

**JAMAICA PUBLIC SERVICE COMPANY LIMITED**

**STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2013**

{Unaudited results in US\$ thousand}

	Sept-13	Sept-12*	{Audited} Dec-12*
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	12,695	3,560	26,493
Restricted cash	18,491	22,581	18,849
Accounts receivable	269,722	282,736	283,697
Tax recoverable	591	231	271
Inventories	68,260	67,259	66,723
	<u>369,759</u>	<u>376,367</u>	<u>396,033</u>
<b>CURRENT LIABILITIES</b>			
Payables and provisions	178,248	154,263	181,027
Taxation	( 2,481)	459	2,713
Bank overdraft	13,608	-	-
Short term loans	6,400	5,000	25,000
Current portion of long-term debt	37,968	50,735	36,906
Due to related companies, net	1,130	601	1,005
	<u>234,873</u>	<u>211,058</u>	<u>246,651</u>
<b>WORKING CAPITAL</b>	<u>134,886</u>	<u>165,309</u>	<u>149,382</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant & equipment	669,929	659,881	663,743
Employee benefits asset	19,292	27,657	20,066
Other asset	4,892	3,849	5,797
Long-term receivables	1,789	990	1,705
	<u>830,788</u>	<u>857,686</u>	<u>840,693</u>
<b>Financed by:</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	261,786	261,786	261,786
Capital reserve	19,901	19,987	19,901
Retained earnings	93,993	93,232	97,112
	<u>375,680</u>	<u>375,005</u>	<u>378,799</u>
<b>NON-CURRENT LIABILITIES</b>			
Customer deposits	30,221	32,781	30,917
Preference shares	24,688	132	132
Long-term debt	324,051	372,120	353,572
Deferred taxation	66,481	66,378	66,481
Employee benefits obligations	7,610	10,131	8,822
Deferred revenue	2,057	1,139	1,970
	<u>830,788</u>	<u>857,686</u>	<u>840,693</u>

\*Restated to conform to current year's presentation

**ON BEHALF OF THE BOARD**



Hisatsugu Hirai  
Director



Sang Kie Cho  
Director

**JAMAICA PUBLIC SERVICE COMPANY LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME FOR THE**  
**PERIOD ENDED SEPTEMBER 30, 2013**

{Unaudited results in US\$ thousand}

	Quarter ended,		Nine months ended,	
	Sept-13 <u>US\$'000</u>	Sept-12* <u>US\$'000</u>	Sept-13 <u>US\$'000</u>	Sept-12* <u>US\$'000</u>
Operating revenue	280,245	282,960	816,267	864,723
Cost of sales	(220,629)	(213,329)	(626,357)	(657,156)
Gross profit	59,616	69,631	189,910	207,567
Operating expenses	( 50,139)	( 53,997)	(145,128)	(157,335)
Operating profit	9,477	15,634	44,782	50,232
Finance costs	( 14,795)	( 11,894)	( 47,430)	( 35,787)
Other income	212	365	348	180
Other expenses	( 49)	-	( 2,376)	-
Profit before taxation	( 5,155)	4,105	( 4,676)	14,625
Taxation expense	1,719	( 2,045)	1,557	( 5,551)
Net profit for the period	( 3,436)	2,060	( 3,119)	9,074

Earnings per share/stock unit:				
Number of share/stock units [in thousands]	<u>21,828,195</u>	<u>21,828,195</u>	<u>21,828,195</u>	<u>21,828,195</u>
Net profit per share/stock unit (annualised)	<u>(0.06)</u>	<u>0.04</u>	<u>(0.02)</u>	<u>0.06</u>

\*Restated to conform to current year's presentation.

