447 | 111,447 | 111,447 | - | - | - | - |
| Long-term loans | 401,397 | 524,314 | 70,137 | 89,580 | 129,187 | 184,111 | 51,299 |
| Lease obligations | 544,598 | 908,548 | 76,414 | 75,073 | 202,963 | 281,574 | 272,524 |
| Preference shares** | 24,688 | 59,698 | 2,334 | 2,334 | 7,002 | 11,670 | 36,358 |
| Due to related parties | 23,501 | 23,501 | 23,501 | - | - | - | - |
| Customer deposits | 32,704 | 34,673 | 179 | 179 | 537 | 17,029 | 16,749 |
| Total financial liabilities | <u>1,138,335</u> | <u>1,662,181</u> | <u>284,012</u> | <u>167,166</u> | <u>339,689</u> | <u>494,384</u> | <u>376,930</u> |

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (continued)
December 31, 2022
(Expressed in United States Dollars)

32. Financial instruments (continued)

(a) Financial risk management (continued):

(ii) Liquidity risk (continued):

| <u>The Company</u> | | | | | | | |
|--|---------------------------|-------------------------|------------------|------------------|-------------------|---------------------------|----------------|
| <u>2022</u> | | | | | | | |
| <u>Contractual undiscounted cash flows</u> | | | | | | | |
| <u>Carrying amount</u> | <u>Total cash outflow</u> | <u>Less than 1-year</u> | <u>1-2 years</u> | <u>3-5 years</u> | <u>6-10 years</u> | <u>More than 10 years</u> | |
| \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Accounts payable* | 143,588 | 143,588 | 143,588 | - | - | - | - |
| Long-term loans | 371,492 | 485,905 | 67,240 | 104,788 | 99,770 | 160,404 | 53,703 |
| Lease obligations | 519,113 | 864,703 | 75,455 | 74,079 | 190,278 | 269,475 | 255,416 |
| Preference shares** | 24,688 | 59,698 | 2,334 | 2,334 | 7,002 | 11,670 | 36,358 |
| Due to related parties | 43,647 | 43,647 | 43,647 | - | - | - | - |
| Customer deposits | 46,430 | 53,101 | 445 | 24,469 | 1,334 | 2,224 | 24,629 |
| Total financial liabilities | <u>1,148,958</u> | <u>1,650,642</u> | <u>332,709</u> | <u>205,670</u> | <u>298,384</u> | <u>443,773</u> | <u>370,106</u> |
| <u>2021</u> | | | | | | | |
| <u>Contractual undiscounted cash flows</u> | | | | | | | |
| <u>Carrying amount</u> | <u>Total cash outflow</u> | <u>Less than 1-year</u> | <u>1-2 years</u> | <u>3-5 years</u> | <u>6-10 years</u> | <u>More than 10 years</u> | |
| \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Accounts payable* | 111,109 | 111,109 | 111,109 | - | - | - | - |
| Long-term loans | 401,397 | 524,314 | 70,137 | 89,580 | 129,187 | 184,111 | 51,299 |
| Lease obligations | 544,591 | 908,541 | 76,407 | 75,073 | 202,963 | 281,574 | 272,524 |
| Preference shares** | 24,688 | 59,698 | 2,334 | 2,334 | 7,002 | 11,670 | 36,358 |
| Due to related parties | 24,775 | 24,775 | 24,775 | - | - | - | - |
| Customer deposits | 32,704 | 34,673 | 179 | 179 | 537 | 17,029 | 16,749 |
| Total financial liabilities | <u>1,139,264</u> | <u>1,663,110</u> | <u>284,941</u> | <u>167,166</u> | <u>339,689</u> | <u>494,384</u> | <u>376,930</u> |

*Excludes provisions

**The preference shares have no specific maturity dates.

(iii) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the value of the Group's assets, the amount of its liabilities and/or the Group's income. Market risk arises in the Group due to fluctuations in the value of assets and liabilities.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (continued)
December 31, 2022
(Expressed in United States Dollars)

32. Financial instruments (continued)

(a) Financial risk management (continued):

(iii) Market risk (continued):

The nature of the Group's exposures to market risks and its objectives, policies and processes for managing these risks have not changed significantly over the prior year.

