



# 2019

**JPS**

ANNUAL REPORT



**POWERING WHAT MATTERS**

Through inspired and committed employees, and innovative technologies, we deliver an energy solution to empower every Jamaican, fuel the growth of businesses, and support national development.

**JPS**

# VISION

We are the people leading the energy revolution, unleashing Jamaica's growth and prosperity.

# MISSION

Through inspired and committed employees, and innovative technologies, we deliver an energy solution to empower every Jamaican, fuel the growth of businesses, and support national development.

# CORE VALUES

Accountability

Safety

Passion

Integrity

Respect

Excellence

# CORPORATE PROFILE

Jamaica Public Service Company Limited (JPS) is an integrated electric utility company and the sole distributor of electricity in Jamaica. The Group is engaged in the generation, transmission, supply and distribution of electricity, and also purchases power from a number of Independent Power Producers (IPPs).

Marubeni Corporation of Japan and Korea East-West Power (EWP) jointly own majority shares (80%) in JPS through their respective subsidiaries: MaruEnergy JPSCO I, SRL and EWP (Barbados) 1 SRL. The Government of Jamaica and a small group of minority shareholders own the remaining shares.

In 2019, JPS incorporated a new subsidiary, Caribbean Blue Skies Energy (CBSE) Limited, an entity that provides Operating and Maintenance and other services. Through its subsidiary, South Jamaica Energy Holdings Limited, the JPS Group holds investments in other projects. The Group currently owns and operates four power stations, nine hydroelectric plants, and one wind power facility.


The JPS team of approximately 1600 members serves over 650,000 customers who fall in the main categories: Residential, Small Commercial, Large Commercial, and Industrial.

Along with the provision of electricity, JPS is a key partner in national development. The JPS Group has a vibrant corporate social responsibility portfolio and makes significant contributions in the areas of education and youth development. The Group also has a strong safety and environmental focus and pursues a strategy of fuel diversification for clean energy production.



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**Seiji  
Kawamura**  
Chairman of the Board

# CHAIRMAN'S STATEMENT

T O S H A R E H O L D E R S

As I end my tenure as Chairman of JPS, my thoughts are reflective of 2019, acutely aware of the present and filled with great anticipation for a new future for JPS.

Governments, businesses, families, in Jamaica and across the world are currently focused on managing the devastating effects of the corona virus, COVID-19. Its impact on healthcare systems and the economy is getting more and more severe. This is the challenge of our lifetime, and I am filled with pride at the way the teams at JPS are rising to meet this challenge.

We are reaching out to assist the most vulnerable customers to make it easier for them at this time, while quality and reliability of our service is not compromised. I truly believe that this crisis has caused JPS to elevate to its finest hour and demonstrate to all that this is a company that cares.

## 2019

JPS had major challenges meeting its budgeted net profits in 2019. We are filled with gratitude that, despite the challenges, we were able to bring major new capital projects to life. Indeed, the present state of the world teaches us not to take anything for granted.

Our performance in 2019 was affected by two main factors:

- The delay experienced with the Office of Utilities Regulation (OUR) setting forth criteria that impacted JPS' Rate Case submission and actual rate adjustment to allow recovery of re-investment to the grid in the last five (5) years.
- The delay in the commissioning of South Jamaica Power Company, which gave JPS an additional financial burden.

Our financial position has been relatively stable in the past three (3) years, despite challenges with foreign exchange and serious limitations on local access to mechanisms that allow us to consistently access commodities, primarily fuel, at best prices.

### **Digitalization**

We have made certain progress in this area, with 50% of our customer base now covered with smart meters. The transformation has started. With greater use of technology, meter-to-bill process is being streamlined with much greater precision. JPS will go even further and get more customers to do transactions remotely, for example, checking and paying bills by smart phone app, to substantially improve customer experience, which also enhances our overall meter-to-cash cycle. Smarter technology will also allow customers to monitor their homes, manage businesses, adjust usage and control bills. Smart meters are ushering in a new era in customer empowerment.

### **Decarbonization**

The commissioning of the Hybrid Energy Storage System (HESS) in 2019 plays an important role in helping the country to meet its renewables penetration target. The storage provides back-up capacity, filling in when intermittent renewables drop power production in a matter of milliseconds. Without storage, the national renewables target could not be met. We recognize that more investment in storage would be needed in coming years, and JPS shall stand ready for it.

### **Decentralization**

JPS entered into an arrangement with a large industrial customer by locating new grid-tied generation adjacent to the customer's production site and also providing steam from waste heat with competitive cost. Such mutually beneficial arrangements also strengthen agility and reliability of our grid in case natural disaster hits the island. Such initiatives would be further pursued whenever similar opportunities arise.

### **Taxes and Regulation**

We continue our conversations with the Government of Jamaica about tax reform. While JPS touches the life of everyone in Jamaica, it is levied with a high corporate income tax rate that forms part of the electricity bill. This needs to be addressed. It is an important change that must be made as quickly as possible so that we can create an environment for lowering the cost of energy for homes and businesses.

The major economic boost that low cost energy will bring to Jamaica cannot be overstated, and we are resolute that JPS must have a path to operate that is good for our residential customers, good for business customers, and good for Jamaica. Electricity is essential for enjoying a good quality of life and improving Jamaica's standard of living. We believe it must be accessible and affordable to all.

### **Powering The Future**

As I look to the future, I see a JPS business that has shifted from a traditional utility company - to a technology driven company that provides, many electricity services which improve customers lives. Our business model must reshape to deal with some core new realities.

We started reviewing business processes and the organizational structure to deal with the new environment where technology enhances certain parts of businesses. This will enable our talented employees to focus more towards value creating activities, including quantum leap of our customer experience online and redesign access to our offices and

**ELECTRICITY IS  
ESSENTIAL FOR  
ENJOYING A GOOD  
QUALITY OF LIFE AND  
IMPROVING JAMAICA'S  
STANDARD OF LIVING**



payment centers, as well as identifying untouched growth areas. JPS must lead this shift in our market. To do this, we will recruit and retain top talent, and invest in the development of our people.

**Fast track Innovation**

I am excited about a future with JPS leading the roll out of the Electric Vehicle charging station network in Jamaica. We will fast track other innovations and bring new products to market, changing the experience for customers.

JPS Smart Homes, JPS Smart Enterprise and JPS Smart Auto Electric Vehicles are the three major product suites that we envision to execute in short order.

JPS online technology will deliver interconnections through the Internet of things, where home/office appliances talk to meters, meters speak to the grid, and our system operation center optimizes the selection of generation units and distribution routes of electricity on the fly on a highly efficient basis, which also reduces fuel cost and system loss.



**SMARTER TECHNOLOGY WILL ALLOW CUSTOMERS TO MONITOR THEIR HOMES, MANAGE BUSINESSES, ADJUST USAGE AND CONTROL BILLS.**

In closing, I would like to thank the people of Jamaica, who give us the opportunity to serve them. I would like to thank the Board and Management team of JPS, who show up every day to make it all happen. My deepest thanks go out to all our dedicated team members.

We will do more, to ensure Jamaica is the shining light of powered technology across Latin America and the Caribbean. There is more to come, as JPS powers the future of Jamaica.

Onward and Upward Jamaica

Sincerely

**Seiji Kawamura**

Chairman of the Board

Jamaica Public Service Company Limited (JPS)

# BOARD OF DIRECTORS



**Bok Hoa  
Jeong**

*Appointed Director effective  
April 7 & Chairman effective  
April 8, 2020*

**Seiji  
Kawamura**

*Resigned as Chairman  
effective April 7, 2020*



**Suzette  
Buchanan**



**Fitzroy  
Vidal**



**Hon. Charles  
Johnston, C.D**

**Dong Uk  
Kim**



**Minna  
Israel**





# BOARD OF DIRECTORS CONT'D

<p><b>Colin Williams</b></p>		<p><b>Mohamed Majeed</b> Appointed Director - March 26, 2020</p>	
	<p><b>Kengo Aoki</b> Appointed Alternate Director - March 26, 2020</p>		<p><b>Shogo Otani</b> Appointed Alternate Director - March 26, 2020</p>
<p><b>Hyun Woo Kim</b> Appointed Alternate Director - April 7, 2020</p>		<p><b>Hyung Chae Yang</b> Appointed Alternate Director - April 7, 2020</p>	
	<p><b>Masao Imazato</b> Resigned as Director - MaruEnergy JPSCO 1, SRL effective March 25, 2020</p>		<p><b>Ha Kyoung Song</b> Resigned as Director - EWP (Barbados) 1, SRL effective April 6, 2020</p>

# EXECUTIVE LEADERSHIP TEAM

**Emanuel DaRosa**  
President & CEO



**Gary Barrow**  
Chief Operating Officer



**Vernon Douglas**  
Chief Financial Officer



**Melanie Gilchrist**  
Senior VP Legal,  
General Counsel &  
Company Secretary

**Charmaine Heslop DaCosta**  
Senior VP,  
People Operations



**Blaine Jarrett**  
Senior VP,  
Energy Delivery



**Ramsay McDonald**  
Senior VP,  
Customer Services



**Joseph Williams**  
Senior VP,  
Generation



**Emanuel  
DaRosa**  
President & CEO

# MANAGEMENT DISCUSSION AND ANALYSIS

As part of its strategy to modernize Jamaica's electricity grid, in 2019 the JPS Group continued its aggressive capital investment plan. Approximately US\$106 million was invested in projects that will ultimately result in greater efficiency and improved service to our customers. The major achievements during the year include: the commissioning of Jamaica's first Hybrid Energy Storage System, the commissioning of the new 190MW power plant through South Jamaica Power Company Limited, and the deployment of 120,000 smart meters. In addition, JPS built a new substation to support the transmission of power into one of its main load centres, and implemented several reliability enhancement projects, which contributed to an overall improvement in customer satisfaction.

## Results of Operations

The consolidated results for JPS reflected positive gains during 2019, primarily as a result of the profits earned from its associated company, South Jamaica Power Company Limited (SJPC), which were offset by additional costs recorded due to the impact of the application of a new accounting standard, IFRS 16 – Leases.

Our operating revenues totaled US\$881.2 million or 3% less than the previous year. The decrease was primarily due to a reduction in fuel and gas costs recovered from customers, caused by the decrease in oil and gas prices over the year.

In addition to the reduction in fuel and gas costs, Cost of Sales were further reduced by US\$21 million in relation to costs associated with Power Purchase Agreements, as a result of the application of IFRS 16. The standard considers certain Power Purchase Agreements to be leases and therefore necessitated an adjustment to how these agreements have been treated in the past. Cost of Sales was US\$574.9 million which was US\$44.6 million or 7% less than the previous year.


Operating expenses (including impairment losses on Receivables) increased by US\$11.5 million over the previous year to US\$222.6 million, primarily as a result of additional depreciation charges on Right of Use assets created on the application of IFRS 16.

The Group was able to take advantage of the reduction in interest rates in the market and successfully refinanced US\$180 million of its debt portfolio. This refinancing will allow the Group to benefit from lower interest costs in the long run and facilitate greater matching of its foreign currency assets and liabilities.

These savings, however, were offset by additional interest incurred primarily as a result of the application of IFRS 16 as well as increased foreign currency losses due to fluctuation in the J\$:US\$ exchange rates. This resulted in an increase in net finance costs of US\$55.5 million, compared to US\$35.8 million in the prior year.

The Group posted an overall net profit after tax of US\$46 million for the year, which as a percentage of US\$483 million in total equity represents a return on equity of some 9.5%, compared to approximately 6.9% for the previous year. The associated company, SJPC, completed construction of its power plant during the year and was able to commence operations in December 2019. As a result, the Group was able to benefit from a share of SJPC's results of approximately US\$22.9 million. The net profit of JPS standing alone however was US\$23.1 million representing a 26% decline in the company's performance over the prior year .

The Group continued to make significant capital investments (US\$106 million) in key areas of our operation, with a major focus being on grid modernization projects aimed at delivering both greater efficiency as well as improved system reliability for our customers.



**THIS HAS RESULTED IN AN  
OVERALL NET PROFIT AFTER  
TAX OF US\$46 MILLION FOR  
THE YEAR, WHICH AS A  
PERCENTAGE OF US\$483  
MILLION IN TOTAL EQUITY  
REPRESENTS A RETURN ON  
EQUITY OF SOME 9.5%**



#### **Cash Flow**

The Group continued its focus on overall cash and working capital management, which had commenced the previous year. Cash generated from operations were US\$150.8 million versus US\$180.6 million for 2018, primarily as a result of the timely settlement of a variety of key vendor balances.

The Group was able to reduce its cash used in investing activities from US\$132.6 million in the prior year to US\$109.8 million in 2019, due primarily to the completion of the SJPC plant at Old Harbour. Net cash used in financing activities increased from US\$30 million to US\$33.3 million, primarily due to additional lease liabilities recorded during the year as a result of IFRS 16 and costs associated with the refinancing of US\$180 million of the Group's debt portfolio. These activities resulted in an overall increase in cash at the end of the year at US\$35 million compared with US\$27.2 million in 2018.

#### **Balance Sheet**

The Group's total assets of US\$1.4 billion grew 18% from US\$1.2 billion the previous year, mainly reflecting an increase in the value of associated company, South Jamaica Power Company Limited, of US\$32 million, as well as the recognition of US\$132 million in leased assets (due to the application of the new accounting standard, IFRS 16). A corresponding increase to US\$871 million was also experienced in total liabilities over the prior year due to the impact of IFRS 16 as noted above. We continue to maintain an adequate working capital ratio at 1.2 times, with our current assets covering current liabilities. Due to the performance of the Group, Shareholder's equity grew by 10% to US\$483 million, which allowed for the declaration of a dividend of US\$10 million to our ordinary shareholders.



# RISK MANAGEMENT

JPS has a risk management framework to monitor, evaluate and manage the principal risks assumed in conducting its activities, which include credit, liquidity, market and operational risks. Risk is managed through a framework of principles, organizational structures, and risk measurement and monitoring activities that are aligned to the Company's activities.

The Board of Directors, in managing the business of the Company, 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 adhere 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.

  
**Emanuel DaRosa**  
President & CEO



**The official commissioning of JPS' 24.5 MW Hybrid Energy Storage System (HESS),** which was the first of its kind in the Caribbean and the largest Battery – Flywheel Hybrid in the world at the time of commissioning. The HESS supports Jamaica's Vision 2030 renewable energy goal, by mitigating the impact of increasing renewables to the National Grid. The storage system responds automatically to the sudden reduction in grid power, caused by loss of renewable or thermal generation, to prevent potentially over 60,000 JPS customers experiencing disruptions. It also helps to smooth the rapid varying output of renewable generation and regulate grid voltage.



# COMMUNITY HIGHLIGHTS

1. JPS VOLTS, LeVar Allen helps a parent to select a book as part of back-to-school preparations.
2. Young students and JPS Team Members at the JPS Foundation Back-to-School Fair.
3. Snr. Vice President, Customer Services, Ramsay McDonald, presents a token to St. George's College, HOD for Industrial Arts, Khaldun Rogers, at the JPS Foundation's Top CSEC Awards.
4. Members of the JPS Energy Club at Fern Court High School, enjoy a tree planting exercise.
5. JPS VOLTS, including President & CEO, Emanuel DaRosa (left) pause for the lens during International Coastal Clean-up Day.

