JPS | Powering What Matters

2018

ANNUAL REPORT


JPS | Powering What Matters
ETI
PALFINGER Company

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

COMPANY PROFILE

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

Since 2011, Marubeni Corporation of Japan and Korea East-West Power (EWP) have jointly owned majority shares (80%) in the Jamaica Public Service Company Ltd (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 2017, JPS incorporated a new subsidiary, South Jamaica Energy Holdings Limited, through which the Company holds investments in other projects. The Group currently owns and operates: four power stations, nine hydroelectric plants, and one wind farm.

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

Along with the provision of electricity, JPS is a key partner in national development. The 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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Powering What Matters


Altec


JPS | Powering What Matters

CHAIRMAN'S STATEMENT TO SHAREHOLDERS

I would like to extend a warm welcome to our shareholders to the era of utility transformation in Jamaica. Technological progress is happening in every corner of our industry, and JPS is no exception. The Board has worked closely with the JPS management team to fully utilize new technologies that will trigger changes in processes at various levels within the Company that will impact on how we serve our customers.

In 2018, JPS invested historic capital of US$117.5 million into Jamaica's energy infrastructure. This investment was focused on not simply replacing outdated systems, but also on the implementation of initiatives and projects that will deliver increased value to our customers. Significant strides were made in the implementation of new technology as part of a grid modernization strategy that will enhance reliability of the grid, empower customers, reduce the cost of doing business, and result in affordable electricity prices.

In our industry, the 3-D's are the new buzz words often used: de-carbonization, digitalization and de-centralization. JPS has been working tirelessly to integrate these approaches into our business by constructing the largest hybrid energy storage system in the world to support more renewable energy, rolling out smart meters to serve customers better, and adopting distribution automation and distributed generation applications. In 2018, JPS focused on building a solid foundation to ensure that we are ready to meet Jamaica's future energy needs, even while making improvements in the service we provide to our customers today. Shareholders are proud to be part of JPS' social obligation to achieve sustainable development goals.

IMPROVED FINANCIAL PERFORMANCE

In 2018, JPS achieved a net profit of US$30.6 Million. This improved performance is the result of the determined efforts of the management team to improve operational efficiency throughout the Company. I must also recognize the strong commitment of our employees to embrace new challenges to that end. The Company's financial performance was driven by reducing Operating & Maintenance expenditure and

Historic investment of US$117.5M in local energy infrastructure.

financing expenses as part of a strategy to reduce the price of energy to customers. However, both the Board and management team agree that more efficiency and productivity improvement needs to be achieved in coming years.

FUEL DIVERSITY

JPS continued its equity contribution in South Jamaica Power Company (SJPC) for the construction of a new 190MW power plant at Old Harbour. The plant, which will operate on Natural Gas, will enhance Jamaica's fuel diversity agenda, and is expected to result in greater stability in electricity rates. The technology deployed in the new plant will make it twice as efficient as the existing generating units, which will translate to lower fuel charges on customers' bills. The new plant was 90% completed at the end of 2018, and will replace several older generating units when fully commissioned in 2019.

THE CHALLENGE OF ELECTRICITY THEFT

The biggest challenge faced by the Company in 2018 was electricity theft. JPS spent over US$30 Million to address this problem during the year, however, electricity theft remains stubbornly at approximately 18% of the electricity produced. Driven primarily by socio-economic conditions, this problem requires strong Government intervention and partnerships to achieve sustainable results.

LOOKING AHEAD

As your Chairman, I'm proud to have served on the Board with my distinguished colleagues in 2018. I am also proud of the accomplishments of the management and employees of our Company during the period. Looking ahead, the future of energy in Jamaica will depend on partnerships between the key players in the energy sector. This future brings the opportunities of electric vehicles and distributed generation as well as the challenges of grid defection. JPS remains committed to playing our part in ensuring a secure energy future for Jamaica, while providing service at an affordable cost and allowing a reasonable return for shareholders. That, we believe, will be achieved only through our determined and continuous transformation!

Seiji Kawamura
Chairman

BOARD OF DIRECTORS

Seiji Kawamura - Chairman

Suzette Buchanan

Masao Imazato

Minna Israel

Hon. Charles Johnston, C.D.

Yong Hyun Kim
(Resigned: March 27, 2019)

Dong Uk Kim
(Appointed: March 28, 2019)

Ha Kyoung Song

Fitzroy Vidal

Colin Williams

1. Seiji Kawamura - Chairman
2. Suzette Buchanan
3. Masao Imazato
4. Minna Israel
5. Hon. Charles Johnston, C.D.
6. Yong Hyun Kim (Resigned: March 27, 2019)
7. Dong Uk Kim (Appointed: March 28, 2019)
8. Ha Kyoung Song
9. Fitzroy Vidal
10. Colin Williams

EXECUTIVE LEADERSHIP TEAM

1. Blaine Jarrett – SVP, Energy Delivery
2. Gary Barrow – Chief Operating Officer (COO)
3. Katherine Francis – General Counsel and Corporate Secretary / SVP, Safety Risk & Legal
4. Ramsay McDonald – SVP, Customer Services
5. Emanuel DaRosa – President & Chief Executive Officer (CEO)
6. Dionne Nugent – SVP, Business Development (Acting – appointed November 29, 2018)
7. Joseph Williams – SVP, Generation
8. Vernon Douglas – Chief Financial Officer (CFO)
9. Charmaine Heslop-DaCosta – SVP, Human Resource Services
10. (INSET) Sheree Martin – SVP, Business Development (Resigned November 30, 2018)

Our focus: end to end efficiency, unlocking greater value for our customers, safety, and key stakeholder partnerships to deliver sustained growth.

MANAGEMENT DISCUSSION AND ANALYSIS 2018

Emanuel DaRosa, President & CEO

Results of Operations

JPS made positive gains during 2018 with the implementation of energy diversification and efficiency measures, which translated to better service to customers and improved financial performance for the Group.

Our operating revenue totaled US$908.3 million or 8.5% more than the previous year. The increase was primarily due to an approximately 22.2% increase in fuel costs recovered from customers as well as a decrease of 3.5% in non-fuel revenue. The movement in oil prices increased our cost of sales for the year to US$619.6 million or 12.8% year on year. However, our operating expenses (including impairment losses on receivables) actually declined to US$211.0 million from US$225.6 million the previous year, reflecting increased efficiencies throughout the Group's operations. Cost containment led to an increased operating profit of US$77.6 million, an increase of 24.5% year on year.

Notwithstanding higher finance costs, driven mainly by foreign exchange losses, the Group made US$30.6 million in net profit after tax, which was 26% more than the year before. The profit after tax as a percentage of US$440 million in total equity represents a return on equity of some 6.9%, compared to approximately 5.7% the previous year.

During the year, we made significant capital investments (US$ 117.5 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. We invested a further US$ 20.8 million in our joint venture business, South Jamaica Power Company, which is the entity constructing a new 190 megawatt (MW) Power Plant in Old Harbour Bay.

CASH FLOW

There was a special focus on cash and working capital management during the year. This resulted in an overall increased cash at the end of the period at US$27.3 million compared with US$9.3 million in 2017. A key part of that move involved tighter receivables management and developing stronger performing relationships with key customer segments, which resulted in US$185.5 million cash generated from operations versus US$139.1 million a year earlier. We invested heavily during the year and spent US$132.6 million in net cash in investing activities versus US$123.9 million a year earlier. In order to finance that investment, we used US$30.1 million in net cash versus the US$7.6 million used the previous year.

BALANCE SHEET

The Group's total assets of US$1.15 billion grew 4.1% from US$1.1 billion the previous year, mainly reflecting increased investment in property, plant and equipment. We continue to maintain an adequate working capital ratio at 1.1 times with our current assets covering current liabilities. Total liabilities increased over the year, based on an increase in financing to support the Group's capital expenditure programme. Despite the growth in total liabilities to US$710.3 million from US$680.9 million a year earlier, there was continued focus on overall debt management.

During the year, we paid a dividend of US$10 million to our ordinary shareholders and was also able to increase shareholders equity to US$440.3 million or 3.8% higher than the previous year.

Best reliability performance on JPS' generating units in recorded history.

REFINANCING

During 2018, we replaced some of our existing debt arrangements and commenced the process of refinancing a significant portion of our long-term debt, which totaled US$381.5 million at December 2018, up from US$354.0 million a year earlier. We took the opportunity to begin an adjustment of the maturity profile of our debt portfolio, to better match our ongoing investments in longer term assets. We obtained a AAA credit rating from Caribbean Information and Credit Rating Services Limited (CariCRIS) in 2018. The rating agency issued a stable outlook for the Group, highlighting the ongoing investments in maintenance and asset modernization as key supporting considerations which contributed to the positive rating given. This allowed us to widen the pool of prospective lenders of debt, and led to the securing of longer tenure loans, culminating in a US$61 million loan in November 2018.

Subsequently, in February 2019, we refinanced US$180 million in debt at lower interest rates and converted a portion to local currency. These measures have greatly improved our matching of assets and liabilities and will result in future benefits to not only JPS but also to our valued customers.

OPERATIONAL HIGHLIGHTS

In 2018, the Group made historic capital investment of US$117.5 million in Jamaica's energy infrastructure, in keeping with our commitment to play a key role in the achievement of the national goals of: energy security, sustainability and affordability. This investment extended to all key areas of our operations, with a substantial percentage going towards the deployment of technology to improve operational efficiency and the delivery of service to our customers.

JPS continues to be impacted by, and to respond to, the dramatic transformations in the energy industry being brought about by technology, which is impacting every area of our business. Against this background, one of the Group's most significant achievements in 2018 was the roll-out of over 100,000 smart meters – five times more than was ever done in a given year. The accelerated deployment of smart meters is already delivering improved efficiencies and greater customer satisfaction, and has set the tone for the way customers will receive service and interact with the utility in the future. More than 25 per cent of our customers now have smart meters, and the Company aims to achieve 100% roll out by 2023.

During 2018, we continued the installation of smart devices on the distribution network, as part of ongoing efforts to minimize the impact of unplanned outages, by enabling the quick location of faults and the creation of virtual self-healing capabilities for the grid. The technology, coupled with an aggressive network maintenance strategy, resulted in a 10% improvement in reliability performance – the best in 10 years!

We also set new records in other areas of our operations in 2018, as the Group aggressively pushed for improved performance and greater efficiency. The team set a new standard in the performance of our generating units, by improving the efficiency of conversion of fuel to electricity – resulting in the lowest thermal Heat Rate in its history - 11,221 kJ/kWh! Overall, we achieved the best reliability on the generating fleet in recorded history, with an Equivalent Forced Outage Rate (EFOR) of 5%, and an Equivalent Availability Factor (EAF) of 89%.

MANAGEMENT DISCUSSION AND ANALYSIS 2018 CONTINUED

In 2018 we made significant strides with the implementation of Jamaica's Smart LED Street Lighting Project. More than half of the nation's streetlights have now been converted to Smart LED lights, which will result in greater energy efficiency and more effective monitoring and maintenance of streetlights.

The Group is actively preparing for Jamaica's transition to more renewables, and will be supporting the Government's policy in this regard. In response to the increased intermittency caused by renewables, and in preparation for the addition of more renewables to the national grid, JPS is in the process of constructing the world's largest hybrid storage unit, which is scheduled for full commissioning by mid-2019. This is a critical first step in the development of adequate back-up storage capacity as the country will need more storage to ensure grid stability with the increase in renewables over time.

" More than 40% of the nation's streetlights have now been converted to Smart LED lights."

With the increased digitization of service delivery across industries, the Group has seen an increase in the number of customers being served via our online platforms. In 2018, we experienced a 30% growth in the number of customers receiving service via social media, and a 20% increase in the number of engagements via our Web Chat channel. The Company will be keeping apace with the opportunities offered by emerging technologies to improve service to customers, with the intention of placing more power in the hands of customers – further enabling more choices in how they interact with and obtain information from the Company.

OUR PEOPLE AND COMMUNITY

In 2018, we maintained our focus on staff training and development and, most importantly, on improving safety performance across the operations. Throughout the year, our team members reaffirmed their unwavering commitment to adding value to our stakeholders – by working more creatively and more efficiently. Employees continued to go beyond the call of duty to serve our customers: in addition to working 24 hours every day to keep the lights on and meet the energy needs of customers, during the year team members were involved in a range of community improvement initiatives.

Our Community Renewal team continued its work in several under-served communities, to convert non-paying consumers to paying JPS customers. Through partnerships with agencies such as USAID and the Jamaica Social Investment Fund (JSIF), the Company invested in additional infrastructure and implemented a number of projects to not only provide electricity safely to these communities, but also to support social renewal for the citizens.

Through the JPS Foundation, we continued our focus on energy education, with our Electrical and Electronic Technology CSEC Examination Fee Sponsorship Programme and Energy Clubs in High Schools. The JPS VOLTS (Volunteers on Location to Serve) also contributed hundreds of man-hours to community improvement projects in schools, health facilities, and community centres across the island.

OUTLOOK

The Group's strategy will be heavily focused on end to end efficiency, unlocking greater value for our customers, safety, key stakeholder partnerships and collaborations to deliver sustained growth. Global mega trends around the de-carbonization, digitalization and decentralization will continue to inform how we approach solutions for our business.

Increase in the number of customers served online.

