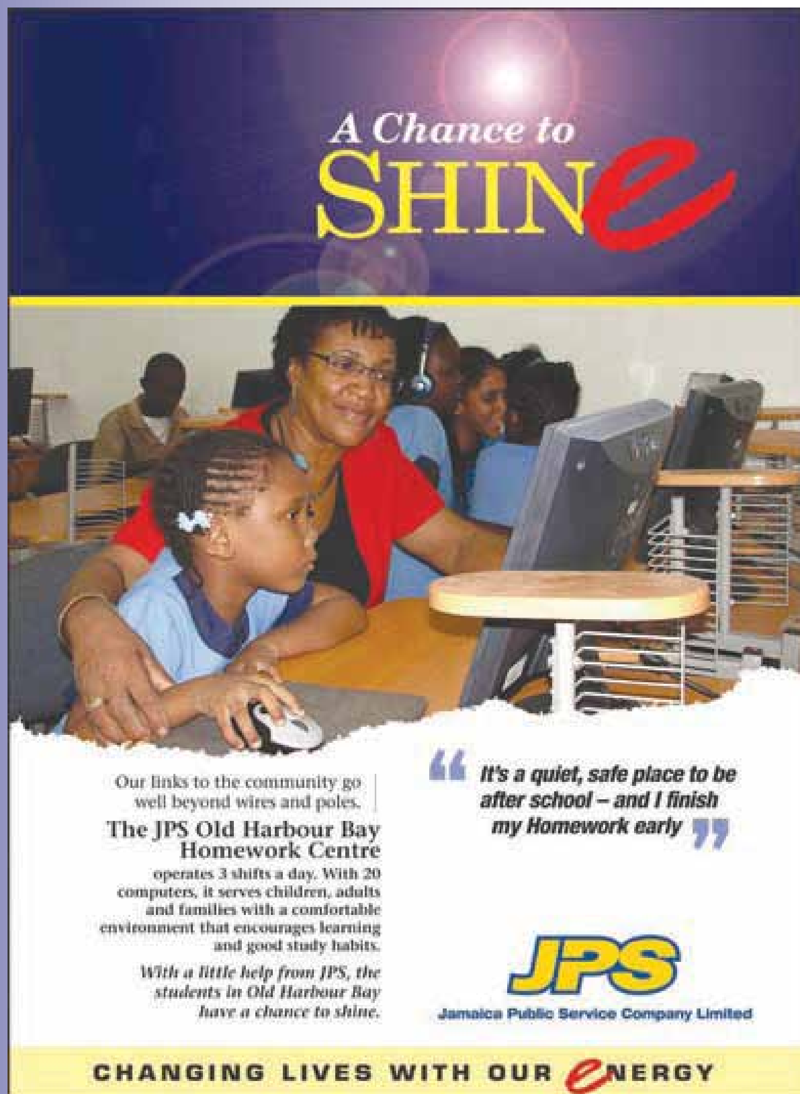

ANNUAL REPORT 09

OUR
VISION

To become a world-class energy service organisation, providing superior customer service.

CORPORATE PROFILE

Jamaica Public Service Company Limited (JPS) is an integrated electric utility company and the sole distributor of electricity in Jamaica. The Company is engaged in the generation, transmission and distribution of electricity, and also purchases power from five Independent Power Producers.

Marubeni TAQA Caribbean Limited (MTC), majority shareholder, owns 80 percent of the Company. The Government of Jamaica and a small group of minority shareholders own the remaining shares.

JPS currently has approximately 585,000 customers who are served by a workforce of approximately 1,500 employees.

The Company owns and operates 4 power stations, 8 hydroelectric plants, 43 substations, and approximately 14,000 kilometres of distribution and transmission lines.

Along with the provision of electricity, JPS is a key partner in national development. The company has a vibrant corporate social responsibility portfolio and makes significant contributions in the areas of education, health and sports. The company also has a strong environmental focus and carries out its operations in an environmentally friendly manner.

The Office of Utilities Regulation (OUR), is the independent regulatory agency with responsibility for the electricity sector.

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STATEMENT TO SHAREHOLDERS

Tomofumi Fukuda, Chairman (left) & Damian Obiglio, President and CEO

OVERVIEW

'Growth in the midst of adversity' is an excellent summary for the financial year 2009. The year was a challenging one for the worldwide economy and for JPS. However, despite the effects of the contraction of the world economy on the demand for electricity in Jamaica, the Company experienced one of its best financial results in many years.

JPS' positive performance in 2009 was due to a number of operating and non-operating factors. On the operating side, the Company spent less than anticipated on financing costs; judiciously prioritized its Operating & Maintenance expenses; and benefited from greater efficiencies, particularly in the use of fuel in electricity generation. The Company was also successful in reducing system losses by approximately one percent during the year.

On the non-operating side, the positive results were due primarily to a number of non-recurring events. These included insurance income; a reduction in post-retirement benefit obligations; a pension refund; and adjustments in the contractual arrangements with one of its private power partners.