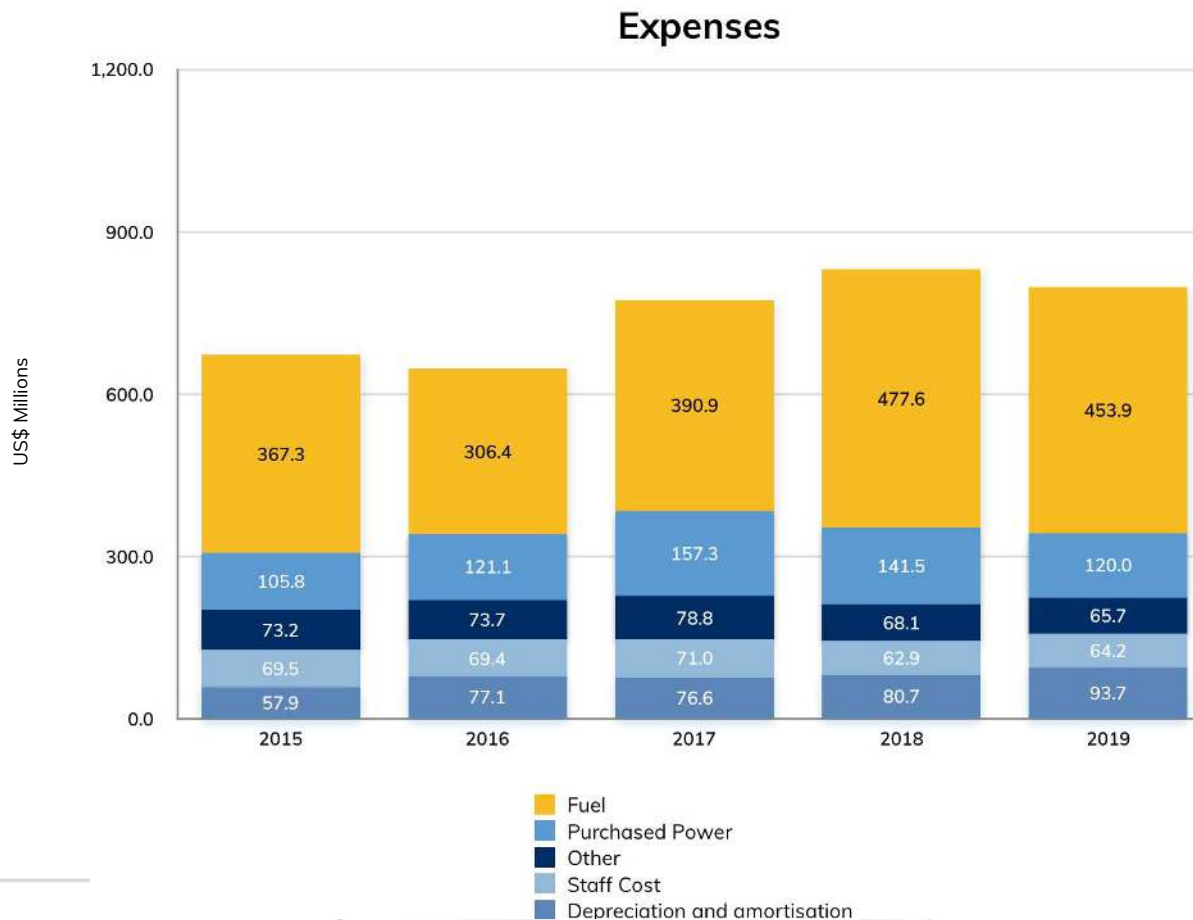
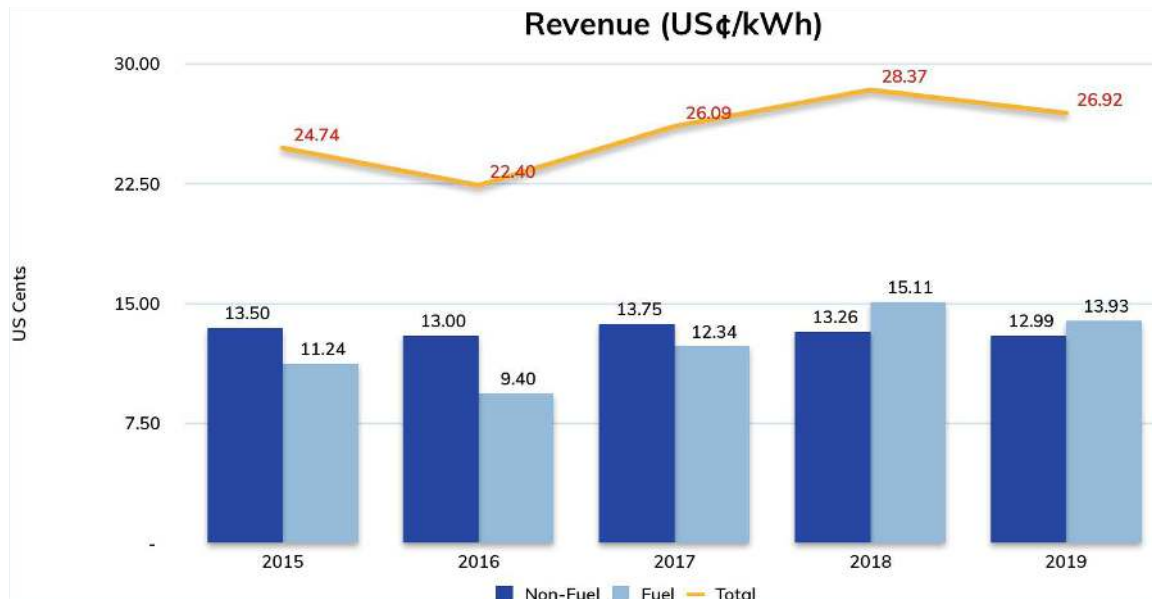




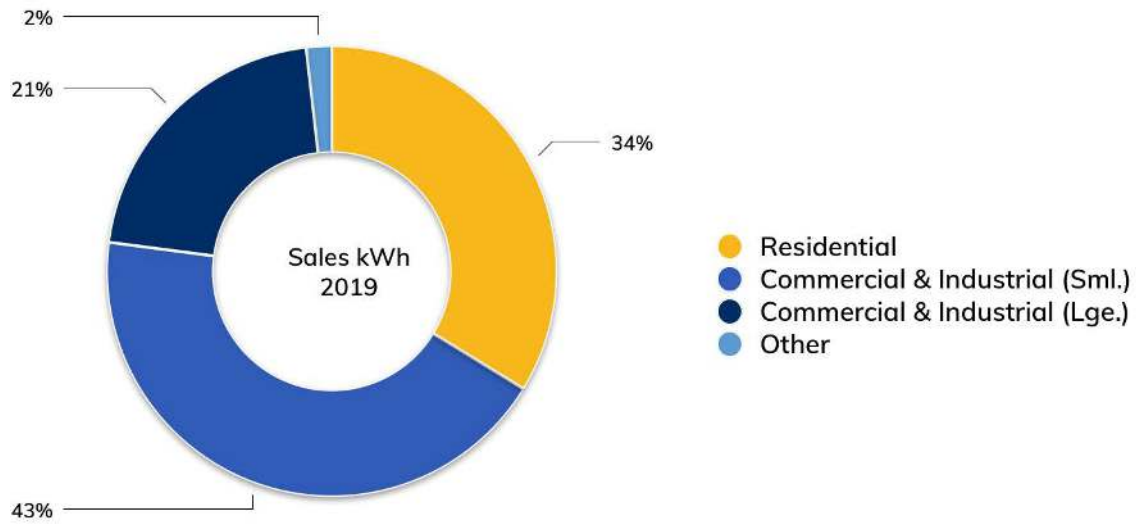
# OPERATIONAL STATISTICS

	Dec-31-19	Dec-31-18	Dec-31-17	Dec-31-16	Dec-31-15
<b>OPERATING REVENUES (\$000's)</b>					
Residential	319,451	338,772	317,205	283,459	286,954
Commercial & Industrial (Sml.)	393,331	393,306	363,187	304,727	335,472
Commercial & Industrial (Lge.)	148,213	154,431	134,104	104,136	115,543
Other	20,158	21,745	22,373	20,212	21,850
<b>TOTAL</b>	<b>881,153</b>	<b>908,254</b>	<b>836,869</b>	<b>712,534</b>	<b>759,819</b>
<b>AVERAGE NO. OF CUSTOMERS</b>					
Residential	594,567	587,592	574,458	564,242	536,462
Commercial & Industrial (Sml.)	70,313	69,750	67,874	66,750	62,517
Commercial & Industrial (Lge.)	170	169	162	157	150
Other	482	486	450	419	401
<b>TOTAL</b>	<b>665,532</b>	<b>657,997</b>	<b>642,944</b>	<b>631,568</b>	<b>599,530</b>
<b>NET GENERATION AND PURCHASES (MWh)</b>					
Steam & Slow Speed Diesel	1,229,418	1,354,599	1,466,690	1,668,268	1,530,023
Hydro	155,212	179,153	156,754	118,893	128,951
Gas Turbines	239,150	124,818	91,897	64,386	64,655
Combined Cycle Plant	815,713	901,834	820,466	705,634	806,279
Purchases	1,990,338	1,795,132	1,827,273	1,792,097	1,679,413
<b>TOTAL</b>	<b>4,429,831</b>	<b>4,355,536</b>	<b>4,363,079</b>	<b>4,349,278</b>	<b>4,209,321</b>
Losses & Unaccounted for (MWh)	1,156,503	1,153,885	1,155,940	1,169,970	1,137,973
Systems losses as a percentage of Net Generation	26.1%	26.5%	26.5%	26.9%	27.0%
Heat Rate JPS Thermal (Kj/kWh)	11,317	11,221	11,330	11,571	11,333
<b>ENERGY SALES (MWH)</b>					
Residential	1,099,666	1,062,732	1,068,594	1,077,148	1,016,428
Commercial & Industrial (Sml.)	1,426,194	1,394,572	1,381,376	1,380,791	1,360,131
Commercial & Industrial (Lge.)	688,076	682,132	646,669	625,219	602,618
Other	59,392	62,214	110,500	96,150	92,172
<b>TOTAL</b>	<b>3,273,328</b>	<b>3,201,650</b>	<b>3,207,139</b>	<b>3,179,308</b>	<b>3,071,349</b>
<b>AVERAGE USE OF REVENUE per residential customer</b>					
Annualized kWh Consumption/Customer	1,850	1,809	1,860	1,909	1,895
Annualized Revenues/Customer	537	577	552	502	535
U.S Dollars per kWh	0.3	0.3	0.3	0.3	0.3
Average billing exchange rate for period	134.02	129.30	128.57	125.10	117.00
U.S. Cents per kWh	29.05	31.88	29.68	26.32	28.23

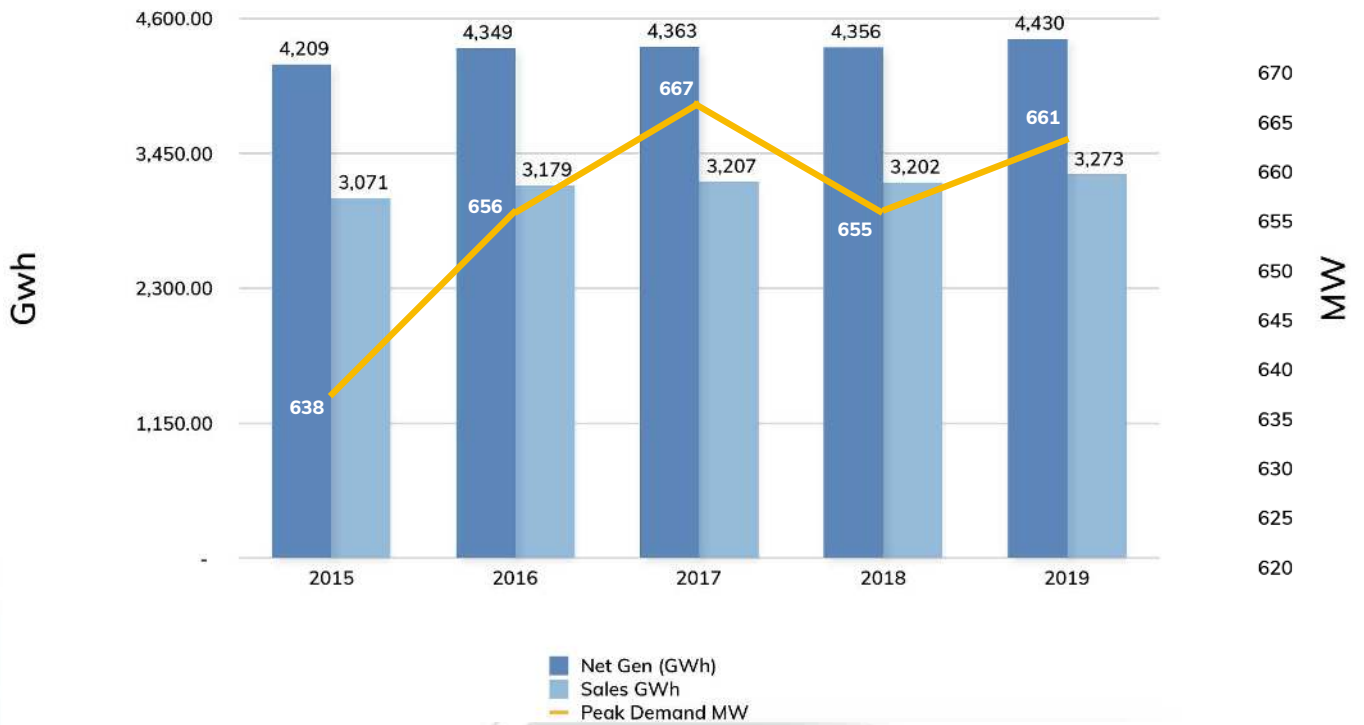
# KEY PERFORMANCE INDICATORS



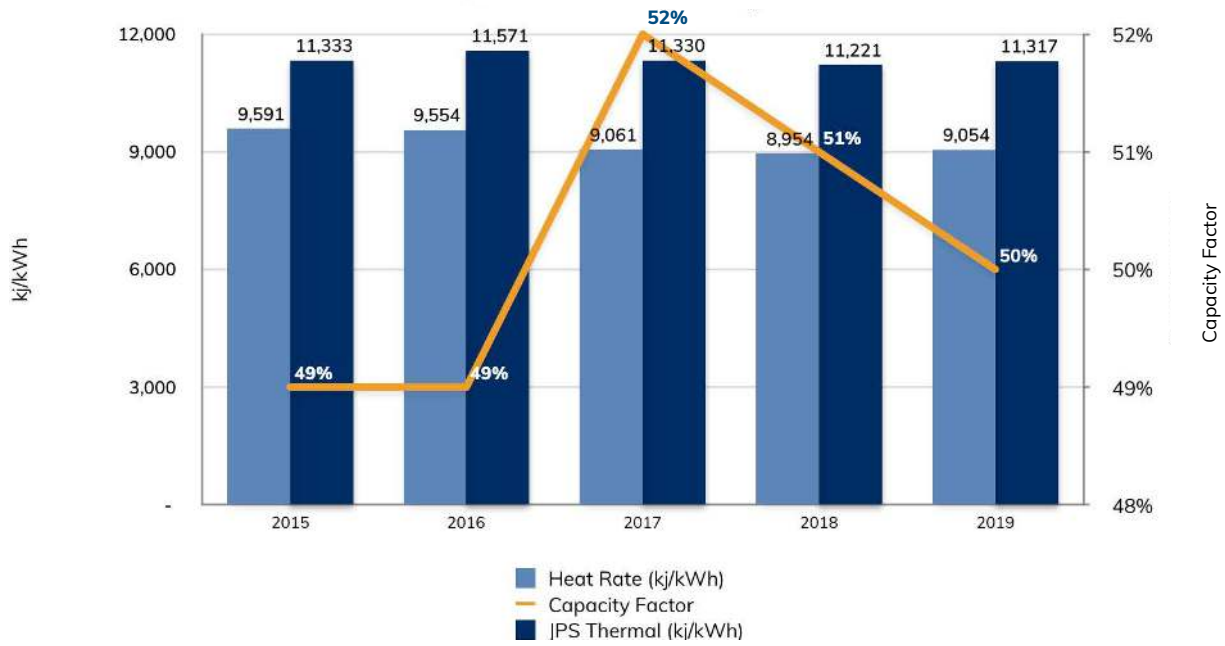
# Sales



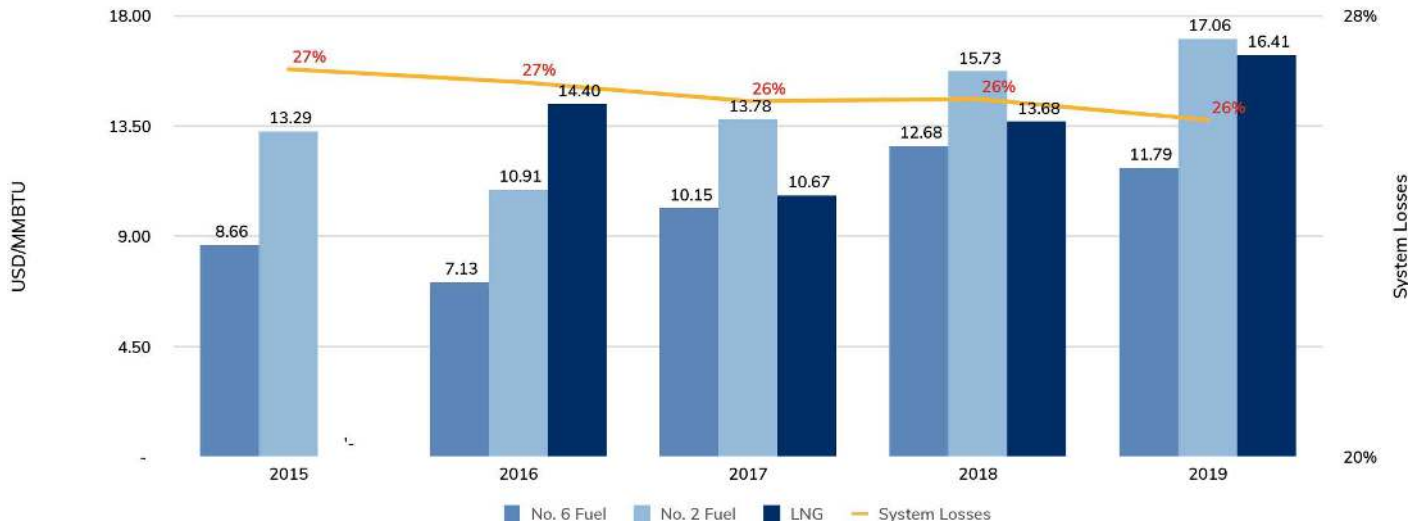
# Electricity Demand



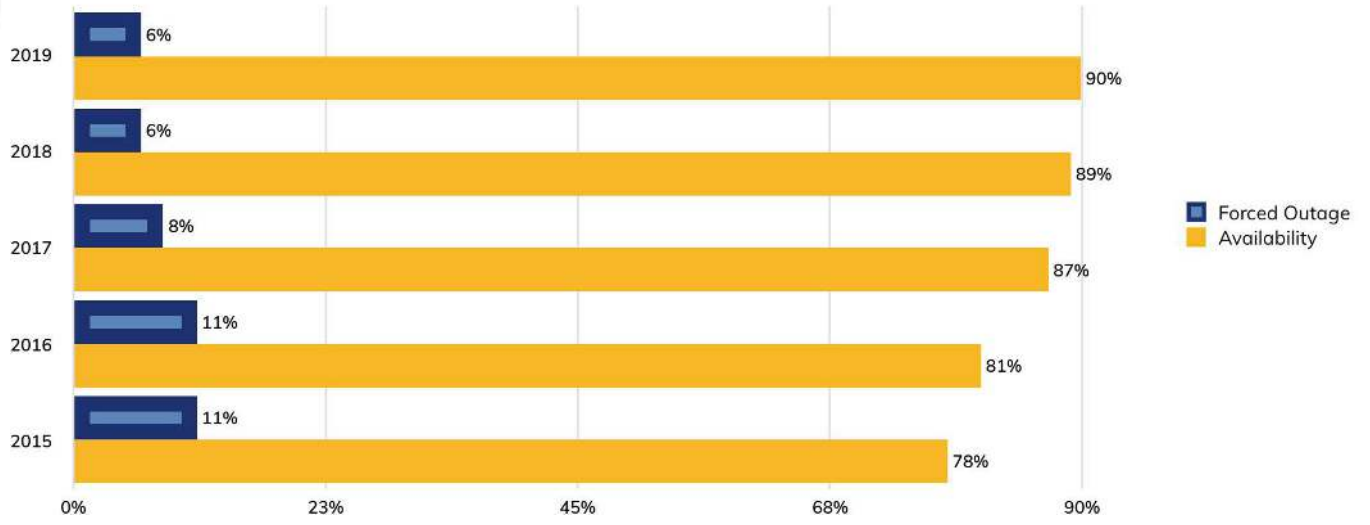
## Heat Rate & Capacity Factor



## Fuel Price & System Losses



## Availability & Forced Outage Factor



# DIRECTORS' REPORT

The Directors of the Jamaica Public Service Company Limited submit herewith their Annual Report with the Audited Financial Statements for the year ended December 31, 2019:

	The Company		The Group	
	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2019	Year ended December 31, 2018
	US\$'000	US\$'000	US\$'000	US\$'000
<b>OPERATING REVENUES</b>				
Profit before Taxation	26,698	39,886	49,596	39,469
Taxation	(3,555)	(8,848)	(3,555)	(8,848)
Net Profit attributable to shareholders	23,143	31,038	46,041	30,621
<b>Dividends on Preference Shares:</b>				
- Classes 'B' through 'E'	1.3	1.3	1.3	1.3
- Class 'F'	2,333	2,333	2,333	2,333
Dividends on Ordinary Shares	10,000	10,000	10,000	10,000



THE DIRECTORS WISH  
TO THANK THE  
MANAGEMENT AND  
STAFF OF THE  
COMPANY FOR THEIR  
PERFORMANCE  
DURING THE YEAR  
UNDER REVIEW.