For each of the major components of market risk, the Group has policies and procedures in place which detail how each risk is managed and monitored. The management of each of these major components of market risk and the exposure of the Group at the reporting date to each major risk are addressed below.

At December 31, 2022, the Group had no exposure to market risk relating to changes in equity prices.

- *Interest rate risk:*

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group contracts financial liabilities at fixed or floating interest rates. These primarily relate to loans, customer deposits, certain trade payables and bank overdrafts.

The maturity profiles and interest rates of the Group's borrowings are disclosed in Note 20, and the details of customer deposits in Note 19.

Interest bearing financial assets relate to cash and cash equivalents.

At December 31, 2022, the interest profile of the Group's interest-bearing financial instruments was:

| | <u>The Group and Company</u> | |
|----------------------------|------------------------------|------------------|
| | <u>Carrying amount</u> | |
| | <u>2022</u> | <u>2021</u> |
| | <u>\$'000</u> | <u>\$'000</u> |
| Total debt | | |
| Fixed rate instruments: | | |
| Financial assets | <u>54,626</u> | <u>51,546</u> |
| Financial liabilities | <u>(317,862)</u> | <u>(330,248)</u> |
| Variable rate instruments: | | |
| Financial liabilities | <u>(100,724)</u> | <u>(112,407)</u> |

Fair value sensitivity analysis for fixed rate instruments:

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect the statement of profit or loss.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (continued)
December 31, 2022
(Expressed in United States Dollars)

32. Financial instruments (continued)

(a) Financial risk management (continued):

(iii) Market risk (continued)

- *Interest rate risk (continued):*

Cash flow sensitivity analysis for variable rate instruments:

A change of 100 (2021: 100) basis points in interest rates at the reporting date would have increased/decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

| | <u>The Group and Company</u> | | | |
|-----------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | <u>Effect on profit or loss</u> | | | |
| | <u>2022</u> | | <u>2021</u> | |
| | <u>100bp increase \$'000</u> | <u>100bp decrease \$'000</u> | <u>100bp increase \$'000</u> | <u>100bp decrease \$'000</u> |
| Cash flow sensitivity (net) | <u>(1,007)</u> | <u>1,007</u> | <u>(1,124)</u> | <u>1,124</u> |

- *Foreign currency risk:*

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group incurs foreign currency risk primarily on the settlement of accounts receivable, accounts payable and borrowings that are denominated in a currency other than the United States dollar. The currencies giving rise to significant foreign currency risk are the Jamaica dollar (J\$) and Euro (€).

The Group manages foreign exchange exposure by maintaining adequate liquid resources in appropriate currencies and by managing the timing of payments on foreign currency liabilities.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (continued)
December 31, 2022
(Expressed in United States Dollars)

32. Financial instruments (continued)

(a) Financial risk management (continued):

(iii) Market risk (continued)

- *Foreign currency risk (continued):*

The table below shows the Group's foreign currency exposure at the reporting date:

| | <u>The Group</u> | | | |
|-----------------------------|---------------------|----------------|--------------|--------------------|
| | <u>2022</u> | | | |
| | J\$ | € | £ | US\$ equivalent |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash and cash equivalents | 16,073,220 | - | - | 50,128 |
| Trade and other receivables | 24,841,918 | - | - | 163,378 |
| Accounts payable | (13,069,453) | (4,761) | (10) | (91,177) |
| Long-term loans | (17,595,348) | (3,897) | - | (119,931) |
| Customer deposits | <u>(7,059,789)</u> | <u>-</u> | <u>-</u> | <u>(46,430)</u> |
| | <u>(3,190,548)</u> | <u>(8,658)</u> | <u>(10)</u> | <u>(44,032)</u> |
| | | | | |
| | <u>2021</u> | | | |
| | J\$ | € | £ | US\$ equivalent |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash and cash equivalents | 6,013,107 | - | - | 38,772 |
| Trade and other receivables | 22,944,979 | - | - | 147,948 |
| Accounts payable | (9,178,365) | (5,340) | (10) | (65,505) |
| Long-term loans | (18,408,653) | (3,879) | - | (123,142) |
| Customer deposits | <u>(5,072,011)</u> | <u>-</u> | <u>-</u> | <u>(32,704)</u> |
| | <u>(3,700,943)</u> | <u>(9,219)</u> | <u>(10)</u> | <u>(34,631)</u> |