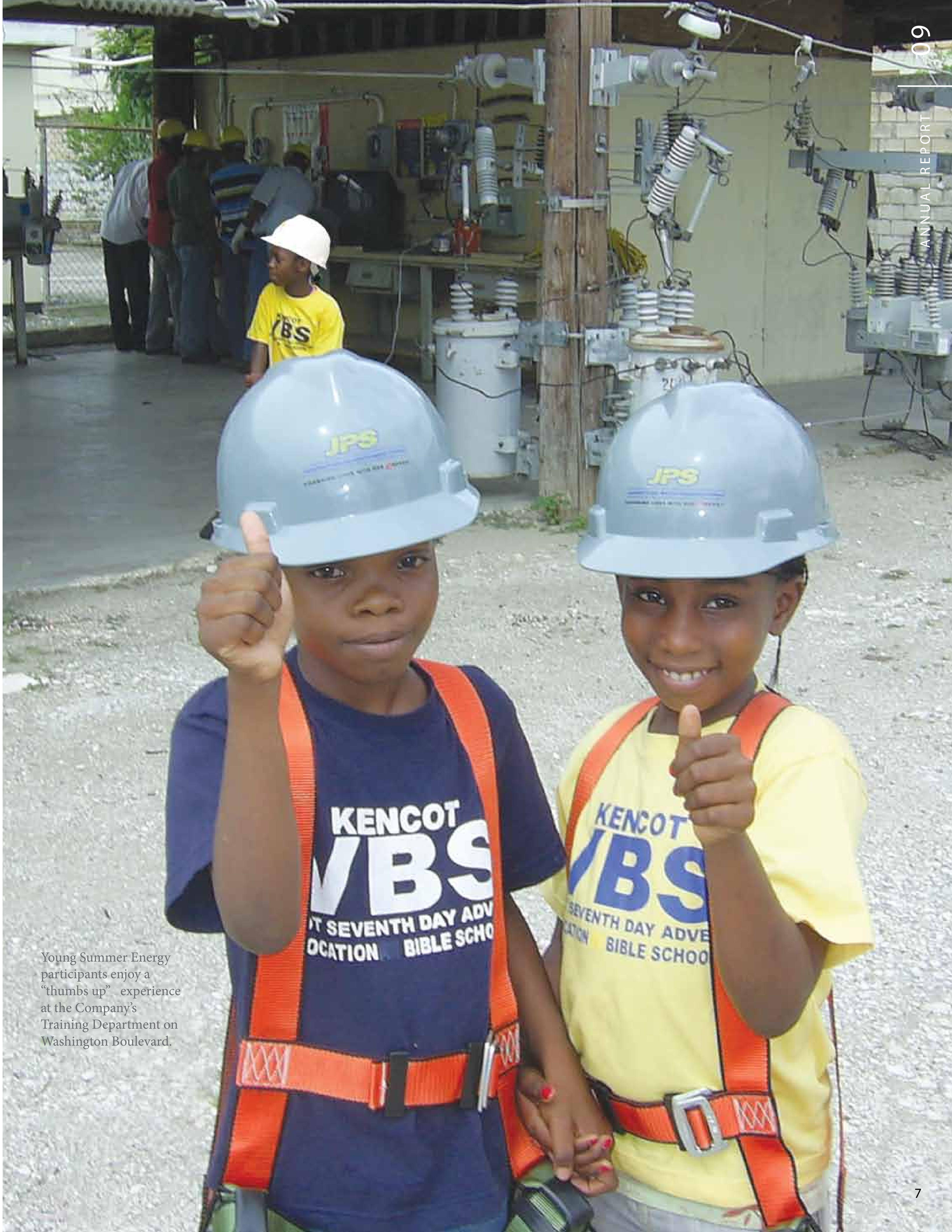
JPS AWARDED FOR SAFETY PERFORMANCE

In the area of safety, JPS was once again lauded for its safety performance levels, which were consistent with the Top Quartile of the Utility Industry. This was based on the benchmarks established by the US-based association of electric companies, industry suppliers and related organizations – the Edison Electric Institute (EEI). The Company also achieved a reduction of 30% in motor vehicle accidents.

THE 2009 TARIFF REVIEW

In March 2009, JPS filed an application with the Office of Utilities Regulation (OUR) for a comprehensive review of the non-fuel portion of its electricity rates. The review, conducted once every five years, also evaluated the Company's performance against service standards and other targets set by the OUR at the last review in 2004. On September 22, the OUR communicated the Rate Determination, approving modest increases in base electricity rates, translating into an average overall increase of approximately 3% on the bills of JPS customers. This became effective October 1, 2009.

While the Company was fully cognizant of the difficult economic climate, there was disappointment that the overall tariff increases granted fell significantly short of those required by the JPS business plan presented to the OUR. This has posed a real challenge to the Company's operational performance, and will definitely result in some adjustments to its business plan going forward.



Young Summer Energy participants enjoy a "thumbs up" experience at the Company's Training Department on Washington Boulevard.

STATEMENT TO SHAREHOLDERS

These will include: greater focus on fuel efficiency and loss reduction, and the implementation of the new performance measures outlined by the OUR in its ruling. The OUR also stipulated that JPS should invest more aggressively in initiatives to reduce losses; improve the quality of service to customers; and keep tight controls on fuel expenditure.

The new tariff was reflected on the bills JPS customers received in November 2009. The new non-fuel rates will remain in effect until 2014, and will be subject only to annual adjustments for inflation.

L-R: Damian Obiglio, President & CEO, Russell Hadeed, Board Director, Tomofumi Fukuda, Chairman and Minister of Mining and Energy, Hon. James Robertson, at the recommissioning of the Constant Spring Hydro Plant.

GENERATION EXPANSION

The Company continued its generation expansion and efficiency improvements in 2009. A new turbocharger was installed in one of the Rockfort units, increasing the output by 2 MW and improving the heat rate. There was also the successful installation of new Air Inlet Cooling Technology to optimize the output of the Combined Cycle Units at the Bogue Power Station. This increased the capacity by 10 MW and significantly improved the overall efficiency. There was also the recommissioning of the Company's Constant Spring Hydroelectric plant, which added almost 1 MW of renewable energy to the grid.

JPS CREATES A SMARTER GRID

After having achieved record performance with the lowest System Average Interruption Duration Index (SAIDI) and System Average Frequency Index (SAIFI), JPS continued to implement its system-strengthening plan. The Company's Distribution Division continued the ongoing structural reliability program of replacing wooden poles with concrete poles and installing capacitor banks to improve the Company's power factor, which, in turn, increases the quality of the product. As a part of our Smart Grid project, we continued with the process of integrating our customer database under one unique platform called Genome. The Geographical Information System (GIS) has facilitated the identification of all poles, transformers and JPS customers. This database has now been coordinated with the Customer Information System (CIS) and is being used in our loss reduction and disaster recovery management programme.

Gary Hutchinson, Technician Engineer, points to a Meter Centre.

LOSS REDUCTION

The Company's losses activities range from: the individual feeder-metering program to the installation of new meters in the most relevant power generating units. These activities have been very useful in identifying the origin of non-technical losses. During 2009, JPS also installed a number of Automated Metering Infrastructure (AMI) smart meters on the premises of our large customers. This project is expected to be completed by the end of 2010. The AMI meters were also installed on residential premises in areas with high losses. This has enabled the Company to read, disconnect and re-connect customers remotely, greatly diminishing the possibility of electricity theft.

Alston Watson (left), Manager, Expansion Projects and Audrey Williams, Corporate Communication Officer, discuss the Bogue Air Inlet Cooling project.

Cooling Towers at the Bogue Complex, Montego Bay, St. James.

STATEMENT TO SHAREHOLDERS

RESTRUCTURING

As the Company sought to provide better customer service, streamline its operations for greater efficiency, and seek to ensure financial viability, an effort was made to reduce operating and maintenance costs, of which a significant component is payroll cost.

To this end, the Company and the unions agreed on the offer of Voluntary Separation to employees for a limited period. The option of Early Retirement was also made available to those employees who qualified.

Approved applications would be treated consistent with the provisions of the existing Collective Labour Agreements and pension schemes. The Company however, reserved the right to approve or deny any request for separation, and the decisions were guided by the Company's best interest. The Voluntary Separation and Early Retirement (VSER) program will be completed by mid-2010.

POISED FOR POSITIVE GROWTH

During 2009 we fell short of our projections on the demand for electricity by 0.43% but attained a year record of 2,931 Gwh. We beat our expectations regarding generation of electricity by 3.2% attaining 4,214 Gwh/year and also exceeded our target of Equivalent Availability Factor by 2.1%, attaining 83.6% availability.

While we are still faced with significant challenges, the Company is now in a much better position to attract investments and negotiate loans to continue our capital expansion programme. This is particularly critical now, as we are about to embark on a number of new generation expansion initiatives. Despite the current economic environment, JPS is one of the few companies in Jamaica that maintained relatively high levels of capital investment for the benefit of its customers. In the last three years, we have consistently invested more than we have earned. JPS has invested an average of US$50 million in our operations each year – primarily to improve our transmission and distribution infrastructure, and for generation expansion and reliability improvement projects.

OPERATIONAL PERFORMANCE

The Company's 2009 Operational Performance showed encouraging improvements over 2008. The Quality of Service, measured as System Average Interruption Duration Index (SAIDI), and the System Average Frequency Index (SAIFI), improved over 2008, demonstrating the reduction in power interruptions to our customers.

Despite these improvements, significant effort must still be put into focusing the entire organization on the main challenges that we face as a Company, particularly in the areas of energy losses, safety and customer service.

TOMOFUMI FUKUDA
Chairman

DAMIAN OBIGLIO
President & CEO

Luke Brown (right), Manager, System Control, speaks with Richard Peart, Power System Controller, while on the job in the System Control Centre.

A player goes for a point during a game of the JPS-sponsored Jamaica Basketball Association League.