We continue to focus on the diversification of fuel sources, with the planned replacement of 167MW of aged generating assets over the next five years. Continued diversification of our energy sources will reduce the impact of oil price shocks and provide price stability to customers. While the actual fuel mix will be determined by the Government's Integrated Resource Plan (IRP), which is currently being developed by the Ministry of Energy, future diversification will undoubtedly include the incorporation of Natural Gas and Renewables, which are more efficient and cleaner for the environment. We are actively exploring possible renewable projects and, with other partners, will continue to work to support the Government in achieving the national goals for energy security and sustainability.

" The team set a new standard in the performance of our generating units..."

We plan to continue to invest heavily in technology to improve overall operational performance and customer service delivery. We anticipate significant improvements in customer convenience and satisfaction, with more process automation and the deployment of more self-service options for our customers. JPS intends to be more targeted in the delivery of service to our customers, through more granular customer segmentation and more precise knowledge of the needs of our various customer groups. This will enable the delivery of customized services and solutions, as we seek to empower our customers with options that satisfy their unique needs.

In addition to new disruptive technologies, the advancing 'green revolution' and changing customer behavior will continue to influence the Group's strategic direction. One trend that is expected to impact Jamaica in the near future is the advancement in electric vehicles (EVs). JPS is preparing for a shift in customers' behavior as more persons embrace EVs and, in 2019, will be installing EV charging stations at strategic locations across the island. JPS will continue to explore opportunities on the non-regulated side of the business, to add value to our customers, business partners and shareholders. Our immediate priority, however, is to provide reliable and affordable power to satisfy customers' needs, while helping to strengthen the communities that we serve, and continuing to power what matters for all our stakeholders.

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.

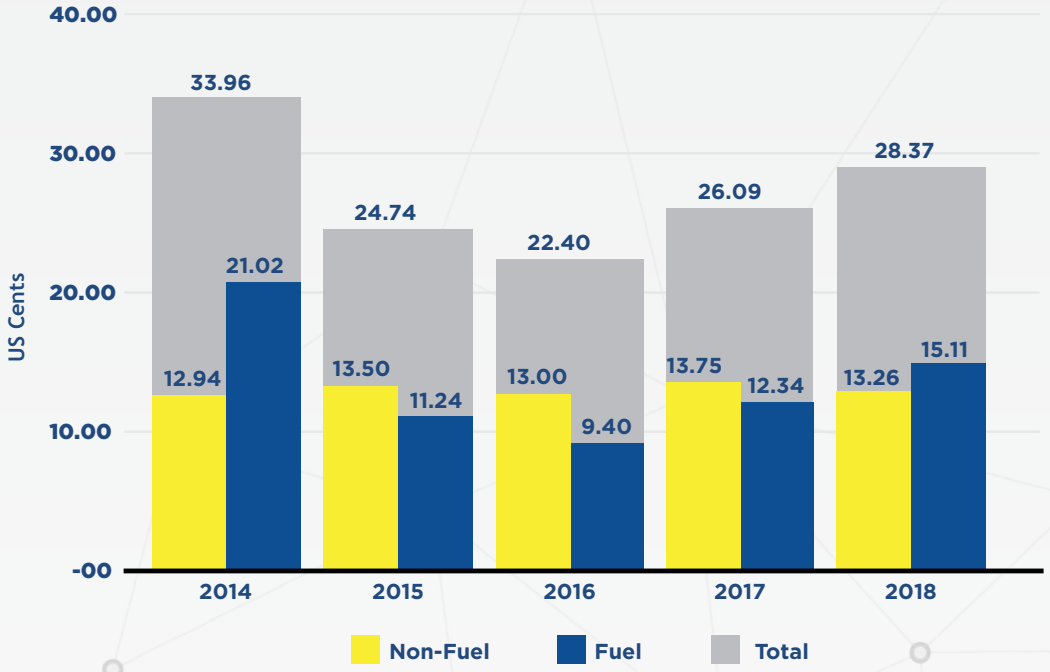
The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risk and adhere to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions. The Group, 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.

OPERATIONAL STATISTICS

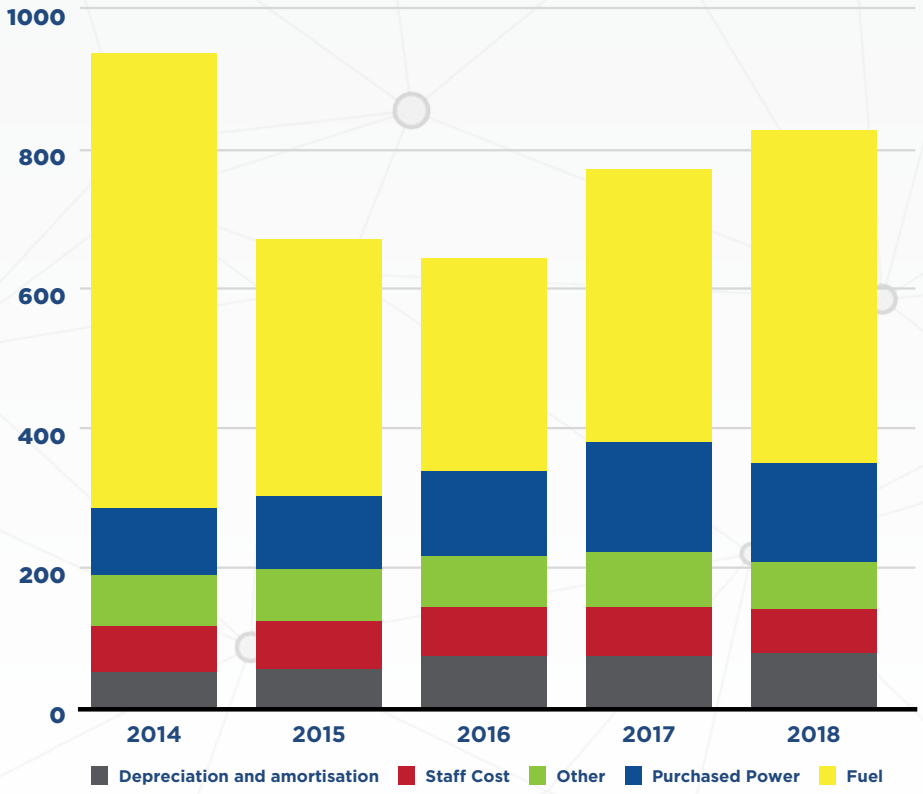
OPERATING REVENUES ($000's)	Dec-31-18	Dec-31-17	Dec-31-16	Dec-31-15	Dec-31-14
Residential	338,772	317,205	283,459	286,954	372,909
Commercial & Industrial (Sml.)	393,306	363,187	304,727	335,472	456,977
Commercial & Industrial (Lge.)	154,431	134,104	104,136	115,543	167,650
Other	21,745	22,373	20,212	21,850	25,703
TOTAL	**908,254**	**836,869**	**712,534**	**759,819**	**1,023,240**
AVERAGE NO. OF CUSTOMERS					
Residential	587,592	574,458	564,242	536,462	531,363
Commercial & Industrial (Sml.)	69,750	67,874	66,750	62,517	62,294
Commercial & Industrial (Lge.)	169	162	157	150	150
Other	486	450	419	401	389
TOTAL	**657,997**	**642,944**	**631,568**	**599,530**	**594,196**
NET GENERATION AND PURCHASES (MWh)					
Steam & Slow Speed Diesel	1,354,599	1,466,690	1,668,268	1,530,023	1,460,626
Hydro	179,152	156,754	118,893	128,951	135,956
Gas Turbines	124,818	91,897	64,386	64,655	84,495
Combined Cycle Plant	901,834	820,466	705,634	806,279	769,622
Purchases	1,795,132	1,827,273	1,792,097	1,679,413	1,656,758
TOTAL	**4,355,535**	**4,363,079**	**4,349,278**	**4,209,321**	**4,107,457**
Losses & Unaccounted for (MWh)	1,153,884	1,155,940	1,169,970	1,137,973	1,094,478
Systems losses as a percentage of Net Generation	26.5%	26.5%	26.9%	27.0%	26.6%
Heat Rate JPS Thermal (Kj/kWh)	11,221	11,330	11,571	11,333	11,451
ENERGY SALES (MWH)					
Residential	1,062,732	1,068,594	1,077,148	1,016,428	981,730
Commercial & Industrial (Sml.)	1,394,572	1,381,376	1,380,791	1,360,131	1,347,514
Commercial & Industrial (Lge.)	682,132	646,669	625,219	602,618	589,236
Other	62,214	110,500	96,150	92,172	94,499
TOTAL	**3,201,650**	**3,207,139**	**3,179,308**	**3,071,349**	**3,012,979**
AVERAGE USE & REVENUE per residential customer					
Annualized kWh Consumption/Customer	1,809	1,860	1,909	1,895	1,848
Annualized Revenues/Customer	577	552	502	535	702
U.S Dollars per kWh	0.3	0.3	0.3	0.3	0.4
Average billing exchange rate for period	129.30	128.57	125.10	117.00	110.85
U.S. Cents per kWh	31.88	29.68	26.32	28.23	37.98

KEY PERFORMANCE INDICATORS

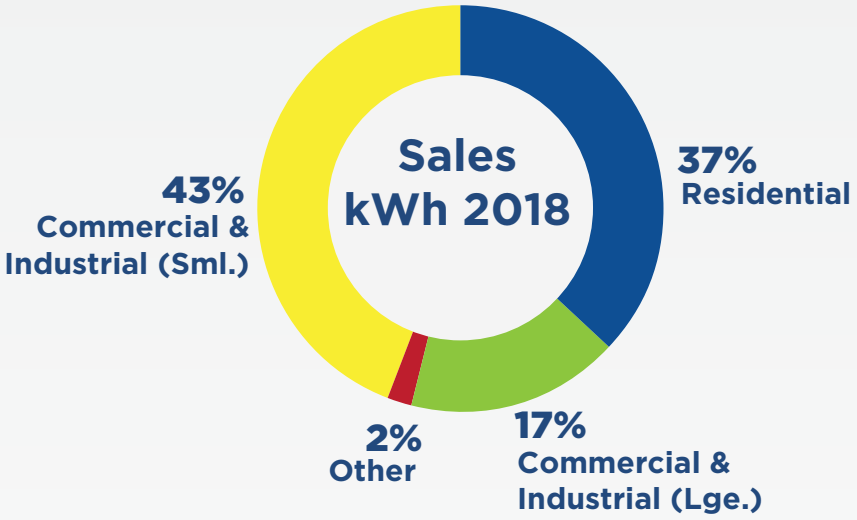
Revenue (US¢/kWh)