**Dividends:**

The dividends for the year on the preference shares for Classes B-E have been paid in full; dividends for the Class F preference shares have all been paid in full except for the fourth (4th) quarter of 2019; Dividends were declared and are unpaid on the ordinary stocks and shares for the year 2019.

**Auditors:**

In accordance with Section 154 of the Companies Act, a resolution proposing the appointment of the Auditors and for the Directors to fix the Auditors' remuneration will be put to the Annual General Meeting.

**Directors:**

In accordance with Articles 62, 86 and 123 of the Company's Articles of Incorporation, Messrs. Bok Hoa Jeong, Mohamed Majeed, Hyung Chae Yang, Kengo Aoki, Shogo Otani and Hyun Woo Kim, having been appointed to the Board since the last Annual General Meeting shall cease to hold office and being eligible, offer themselves for election. In addition, in accordance with Articles 117 and 119 of the Company's Articles of Incorporation, Director Seiji Kawamura, Suzette Buchanan, and Colin Williams having been appointed to the Board shall cease to hold office and being eligible, offer themselves for re-election.

The Directors wish to thank the Management and staff of the Company for their performance during the year under review.



Commissioning of SJPC Power Plant

# CORPORATE DATA

Registrar	Registered Office
Cumulative Preference Shares and Ordinary Stock & Shares Jamaica Central Securities Depository Limited 40 Harbour Street Kingston Jamaica WI	6 Knutsford Boulevard Kingston 5 Jamaica WI

Auditors
KPMG 6 Duke Street Kingston Jamaica WI

Attorneys-at-Law	Attorneys-at-Law
Nunes Scholefield Deleon & Co. Attorneys-at-Law 6a Holborn Road Kingston 5	Livingston Alexander & Levy Attorneys-at-Law 72 Harbour Street Kingston
Symone Mayhew Attorney-at-Law 17 Herb McKinley Drive Kingston 6	Clinton Hart & Co Attorneys-at-Law 58 Duke Street Kingston
Hart Muirhead Fatta Attorneys-at-Law 53 Knutsford Boulevard Kingston 5	Hylton Powell Attorneys-at-Law 11a Oxford Road Kingston 5

Bankers	Bankers
Bank of Nova Scotia Jamaica Limited ScotiaBank Centre Cnr Duke & Pt Royal Streets Kingston, Jamaica WI	National Commercial Bank Jamaica Limited 3rd Floor, 32 Trafalgar Road Kingston 10, Jamaica WI
	Citibank , N.A. 63 Knutsford Boulevard Kingston 5

# CORPORATE DATA

## List of Directors who served for 2019

Seiji Kawamura-Chairman  
Ha Kyoung Song  
Hon. Charles Johnston, C.D.  
Dong Uk Kim  
Minna Israel  
Masao Imazato  
Fitzroy Vidal  
Suzette Buchanan  
Colin Williams  
Hyun Woo Kim (Alternate Director)  
Mohamed Majeed (Alternate Director)

## List of Directors for 2020

Seiji Kawamura - Chairmanship ended April 7, 2020  
Bok Hoa Jeong (appointed Director April 7 & Chairman effective April 8, 2020)  
Mohamed Majeed (Appointed Director March 26, 2020)  
Hon. Charles Johnston, C.D.  
Dong Uk Kim  
Minna Israel  
Fitzroy Vidal  
Suzette Buchanan  
Colin Williams  
Kengo Aoki (appointed Alternate Director effective March 26, 2020)  
Shogo Otani (appointed Alternate Director effective March 26, 2020)  
Hyun Woo Kim (appointed Alternate Director effective April 7, 2020)  
Hyung Chae Yang (appointed Alternate Director effective April 7, 2020)

## Resignations

Ha Kyoung Song-Director (resigned effective April 6, 2020)  
Masao Imazato-Director (resigned effective March 25, 2020)

# CORPORATE GOVERNANCE

Corporate governance provides a framework for efficient, transparent and accountable decision-making. The purpose of corporate governance is to facilitate effective and prudent management that can deliver the long-term success of the Company. The Jamaica Public Service Company Limited (the Company) places emphasis on balancing and reconciling divergent interests, strategic planning, succession planning, accessing capital, cultivating a positive company image in the community, and ensuring legal compliance. Good governance practices lead to long-term sustainability, improved operational performance, effective decision-making, improved oversight, monitoring and evaluation and ethical behaviour. The Board of Directors continue to improve its corporate governance practices in keeping with its commitment to good governance outlined in its Governance Charter and the Core Values, culture and business practices of the Company.

The Board of Directors is responsible for the governance of the organization and establishes and ensures effective implementation of structures, policies and procedures within which the business of the organization is conducted. The Directors are fully cognizant of their legal and corporate governance responsibilities and they undertake these with honesty, probity and integrity. The Board works together with Management to set a “tone at the top” that demonstrates the Company’s commitment to integrity and legal compliance. This tone lays the groundwork for a corporate culture that is

communicated to personnel at all levels of the organization. This is important especially as it pertains to doing the right thing in our business and ensuring compliance within the established governance structure. The Board, through its work and the work of its Committees, monitors and ensures the effectiveness of the Company’s corporate governance practices and approves changes, as needed.

Compliance is a key tenet of the Company’s strategic risk management framework. Risk management is the basis of any successful entity and is the foundation upon which the Company must continue to grow as a true first class corporate brand while fulfilling its Vision and Mission of providing a solution for every Jamaican for the growth and for powering the development of Jamaica. The Board oversees the process for identifying and managing the significant risks facing the Company. The Board and the Executive Leadership Team agree on the Company’s risk appetite, and the Board is comfortable that the strategic plans are consistent with the Company’s risk appetite. The Board has an established structure for overseeing risk, delegating responsibility to committees and overseeing the designation of senior management responsible for risk management. Management is responsible for the execution of an agreed upon strategy and for all operational matters. The Committees of the Board also provide technical oversight that supports Management.



The Company's Corporate Governance Framework is based on its constitutional documents and best practice. The Board, primarily through the Audit Committee, the Executive Leadership Team, and the Legal, Risk & Insurance Department works together to ensure that the Company's governance practices are consistent and compliant with all applicable legislation, standards and codes.

Our Corporate Governance Guidelines are available on our website at: [www.myjpsco.com](http://www.myjpsco.com)

#### **Board Purpose and Oversight Responsibility**

The Board works to achieve the purpose defined by the Company's vision, mission and value statements and is committed to and ultimately accountable for enhancing value to stakeholders by providing an advisory role in consultation with Management regarding the strategic and operational direction of the Company. In addition, the Board provides oversight in monitoring the Company's performance. The responsibilities of the Board are separate and distinct from those of Management and focuses on establishing strategies and structures that enable accountability to shareholders as well as responsibility to our stakeholders.

The Board meets at least once per quarter. However, special meetings are convened as required between scheduled meetings to deal with urgent and critical issues which may arise. In addition, members of the Board meet regularly with key members of the senior Management Team to consider critical financial issues and matters of strategic importance to the Company.

#### **Nomination, Appointment, Term, Election, Remuneration and Retirement of Directors**

There is an insistence on the importance of diversity on all Boards which is critical for good governance and performance. The heart of any Board lies in its composition as such a balance of differing backgrounds, skills and experience will enable deeper and richer discussions and bring appropriate expertise to the challenges faced by the Company. The Company is satisfied that the current slate of Directors have the appropriate skills, experience and capabilities to meet the challenges faced by the Company. The Company's Board consists of Directors who have diverse skillsets, strong experience and varied backgrounds which include local and international experience in engineering, finance and audit, strategic management, banking, human resources, education, and risk management. They are recognized as strong leaders in their respective fields of work. The Board makes its decision after robust discussions and careful deliberation of all relevant information.

In accordance with the Company's Articles of Incorporation, the Board is comprised of nine (9) directors and two (2) alternate directors and is chaired by Mr. Seiji Kawamura, a representative from one of our majority shareholders, MaruEnergy JPSCO I, SRL. Four (4) of our nine (9) directors are independent of the Company. There are no Executive Directors on the Board of the Company. The Board is represented as follows, in keeping with the Articles of Incorporation:

- Three (3) directors nominated by MaruEnergy JPSCO I, SRL;
- Three (3) directors nominated by EWP (Barbados) 1, SRL; and
- Three (3) directors nominated by the Government of Jamaica.

**RISK MANAGEMENT IS  
THE BASIS OF ANY  
SUCCESSFUL ENTITY  
AND IS THE  
FOUNDATION UPON  
WHICH THE COMPANY  
MUST CONTINUE TO  
GROW AS A TRUE FIRST  
CLASS CORPORATE  
BRAND**

**BOARD OF DIRECTORS AS AT DECEMBER 31, 2019**

NAME OF DIRECTORS	STATUS	NO. OF BOARD MEETINGS HELD	NO. OF BOARD MEETINGS ATTENDED
Seiji Kawamura (Chairman)	NI*	5	5
Ha Kyoung Song	NI	5	5
Masao Imazato	NI	5	2
Minna Israel	I**	5	5
Colin Williams	I	5	5
Suzette Buchanan	I	5	5
Charles Johnston	I	5	5
Fitzroy Vidal	NI	5	5
Dong Uk Kim	NI	5	5
Mohamed Majeed (Alternate Director)	NI	5	5
Hyun Woo Kim (Alternate Director)	NI	5	5

*Non-independent (NI)\*  
Independent (I)\*\**

**Code of Ethics and Business Conduct & Conflicts of Interest**

The Company is committed to ensuring sound business conduct and our success is always dependent on the trust and confidence we earn from our employees, customers, stakeholders and shareholders. As a commitment to being a going concern and having continued viability, the Company has a Code of Ethics and Business Conduct for its directors, employees, and service providers, which incorporates our Core Values, legal compliance obligations, privacy and confidentiality. The Code is supported by our many policies and practices and is intended to help Directors and staff understand their responsibility to uphold Values, and standards of ethical behaviour of the Company.

In adherence to the Company's Articles of Incorporation and various statutory requirements on the disclosure of Directors' interest as well as the Company's Code of Ethics, members of the Board who have interest in proposals being considered by the Board, including where such interest arises through close family members, must make a declaration to that effect. Directors have the same obligation as employees to abide by all tenets of the Company's Code of Ethics. All employees, directors and service providers strive to avoid any conflict of interest between the interests of the Company on the one hand, and personal, professional, and business interests on the other. This includes avoiding actual conflicts of interest as well as the perception of conflicts of interest.



# COMMITTEES OF THE BOARD

## Audit Committee

The Audit Committee is one of the main pillars of the corporate governance system in our Company. Charged with the principal oversight of financial reporting and disclosure, the Audit Committee aims to enhance the confidence in the integrity of the Company's financial reports and announcements, the internal control processes and procedures and the risk management systems. The primary responsibilities of the Company's established and active Audit Committee are to assist the Board of Directors in carrying out its duties as they relate to the organization's accounting policies, internal controls, financial reporting practices and the risk management framework.

Other invitees to the Committee's meeting include:

- Mr. Seiji Kawamura – JPS Board Chairman
- Mr. Emanuel DaRosa – President & CEO
- Mr. Vernon Douglas - Chief Financial Officer
- Mr. Leroy Wilson – Acting Head-Internal Audit
- Ms. Melanie Gilchrist– Company Secretary
- Ms. Kim Robinson – Assistant Company Secretary
- Other executives or managers as required
- Representatives of the Company's external auditor attend Committee meetings as needed.

The Charter of the Company's Audit Committee is reviewed from time to time and where appropriate may be revised and approved by the Board. The Committee has oversight responsibility for the Company specifically in relation to the following areas:

- The integrity of the financial reporting of the Company and associated system of internal controls and accounting policies;
- Ensuring compliance with legal and regulatory requirements, and governance of general internal controls and policies;
- The performance of the internal Audit and external auditors; and
- Risk management.

Prior to the adjournment of Audit Committee meetings, the Chair of the Committee has the option to meet independently with the Internal Auditors (Executive Session) to discuss any areas of concern.

The Audit Committee reviewed and recommended for approval (where relevant) the following items during the year:

- Management accounts for the Company
- Audited Financial Statements
- Engagement Letter of the External Auditors
- External Audit Fees
- Internal Audit Reports
- Examination Reports and Management Response
- Connected Party list and transactions
- Compliance Reports
- Management Letter from the External Auditor

Members of the Audit Committee as at December 31, 2019

Name	Status	No. of Meetings	Meetings Attended
Minna Israel (Chairperson)	I**	4	4
Ha Kyoung Song	NI*	4	3
Colin Williams	I	4	4

Non-independent (NI)\*  
Independent (I)\*\*

### Operations Committee

The Operations Committee's responsibility is to assist the Board of Directors in the performance of its functions to provide technical advice and strategic guidance to Management with respect to the day-to-day operations of the Company subject to, of course, the powers, authority, direction and control of the Board.

The establishment of the Operations Committee is consistent with the requirements of Company's Articles of Incorporation. This is an efficient approach to the conduct of business as it facilitates a thorough examination of essential details by the Committee, who can then effectively address critical operational issues that may arise at Board meetings.

Other invitees to Committee meetings include:

- Mr. Emanuel DaRosa – President & CEO
- Ms. Melanie Gilchrist<sup>1</sup> – Company Secretary
- Kim Robinson – Assistant Company Secretary
- Members of the Executive Leadership Team

### Members of the Operations Committee as at December 31, 2019

Name	Status	No. of Meetings Held	No. of Meetings Attended
Seiji Kawamura	NI*	6	6
Ha Kyoung Song	NI	6	6
Fitzroy Vidal	NI	6	6
Mo Majeed	NI	6	6
Hyun Woo Kim	NI	6	6
Audley Darmand	I**	6	6

Non-independent (NI)\*  
Independent (I)\*\*



**JPS Lineman works on LED streetlight on Brunswick Ave in Spanish Town**

<sup>1</sup>Ms. Katherine P.C. Francis resigned as Company Secretary effective April 30, 2019 and Ms. Kim Robinson acted as Company Secretary for the period May 1, 2019 to October 31, 2019. Ms. Melanie Gilchrist was appointed Company Secretary November 1, 2019.



# CORPORATE COMPLIANCE

## CODE OF ETHICS AND BUSINESS CONDUCT

The Company has in place a Code of Ethics and Business Conduct, which guides employees in the right way to do business at the Company. It is a core component of the Company's Compliance Programme, which endeavours to ensure that employees work in accordance with principles of good corporate governance. The Code also specifically addresses the issues of sexual harassment, the Protected Disclosure or 'Whistle Blower' Legislation and the Company's attendant policies. In order to foster the confidence of its shareholders, employees, investors and the general public, it goes beyond the legal and regulatory framework in Jamaica and reflects internationally recognised principles and practices. In addition, the Company provides employees with a Code of Ethics & Business Conduct Questionnaire, which is completed by employees on a yearly basis and there is also a Declaration of Interest Form for persons to disclose any potential or actual conflict of interest. The Company periodically reviews and updates its Code of Conduct confirming its commitment to demonstrably lead and promote good corporate governance and the highest standards of ethical and business conduct.

The Board of Directors, the management and all employees of the Company are required to observe the Company's Code of Ethics and Business Conduct and in this regard, this culture is reinforced through the Annual Compliance and Ethics Questionnaire exercise, among other compliance activities.

The Code of Ethics and Business Conduct provides guidance on key topics of business ethics including but not limited to:

- Guidelines on how to avoid conflicts of interest
- Guidelines on how to conduct business honestly and with integrity
- Keeping the Company's transactions, communications and information accurate, confidential and secure and all customers' safe; and
- The need to treat persons fairly and equitably – whether customers, suppliers, employees or others who deal with the Company.