BOARD OF DIRECTORS

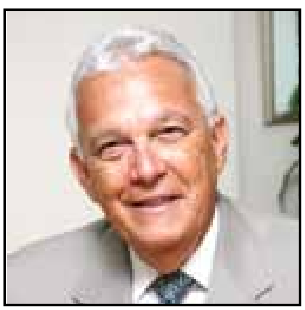
TOMOFUMI FUKUDA
CHAIRMAN

DAMIAN OBIGLIO
Jan. 09 - March 09

CHRISTOPHER BERRY
Sept. 09 - Dec. 09

DR. AUDLEY DARMAND
Jan. 09 - July 09

RUSSELL HADEED



CHARLES JOHNSTON

SEIJI KAWAMURA

BEVERLEY LOPEZ

MO MAJEED
Jan 09 - May 09

RICHARD MUKHTAR
ALTERNATE DIRECTOR

TOM SAMSON
May 09 - Dec. 09

GLENFORD WATSON

JAMES ZIMMER
May 09 - Dec. 09

THE OFFICE OF THE CEO

L - R
SANGEET DUTTA - VP LOSS CONTROL
SWEE CHUA - VP SHARED SERVICES
LEISA BATISTE-WHYTE - HEAD, INTERNAL AUDIT
GEORGE KATES - HEAD, HEALTH, SAFETY, SECURITY & ENVIRONMENT
HERVE PERRIN - VP GENERATION (Appointed March 2010)
DAMIAN OBIGLIO - PRESIDENT & CEO
FRANK RAY - DIRECTOR, EXTERNAL AFFAIRS
VALENTINE FAGAN - VP NEW GENERATION
KATHERINE FRANCIS - GENERAL COUNSEL & CORPORATE SECRETARY

MANAGEMENT DISCUSSION AND ANALYSIS 2009

RESULTS OF OPERATIONS

FINANCIAL HIGHLIGHTS – 2009 vs. 2008

Operating revenue was $794 million in 2009, which represents a $195 million, or 20%, decline relative to 2008. This decline was driven primarily by the $201 million fall in fuel revenue mitigated by the $6 million increase in non-fuel revenues, contributed by the 1% increase in sales volumes and the implementation of the non-fuel tariff award in October 2009. During the year the OUR awarded JPS a 13% increase in the non-fuel tariff consequent upon its review of the company's application for a full tariff review. This represents an overall average increase of approximately 3% on bills.

The cost of sales was $539 million in 2009, which represents a $184 million, or 25%, reduction in comparison to 2008. This positive result was due to a decline in fuel costs, which was directly impacted by global fuel prices, which were approximately 30% lower than in the prior year.

As a result of the factors mentioned above, the gross profit decreased by 4%, or $11 million, during the year to $254 million.

Operating expenses were $128 million in 2009, which represents a $32 million, or 20%, decrease over 2008. This decline resulted from the $12 million, or 15%, fall in maintenance expenses, and the $20 million, or 25%, fall in selling, general and administrative (SG&A) expenses. The reduction in operating expenses was the result of a cost containment exercise implemented during the current fiscal year, which saw staff costs trending down by $25 million, with less significant decreases in bad debt, office and insurance expenses accounting for the remaining $7 million.

Net finance costs were $43 million in 2009, which represents a 6%, or $2.7 million, decrease relative to 2008. The abatement in net finance costs resulted from the $5.6 million decrease in FX losses net of the $2.8 million increase in interest expenses and loan finance fees.

Other income was $18 million in 2009, which consists primarily of the discharging of certain pension obligations, proceeds from scrap sales and other miscellaneous settlements. Please refer to note 22(a) in the audited Financial Statements for details.

Other expenses were $1 million in 2009, which represents a 94%, or $16.4 million, decrease relative to 2008. Please refer to note 22(b) in the audited Financial Statements for details.

Based on the foregoing factors, the Company recorded a net profit after tax of $42.2 million for 2009, compared to $6.0 million in the previous year.

Liquidity & Capital Resources

JPS had a robust liquidity position at the year-end with current and acid test ratios of 1.47 and 1.21, respectively. While this represents a decline in the liquidity position relative to 2008 in which the current and acid test ratios were 1.61 and 1.31 respectively, operational activities provided sufficient cash flows ($66.5 million) to fund net cash used by investing and financing activities, totalling $63 million.

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This is a recovery from the previous year's performance in which the Company's investing activities were financed mainly by borrowing as operational activities provided a net surplus of only $5.7 million.

The Company has a very strong capital structure which grew from $579 million in 2007 to $631 million and then to $651 million respectively in 2008 and 2009. The proportion of debt in the capital structure remained within the 37% to 39% band over the three years.

JPS continues to invest heavily in renewing and expanding its generation and transmission and distribution plant. Annual plant additions consistently outpace depreciation and amortisation expense, returning 108%, 135% and 112% for the years ended December 2007, 2008 and 2009, respectively. With the exception of 2008 in which the result was 9%, plant additions represent 8% of net book values on record at December 2007 and 2009.

RISK MANAGEMENT

Overview

JPS has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed in conducting its activities, which include credit, liquidity, market and operational risks. Risk is managed through a framework of principles, organizational structures, and risk measurement and monitoring activities that are aligned to the Company's activities.

The Board of Directors, in managing the business of the company, oversees the Company's risk management framework. Key management personnel have responsibility for monitoring the company's risk management policies in the specified areas, and report quarterly to the Board of Directors on their activities.

JPS' risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions. The Company, through training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade receivables, which is stated net of an allowance for doubtful balances.

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As part of its management of credit risk, the Company requires account deposits from customers. Additionally, management has processes in place for the prompt disconnection of services to, and recovery of amounts owed by, defaulting customers.

JPS establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures. The loss allowance is determined based on historical payment statistics for similar financial assets and an assessment of the debtor's ability to settle debt.

Liquidity Risk

Liquidity risk, also referred to as funding risk, is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. Key management of the Company, in conjunction with its ultimate holding company, aims at maintaining flexibility in funding by keeping lines of funding available as well as by acquiring and maintaining prudent cash resources in appropriate currencies.

Market Risk

Market risk is the risk that, changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the value of the Company's assets, the amount of its liabilities and/or the Company's income. Market risk arises in the Company due to fluctuations in the value of assets and liabilities.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The nature of the Company's exposures to market risks and its objectives, policies and processes for managing these risks have not changed significantly over the prior period. For each of the major components of market risk, JPS has policies and procedures in place which detail how each risk is managed and monitored. The management of each of these major components of market risk are addressed below.

- **Interest Rate Risk:**

  Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

  The Company contracts financial liabilities at fixed or floating interest rates. These primarily relate to loans, customer deposits, certain trade payables and bank overdrafts.

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The maturity profiles and interest rates of the Company's long-term loans are disclosed in note 17, the details of short-term loan in note 9 and of customer deposits in note 16. Bank overdraft is subject to interest rates fixed in advance, which may be varied by appropriate notice by the lenders.

Interest bearing financial assets relate to cash and cash equivalents and repurchase agreements.

- **Foreign Currency Risk:**

  Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

  The Company incurs foreign currency risk primarily on purchases and borrowings that are denominated in a currency other than the United States dollar. The currencies giving rise to significant foreign currency risk are the Jamaica dollar (J$) and Euro (€).

  JPS manages foreign exchange exposure by maintaining adequate liquid resources in appropriate currencies and by managing the timing of payments on foreign currency liabilities.

Operational Risk:

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, including regulatory risk, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements, generally accepted standards of corporate behaviour and *force majeure* events.

The Company's risk management framework guides its operational risk-taking activities so as to balance the avoidance of financial losses, personnel injuries and damage to its reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. Its risk management activities include the following:

- the management and control of significant operational risks identified by each department;

- the active involvement of the independent internal audit department in assessing significant risks identified and;

- the use of insurance to adequately cover assets and staff

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the company.

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GROWTH IN THE MIDST OF ADVERSITY

OVERVIEW

The year 2009 was one tinged with challenges for the Company, yet amidst the difficulties there were highpoints of growth that enabled JPS to push forward in ensuring that targets were met and performance standards maintained or improved.

In a year that saw the highest consumer demand for electricity on record, the Company was able to add additional generating capacity to the grid, through investments in new technology and the rehabilitation of its Constant Spring Hydro Plant.