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (continued)
December 31, 2022
(Expressed in United States Dollars)

32. Financial instruments (continued)

(a) Financial risk management (continued):

(iii) Market risk (continued)

- *Foreign currency risk (continued):*

| | <u>The Company</u> | | | |
|-----------------------------|---------------------|----------------|--------------|--------------------|
| | <u>2022</u> | | | |
| | J\$ | € | £ | US\$ equivalent |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash and cash equivalents | 7,622,123 | - | - | 50,128 |
| Trade and other receivables | 24,707,578 | - | - | 162,494 |
| Accounts payable | (13,063,197) | (4,761) | (10) | (85,899) |
| Long-term loans | (17,595,348) | (3,879) | - | (119,931) |
| Customer deposits | <u>(7,059,789)</u> | <u>-</u> | <u>-</u> | <u>(46,430)</u> |
| | <u>(5,388,634)</u> | <u>(8,640)</u> | <u>(10)</u> | <u>(39,638)</u> |

| | <u>2021</u> | | | |
|-----------------------------|---------------------|----------------|--------------|--------------------|
| | J\$ | € | £ | US\$ equivalent |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash and cash equivalents | 6,009,316 | - | - | 38,748 |
| Trade and other receivables | 22,934,781 | - | - | 147,883 |
| Accounts payable | (9,148,282) | (5,340) | (10) | (65,091) |
| Long-term loans | (18,408,653) | (3,879) | - | (123,142) |
| Customer deposits | <u>(5,072,011)</u> | <u>-</u> | <u>-</u> | <u>(32,704)</u> |
| | <u>(3,684,849)</u> | <u>(9,219)</u> | <u>(10)</u> | <u>(34,306)</u> |

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (continued)
December 31, 2022
(Expressed in United States Dollars)

32. Financial instruments (continued)

(a) Financial risk management (continued):

(iii) Market risk (continued)

• *Foreign currency risk (continued):*

Sensitivity analysis:

A 4% (2021: 8%) strengthening of the United States dollar against the Jamaica dollar and the Euro would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

| | <u>The Group and Company</u> | | | |
|----------|------------------------------|-------------------------|------------------|-------------------------|
| | <u>2022</u> | | <u>2021</u> | |
| | Equity \$'000 | Profit/(loss) \$'000 | Equity \$'000 | Profit/(loss) \$'000 |
| J\$ | 1,363 | 1,363 | 1,760 | 1,760 |
| Euro (€) | <u>361</u> | <u>361</u> | <u>782</u> | <u>782</u> |
| Total | <u>1,724</u> | <u>1,724</u> | <u>2,542</u> | <u>2,542</u> |

A 1% (2021: 2%) weakening of the United States dollar against the Jamaica dollar and the Euro respectively, at year end would have the opposite effect, on the basis that all other variables remain constant.

| | <u>The Group and Company</u> | | | |
|----------|------------------------------|-------------------------|-------------------------|-------------------------|
| | <u>2022</u> | | <u>2021</u> | |
| | <u>Equity</u> \$'000 | <u>Profit</u> \$'000 | <u>Equity</u> \$'000 | <u>Profit</u> \$'000 |
| J\$ | (358) | (358) | (485) | (485) |
| Euro (€) | <u>(95)</u> | <u>(95)</u> | <u>(216)</u> | <u>(216)</u> |
| Total | <u>(453)</u> | <u>(453)</u> | <u>(701)</u> | <u>(701)</u> |

(b) Operational risk:

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes including regulatory risk, 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 behavior.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (continued)

December 31, 2022*(Expressed in United States Dollars)*32. Financial instruments (continued)

(b) Operational risk (continued):

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to its reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the Group.

