

**JAMAICA PUBLIC SERVICE COMPANY LIMITED**

**STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017**

{Unaudited results in US\$ thousand}

	<b>Dec-17</b>	<b>{Audited} Dec-16</b>
	<b><u>US\$'000</u></b>	<b><u>US\$'000</u></b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	12,203	8,650
Restricted cash	38,442	34,714
Receivables, net of provisions	217,218	156,091
Due from related company	16,795	10,360
Inventories	41,405	32,143
	<b>326,063</b>	<b>241,958</b>
<b>CURRENT LIABILITIES</b>		
Bank overdraft	2,924	-
Payables and provisions	189,476	135,978
Taxation payable	764	660
Short-term loans	23,000	-
Current portion of long-term loans	36,341	59,622
Due to related companies	133	2,966
	<b>252,638</b>	<b>199,226</b>
<b>WORKING CAPITAL</b>	<b>73,425</b>	<b>42,732</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant & equipment and intangible assets	735,484	699,544
Employee benefit asset	34,560	32,167
Other assets	-	89
	<b>843,469</b>	<b>774,532</b>
<b>Financed by:</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	261,786	261,786
Capital reserve	4,760	4,145
Capital redemption reserve	3,000	3,000
Retained earnings	148,589	126,480
	<b>418,135</b>	<b>395,411</b>
<b>NON-CURRENT LIABILITIES</b>		
Customer deposits	27,150	24,294
Long-term loans	317,704	284,582
Preference shares	24,688	24,688
Deferred taxation	38,599	38,061
Decommissioning provisions	9,234	-
Employee benefits obligations	7,959	7,496
	<b>843,469</b>	<b>774,532</b>

**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 DECEMBER 31, 2017

{Unaudited results in US\$ thousand}

	Quarter ended,		Year ended,	
	Dec-17 <u>US\$'000</u>	Dec-16 <u>US\$'000</u>	Dec-17 <u>US\$'000</u>	{Audited} Dec-16 <u>US\$'000</u>
Operating revenue	215,524	196,136	836,869	712,534
Cost of sales	(143,943)	(124,164)	(548,967)	(427,792)
Gross profit	71,581	71,972	287,902	284,742
Operating expenses	( 61,686)	(55,989)	(225,804)	(220,337)
Operating profit	9,895	15,983	62,098	64,405
Finance costs (net)	( 4,918)	(7,812)	( 34,932)	(39,814)
Other income	2,349	9,011	4,846	10,376
Other expenses	( 360)	(1,672)	( 2,227)	(1,975)
Profit before taxation	6,966	15,510	29,785	32,992
Taxation	197	( 2,808)	( 7,676)	(8,941)
Net profit	7,163	12,702	22,109	24,051
<i>Other comprehensive income</i>				
Items that will never be reclassified to profit or loss:				
Revaluation gain	615	-	615	-
Remeasurement gain on defined benefit plan, net of tax	-	4,469	-	4,469
Total comprehensive income	<u>7,778</u>	<u>17,171</u>	<u>22,724</u>	<u>28,520</u>

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>0.13¢</u>	<u>0.23¢</u>	<u>0.10¢</u>	<u>0.11¢</u>

**JAMAICA PUBLIC SERVICE COMPANY LIMITED**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE PERIOD ENDED DECEMBER 31, 2017**

{Unaudited results in US\$ thousand}

	<u>Share Capital US\$'000</u>	<u>Capital Reserve US\$'000</u>	<u>Capital Redemption Reserve US\$'000</u>	<u>Retained Earnings US\$'000</u>	<u>TOTAL US\$'000</u>
Balance as at December 31, 2015	261,786	4,145	-	100,960	366,891
Total Comprehensive Income for the year:					
Profit for the year				24,051	24,051
Other comprehensive income:	-	-	-	24,051	24,051
Remeasurement gain on defined benefit plan, net of tax	-	-	-	4,469	4,469
Total Comprehensive income for the year	-	-	-	28,520	28,520
Transfer to capital redemption reserve	-	-	3,000	(3,000)	-
Balance as at December 31, 2016	261,786	4,145	3,000	126,480	395,411
Total Comprehensive Income for the year:					
Profit for the year		-	-	22,109	22,109
Other comprehensive income:	-	615	-	-	615
Revaluation gain	-	615	-	-	615
Balance as at December 31, 2017	261,786	4,760	3,000	148,589	418,135