JPS made notable strides in the battle against electricity theft by devoting approximately US$9 million to loss reduction initiatives.

The Company also emerged the winner of the Edison Electric Institute association's "Emergency Recovery Award" for its power restoration effort after Tropical Storm Gustav.

As part of its ongoing corporate social responsibility thrust, JPS continued to reach out to students at the tertiary level by providing available funds to cover tuition fees for those in need. In 2009, a record number of JPS employees turned out for the 11th Sigma Fun Walk/Run as the Company made its contribution to the Bustamante Hospital and other pediatric wards across the island.

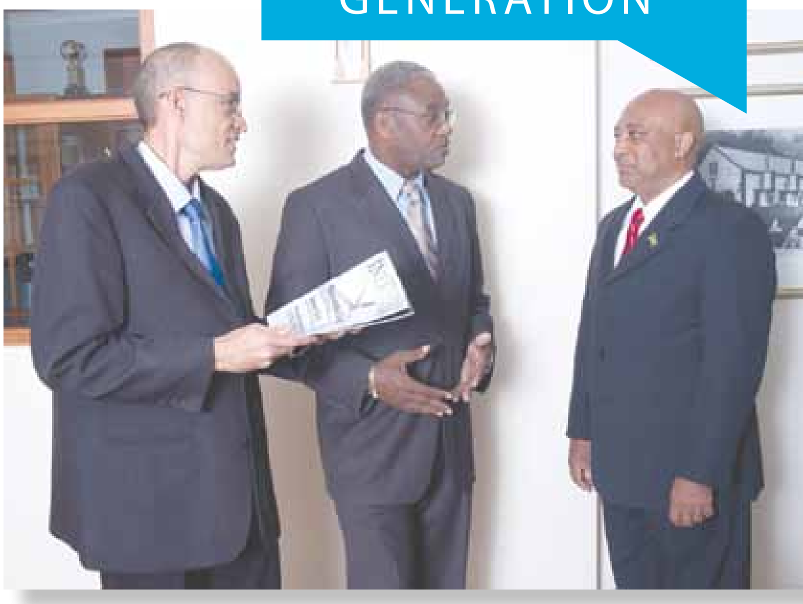
JPS GIVES MORE POWER TO JAMAICANS

In 2009, the company invested US$9.5 Million to add about 11 megawatts (MW) of new generating capacity to the national grid. US$8.5 million of this was used to add 10 MW at the Bogue Power Station in Montego Bay.

This investment outlay saw the installation of an Air Inlet Cooling System on its combined cycle plant to facilitate the optimal production of electricity. This was the first time that this technology is being used in the English-speaking Caribbean.

US$1Million was also spent to rehabilitate the Constant Spring Hydro Station in St Andrew, to add another one megawatt of capacity to the grid. The 21-year old plant, which had been out of service since 2001, now boasts modern state-of-the-art controls and equipment to allow it to operate reliably and remotely.

NEW GENERATION



L - R

DAVID COOK - Head, Projects & Infrastructure Management

VALENTINE FAGAN - VP, New Generation

CLAVA MANTOCK - General Manager, Business Support & Administration

YEAR IN REVIEW

FINANCE

L - R

ALDINGTON-DEAN SMITH - Director, Financial Planning and Reporting

DAN THEOC - VP Finance

HORACE MESSADO - Financial Controller

GARY OSBORNE - Chief Financial Officer

JPS also received conditional approval from the Office of Utilities Regulation (OUR) for two renewable projects in St Elizabeth. The company plans to add 9 MW of renewable power, with the construction of a new hydroelectricity plant in Magotty, and a small wind farm in Munro.

These initiatives mean that more power is to be made available to the national grid at a time when the country is seeing its highest levels of demand for electricity. On Thursday afternoon on July 16, Jamaica recorded its highest level of demand for electricity in history, with usage reaching a peak of 630 Megawatts (MW). This new system peak was attributable mainly to increasing temperatures.

OWNERSHIP TRANSFER

In 2009, Marubeni Caribbean Power Holdings, Inc. entered a partnership for joint ownership of its Caribbean portfolio with Abu Dhabi National Energy Company (TAQA) of the United Arab Emirates. As a result of the agreement, the new entity - Marubeni TAQA Caribbean (MTC) - now owns 80% shares in JPS. The Government of Jamaica will continue to retain most of the remaining 20%, along with a few minority shareholders. The MTC portfolio consists of equity stakes in power generation and transmission facilities in Jamaica, Trinidad and Tobago, Curacao and Bahamas.

ANTI-THEFT MOVES GET BIG PAY-OFFS

The Company's stepped-up thrust to reduce electricity theft through a range of activities, reaped success during 2009. For years, JPS has been engaged in an uphill battle to address this problem of approximately 13 percent of the electricity that it generates being stolen.

In light of this, the Company invested approximately US$9 Million in loss reduction initiatives, in line with its projection to reduce system losses to 18.3% over the next five years.

JPS also made some operational changes, including the creation of a Loss Control division, devoted exclusively to projects aimed specifically at addressing system losses.

Anti-theft Task Force Teams, which were dispatched to the island's major urban centres in Western Jamaica and the Corporate Area, uncovered roughly 9,300 cases of irregularities. This led to the recovery of about six million-kilowatt hours of electricity valued at approximately US$1.2 million dollars. Several arrests were also made, as the teams investigated 24,000 customers supplied by major distribution feeders.

LOSS CONTROL

L - R
DESMOND JONES - Head, Distribution Operations Services

GARTH MCKENZIE - Director, Commercial Processes Control

SANGEET DUTTA - VP, Loss Control

JAY McCOSKEY - Director, Central Intelligence & Process Control

MARK BLAIR - Director, Technical Audit & Project Control

YEAR IN REVIEW

The Company's loss reduction initiatives ranged from meter inspections and audits, removal of throw-ups, and account audits, to the installation of a theft-resistant network, and the introduction of the Residential Advanced Metering Infrastructure (RAMI) (smart meter) which significantly reduces the opportunities for theft.

In mandating JPS to step up its fight against electricity theft, the Office of Utilities Regulation (OUR) in its 2009 Tariff Determination, approved the allocation of dedicated resources of US$13 million per year for the fight against losses. The Regulator also gave approval for interest to be charged on the amounts back-billed to offenders.

JPS WINS 'EMERGENCY RECOVERY AWARD'

The Edison Electric Institute (EEI) honoured Marubeni/JPS as the winner of the association's "Emergency Recovery Award" for its power restoration effort after Tropical Storm Gustav battered Jamaica in 2008, causing about 70 percent of the customers to lose electricity service. Before strengthening to hurricane force, Gustav wreaked havoc on sections of the island as a tropical storm. Winds exceeded 100 kilometers per hour, downing trees and casting debris about the island. The storm's heavy rains caused flooding, which in some cases created mudslides, further complicating accessibility to distribution lines that sustained damage.

Back Row (L - R)

BLAINE JARRETT - Director, Transmission

SHERRICE LYONS - Regional Director, North & Western

STEVE DIXON - Head, Engineering & Technology

WILF TALBOT - Regional Director, KSA & East

RAMSAY MCDONALD - Regional Director, St. Catherine & South

Seated (L - R)

DWIGHT DACOSTA - Director, System Planning & Control

RICARDO RENNALLS - VP, Customer Operations

CUSTOMER OPERATIONS

JPS' team members worked almost round the clock to restore power to nearly 410,000 customers. After two days, 90 percent of the company's customers had their power restored due to the hard work of several JPS crews and other local independent contractors.

EEI is the association of United States investor-owned electric utilities and industry affiliates and associates worldwide. The EEI presents the "Emergency Recovery Award", on an annual basis in recognition of exceptional efforts being made to restore electric service following a disruption by severe weather conditions or other natural events.

