

JAMAICA PUBLIC SERVICE COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2018

{Unaudited results in US\$ thousand}

	June-18 \$'000	June-17 \$'000	{Audited} Dec-17 \$'000
ASSETS			
Non-current assets			
Property, plant and equipment	745,361	689,304	735,484
Investment in joint venture	31,129	-	15,646
Employee benefits asset	<u>40,698</u>	<u>32,863</u>	<u>41,730</u>
	<u>817,188</u>	<u>722,167</u>	<u>792,860</u>
Current assets			
Cash and cash equivalents	20,903	16,188	12,203
Restricted cash	39,709	36,563	38,443
Accounts receivable	191,040	171,885	217,218
Due from related parties	786	15,762	795
Inventories	46,016	669	41,405
Tax recoverable	<u>1,077</u>	<u>37,786</u>	<u>1,730</u>
	<u>299,531</u>	<u>278,853</u>	<u>311,794</u>
Total assets	<u>1,116,719</u>	<u>1,001,020</u>	<u>1,104,654</u>
Shareholders' equity			
Share capital	261,786	261,786	261,786
Capital reserve	4,760	4,145	4,760
Capital redemption reserve	3,000	3,000	3,000
Retained earnings	<u>162,869</u>	<u>137,009</u>	<u>154,247</u>
	<u>432,415</u>	<u>405,940</u>	<u>423,793</u>
Current liabilities			
Bank overdraft	-	-	2,924
Accounts payable and provisions	182,272	126,341	191,104
Corporation tax payable	1,216	1,145	-
Due to related parties	22	107	133
Short-term loans	13,000	-	23,000
Current portion of long-term loans	<u>43,461</u>	<u>36,888</u>	<u>36,341</u>
	<u>239,971</u>	<u>164,481</u>	<u>253,502</u>
Non-current liabilities			
Customers' deposits	28,179	25,600	27,150
Long-term loans	332,998	332,150	317,704
Preference shares	24,688	24,688	24,688
Deferred taxation	40,600	39,346	40,624
Decommissioning provision	9,429	-	9,234
Employee benefits obligation	<u>8,439</u>	<u>8,815</u>	<u>7,959</u>
	<u>444,333</u>	<u>430,599</u>	<u>427,359</u>
Total liabilities	<u>684,304</u>	<u>595,080</u>	<u>680,861</u>
Total shareholders' equity and liabilities	<u>1,116,719</u>	<u>1,001,020</u>	<u>1,104,654</u>

ON BEHALF OF THE BOARD



Director
Suzette Buchanan



Director
Minna Israel

JAMAICA PUBLIC SERVICE COMPANY LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE
PERIOD ENDED JUNE 30, 2018**

{Unaudited results in US\$ thousand}

	Quarter ended,		Six months ended,	
	June-18 US\$'000	June-17 US\$'000	June-18 US\$'000	June-17 US\$'000
Operating revenue	224,577	203,136	431,538	400,123
Cost of sales	(152,451)	(130,532)	(291,418)	(258,412)
Gross profit	72,126	72,604	140,120	141,711
Operating expenses	(52,317)	(55,779)	(106,001)	(107,111)
Operating profit	19,809	16,825	34,119	34,600
Finance costs (net)	(11,915)	(10,082)	(21,326)	(19,313)
Other income	1,531	1,251	2,466	1,588
Other expenses	(1,142)	(397)	(2,108)	(682)
	8,283	7,597	13,151	16,193
Share of loss in joint venture	(83)	-	(167)	-
Profit before taxation	8,200	7,597	12,984	
Taxation	(2,740)	(2,799)	(4,362)	(5,664)
Net profit for the period	5,460	4,798	8,622	10,529

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

JAMAICA PUBLIC SERVICE COMPANY LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE
PERIOD ENDED JUNE 30, 2018**

{Unaudited results in US\$ thousand}

	June-18	June-17
	US\$'000	US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period	8,622	10,529
Adjustments for non-cash items:		
Depreciation and amortisation	38,715	35,903
Unrealised foreign exchange (gains)/losses	(824)	367
Amortisation of debt issuance costs	1,446	2,123
Amortisation of other asset	-	89
Interest income	(3,569)	(614)
Interest capitalised	(1,860)	(820)
Interest expense	20,044	18,675
Income tax expense	4,386	4,379
Deferred tax expense	(24)	1,285
Share of loss in joint venture	167	-
Employee benefit obligations, net	1,512	623
	68,615	72,539
Increase/(decrease) in working capital:		
Restricted cash	(1,266)	(1,849)
Accounts receivable	26,751	(15,633)
Inventories	(4,611)	(6,300)
Payables and provisions	(9,496)	(9,875)
Taxation	(2,517)	(4,563)
Due (from)/to related companies, net	(102)	(8,261)
Customer deposits and advances	1,029	1,306
Cash provided by /(used in) operating activities	78,403	27,364
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of share in joint venture	(15,650)	-
Interest received	2,996	451
Purchase of property, plant & equipment	(46,732)	(24,186)
Cash used in investing activities	(59,386)	(23,735)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term loans repaid	(10,000)	-
Long-term loans received/(repaid), net	21,792	22,344
Interest paid	(19,185)	(18,435)
Cash provided by financing activities	(7,393)	3,909
Increase in cash & cash equivalents	11,624	7,538
Cash and cash equivalents at beginning of period	9,279	8,650
Cash and cash equivalents at end of period	20,903	16,188

