

**JAMAICA PUBLIC SERVICE COMPANY LIMITED**

**STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2017**


{Unaudited results in US\$ thousand}

	<b>Jun-17</b>	<b>Jun-16</b>	<b>{Audited}</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>Dec-16</b>
			<b>US\$'000</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	16,188	5,981	8,650
Restricted cash	36,563	32,811	34,714
Receivables, net of provisions	171,885	123,050	156,091
Due from related company	15,762	57	10,360
Tax recoverable	669	392	-
Inventories	37,786	34,083	32,143
	<u>278,853</u>	<u>196,374</u>	<u>241,958</u>
<b>CURRENT LIABILITIES</b>			
Payables and provisions	126,341	104,364	135,978
Taxation payable	1,145	1,683	660
Current portion of long-term loans	36,888	63,100	59,622
Due to related companies	107	1,100	2,966
	<u>164,481</u>	<u>170,247</u>	<u>199,226</u>
<b>WORKING CAPITAL</b>	114,372	26,127	42,732
<b>NON-CURRENT ASSETS</b>			
Property, plant & equipment and intangible assets	689,304	707,861	699,544
Employee benefits asset	32,863	27,058	32,167
Other assets	-	292	89
Long-term receivables	-	79	-
	<u>836,539</u>	<u>761,417</u>	<u>774,532</u>
Financed by:			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	261,786	261,786	261,786
Capital reserve	4,145	4,145	4,145
Capital redemption reserve	3,000	-	3,000
Retained earnings	137,009	111,368	126,480
	<u>405,940</u>	<u>377,299</u>	<u>395,411</u>
<b>NON-CURRENT LIABILITIES</b>			
Customer deposits	25,600	24,506	24,294
Long-term debts	332,150	286,788	284,582
Shareholder's loan	-	2,000	-
Preference shares	24,688	27,688	24,688
Deferred taxation	39,346	34,616	38,061
Employee benefits obligations	8,815	8,447	7,496
Deferred revenue	-	73	-
	<u>836,539</u>	<u>761,417</u>	<u>774,532</u>

**ON BEHALF OF THE BOARD**

  
Seiji Kawamura

Chairman

  
Chang Sup Jo

Director

**JAMAICA PUBLIC SERVICE COMPANY LIMITED**

**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE  
PERIOD ENDED JUNE 30, 2017**

{Unaudited results in US\$ thousand}

	Quarter ended,		Six months ended,	
	June-17 US\$'000	June-16 US\$'000	June-17 US\$'000	June-16 US\$'000
Operating revenue	203,136	168,886	400,123	317,871
Cost of sales	(130,532)	(101,417)	(258,412)	(183,506)
Gross profit	72,604	67,469	141,711	134,365
Operating expenses	( 55,779)	( 50,015)	(107,111)	( 98,083)
Operating profit	16,825	17,454	34,600	36,282
Finance costs (net)	( 10,082)	( 11,105)	( 19,313)	( 20,805)
Other income	1,251	36	1,588	369
Other expenses	( 397)	( 7)	( 682)	( 234)
Profit before taxation	7,597	6,378	16,193	15,612
Taxation expense	( 2,799)	( 2,126)	( 5,664)	( 5,204)
Net profit for the period	4,798	4,252	10,529	10,408

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>0.09¢</u>	<u>0.08¢</u>	<u>0.10¢</u>	<u>0.10¢</u>

**JAMAICA PUBLIC SERVICE COMPANY LIMITED**

**STATEMENT OF CASH FLOWS FOR THE  
PERIOD ENDED JUNE 30, 2017**

{Unaudited results in US\$ thousand}

	<u>Jun-17</u> <u>US\$'000</u>	<u>Jun-16</u> <u>US\$'000</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit for the period	10,529	10,408
Adjustments for non-cash items:		
Depreciation and amortisation	35,903	30,942
Unrealised foreign exchange losses	367	76
Interest income	( 614)	( 438)
Interest capitalised	( 820)	( 900)
Interest expense	22,835	17,079
Income tax expense	4,379	5,204
Deferred tax expense	1,285	-
Employee benefit obligations, net	623	1,368
Restricted cash	( 1,849)	( 1,768)
Others	( 2,037)	1,558
	<u>70,601</u>	<u>63,529</u>
Increase/(decrease) in working capital:		
Accounts receivable	(15,633)	1,880
Inventories	( 6,300)	( 2,619)
Payables and provisions	( 9,875)	( 8,839)
Taxation	( 4,563)	( 5,533)
Due to related companies, net	( 8,261)	( 581)
Customer deposits and advances	1,306	( 548)
<b>Cash provided by operating activities</b>	<u>27,275</u>	<u>47,289</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	451	475
Purchase of property, plant & equipment	( 24,186)	( 25,711)
Other assets	89	324
<b>Cash used in investing activities</b>	<u>( 23,646)</u>	<u>( 24,912)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long-term liabilities received/(repaid), net	26,504	( 5,962)
Interest paid	(22,595)	( 15,992)
<b>Cash provided by/(used in) financing activities</b>	<u>3,909</u>	<u>( 21,954)</u>
Increase in cash & cash equivalents	7,538	423
Cash and cash equivalents at beginning of period	8,650	5,558
<b>Cash and cash equivalents at end of period</b>	<u>16,188</u>	<u>5,981</u>