ENVIRONMENT AND SAFETY

JPS rated among the safest utilities in the region

In 2009, the Company started to reap the benefits of its increased focus on environmental health and safety during 2008. JPS' safety record improved significantly, resulting in performance levels consistent with the Top Quartile of the Utility Industry, based on the benchmarks established by the EEI. This was the second time that JPS was receiving this recognition.

JPS Compliant With Environmental Standards

In October 2009, the Company's Parnassus substation suffered severe damage due to a fire after thieves entered the substation and stole fuel. This sparked concerns from the National Environment and Planning Agency (NEPA), regarding the possibility of hazardous substances in the stolen oil. However, JPS was able to reassure NEPA and the wider public that it is in full compliance with local and international standards with regards to the presence of Polychlorinated Biphenyls (PCBs) in its equipment.

HSSE

Back Row (L- R)

GEORGE KATES - Head, Health , Safety, Security & Environment

DONALD BYRO - Environment, Health & Safety Officer

FLOYD MINOTT - Security Specialist

Front Row (L- R)

MICHELLE DUNN - Manager, Environment, Health & Safety

THESSA SMITH - Manager, Environment, Health & Safety

YEAR IN REVIEW

JPS is a signatory to the Stockholm Convention for the phasing out of organic pollutants, and the Company is therefore required to have its facilities audited periodically. The most recent audit was done in 2008.

Additionally, the company recently facilitated a review of its PCB Management Programme, which included a tour of JPS' storage facilities by participants of the Caribbean Stockholm Convention Regional Training Workshop held in February 2009.

A section of the audience participating in the 2009 Rate Case Presentation at the PCJ Auditorium in Kingston.

2009 TARIFF REVIEW

After a comprehensive review of JPS' tariff, the Office of Utilities Regulation (OUR) approved an average overall increase of 3% on electricity bills. This increase took effect in October 2009. The new non-fuel rates will remain in effect until the next tariff review which is due in 2014. However, they will be subject to annual adjustments for inflation.

MORE STRINGENT SERVICE STANDARDS REQUIRED

The OUR also introduced several new service standards in its 2009 Tariff Determination, and increased the compensation for each breach. The new Guaranteed Standards cover the areas of: wrongful disconnection, reconnection after wrongful disconnection and meter change. The OUR has also mandated automatic compensation for the breach of some standards as of January 2010. These include: reconnection after payment for overdue amounts; meter replacement; wrongful disconnection; and reconnection after wrongful disconnection.

INTERNAL AUDIT

L - R

ALTHEA WHITE - Assistant Internal Auditor

LEISA BATISTE-WHYTE- Head, Internal Audit

YEAR IN REVIEW

EMPLOYEE HIGHLIGHTS

Employees recognised for exemplary service

President and CEO, Damian Obiglio, presented eleven employees with the President's Award for Excellence at a ceremony in August 2009. Each recipient received a citation and a financial incentive for their commendable efforts in their respective divisions. The 2009 awardees were:

L - R
Michael Aaron – Journeyman Lineman
Ricardo Brown – Journeyman Lineman
Troy Thompson – Journeyman Lineman
Denton Broderick – Journeyman Lineman
Volton Campbell – Senior Energy Management Engineer
Steve Windross - Manager, Operations
Damian Obiglio, President and CEO (Presenter of awards)
Joseph Williams, Manager, Hunts Bay Power Station
Devon Brown – Journeyman Lineman
Horace Messado – Financial Controller
Detorrie Tennant – IT Specialist
Craig Francis – Operations Manager

SHARED SERVICES

Back Row L - R
SWEE CHUA - VP Shared Services
ALICIA LYLE - Director, Human Resource Services
CLAUDIA DAVIS - Head, Materials Management
MARIA MYERS-HAMILTON - Director, Information Systems
ROHAN LINDSAY - Manager , Facilities Mangement
GINA TOMLINSON - Manager, Analysis & Business Processes

Seated L - R
JACQUELINE SIMMONDS - Manager, Marketing & Energy Services
GRACE DAVIS - Manager, Customer Care Centre

JPS EMPLOYEES SHARE LOSS REDUCTION EXPERTISE IN BAHAMAS

Between September and December, Charles Hendricks, Supervisor - Revenue Protection, and Ransford Young, Technical Assistant - Revenue Protection Department (RPD), were selected to join the team at the Grand Bahama Power Company (GBPCo), to share their loss reduction expertise with the Bahamians.

GBPCo had installed a system to audit customer accounts and relied heavily on the experience and expertise of the JPS employees in its successful completion. The men focused on training employees of GBPCo in loss reduction techniques, and assisted with the company's customer account audits.

YEAR IN REVIEW

JPS POWER PACERS FLOOD SIGMA RUN AND CANCER RELAY FOR LIFE

Over four hundred and sixty JPS employees, dubbed as the "Power Pacers Team", flooded the streets of New Kingston in March, joining the happy throng of charity donors participating in the 11th Sigma Run/Walk. The proceeds from the Run/Walk went to the Bustamante Hospital for Children and other pediatric wards across the island.

The Company also ramped up its participation in the Jamaica Cancer Society's (JCS') Relay for Life, an annual event to raise funds to support the JCS' cancer education, screening, advocacy and emotional support programme.

Some members of the JPS 2009 Sigma Run Team.

GIVING JAMAICANS A CHANCE TO SHINE

JPS continued to invest in the country's development through a range of activities including: community football and netball competitions, an early childhood nutrition support programme, scholarships, partnerships with sector groups for economic development initiatives, and contributions to educational institutions.

The corporate advertising campaign for 2009 focused heavily on JPS' involvement in communities, and its commitment to Jamaica's development, with the theme "A Chance to Shine" – showing how the Company has provided the opportunity for Jamaicans to 'shine' in various ways. This corporate campaign was in addition to the ongoing customer education media campaign, which focuses on providing customers with information to assist them in doing business with the Company.

JPS HELPS STUDENTS SHINE

In August, the Company presented approximately US$90,000 in grants to students at Jamaica's main tertiary institutions: the University of the West Indies (Mona campus), the University of Technology, the Northern Caribbean University and the St. Patrick's Foundation.

The programme of assistance to tertiary students, has over the past 5 years, seen JPS granting some US$315,000 to the island's tertiary institutions. This is part of JPS' Education Development Programme, an ongoing initiative geared towards providing and enhancing educational opportunities for Jamaica's youth.

Joseph Pereira (left), Deputy Principal, UWI Mona, accepts a cheque from Alicia Lyle, Director, Human Resource Services, JPS, representing JPS' educational grant to the University of the West Indies, Mona Campus.

JPS/KETTERING SEVEN YEAR STRONG COLLABORATION

The JPS/Kettering scholarship is an extension of the Company's annual Summer Programme. In this programme, the Company sponsors two inner-city students annually to attend the AIM (Academically Interested Minorities) Programme at Kettering University in Flint, Michigan. The programme exposes students to study at the university level, with the possibility of gaining full scholarship to read for Bachelor Degrees in Business Management or Engineering.

In 2009, the programme entered its seventh year with Geneve Wizzard of Hagley Park Road, who attends Ardenne High School and Sashai Christian of Old Braeton and student of Wolmer's Girl School, being selected as the two JPS/Kettering awardees.

JPS/ Kettering scholarship recipients, Geneve Wizzard (left) of Ardenne High and Sashai Christian of Wolmers Girls School, listen keenly to Tomofumi Fukuda, (right) JPS Chairman and Winsome Callum, (2nd right) Head- Corporate Communications.

D'Arcey Crooks (left) and Del Crooks (centre), Directors of Protect the Environment Trust (PET), admire a cheque they received from Damian Obiglio, President and CEO, JPS, in support of their recycling programme.