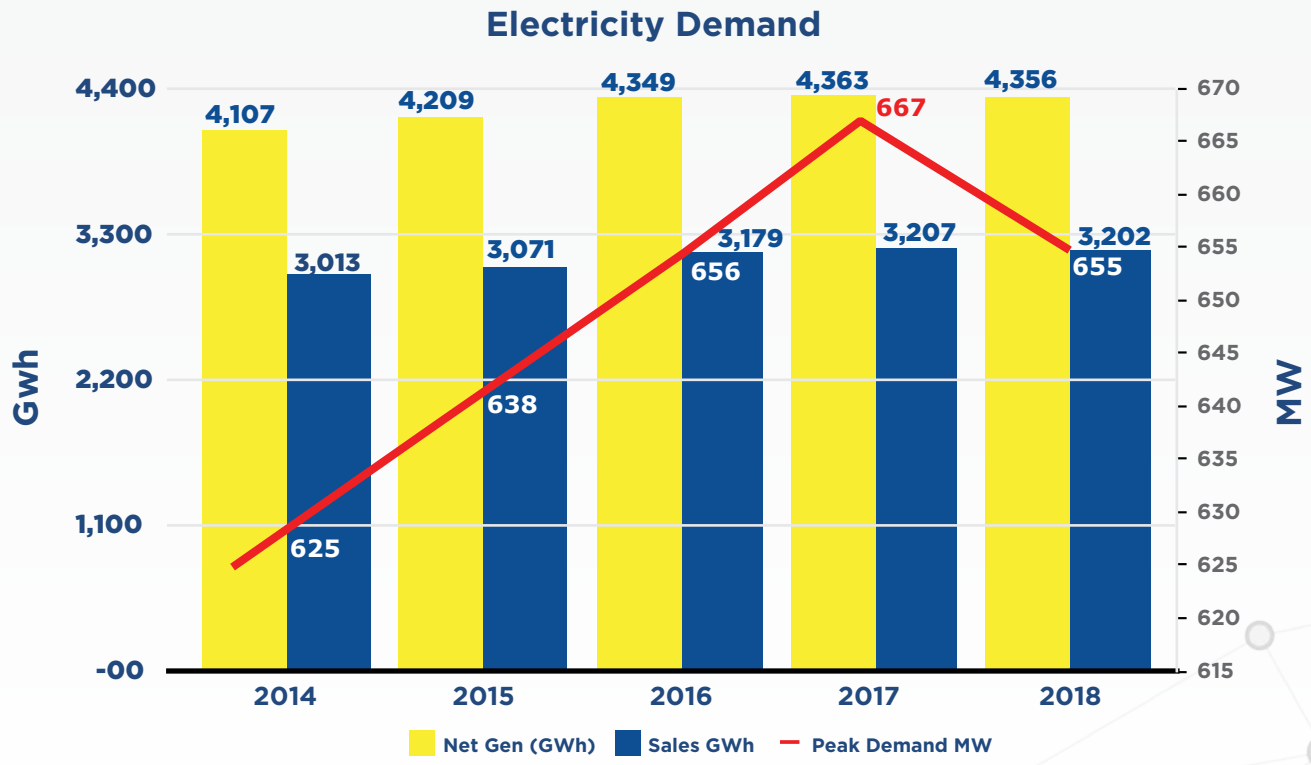


Expenses

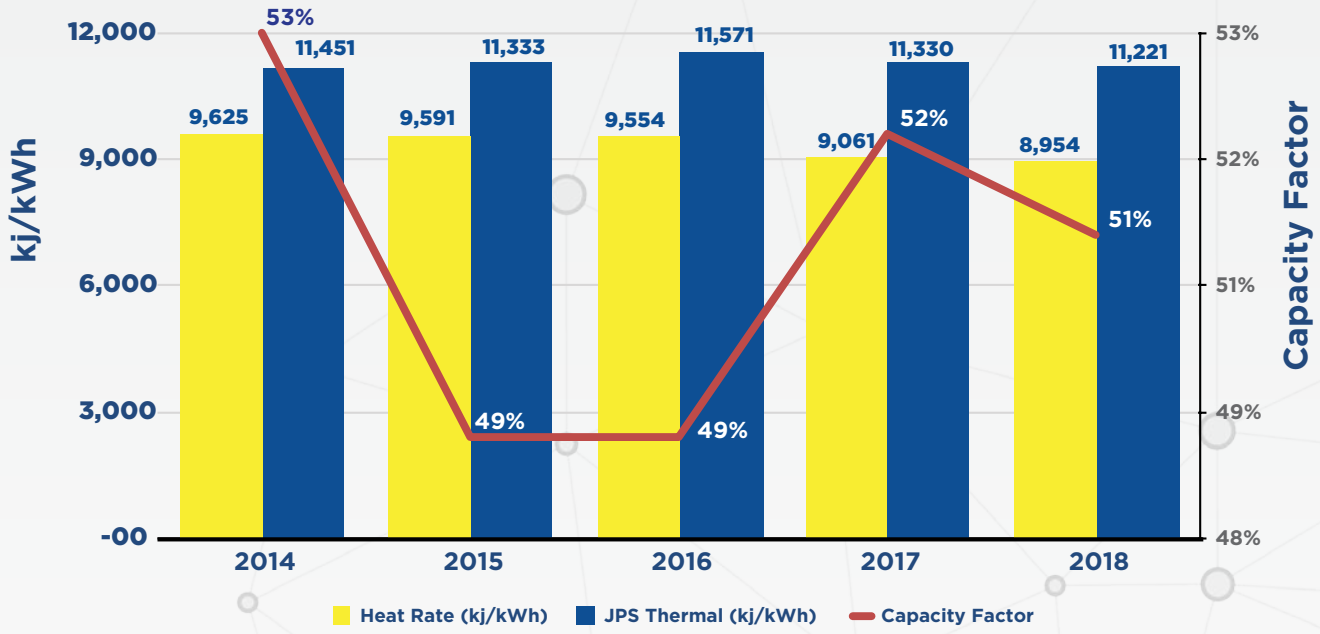


Fewer outages. The best reliability performance indicators in 10 years.

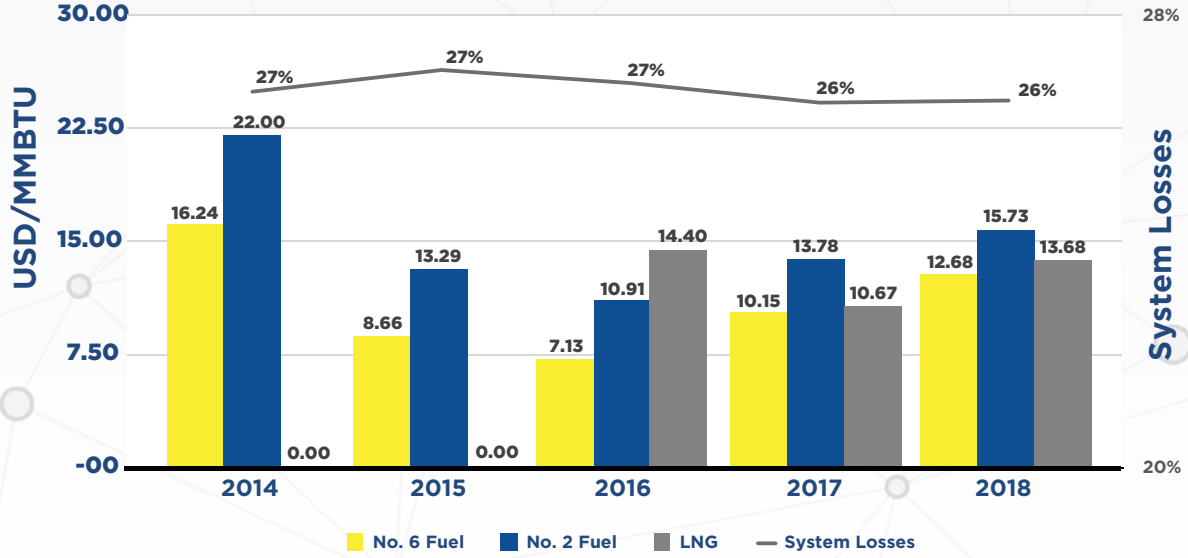


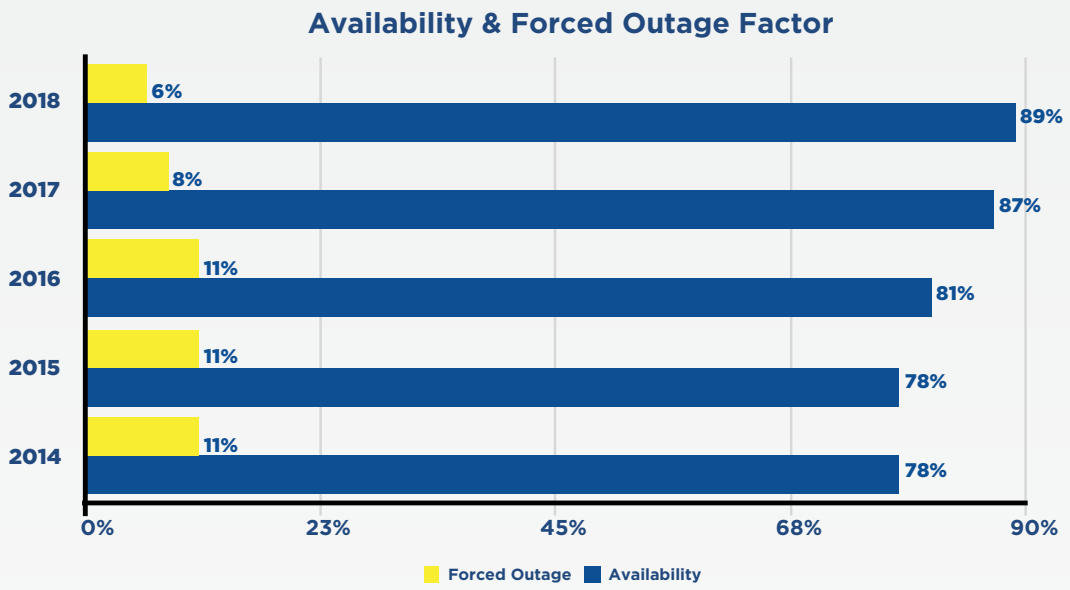


Heat Rate & Capacity Factor



Fuel Price & System Losses





101,000 smart meters installed, which is 5x more than the company has ever done in any given year

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, 2018:

	THE COMPANY		THE GROUP	
	YEAR ENDED DECEMBER 31, 2018 (Twelve months) US$'000	YEAR ENDED DECEMBER 31, 2017 (Twelve months) US$'000	YEAR ENDED DECEMBER 31, 2018 (Twelve months) US$'000	YEAR ENDED DECEMBER 31, 2017 (Twelve months) US$'000
OPERATING REVENUES				
Profit before Taxation	39,886	30,031	39,469	29,677
Taxation (expense) / credit	(8,848)	(5,444)	(8,848)	(5,444)
Net Profit attributable to shareholders	31,038	24,587	30,621	24,233
Dividends on Preference Shares:				
-Classes 'B' through 'E'	1.3	1.3	1.3	1.3
-Class 'F'	2,334	2,334	2,334	2,334
Dividends on Ordinary Shares	10,000	0	10,000	0

DIVIDENDS

The dividends for the year on the preference shares for Classes B-E have been paid in full; and as at December 31, 2018, dividends for the Class F preference shares have all been paid in full except for the fourth (4th) quarter of 2018. Dividends were declared and paid on the ordinary stocks and shares for the year 2018.

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

Messrs. Heuiwon Ahn, Kengo Aoki and Chang Sup Jo resigned from the Board during the year under review due to their departure from the jurisdiction. The Board wishes to express its sincere appreciation to Messrs. Heuiwon Ahn, Kengo Aoki and Chang Sup Jo for their sterling contribution to the Company during their tenure on the Board.

In accordance with Articles 62, 86, and 123 of the Company's Articles of Incorporation, Messrs. Dong Uk Kim, Ha Kyoung Song, 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 Charles Johnston having been appointed to the Board shall cease to hold office and being eligible, offer himself for re-election.

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

INVOLVEMENT IN OUR COMMUNITY

JPS Team helping out in the sewing area of the Laundry Room at the Bustamante Hospital for Children.

Chairman of the Board of Directors, Mr. Seiji Kawamura, gets busy painting at the St. Ann's Bay Hospital.

Cadell gets the hang of the preparing the wall for rendering with President & CEO, Mr. Emanuel DaRosa (left).

Rasheed Anderson speaking at the Employee General Meeting

AAA credit rating received from Caribbean Information and credit Rating Services Limited (CariCRIS)

Portmore Customer Care Manager, Jabari Longshaw, is busy removing old tyres at the Portmore Disabilities Self-Help Organization on Labour Day. The activity was part of general clean-up and work on a ramp for the organization.

VOLTS bringing supplies to Mannings Boys' Home in Westmoreland

Customer Care Manager at the Spanish Town Customer Service Office, Debronette Dixon, got busy on Labour Day, as the team worked on a ramp for the Portmore Self-Help Disabilities Organization.

JPS Employee Michael Flinch makes a point at the Employee General Meeting held in St. Ann.

Bridgette Wade interacts with youngsters at Clan Carthy Primary

Winsome Callum reading to students on Read Across Jamaica Day

Labor Day Project Project at Bustamante Children's Hospital

CORPORATE DATA

REGISTRAR
Cumulative Preference Shares and Ordinary Stock & Shares
Jamaica Central Securities Depository Limited
40 Harbour Street
Kingston
Jamaica WI

REGISTERED OFFICE
6 Knutsford Boulevard
Kingston 5
Jamaica WI

AUDITORS
KPMG
6 Duke Street
Kingston
Jamaica WI

BANKERS
National Commercial Bank Jamaica Limited
3rd Floor, 32 Trafalgar Road
Kingston 10
Jamaica WI

Bank of Nova Scotia Jamaica Limited
ScotiaBank Centre
Cnr Duke & Port Royal Streets
Kingston, Jamaica

Citibank, N.A.
63 Knutsford Boulevard
Kingston 5

ATTORNEYS-AT-LAW
Livingston Alexander & Levy
Attorneys-at-Law
72 Harbour Street
Kingston

Nunes Scholefield Deleon & Co.
Attorneys-at-Law
6a Holborn Road
Kingston 5

Clinton Hart & Co.
Attorneys-at-Law
58 Duke Street
Kingston

Symone Mayhew
Attorney-at-Law
17 Herb McKinley Drive
Kingston 6

Hylton Powell
Attorneys-at-Law
11a Oxford Road
Kingston 5

Hart Muirhead Fatta
Attorneys-at-Law
53 Knutsford Boulevard
Kingston 5

LIST OF DIRECTORS
- Seiji Kawamura – Chairman
- Ha Kyoung Song
- Hon. Charles Johnston, C.D.
- Dong Uk Kim (Appointed March 28, 2019)
- Minna Israel
- Masao Imazato
- Fitzroy Vidal
- Suzette Buchanan
- Colin Williams
- Yong Hyun Kim (Resigned March 27, 2019)

Hyun Woo Kim (Alternate Director-EWP (Barbados) 1, SRL – Appointed July 27, 2018)
Mo Majeed (Alternate Director-MaruEnergy JPSCO I, SRL)
Kengo Aoki (Alternate Director-MaruEnergy JPSCO I, SRL – Resigned)

80% completion of the world's largest hybrid storage energy project.

CORPORATE GOVERNANCE

To be the best in Corporate Governance, the Board of Directors of Jamaica Public Service Company Limited (the Company) continues 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 Directors of the Board of the Company are fully cognisant of their legal and corporate governance responsibilities and they undertake these with honesty, probity, and integrity. The Board works together with Management to set the "tone at the top" for all employees to emulate, particularly 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.