JAMAICA PUBLIC SERVICE COMPANY LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED JUNE 30, 2018**

{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, 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>
Balance as at December 31, 2017	261,786	4,760	3,000	154,247	423,793
Comprehensive income for the period	-	-	-	8,622	8,622
Balance as at June 30, 2018	<u>261,786</u>	<u>4,760</u>	<u>3,000</u>	<u>162,869</u>	<u>432,415</u>

	<u>June-18</u>	<u>June-17</u>
Net gains for the period	<u>8,622</u>	<u>10,529</u>

JAMAICA PUBLIC SERVICE COMPANY LIMITED
NOTES TO THE ABRIDGED FINANCIAL STATEMENTS
(UNAUDITED) JUNE 30, 2018

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.

On 15 February 2017, the Company incorporated a new subsidiary, South Jamaica Energy Holdings Limited (SJEH), through which it increased its investment in South Jamaica Power Company Limited (SJPC). SJPC is a joint venture with MaruEnergy JPSCO 1 SRL, EWP (Barbados) 1 SRL and the Petrocaribe Development Fund, for the construction and operation of a power plant. The plant will be located in Old Harbour and is currently under construction.

The Company and its subsidiary are collectively referred to as the Group. The principal activities of the Group 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 Group 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 Group 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 Group 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 Group 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.

JAMAICA PUBLIC SERVICE COMPANY LIMITED
NOTES TO THE ABRIDGED FINANCIAL STATEMENTS
(UNAUDITED) JUNE 30, 2018

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

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.

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 Group 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 Group 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 Group'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, 2017 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 Group 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, 2017.

JAMAICA PUBLIC SERVICE COMPANY LIMITED
NOTES TO THE ABRIDGED FINANCIAL STATEMENTS
(UNAUDITED) JUNE 30, 2018

4. Standards issued but not yet adopted

- (a) The Group is required to adopt IFRS 9 *Financial Instruments* from January 1, 2018. The standard replaces IAS 39 *Financial Instruments: Recognition and Measurement* and sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. It contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Based on its preliminary assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables. However, the Group is still in the process of its assessment and the final impact is not yet known.
- (b) The Group is required to adopt IFRS 15, *Revenue From Contracts With Customers*, effective for accounting periods beginning on or after January 1, 2018.

The Group will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

The Group has conducted an assessment in order to determine the qualitative and quantitative impacts of the implementation of the new revenue recognition standard. Based on a preliminary assessment, the Group does not expect a material impact due to the transition to IFRS 15. However, the assessment is still ongoing and the final impact is not yet known.

5. Cash and cash equivalents

As at June 30, 2018, cash and cash equivalents include amounts restricted for use amounting to approximately \$39.7 million (June-17: \$36.6 million). This includes approximately \$39.2 million (June-17: \$36.0 million) in relation to a self-insurance sinking fund administered under the direction of the OUR (see note 2).

6. Operating expenses

	Quarter ended,		Six months ended,	
	June-18	June-17	June-18	June-17
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Bad debt	(1,306)	(2,007)	(3,999)	(4,526)
Depreciation and amortisation	(19,128)	(18,496)	(29,706)	(35,903)
Staff costs	(16,110)	(19,568)	(33,581)	(38,765)
Other	(15,773)	(15,708)	(38,715)	(27,917)
	<u>(52,317)</u>	<u>(55,779)</u>	<u>(106,001)</u>	<u>(107,111)</u>

JAMAICA PUBLIC SERVICE COMPANY LIMITED
NOTES TO THE ABRIDGED FINANCIAL STATEMENTS
(UNAUDITED) JUNE 30, 2018

7. Net finance costs

	Quarter ended,		Six months ended,	
	June-18	June-17	June-18	June-17
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Foreign exchange (loss)/gain	(3,913)	(273)	(5,265)	51
Other finance costs	(10,154)	(9,957)	(20,333)	(19,641)
Preference dividends	(581)	(581)	(1,157)	(1,157)
Finance income	2,733	729	5,429	1,434
	<u>(11,915)</u>	<u>(10,082)</u>	<u>(21,326)</u>	<u>(19,313)</u>

Foreign exchange (losses)/gains, 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, 2016	<u>128.44</u>	December 31, 2017	<u>125.00</u>
March 31, 2017	<u>128.67</u>	March 31, 2018	<u>125.99</u>
June 30, 2017	<u>128.62</u>	June 30, 2018	<u>130.39</u>

8. Compliance with debt covenants

Under the terms of the long term loan agreements with certain international development financial institutions, the Group is required to maintain a certain financial covenant relating to minimum Debt to Earnings before Interest, Tax, Depreciation and Amortisation. The Group was fully compliant with all its loan covenant obligations as at 30 June, 2018.

ON BEHALF OF THE BOARD

 Director
 Suzette Buchanan

 Director
 Minna Israel