

JAMAICA PUBLIC SERVICE COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2018

{Unaudited results in US\$ thousand}

	Sep-18	Sep-17	{Audited} Dec-17
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
ASSETS			
Non-current assets			
Property, plant and equipment	745,126	698,565	735,484
Investment in joint venture	34,531	-	15,646
Employee benefits asset	<u>39,734</u>	<u>32,894</u>	<u>41,730</u>
	<u>819,391</u>	<u>731,459</u>	<u>792,860</u>
Current assets			
Cash and cash equivalents	21,076	4,094	12,203
Restricted cash	40,090	37,530	38,443
Accounts receivable	189,182	189,652	217,218
Due from related parties	507	10,166	795
Inventories	49,398	779	41,405
Tax recoverable	<u>1,167</u>	<u>38,742</u>	<u>1,730</u>
	<u>301,420</u>	<u>280,963</u>	<u>311,794</u>
Total assets	<u>1,120,811</u>	<u>1,012,422</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>173,808</u>	<u>141,426</u>	<u>154,247</u>
	<u>443,354</u>	<u>410,357</u>	<u>423,793</u>
Current liabilities			
Bank overdraft	-	-	2,924
Accounts payable and provisions	171,491	128,237	191,104
Corporation tax payable	3,133	2,239	-
Due to related parties	13	85	133
Short-term loans	20,000	-	23,000
Current portion of long-term loans	<u>43,145</u>	<u>37,468</u>	<u>36,341</u>
	<u>237,782</u>	<u>168,029</u>	<u>253,502</u>
Non-current liabilities			
Customers' deposits	28,585	26,205	27,150
Long-term loans	326,896	326,347	317,704
Preference shares	24,688	24,688	24,688
Deferred taxation	42,129	39,346	40,624
Decommissioning provision	9,528	9,137	9,234
Employee benefits obligation	<u>7,849</u>	<u>8,313</u>	<u>7,959</u>
	<u>439,675</u>	<u>434,036</u>	<u>427,359</u>
Total liabilities	<u>677,457</u>	<u>602,065</u>	<u>680,861</u>
Total shareholders' equity and liabilities	<u>1,120,811</u>	<u>1,012,422</u>	<u>1,104,654</u>

ON BEHALF OF THE BOARD



 Seiji Kawamura Chairman



 Ha Kyoung Song Director

JAMAICA PUBLIC SERVICE COMPANY LIMITED

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

{Unaudited results in US\$ thousand}

	Quarter ended,		Nine months ended,	
	Sep-18 US\$'000	Sep-17 US\$'000	Sep-18 US\$'000	Sep-17 US\$'000
Operating revenue	241,980	221,222	673,518	621,345
Cost of sales	(167,141)	(146,612)	(458,559)	(405,024)
Gross profit	74,839	74,610	214,959	216,321
Operating expenses	(46,670)	(57,007)	(152,671)	(164,118)
Operating profit	28,169	17,603	62,288	52,203
Finance costs (net)	(11,231)	(10,701)	(32,557)	(30,014)
Other income	219	160	2,685	1,748
Other expenses	(20)	(436)	(2,128)	(1,118)
	17,137	6,626	30,288	22,819
Share of loss in joint venture	(123)	-	(290)	-
Profit before taxation	17,014	6,626	29,998	22,819
Taxation	(4,492)	(2,209)	(8,854)	(7,873)
Net profit for the period	12,522	4,417	21,144	14,946

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>0.23¢</u>	<u>0.08¢</u>	<u>0.13¢</u>	<u>0.09¢</u>

JAMAICA PUBLIC SERVICE COMPANY LIMITED

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

{Unaudited results in US\$ thousand}

	Sep-18	Sep-17
	US\$'000	US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period	21,144	14,946
Adjustments for non-cash items:		
Depreciation and amortisation	59,313	56,227
Loss/(gain) on disposal of property, plant and equipment	389	(116)
Unrealised foreign exchange (gains)/losses	(1,446)	315
Amortisation of debt issuance costs	2,002	2,782
Amortisation of other asset	-	89
Interest income	(5,171)	(881)
Interest capitalised	(3,040)	(1,353)
Interest expense	30,432	28,149
Income tax expense	7,349	6,588
Deferred tax expense	1,505	1,285
Share of loss in joint venture	290	-
Employee benefit obligations, net	1,886	90
	114,653	108,121
Increase/(decrease) in working capital:		
Restricted cash	(1,647)	(2,816)
Accounts receivable	27,315	(33,327)
Inventories	(7,993)	(7,014)
Payables and provisions	(16,070)	5,562
Taxation	(3,653)	(5,788)
Due (from)/to related companies, net	168	(2,687)
Customer deposits and advances	1,435	1,911
Cash provided by operating activities	114,208	63,962
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of share in joint venture	(19,175)	-
Interest received	4,309	645
Proceeds from sale of property, plant and equipment	12	-
Purchase of property, plant & equipment	(66,316)	(53,364)
Cash used in investing activities	(81,170)	(52,719)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term loans received/(repaid), net	(3,000)	-
Long-term loans received/(repaid), net	15,440	16,514
Interest paid	(33,681)	(32,313)
Cash used in financing activities	(21,241)	(15,799)
Increase/(decrease) in cash & cash equivalents	11,797	(4,556)
Cash and cash equivalents at beginning of period	9,279	8,650
Cash and cash equivalents at end of period	21,076	4,094