For the Company, compliance is a key tenet of its strategic risk management framework as risk management is the basis of any successful entity. It is the foundation upon which the Company must continue to grow as a true first class corporate brand, fulfilling its Vision and Mission of providing a solution for every Jamaican for the growth and powering the development of Jamaica. The Company has established corporate governance principles which guide Management decisions as well as its core system of processes and procedures by which all employee decisions and actions must be carried out. The Board, along with the President and his Executive Leadership Team, has responsibility for managing the Company's day to day operations, with material issues going before the Board for consideration and decision. Management is responsible for the execution of an agreed upon strategy and for all operational matters. Management is also supported in its work by Committees of the Board.

The Company's corporate governance framework is based on its constitutive documents and best practice. The Board, the Executive Leadership Team, and the Legal, Risk & Compliance personnel work together to ensure that the Company's governance practices are consistent and compliant with all applicable legislation, regulations, standards and codes.

Our Corporate Governance Guidelines are available on our website at: www.myjpsco.com.

BOARD OVERSIGHT

The Board of Directors is committed to, and is ultimately accountable for, enhancing stakeholder value 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 Company performance. The responsibilities of the Board are separate and distinct from those of Management.

The Board meets at least once per quarter. However, special meetings are convened as needed especially when urgent and critical issues are required to be addressed between scheduled meetings. From time to time, members of the Board regularly meet with key members of the senior management team to consider critical financial issues and matters of strategic importance to the Company.

COMPOSITION OF THE BOARD

As at December 31, 2018, the Board consists of Directors who have diverse skill sets, 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 recognised as strong leaders in their respective fields of work. The Company's Directors take care in ensuring that decisions are made after fulsome discussion and careful deliberation of all relevant information.

As mandated by the Company's Articles of Incorporation, the Board is comprised of nine (9) directors and four (4) alternate directors and is chaired by Mr. Seiji Kawamura,

a representative from one of our majority shareholders, MaruEnergy JPSCo I, SRL. Three (3) of our nine (9) directors are independent of the Company. The Board is represented as follows:

- Three (3) Directors represent MaruEnergy JPSCO I, SRL
- Three (3) Directors represent EWP (Barbados) 1, SRL
- Three (3) Directors represent the Government of Jamaica

BOARD OF DIRECTORS AS AT DECEMBER 31, 2018

- Seiji Kawamura – Chairman
- Ha Kyoung Song
- Masao Imazato
- Minna Israel (Independent Director)
- Colin Williams (Independent Director)
- Suzette Buchanan
- Charles Johnston (Independent Director)
- Fitzroy Vidal
- Yong Hyun Kim
- Dong Uk Kim (Alternate Director)
- Mo Majeed (Alternate Director)
- Hyun Woo Kim (Alternate Director)

Directors who resigned during the reporting period
- Chang Sup Jo
- Heuiwon Ahn
- Kengo Aoki (Alternate Director)

The only director compensation paid is to non-shareholder members of the Board who receive a fixed amount equivalent to US$1,000 for attendance at each Board or Committee meeting, and any other meeting requiring a Director's attendance. Shareholder representatives receive no compensation.

Nomination, Appointment, Term, Election and Retirement of Directors

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. In selecting members of the Board, consideration is given to guidelines similar to those recommended by the Private Sector Organization of Jamaica. All Directors automatically retire from the Board at the end of a three-year appointment. Each year at the Annual General Meeting, the Board recommends and the shareholders elect the retiring directors or new directors as the case may be in accordance with the Company's Articles of Incorporation. There are no Executive Directors on the Board of the Company.

DIRECTOR ORIENTATION AND TRAINING OPPORTUNITIES

Directors are afforded continuous education about the Company, technological developments in the electricity industry, new energy products and business opportunities in the Energy Sector. All Directors have access to and are encouraged to meet with the Chairman, the President & Chief Executive Officer, and key members of the Executive Team. Members of the Executive Leadership team often present to the Board not only on the Company's operations but also on a variety of topics in an effort to keep Directors apprised of developments in the energy sector. This affords Directors an opportunity to pose questions to and interact with senior management on key topics.

CODE OF ETHICS AND BUSINESS CONDUCT & CONFLICTS OF INTEREST

The success of our Company is always dependent on the trust and confidence we earn from our employees, customers, and shareholders, as well asa commitment to ensuring sound business conduct. As part of its 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. It 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, 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 and must complete the Annual Code of Ethics Questionnaire. 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 and financial reporting practices.

Members of the Audit Committee as at December 31, 2018 are:

- Ms. Minna Israel - Chairman (Independent)
- Mr. Colin Williams (Independent)
- Mr. Ha Kyoung Song

Other invitees to the Committee's meeting include:

- Mr. Seiji Kawamura – Board Chairman
- Mr. Emanuel DaRosa – President & CEO
- Mr. Leroy Wilson – Acting Head-Internal Audit
- Ms. Katherine P.C. Francis – Corporate Secretary/Ms. Kim Robinson – Assistant Secretary
- Other executives or managers as are 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 as well as governance of general internal controls and policies
- The performance of the internal Audit and external Auditors
- 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 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

Operations Committee

The Operations Committee's responsibility is to assist the Board of Directors in the performance of its functions as well as to provide technical advice and strategic guidance

to Management with respect to the day-to-day operations of the Company subject to the powers, authority, direction and control of the Board.

The establishment of the Operations Committee is consistent with the requirements of the 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.

Members of the Operations Committee as at December 31, 2018, are:

- Mr. Mo Majeed (Chairman)
- Mr. Seiji Kawamura
- Mr. Ha Kyoung Song
- Mr. Fitzroy Vidal
- Prof. Audley Darmand (Shareholder Representative)
- Mr. Hyun Woo Kim (July 31, 2018 - present)
- Mr. Hyung Soo Kim (Shareholder Representative - resigned July 30, 2018 as he was leaving the jurisdiction)

Other invitees to the Committee's meeting include:

- Mr. Emanuel DaRosa – President & CEO
- Ms. Katherine P.C. Francis – Corporate Secretary / Kim Robinson – Assistant Secretary
- Members of the Executive Leadership Team

The table below highlights the attendance record of board and committee members at meetings during the year 2018:

ATTENDANCE RECORD FOR DIRECTORS

NAME OF DIRECTORS	ANNUAL GENERAL MEETING	BOARD MEETING	AUDIT COMMITTEE	OPERATIONS COMMITTEE
TOTAL NUMBER OF MEETINGS HELD	**1**	**5**	**4**	**6**
Seiji Kawamura (Chairman)	1			6
Chang Sup Jo		1		
Masao Imazato	1	3		
Heuiwon Ahn		1		
Yong Hyun Kim		1		
Charles Johnston	1	5		
Minna Israel	1	5	4	
Fitzroy Vidal		4		6
Suzette Buchanan		5		
Colin Williams	1	5	4	
Mo Majeed (Alternate Director)	1	5		6
Ha Kyoung Song (Alternate Director)	1	5	4	6
Kengo Aoki (Alternate Director)		2		
Dong Uk Kim (Alternate Director)	1	3		
Hyun Woo Kim (Alternate Director)	1			2
Dr. Audley Darmand				6
Hyung Soo Kim				4

CORPORATE COMPLIANCE - JPS CODE OF ETHICS & BUSINESS CONDUCT

The Company has in place a Code of Ethics and Business Conduct, which guides employees on 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. In this regard, annual certification of due compliance is required and this is achieved through the annual Questionnaire. 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
- 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

With regards 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 to ensure that persons with a high standard of expertise and significant experience in the particular area are sought and engaged.

Lowest thermal Heat Rate in the history of the Company. Generating energy in the most efficient way.

TEN LARGEST SHAREHOLDERS' LISTINGS AS AT DECEMBER 31, 2018

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 Limited	1,628
9	Buck Security Brokers Limited	1,566
10	Leycester H. Lyon	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	62,400
5	Crown Life Insurance Company Limited	20,000
6	Grethel Forrester-Benjamin	20,000
7	Prudential Stock Brokers Limited	18,185
8	Ronald W. Kuper	13,600
9	Uranie Ferro	9,202
10	Winston G. Headcock	9,085

JPS PREFERENCE E SHARES (6%)

Rank	Name of Shareholder	No. of Units
1	Everard Smith	116,767
2	Security Brokers Limited	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) Limited	5,000
9	Berkeley Properties Limited	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 Limited Pension Fund	250,000
4.	JPS Employees Superannuation Fund	246,361
5.	NCB Insurance Company Limited	149,900
6.	Ideal Portfolio Services Limited	126,737
7.	ATL Pension Fund Trustee Nominee Limited	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 Limited	2,183,237
4	R.S. Gamble and Son Limited	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


SIEMENS

Prime Minister of Jamaica, the Most Hon. Andrew Holness (right), participates in a tour of the 190 MW plant, with CEO, Emanuel DaRosa (left) and Project Manager, Timothy Lamb.

JAMAICA PUBLIC SERVICE COMPANY LIMITED FINANCIAL STATEMENTS DECEMBER 31, 2018

KPMG
Chartered Accountants
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Kingston
Jamaica, W.I.
+1 (876) 922 6640
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INDEPENDENT AUDITORS' REPORT

To the Members of
JAMAICA PUBLIC SERVICE COMPANY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of Jamaica Public Service Company Limited ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), set out on pages 37 to 100 which comprise the Group's and Company's statements of financial position as at December 31, 2018, the Group's and Company's statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at December 31, 2018, and of the Group's and Company'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.

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	How the matter was addressed in our audit
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.	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. • Using the appropriate KPMG specialist, we reviewed the expected credit loss (ECL) model calculations and agreed 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 new 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	How the matter was addressed in our audit

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.	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.

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.

KPMG

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.

KPMG

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 35-36, 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 28, 2019

KPMG

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.

KPMG

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

Statement of Financial Position
December 31, 2018
(*Expressed in United States Dollars*)

	Notes	Company 2018 $'000	Company 2017 $'000	Group 2018 $'000	Group 2017 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	755,530	710,937	755,530	710,937
Intangible assets	7	20,983	24,547	20,983	24,547
Investment in subsidiary	8(a)	-	-	-	-
Investment in joint venture	8(b)	-	-	36,055	15,646
Employee benefits asset	9(a)(i)	46,454	41,730	46,454	41,730
		822,967	777,214	859,022	792,860
Current assets					
Cash and cash equivalents	10	27,267	12,203	27,267	12,203
Restricted cash	11	41,325	38,443	41,325	38,443
Accounts receivable	12	182,384	217,218	182,384	217,218
Due from related parties	18(a)(i)	37,414	16,795	588	795
Inventories	13	40,072	41,405	40,072	41,405
Corporation tax recoverable		-	1,730	-	1,730
		328,462	327,794	291,636	311,794
Total assets		1,151,429	1,105,008	1,150,658	1,104,654
Shareholders' equity					
Share capital	14	261,786	261,786	261,786	261,786
Capital reserve	15	4,760	4,760	4,760	4,760
Capital redemption reserve	16	3,000	3,000	3,000	3,000
Retained earnings		171,538	154,601	170,767	154,247
		441,084	424,147	440,313	423,793
Current liabilities					
Bank overdraft	10	-	2,924	-	2,924
Accounts payable and provisions	17	191,017	191,104	191,017	191,104
Corporation tax payable		943	-	943	-
Due to related parties	18(a)(ii)	2,009	133	2,009	133
Short-term loans	20(a)	20,000	23,000	20,000	23,000
Current portion of long-term loans	20(b)	35,537	36,341	35,537	36,341
		249,506	253,502	249,506	253,502
Non-current liabilities					
Customers' deposits	19	29,989	27,150	29,989	27,150
Long-term loans	20(b)	346,068	317,704	346,068	317,704
Preference shares	21	24,688	24,688	24,688	24,688
Deferred taxation	22	42,668	40,624	42,668	40,624
Decommissioning provision	23	9,629	9,234	9,629	9,234
Employee benefits obligation	9(b)	7,797	7,959	7,797	7,959
		460,839	427,359	460,839	427,359
Total liabilities		710,345	680,861	710,345	680,861
Total shareholders' equity and liabilities		1,151,429	1,105,008	1,150,658	1,104,654

The financial statements on pages, 37-100 were approved by the Board of Directors on March 28, 2019, 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

Statement of Profit or Loss and Other Comprehensive Income
Year ended December 31, 2018
(*Expressed in United States Dollars*)

	Notes	Company 2018 $'000	Company 2017 $'000	Group 2018 $'000	Group 2017 $'000
Operating revenue	24	908,254	836,869	908,254	836,869
Cost of sales	25(a)	(619,593)	(548,967)	(619,593)	(548,967)
Gross profit		288,661	287,902	288,661	287,902
Operating expenses	25(b)	(202,378)	(225,558)	(202,378)	(225,558)
Impairment loss on trade receivables	12	(8,672)	-	(8,672)	-
Operating profit		77,611	62,344	77,611	62,344
Finance income		11,179	4,241	11,179	4,241
Finance costs		(47,025)	(39,173)	(47,025)	(39,173)
Net finance costs	25(c)	(35,846)	(34,932)	(35,846)	(34,932)
Other income	26(a)	4,775	4,817	4,775	4,817
Other expenses	26(b)	(6,654)	(2,198)	(6,654)	(2,198)
		39,886	30,031	39,886	30,031
Share of loss in joint venture	8(b)	-	-	(417)	(354)
Profit before taxation		39,886	30,031	39,469	29,677
Taxation	27	(8,848)	(5,444)	(8,848)	(5,444)
Profit for the year		31,038	24,587	30,621	24,233
Other comprehensive income					
Items that will never be reclassified to profit or loss:					
Gain on revaluation of property, plant and equipment	6	-	615	-	615
Remeasurement gains on defined benefit plan	9(a)(iv)	2,235	5,300	2,235	5,300
Tax on remeasurement gains on defined benefit plan	22	(745)	(1,766)	(745)	(1,766)
Other comprehensive gain, net of tax		1,490	4,149	1,490	4,149
Total comprehensive income attributable to shareholders		32,528	28,736	32,111	28,382
Earnings per share	28	0.14¢	0.11¢	0.14¢	0.11¢

