

JAMAICA PUBLIC SERVICE COMPANY LIMITED


STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2014

{Unaudited results in US\$ thousand}

	Sept-14	Sept-13*	{Audited} Dec-13
CURRENT ASSETS			
Cash and cash equivalents	12,715	12,695	3,854
Restricted cash	25,818	18,491	21,642
Accounts receivable	188,310	188,637	186,877
Tax recoverable	647	3,072	1,568
Inventories	39,826	68,260	40,871
	<u>267,316</u>	<u>291,155</u>	<u>254,812</u>
CURRENT LIABILITIES			
Bank overdraft	-	13,608	1,938
Payables and provisions	173,419	180,110	189,456
Taxation payable	5,109	-	-
Short term loans	-	6,400	-
Current portion of long-term loans	50,027	37,968	37,492
Due to related companies, net	669	1,130	627
	<u>229,224</u>	<u>239,216</u>	<u>229,513</u>
WORKING CAPITAL	38,092	51,939	25,299
NON-CURRENT ASSETS			
Property, plant & equipment	707,028	669,929	708,448
Employee benefits asset	20,426	19,292	20,389
Other asset	4,903	4,892	4,606
Long-term receivables	1,447	1,789	1,447
	<u>771,896</u>	<u>747,841</u>	<u>760,189</u>
Financed by:			
SHAREHOLDERS' EQUITY			
Share capital	261,786	261,786	261,786
Capital reserve	19,901	19,901	19,901
Retained earnings	59,583	38,695	47,066
	<u>341,270</u>	<u>320,382</u>	<u>328,753</u>
NON-CURRENT LIABILITIES			
Customer deposits	27,103	30,221	26,827
Long-term loans	324,127	324,051	326,442
Shareholder's loan	2,000	-	2,000
Preference shares	27,688	24,688	27,688
Deferred taxation	39,917	38,832	39,917
Employee benefits obligations	8,137	7,610	6,908
Deferred revenue	1,654	2,057	1,654
	<u>771,896</u>	<u>747,841</u>	<u>760,189</u>

*Restated to conform to current year's presentation

ON BEHALF OF THE BOARD


 Jin Won Kim Chairman


 Tatsuya Ozono Director

JAMAICA PUBLIC SERVICE COMPANY LIMITED

**STATEMENT OF COMPREHENSIVE INCOME FOR THE
PERIOD ENDED SEPTEMBER 30, 2014**

{Unaudited results in US\$ thousand}

	Quarter ended,		Nine months ended,	
	Sept-14 <u>US\$'000</u>	Sept-13* <u>US\$'000</u>	Sept-14 <u>US\$'000</u>	Sept-13* <u>US\$'000</u>
Operating revenue	265,929	279,656	798,874	818,855
Cost of sales	(200,282)	(220,629)	(596,143)	(626,357)
Gross profit	65,647	59,027	202,731	192,498
Operating expenses	(49,779)	(50,139)	(142,069)	(145,128)
Operating profit	15,868	8,888	60,662	47,370
Finance costs	(10,079)	(14,795)	(42,855)	(47,430)
Other income	381	212	2,542	348
Other expenses	(671)	(49)	(1,574)	(2,376)
Profit before taxation	5,499	(5,744)	18,775	(2,088)
Taxation expense	(1,833)	1,915	(6,258)	694
Net profit for the period	3,666	(3,829)	12,517	(1,394)

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>0.07</u>	<u>(0.07)</u>	<u>0.08</u>	<u>(0.01)</u>

JAMAICA PUBLIC SERVICE COMPANY LIMITED

**STATEMENT OF CASH FLOWS (CONDENSED) FOR THE
PERIOD ENDED SEPTEMBER 30, 2014**

{Unaudited results in US\$ thousand}

	Sept-14	Sept-13*
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period	12,517	(1,394)
Adjustments for non-cash items:		
Depreciation and amortisation	40,724	36,221
Unrealised foreign exchange gains	(434)	118
Interest capitalized	(358)	(1,251)
Interest expense	33,358	28,758
Taxation expense	6,258	(694)
Employee benefits, net	1,192	(438)
Restricted cash	(4,176)	359
Others	(638)	2,196
	88,443	63,875
Increase/(decrease) in working capital:		
Accounts receivable	(1,782)	10,786
Inventories	2,900	(1,537)
Payables and provisions	(12,350)	756
Taxation payable	-	(3,637)
Due to related companies	42	125
Customer deposits and advances	276	(696)
Net cash provided by operating activities	77,529	69,672
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,422	1,574
Purchase of property, plant & equipment	(40,801)	(41,156)
Other asset	(297)	905
Net cash used by investing activities	(39,676)	(38,677)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term loans received/(repaid), net	-	(18,600)
Long-term loans received/(repaid), net	9,992	(32,064)
Interest paid	(37,046)	(32,293)
Preference shares issued	-	24,556
Bank overdraft	-	13,608
Net cash used by financing activities	(27,054)	(44,793)
Net increase/(decrease) in cash & cash equivalents	10,799	(13,798)
Cash and cash equivalents at beginning of year	1,916	26,493
Cash and cash equivalents at end of year	12,715	12,695