Although the Code provides standards of conduct for many situations, it does not cover all the possible situations that may arise. Accordingly, all stakeholders are expected to conduct themselves in accordance with their legal responsibilities and in a manner consistent with the spirit and letter of this Code and avoid even the perception of improper behaviour.

### Management

As it relates to the Management of the Company, the Majority Shareholders select the President & Chief Executive Officer in accordance with the Company's Articles of Incorporation and they conduct the performance review of the President. Members of the Management team are selected by the President & CEO in conjunction with the Board and persons with a high standard of expertise, integrity and significant experience in the particular area are sought and engaged.

# TEN LARGEST SHAREHOLDERS

A S A T D E C E M B E R 2 0 1 9

## JPS Preference B Shares (7%)

Rank	Name of Shareholder	No. of Units
1	Philip Harvey-Lewis	130,666
2	Security Brokers Limited	81,005
3	Everard Smith	79,585
4	Jamaica Mutual Life Assurance Company	16,567
5	Crown Life Insurance Company	10,000
6	John Headcock	7,410
7	National Utility Fund	5,600
8	Kimberly Burrowes	5,597
9	Estate George H Scott	5,000
10	Uranie Ferro	4,950

## JPS Preference C Shares (5%)

Rank	Name of Shareholder	No. of Units
1	Everard Smith	7,206
2	Security Brokers Limited	6,917
3	Philip Harvey-Lewis	6,728
4	Renata Headcock	4,460
5	Jamaica Mutual Life Assurance Company	3,610
6	Herma Sassoon (Deceased)	1,900
7	Uranie Ferro	1,800
8	Prudential Stockbrokers Ltd	1,628
9	Buck Security Brokers Ltd	1,566
10	Estate Cecily Howe	1,500

## JPS Preference D Shares (5%)

Rank	Name of Shareholder	No. of Units
1	Everard Smith	155,719
2	Philip Harvey-Lewis	82,817
3	Security Brokers Limited	64,470
4	Jamaica Mutual Life Assurance Society	52,795
5	Crown Life Insurance Company	20,000
6	Grethel Forrester-Benjamin	20,000
7	Prudential Stock Brokers Ltd	18,185
8	Ronald W. Kuper	13,600
9	Jamaica Mutual Life Assurance Society	9,605
10	Uranie Ferro	9,202

## JPS Preference E Shares (6%)

Rank	Name of Shareholder	No. of Units
1	Everard Smith	116,767
2	Security Brokers Ltd	30,000
3	Susan Headcock	30,000
4	Jamaica Mutual Life Assurance Society Staff S/A Fund	11,060
5	Field Nominees Limited	10,000
6	Jamaica Mutual Life Assurance Society	8,250
7	Estate Charles O. Edwards (Deceased)	5,000
8	Imperial Optical Company (WI) Ltd	5,000
9	Berkeley Properties Ltd	3,613
10	Winston G. Headcock	3,400

## JPS Preference F Shares (9.5%)

Rank	Name of Shareholder	No. of Units
1	National Insurance Fund	350,000
2	PAM- Pooled Equity Fund	271,450
3	GraceKennedy Pension Fund Custodian Ltd for GraceKennedy Pension Scheme	250,000
4	JPS Employees' Superannuation Fund	246,361
5	NCB Insurance Company Limited	149,900
6	Ideal Portfolio Services Company Limited	107,384
7	ATL Group Pension Fund Trustee Nominee	100,000
8	Sagicor Life Jamaica Limited	98,643
9	SJIML A/C 3119	98,137
10	Sagicor Pooled Foreign Currency Fund	78,914

## JPS Ordinary Stocks

Rank	Name of Shareholder	No. of Units
1	EWP (Barbados) 1, SRL	155,366,792
2	MaruEnergy JPSCO I, SRL	155,366,792
3	National Investment Bank of Jamaica Ltd	2,183,237
4	R.S Gamble and Son Ltd	108,139
5	Faith A. Myers	74,394
6	Melle Marguerite Simard (Deceased)	59,514
7	Frank Renfrette	45,462
8	John George	43,396
9	Agnes Theresa Fong Yee	31,410
10	Renee Rosier Joel	29,757

## JPS Ordinary Shares

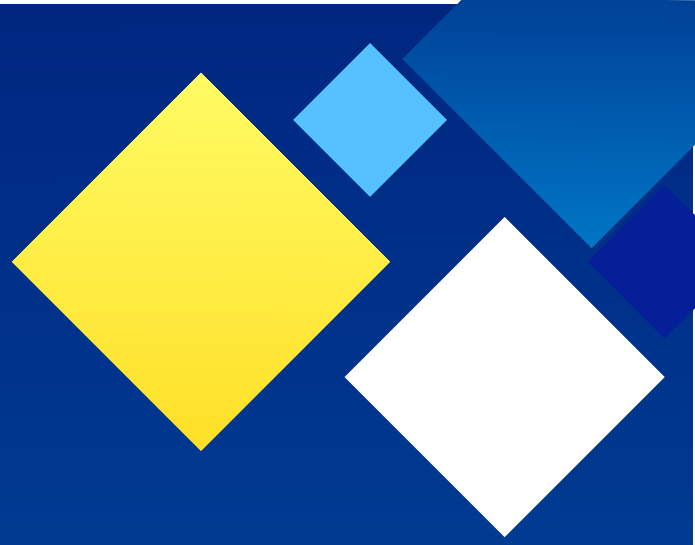
Rank	Name of Shareholder	No. of Units
1	EWP (Barbados) 1 SRL	8,575,911,306
2	MaruEnergy JPSCO 1, SRL	8,575,911,306
3	Accountant General	2,386,573,897
4	Accountant General	1,974,065,546





# COMMUNITY HIGHLIGHTS

1. Excited Parents in St. Ann celebrate with JPS Reps, who turned up to pay for back-to-school items.
2. (L-r, front) Lincoy Small, Javes Johnson and (l-r, back) Mo Majeed, Emanuel DaRosa, Energy Minister, Hon. Fayval Williams, Fitzroy Vidal, Gary Barrow, and Professor Dale Webber take a moment for the lens at the Official Opening of the Marubeni iLab. The event also saw the signing of a Memorandum of Understanding for future partnerships with the University of the West Indies.
3. (L-r) Emanuel DaRosa, Alphie Aiken, Winsome Callum, Malik Croft-Brown, Ramsay McDonald, Sharon Burnett, Andrew Chambers and Education Minister, Karl Samuda, pause for a moment at the handover of the JPS CSEC Grant for Industrial Technology (Electrical) exams.
4. St. Mary light poles being replaced.
5. Some members of the JPS Energy Clubs in the Corporate Area pose with JPS Foundation Officer, Kevin White (front).



# AUDITED FINANCIAL STATEMENTS



KPMG  
Chartered Accountants  
P.O. Box 76  
6 Duke Street  
Kingston  
Jamaica, W.I.  
+1 (876) 922-6640  
firmmail@kpmg.com.jm

## 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 39 to 110 which comprise the Company's and the Group's statements of financial position as at December 31, 2019. The Company's and the Group'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 Company and the Group as at December 31, 2019, and of the Company's and the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) 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 the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (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.

KPMG, a Jamaican partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

R. Tarun Handa  
Cynthia L. Lawrence  
Rajan Trehan  
Norman O. Rainford  
Nigel R. Chambers

Nyssa A. Johnson  
W. Gihan C. De Mel  
Wilbert A. Spence  
Rochelle N. Stephenson  
Sandra A. Edwards





## 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.

#### **Recoverability of trade receivables**

The Group has significant overdue balances with government and residential customers. There is significant judgment involved in determining the levels of allowance for impairment on these balances, because of the uncertainty involved in estimating the timing and amount of future collections.

#### **How the matter was addressed in our audit**

Our audit procedures in response to this matter, included:

- Testing the Group's manual and automated controls over the recording and ageing of receivables. Our testing of automated controls involved using our own information technology audit specialist to test the design, implementation and operating effectiveness of automated controls.
- Reviewing the expected credit loss (ECL) model calculations and agreeing the data inputs.
- Comparing the Group's definition of default for the ECL measurement, as outlined in the accounting policy, against the definition that management uses for credit risk management.
- Evaluating the appropriateness of economic parameters including the use of forward looking information.
- Testing the accuracy of the ECL calculation.
- Evaluating the adequacy of the Group's allowance for impairment recognised in respect of trade receivables by assessing management's assumptions including determining compliance with the requirements of *IFRS 9, Financial Instruments*.
- Considering the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the allowance for impairment.



## 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 (continued)*

#### **Revenue recognition - unbilled revenue**

The matter involves significant management judgment to estimate the customer electricity and fuel consumption between the last meter reading date and the end of the reporting period.

#### **How the matter was addressed in our audit**

Our audit procedures in response to this matter, included:

- Testing the Group's key controls over the determination of the estimate of unbilled revenue.
- Assessing the adequacy of the Group's unbilled revenue model by comparing it against industry norms and regulatory requirements.
- Testing the assumptions used in determining the estimate by:
  - Testing volume data; and
  - Comparing the prices applied by management to actual fuel and independent power providers' costs incurred.
- Re-performing independently, the calculation of the estimate of unbilled revenues on a meter-read cycle basis, and comparing our results to management's reported amount.



## 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 (continued)*

##### **Measurement of lease liabilities**

The Group has significant contracts with Independent Power Providers. A number of these contracts were identified as containing a lease.

The determination of the lease liability in respect of these contracts requires management to make certain assumptions relating to discount rates, and separation of lease and non-lease components which have a material effect on the estimate.

##### **How the matter was addressed in our audit**

Our audit procedures in response to this matter, included:

- Evaluating the appropriateness of management's determination of the lease terms and lease payments.
- Evaluating the appropriateness of the discount rate used to calculate the present value of the lease liabilities.
- Evaluating management's approach to the separation of lease and non-lease components to determine if it comply with the requirements of standard.

Re-performing independently, the calculation of the estimate of lease liabilities and comparing our results to management's reported amounts.

#### *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.



## INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
JAMAICA PUBLIC SERVICE COMPANY LIMITED

### **Report on the Audit of the Financial Statements (continued)**

#### *Other Information (continued)*

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 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.

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 and the group 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.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
JAMAICA PUBLIC SERVICE COMPANY LIMITED

**Report on the Audit of the Financial Statements (continued)**

*Auditors' Responsibilities for the Audit of the Financial Statements*

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 37-38, forms part of our auditors' report.

**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 Sandra Edwards.

KPMG

Chartered Accountants  
Kingston, Jamaica

March 31, 2020





## 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 group 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, related safeguards.

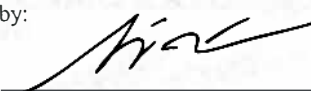
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation 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

Company Statement of Financial Position  
December 31, 2019  
*(Expressed in United States Dollars)*

	<u>Notes</u>	<u>2019</u> \$'000	<u>2018</u> \$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	788,816	755,530
Right-of-use assets	7	131,789	-
Intangible assets	8	17,869	20,983
Investment in subsidiary	9(a)	-	-
Employee benefits asset	10(a)(i)	<u>60,482</u>	<u>46,454</u>
		<u>998,956</u>	<u>822,967</u>
<b>Current assets</b>			
Cash and cash equivalents	11	37,037	27,267
Restricted cash	12	44,627	41,325
Accounts receivable	13	152,193	182,384
Due from related parties	19(a)(i)	54,099	37,414
Inventories	14	41,845	40,072
Corporation tax recoverable		<u>3,883</u>	<u>-</u>
		<u>333,684</u>	<u>328,462</u>
<b>Total assets</b>		<b><u>1,332,640</u></b>	<b><u>1,151,429</u></b>
<b>Shareholders' equity</b>			
Share capital	15	261,786	261,786
Capital reserve	16	4,760	4,760
Capital redemption reserve	17	3,000	3,000
Retained earnings		<u>192,006</u>	<u>171,538</u>
		<u>461,552</u>	<u>441,084</u>
<b>Current liabilities</b>			
Bank overdraft	11	2,021	-
Accounts payable and provisions	18	147,875	191,017
Corporation tax payable		-	943
Due to related parties	19(a)(ii)	13,180	2,009
Lease liabilities	7	11,398	-
Short-term loans	21(a)	14,000	20,000
Current portion of long-term loans	21(b)	<u>53,470</u>	<u>35,537</u>
		<u>241,944</u>	<u>249,506</u>
<b>Non-current liabilities</b>			
Customers' deposits	20	31,638	29,989
Long-term loans	21(b)	386,052	346,068
Lease liabilities	7	125,228	-
Preference shares	22	24,688	24,688
Deferred taxation	23	43,494	42,668
Decommissioning provision	24	10,041	9,629
Employee benefits obligation	10(b)	<u>8,003</u>	<u>7,797</u>
		<u>629,144</u>	<u>460,839</u>
<b>Total liabilities</b>		<b><u>871,088</u></b>	<b><u>710,345</u></b>
<b>Total shareholders' equity and liabilities</b>		<b><u>1,332,640</u></b>	<b><u>1,151,429</u></b>

The financial statements on pages 39-110 were approved by the Board of Directors on March 31, 2020, and signed on its behalf by:

  
 \_\_\_\_\_ Chairman  
 Seiji Kawamura

  
 \_\_\_\_\_ Director  
 Ha Kyoung Song

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, 2019  
*(Expressed in United States Dollars)*

	<u>Notes</u>	<u>2019</u> \$'000	<u>2018</u> \$'000
Operating revenue	25	881,153	908,254
Cost of sales	26(a)	(574,948)	(619,593)
Gross profit		306,205	288,661
Operating expenses	26(b)	(217,084)	(202,378)
Impairment loss on trade receivables	13	( 5,507)	( 8,672)
Operating profit		<u>83,614</u>	<u>77,611</u>
Finance income		8,137	11,179
Finance costs		( 63,710)	( 47,025)
Net finance costs	26(c)	( 55,573)	( 35,846)
Other income	27(a)	3,453	4,775
Other expenses	27(b)	( 4,796)	( 6,654)
Profit before taxation		26,698	39,886
Taxation	28	( 3,555)	( 8,848)
Profit for the year		<u>23,143</u>	<u>31,038</u>
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Remeasurement gain on defined benefit plan	10(a)(iv)	10,988	2,235
Tax on remeasurement gain on defined benefit plan	23	( 3,663)	( 745)
Other comprehensive gain, net of tax		<u>7,325</u>	<u>1,490</u>
Total comprehensive income attributable to shareholders		<u>30,468</u>	<u>32,528</u>
Earnings per share	29	<u>0.10¢</u>	<u>0.14¢</u>

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Company Statement of Changes in Shareholders' Equity  
Year ended December 31, 2019

(Expressed in United States Dollars)

	Share capital \$'000 (Note 15)	Capital reserve \$'000 (Note 16)	Capital redemption reserve \$'000 (Note 17)	Retained earnings \$'000	Total \$'000
Balance at January 1, 2018	<u>261,786</u>	<u>4,760</u>	<u>3,000</u>	<u>149,010</u>	<u>418,556</u>
Total comprehensive income for the year:					
Profit for the year	-	-	-	31,038	31,038
Other comprehensive income:					
Remeasurement gain on defined benefit plan, net of tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,490</u>	<u>1,490</u>
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,528</u>	<u>32,528</u>
Transactions with owners of the company:					
Dividends [note 30(a)]	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 10,000)</u>	<u>( 10,000)</u>
Balance at December 31, 2018	<u>261,786</u>	<u>4,760</u>	<u>3,000</u>	<u>171,538</u>	<u>441,084</u>
Total comprehensive income for the year:					
Profit for the year	-	-	-	23,143	23,143
Other comprehensive income:					
Remeasurement gain on defined benefit plan, net of tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,325</u>	<u>7,325</u>
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,468</u>	<u>30,468</u>
Transactions with owners of the company:					
Dividends [note 30(a)]	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 10,000)</u>	<u>( 10,000)</u>
Balance at December 31, 2019	<u>261,786</u>	<u>4,760</u>	<u>3,000</u>	<u>192,006</u>	<u>461,552</u>



JAMAICA PUBLIC SERVICE COMPANY LIMITED

Company Statement of Cash Flows  
Year ended December 31, 2019  
*(Expressed in United States Dollars)*

	<u>Notes</u>	<u>2019</u> \$'000	<u>2018</u> \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the year		23,143	31,038
Adjustments for:			
Depreciation and amortisation	6,7,8	93,711	80,666
Loss on disposal of property, plant and equipment		25	389
Amortisation of debt issuance costs		4,043	2,820
Unrealised foreign exchange losses		3,890	1,668
Interest expense		50,967	40,612
Interest income	26(c)	( 5,638)	( 6,792)
Interest capitalised	26(c)	( 2,499)	( 4,387)
Taxation expense	28	6,392	7,549
Deferred tax	23	( 2,837)	1,299
Employee benefits asset/obligation, net		<u>( 3,699)</u>	<u>( 3,025)</u>
Cash generated before changes in working capital		167,498	151,837
Restricted cash		( 3,302)	( 2,882)
Accounts receivable		30,656	29,258
Inventories		( 1,773)	1,333
Accounts payable and provisions		( 36,941)	487
Due from/to related parties		( 5,514)	( 18,743)
Customers' deposits and advances		<u>2,188</u>	<u>3,377</u>
Cash generated from operations		152,812	164,667
Taxation paid		<u>( 11,218)</u>	<u>( 4,876)</u>
Net cash provided by operating activities		<u>141,594</u>	<u>159,791</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(104,663)	(116,615)
Purchase of intangible assets	8	( 1,456)	( 1,082)
Interest received		<u>5,538</u>	<u>5,947</u>
Net cash used in investing activities		<u>(100,581)</u>	<u>(111,750)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Short-term loans received, net		( 6,000)	( 3,000)
Long-term loans received		270,741	72,970
Repayment of long-term loans		(218,852)	(49,147)
Payment of lease liabilities		( 10,453)	-
Interest and dividend paid		<u>( 68,700)</u>	<u>( 50,876)</u>
Net cash used in financing activities		<u>( 33,264)</u>	<u>( 30,053)</u>
Net increase in cash and cash equivalents		7,749	17,988
Net cash and cash equivalents at beginning of year		<u>27,267</u>	<u>9,279</u>
<b>NET CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<u>35,016</u>	<u>27,267</u>
Comprised of:			
Cash and cash equivalents		37,037	27,267
Bank overdraft		<u>( 2,021)</u>	<u>-</u>
		<u>35,016</u>	<u>27,267</u>

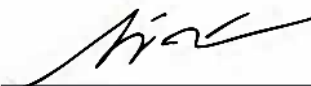
The accompanying notes form an integral part of the financial statements.