JAMAICA PUBLIC SERVICE COMPANY LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED SEPTEMBER 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
Profit for the period	-	-	-	14,946	14,946
Balance as at September 30, 2017	<u>261,786</u>	<u>4,145</u>	<u>3,000</u>	<u>141,426</u>	<u>410,357</u>
Balance as at December 31, 2017	261,786	4,760	3,000	154,247	423,793
Effect of adopting new standards	-	-	-	(1,583)	(1,583)
Restated balance as January 31, 2018	<u>261,786</u>	<u>4,760</u>	<u>3,000</u>	<u>152,664</u>	<u>422,210</u>
Profit for the period	-	-	-	21,144	21,144
Balance as at September 30, 2018	<u>261,786</u>	<u>4,760</u>	<u>3,000</u>	<u>173,808</u>	<u>443,354</u>

	<u>Sep-18</u>	<u>Sep-17</u>
Net gains for the period	<u>21,144</u>	<u>14,946</u>

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

(a) Basis of preparation

The unaudited interim financial statements are prepared in accordance with IAS 34 "Interim Financial Statements".

These 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), except for the adoption of new standards, being IFRS 9 'Financial instruments' and IFRS 15 'Revenue from contracts with customers'.

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
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(b) Changes in significant accounting policies

(i) IFRS 9 ‘Financial instruments’,

IFRS 9 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. The adoption of IFRS 9 from January 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provision in IFRS 9 [7.2.15], comparative figures have not been restated.

IFRS 9 includes revised guidance on the classification of financial assets and liabilities, including a new ‘expected credit loss’ (ECL) model for calculating impairment of financial assets. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

IFRS 9 replaces the ‘incurred loss’ model which means that a loss event will no longer need to occur before an impairment allowance is recognised.

Application of Simplified Approach

For trade receivables, the Group applies the simplified approach permitted under IFRS 9, which requires that the impairment provision is measured at initial recognition and throughout the life of the receivables using a lifetime ECL. As a practical expedient, a provision matrix is utilised in determining the lifetime ECLs for trade receivables.

The lifetime ECLs are determined by taking into consideration historical rates of default for each segment of aged receivables as well the estimated impact of forward looking information.

The Group has determined that the application of IFRS 9 impairment requirements results in an impairment allowance of \$1.6 million on trade receivables as at January 1, 2018.

(ii) IFRS 15 ‘Revenue from contracts with customers’

IFRS 15 replaces the provisions of IAS 18 that relate to the recognition of revenue. Revenue is recognised when the goods or services are delivered to the customer, which is taken to be at the point in time at which the customer accepts the goods or service along with the related risks and rewards of ownership. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

The adoption of IFRS 15 from January 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provision in IFRS 15 [C3 (b)], comparative figures have not been restated.

The Group has determined that the impact of the application of IFRS 15 is not considered material for disclosure, hence the immateriality exemption under IAS I ‘Presentation of Financial Statements’, has been applied.

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

4. Cash and cash equivalents

As at September 30, 2018, cash and cash equivalents include amounts restricted for use amounting to approximately \$40.1 million (Sep-17: \$37.5 million). This includes approximately \$39.5 million (Sep-17: \$37.0 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-18	Sep-17	Sep-18	Sep-17
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Bad debt	(1,682)	(3,324)	(5,681)	(7,850)
Depreciation and amortisation	(20,598)	(20,324)	(59,313)	(56,227)
Staff costs	(15,802)	(17,888)	(49,382)	(56,653)
Other	(8,588)	(15,471)	(38,295)	(43,388)
	<u>(46,670)</u>	<u>(57,007)</u>	<u>(152,671)</u>	<u>(164,118)</u>

6. Net finance costs

	Quarter ended		Nine months ended	
	Sep-18	Sep-17	Sep-18	Sep-17
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Foreign exchange loss	(3,069)	(1,368)	(8,334)	(1,317)
Other finance costs	(10,355)	(9,544)	(30,688)	(29,185)
Preference dividends	(589)	(589)	(1,746)	(1,746)
Finance income	2,782	800	8,211	2,234
	<u>(11,231)</u>	<u>(10,701)</u>	<u>(32,557)</u>	<u>(30,014)</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>
September 30, 2017	<u>129.91</u>	September 30, 2018	<u>134.65</u>

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


7. 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 September 30, 2018.

ON BEHALF OF THE BOARD



Seiji Kawamura Chairman



Ha Kyoung Song Director