*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, 2014

{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, 2012	261,786	19,901	40,089	321,776
Comprehensive income for the year	-	-	(1,394)	(1,394)
Balance as at September 30, 2013	261,786	19,901	38,695	320,382
Balance as at December 31, 2013	261,786	19,901	47,066	328,753
Comprehensive income for the year	-	-	12,517	12,517
Balance as at September 30, 2014	261,786	19,901	59,583	341,270

*Restated to conform to current year's presentation.

	<u>Sept-14</u>	<u>Sept-13</u>
Net gains for the period	<u>12,517</u>	<u>(1,394)</u>

JAMAICA PUBLIC SERVICE COMPANY LIMITED
NOTES TO THE ABRIDGED FINANCIAL STATEMENTS
(UNAUDITED) SEPTEMBER 30, 2014

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 I SRL, is incorporated in Barbados and is ultimately owned by Marubeni Corporation which is incorporated in Japan. EWP (Barbados) 1 SRL is incorporated in Barbados and is ultimately owned by the Korea Electric Power Corporation which is incorporated in South Korea.

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

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 June 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, 2014

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 June 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, 2013. 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, 2013.

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, 2014

5. Cash and cash equivalents

As at September 30, 2014, cash and cash equivalents include amounts restricted for use amounting to approximately \$25.8 million (Sept-13: \$18.5 million). This includes approximately \$20.3 million (Sept-13: \$18.0 million) in relation to a self-insurance sinking fund administered under the direction of the OUR (see note 2).

6.

	Quarter ended,		Nine months ended,	
	Sept-14	Sept-13	Sept-14	Sept-13
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Foreign exchange gain/(loss)	1,372	(3,371)	(11,123)	(17,206)
Other finance costs	(11,223)	(11,796)	(31,391)	(32,358)
Preference dividends	(674)	(410)	(1,999)	(411)
Finance income	446	782	1,658	2,545
	<u>(10,079)</u>	<u>(14,795)</u>	<u>(42,855)</u>	<u>(47,430)</u>

Foreign exchange gain/(loss), 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, 2012	<u>92.98</u>	December 31, 2013	<u>106.38</u>
March 31, 2013	<u>98.89</u>	March 31, 2014	<u>109.57</u>
June 30, 2013	<u>101.38</u>	June 30, 2014	<u>112.20</u>
September 30, 2013	<u>103.60</u>	September 30, 2014	<u>112.67</u>

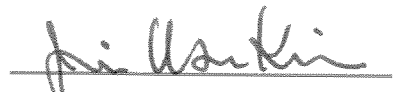
7. Compliance with debt covenants

Under the terms of the long term loan agreements with certain international development financial institutions, the Company is required to maintain a certain financial covenant relating to minimum Debt to Earnings before Interest Tax Depreciation and Amortization. The Company was non-compliant with this financial covenant as at December 31, 2012 when the covenant was in the ratio of 3.0:1. This instance of non-compliance, in the first instance, prevented the Company from paying dividends to its ordinary shareholders and from incurring additional indebtedness without the consent of the respective lenders, and provided the lenders with the option of issuing a notice of default and declaring all amounts of principal and interest immediately payable.

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. The Company was fully compliant with all its loan covenant obligations as of September 30, 2013.

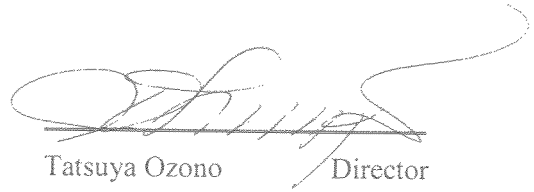
JAMAICA PUBLIC SERVICE COMPANY LIMITED
NOTES TO THE ABRIDGED FINANCIAL STATEMENTS
(UNAUDITED) SEPTEMBER 30, 2014

ON BEHALF OF THE BOARD



Jin Won Kim

Chairman



Tatsuya Ozono

Director