JAMAICA PUBLIC SERVICE COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018

{Unaudited results in US$ thousand}

	Dec-18 $'000	{Audited} Dec-17 $'000
ASSETS		
Non-current assets		
Property, plant and equipment	776,385	735,484
Investment in joint venture	36,055	15,646
Employee benefits asset	42,233	41,730
	854,673	792,860
Current assets		
Cash and cash equivalents	27,267	12,203
Restricted cash	41,325	38,443
Accounts receivable	189,102	217,218
Due from related parties	709	795
Inventories	42,748	41,405
Tax recoverable	-	1,730
	301,151	311,794
Total assets	1,155,824	1,104,654
Shareholders' equity		
Share capital	261,786	261,786
Capital reserve	4,760	4,760
Capital redemption reserve	3,000	3,000
Retained earnings	171,349	154,247
	440,895	423,793
Current liabilities		
Bank overdraft	-	2,924
Accounts payable and provisions	193,508	191,104
Corporation tax payable	2,242	-
Due to related parties	2,008	133
Short-term loans	20,000	23,000
Current portion of long-term loans	35,537	36,341
	253,295	253,502
Non-current liabilities		
Customers' deposits	29,989	27,150
Long-term loans	346,068	317,704
Preference shares	24,688	24,688
Employee benefits obligation	7,797	7,959
Decommissioning provision	9,629	9,234
Deferred taxation	43,463	40,624
	461,634	427,359
Total liabilities	714,929	680,861
Total shareholders' equity and liabilities	1,155,824	1,104,654

ON BEHALF OF THE BOARD

Fitzroy Vidal — Director

Ha Kyoung Song — Director

JAMAICA PUBLIC SERVICE COMPANY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED DECEMBER 31, 2018

{Unaudited results in US$ thousand}

	Quarter ended,		Year ended,	
	Dec-18	Dec-17	Dec-18	Dec-17
	US$'000	US$'000	US$'000	US$'000
Operating revenue	234,736	215,524	908,254	836,869
Cost of sales	(161,034)	(143,943)	(619,593)	(548,967)
Gross profit	73,702	71,581	288,661	287,902
Operating expenses	(60,267)	(61,440)	(212,938)	(225,558)
Operating profit	13,435	10,141	75,723	62,344
Net finance costs	(3,289)	(4,918)	(35,846)	(34,932)
Other income	376	2,349	3,061	4,817
Other expenses	(16)	(360)	(2,144)	(2,198)
	10,506	7,212	40,794	30,031
Share of loss in joint venture	(133)	(354)	(422)	(354)
Profit before taxation	10,373	6,858	40,372	29,677
Taxation	(2,833)	2,429	(11,687)	(5,444)
Profit for the period	**7,540**	**9,287**	**28,685**	**24,233**

Earnings per share/stock unit:				
Number of share/stock units (in thousands)	21,828,195	21,828,195	21,828,195	21,828,195
Net profit per share/stock unit (annualised)	0.14¢	0.17¢	0.13¢	0.11¢

JAMAICA PUBLIC SERVICE COMPANY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED DECEMBER 31, 2018

{Unaudited results in US$ thousand}

	Dec-18 US$'000	{Audited} Dec-17 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period	28,685	24,233
Adjustments for non-cash items:		
Depreciation and amortisation	80,666	76,589
Loss/(gain) on disposal of property, plant and equipment	389	(74)
Unrealised foreign exchange (gains)/losses	(41)	(5,432)
Amortisation of debt issuance costs	2,820	3,442
Amortisation of other asset	-	89
Interest income	(6,792)	(2,078)
Interest capitalised	(4,387)	(2,163)
Interest expense	40,612	37,712
Income tax expense	14,526	4,647
Deferred tax expense	2,839	797
Share of loss in joint venture	422	354
Employee benefit obligations, net	(665)	(3,414)
Others	-	(25)
	159,074	134,677
Increase/(decrease) in working capital:		
Restricted cash	(2,882)	(3,729)
Accounts receivable	27,378	(54,701)
Inventories	(1,343)	(9,262)
Payables and provisions	1,368	63,312
Taxation	(10,554)	(7,034)
Due (from)/to related companies, net	1,961	6,732
Customer deposits and advances	2,839	2,115
Cash provided by operating activities	177,841	132,110
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of share in joint venture	(20,836)	(16,000)
Interest received	5,947	1,774
Proceeds from sale of property, plant and equipment	-	1,007
Purchase of property, plant & equipment	(117,569)	(110,684)
Cash used in investing activities	(132,458)	(123,903)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term loans received/(repaid), net	(3,000)	23,000
Long-term loans received/(repaid), net	24,781	6,393
Interest paid	(39,176)	(36,971)
Dividends paid	(10,000)	-
Cash used in financing activities	(27,395)	(7,578)
Increase in cash & cash equivalents	17,988	629
Cash and cash equivalents at beginning of period	9,279	8,650
Cash and cash equivalents at end of period	27,267	9,279

JAMAICA PUBLIC SERVICE COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED DECEMBER 31, 2018