**JAMAICA PUBLIC SERVICE COMPANY LIMITED**

Group Statement of Financial Position  
December 31, 2019  
(Expressed in United States Dollars)

	<u>Notes</u>	<u>2019</u> \$'000	<u>2018</u> \$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	788,816	755,530
Right-of-use assets	7	131,789	-
Intangible assets	8	17,869	20,983
Investment in equity-accounted investee	9(b)	68,127	36,055
Employee benefits asset	10(a)(i)	<u>60,482</u>	<u>46,454</u>
		<u>1,067,083</u>	<u>859,022</u>
<b>Current assets</b>			
Cash and cash equivalents	11	37,037	27,267
Restricted cash	12	44,627	41,325
Accounts receivable	13	152,193	182,384
Due from related parties	19(a)(i)	8,099	588
Inventories	14	41,845	40,072
Corporation tax recoverable		<u>3,883</u>	<u>-</u>
		<u>287,684</u>	<u>291,636</u>
<b>Total assets</b>		<u>1,354,767</u>	<u>1,150,658</u>
<b>Shareholders' equity</b>			
Share capital	15	261,786	261,786
Capital reserve	16	4,760	4,760
Capital redemption reserve	17	3,000	3,000
Retained earnings		<u>214,133</u>	<u>170,767</u>
		<u>483,679</u>	<u>440,313</u>
<b>Current liabilities</b>			
Bank overdraft	11	2,021	-
Accounts payable and provisions	18	147,875	191,017
Corporation tax payable		-	943
Due to related parties	19(a)(ii)	13,180	2,009
Lease liabilities	7	11,398	-
Short-term loans	21(a)	14,000	20,000
Current portion of long-term loans	21(b)	<u>53,470</u>	<u>35,537</u>
		<u>241,944</u>	<u>249,506</u>
<b>Non-current liabilities</b>			
Customers' deposits	20	31,638	29,989
Long-term loans	21(b)	386,052	346,068
Lease liabilities	7	125,228	-
Preference shares	22	24,688	24,688
Deferred taxation	23	43,494	42,668
Decommissioning provision	24	10,041	9,629
Employee benefits obligation	10(b)	<u>8,003</u>	<u>7,797</u>
		<u>629,144</u>	<u>460,839</u>
<b>Total liabilities</b>		<u>871,088</u>	<u>710,345</u>
<b>Total shareholders' equity and liabilities</b>		<u>1,354,767</u>	<u>1,150,658</u>

The financial statements on pages 39-110 were approved by the Board of Directors on March 31, 2020, and signed on its behalf by:

  
\_\_\_\_\_  
Seiji Kawamura Chairman

  
\_\_\_\_\_  
Ha Kyoung Song 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, 2019  
*(Expressed in United States Dollars)*

	<u>Notes</u>	<u>2019</u> \$'000	<u>2018</u> \$'000
Operating revenue	25	881,153	908,254
Cost of sales	26(a)	(574,948)	(619,593)
Gross profit		306,205	288,661
Operating expenses	26(b)	(217,084)	(202,378)
Impairment loss on trade receivables	13	( 5,507)	( 8,672)
Operating profit		<u>83,614</u>	<u>77,611</u>
Finance income		8,137	11,179
Finance costs		( 63,710)	( 47,025)
Net finance costs	26(c)	( 55,573)	( 35,846)
Other income	27(a)	3,453	4,775
Other expenses	27(b)	( 4,796)	( 6,654)
		26,698	39,886
Share of profit/ (loss) in equity-accounted investee	9(b)	<u>22,898</u>	( 417)
Profit before taxation		49,596	39,469
Taxation	28	( 3,555)	( 8,848)
Profit for the year		<u>46,041</u>	<u>30,621</u>
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Remeasurement gains on defined benefit plan	10(a)(iv)	10,988	2,235
Tax on remeasurement gains on defined benefit plan	23	( 3,663)	( 745)
Other comprehensive gain, net of tax		<u>7,325</u>	<u>1,490</u>
Total comprehensive income attributable to shareholders		<u>53,366</u>	<u>32,111</u>
Earnings per share	29	<u>0.21¢</u>	<u>0.14¢</u>

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Group Statement of Changes in Shareholders' Equity  
Year ended December 31, 2019

*(Expressed in United States Dollars)*

	Share <u>capital</u> \$'000 (Note 15)	Capital <u>reserve</u> \$'000 (Note 16)	Capital redemption <u>reserve</u> \$'000 (Note 17)	Retained <u>earnings</u> \$'000	<u>Total</u> \$'000
Balance at January 1, 2018	261,786	4,760	3,000	148,656	418,202
Total comprehensive income for the year:					
Profit for the year	-	-	-	30,621	30,621
Other comprehensive income:					
Remeasurement gain on defined benefit plan, net of tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,490</u>	<u>1,490</u>
Total comprehensive income for the year	261,786	4,760	3,000	180,767	450,313
Transactions with owners of the company:					
Dividends [note 30(a)]	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 10,000)</u>	<u>( 10,000)</u>
Balance at December 31, 2018	261,786	4,760	3,000	170,767	440,313
Total comprehensive income for the year:					
Profit for the year	-	-	-	46,041	46,041
Other comprehensive income:					
Remeasurement gain on defined benefit plan, net of tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,325</u>	<u>7,325</u>
Total comprehensive income for the year	261,786	4,760	3,000	224,133	493,679
Transactions with owners of the company:					
Dividends [note 30(a)]	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 10,000)</u>	<u>( 10,000)</u>
Balance at December 31, 2019	<u>261,786</u>	<u>4,760</u>	<u>3,000</u>	<u>214,133</u>	<u>483,679</u>

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Group Statement of Cash Flows  
Year ended December 31, 2019  
*(Expressed in United States Dollars)*

	<u>Notes</u>	<u>2019</u> \$'000	<u>2018</u> \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the year		46,041	30,621
Adjustments for:			
Depreciation and amortisation	6,7,8	93,711	80,666
Loss on disposal of property, plant and equipment		25	389
Amortisation of debt issuance costs		4,043	2,820
Unrealised foreign exchange losses		3,890	1,668
Interest expense		50,967	40,612
Interest income	26(c)	( 5,638)	( 6,792)
Interest capitalised	26(c)	( 2,499)	( 4,387)
Taxation expense	28	6,392	7,549
Deferred tax	23	( 2,837)	1,299
Employee benefits asset/obligation, net		( 3,699)	( 3,025)
Share of (profit)/loss in equity-accounted investee	9(b)	( 22,898)	417
Cash generated before changes in working capital		167,498	151,837
Restricted cash		( 3,302)	( 2,882)
Accounts receivable		30,656	29,258
Inventories		( 1,773)	1,333
Accounts payable and provisions		( 36,941)	487
Due from/to related parties		3,660	2,083
Customers' deposits and advances		2,188	3,377
Cash generated from operations		161,986	185,493
Taxation paid		( 11,218)	( 4,876)
Net cash provided by operating activities		<u>150,768</u>	<u>180,617</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of share in equity-accounted investee		( 9,174)	( 20,826)
Purchase of property, plant and equipment		(104,663)	(116,615)
Purchase of intangible assets	8	( 1,456)	( 1,082)
Interest received		5,538	5,947
Net cash used in investing activities		<u>(109,755)</u>	<u>(132,576)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Short-term loans received, net		( 6,000)	( 3,000)
Long-term loans received		270,741	72,970
Repayment of long-term loans		(218,852)	( 49,147)
Payment of lease liabilities		( 10,453)	-
Interest and dividend paid		( 68,700)	( 50,876)
Net cash used in financing activities		<u>( 33,264)</u>	<u>( 30,053)</u>
Net increase in cash and cash equivalents		7,749	17,988
Net cash and cash equivalents at beginning of year		<u>27,267</u>	<u>9,279</u>
<b>NET CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<u>35,016</u>	<u>27,267</u>
Comprised of:			
Cash and cash equivalents		37,037	27,267
Bank overdraft		( 2,021)	-
		<u>35,016</u>	<u>27,267</u>

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



## JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

*(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 investments.

The Company also holds a 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 Subsidiary 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, 2019

*(Expressed in United States Dollars)*

1. Identification, Regulation and Licence (continued)

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

Since the expiration of this 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 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the relevant provisions of the Jamaican Companies Act ("the Act"). This is the first set of the Group annual financial statements in which IFRS 16, Leases have been applied. Changes to significant accounting policies are described in note 3.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

*(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 and its Subsidiary. The United States dollar is the functional currency, as it is that of the primary economic environment in which the Group operates.

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

The financial statements are prepared under the historical cost basis, modified for the inclusion of land at valuation, and defined benefits obligation/(asset) at fair value of plan assets less the present value of the defined benefits obligation as explained in note 4(b).

*Basis of consolidation*

The consolidated financial statements comprise of the Company and its subsidiary for the year ended December 31, 2019.

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, 2019

*(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 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:

The amounts recognised in the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income 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 pension obligation.

The discount rate is determined based on the estimate of 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, it has been necessary to estimate the rate by extrapolating from the longest-tenure 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:

Allowances for doubtful accounts 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.

Under this ECL model, the Group segments its accounts receivable in a matrix by days past due and determined for each age bracket an average rate of ECL, considering actual credit loss experience over the last 12 months and analysis of future delinquency, that is applied to the balance of the accounts receivable.

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.

## JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

*(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 4(q) and 5].

##### (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 accrue significant future economic benefits to the Group to enable the expenditure to be treated as a capital expense.

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. Changes in significant accounting policies

The Group initially applied IFRS 16 *Leases* from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

*(Expressed in United States Dollars)*

3. Changes in significant accounting policies

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 4(q).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

(b) As a lessee

As a lessee, the Group leases many assets including property, motor vehicle and Power Generation Facilities. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group.

Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

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.

The Group elected to separate lease and non-lease components for Power Generation Facilities, however, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

*Leases classified as operating leases under IAS 17*

Previously, the Group classified property, motor vehicle and power generation facilities leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019 (see Note 3(c)). Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.



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Notes to the Financial Statements (Continued)

December 31, 2019

*(Expressed in United States Dollars)*

3. Changes in significant accounting policies (continued)

(b) As a lessee (continued)

*Leases classified as operating leases under IAS 17 (continued)*

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- applied a single discount rate to a portfolio of lease with reasonably similar characteristic
- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.
- Relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review. There were no onerous contracts as at January 1, 2019.

*Leases classified as finance leases under IAS 17*

The Group leases a number of items of production equipment. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

(b) As a lessor

The Group leases out certain properties and right-of-use assets. The Group has classified these leases as operating leases.

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

The Group has applied IFRS 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

(c) Impact on financial statements

*Impact on transition*

On adoption of IFRS 16 on 1 January 2019, the Company and the Group recognised additional right-of-use assets of \$147,079,000 and additional lease liabilities of \$147,079,000.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

*(Expressed in United States Dollars)*

3. Changes in significant accounting policies (continued)

(c) Impact on financial statements (continued)

*Impact on transition (continued)*

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted- average rate applied is 7.35%.

	<u>January 1, 2019</u>
	\$'000
Operating lease commitment at December 31, 2018, as disclosed	486,812
Non-lease components previously included in lease commitments	<u>(270,202)</u>
Operating lease commitments within the Group	<u>216,610</u>
Discounted using the lessee's incremental borrowing rate at the date of initial application (Note 7)	<u>147,079</u>

4. 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.

Specialised plant and equipment is measured at deemed cost at the IFRS transition date of January 1, 2003, less accumulated depreciation and impairment losses, while all other property, plant and equipment is measured at cost except for land, which is measured at revalued amounts. Land was last revalued as at December 31, 2018, 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 asset does not differ materially from its carrying amount at the reporting date.

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

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

*(Expressed in United States Dollars)*

4. Summary of significant accounting policies (continued)

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

*Recognition and measurement (continued)*

Intangible assets includes 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.

(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.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

*(Expressed in United States Dollars)*

4. Summary of significant accounting policies (continued)

(b) Employee benefits (continued):

(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-tenure 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.

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.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

*(Expressed in United States Dollars)*

4. Summary of significant accounting policies (continued)

(b) Employee benefits (continued):

(i) Pension assets (continued):

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 unutilised 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 unutilised 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 unutilised 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 receivables 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 yet been incurred, considering for their measurement past events and current conditions, as well as reasonable and supportable forecasts affecting collectability [see also note 4(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.

(f) Accounts payable:

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

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

*(Expressed in United States Dollars)*

4. Summary of significant accounting policies (continued)

(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 the end of each period 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 rate basis over the lives of the loans.

(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 effective interest method.



JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

*(Expressed in United States Dollars)*

4. Summary of significant accounting policies (continued)

(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 loss 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.

The Group assumes that the credit risk on financial assets has increased significantly if it is more than 365 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.

## JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

*(Expressed in United States Dollars)*

### 4. Summary of significant accounting policies (continued)

#### (1) Impairment (continued)

##### *Financial assets (continued)*

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;
- it is becoming probable 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.

##### *Write-off*

The gross carrying amount of a financial asset is written off (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 'impairment losses on financial instruments' in the statement of profit or loss.

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

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

*(Expressed in United States Dollars)*

4. Summary of significant accounting policies (continued)

(l) Impairment (continued):

*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.

(m) Revenue recognition:

*Sales of electricity*

Revenue is recognised at a point in time in the amount of the price, before tax on sales, expected to be received by the company for electricity supplied as a result of their ordinary activities, as contractual performance obligations are fulfilled, and the electricity is consumed by the customer. Revenues are decreased by any trade discounts granted to customers.

*Sales of goods*

Revenue is recognised at a point in time in the amount of the price, before tax on sales, expected to be received by the company for goods and services supplied as a result of their ordinary activities, 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 related parties are eliminated on consolidation.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

*(Expressed in United States Dollars)*

4. Summary of significant accounting policies (continued)

(m) Revenue recognition (continued):

*Sales of goods (continued)*

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 former 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 minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

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 of a financial asset. 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.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

*(Expressed in United States Dollars)*

4. Summary of significant accounting policies (continued)

(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.

(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.

## JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

*(Expressed in United States Dollars)*

### 4. Summary of significant accounting policies (continued)

(o) Related parties (continued):

(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.

(p) Interests in equity-accounted investees:

The Group's interest in equity-accounted investees comprise interest in associate and interest in joint venture. They are 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.
- Joint venture – when the Group has rights only to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

*(Expressed in United States Dollars)*

4. Summary of significant accounting policies (continued)

(p) Interests in equity-accounted investees (continued):

Interests in associates and the joint venture are 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:

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

*Policy applicable from 1 January 2019*

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.

This policy is applied to contracts entered into, on or after 1 January 2019.

(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 prices. 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.



JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

*(Expressed in United States Dollars)*

4. Summary of significant accounting policies (continued)

(q) Leases (continued):

*Policy applicable from 1 January 2019 (continued)*

(i) As a lessee (continued)

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 that the Group will exercise a purchase option. 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 certain 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.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

*(Expressed in United States Dollars)*

4. Summary of significant accounting policies (continued)

(q) Leases (continued):

*Policy applicable from 1 January 2019 (continued)*

(i) As a lessee (continued)

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.

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 their relative stand-alone prices.

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.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

*(Expressed in United States Dollars)*

4. Summary of significant accounting policies (continued)

(q) Leases (continued):

(ii) As a lessor (continued)

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 a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

*Policy applicable before 1 January 2019*

As lessee:

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. The Group does not have any lease arrangements in which the lease payments are determined on a contingent basis, nor do any of the arrangements currently in effect impose any restrictions with respect to paying dividends, taking additional debt or entering into other lease arrangements.

With respect to the lease of the head office building, which has a fixed lease term of 10 years at a fixed annual rental charge, the Group has a first right of refusal should the lessor opt to sell the building.

As lessor:

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(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.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

*(Expressed in United States Dollars)*

4. Summary of significant accounting policies (continued)

(r) Foreign currencies (continued):

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. 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, 2019

*(Expressed in United States Dollars)*

#### 4. 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: a) are held within a business model whose objective is to hold assets to collect contractual cash flows, and b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified as “Held to collect” and measured at amortised cost.

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 amount less expected credit losses.

##### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as described in the particular recognition methods disclosed in their individual policy statements associated with each item.

##### *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 been incurred, considering their measurement 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, 2019

*(Expressed in United States Dollars)*

4. 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 and in the case of loans and borrowings, plus directly attributable transaction costs. 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 the particular recognition methods disclosed in their individual policy statements associated with each item.

*Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or 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, 2019

*(Expressed in United States Dollars)*

4. 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 in 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) New and amended standards and interpretations issued but not yet effective:

At the date of authorisation of the financial statements, certain new and amended standards and interpretations are in issue but were not yet effective and have not been adopted early by the Group. Those which may have an impact on the Group's financial statements are as follows:

- Amendments to *References to Conceptual Framework in IFRS Standards* is effective retrospectively from annual reporting periods beginning on or after January 1, 2020. The revised framework covers all aspects of standard setting including the objective of financial reporting.