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

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Company Statement of Changes in Shareholders' Equity
Year ended December 31, 2018
(*Expressed in United States Dollars*)

	Share capital $'000 (Note 14)	Capital reserve $'000 (Note 15)	Capital redemption reserve $'000 (Note 16)	Retained earnings $'000	Total $'000
Balance at December 31, 2016	261,786	4,145	3,000	126,480	395,411
Total comprehensive income for the year:					
Profit for the year	-	-	-	24,587	24,587
Other comprehensive income:					
Revaluation gain	-	615	-	-	615
Remeasurement losses on defined benefit plan, net of tax	-	-	-	3,534	3,534
Total comprehensive income for the year	-	615	-	28,121	28,736
Balance at December 31, 2017	261,786	4,760	3,000	154,601	424,147
Adjustment on initial application of IFRS 9, [note 3(a)]	-	-	-	(5,591)	(5,591)
Adjusted balance at January 1, 2018	261,786	4,760	3,000	149,010	418,556
Total comprehensive income for the year:					
Profit for the year	-	-	-	31,038	31,038
Other comprehensive income:					
Remeasurement losses on defined benefit plan, net of tax	-	-	-	1,490	1,490
Total comprehensive income for the year	261,786	4,760	3,000	181,538	451,084
Transactions with owners of the company:					
Dividends [note 29 (a)]	-	-	-	(10,000)	(10,000)
Balance at December 31, 2018	261,786	4,760	3,000	171,538	441,084

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

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Group Statement of Changes in Shareholders' Equity
Year ended December 31, 2018
(*Expressed in United States Dollars*)

	Share capital $'000 (Note 14)	Capital reserve $'000 (Note 15)	Capital redemption reserve $'000 (Note 16)	Retained earnings $'000	Total $'000
Balance at December 31, 2016	261,786	4,145	3,000	126,480	395,411
Total comprehensive income for the year:					
Profit for the year	-	-	-	24,233	24,233
Other comprehensive income:					
Revaluation gain	-	615	-	-	615
Remeasurement losses on defined benefit plan, net of tax	-	-	-	3,534	3,534
Total comprehensive income for the year	-	615	-	27,767	28,382
Balance at December 31, 2017	261,786	4,760	3,000	154,247	423,793
Adjustment on initial application of IFRS 9, [note 3(a)]	-	-	-	(5,591)	(5,591)
Adjusted 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 losses on defined benefit plan, net of tax	-	-	-	1,490	1,490
Total comprehensive income for the year	261,786	4,760	3,000	180,767	450,313
Transactions with owners of the company:					
Dividends [note 29 (a)]	-	-	-	(10,000)	(10,000)
Balance at December 31, 2018	261,786	4,760	3,000	170,767	440,313

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

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Statement of Cash Flows
Year ended December 31, 2018
(*Expressed in United States Dollars*)

	Notes	Company 2018 $'000	Company 2017 $'000	Group 2018 $'000	Group 2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit for the year		31,038	24,587	30,621	24,233
Adjustments for:					
Depreciation and amortisation	6,7	80,666	76,589	80,666	76,589
Loss/ (gain) on disposal of property, plant and equipment		389	(74)	389	(74)
Amortisation of debt issuance costs		2,820	3,442	2,820	3,442
Amortisation of other asset		-	89	-	89
Unrealised foreign exchange losses/(gains)		1,668	(5,432)	1,668	(5,432)
Interest expense		40,612	37,712	40,612	37,712
Interest income	25(c)	(6,792)	(2,078)	(6,792)	(2,078)
Interest capitalised	25(c)	(4,387)	(2,163)	(4,387)	(2,163)
Taxation expense	27	7,549	4,647	7,549	4,647
Deferred tax	22	1,299	797	1,299	797
Employee benefits asset/obligation, net		(3,025)	(3,414)	(3,025)	(3,414)
Long term receivables and deferred revenue, net		-	(25)	-	(25)
Share of loss in joint venture		-	-	417	354
Cash generated before changes in working capital		151,837	134,677	151,837	134,677
Restricted cash		(2,882)	(3,729)	(2,882)	(3,729)
Accounts receivable		29,258	(54,701)	29,258	(54,701)
Inventories		1,333	(9,262)	1,333	(9,262)
Accounts payable and provisions		487	63,312	487	63,312
Due from/to related parties		(18,743)	(9,268)	2,083	6,732
Customers' deposits and advances		3,377	2,115	3,377	2,115
Cash generated from operations		164,667	123,144	185,493	139,144
Taxation paid		(4,876)	(7,034)	(4,876)	(7,034)
Net cash provided by operating activities		159,791	116,110	180,617	132,110
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of share in joint venture		-	-	(20,826)	(16,000)
Proceeds from sale of property, plant and equipment		-	1,007	-	1,007
Purchase of property, plant and equipment		(116,615)	(106,452)	(116,615)	(106,452)
Purchase of intangible assets	7	(1,082)	(4,232)	(1,082)	(4,232)
Interest received		5,947	1,774	5,947	1,774
Net cash used in investing activities		(111,750)	(107,903)	(132,576)	(123,903)
CASH FLOWS FROM FINANCING ACTIVITIES					
Short-term loans received, net		(3,000)	23,000	(3,000)	23,000
Long-term loans received		23,823	75,848	23,823	75,848
Repayment of long-term loans		-	(69,455)	-	(69,455)
Interest and dividend paid		(50,876)	(36,971)	(50,876)	(36,971)
Net cash used in financing activities		(30,053)	(7,578)	(30,053)	(7,578)
Net increase in cash and cash equivalents		17,988	629	17,988	629
Net cash and cash equivalents at beginning of year		9,279	8,650	9,279	8,650
NET CASH AND CASH EQUIVALENTS AT END OF YEAR		27,267	9,279	27,267	9,279
Comprised of:					
Cash and cash equivalents		27,267	12,203	27,267	12,203
Bank overdraft		-	(2,924)	-	(2,924)
		27,267	9,279	27,267	9,279

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

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 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. 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.

1. Identification, Regulation and Licence (continued)

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

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 9, *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers* have been applied. Changes to significant accounting policies are described in note 3.

(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.

2. Statement of compliance and basis of preparation (continued)

(b) Basis of preparation (continued):

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, 2018.

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.

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.

2. Statement of compliance and basis of preparation (continued)

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

(i) Post-employment benefits (continued):

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 were established until December 31, 2017 based on incurred loss analyses over delinquent accounts considering aging of balances, the credit history and risk profile of each customer and legal processes to recover accounts receivable. Effective January 1, 2018, such 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.

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.

(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 accounting policies

The Group has initially adopted IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* from January 1, 2018.

Due to the transition method chosen by the Group in applying IFRS 9, comparative information throughout these financial statements has not been restated to reflect its requirements.

The effect of initially applying these standards is mainly attributed to the following:

- an increase in impairment losses recognised on financial assets;
- additional disclosures related to IFRS 9 (see notes 4(d),12 and 33);
- additional disclosures related to IFRS 15 [see note 4(m)].

Except for the changes below, the Company has consistently applied the accounting policies as set out in note 4 to all periods presented in these financial statements.

(a) IFRS 9, Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The requirements of IFRS 9 represent a significant change from IAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require separate presentation in the statement of profit or loss and OCI of interest revenue calculated using the effective interest method.

Additionally, the Group has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2018, but have not been applied to the comparative information.

The key changes to the Group accounting policies and the full impact resulting from its adoption of IFRS 9 are summarised below.

The impact, net of tax, of transition to IFRS 9 on the opening accumulated profit is as follows:

	Company	Group
	$'000	$'000
Retained Earnings		
Closing balance under IAS 39 (December 31, 2017)	154,601	154,247
Recognition of expected credit losses under IFRS 9:-		
Trade receivables	(5,591)	(5,591)
Opening balance under IFRS 9 (January 1, 2018)	149,010	148,656

3. Changes in accounting policies (continued)

a) IFRS 9, Financial Instruments (continued)

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9 derivatives embedded in contracts where the host is in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification.

The following table and the accompanying notes explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at January 1, 2018. There was no change in the measurement categories for the Group's financial liabilities (categorised as other financial liabilities under both IAS 39 and IFRS 9).

The effect of adopting IFRS 9 on the carrying amounts of financial assets at January 1, 2018 relates solely to the new impairment as disclosed below:

Company

	Original classification under IAS 39	New classification under IFRS 9	IAS 39 carrying amount at December 31, 2017	Remeasurement	IFRS 9 carrying amount at January 1, 2018
			$'000	$'000	$'000
Financial assets					
Accounting receivables	Loans and receivables	Amortised cost	217,218	(5,591)	211,627
Cash and cash equivalents	Loans and receivables	Amortised cost	12,203	-	12,203
Restricted Cash	Loans and receivables	Amortised cost	38,443	-	38,443
Due from related parties	Loans and receivables	Amortised cost	16,795	-	16,795
Total Financial Assets			284,659	(5,591)	279,068

Group

	Original classification under IAS 39	New classification under IFRS 9	IAS 39 carrying amount at December 31, 2017	Remeasurement	IFRS 9 carrying amount at January 1, 2018
			$'000	$'000	$'000
Financial assets					
Accounting receivables	Loans and receivables	Amortised cost	217,218	(5,591)	211,627
Cash and cash equivalents	Loans and receivables	Amortised cost	12,203	-	12,203
Restricted Cash	Loans and receivables	Amortised cost	38,443	-	38,443
Due from related parties	Loans and receivables	Amortised cost	795	-	795
Total Financial Assets			268,659	(5,591)	263,068

3. Changes in accounting policies (continued)

a) IFRS 9, Financial Instruments (continued)

Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of $5.6 million in the allowance for impairment over these receivables was recognised in opening retained earnings at January 1, 2018 on transition to IFRS 9.

Impairment of financial assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Transition

For assets in the scope of the IFRS 9 impairment model, impairment loses are generally expected to increase and become more volatile. The Group has determined that application to IFRS 9 impairment requirements at January 1, 2018 results in an additional allowance for impairment as follows:

	Company and Group
	$'000
Loss allowance at December 31, 2017 under IAS 39	48,450
Additional Impairment recognised at January 1, 2018 :	
Trade and other receivables as at December 31, 2017	5,591
Loss allowance at January 1 2018 under IFRS 9	54,041

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except that comparative periods generally have not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings as at January 1, 2018. Accordingly, the information presented for 2017, does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

b) IFRS 15, Revenue Recognition

Under IFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, following a five step model: Step 1: Identify the contract(s) with a customer (agreement that creates enforceable rights and obligations); Step 2: Identify the different performance obligations (promises) in the contract and account for those separately; Step 3: Determine the transaction price (amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services); Step 4: Allocate the transaction price to each performance obligation based on the relative stand-alone selling prices of each distinct good or service; and Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation by transferring control of a promised good or service to the customer. A performance obligation may be satisfied at a point in time or over time.

3. Changes in accounting policies (continued)

   b) IFRS 15, Revenue Recognition (continued)

   IFRS 15 also includes disclosure requirements to provide comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. IFRS 15 was effective on January 1, 2018, and supersedes all existing guidance on revenue recognition.

   The adoption of IFRS 15 did not impact the timing or amount of income from contracts for sales of electricity to customers and the related assets and liabilities recognised by the Group. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

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, 2017, 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.

   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.

4. Summary of significant accounting policies (continued)

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

Depreciation and amortisation (continued):

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 renewed 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.

(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.

4. Summary of significant accounting policies (continued)

(b) Employee benefits (continued):

(i) Pension assets (continued):

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.

Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

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.

4. Summary of significant accounting policies (continued)

(c) Cash and cash equivalents (continued):

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(l)].

(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.

(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.

4. Summary of significant accounting policies (continued)

(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 Debt issuance costs:

(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 stated at amortised cost using effective interest method.

(i) Customers' deposits:

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

(j) Preference shares:

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

(k) Share capital:

Ordinary shares are classified as equity.

(l) Impairment

Financial assets

Policy applicable from January 1, 2018

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.

4. Summary of significant accounting policies (continued)

(l) Impairment (continued):

Financial assets (continued)

Policy applicable from January 1, 2018 (continued)

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.

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.

4. Summary of significant accounting policies (continued)

(l) Impairment (continued):

Financial assets (continued)

Policy applicable from January 1, 2018 (continued)

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.

Policy applicable before January 1, 2018

A provision for impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. The amount of the provision is the difference between the carrying amount and the recoverable amount.

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.

4. Summary of significant accounting policies (continued)

(m) Revenue recognition:

Policy applicable after January 2018

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.

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.
oVariable consideration is recognised when it is highly probable that a significant 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.

4. Summary of significant accounting policies (continued)

(m) Revenue recognition (continued):

Interest income (continued)

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 (or impairment allowance before January 1, 2018).

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.