	Share Capital US$'000	Capital Reserve US$'000	Capital Redemption Reserve US$'000	Retained Earnings US$'000	TOTAL US$'000
Balance as at December 31, 2016	**261,786**	**4,145**	**3,000**	**126,480**	**395,411**
Profit for the period	-	-	-	24,233	24,233
Other comprehensive income:					
Revaluation gain	-	615	-	-	615
Remeasurement loss on defined benefit plan, net of tax	-	-	-	3,534	3,534
Balance as at December 31, 2017	**261,786**	**4,760**	**3,000**	**154,247**	**423,793**
Effect of adopting new standards	-	-	-	(1,583)	(1,583)
Restated balance as January 1, 2018	261,786	4,760	3,000	152,664	422,210
Profit for the period	-	-	-	28,685	28,685
Dividends	-	-	-	(10,000)	(10,000)
Balance as at December 31, 2018	**261,786**	**4,760**	**3,000**	**171,349**	**440,895**

JAMAICA PUBLIC SERVICE COMPANY LIMITED

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (UNAUDITED) DECEMBER 31, 2018

1. Corporate structure and nature of business

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

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

On 15 February 2017, the Company incorporated a new subsidiary, South Jamaica Energy Holdings Limited (SJEH), through which it increased its investment in South Jamaica Power Company Limited (SJPC). SJPC is a joint venture with MaruEnergy JPSCO 1 SRL, EWP (Barbados) 1 SRL and the Petrocaribe Development Fund, for the construction and operation of a power plant. The plant will be located in Old Harbour and is currently under construction.

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

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

2. Regulatory arrangements and tariff structure

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

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

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

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

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

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

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

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

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

(a) Basis of preparation

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

These financial statements have been prepared using the same accounting policies and methods of computation applied in preparing the financial statements for the year ended December 31, 2017 which was prepared in accordance with International Financial Reporting Standards (IFRS), except for the adoption of new standards, being IFRS 9 'Financial instruments' and IFRS 15 'Revenue from contracts with customers'.

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

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

The interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited financial statements for the year ended December 31, 2017.

(b) Changes in significant accounting policies

(i) IFRS 9 'Financial instruments',

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement' and sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The adoption of IFRS 9 from January 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provision in IFRS 9 [7.2.15], comparative figures have not been restated.

IFRS 9 includes revised guidance on the classification of financial assets and liabilities, including a new 'expected credit loss' (ECL) model for calculating impairment of financial assets. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

IFRS 9 replaces the 'incurred loss' model which means that a loss event will no longer need to occur before an impairment allowance is recognised.

Application of Simplified Approach

For trade receivables, the Group applies the simplified approach permitted under IFRS 9, which requires that the impairment provision is measured at initial recognition and throughout the life of the receivables using a lifetime ECL. As a practical expedient, a provision matrix is utilised in determining the lifetime ECLs for trade receivables.

The lifetime ECLs are determined by taking into consideration historical rates of default for each segment of aged receivables as well the estimated impact of forward looking information.

The Group has determined that the application of IFRS 9 impairment requirements results in an impairment allowance of $1.6 million on trade receivables as at January 1, 2018.

(ii) IFRS 15 'Revenue from contracts with customers'

IFRS 15 replaces the provisions of IAS 18 that relate to the recognition of revenue. Revenue is recognised when the goods or services are delivered to the customer, which is taken to be at the point in time at which the customer accepts the goods or service along with the related risks and rewards of ownership. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

The adoption of IFRS 15 from January 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provision in IFRS 15 [C3 (b)], comparative figures have not been restated.

The Group has determined that the impact of the application of IFRS 15 is not considered material for disclosure, hence the immateriality exemption under IAS I 'Presentation of Financial Statements', has been applied.

4. Cash and cash equivalents

As at December 31, 2018, cash and cash equivalents include amounts restricted for use amounting to approximately $41.3 million (Dec-17: $38.4 million). This includes approximately $40.3 million (Dec-17: $37.9 million) in relation to a self-insurance sinking fund administered under the direction of the OUR (see note 2).

5. Operating expenses

	Quarter ended		Year ended	
	Dec-18	Dec-17	Dec-18	Dec-17
	US$'000	US$'000	US$'000	US$'000
Bad debt	(2,991)	(4,186)	(8,672)	(12,036)
Depreciation and amortisation	(21,353)	(20,362)	(80,666)	(76,589)
Staff costs	(15,457)	(14,341)	(64,839)	(70,994)
Other	(20,466)	(22,551)	(58,761)	(65,939)
	(60,267)	(61,440)	(212,938)	(225,558)

6. Net finance costs

	Quarter ended		Year ended	
	Dec-18	Dec-17	Dec-18	Dec-17
	US$'000	US$'000	US$'000	US$'000
Foreign exchange gain/(loss)	4,741	3,298	(3,593)	1,981
Other finance costs	(10,410)	(9,635)	(41,098)	(38,820)
Preference dividends	(588)	(588)	(2,334)	(2,334)
Finance income	2,968	2,007	11,179	4,241
	(3,289)	(4,918)	(35,846)	(34,932)

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

March 31, 2017	128.67	March 31, 2018	125.99
June 30, 2017	128.62	June 30, 2018	130.39
September 30, 2017	129.91	September 30, 2018	134.65
December 31, 2017	125.00	December 31, 2018	127.72

7. Compliance with debt covenants

Under the terms of the long term loan agreements with certain international development financial institutions, the Group is required to maintain a certain financial covenant relating to minimum Debt to Earnings before Interest, Tax, Depreciation and Amortisation. The Group was fully compliant with all its loan covenant obligations as at December 31, 2018.