	<u>Dec-17</u>	<u>Dec-16</u>
Net gains for the period	<u>22,109</u>	<u>24,051</u>

**JAMAICA PUBLIC SERVICE COMPANY LIMITED**

**STATEMENT OF CASH FLOWS FOR THE  
PERIOD ENDED DECEMBER 31, 2017**

{Unaudited results in US\$ thousand}

	<b>Dec-17</b>	<b>{Audited}</b>
	<b>US\$'000</b>	<b>Dec-16</b>
		<b>US\$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit for the period	22,109	24,051
Adjustments for non-cash items:		
Depreciation and amortisation	76,589	77,607
Unrealised foreign exchange (gains)/losses	1,035	( 757)
Loss on disposal of property, plant and equipment	30	26
Amortisation of debt issuance costs	( 783)	2,946
Amortisation of other asset	89	527
Interest income	( 2,078)	( 881)
Interest capitalised	( 2,163)	( 1,944)
Interest expense	41,937	34,900
Income tax expense	7,138	7,730
Deferred tax expense	538	1,211
Employee benefit obligations, net	( 1,930)	1,007
Others	-	7
	<u>142,511</u>	<u>146,430</u>
Increase/(decrease) in working capital:		
Restricted cash	( 3,728)	( 3,671)
Accounts receivable	( 60,825)	( 31,126)
Inventories	( 9,262)	( 1,433)
Payables and provisions	61,993	23,725
Taxation	( 7,034)	( 8,690)
Due (from)/to related companies, net	( 9,268)	( 9,018)
Customer deposits and advances	2,856	896
<b>Cash provided by operating activities</b>	<u>117,243</u>	<u>117,113</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	1,774	930
Proceeds from sale of property, plant & equipment	-	119
Purchase of property, plant & equipment	( 109,781)	( 62,406)
<b>Cash used in investing activities</b>	<u>( 108,007)</u>	<u>( 61,357)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short-term loans received/(repaid), net	23,000	-
Long-term loans received/(repaid), net	9,589	( 12,803)
Repayment of shareholders' loan	-	( 2,000)
Preference shares redeemed	-	( 3,000)
Interest paid	( 41,196)	( 34,861)
<b>Cash used in financing activities</b>	<u>( 8,607)</u>	<u>( 52,664)</u>
Increase in cash & cash equivalents	629	3,092
Cash and cash equivalents at beginning of period	8,650	5,558
<b>Cash and cash equivalents at end of period</b>	<u>9,279</u>	<u>8,650</u>

**JAMAICA PUBLIC SERVICE COMPANY LIMITED**  
**NOTES TO THE ABRIDGED FINANCIAL STATEMENTS**  
**(UNAUDITED) DECEMBER 31, 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.

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) DECEMBER 31, 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) DECEMBER 31, 2017**

4. Cash and cash equivalents

As at December 31, 2017, cash and cash equivalents include amounts restricted for use amounting to approximately \$38.4 million (Dec-16: \$34.7 million). This includes approximately \$37.9 million (Dec-16: \$34.1 million) in relation to a self-insurance sinking fund administered under the direction of the OUR (see note 2).

5. Operating expenses

	Quarter ended,		Year ended,	
	Dec-17	Dec-16	Dec-17	Dec-16
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Bad debt	( 4,186)	( 1,403)	(12,036)	(10,722)
Depreciation and amortisation	(20,362)	(17,938)	(76,589)	(77,607)
Staff costs	(16,215)	(15,802)	(72,868)	(69,385)
Other	(20,923)	(20,846)	(64,311)	(62,623)
	<u>(61,686)</u>	<u>(55,989)</u>	<u>(225,804)</u>	<u>(220,337)</u>

6. Net finance costs

	Quarter ended,		Year ended,	
	Dec-17	Dec-16	Dec-17	Dec-16
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Foreign exchange gains/(losses)	3,298	843	1,981	( 4,793)
Other finance costs	( 9,635)	( 8,801)	(38,820)	(35,175)
Preference dividends	( 588)	( 671)	( 2,334)	( 2,671)
Finance income	2,007	817	4,241	2,825
	<u>( 4,918)</u>	<u>( 7,812)</u>	<u>(34,932)</u>	<u>(39,814)</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:

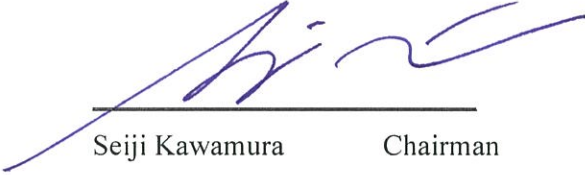
March 31, 2016	<u>122.04</u>	March 31, 2017	<u>128.67</u>
June 30, 2016	<u>126.38</u>	June 30, 2017	<u>128.62</u>
September 30, 2016	<u>128.27</u>	September 30, 2017	<u>129.91</u>
December 31, 2016	<u>128.44</u>	December 31, 2017	<u>125.00</u>

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 December 31, 2017.


**JAMAICA PUBLIC SERVICE COMPANY LIMITED**  
**NOTES TO THE ABRIDGED FINANCIAL STATEMENTS**  
**(UNAUDITED) DECEMBER 31, 2017**

**ON BEHALF OF THE BOARD**



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Seiji Kawamura      Chairman



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Chang Sup Jo      Director