The main change relates to how and when assets and liabilities are recognised and de-recognised in the financial statements:

- New 'bundle of rights' approach to assets will mean that an entity may recognise a right to use an asset rather than the asset itself;



JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

*(Expressed in United States Dollars)*

4. Summary of significant accounting policies (continued)

(u) New and amended standards and interpretations issued but not yet effective (continued):

• Amendments to *References to Conceptual Framework in IFRS Standards* (continued)

- A liability will be recognised if an entity has no practical ability to avoid it. This may bring liabilities on balance sheet earlier than at present.
- A new control-based approach to de-recognition will allow an entity to derecognise an asset when it loses control over all or part of it; the focus will no longer be on the transfer of risks and rewards.

• Amendment to IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, is effective for annual periods beginning on or after January 1, 2020, and provides a definition of ‘material’ to guide preparers of financial statements in making judgements about information to be included in financial statements.

“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The company is assessing the impact that those amendments will have on its financial statements when they become effective.

5. 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>
Jamaica Aluminum Company Limited (JAMALCO)	December 2019
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

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.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

*(Expressed in United States Dollars)*

5. Power purchase contracts (continued)

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, 2019, the total guarantees under Standby Letters of Credit amounted to \$33.3 million (2018: \$33.0 million). These facilities were not accessed during the year.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

(Expressed in United States Dollars)

6. Property, plant and equipment

The Company and Group

	<u>Land &amp; buildings</u> \$'000	<u>Production (generation) plant &amp; equipment</u> \$'000	<u>Transmission and distribution plant &amp; equipment</u> \$'000	<u>General plant &amp; machinery</u> \$'000	<u>Computer equipment, office fixtures &amp; fittings</u> \$'000	<u>Construction work-in- progress</u> \$'000	<u>Total</u> \$'000
Cost or valuation:							
December 31, 2017	64,489	777,493	1,104,474	39,031	100,883	86,827	2,173,197
Additions	9	4,200	15,978	497	562	99,756	121,002
Transfers	839	31,519	39,524	521	2,490	( 74,893)	-
Disposals/retirements and adjustments	-	( 4,588)	-	( 144)	( 288)	-	( 5,020)
December 31, 2018	65,337	808,624	1,159,976	39,905	103,647	111,690	2,289,179
Additions	53	3,498	15,883	669	615	86,444	107,162
Transfers	1,181	19,392	126,278	717	1,737	(149,305)	-
Disposals/retirements and adjustments	1	-	-	( 41)	( 477)	-	( 517)
December 31, 2019	<u>66,572</u>	<u>831,514</u>	<u>1,302,137</u>	<u>41,250</u>	<u>105,522</u>	<u>48,829</u>	<u>2,395,824</u>
Depreciation:							
December 31, 2017	13,488	592,826	729,139	35,276	91,531	-	1,462,260
Charge for the year	891	41,618	29,612	563	3,336	-	76,020
Disposals/retirements and adjustments	-	( 4,273)	-	( 339)	( 19)	-	( 4,631)
December 31, 2018	14,379	630,171	758,751	35,500	94,848	-	1,533,649
Charge for the year	1,020	35,205	33,825	562	3,239	-	73,851
Disposals/retirements and adjustments	-	-	( 2)	216	( 706)	-	( 492)
December 31, 2019	<u>15,399</u>	<u>665,376</u>	<u>792,574</u>	<u>36,278</u>	<u>97,381</u>	<u>-</u>	<u>1,607,008</u>
Net book values:							
December 31, 2019	<u>51,173</u>	<u>166,138</u>	<u>509,563</u>	<u>4,972</u>	<u>8,141</u>	<u>48,829</u>	<u>788,816</u>
December 31, 2018	<u>50,958</u>	<u>178,453</u>	<u>401,225</u>	<u>4,405</u>	<u>8,799</u>	<u>111,690</u>	<u>755,530</u>

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

(Expressed in United States Dollars)

6. Property, plant & equipment (continued)

- (a) Land and buildings include land, at valuation, aggregating approximately \$26.2 million (2018: \$26.2 million). Of this amount, the cost of land, amounted to \$21.4 million (2018: \$21.4 million). Land, which is considered a separate class of assets, was revalued in 2017 by an independent professional valuator.
- (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.

<b>Valuation techniques</b>	<b>Significant unobservable inputs</b>	<b>Inter-relationship between key unobservable inputs and fair value measurement</b>
<p><i>Market comparable approach:</i></p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• The approach requires comparison of the subject property with others of similar design and utility, inter alia, which were sold in the recent past.</li> <li>• However, as no two properties are exactly alike, adjustment is made for the difference between the property subject to valuation and comparable properties.</li> </ul>	<ul style="list-style-type: none"> <li>• Details of the sales of comparable properties.</li> <li>• Conditions influencing the sale of comparable properties.</li> <li>• Comparability adjustments.</li> </ul>	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> <li>• Sale value of comparable properties were higher/(lower).</li> <li>• Comparability adjustments were higher/(lower).</li> </ul>

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

(Expressed in United States Dollars)

6. Property, plant & equipment (continued)

- (c) Interest capitalised during construction for the year amounted to approximately \$2.5 million (2018: \$4.4 million). The capitalisation rate used for the year was 4.11% (2018: 4.39%)
- (d) The composite rate of depreciation for the year was approximately 6.40% (2018: 6.81%).

7. Leases

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

(i) Right-of-use asset

	<u>The Company and Group</u>			
	<u>Land and buildings</u>	<u>Generation equipment</u>	<u>Computer equipment</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000
Balance at January 1, 2019	4,710	142,186	183	147,079
Depreciation charge for the year	( 550)	( 14,667)	( 73)	( 15,290)
Balance at December 31, 2019	<u>4,160</u>	<u>127,519</u>	<u>110</u>	<u>131,789</u>

(ii) Lease liability

	December 31, <u>2019</u>	January 1, <u>2019</u>
	\$'000	\$'000
Current	11,398	10,529
Non-current	<u>125,228</u>	<u>136,550</u>
	<u>136,626</u>	<u>147,079</u>

(b)

- (i) Amount recognised in profit or loss:

	<u>2019</u>
	\$'000
Depreciation charge on right-of-use asset	( 15,290)
Interest on lease liabilities	( 10,453)
Expenses relating to short-term leases	( 5,841)
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	( 85)
Expenses related to variable lease payment not included in lease liabilities	<u>(119,605)</u>

- (ii) Amount recognized in statement of cash flows

Total cash outflow for lease	<u>20,906</u>
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JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

*(Expressed in United States Dollars)*

7. Leases (continued)

(c) Leases as lessee

The Group leases power generation facilities. The leases typically run for a period of 20 years, with an option to renew the lease after that date. 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.

(d) Leases as lessor

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

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

(Expressed in United States Dollars)

8. Intangible assets

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

The Company and Group

	<u>Software</u> \$'000	<u>Land rights</u> \$'000	<u>Total</u> \$'000
Cost or valuation:			
December 31, 2017	32,203	7,879	40,082
Additions	<u>1,079</u>	<u>3</u>	<u>1,082</u>
December 31, 2018	33,282	7,882	41,164
Additions	<u>1,340</u>	<u>116</u>	<u>1,456</u>
December 31, 2019	<u>34,622</u>	<u>7,998</u>	<u>42,620</u>
Depreciation:			
December 31, 2017	15,535	-	15,535
Charge for the year	<u>4,646</u>	<u>-</u>	<u>4,646</u>
December 31, 2018	20,181	-	20,181
Charge for the year	<u>4,570</u>	<u>-</u>	<u>4,570</u>
December 31, 2019	<u>24,751</u>	<u>-</u>	<u>24,751</u>
Net book values:			
December 31, 2019	<u>9,871</u>	<u>7,998</u>	<u>17,869</u>
December 31, 2018	<u>13,101</u>	<u>7,882</u>	<u>20,983</u>

Software includes software projects in development of \$1.1 million (2018: \$1.4 million).

9. Subsidiaries and Equity-Accounted Investee

a) Subsidiaries

i. South Jamaica Energy Holdings Limited (SJEH)

The company holds 1 ordinary class share at \$1 per share representing 100% ownership. The primary activity of SJEH is the holding of investments.

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.



JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

(Expressed in United States Dollars)

9. Subsidiaries and Equity-Accounted Investee (continued)

b) Equity Accounted Investee – South Jamaica Power Company (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. SJPC achieved its commercial operating date during the year, at which point the Group is able to exert significant influence over SJPC and it became an investment in an associated company.

The investment in SJPC, was previously accounted for as an interest in a joint venture. There has been no change in the treatment as the equity method is also used in accounting for interests in associated companies. See table below:

	<u>Interest in Associate</u>		<u>Interest in Joint Venture</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Balance at the start of the year	-	-	36,055	15,646
Investment during the year	-	-	9,174	20,826
Transfer during the year	45,229	-	(45,229)	-
Share of profit/(loss)	<u>22,898</u>	<u>-</u>	<u>-</u>	<u>( 417)</u>
Balance at the end of the year	<u>68,127</u>	<u>-</u>	<u>-</u>	<u>36,055</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>Interest in Joint Venture</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Current assets	51,303	-	-	17,218
Non-current assets	317,597	-	-	246,039
Current liabilities	( 27,676)	-	-	( 13,308)
Non-current liabilities	(204,970)	-	-	(177,839)
Net assets	<u>136,254</u>	<u>-</u>	<u>-</u>	<u>72,110</u>
Revenue	6,196	-	-	-
Other income	<u>52,605</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income/(loss)	<u>45,795</u>	<u>-</u>	<u>-</u>	<u>( 834)</u>
Group's share of total comprehensive income/(loss)	<u>22,898</u>	<u>-</u>	<u>-</u>	<u>( 417)</u>

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

*(Expressed in United States Dollars)*

9. Subsidiaries and Joint Ventures (continued)

b) Equity Accounted Investee – South Jamaica Power Company (SJPC) (continued)

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

	<u>Interest in Associate</u>		<u>Interest in Joint Venture</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Net Assets as at the end of the year	<u>136,254</u>	<u>-</u>	<u>-</u>	<u>72,110</u>
Carrying value	<u>68,127</u>	<u>-</u>	<u>-</u>	<u>36,055</u>
Interest in equity-accounted investee	50%			50%

10. 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.

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 1.9% (2018: 1.9%) 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.

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

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

(Expressed in United States Dollars)

10. Employee benefits (continued)

(a) Defined benefit pension plan (continued):

(i) Employee benefits:

	<u>The Company and Group</u>	
	<u>2019</u>	<u>2018</u>
	\$'000	\$'000
Present value of funded obligations	(107,218)	(101,947)
Fair value of plan assets	228,182	194,855
Unrecognised amount due to limitation	( 60,482)	( 46,454)
Asset recognised in statement of financial position	<u>60,482</u>	<u>46,454</u>

(ii) Movements in funded obligations:

	<u>2019</u>	<u>2018</u>
	\$'000	\$'000
Balance at beginning of year	(101,947)	( 93,789)
Benefits paid	1,918	1,968
Current service cost	( 2,687)	( 2,794)
Interest cost	( 6,999)	( 7,449)
Voluntary contributions	( 484)	( 497)
Gain on curtailment	1,205	1,026
Remeasurement loss on obligation for OCI	( 1,957)	( 2,406)
Exchange gain	<u>3,733</u>	<u>1,994</u>
Balance at end of year	<u>(107,218)</u>	<u>(101,947)</u>

(ii) Movements in plan assets:

	<u>The Company and Group</u>	
	<u>2019</u>	<u>2018</u>
	\$'000	\$'000
Fair value of plan assets at beginning of year	194,855	177,249
Contributions paid:		
Employer	1,021	1,068
Employees	1,506	1,565
Interest income on assets	13,158	13,902
Benefits paid	( 1,918)	( 1,968)
Administrative expenses	( 113)	( 67)
Remeasurement gain on assets for OCI	23,933	6,876
Exchange loss	( 4,260)	( 3,770)
Fair value of plan assets at end of year	<u>228,182</u>	<u>194,855</u>

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

(Expressed in United States Dollars)

10. Employee benefits (continued)

(a) Defined benefit pension plan (continued):

(ii) Movements in plan assets (continued):

	<u>The Company and Group</u>	
	<u>2019</u>	<u>2018</u>
	\$'000	\$'000
Plan assets consist of the following:		
Investments quoted in active markets:		
Equities	109,486	86,380
Government bonds	50,445	50,060
Corporate bonds and other debt securities	25,747	16,743
Pooled pension investments	22,796	18,522
Unquoted investments:		
Real estate	15,340	13,954
Repurchase agreements	-	5,680
Net current assets	<u>4,368</u>	<u>3,516</u>
	<u>228,182</u>	<u>194,855</u>

Included in the plan assets as at December 31, 2019 are:

- Real estate occupied by the Group with a fair value of \$15.0 million (2018: \$14.8 million);
- JPS 11% promissory notes with a fair value of \$Nil (2018: \$0.30 million); and
- JPS 7.35% promissory notes with a fair value of \$826,000 (2018: \$Nil).

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

(iii) Credit/(debit) recognised in the statement of profit or loss:

	<u>The Company and Group</u>	
	<u>2019</u>	<u>2018</u>
	\$'000	\$'000
Current service cost	2,687	2,794
Interest cost	6,999	7,449
Administrative expenses	113	67
Interest income on assets	(13,158)	(13,902)
Gain on curtailment	<u>(1,205)</u>	<u>(1,026)</u>
Total credit	<u>(4,564)</u>	<u>(4,618)</u>
Net credit recognised due to limitation	<u>(2,282)</u>	<u>(2,309)</u>

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

*(Expressed in United States Dollars)*

10. Employee benefits (continued)

(a) Defined benefit pension plan (continued):

(iii) Credit/(debit) recognised in the statement of profit or loss (continued):

The credit is recognised in staff cost-other employees' costs in profit or loss [Note 26(b)].

(iv) Remeasurement loss/gain recognised in other comprehensive income:

	<u>The Company and Group</u>	
	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Remeasurement loss on obligation for OCI	1,957	2,406
Remeasurement gain on assets for OCI	(23,933)	(6,876)
Total remeasurement gain, net	(21,976)	(4,470)
Remeasurement gain recognised due to limitation	(10,988)	(2,235)

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

	<u>The Company and Group</u>	
	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Changes in financial assumptions	2,200	(3,934)
Experience adjustments	(4,157)	1,528
Remeasurement loss on defined benefit obligation	(1,957)	(2,406)

(vi) Remeasurement gain on defined benefit assets arising from:

	<u>The Company and Group</u>	
	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Return on plan assets	37,091	20,778
Interest income on plan assets	(13,158)	(13,902)
	<u>23,933</u>	<u>6,876</u>

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

(Expressed in United States Dollars)

10. Employee benefits (continued)

(a) Defined benefit pension plan (continued)

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

	<u>The Company and Group</u>	
	<u>2019</u>	<u>2018</u>
Inflation rate	4.00%	3.00%
Discount rate	7.50%	7.00%
Future salary increases	4.00%	3.00%
Future pension increases	<u>0.00%</u>	<u>0.00%</u>

Assumptions regarding future mortality are based on GAM(94)M and GAM(94)F 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, 2019, is 17.5 years (2018: 18 years).

The Group's estimated contribution for the 12 months following reporting date is \$1.41 million (2018: \$1.42 million).

- (viii) 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 end of the reporting period 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 Company and Group</u>			
	<u>2019</u>		<u>2018</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	0.5%	0.5%	1%	1%
	\$'000	\$'000	\$'000	\$'000
Discount rate	99,810	115,538	94,418	110,443
Future salary growth	<u>109,893</u>	<u>104,705</u>	<u>104,735</u>	<u>99,319</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, 2019

(Expressed in United States Dollars)

10. Employee benefits (continued)

(b) Other employee benefits obligation:

	<u>The Company and Group</u>	
	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Accumulated sick and vacation pay	<u>8,003</u>	<u>7,797</u>

(c) Defined contribution pension plan:

The Group's contributions to the defined contribution pension plan for the year aggregated \$1.2 million (2018: \$1.1 million). These are recognised in staff cost-other employees' costs [Note 26(b)] in profit or loss.

11. Net cash and cash equivalents

	<u>The Company and Group</u>	
	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Cash at bank and in hand	37,037	27,267
Bank overdraft	( 2,021)	-
Net cash and cash equivalents	<u>35,016</u>	<u>27,267</u>

12. Restricted cash

	<u>The Company and Group</u>	
	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Self-insurance sinking fund	43,626	40,334
Deposit guarantees on staff loans, IPP contracts etc.	<u>1,001</u>	<u>991</u>
	<u>44,627</u>	<u>41,325</u>

The self-insurance sinking fund represents cash maintained as part of the self-insurance sinking fund administered under the direction of the OUR [Note 1(b)]. The term deposits in the sinking fund earn interest at a rate of 3.38% (2018: 3.02%) per annum.

13. Accounts receivable

	<u>The Company and Group</u>	
	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Trade receivables	166,531	194,532
Allowance for impairment losses (i)	( 54,375)	( 61,592)
	112,156	132,940
Unbilled revenue	9,801	19,043
Prepayments	7,548	11,512
Other receivables	<u>22,688</u>	<u>18,889</u>
	<u>152,193</u>	<u>182,384</u>



JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

*(Expressed in United States Dollars)*

13. Accounts receivable (continued)

Allowances for impaired accounts 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 recognised over their term.

Under this ECL model, the Group uses its accounts receivable based on days past due and determines an average rate of ECL, considering actual credit loss experience over the last 12 months and analysis of future delinquency, that is applied to the balance of the accounts receivable. The average ECL rate used as at December 31, 2019 to apply against the accounts receivable balance less 90 days was 4.394% (2018: 2.782%) [Note 33 (a)[i].