Policy applicable before January 2018

(i) Operating revenue:

Operating revenue represents income for the provision of electricity and related services. Income is recognised for billings made for these services and an estimate of electricity supplied prior to the end of the reporting period which is to be billed subsequently (referred to as "unbilled revenues").

(ii) Interest income:

Interest income is recognised on an accrual basis using the effective interest method.

(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.

4. Summary of significant accounting policies (continued)

(n) Taxation (continued):

Current and deferred taxes (continued):

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.

(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.

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 (continued):

(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) Joint arrangements:

Joint arrangements are arrangements over which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' return. They are classified and accounted for as follows:

- Joint operation – when the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly in relation to the joint operation.
- Joint venture – when the Group has rights only to the net assets of the arrangements it accounts for its interest using the equity method.

(q) Leases:

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.

4. Summary of significant accounting policies (continued)

(q) Leases (continued):

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.

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.

4. Summary of significant accounting policies (continued)

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

(i) Recognition and initial measurement (continued)

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.

(ii) Classification and subsequent measurement

Financial assets – Policy applicable from January 1, 2018

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 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.

4. Summary of significant accounting policies (continued)

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

(ii) Classification and subsequent measurement (continued)

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.

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.

4. Summary of significant accounting policies (continued)

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

(ii) Classification and subsequent measurement (continued)

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.

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:

4. Summary of significant accounting policies (continued)

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

- Amendments to IFRS 9, Financial Instruments, effective retrospectively for annual periods beginning on or after January 1, 2019, clarifies the treatment of:

  (i) Prepayment features with negative compensation:

  Financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

  (ii) Modifications to financial liabilities:

  If the initial application of IFRS 9 results in a change in accounting policy for these modifications or exchanges, then retrospective application is required, subject to particular transitional reliefs. There is no change to the accounting for costs and fees when a liability has been modified (but not substantially) - these are recognised as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

- Amendment to IAS 28, Investments in Associates and Joint Ventures is effective for annual periods beginning on or after January 1, 2019 and addresses equity-accounted loss absorption by long-term interests. It will affect companies that finance associates and joint ventures with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests) and involves the dual application of IAS 28 and IFRS 9, Financial Instruments. The Group is required to apply both IFRS 9 and IAS 28 in a three-step annual process:

  - Apply IFRS 9 independently - prior years' IAS 28 loss absorption is ignored.
  - If necessary, prior years' IAS 28 loss allocation is trued-up in the current year, because the IFRS 9 carrying value may have changed.
  - Any current year IAS 28 losses are allocated to the extent that the remaining long-term interests balance allows. Any unrecognised prior years' losses are reversed by current year IAS 28 profits.

- Amendment to IAS 19, *Employee Benefits* is effective for annual periods beginning on or after January 1, 2019, and specifies how a company should determine pension expenses when there are changes to a defined benefit pension plan.

  The amendment requires a company to use updated actuarial assumptions to determine its current service cost and net interest for the remaining period when there is an amendment, curtailment or settlement of a defined benefit plan. The effect of the net asset ceiling is disregarded when calculating the gain or loss on the settlement of the defined benefit plan and is dealt with separately in other comprehensive income.

4. Summary of significant accounting policies (continued)

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

- Annual improvement to IFRS Standards 2015-2017 (continued)

  Annual Improvements to IFRS Standards 2015-2017 cycle contain amendments to IFRS 3, *Business Combinations,* IFRS 11, *Joint Arrangements*, IAS 12, *Income Taxes* and IAS 23, *Borrowing Costs*, are effective for annual periods beginning on or after January 1, 2019.

  (i) The amendments to IFRS 3 and IFRS 11 clarifies how an increased interest in a joint operation should be accounted for. If a party maintains or obtains joint control, then the previously held interest is not remeasured. But, if a party obtains control, this is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.

  (ii) IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently (either in profit or loss, OCI or equity) with the transactions that generated the distributable profits.

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

  The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with value of US$5,000 or less.

  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting.
  □The Group plans to apply IFRS 16 initially on January 1, 2019, using the modified
  The Group plans to apply IFRS 16 initially on January 1, 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

  The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019, and identified as leases in accordance with IAS 16 and IFRIC 4. The effects of adoption of IFRS 16 on January 1, 2019 are being assessed by management.

4. Summary of significant accounting policies (continued)

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

- IFRIC 23, *Uncertainty Over Income Tax Treatments*, is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

  An entity has to consider whether it is probable that the relevant tax authority would accept the tax treatment that is adopted in its income tax filing.

  If the entity concludes that it is probable that the tax authority will accept a particular tax treatment in the tax return, the entity will determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings and record the same amount in the financial statements. The entity will disclose uncertainty.

  If the entity concludes that it is not probable that a particular tax treatment will be accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better prediction of the resolution of the uncertainty.

- 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;
  - 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."

4. Summary of significant accounting policies (continued)

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

- IAS 23, *Borrowing Cost*, is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes borrowings that specifically finance qualifying assets that are still under development or construction. The change will apply to borrowing costs incurred on or after the date of initial adoption of the amendment.

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:

	Contract termination date
Jamaica Aluminum Company Limited (JAMALCO)	December 2019
The Jamaica Private Power Company Limited (JPPC)	December 2024
Wigton Wind Farm Limited (Wigton)	May 2024 & 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.

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, 2018, the total guarantees under Standby Letters of Credit amounted to $31.6 million (2017: $33.0 million). These facilities were not accessed during the year.

The contracts with JEP, JPPC, WKPP, Wigton, CS and BMR have been assessed as operating leases. The contract with JAMALCO is not considered an arrangement that contains a lease. The operating leases with JEP, WKPP and JPPC give rise to unexpired commitments for energy capacity and certain operating charges payable. At December 31, 2018, the minimum lease payments are as follows:

	2018 $'000	2017 $'000
Within 1 year	52,229	51,872
From 1-2 years	52,595	52,229
From 3-5 years	160,072	158,918
Over 5 years	221,916	276,068
	486,812	539,087

Lease payments under operating leases with IPPs recognised in profit or loss for the year, aggregated approximately $141.5 million (2017: $157.3 million) [Note 25(a)].

6. Property, plant and equipment

The Company and Group

	Land & buildings $'000	Production (generation) plant & equipment $'000	Transmission and distribution plant & equipment $'000	General plant & machinery $'000	Computer equipment, office fixtures & fittings $'000	Construction work-in-progress $'000	Total $'000
Cost or valuation:							
December 31, 2016	66,847	761,626	1,066,838	38,157	96,339	45,296	2,075,103
Additions	19	10,882	15,263	596	871	80,984	108,615
Transfers	414	12,591	22,402	319	3,727	(39,453)	-
Disposals/retirements and adjustments	(3,406)	(7,606)	(29)	(41)	(54)	-	(11,136)
Revaluation	615	-	-	-	-	-	615
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
Depreciation:							
December 31, 2016	12,606	560,195	702,257	34,378	87,602	-	1,397,038
Charge for the year	882	40,255	26,779	951	3,940	-	72,807
Disposals/retirements and adjustments	-	(7,624)	103	(53)	(11)	-	(7,585)
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
Net book values:							
December 31, 2018	50,958	178,453	401,225	4,405	8,799	111,690	755,530
December 31, 2017	51,001	184,667	375,335	3,755	9,352	86,827	710,937

6. Property, plant & equipment (continued)

(a) Land and buildings include land, at valuation, aggregating approximately $26.2 million (2017: $26.2 million). Of this amount, the cost of land, amounted to $21.4 million (2017: $21.4 million). Land, which is considered a separate class of assets, was revalued during the prior year 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.

Valuation techniques	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Market comparable approach: • The approach is based on the principle of substitution whereby the purchaser with perfect knowledge of the property market pays no more for the subject property than the cost of acquiring an existing comparable assuming no cost delay in making the substitution. • The approach requires comparison of the subject property with others of similar design and utility, inter alia, which were sold in the recent past. • However, as no two properties are exactly alike, adjustment is made for the difference between the property subject to valuation and comparable properties.	• Details of the sales of comparable properties. • Conditions influencing the sale of comparable properties. • Comparability adjustments.	The estimated fair value would increase/(decrease) if: • Sale value of comparable properties were higher/(lower). • Comparability adjustments were higher/(lower).

6. Property, plant & equipment (continued)

(c) Interest capitalised during construction for the year amounted to approximately $4.4 million (2017: $2.2 million). The capitalisation rate used for the year was 4.39% (2017: 4.14%)

(d) The composite rate of depreciation for the year was approximately 6.81% (2017: 6.60%).

7. Intangible assets

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

The Company and Group

	Software $'000	Land rights $'000	Total $'000
Cost or valuation:			
December 31, 2016	27,972	5,260	33,232
Additions	4,231	1	4,232
Transfers	-	2,618	2,618
December 31, 2017	32,203	7,879	40,082
Additions	1,079	3	1,082
December 31, 2018	33,282	7,882	41,164
Depreciation:			
December 31, 2016	11,753	-	11,753
Charge for the year	3,782	-	3,782
December 31, 2017	15,535	-	15,535
Charge for the year	4,646	-	4,646
December 31, 2018	20,181	-	20,181
Net book values:			
December 31, 2018	13,101	7,882	20,983
December 31, 2017	16,668	7,879	24,547

Software includes software projects in development of $1.4 million (2017: $4.1 million).

8. Subsidiaries and Joint Ventures

a) South Jamaica Energy Holdings Limited

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

8. Subsidiaries and Joint Ventures (continued)

b) Investment in Joint Venture

Through SJEH, the Group holds a 50% interest in South Jamaica Power Company Limited (SJPC). The primary activity of SJPC is the construction of a power plant pursuant to an electricity generation licence. The Group has rights to the net assets/(liabilities) of the entity and the investment is accounted for using the equity method, as follows:

	2018 $'000	2017 $'000
Balance at the start of the year	15,646	-
Investment during the year	20,826	16,000
Share of loss	(417)	(354)
Balance at the end of the year	36,055	15,646

The following table represents the summarised financial information for the joint venture as at the year end.

	2018 $'000	2017 $'000
Current assets	17,218	14,809
Non-current assets	246,039	129,020
Current liabilities	(13,308)	(16,373)
Non-current liabilities	(177,839)	(96,038)
Net assets	72,110	31,418
Total comprehensive loss	(834)	(710)

Reconciliation of summarised financial information to the carrying amount of the Group's interest in the joint venture

	2018 $'000	2017 $'000
Net Assets as at the end of the year	72,110	31,418
Carrying value	36,055	15,646
Interest in joint venture	50%	49.8%

9. Employee benefits

(a) Defined benefit pension plan:

The Group administers a defined-benefit pension plan for selected employees and their beneficiaries. The accumulated fund is administered by the trustees who are assisted by an independent plan administrator and three fund managers; Sagicor Life of Jamaica Limited, Victoria Mutual Pensions Management Limited and NCB Insurance Company Limited. The administrator is Employee Benefits Administrator Limited, a wholly owned subsidiary of Sagicor Life Jamaica Limited, whose offices are located at 48 Barbados Avenue, Kingston 5, Jamaica, W.I. Effective February 1, 2007, the fund was closed to new entrants.

On retirement, a member is entitled to be paid an annual pension of 1.9% (2017: 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.

(i) Employee benefits:

	The Company and Group	
	2018	2017
	$'000	$'000
Present value of funded obligations	(101,947)	(93,789)
Fair value of plan assets	194,855	177,249
Unrecognised amount due to limitation	(46,454)	(41,730)
Asset recognised in statement of financial position	46,454	41,730

(ii) Movements in funded obligations:

	2018	2017
	$'000	$'000
Balance at beginning of year	(93,789)	(76,430)
Benefits paid	1,968	2,282
Current service cost	(2,794)	(2,553)
Interest cost	(7,449)	(7,196)
Voluntary contributions	(497)	(678)
Gain on curtailment	1,026	498
Remeasurement loss on obligation for OCI	(2,406)	(7,608)
Exchange gain/(loss)	1,994	(2,104)
Balance at end of year	(101,947)	(93,789)

9. Employee benefits (continued)

(a) Defined benefit pension plan (continued):

(ii) Movements in plan assets:

	The Company and Group	
	2018	2017
	$'000	$'000
Fair value of plan assets at beginning of year	177,249	140,764
Contributions paid:		
Employer	1,068	1,508
Employees	1,565	2,186
Interest income on assets	13,902	13,076
Benefits paid	(1,968)	(2,282)
Administrative expenses	(67)	(81)
Remeasurement gain on assets for OCI	6,876	18,209
Exchange (loss)/gain	(3,770)	3,869
Fair value of plan assets at end of year	194,855	177,249
Plan asset consist of the following:		
Investments quoted in active markets:		
Equities	86,380	69,692
Government bonds	50,060	42,209
Corporate bonds and other debt securities	16,743	16,104
Pooled pension investments	18,522	14,637
Unquoted investments:		
Real estate	13,954	14,258
Repurchase agreements	5,680	6,360
Net current assets	3,516	13,989
	194,855	177,249

Included in the plan assets as at December 31, 2018 are:

- Real estate occupied by the Group with a fair value of $14.8 million (2017: $14.2 million);
- JPS 11% promissory notes with a fair value of $0.30 million (2017: $0.31 million); and
- JPS 9.5% non-redeemable preference shares with a fair value of $Nil (2017: $3.3 million).