**JAMAICA PUBLIC SERVICE COMPANY LIMITED**

**STATEMENT OF CASH FLOWS (CONDENSED) FOR THE  
PERIOD ENDED SEPTEMBER 30, 2013**

{Unaudited results in US\$ thousand}

	<b>Sept-13</b>	<b>Sept-12*</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit for the period	( 3,119)	9,074
Adjustments for non-cash items:		
Depreciation and amortisation	36,221	37,818
Unrealised foreign exchange losses/(gains)	118	( 22)
Interest capitalized	( 1,251)	( 667)
Interest expense	28,758	27,502
Taxation (credit)/expense	( 1,557)	5,551
Employee benefits, net	( 438)	604
Restricted cash	358	( 4,235)
Others	2,197	996
	61,287	76,621
Increase/(decrease) in working capital:		
Accounts receivable	13,507	(11,067)
Inventories	( 1,537)	( 7,127)
Payables and provisions	756	12,883
Taxation payable	( 3,637)	( 8,200)
Due to/(from) related companies	125	( 73)
Customer deposits and advances	( 696)	1,723
<b>Net cash provided by operating activities</b>	<b>69,805</b>	<b>64,760</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	1,442	1,481
Purchase of property, plant & equipment	(41,156)	(35,984)
Other asset	905	1,374
<b>Net cash used by investing activities</b>	<b>(38,809)</b>	<b>( 33,129)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short-term loans received/(repaid), net	(18,600)	5,000
Long-term loans obtained, net	(32,065)	14,605
Interest paid	(32,293)	(31,314)
Preference shares issued	24,556	-
Dividends paid	-	(7,780)
Bank overdraft	13,608	-
<b>Net cash (used)/provided by financing activities</b>	<b>(44,794)</b>	<b>(19,489)</b>
Net (decrease)/increase in cash & cash equivalents	(13,798)	12,142
Cash and cash equivalents at beginning of year	26,493	( 8,582)
<b>Cash and cash equivalents at end of year</b>	<b>12,695</b>	<b>3,560</b>

\*Restated to conform to current year's presentation.

**JAMAICA PUBLIC SERVICE COMPANY LIMITED**

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE PERIOD ENDED SEPTEMBER 30, 2013**

{Unaudited results in US\$ thousand}

	<u>Share Capital</u>	<u>Capital Reserve</u>	<u>Retained Earnings</u>	<u>TOTAL</u>
Balance as at December 31, 2011	261,786	20,043	89,158	370,987
Revaluation surplus	-	( 56)	-	( 56)
Comprehensive income for the year	-	-	9,074	9,074
Dividends	-	-	(5,000)	( 5,000)
Balance as at September 30, 2012	<u>261,786</u>	<u>19,987</u>	<u>93,232</u>	<u>375,005</u>
Balance as at December 31, 2012	261,786	19,901	97,112	378,799
Comprehensive income for the year	-	-	( 3,119)	( 3,119)
Balance as at September 30, 2013	<u>261,786</u>	<u>19,901</u>	<u>93,993</u>	<u>375,680</u>

	<u>Sept-13</u>	<u>Sept-12</u>
Net gains for the period	<u>(3,119)</u>	<u>9,074</u>
Amount recognised directly in equity	<u>-</u>	<u>-</u>

**JAMAICA PUBLIC SERVICE COMPANY LIMITED**  
**NOTES TO THE ABRIDGED FINANCIAL STATEMENTS**  
**(UNAUDITED) SEPTEMBER 30, 2013**

1. Corporate structure and nature of business

Jamaica Public Service Company Limited (“the Company”) is incorporated and domiciled in Jamaica as a limited liability company and is owned by MaruEnergy JPSCO 1 SRL and EWP (Barbados) 1 SRL each holding 40% interest in the Company’s shares, with the Government of Jamaica 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 All-Island Electric Licence, 2001 (the Licence), granted on March 30, 2001, by the Minister of Mining and Energy.

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

2. Regulatory arrangements and tariff structure

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

Under the provisions of the Licence, the 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 upon the sale of the company by Mirant Corporation to Marubeni Corporation.

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

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

**JAMAICA PUBLIC SERVICE COMPANY LIMITED**  
**NOTES TO THE ABRIDGED FINANCIAL STATEMENTS**  
**(UNAUDITED) SEPTEMBER 30, 2013**

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

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, primarily relating to fuel revenues. 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 in case of a major catastrophe affecting the company's operations (transfer to self-insurance sinking fund).

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

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

The interim financial statements have been prepared using the same accounting policies and methods of computation applied in preparing the financial statements for the year ended December 31, 2012. The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The interim statements are presented in United States dollars, which is the currency in which the company conducts the majority of its business, (its functional currency); and are prepared under the historical cost basis, modified for the inclusion of land carried at valuation. The revaluation policy was modified in 2008 with the discontinuation of the practice of carrying specialised assets at valuation. In accordance with IAS 8 these policy changes were implemented retrospectively.

The interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited financial statements for the year ended December 31, 2012.