(i) Movement in impairment losses for trade receivables is as follows:

	<u>The Company and Group</u>	
	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Balance at beginning of year	61,592	48,450
Transitional adjustments on initial application of IFRS 9	-	5,591
Impairment loss recognised	5,507	8,672
Amounts recovered	( 170)	( 1,121)
Amounts written off	<u>(12,554)</u>	<u>-</u>
Balance at end of year	<u>54,375</u>	<u>61,592</u>

14. Inventories

	<u>The Company and Group</u>	
	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Fuel	13,404	13,279
Generation spares	6,254	7,778
Transmission, distribution and other spares	<u>24,409</u>	<u>22,380</u>
	44,067	43,437
Less: Allowance for impairment	<u>( 2,222)</u>	<u>( 3,365)</u>
	<u>41,845</u>	<u>40,072</u>

In 2019, inventories of \$187.7 million (2018: \$217.4 million) were recognised as an expense during the year and included in cost of sales.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

(Expressed in United States Dollars)

15. Share capital

	<u>No of shares</u> '000
Authorised ordinary share capital:	
Ordinary stock units at no par value	315,733
Ordinary shares at no par value	<u>30,000,000</u>
Balance as at December 31, 2018 and 2019	<u>30,315,733</u>

	<u>No of shares</u> '000	<u>The Company and Group</u>	
		<u>2019</u> \$'000	<u>2018</u> \$'000
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 29)	<u>21,828,195</u>	<u>261,786</u>	<u>261,786</u>

16. Capital reserve

	<u>The Company and Group</u>	
	<u>2019</u> \$'000	<u>2018</u> \$'000
Revaluation surplus	<u>4,760</u>	<u>4,760</u>

This represents the net surplus arising on the revaluation of land.

17. Capital redemption reserve

This represents the value of the Class "G" preference shares redeemed.

18. Accounts payable and provisions

	<u>The Company and Group</u>	
	<u>2019</u> \$'000	<u>2018</u> \$'000
Trade payables	84,701	120,779
Interest accrued on customer deposits and loans	8,754	16,487
Dividend payable (Note 30)	10,612	622
Other payables	42,258	46,207
Provisions (see below)	<u>1,550</u>	<u>6,922</u>
	<u>147,875</u>	<u>191,017</u>

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

(Expressed in United States Dollars)

18. Accounts payable and provisions (continued)

Movement in provisions during the year was as follows:

	<u>The Company and Group</u>	
	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
At beginning of year	6,922	9,550
Provisions made during the year	169	364
Provisions utilised during the year	<u>(5,541)</u>	<u>(2,992)</u>
At the end of year	<u>1,550</u>	<u>6,922</u>

19. Related party balances and transactions

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

	<u>Company</u>		<u>Group</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
(i) Due from:				
South Jamaica Power Company Limited	8,037	538	8,037	538
South Jamaica Energy Holdings Limited	46,000	36,826	-	-
Marubeni Caribbean Holding	<u>62</u>	<u>50</u>	<u>62</u>	<u>50</u>
	<u>54,099</u>	<u>37,414</u>	<u>8,099</u>	<u>588</u>
(ii) Due to:				
South Jamaica Power Company Limited	11,612	1,563	11,612	1,563
EWP (Barbados) 1 SRL	<u>1,568</u>	<u>446</u>	<u>1,568</u>	<u>446</u>
	<u>13,180</u>	<u>2,009</u>	<u>13,180</u>	<u>2,009</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.

(b) Related party transactions:

- (i) The Group has various ongoing transactions with related companies. These include the provision of technical support and related professional services, the acquisition of specialised equipment and spare parts and operation and maintenance support services. These transactions include charges from MaruEnergy JPSCO 1 SRL, EWP (Barbados) 1 SRL and South Jamaica Power Company of approximately \$2.4 million (2018: \$0.8 million) and recharges of approximately \$6.2 million (2018: \$2.1 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.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

*(Expressed in United States Dollars)*

19. Related party balances and transactions (continued)

(b) Related party transactions (continued):

- (iii) 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. Rental payments for the year were \$0.82 million (2018: \$0.82 million).
- (iv) 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 2019 was \$140 million (2018: \$149 million).

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

20. Customers' deposits

	<u>The Company and Group</u>	
	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Customers' deposits for electricity service (i)	16,907	16,636
Customers' advances for construction (ii)	<u>14,731</u>	<u>13,353</u>
	<u>31,638</u>	<u>29,989</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) 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.

21. Borrowings

	<u>The Company and Group</u>	
	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
(a) <u>Short-term Loans</u>		
(i) Citibank	6,000	13,000
(ii) Bank of Nova Scotia	<u>8,000</u>	<u>7,000</u>
	<u>14,000</u>	<u>20,000</u>

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

(Expressed in United States Dollars)

21. Borrowings (continued)

(b) Long-term Loans

	<u>The Company and Group</u>	
	<u>2019</u>	<u>2018</u>
	\$'000	\$'000
(iii) Kreditanstalt fur Weideraufbau of Frankfurt Government of Jamaica (KFW/GOJ), 7% fixed rate, repayable 2030 [€3.9 million (2018: €3.9 million)]	4,512	4,271
(iv) International Finance Corporation (IFC) variable rate, repayable 2020	3,325	6,634
(v) Deutsche Bank as trustees of the holders of the 11% Senior Notes (repaid March 2019)	-	177,216
(vi) Citibank Japan/NEXI variable rate, repayable 2020	7,890	15,478
(vii) Proparco variable rate, repayable 2020	6,689	13,341
(viii) OPEC Fund for International Development variable rate, repayable 2020	2,767	5,523
(ix) Peninsula Corporation 5.25% fixed rate, repayable 2019	10,000	9,000
(x) Export Development Canada variable rate, repayable 2019	334	1,512
(xi) NCB Syndicated J\$2.45B Loan 9.95% fixed rate, repayable 2023	38,034	16,823
(xii) Citibank/Overseas Private Investment Corporation US\$120M 6.5% variable rate, repayable 2021 & 2026	82,517	81,769
(xiii) Caribbean Development Bank US\$15M variable rate, repayable 2029	25,000	15,000
(xiv) CIBC FirstCaribbean International Bank US\$ 80.625M fixed rate, repayable 2028		
Tranche A - US\$50.625M 6% fixed rate	50,019	24,311
Tranche B - J\$1.370B 7.5% fixed rate	10,334	10,727
Tranche C – US\$20.0M 5.5% fixed	19,832	-
(xv) Sagicor Investments 9% fixed US\$180M JMD portion, repayable 2024	79,511	-
(xvi) Sagicor Investments 9% fixed US\$180M USD portion, repayable 2024	<u>98,758</u>	<u>-</u>
Total long-term loans	439,522	381,605
Less: Current portion	<u>( 53,470)</u>	<u>( 35,537)</u>
Non-current portion	<u>386,052</u>	<u>346,068</u>

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

*(Expressed in United States Dollars)*

21. Borrowings (continued)

(b) Long-term Loans (continued)

- (i) This short-term loan was received from Citibank in the amount of US\$6 million in November 2019 and is payable on February 13, 2020 at a rate of LIBOR plus 0.8%.
- (ii) This short term facility was received from the Bank of Nova Scotia in the amount of US\$8.0 million in November 2019. The loan is payable on February 18, 2020 at a fixed rate of 2.65% per annum.
- (iii) 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.
- (iv) This loan is unsecured and repayable in eighteen semi-annual instalments of \$1.7 million, commencing March 2012. The variable interest rate is based on LIBOR plus 5.50% until 2014 and a spread of 5.25% thereafter. Interest is paid semi-annually commencing March 2011. The amount due is carried net of debt issuance costs of \$0.01 million (2018: \$0.03 million).
- (v) This represents unsecured 11% Senior Notes issued on the US bond market and is tradable in Portal, a subsidiary of Nasdaq Stock Market, Inc. The Notes are payable in full on maturity; \$179.20 million to mature on July 6, 2021 and \$0.80 million matured on July 6, 2017. Interest payments are to be made on January 6 and July 6 annually with record dates of December 23 and June 22, respectively, and interest rates of 11% for 180/360 of principal amounts outstanding as at record dates. This loan was fully repaid in March 2019.
- (vi) This loan is unsecured and is repayable in sixteen semi-annual instalments of \$4 million, which commenced in June 2013. Interest is also paid semi-annually. The variable interest rate is based on LIBOR plus 1.7% per annum. The amount due is stated net of debt issuance costs of \$0.23 million (2018: \$0.77 million).
- (vii) This loan is unsecured and is repayable in eighteen semi-annual instalments of \$3.3 million, which commenced in May 2012. The variable interest rate is based on LIBOR plus 5.50% per annum until 2017 and 5.25% thereafter. The amount due is stated net of debt issuance costs of \$0.03 million (2018: \$0.10 million).
- (viii) This loan is unsecured and is repayable in eighteen semi-annual instalments of \$1.4 million, which commenced in May 2012. The variable interest rate is based on LIBOR plus 5.50% per annum until 2014 and 5.25% thereafter. The amount due is stated net of debt issuance costs of \$0.01 million (2018: \$0.03 million).
- (ix) This loan is unsecured and is repayable by a bullet payment at maturity in January 2019. Interest is paid quarterly at a fixed interest rate of 6%.
- (x) This loan is unsecured and attracts interest at a rate of 6 month LIBOR plus 1.6%. The utilisation of the funds is restricted to capital expenditure on goods and services originating in Canada. The principal amounts were drawn on various dates with interest and principal repayable quarterly for each draw-down. This amount due is stated net of debt issuance costs of \$0.01 million (2018: \$0.02 million).

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

*(Expressed in United States Dollars)*

21. Borrowings (continued)

(b) Long-term Loans (continued)

- (xi) This loan is an unsecured Syndicated Jamaican Dollar loan and has a fixed interest rate 5.95% and 5.96%. The funds are to be utilised for refinancing of existing loan, capital expenditure and general corporate purposes. Repayment is in quarterly instalments of J\$212.46 million beginning December 2019 with bullet payment of J\$1.274 Billion at maturity. The amount due is carried net of debt issuance costs of \$0.42 million (2018: \$ 0.10 million).
- (xii) This loan is unsecured and is in two tranches – \$100 million from OPIC and \$20 million from Citibank. The funds are to be utilised 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 plus 4.4% and matures on December 15, 2021. Repayment is in quarterly instalments beginning March 2020. The amount due is carried net of debt issuance cost of \$2.48 million (2018: \$ 3.23 million).
- (xiii) 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 utilisation of the funds is restricted to 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.
- (xiv) 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 \$0.77 million (2018: 0.69 million).
- (xv) 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 cost \$1.05 million.
- (xvi) 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 cost \$1.24 million.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

*(Expressed in United States Dollars)*

22. Preference shares

This comprises cumulative preference shares as follows:

	<u>The Company and Group</u>		<u>The Company and Group</u>	
	<u>Number of shares</u>		<u>2019</u> \$'000	<u>2018</u> \$'000
	<u>2019</u> '000	<u>2018</u> '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	2,456	2,456	<u>24,556</u>	<u>24,556</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.

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.



JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

(Expressed in United States Dollars)

23. Deferred taxation

Deferred taxation relates to:

	<u>The Company and Group</u>						
	Balance at December 31 <u>2017</u> \$'000	Recognised in profit or loss \$'000 [Note 28(a)]	Recognised in other comprehensive income \$'000	Balance at December 31 <u>2018</u> \$'000	Recognised in profit or loss \$'000 [Note 28(a)]	Recognised in other comprehensive income \$'000	Balance at December 31, <u>2019</u> \$'000
Employee benefits, net	(11,257)	( 884)	( 745)	(12,886)	( 944)	(3,663)	(17,493)
Unrealised foreign exchange gains	( 4,493)	261	-	( 4,232)	1,970	-	( 2,262)
Property, plant & equipment	(40,428)	4,843	-	(35,585)	5,847	-	(29,738)
Cumulative tax losses	8,843	(7,633)	-	1,210	(1,210)	-	-
Accounts payable	6,228	630	-	6,858	(3,216)	-	3,642
Other	<u>483</u>	<u>1,484</u>	<u>-</u>	<u>1,967</u>	<u>390</u>	<u>-</u>	<u>2,357</u>
	<u>(40,624)</u>	<u>(1,299)</u>	<u>( 745)</u>	<u>(42,668)</u>	<u>2,837</u>	<u>(3,663)</u>	<u>(43,494)</u>

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

(Expressed in United States Dollars)

24. Decommissioning provision

	<u>The Company and Group</u>	
	<u>2019</u>	<u>2018</u>
	\$'000	\$'000
Decommissioning obligation at the beginning of the year	9,629	9,234
Unwinding of discount (included in finance costs)	<u>412</u>	<u>395</u>
	<u>10,041</u>	<u>9,629</u>

The Group estimates the total undiscounted amount of cash flows required to settle its decommissioning obligations is approximately \$10.4 million which will be incurred between 2020 and 2021.

25. Operating revenue

The Group's revenue arises from the supply of electricity services in accordance with the Licence [Notes 1(a) and 1(b)].

26. Expenses

(a) Cost of sales

	<u>The Company and Group</u>	
	<u>2019</u>	<u>2018</u>
	\$'000	\$'000
Fuel	(453,928)	(477,553)
Purchased power (excluding fuel) [Note 5,7(b)]	(119,959)	(141,480)
Other	<u>(1,061)</u>	<u>(560)</u>
	<u>(574,948)</u>	<u>(619,593)</u>

(b) Operating expenses

	<u>The Company and Group</u>	
	<u>2019</u>	<u>2018</u>
	\$'000	\$'000
Depreciation and amortisation	( 93,711)	( 80,666)
Staff cost – Other employees' costs	( 62,756)	( 61,394)
Staff cost – Key management	( 1,479)	( 1,560)
Directors' fees and emoluments	( 45)	( 45)
Repairs and maintenance	( 11,730)	( 11,890)
Selling expense (advertising and marketing)	( 454)	( 885)
Audit fees	( 178)	( 168)
General expenses	<u>( 46,731)</u>	<u>( 45,770)</u>
	<u>(217,084)</u>	<u>(202,378)</u>

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

*(Expressed in United States Dollars)*

26. Expenses (continued)

(c) Net finance costs

	<u>The Company and Group</u>	
	<u>2019</u>	<u>2018</u>
	\$'000	\$'000
Foreign exchange (losses)/ gains, net	( 8,700)	( 3,593)
Other finance costs:		
Short-term loans	( 789)	( 677)
Long-term loans	(32,153)	(34,142)
Leases	(10,453)	-
Customer deposits	( 400)	( 231)
Bank overdraft and other	( 873)	( 2,735)
Preference dividends	( 2,334)	( 2,334)
Debt issuance costs and expenses	( 4,043)	( 2,820)
Other debt expenses	( 3,965)	( 493)
	<u>(55,010)</u>	<u>(43,432)</u>
Finance income:		
Interest income	5,638	6,792
Interest capitalised during construction [Note 6(c)]	<u>2,499</u>	<u>4,387</u>
	<u>8,137</u>	<u>11,179</u>
	<u>(55,573)</u>	<u>(35,846)</u>

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

27. Other income and expenses

(a) Other income comprises:

	<u>The Company and Group</u>	
	<u>2019</u>	<u>2018</u>
	\$'000	\$'000
Rental income	228	33
Credit balances and other deposits written off	341	2,381
Miscellaneous proceeds from scrap sales and other settlements	<u>2,884</u>	<u>2,361</u>
	<u>3,453</u>	<u>4,775</u>

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

(Expressed in United States Dollars)

27. Other income and expenses (continued)

(b) Other expenses comprise:

	<u>The Company and Group</u>	
	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Miscellaneous expenses	-	( 42)
Restructuring costs	(4,034)	(2,144)
Inventory and other costs written off	( 762)	(4,468)
	<u>(4,796)</u>	<u>(6,654)</u>

28. Taxation

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

	<u>Company</u>		<u>Group</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Current tax expense:				
Current income tax expense	6,392	7,549	6,392	7,549
Deferred tax:				
Origination and reversal of temporary differences (Note 23)	( 2,837)	1,299	(2,837)	1,299
Taxation expense	<u>3,555</u>	<u>8,848</u>	<u>3,555</u>	<u>8,848</u>

(b) Reconciliation of tax expense:

	<u>Company</u>		<u>Group</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Profit before taxation	<u>26,698</u>	<u>39,886</u>	<u>49,596</u>	<u>39,469</u>
Computed "expected" tax at 33 $\frac{1}{3}$ %	8,899	13,295	16,532	13,156
Tax effect of differences between profit for financial statements and tax reporting purposes in respect of:				
Investment allowances	( 6,783)	( 7,443)	( 6,783)	( 7,443)
Loan fees disallowed	2,579	1,006	2,579	1,006
Share of results of interest in Equity-accounted investee	-	-	( 7,633)	139
Other	( 1,140)	1,990	( 1,140)	1,990
Taxation expense	<u>3,555</u>	<u>8,848</u>	<u>3,555</u>	<u>8,848</u>

## JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2019

(Expressed in United States Dollars)

### 28. Taxation (continued)

#### (c) Tax losses:

At the reporting date, the Group had unused tax losses of approximately \$Nil (2018: \$4 million) being carried forward for offset against future taxable profits. The amount being carried forward is subject to the agreement of the Tax Authorities. Tax losses may be carried forward indefinitely, however, the amount that can be utilised in any one year is restricted to 50% of the current year's taxable profits.

### 29. Earnings per share (EPS)

Basic 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>Company</u>		<u>Group</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Profit for the year	23,143	31,038	46,041	30,621
Number of shares (shown in thousands - Note 15)	<u>21,828,195</u>	<u>21,828,195</u>	<u>21,828,195</u>	<u>21,828,195</u>
Earnings per share/stock unit	<u>0.10 ¢</u>	<u>0.14¢</u>	<u>0.21¢</u>	<u>0.14¢</u>

### 30. Dividends

- The Board of Directors approved the payment of a final dividend of 0.00045812¢ (2018: 0.00045812¢) per share on the ordinary shares of the Company amounting to \$10 million (2018: \$10 million) for the year.
- Dividends on cumulative preference shares accrued at December 31, 2019 amounted to \$0.6 million (2018: \$0.6 million) [see note 18].