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

9. Employee benefits (continued)

(a) Defined benefit pension plan (continued):

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

	The Company and Group	
	2018	2017
	$'000	$'000
Current service cost	2,794	2,553
Interest cost	7,449	7,196
Administrative expenses	67	81
Interest income on assets	(13,902)	(13,076)
Gain on curtailment	(1,026)	(498)
Total credit	(4,618)	(3,744)
Net credit recognised due to limitation	(2,309)	(1,872)

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

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

	The Company and Group	
	2018	2017
	$'000	$'000
Remeasurement loss on obligation for OCI	2,406	7,608
Remeasurement gain on assets for OCI	(6,876)	(18,209)
Total remeasurement loss net	(4,470)	(10,601)
Remeasurement loss recognised due to limitation	(2,235)	(5,300)

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

	The Company and Group	
	2018	2017
	$'000	$'000
Changes in financial assumptions	(3,934)	(8,371)
Experience adjustments	1,528	763
Remeasurement loss on defined benefit obligation	(2,406)	(7,608)

9. Employee benefits (continued)

(a) Defined benefit pension plan (continued)

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

	The Company and Group	
	2018	2017
	$'000	$'000
Return on plan assets	20,778	31,285
Interest income on plan assets	(13,902)	(13,076)
	6,876	18,209

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

	The Company and Group	
	2018	2017
Inflation rate	3.00%	5.00%
Discount rate	7.00%	8.00%
Future salary increases	3.00%	5.00%
Future pension increases	0.00%	0.00%

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, 2018, is 18 years (2017: 18 years).

The Group's estimated contribution for the 12 months following reporting date is $1.42 million (2017: $1.47 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.

	The Company and Group			
	2018		2017	
	Increase	Decrease	Increase	Decrease
	0.5%	0.5%	1%	1%
	$'000	$'000	$'000	$'000
Discount rate	94,418	110,443	80,560	109,992
Future salary growth	104,735	99,319	99,864	88,413

9. Employee benefits (continued)

(a) Defined benefit pension plan (continued)

(viii) Sensitivity analysis (continued):

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

(b) Other employee benefits obligation:

	The Company and Group	
	2018	2017
	$'000	$'000
Accumulated sick and vacation pay	7,797	7,959

(c) Defined contribution pension plan:

The Group's contribution to the defined contribution pension plan for the year aggregated $1.1 million (2017: $1.1 million). These are recognised in staff cost-other employees' costs [Note 25(b)] in profit or loss.

10. Net cash and cash equivalents

	The Company and Group	
	2018	2017
	$'000	$'000
Cash at bank and in hand	27,267	12,203
Bank overdraft	-	(2,924)
Net cash and cash equivalents	27,267	9,279

11. Restricted cash

	The Company and Group	
	2018	2017
	$'000	$'000
Self-insurance sinking fund	40,334	37,905
Deposit guarantees on staff loans, IPP contracts etc.	991	538
	41,325	38,443

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 3.02% (2017: 2.8%) per annum.

12. Accounts receivable

	The Company and Group	
	2018	2017
	$'000	$'000
Trade receivables (i)	194,532	214,953
Allowance for impairment losses (i)	(61,592)	(48,450)
	132,940	166,503
Unbilled revenue	19,043	16,134
Prepayments	11,512	14,298
Other receivables	18,889	20,283
	182,384	217,218

Allowances for doubtful accounts were established until December 31, 2017 based on incurred loss analyses over delinquent accounts considering aging of balances, the credit history and risk profile of each customer and legal processes to recover accounts receivable. Effective January 1, 2018 such 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.

Under this ECL model, the company 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, 2018 to apply against the accounts receivable balance less 90 days was 2.782% [Note 32 (a)i].

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

	The Company and Group	
	2018	2017
	$'000	$'000
Balance at beginning of year	48,450	46,091
Transitional adjustments on initial application of IFRS 9	5,591	-
Impairment loss recognised	8,672	12,036
Amounts recovered	(1,121)	-
Amounts written off	-	(9,677)
Balance at end of year	61,592	48,450

13. Inventories

	The Company and Group	
	2018	2017
	$'000	$'000
Fuel	13,279	13,950
Generation spares	7,778	7,288
Transmission, distribution and other spares	22,380	21,393
	43,437	42,631
Less: Allowance for impairment	(3,365)	(1,226)
	40,072	41,405

13. Inventories (continued)

In 2018, inventories of $217.4 million (2017: $187.6 million) were recognised as an expense during the year and included in cost of sales.

14. Share capital

	No of shares
Authorised ordinary share capital:	
Ordinary stock units at no par value	315,733,190
Ordinary shares at no par value	30,000,000,000
Balance as at December 31, 2017 and 2018	30,315,733,190

	No of shares	The Company and Group 2018 $'000	2017 $'000
Issued and fully paid:			
Ordinary share capital			
Ordinary stock units	315,733,190	5,684	5,684
Ordinary shares	21,512,462,056	256,102	256,102
At year end (Note 28)	21,828,195,246	261,786	261,786

15. Capital reserve

	The Company and Group 2018 $'000	2017 $'000
Revaluation surplus	4,760	4,760

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

16. Capital redemption reserve

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

17. Accounts payable and provisions

	The Company and Group 2018 $'000	2017 $'000
Trade payables	120,779	124,548
Interest accrued on customer deposits and loans	16,487	16,751
Dividend payable (Note 29)	622	622
Other payables	46,207	39,633
Provisions (see below)	6,922	9,550
	191,017	191,104

17. Accounts payable and provisions (continued)

Movement in provisions during the year was as follows:

	The Company and Group	
	2018	2017
	$'000	$'000
At beginning of year	9,550	8,853
Provisions made during the year	364	954
Provisions utilised during the year	(2,992)	(257)
At the end of year	6,922	9,550

18. Related party balances and transactions

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

	Company		Group	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
(i) Due from:				
South Jamaica Power Company Limited	538	752	538	752
South Jamaica Energy Holdings Limited	36,826	16,000	-	-
Marubeni Caribbean Holding	50	43	50	43
	37,414	16,795	588	795
(ii) Due to:				
South Jamaica Power Company Limited	1,563	-	1,563	-
EWP (Barbados) 1 SRL	446	133	446	133
	2,009	133	2,009	133

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 $0.8 million (2017: $0.9 million) and recharges of approximately $0.7 million (2017: $0.8 million).

(ii) The Group entered into a commercial lease agreement for its Head Office land and building situated at 6 Knutsford Boulevard, Kingston 5 with The Jamaica Public Service Company Limited (JPSCO) (Original 1973) Employees' Pension Plan, a related party. The lease agreement is for an initial lease term of ten (10) years which commenced on January 1, 2013 and is renewable for a further period of five (5) years. Rental payments for the year were $0.82 million (2017: $0.82 million).

18. Related party balances and transactions (continued)

(b) Related party transactions (continued):

(iii) The Group supplies electricity to related parties including the Government of Jamaica [see note 33 (a)(i)]. Total revenue from the Government for the year 2018 was $149 million (2017: $137 million).

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

19. Customers' deposits

	The Company and Group	
	2018	2017
	$'000	$'000
Customers' deposits for electricity service (i)	16,636	16,203
Customers' advances for construction (ii)	13,353	10,947
	29,989	27,150

(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.

20. Borrowings

	The Company and Group	
	2018	2017
	$'000	$'000
(a) Short-term Loans		
(i) Citibank	13,000	23,000
(ii) Bank of Nova Scotia	7,000	-
	20,000	23,000

(b) Long-term Loans

	The Company and Group	
	2018	2017
	$'000	$'000
(iii) Kreditanstalt fur Weideraudfbau of Frankfurt Government of Jamaica (KFW/GOJ), 7% fixed rate, repayable 2030 [€3.9 million (2017: €3.9 million)]	4,271	4,578
(iv) International Finance Corporation (IFC) variable rate, repayable 2020	6,634	9,928
(v) Deutsche Bank as trustees of the holders of the 11% Senior Notes repayable 2021	177,216	176,570
Balance carried forward	188,121	191,076

20. Borrowings (continued)

(b) Long-term Loans (continued)

		The Company and Group	
		2018	2017
		$'000	$'000
	Balance brought forward	188,121	191,076
(vi)	Citibank Japan/NEXI variable rate, repayable 2020	15,478	22,783
(vii)	Proparco variable rate, repayable 2020	13,341	19,954
(viii)	OPEC Fund for International Development variable rate, repayable 2020	5,523	8,267
(ix)	FirstCaribbean International Bank (FCIB) variable rate, repayable 2018	-	1,867
(x)	Peninsula Corporation 5.25% fixed rate, repayable 2019	9,000	9,000
(xi)	FirstCaribbean International Bank (FCIB) $30M Variable rate, repayable 2018	-	22,344
(xii)	Export Development Canada variable rate, repayable 2019	1,512	3,063
(xiii)	NCB Syndicated J$2.45B Loan 9.95% fixed rate, repayable 2023	16,823	19,446
(xiv)	Citibank/Overseas Private Investment Corporation US$120M 6.5% variable rate, repayable 2021 & 2026	81,769	56,245
(xv)	Caribbean Development Bank US$15M variable rate, repayable 2029	15,000	-
(xvi)	CIBC FirstCaribbean International Bank		
	US$ 60.625M fixed rate, repayable 2028		
	Tranche A - US$50.625M 6% fixed rate	24,311	-
	Tranche B - J$1.370B 7.5% fixed rate	10,727	-
	Total long-term loans	381,605	354,045
	Less: Current portion	(35,537)	(36,341)
	Non-current portion	346,068	317,704

(i) This short-term loan was received from Citibank in the amount of US$13 million in September 2018 and is payable on June 7, 2019 at a fixed rate of 4.0756%.

(ii) This short term facility was received from the Bank of Nova Scotia in the amount of US$7.0 million in July 2018. The loan is payable on January 1, 2019 at a fixed rate of 3% per annum.

20. Borrowings (continued)

(b) Long-term Loans (continued)

(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 stated net of debt issuance costs of $0.03 million (2017: $0.07 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, 2016. 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. The amount due is stated net of debt issuance costs, in the amount of $1.97 million (2017: $2.62 million).

(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 $0.77 million (2017: $1.59 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 2016 and 5.25% thereafter. The amount due is stated net of debt issuance costs of $0.10 million (2017: $0.21 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 $0.03 million (2017: $0.07 million).

(ix) This loan is unsecured and is repayable in eight semi-annual instalments of $1.9 million, which commenced in October 2014. The variable interest rate is based on the 6 month LIBOR plus 5.5%. This loan was repaid in October 2018.

(x) 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 5.75%.

(xi) This loan is unsecured is repayable in eight semi-annual instalments of $3.75 million and commenced in January 2017. The variable interest rate is based on LIBOR plus 5.5%. This loan was fully repaid in October 2018.

(xii) 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 $0.02 million (2017: $0.87 million).

20. Borrowings (continued)

(b) Long-term Loans (continued)

(xiii) This loan is an unsecured Syndicated Jamaican Dollar loan and has a fixed interest rate of 9.95%. The funds are to be utilized for capital expenditure and general corporate purposes. Repayment is in quarterly instalments of J$71 million beginning March 2018 with bullet payment of J$805 million at maturity. The amount due is stated net of debt issuance costs of $0.10 million (2017: $ 0.13 million).

(xiv) This loan is unsecured and is in two tranches – $100 million from OPIC and $20 million from Citibank. The funds are to be utilized 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 stated net of debt issuance cost of $3.23 million (2017: $ 3.76 million).

(xv) 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 $0.375 million.

(xvi) This loan is unsecured and is in two tranches – US$50.625M (Tranche A) with a fixed rate of 6% for the first five years and J$1.370B (US$10M equivalent) – (Tranche B) with a fixed rate of 7.5% for the first five years. 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. Principal is repaid in quarterly instalments of US$1.406M and J$38.05M respectively commencing January 2020. Interest is paid quarterly. The amount due is stated net of debt issuance costs, in the amount of $0.69 million (2017: Nil).

21. Preference shares

This comprises cumulative preference shares as follows:

	The Company and Group		The Company and Group	
	Number of shares			
	2018	2017	2018	2017
			$'000	$'000
7% Class B shares	420,000	420,000	38	38
5% Class C shares	66,500	66,500	6	6
5% Class D shares	680,000	680,000	61	61
6% Class E shares	300,000	300,000	27	27
9.5% Class F shares	2,455,607	2,455,607	24,556	24,556
	3,922,107	3,922,107	24,688	24,688

21. Preference shares (continued)

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.

22. Deferred taxation

Deferred taxation relates to:

	The Company and Group						
	Balance at December 31 2016	Recognised in profit or loss	Recognised in other comprehensive income	Balance at December 31 2017	Recognised in profit or loss	Recognised in other comprehensive income	Balance at December 31, 2018
	$'000	$'000 [Note 27(a)]	$'000	$'000	$'000 [Note 27(a)]	$'000	$'000
Employee benefits, net	(8,224)	(1,267)	(1,766)	(11,257)	(884)	(745)	(12,886)
Unrealised foreign exchange gains	(2,687)	(1,806)	-	(4,493)	261	-	(4,232)
Property, plant & equipment	(47,355)	6,927	-	(40,428)	4,843	-	(35,585)
Cumulative tax losses	13,490	(4,647)	-	8,843	(7,633)	-	1,210
Accounts payable	6,015	213	-	6,228	630	-	6,858
Other	700	(217)	-	483	1,484	-	1,967
	(38,061)	(797)	(1,766)	(40,624)	(1,299)	(745)	(42,668)

23. Decommissioning provision

	The Company and Group	
	2018	2017
	$'000	$'000
Decommissioning obligation at the beginning of the year	9,234	9,042
Unwinding of discount (included in finance costs)	395	192
	9,629	9,234

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.