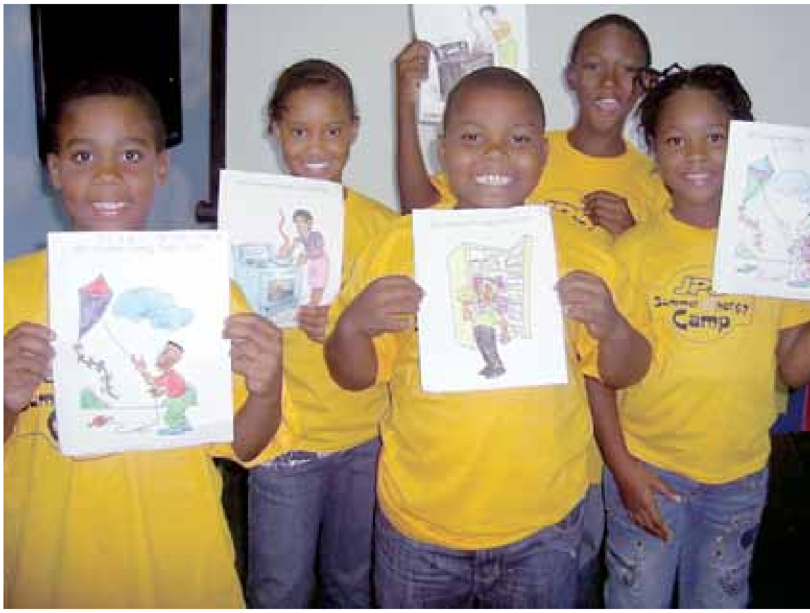
JPS COMMITS TO ENVIRONMENTAL PROTECTION

In July 2009, JPS in collaboration with Protect the Environment Trust (PET) launched a Plastic Recycling Project at the Company's Head Office.

The launch was the Company's first step towards an islandwide plastic recycling project which would eventually be rolled out in phases across all JPS locations and then taken into schools across the island.

SUMMER ENERGY

Summer Energy participants show-off artwork they completed during an energetic Summer Energy session.



The Company's youngest energy consumers were treated to the JPS Summer Energy Camp, an innovative and exciting programme created for children aged 7 – 12 years, to inform them about electricity and how it affects their lives. Over 120 children from schools and churches within the Corporate Area and St. Catherine who participated in the Summer Camp were "energized" by the end of July.

The Summer Energy experience began in the Resource Centre at the Company's Head Office and included a variety of activities, which "shed light" on the production and distribution of electricity, safety issues and conservation tips. The children were then taken on a field trip and exposed to key areas of the Company's operations.

2009 SCIENCE EXPO

In 2009, the Company presented the 7th annual staging of the JPS Science and Technology Expo series, which was held in association with the Scientific Research Council and the Association of Science Teachers of Jamaica. The National Finals, which were held at the Jamaica Pegasus Hotel, saw over 30 entrants from across the island, displaying high quality innovations. Winners received cash awards, trophies, book vouchers and items for their schools' science laboratories. The year's overall winner was the team from the College of Agriculture, Science and Education (CASE) who created a cost effective alternative to commercial honey extractors.

Carl Daugherty, of Norman Manley High School, points to his project as he explains how it works to a visitor to the booth during the 2009 JPS Science Expo.

Students of the Mona Preparatory School (right) explain their exhibit to Frank Ray, (2nd left) External Affairs Director, JPS and a visitor to the booth.

YEAR IN REVIEW

CORPORATE OUTREACH

JPS continued to be a strong supporter of activities and events that were geared towards Jamaica's growth and economic development. These included the Jamaica Exporter's Association (JEA), month of activities in June, under the theme, "Building Jamaica's Export Sector through the National Export Strategy" and the Jamaica Chamber of Commerce's (JCC) Annual Awards Dinner, which recognizes Jamaican companies which are performing excellently, based on several criteria, including leadership, culture and use of best practices. The Company also sponsored the Jamaica Trade and Invest (JTI) Opportunities Expo, which sought to promote business linkages between buyers and suppliers. The focus of the Expo in 2009 was on tourism and the hospitality industry.

In 2009, JPS also assisted in the promotion of Brand Jamaica overseas by sponsoring the Jamaica Manufacturer's Association JMA/JTI/JEA Trade Mission to Florida. Outstanding players in the hotel industry were also honoured during the year at the Jamaica Hotel and Tourist Association's (JHTA's) 48th Anniversary Luncheon, which was sponsored by JPS. During this function, Sandals Dunn's River and Club Ambiance won the JPS Awards for the Best Use of Energy in the large and small hotel categories respectively.

EXTERNAL AFFAIRS

L - R

SAM DAVIS - Head, Government & Regulatory Affairs

WINSOME CALLUM - Head, Corporate Communications

FRANK "TONY" RAY - Director, External Affairs

KATHLEEN COOKE - Manager, External Affairs - West

GENERATION

L - R
DESMOND FAGAN - Manager, Hydros
ANDRE MODEST - Mechanical Maintenance Engineer
CALBERT SMITH - Manager, Technical Services & Special Projects
RUBEN THOMAS - Manager, Bogue Complex
HERVE PERRIN - VP Generation
JOSEPH WILLIAMS - Manager, Hunts Bay Power Station
ALEJO LEE - Manager, Business Support & Administration
GLENROY LESLIE - Manager, Rockfort Power Station
RAY SINCLAIR - Manager, Old Harbour Power Station

Happy Summer Energy participants and JPS linemen pose for the cameras during a visit to the JPS Training Department.

DIRECTORS' REPORT

Jamaica Public Service Company Limited

The Directors of the Jamaica Public Service Company Limited submit herewith their Annual Report with the Audited Financial Statements for the year ended December 31, 2009:

	Year ended December 31, 2009	Year ended* December 31, 2008
	US$'000	US$'000
OPERATING REVENUES	**793,558**	**988,204**
Profit before Taxation	56,889	4,388
Taxation (Expense)/credit	(14,670)	1,656
Net Profit attributable to shareholders	42,219	6,044
Dividends on Preference Shares	2	2
Dividends on Ordinary Shares	(28,000)	(24,500)

*2008 Financial Statements Restated

DIVIDENDS:

The dividends for the year on all preference shares have been paid in full. Interim dividend payments of (US0.082462¢) and (US0.0006872¢) on the ordinary stocks and shares were declared by the Board on the 27th day of February 2009 and 30th of December 2009, respectively. The Board will not recommend any further payment.

AUDITORS:

In accordance with Section 154 of the Companies Act, a resolution proposing the appointment of the Auditors and for the Directors to fix the Auditors' remuneration will be put to the Annual General Meeting.

DIRECTORS:

1. In accordance with Articles 123 of the Company's Articles of Association, Mr. Christopher Berry having been appointed to the Board since the last Annual General Meeting shall cease to hold office and, being eligible offers himself for election.

2. In accordance with Article 117 and 119 of the Company's Articles of Association, Director Beverley Lopez be recommended for re-election as a Director at the forthcoming Annual General Meeting of the Company.

Messrs. Mo Majeed, Damian Obiglio and Audley Darmand resigned during the year under review. The Board wishes to express its sincere appreciation to Messrs. Majeed, Obiglio and Darmand for their contribution to the Company.

The Directors wish to thank the Management and staff of the Company for their performance during the year under review.