(c) Capital management:

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To enable creditor and market confidence by maintaining an optimal capital structure
- To maintain a strong capital base to support the development of its business and compliance with loan covenants; and
- To comply with the operational requirements set by the regulators.

The Group monitors capital on the basis of debt to equity which is calculated as long-term debt divided by shareholders' equity.

There were no changes in the Group's approach to capital management during the year.

(d) Fair value disclosure:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis or other valuation models. Management assessed that the carrying amounts of cash and cash equivalents, accounts receivable, related party balances, bank overdraft, accounts payable and short-term loan approximate their fair values largely due to the short-term maturities of these instruments. Additionally, the cost of all monetary assets and liabilities has been appropriately adjusted to reflect estimated losses on realization or discounts on settlement.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (continued)

December 31, 2022

(Expressed in United States Dollars)

32. Financial instruments (continued)

(d) Fair value disclosure (continued):

The fair value of customer deposits and refundable customer advances cannot practically be determined, as payment dates and amounts are not determinable.

Long-term loans and preference shares are valued using the following techniques:

- Obtain bid yield from yield curve provided by a recognised pricing source (which uses market-supplied indicative bids).
- Using this yield, determine price using discounted cash flow.
- Apply quoted price to estimate fair value.

Set out below is a comparison of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

| | <u>The Group and Company</u> | | | |
|------------------------|--------------------------------------|---------------------------------|--------------------------------------|---------------------------------|
| | <u>2022</u> | | <u>2021</u> | |
| | <u>Carrying amount</u> \$'000 | <u>Fair value</u> \$'000 | <u>Carrying amount</u> \$'000 | <u>Fair value</u> \$'000 |
| Financial liabilities: | | | | |
| Preference shares | 24,688 | 48,445 | 24,688 | 30,960 |
| Long term loans | <u>371,492</u> | <u>433,457</u> | <u>401,397</u> | <u>487,145</u> |

The following table provides the fair value measurement hierarchy of the Group's liabilities.

| | <u>The Group and Company</u> | | |
|--|------------------------------|--------------------------|------------------------|
| | <u>2022</u> | | |
| | <u>Level 1</u> \$'000 | <u>Level 2</u> \$'000 | <u>Total</u> \$'000 |
| Liabilities for which fair values are disclosed: | | | |
| Preference shares | (48,445) | - | (48,445) |
| Long term loans | <u>-</u> | <u>(433,457)</u> | <u>(433,457)</u> |
| | <u>(48,445)</u> | <u>(433,457)</u> | <u>481,902</u> |

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (continued)

December 31, 2022*(Expressed in United States Dollars)*32. Financial instruments (continued)

(d) Fair value disclosure (continued):

| | <u>The Group and Company</u> | | |
|--|------------------------------|--------------------------|------------------------|
| | <u>2021</u> | | |
| | <u>Level 1</u> \$'000 | <u>Level 2</u> \$'000 | <u>Total</u> \$'000 |
| Liabilities for which fair values are disclosed: | | | |
| Preference shares | (30,960) | - | (30,960) |
| Long term loans | <u>-</u> | (487,145) | (487,145) |
| | <u>(30,960)</u> | <u>(487,145)</u> | <u>(518,105)</u> |

33. Reclassifications

For the purpose of presentation, in the statement of cash flows, the Group has reclassified the following comparative figures for the year ended December 31, 2021:

Interest and dividend payments, previously combined as “interest and dividend paid” (Group:\$92,051,000 and Company:\$92,050,000) are presented separately in financing activities.

- Net foreign exchange difference related to cash and cash equivalents (both Group and Company \$3,407), previously presented within operating activities is now reported as part of the reconciliation of cash and cash equivalents at the beginning and the end of the period.

The above reclassifications did not result in any change in prior year’s reported profit, equity or statement of financial position.