

JAMAICA PUBLIC SERVICE COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2016

{Unaudited results in US\$ thousand}

	Sep-16 US\$'000	Sep-15 US\$'000	{Audited} Dec-15 US\$'000
CURRENT ASSETS			
Cash and cash equivalents	6,377	3,378	5,558
Restricted cash	33,753	30,111	31,043
Receivables, net of provisions	143,529	132,423	124,967
Tax recoverable	929	226	-
Inventories	35,097	38,009	30,710
	<u>219,685</u>	<u>204,147</u>	<u>192,278</u>
CURRENT LIABILITIES			
Payables and provisions	95,689	98,206	112,116
Taxation payable	-	1,092	1,620
Current portion of long-term loans	63,401	47,860	47,935
Due to related companies	1,689	866	1,624
	<u>160,779</u>	<u>148,024</u>	<u>163,295</u>
WORKING CAPITAL	<u>58,906</u>	<u>56,123</u>	<u>28,983</u>
NON-CURRENT ASSETS			
Property, plant & equipment and intangible assets	688,740	705,395	712,946
Employee benefits asset	27,015	21,591	27,652
Other assets	188	3,621	616
Long-term receivables	78	276	252
	<u>774,927</u>	<u>787,006</u>	<u>770,449</u>
Financed by:			
SHAREHOLDERS' EQUITY			
Share capital	261,786	261,786	261,786
Capital reserve	4,145	4,145	4,145
Retained earnings	112,309	94,018	100,960
	<u>378,240</u>	<u>359,949</u>	<u>366,891</u>
NON-CURRENT LIABILITIES			
Customer deposits	25,040	26,073	25,054
Long-term debts	297,134	324,311	306,282
Shareholder's loan	2,000	2,000	2,000
Preference shares	27,688	27,688	27,688
Deferred taxation	36,189	38,163	34,616
Employee benefits obligations	8,559	8,324	7,673
Deferred revenue	77	498	245
	<u>774,927</u>	<u>787,006</u>	<u>770,449</u>

ON BEHALF OF THE BOARD

Chang Sup Jo

Chairman

Tatsuya Ozono

Director

JAMAICA PUBLIC SERVICE COMPANY LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED SEPTEMBER 30, 2016

{Unaudited results in US\$ thousand}

	Quarter ended,		Nine months ended,	
	Sep-16 US\$'000	Sep-15 US\$'000	Sep-16 US\$'000	Sep-15 US\$'000
Operating revenue	198,527	196,704	516,398	583,021
Cost of sales	(120,122)	(120,705)	(303,628)	(372,388)
Gross profit	78,405	75,999	212,770	210,633
Operating expenses	(66,265)	(48,173)	(164,348)	(144,306)
Operating profit	12,140	27,826	48,422	66,327
Finance costs (net)	(11,197)	(11,927)	(32,002)	(34,889)
Other income	996	280	1,365	1,817
Other expenses	(69)	(917)	(303)	(1,361)
Profit before taxation	1,870	15,262	17,482	31,894
Taxation expense	(929)	(2,621)	(6,133)	(8,165)
Net profit for the period	941	12,641	11,349	23,729

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>0.02¢</u>	<u>0.23¢</u>	<u>0.07¢</u>	<u>0.14¢</u>

JAMAICA PUBLIC SERVICE COMPANY LIMITED

STATEMENT OF CASH FLOWS (CONDENSED) FOR THE PERIOD ENDED SEPTEMBER 30, 2016

{Unaudited results in US\$ thousand}

	Sep-16 <u>US\$'000</u>	Sep-15 <u>US\$'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period	11,349	23,729
Adjustments for non-cash items:		
Depreciation and amortisation	59,669	42,738
Unrealised foreign exchange gain/(losses)	153	(363)
Interest income	(643)	(867)
Interest capitalised	(1,365)	(1,030)
Interest expense	26,125	30,745
Income tax expense	4,560	6,285
Deferred tax expense	1,573	1,880
Employee benefit obligations, net	1,523	779
Restricted cash	(2,710)	(2,964)
Others	2,255	2,023
	<u>102,489</u>	<u>102,955</u>
Increase/(decrease) in working capital:		
Accounts receivable	(18,615)	40,153
Inventories	(3,751)	(3,707)
Payables and provisions	(13,083)	(59,802)
Taxation	(7,109)	(6,726)
Due to related companies	65	(377)
Customer deposits and advances	(14)	341
Cash provided by operating activities	<u>59,982</u>	<u>72,837</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	696	807
Purchase of property, plant & equipment	(34,734)	(43,716)
Other assets	428	377
Cash used in investing activities	<u>(33,610)</u>	<u>(42,532)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term liabilities repaid, net	3,916	(327)
Interest paid	(29,469)	(34,336)
Cash used in financing activities	<u>(25,553)</u>	<u>(34,663)</u>
Increase/(decrease) in cash & cash equivalents	819	(4,358)
Cash and cash equivalents at beginning of period	5,558	7,736
Cash and cash equivalents at end of period	<u>6,377</u>	<u>3,378</u>