**JAMAICA PUBLIC SERVICE COMPANY LIMITED**

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

**FOR THE PERIOD ENDED JUNE 30, 2017**

{Unaudited results in US\$ thousand}

	<u>Share Capital</u>	<u>Capital Reserve</u>	<u>Capital Redemption Reserve</u>	<u>Retained Earnings</u>	<u>TOTAL</u>
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Balance as at December 31, 2015	261,786	4,145	-	100,960	366,891
Comprehensive income for the period	-	-	-	10,408	10,408
Balance as at June 30, 2016	<u>261,786</u>	<u>4,145</u>	<u>-</u>	<u>111,368</u>	<u>377,299</u>
Balance as at December 31, 2016	261,786	4,145	3,000	126,480	395,411
Comprehensive income for the period	-	-	-	10,529	10,529
Balance as at June 30, 2017	<u>261,786</u>	<u>4,145</u>	<u>3,000</u>	<u>137,009</u>	<u>405,940</u>

	<u>Jun-17</u>	<u>Jun-16</u>
Net gains for the period	<u>10,529</u>	<u>10,408</u>

**JAMAICA PUBLIC SERVICE COMPANY LIMITED**  
**NOTES TO THE ABRIDGED FINANCIAL STATEMENTS**  
**(UNAUDITED) JUNE 30, 2017**

1. Corporate structure and nature of business

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

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

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) JUNE 30, 2017**

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, 2016 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, 2016.

**JAMAICA PUBLIC SERVICE COMPANY LIMITED**  
**NOTES TO THE ABRIDGED FINANCIAL STATEMENTS**  
**(UNAUDITED) JUNE 30, 2017**

4. Cash and cash equivalents

As at June 30, 2017, cash and cash equivalents include amounts restricted for use amounting to approximately \$36.6 million (Jun-16: \$32.8 million). This includes approximately \$36.1 million (Jun-16: \$32.3 million) in relation to a self-insurance sinking fund administered under the direction of the OUR (see note 2).

5. Operating expenses

	Quarter ended,		Six months ended,	
	Jun-17	Jun-16	Jun-17	Jun-16
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Bad debt	( 2,007)	( 1,200)	( 4,526)	( 4,251)
Depreciation and amortisation	(18,496)	(15,441)	(35,903)	(30,942)
Staff costs	(19,568)	(18,546)	(38,765)	(35,530)
Other	(15,708)	(14,828)	(27,917)	(27,360)
	<u>(55,779)</u>	<u>(50,015)</u>	<u>(107,111)</u>	<u>(98,083)</u>

6. Net finance costs

	Quarter ended,		Six months ended,	
	Jun-17	Jun-16	Jun-17	Jun-16
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Foreign exchange (losses)/gains	( 273)	( 2,399)	51	( 3,507)
Other finance costs	( 9,957)	( 8,691)	(19,641)	(17,308)
Preference dividends	( 581)	( 664)	( 1,157)	( 1,328)
Finance income	729	649	1,434	1,338
	<u>(10,082)</u>	<u>(11,105)</u>	<u>(19,313)</u>	<u>(20,805)</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, 2015	<u>120.42</u>	December 31, 2016	<u>128.44</u>
March 31, 2016	<u>122.04</u>	March 31, 2017	<u>128.67</u>
June 30, 2016	<u>126.38</u>	June 30, 2017	<u>128.62</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 June 30, 2017.

**JAMAICA PUBLIC SERVICE COMPANY LIMITED**  
**NOTES TO THE ABRIDGED FINANCIAL STATEMENTS**  
**(UNAUDITED) JUNE 30, 2017**

**ON BEHALF OF THE BOARD**



Seiji Kawamura      Chairman



Chang Sup Jo      Director