24. Operating revenue

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

25. Expenses

(a) Cost of sales

	The Company and Group	
	2018	2017
	$'000	$'000
Fuel	(477,553)	(390,892)
Purchased power (excluding fuel) (Note 5)	(141,480)	(157,270)
Other	(560)	(805)
	(619,593)	(548,967)

(b) Operating expenses

	The Company and Group	
	2018	2017
	$'000	$'000
Depreciation and amortisation	(80,666)	(76,589)
Staff cost – Other employees' costs	(61,394)	(69,229)
Staff cost – Key management	(1,560)	(1,765)
Directors' fees and emoluments	(45)	(61)
Repairs and maintenance	(11,890)	(18,114)
Selling expense (advertising and marketing)	(885)	(960)
Audit fees	(168)	(192)
Bad debt expenses (Note 12)	-	(12,036)
General expenses	(45,770)	(46,612)
	(202,378)	(225,558)

25. Expenses (continued)

(c) Net finance costs

	The Company and Group	
	2018	2017
	$'000	$'000
Foreign exchange (losses)/ gains, net	(3,593)	1,981
Other finance costs:		
Short-term loans	(677)	(90)
Long-term loans	(34,142)	(33,130)
Customer deposits	(231)	(642)
Bank overdraft and other	(2,735)	(636)
Preference dividends	(2,334)	(2,334)
Debt issuance costs and expenses	(2,820)	(3,442)
Other debt expenses	(493)	(880)
	(43,432)	(41,154)
Finance income:		
Interest income	6,792	2,078
Interest capitalised during construction [Note 6(c)]	4,387	2,163
	11,179	4,241
	(35,846)	(34,932)

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

26. Other income and expenses

(a) Other income comprises:

	The Company and Group	
	2018	2017
	$'000	$'000
Rental income	33	231
Insurance proceeds	-	843
Credit balances and other deposits written off	2,381	-
Miscellaneous proceeds from scrap sales and other settlements	2,361	3,669
Gain on disposal of property, plant and equipment	-	74
	4,775	4,817

26. Other income and expenses (continued)

(b) Other expenses comprise:

	The Company and Group	
	2018	2017
	$'000	$'000
Miscellaneous expenses	(42)	(111)
Restructuring costs	(2,144)	(1,478)
Inventory and other cost written off	(4,079)	(609)
Loss on disposal of property, plant and equipment	(389)	-
	(6,654)	(2,198)

27. Taxation

(a) Taxation is computed at 33⅓% of the Group's results for the year, adjusted for tax purposes and comprises:

	Company		Group	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Current tax expense:				
Current income tax expense	7,549	4,647	7,549	4,647
Deferred tax:				
Origination and reversal of temporary differences (Note 22)	1,299	797	1,299	797
Taxation expense	8,848	5,444	8,848	5,444

(b) Reconciliation of tax expense:

	Company		Group	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Profit before taxation	39,886	30,031	39,469	29,677
Computed "expected" tax at 33⅓%	13,295	10,010	13,156	9,892
Tax effect of differences between profit for financial statements and tax reporting purposes in respect of:				
Investment allowances	(7,443)	(6,281)	(7,443)	(6,281)
Loan fees disallowed	1,006	1,322	1,006	1,322
Loss of joint venture included, net of tax	-	-	139	118
Other	1,990	393	1,990	393
Taxation expense	8,848	5,444	8,848	5,444

27. Taxation (continued)

(c) Tax losses:

At the reporting date, the Group had unused tax losses of approximately $4 million (2017: $26 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.

28. 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.

	Company		Group	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Profit for the year	31,038	24,587	30,621	24,233
Number of shares (shown in thousands - Note 14)	21,828,195	21,828,195	21,828,195	21,828,195
Earnings per share/stock unit	0.14¢	0.11¢	0.14¢	0.11¢

29. Dividends

a) The Board of Directors approved the payment of a final dividend of 0.00045812¢ per share on the ordinary shares of the company amounting to $10 million (2017: Nil) for the year.

b) Dividends on cumulative preference shares accrued at December 31, 2018 amounted to $0.6 million (2017: $0.6 million) [see note 17].

30. Commitments

(a) Capital:

At December 31, 2018, commitments for capital expenditure, for which no provision has been made in these financial statements, amounted to approximately $10.2 million (2017: $26.6 million).

30. Commitments (continued)

(b) Lease:

In addition to its commitments under IPP contracts (Note 5), the Group had unexpired operating lease commitments at December 31, 2018, payable as follows:

	The Company and Group	
	2018	2017
	$'000	$'000
Within 1 year	3,445	9,593
From 1-2 years	957	9,590
From 2-3 years	136	931
From 3-4 years	131	931
From 4-5 years	101	924
Over 5 years	1,950	6,377
	6,720	28,346

31. Contingent liabilities and asset

As at December 31 2018, 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, 2018, provisions of $6.9 million (2017: $9.5 million) pursuant to pending legal actions, were made in the financial statements (Note 17).

32. Financial instruments

(a) Financial risk management:

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

- Credit risk
- Liquidity risk
- Market risks

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

32. Financial instruments (continued)

(a) Financial risk management (continued):

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

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

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

(i) Credit risk:

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

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

Trade Receivables

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

Expected credit loss assessment for trade receivables as at 31 December 2018

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 as at 31 December 2018.

32. Financial instruments (continued)

(a) Financial risk management (continued):

(i) Credit risk (continued):

Age buckets	Weighted average loss rate	Gross carrying amount $'000	Impairment loss allowance $'000	Credit impaired
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%	74,694	58,258	No
		194,532	61,592	

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, 2018, 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 $40.4 million (2017: $81.6 million). The Group maintains a very close relationship with the Ministry of Finance and the Ministry of Local Government in relation to this matter and recurring discussions are held regarding the reduction of the outstanding balances.

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.

32. Financial instruments (continued)

(a) Financial risk management (continued):

(ii) Liquidity risk (continued):

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. 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, 2018, the Group had unutilised lines of credit aggregating $100.2 million (2017: $87.7 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 $'000	Total cash outflow $'000	Less than 1 year $'000	1-2 years $'000	3-5 years $'000	6-10 years $'000	More than 10 years $'000
December 31, 2018							
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	29,989	29,989	-	-	-	5,106	24,833
Total financial liabilities	617,698	738,249	280,194	102,742	262,791	65,666	26,806
December 31, 2017							
Accounts payable*	181,554	181,554	181,554	-	-	-	-
Short-term loan	23,000	23,463	23,463	-	-	-	-
Bank overdrafts	2,924	2,924	2,924	-	-	-	-
Long term loans	354,045	572,323	69,154	114,900	281,694	54,637	51,938
Due to related parties	133	133	133	-	-	-	-
Customer deposits	27,150	27,150	-	-	-	4,654	22,496
Total financial liabilities	588,806	807,547	277,228	114,900	281,694	59,291	74,434

*Excludes provisions

32. Financial instruments (continued)

(a) Financial risk management (continued):

(ii) Liquidity risk (continued):

The preference shares have no specific maturity dates.

Contracted off-balance cash payments in respect of independent power purchase agreements are disclosed in Note 5.

(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, 2018, the Group had no exposure to market risk relating to changes in equity prices.

- *Interest rate risk:*

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

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

  Interest bearing financial assets relate to cash and cash equivalents.

32. Financial instruments (continued)

(a) Financial risk management (continued):

(iii) Market risk (continued):

- *Interest rate risk (continued):*

At December 31, 2018, the interest profile of the Group's interest-bearing financial instruments was:

	The Company and Group Carrying amount	
	2018	2017
	$'000	$'000
Total debt		
Fixed rate instruments:		
Financial assets	41,439	38,554
Financial liabilities	(287,036)	(257,281)
Variable rate instruments:		
Financial liabilities	(155,893)	(160,655)

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 100/100 (2017: 100/50) 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.

	The Company and Group Effect on profit or loss			
	2018		2017	
	100bp increase	100bp decrease	100bp increase	50bp decrease
	$'000	$'000	$'000	$'000
Cash flow sensitivity (net)	(1,559)	1,559	(1,298)	649

- *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.

32. Financial instruments (continued)

(a) Financial risk management (continued):

(iii) Market risk (continued):

- *Foreign currency risk (continued):*

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.

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

	The Company and Group			
	2018			
	J$	€	£	US$ equivalent
	$'000	$'000	$'000	$'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)
	9,376,730	(8,484)	(30)	65,013

	The Company and Group			
	2017			
	J$	€	£	US$ equivalent
	$'000	$'000	$'000	$'000
Cash and cash equivalents	297,801	-	-	2,382
Trade and other receivables	26,435,582	-	-	211,484
Accounts payable	(7,788,566)	(3,978)	(161)	(66,805)
Long-term loans	(2,450,000)	(3,879)	-	(4,578)
Customer deposits	(3,393,815)	-	-	(27,150)
	13,101,002	(7,857)	(161)	115,333

32. Financial instruments (continued)

(a) Financial risk management (continued):

(iii) Market risk (continued):

- *Foreign currency risk (continued):*

Sensitivity analysis:

A 4% (2017: 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.

	The Company and Group			
	2018		2017	
	Equity $'000	Profit/(loss) $'000	Equity $'000	Profit/(loss) $'000
J$	(1,468)	(1,468)	(4,192)	(4,192)
Euro (€)	185	185	371	371
GBP (£)	(1)	(1)	(1)	(1)
Total	(1,284)	(1,284)	(3,822)	(3,822)

A 2% (2017: 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.

	The Company and Group			
	2018		2017	
	Equity $'000	Profit $'000	Equity $'000	Profit $'000
J$	2,937	2,937	2,096	2,096
Euro (€)	(369)	(369)	(185)	(185)
GBP (£)	1	1	-	-
Total	2,569	2,569	1,911	1,911

(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.

32. Financial instruments (continued)

(b) Operational risk (continued):

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

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

(c) Capital 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; 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.

	The Company and Group	
	2018 $'000	2017 $'000
Bank overdraft	-	2,924
Short term loans	20,000	23,000
Current maturity of long term loans	35,537	36,341
Long term loans	346,068	317,704
Total debt	401,605	379,969
Share capital	261,786	261,786
Capital reserve	4,760	4,760
Capital redemption reserve	3,000	3,000
Retained earnings	171,538	154,601
Preference shares	24,688	24,688
Total equity	465,772	448,835
Capital and debt	867,377	828,804
Gearing ratio	46%	46%

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

32. 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:

	The Company and Group			
	2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	$'000	$'000	$'000	$'000
Financial liabilities:				
Preference shares	24,688	25,038	24,688	25,583
Long term loans	381,605	459,904	354,045	447,059

32. Financial instruments (continued)

(d) Fair value disclosure (continued):

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

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

	The Company and Group		
	2017		
	Level 1 $'000	Level 2 $'000	Total
Liabilities for which fair values are disclosed:			
Preference shares	(25,582)	-	(25,582)
Long term loans	-	(447,059)	(447,059)
	(25,582)	(447,059)	(472,641)

NOTICE OF AGM

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Jamaica Public Service Company Limited will be held on Thursday, 25th day of July, 2019, at the Company's registered office, 6 Knutsford Boulevard, Kingston 5, commencing at 10:00am for the following purposes:

1. TO RECEIVE THE ACCOUNTS

To receive the Audited Accounts for the year ended December 31, 2018, and the Reports of the Directors and Auditors thereon and to consider and (if thought fit) pass the following resolution:

That the Accounts for the year ended December 31, 2018, together with the Reports of the Directors and Auditors thereon be approved and adopted.

2. TO APPROVE and RATIFY DIVIDEND

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.

3. TO ELECT DIRECTORS

i. In accordance with Articles 62, 86, and 123 of the Company's Articles of Incorporation, Directors Dong Uk Kim, Ha Kyoung Song, 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:

"That Director Dong Uk Kim (EWP (Barbados) 1, SRL) is hereby elected a Director of the Company"

"That Director Ha Kyoung Song (EWP (Barbados) 1, SRL) is hereby elected a Director of the Company"

"That Director Hyun Woo Kim (EWP (Barbados) 1, SRL) is hereby elected an Alternate Director of the Company"

ii. In accordance with Articles 117 and 119 of the Company's Articles of Incorporation, Director Charles Johnston having been appointed to the Board shall cease to hold office and being eligible, offer himself for re-election.

"That Charles Johnston (EWP (Barbados) 1, SRL) is hereby elected a Director of the Company"

4. TO AUTHORISE DIRECTORS TO APPOINT AUDITORS AND FIX THEIR REMUNERATION

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

DATED THIS 2ND DAY OF APRIL, 2019

BY ORDER OF THE BOARD
Katherine P.C. Francis
Secretary

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 25th day of July, 2019, at 10:00am and at any adjournment thereof.

RESOLUTION	FOR	AGAINST
Resolution 1		
Resolution 2		
Resolution 3(i) Resolution 3(ii)		
Resolution 4		
ANY OTHER BUSINESS		

DATED THE DAY OF 2019

…….
(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 AUTHORISED 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 notarially 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.