JAMAICA PUBLIC SERVICE COMPANY LIMITED

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2016**

{Unaudited results in US\$ thousand}

	<u>Share Capital</u> <u>US\$'000</u>	<u>Capital Reserve</u> <u>US\$'000</u>	<u>Retained Earnings</u> <u>US\$'000</u>	<u>TOTAL</u> <u>US\$'000</u>
Balance as at December 31, 2014	261,786	4,145	70,289	336,220
Comprehensive income for the period	-	-	23,729	23,729
Balance as at September 30, 2015	261,786	4,145	94,018	359,949
Balance as at December 31, 2015	261,786	4,145	100,960	366,891
Comprehensive income for the period	-	-	11,349	11,349
Balance as at September 30, 2016	261,786	4,145	112,309	378,240

	<u>Sep-16</u>	<u>Sep-15</u>
Net gains for the period	<u>11,349</u>	<u>23,729</u>

JAMAICA PUBLIC SERVICE COMPANY LIMITED
NOTES TO THE ABRIDGED FINANCIAL STATEMENTS
(UNAUDITED) SEPTEMBER 30, 2016

1. Corporate structure and nature of business

Jamaica Public Service Company Limited (“the Company”) is incorporated and domiciled in Jamaica as a limited liability company and is owned by MaruEnergy JPSCO 1 SRL and EWP (Barbados) 1 SRL each holding 40% interest in the Company’s shares, with the Government of Jamaica (GOJ) holding 19.9% and private individuals 0.1%. MaruEnergy JPSCO 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, granted on June 30, 2001, by the Minister of Mining and Energy and subsequently amended and restated on August 19, 2011 and January 27, 2016 (“The Licence” or the “Electricity Licence, 2016”).

The registered office of the 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, 2016

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. 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 IAS 34 "Interim Financial Statements".

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, 2015 which was prepared in accordance with International Financial Reporting Standards (IFRS). 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 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, 2015.

JAMAICA PUBLIC SERVICE COMPANY LIMITED

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (UNAUDITED) SEPTEMBER 30, 2016

4. Cash and cash equivalents

As at September 30, 2016, cash and cash equivalents include amounts restricted for use amounting to approximately \$33.7 million (Sep-15: \$30.1 million). This includes approximately \$33.2 million (Sep-15: \$29.6 million) in relation to a self-insurance sinking fund administered under the direction of the OUR (see note 2).

5. Operating expenses

	Quarter ended,		Nine months ended,	
	Sep-16	Sep-15	Sep-16	Sep-15
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Bad debt	(5,068)	(2,181)	(9,319)	(10,224)
Depreciation and amortisation	(28,727)	(14,243)	(59,669)	(42,738)
Staff costs	(18,054)	(18,039)	(53,584)	(51,491)
Other	(14,416)	(13,710)	(41,776)	(39,853)
	<u>(66,265)</u>	<u>(48,173)</u>	<u>(164,348)</u>	<u>(144,306)</u>

6. Net finance costs

	Quarter ended,		Nine months ended,	
	Sep-16	Sep-15	Sep-16	Sep-15
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Foreign exchange losses	(2,129)	(2,307)	(5,636)	(4,257)
Other finance costs	(9,066)	(9,566)	(26,374)	(30,547)
Preference dividends	(672)	(657)	(2,000)	(1,982)
Finance income	670	603	2,008	1,897
	<u>(11,197)</u>	<u>(11,927)</u>	<u>(32,002)</u>	<u>(34,889)</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, 2014	<u>114.66</u>	December 31, 2015	<u>120.42</u>
March 31, 2015	<u>115.04</u>	March 31, 2016	<u>122.04</u>
June 30, 2015	<u>116.98</u>	June 30, 2016	<u>126.38</u>
September 30, 2015	<u>119.06</u>	September 30, 2016	<u>128.27</u>

7. Compliance with debt covenants

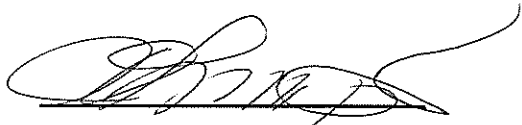
Under the terms of the long term loan agreements with certain international development financial institutions, the Company is required to maintain a certain financial covenant relating to minimum Debt to Earnings before Interest Tax Depreciation and Amortisation. The Company was fully compliant with all its loan covenant obligations as at September 30, 2016.

JAMAICA PUBLIC SERVICE COMPANY LIMITED
NOTES TO THE ABRIDGED FINANCIAL STATEMENTS
(UNAUDITED) SEPTEMBER 30, 2016

ON BEHALF OF THE BOARD



Chang Sup Jo Chairman



Tatsuya Ozono Director