### 31. Commitments

#### (a) Capital:

At December 31, 2019, commitments for capital expenditure, for which no provision has been made in these financial statements, amounted to approximately \$2.6 million (2018: \$10.2 million).

## JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (continued)

December 31, 2019

*(Expressed in United States Dollars)*

### 32. Contingent liabilities and asset

As at December 31 2019, the Group is subject to various lawsuits in the normal course of business. The outcome of these lawsuits cannot be determined with certainty. However, in the opinion of management and its legal counsel, where 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, 2019, provisions of \$1.5 million (2018: \$6.9 million) pursuant to pending legal actions, were made in the financial statements (Note 18).

### 33. 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.

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, which is stated net of an allowance for impairment losses.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (continued)

December 31, 2019

(Expressed in United States Dollars)

33. Financial instruments (continued)

(a) Financial risk management (continued):

(i) Credit risk (continued):

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 recognised over their term.

*Expected credit loss assessment for trade receivables as at 31 December 2019*

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’s for trade receivables.

	<u>The Company and Group</u>			
	<u>2019</u>			
<u>Age buckets</u>	<u>Weighted average loss rate</u>	<u>Gross carrying amount</u> \$’000	<u>Impairment loss allowance</u> \$’000	<u>Credit impaired</u>
1 - 30 days	3.825%	78,510	3,003	No
31-60 days	4.006%	8,362	335	No
61-90 days	14.435%	4,773	689	No
Over 90 days	67.232%	<u>74,886</u>	<u>50,348</u>	Yes
		<u>166,531</u>	<u>54,375</u>	
	<u>The Company and Group</u>			
	<u>2018</u>			
<u>Age buckets</u>	<u>Weighted average loss rate</u>	<u>Gross carrying amount</u> \$’000	<u>Impairment loss allowance</u> \$’000	<u>Credit impaired</u>
1 - 30 days	1.717%	101,018	1,734	No
31-60 days	5.043%	11,085	559	No
61-90 days	13.458%	7,735	1,041	No
Over 90 days	77.996%	<u>74,694</u>	<u>58,258</u>	No
		<u>194,532</u>	<u>61,592</u>	

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (continued)

December 31, 2019

*(Expressed in United States Dollars)*

33. 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, 2019, 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 \$19.2 million (2018: \$40.4 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 rate 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 expected loss basis and reflects the short maturities of the exposures. The company considered that cash and cash equivalents have low credit risk. No impairment allowances were recognised on initial adoption of IFRS 9 and there has been no change during the period.

(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 always 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, 2019

(Expressed in United States Dollars)

33. Financial instruments (continued)

(b) Financial risk management (continued):

(iii) Liquidity risk:

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 a portfolio of short-term liquid assets and loans to ensure that sufficient liquidity is maintained within the Group as a whole. As at December 31, 2019, the Group had unutilised lines of credit aggregating \$68.2 million (2018: \$100.2 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 payment of the amounts recognised in the statement of financial position.

	The Company and Group						
	Contractual undiscounted cash flows						
	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	
<u>December 31, 2019</u>							
Accounts payable*	146,325	146,325	146,325	-	-	-	-
Short-term loan	14,000	14,067	14,067	-	-	-	-
Long-term loans	439,522	698,240	113,403	74,357	122,336	240,157	147,987
Lease obligations	136,626	195,702	21,064	21,168	64,276	60,549	28,645
Due to related parties	13,180	13,180	13,180	-	-	-	-
Customer deposits	<u>31,638</u>	<u>31,638</u>	-	-	-	<u>6,476</u>	<u>25,162</u>
Total financial liabilities	<u>781,291</u>	<u>1,099,152</u>	<u>308,039</u>	<u>95,525</u>	<u>186,612</u>	<u>307,182</u>	<u>201,794</u>

	The Company and Group						
	Contractual undiscounted cash flows						
	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	
<u>December 31, 2018</u>							
Accounts payable*	184,095	184,095	184,095	-	-	-	-
Short-term loan	20,000	20,250	20,250	-	-	-	-
Long-term loans	381,605	501,906	73,840	102,742	262,791	60,560	1,973
Due to related parties	2,009	2,009	2,009	-	-	-	-
Customer deposits	<u>29,989</u>	<u>29,989</u>	-	-	-	<u>5,106</u>	<u>24,833</u>
Total financial liabilities	<u>617,698</u>	<u>738,249</u>	<u>280,194</u>	<u>102,742</u>	<u>262,791</u>	<u>65,666</u>	<u>26,806</u>

\*Excludes provisions

The preference shares have no specific maturity dates.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (continued)

December 31, 2019

*(Expressed in United States Dollars)*

33. Financial instruments (continued)

(a) Financial risk management (continued):

(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 optimising the return on risk.

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, 2019, 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 21, and the details of customer deposits in Note 20.

Interest bearing financial assets relate to cash and cash equivalents.

At December 31, 2019, the interest profile of the Group's interest-bearing financial instruments was:

	<u>The Company and Group</u>	
	<u>Carrying amount</u>	
	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Total debt		
Fixed rate instruments:		
Financial assets	44,739	41,439
Financial liabilities	<u>(349,688)</u>	<u>(287,036)</u>
Variable rate instruments:		
Financial liabilities	<u>(145,431)</u>	<u>(155,893)</u>

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (continued)

December 31, 2019

(Expressed in United States Dollars)

33. Financial instruments (continued)

(a) Financial risk management (continued):

(iii) Market risk (continued):

- *Interest rate risk (continued):*

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.

Cash flow sensitivity analysis for variable rate instruments:

A change of 100 (2018: 100/100) 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 Company and Group</u>			
	<u>Effect on profit or loss</u>			
	<u>2019</u>		<u>2018</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>(1,454)</u>	<u>1,454</u>	<u>(1,559)</u>	<u>1,559</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.

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, 2019

(Expressed in United States Dollars)

33. 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 Company and Group</u>			
	<u>2019</u>			
	J\$ \$'000	€ \$'000	£ \$'000	US\$ equivalent \$'000
Cash and cash equivalents	3,266,666	-	-	24,611
Trade and other receivables	20,799,495	-	-	156,703
Accounts payable	( 7,423,338)	(4,822)	(10)	( 60,234)
Long-term loans	(17,147,984)	(3,879)	-	(132,223)
Customer deposits	( 4,194,264)	-	-	( 31,368)
	<u>( 4,699,425)</u>	<u>( 8,701)</u>	<u>(10)</u>	<u>( 42,511)</u>

	<u>The Company and Group</u>			
	<u>2018</u>			
	J\$ \$'000	€ \$'000	£ \$'000	US\$ equivalent \$'000
Cash and cash equivalents	1,748,729	-	-	13,692
Trade and other receivables	23,517,630	-	-	184,140
Accounts payable	( 8,528,080)	(4,506)	(30)	( 71,698)
Long-term loans	( 3,531,517)	(3,978)	-	( 31,132)
Customer deposits	( 3,830,032)	-	-	( 29,989)
	<u>9,376,730</u>	<u>( 8,484)</u>	<u>(30)</u>	<u>65,013</u>

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (continued)

December 31, 2019

(Expressed in United States Dollars)

33. Financial instruments (continued)

(a) Financial risk management (continued):

(iii) Market risk (continued)

• Foreign currency risk (continued):

Sensitivity analysis:

A 6% (2018: 4%) strengthening of the United States dollar against the Jamaica dollar, Euro and the GBP 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 Company and Group</u>			
	<u>2019</u>		<u>2018</u>	
	Equity \$'000	Profit/(loss) \$'000	Equity \$'000	Profit/(loss) \$'000
J\$	(1,631)	(1,631)	(1,468)	(1,468)
Euro (€)	607	607	185	185
GBP (£)	<u>1</u>	<u>1</u>	(1)	(1)
Total	<u>(1,023)</u>	<u>(1,023)</u>	<u>(1,284)</u>	<u>(1,284)</u>

A 4% (2018: 2%) weakening of the United States dollar against the Jamaica dollar, Euro and the GBP, respectively, at year end would have the opposite effect, on the basis that all other variables remain constant.

	<u>The Company and Group</u>			
	<u>2019</u>		<u>2018</u>	
	<u>Equity</u> \$'000	<u>Profit</u> \$'000	<u>Equity</u> \$'000	<u>Profit</u> \$'000
J\$	1,087	1,087	2,937	2,937
Euro (€)	405	405	( 369)	( 369)
GBP (£)	(1)	(1)	1	1
Total	<u>1,491</u>	<u>1,491</u>	<u>2,569</u>	<u>2,569</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, 2019

*(Expressed in United States Dollars)*

33. 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 risk management:

Capital risk is the risk that the Group fails to comply with mandated regulatory requirements, resulting in a breach of its operating Licence and the possible adverse effects on its tariff structure in accordance with its Licence [Note 1(b)]. 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 comply with the operational requirements set by the regulators;
- 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 maintain creditor and market confidence by complying with any loan covenants; and
- To maintain a strong capital base to support the development of its business.

The Group monitors capital using a gearing ratio, which is debt as a proportion of total capital. The Group aims to maintain a gearing ratio in the range of fifty percent (50%) to sixty percent (60%). For purposes of calculating this ratio preference shares are treated as equity instruments and included in total equity.

	<u>The Company</u>	
	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Bank overdraft	2,021	-
Short term loans	14,000	20,000
Lease obligations	136,626	-
Long term loans	<u>439,522</u>	<u>381,605</u>
Total debt	<u>592,169</u>	<u>401,605</u>
Share capital	261,786	261,786
Capital reserve	4,760	4,760
Capital redemption reserve	3,000	3,000
Retained earnings	192,006	171,538
Preference shares	<u>24,688</u>	<u>24,688</u>
Total equity	<u>486,240</u>	<u>465,772</u>
Capital and debt	<u>1,078,409</u>	<u>867,377</u>
Gearing ratio	<u>55%</u>	<u>46%</u>

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

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (continued)

December 31, 2019

*(Expressed in United States Dollars)*

33. Financial instruments (continued)

(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 organised 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 realisation or discounts on settlement.

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

Other investment instruments 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 accepted formula.
- Apply 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 Company and Group</u>			
	<u>2019</u>		<u>2018</u>	
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Financial liabilities:				
Preference shares	24,688	24,122	24,688	25,038
Long term loans	<u>439,522</u>	<u>561,831</u>	<u>381,605</u>	<u>459,904</u>

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements (continued)

December 31, 2019

(Expressed in United States Dollars)

33. Financial instruments (continued)

(d) Fair value disclosure:

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

	<u>The Company and Group</u>		
	<u>2019</u>		
	Level 1	Level 2	Total
	\$'000	\$'000	
Liabilities for which fair values are disclosed:			
Preference shares	(24,688)	-	(24,688)
Long term loans	<u>-</u>	<u>(561,831)</u>	<u>(561,831)</u>
	<u>(24,688)</u>	<u>(561,831)</u>	<u>(586,519)</u>

	<u>The Company and Group</u>		
	<u>2018</u>		
	Level 1	Level 2	Total
	\$'000	\$'000	
Liabilities for which fair values are disclosed:			
Preference shares	(25,038)	-	( 25,038)
Long term loans	<u>-</u>	<u>(459,904)</u>	<u>(459,904)</u>
	<u>(25,038)</u>	<u>(459,904)</u>	<u>(484,942)</u>

34. Subsequent event

Subsequent to the reporting date, the World Health Organisation declared the Coronavirus (COVID-19) outbreak a pandemic due to its rapid spread across the globe. Jamaica has been affected by the outbreak, which resulted in the Government of Jamaica undertaking a variety of measures to reduce the spread of the virus among the population. These measures have disrupted business operations and have resulted in increased economic uncertainty.

As a result, the Group's business activities and financial performance may be impacted by supply chain disruption, unavailability of personnel, declines in sales, operating cash flows or the collection of outstanding receivables; however an estimate of the financial impact cannot be made at this time.





# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Jamaica Public Service Company Limited will be held on **Thursday, 23rd day of July, 2020** at the Company's registered office, 6 Knutsford Boulevard, Kingston 5 commencing at **10:00 a.m.** for the following purposes:

## 1. TO RECEIVE THE ACCOUNTS

To receive the Audited Accounts for the year ended December 31, 2019 and the Reports of the Directors and Auditors thereon and to consider and if thought fit pass the following resolution:

- A. That the Accounts for the year ended December 31, 2019 together with the Reports of the Directors and Auditors thereon be approved and adopted.

## 2. TO APPROVE and RATIFY DIVIDEND

- (i) RESOLVED that this Board HEREBY APPROVES a final dividend of the Jamaican equivalent of Ten Million United States Dollars (US\$10,000,000.00) or 0.00045812 United States cents per share/stock on the Ordinary Stock/Shares of the Company at the rate of exchange of the Bank of Jamaica's daily weighted average selling rate on the 26th day of November, 2018, payable on the 30th day of November, 2018, to share/stockholders registered at close of business on the 26th day of November, 2018. This amount will be distributed out of retained earnings.
- (ii) RESOLVED that this Board HEREBY APPROVES a final dividend of the Jamaican equivalent of Ten Million United States Dollars (US\$10,000,000.00) or 0.00045812 United States cents per share/stock on the Ordinary Stock/Shares of the Company at the rate of exchange of the Bank of Jamaica's daily weighted average selling rate on the 18th day of December, 2019, payable on the 31st day of January 2020 to share/stockholders registered at close of business on the 18th day of December, 2019. This amount will be distributed out of retained earnings

### 3. TO ELECT DIRECTORS

(a) In accordance with Articles 117 and 119 of the Company's Articles of Incorporation, Directors Seiji Kawamura, Suzette Buchanan, and Colin Williams, having been appointed to the Board shall cease to hold office and being eligible, offer themselves for re-election.

- (i) "That Seiji Kawamura (MaruEnergy JPSCO 1, Srl) is hereby re-elected a Director of the Company";
- (ii) "That Suzette Buchanan (Government of Jamaica) is hereby re-elected a Director of the Company"
- (iii) "That Colin Williams (Government of Jamaica) is hereby re-elected a Director of the Company";

(b) In accordance with Articles 62, 86 and 123 of the Company's Articles of Incorporation, Directors Bok Hoa Jeong, Mohamed Majeed, Hyung Chae Yang, Kengo Aoki, Shogo Otani and Hyun Woo Kim, having been appointed to the Board since the last Annual General Meeting shall cease to hold office and being eligible, offer themselves for election.

The Company is asked to consider, and if thought fit pass the following resolutions:

- (i) "That Bok Hoa Jeong, EWP (Barbados) 1, Srl is hereby elected a Director of the Company";
- (ii) "That Mohamed Majeed, MaruEnergy JPSCO 1, Srl, is hereby elected a Director of the Company";
- (iii) "That Hyung Chae Yang, EWP (Barbados) 1, Srl is hereby elected an Alternate Director of the Company"
- (iv) "That Kengo Aoki, MaruEnergy JPSCO 1, Srl, is hereby elected an Alternate Director of the Company";
- (v) "That Shogo Otani, MaruEnergy JPSCO 1, Srl is hereby elected an Alternate Director of the Company";
- (vi) "That Hyun Woo Kim, EWP (Barbados) 1, Srl is hereby elected an Alternate Director of the Company";

(c) That Mr. Bok Hoa Jeong having being appointed Director be and is hereby elected as Chairman of the Board in accordance with the Articles of Incorporation

### 4. TO AUTHORIZE DIRECTORS TO APPOINT AUDITORS AND FIX THEIR REMUNERATION.

### 5. ANY OTHER BUSINESS FOR WHICH DUE NOTICE HAS BEEN GIVEN.



BY ORDER OF THE BOARD  
Melanie A. Gilchrist  
Company Secretary  
March 26, 2020



# FORM OF PROXY

## JAMAICA PUBLIC SERVICE COMPANY LIMITED

I/WE.....of..... being a member/members of the above Company hereby appoint the Chairman of the meeting or failing him .....of..... as my/our Proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on the **23rd day of July, 2020 at 10:00 a.m.** and at any adjournment thereof.

RESOLUTION	FOR	AGAINST
Resolution 1		
Resolution 2(i)		
Resolution 2(ii)		
Resolution 3(a)(i)		
Resolution (3(a)(ii)		
Resolution 3(a)(iii)		
Resolution 3(b)(i)		
Resolution 3(b)(ii)		
Resolution 3(b)(iii)		
Resolution 3(b)(iv)		
Resolution 3(b)(v)		
Resolution 3(b)(vi)		
Resolution 3(c)		
Resolution 4		
ANY OTHER BUSINESS		

.....  
(signature)

.....  
(signature)

1. If you wish to appoint a proxy other than the Chairman of the Meeting, please insert the person's name and address and delete the words "the Chairman of the Meeting or failing him". Initial the deletion.
2. Any alteration to this form of proxy should be initialled.
3. If the appointer is a corporation this form of proxy must be **UNDER ITS COMMON SEAL** or under the hand of some officer or attorney of the corporation **DULY AUTHORIZED IN WRITING**.
4. In case of joint holders the vote of the person whose name stands first on the Register will be accepted in preference to the vote of the other holders.
5. To be effective this form of proxy and the power of attorney or other (if any) under which it is signed or a notary certified copy, of that power or authority must be deposited at Jamaica Public Service Company Limited, 6 Knutsford Boulevard, Kingston 5 for the attention of the Secretary not less than forty-eight (48) hours before the time for the holding of the meeting.