Katherine P.C. Francis
Secretary

CORPORATE DATA

REGISTRAR

Cumulative Preference Shares and Ordinary Stock
NCB Nominee Jamaica Limited
32 Trafalgar Road
Kingston 10
Jamaica WI

REGISTERED OFFICE

6 Knutsford Boulevard
Kingston
Jamaica WI

AUDITORS

Ernst & Young
8 Olivier Road
Kingston 8
Jamaica WI

ATTORNEYS-AT-LAW

Livingston Alexander & Levy
72 Harbour Street
Kingston

Nunes Scholefield Deleon & Co.
6a Holborn Road
Kingston 5

Clinton Hart & Co.
Attorneys-at-Law
58 Duke Street
Kingston

BANKERS

National Commercial Bank Limited
Cnr Duke & Barry Streets
Kingston
Jamaica WI

First Caribbean International Bank Limited
23 Knutsford Boulevard
Kingston 5

Bank of Nova Scotia Jamaica Limited
ScotiaBank Centre
Duke Street
Kingston
Jamaica WI

Citibank, NA.
63 Knutsford Boulevard
Kingston 5

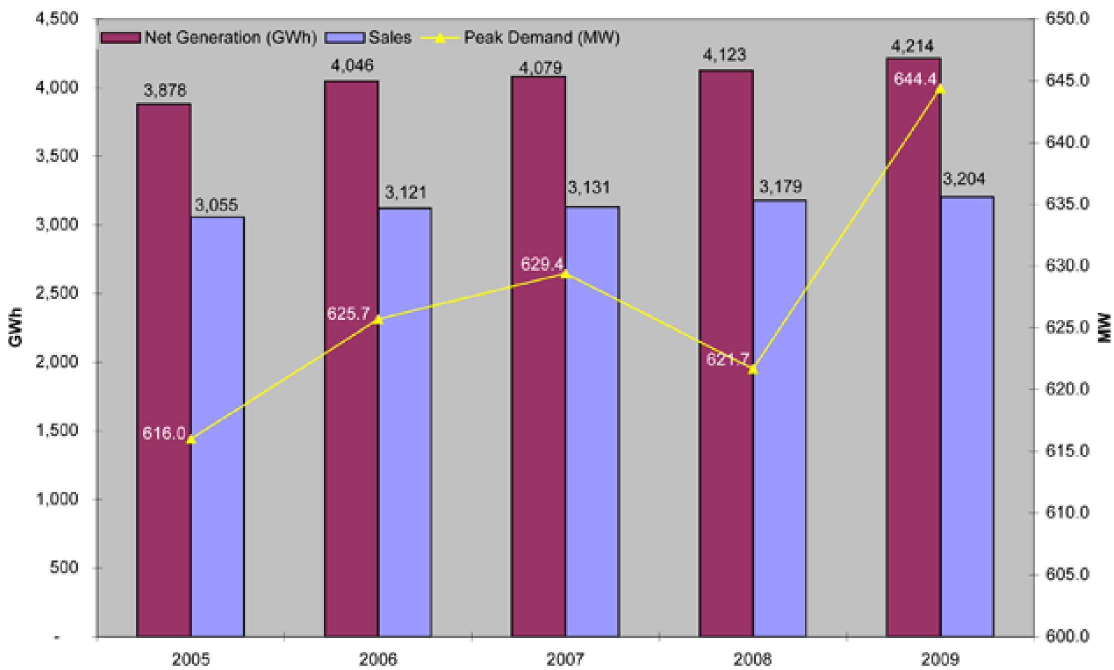
First Global Financial Services
2 St. Lucia Avenue
Kingston 5
Jamaica WI

OPERATIONAL STATISTICS

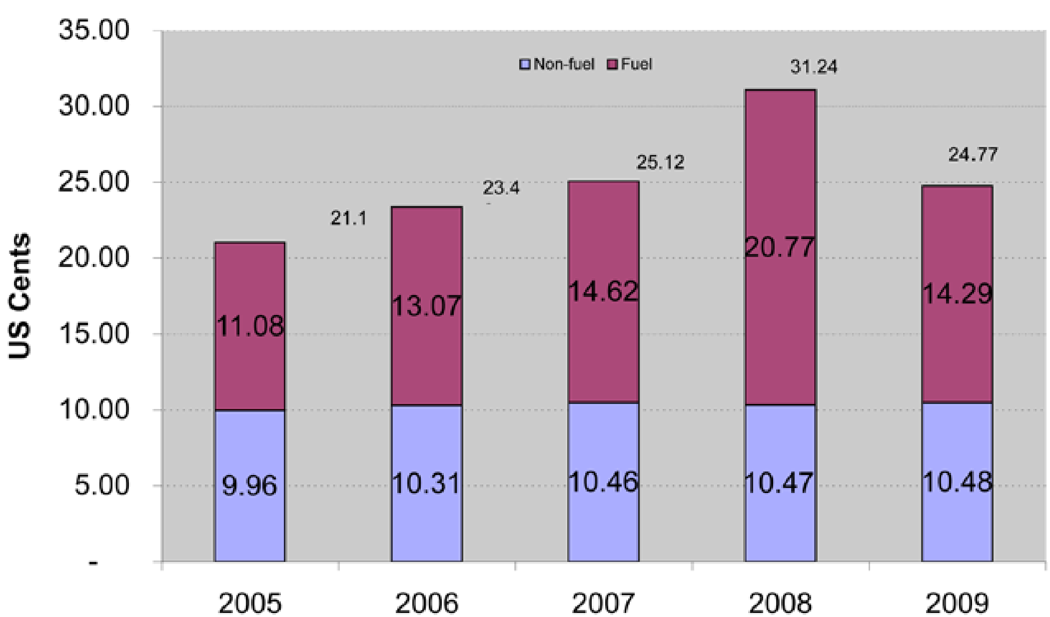
	Dec-31-09 J$'000 (12 months)	Dec-31-08 J$'000 (12 months)	Dec-31-07 J$'000 (12 months)	Dec-31-06 J$'000 (12 months)	Dec-31-05 J$'000 (12 months)
OPERATING REVENUES ($000's)					
Residential	298,225	349,467	293,006	284,840	266,289
Commercial & Industrial (Sml.)	358,233	454,436	358,576	333,931	289,630
Commercial & Industrial (Lge.)	117,327	159,142	114,698	94,869	73,902
Other	19,772	25,159	19,108	18,387	16,002
TOTAL	793,558	988,204	785,388	732,027	645,823
AVERAGE NO. OF CUSTOMERS					
Residential	521,837	526,492	520,085	511,039	491,452
Commercial & Industrial (Sml.)	62,029	62,347	61,419	59,694	56,700
Commercial & Industrial (Lge.)	130	124	116	101	92
Other	222	199	208	211	202
TOTAL	584,218	589,162	581,828	571,045	548,446
NET GENERATION AND PURCHASES (MWH)					
Steam & Slow Speed Diesel	1,725,786	1,693,372	1,671,222	1,543,877	1,788,365
Hydro	140,073	158,180	159,820	169,633	151,310
Gas Turbines	252,579	244,485	267,503	231,889	358,080
Combined Cycle Plant	748,643	769,596	701,384	756,602	513,126
Purchases	1,346,899	1,257,655	1,278,842	1,344,427	1,067,109
TOTAL	4,213,980	4,123,288	4,078,771	4,046,428	3,877,990
Losses & Unaccounted for (MWh)	1,010,102	944,210	947,277	925,759	822,836
Systems losses as a percentage of Net Generation	24.0%	22.9%	23.2%	22.9%	21.2%
Heat Rate (kj/kWh)	10167	10,215	10,627	10,174	10,985
ENERGY SALES (MWH)					
Residential	1,082,599	1,048,399	1,064,068	1,103,225	1,123,274
Commercial & Industrial (Sml.)	1,435,285	1,432,323	1,416,149	1,417,327	1,382,303
Commercial & Industrial (Lge.)	589,560	599,850	561,602	510,882	464,020
Other	96,435	98,506	89,675	89,235	85,557
TOTAL	3,203,878	3,179,078	3,131,494	3,120,669	3,055,154
AVERAGE USE & REVENUE per residential customer					
Annualized kWh consumption /Customer	2,075	1,991	2,046	2,159	2,286
Annualized Revenues/Customer	571	664	563	557	542
United States Dollars per kWh	0.3	0.3	0.3	0.3	0.2
Average billing exchange rate for period	88.06	72.54	68.88	65.77	62.35
U.S. Cents per kWh	27.5	33.3	27.5	25.8	23.7