4. JPS' Operating Licence

On July 30, 2012, the Supreme Court ruled that the exclusivity provision in the license granted to JPS in 2001 is not valid. The judge ruled that while the Minister of Mining and Energy has the authority to grant a license to an operator to supply power to the entire island, he does not have the power to grant a license upon terms that bar the possibility of any other person entering the market for the transmission of electricity. The outcome of this court decision, which the company has appealed, cannot be determined with certainty at this time and no provision has been made in the financial statements regarding this matter.

**JAMAICA PUBLIC SERVICE COMPANY LIMITED**  
**NOTES TO THE ABRIDGED FINANCIAL STATEMENTS**  
**(UNAUDITED) SEPTEMBER 30, 2013**

5. Cash and cash equivalents

As at September 30, 2013, cash and cash equivalents include amounts restricted for use amounting to approximately \$18.5 million (Sept-12: \$22.6 million). This includes approximately \$18.0 million (Sept-12: \$22.1 million) in relation to a self-insurance sinking fund administered under the direction of the OUR (see note 2).

6. Net finance costs

	Quarter ended,		Nine months ended,	
	Sept-13	Sept-12	Sept-13	Sept-12
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Foreign exchange losses	( 3,371)	( 2,862)	(17,206)	( 8,215)
Other finance costs	(11,796)	(10,000)	(32,358)	(30,187)
Preference dividends	( 410)	-	( 411)	( 1)
Finance income	782	968	2,545	2,616
	<u>(14,795)</u>	<u>(11,894)</u>	<u>(47,430)</u>	<u>(35,787)</u>

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

December 31, 2011	<u>86.60</u>	December 31, 2012	<u>92.98</u>
March 31, 2012	<u>87.30</u>	March 31, 2013	<u>98.89</u>
June 30, 2012	<u>88.70</u>	June 30, 2013	<u>101.38</u>
September 30, 2012	<u>89.93</u>	September 30, 2013	<u>103.60</u>

7. Noncompliance with Loan Covenant

As reported in the quarterly Financial Statements for period ended June 30, 2013, JPS was noncompliant with the Debt to EBITDA ratio contained in certain loan agreements. Paragraph 74 of IAS 1 requires the reclassification of such non-current Debt to Current Liabilities when an entity is not compliant with a provision in a long-term loan agreement excepting in circumstances in which a waiver is obtained from the lender giving the entity the unconditional right to defer settlement of the loan for at least twelve months after the reporting period.

During the quarter ended September 30, 2013, JPS completed negotiations with its lenders resulting in the amendment of the Debt to EBITDA ratio of 3.0:1 to 3.5:1. By virtue of this amendment, the company is now fully compliant with its loan covenant obligations.

The total value of loan(s) affected by the instance of noncompliance with the loan covenant was \$Nil at September 30, 2013 (December 31, 2012: \$171 Million) with a further \$Nil (December 31, 2012: \$169 Million) being affected by cross default provisions which would be triggered should the lender affected by the noncompliance register a breach on a loan.

**JAMAICA PUBLIC SERVICE COMPANY LIMITED**  
**NOTES TO THE ABRIDGED FINANCIAL STATEMENTS**  
**(UNAUDITED) SEPTEMBER 30, 2013**

8. Preference shares

The Company issued US\$ indexed cumulative non-redeemable Class 'F' preference shares in the amount of \$24.56M during the quarter. Dividends are payable quarterly at the fixed rate of 9.5% per annum in Jamaican dollars indexed to the United States dollar. The significant terms and conditions of these stock units are as follows:

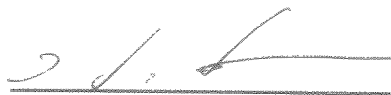
- (i) Priority of payment to receive all dividends over any form of capital distributions.
- (ii) Full voting rights on winding up.
- (iii) Ranking in priority to common equity (but behind the existing preference shares of the issuer, as at December 31, 2012) in the event of a winding up.

Issued and fully paid:

Cumulative preference shares:

		Quarter ended,	
		Sept-13	Sept-12
		<u>US\$'000</u>	<u>US\$'000</u>
420,000	7% 'B' shares	38	38
66,500	5% 'C' shares	6	6
680,000	5% 'D' shares	61	61
300,000	6% 'E' shares	27	27
<u>2,455,589</u>	9.5% 'F' shares	<u>24,556</u>	<u>-</u>
<u>3,922,089</u>		<u>24,688</u>	<u>132</u>

ON BEHALF OF THE BOARD



Hisatsugu Hirai  
Director



Sang Kie Cho  
Director