KEY PERFORMANCE INDICATORS

ELECTRICITY DEMAND

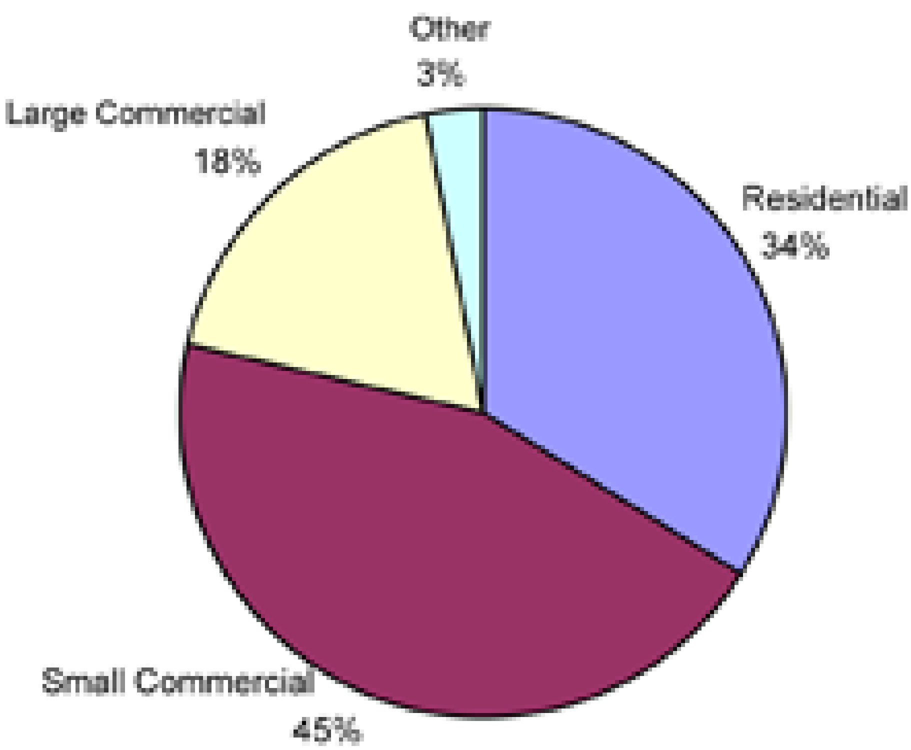


REVENUE (US¢/kWh)



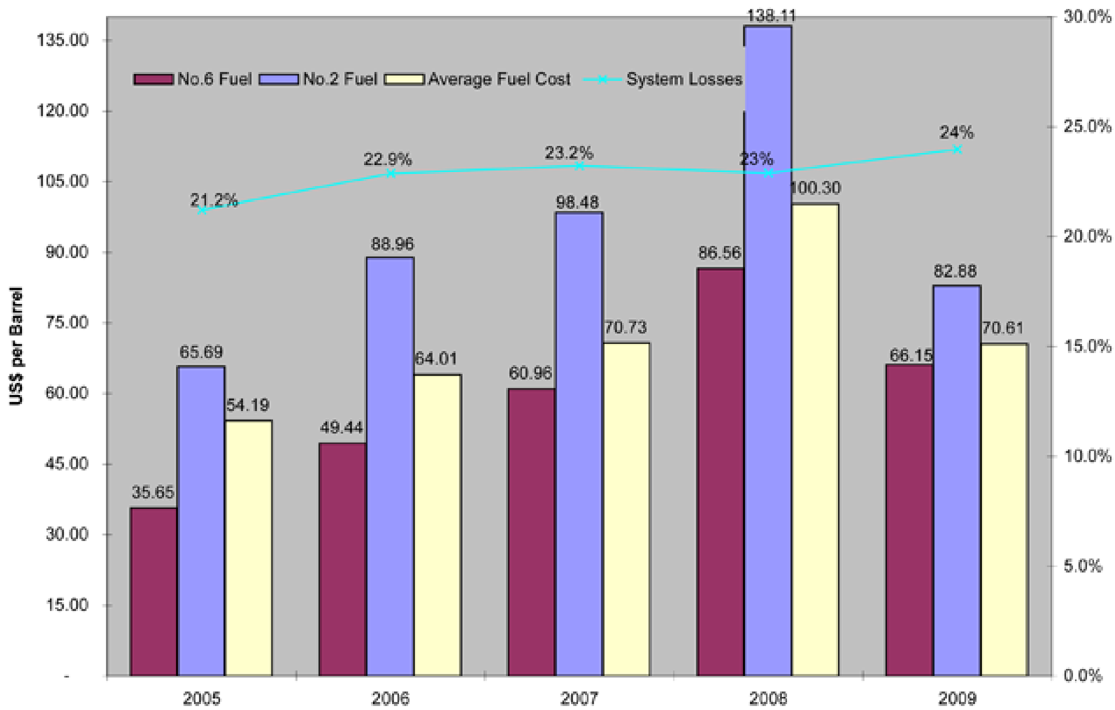
KEY PERFORMANCE INDICATORS

SALES 2009

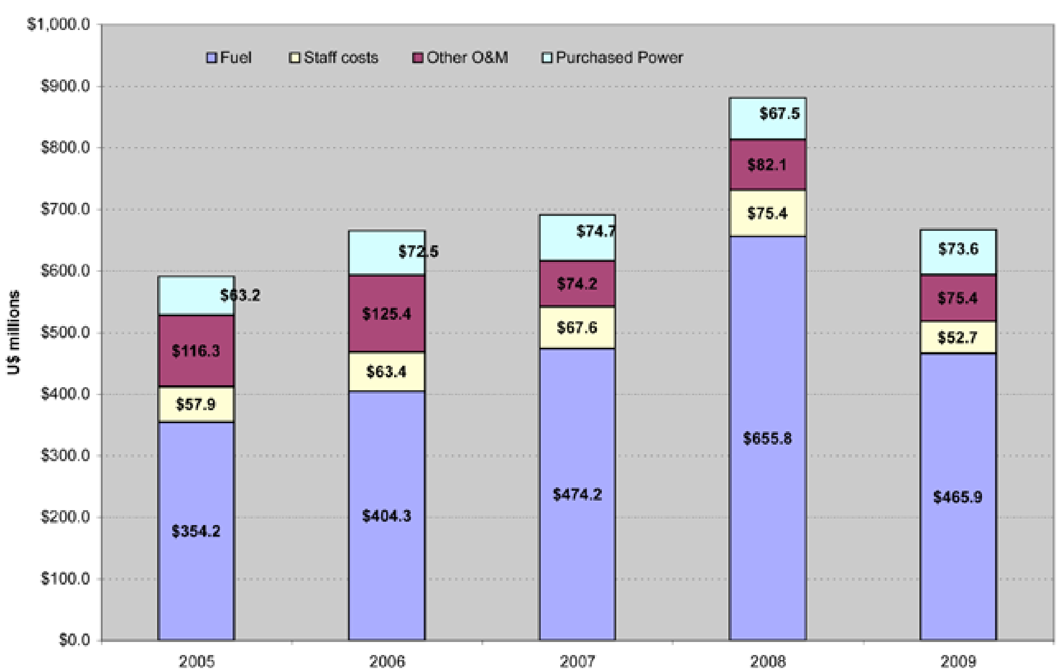


KEY PERFORMANCE INDICATORS

FUEL COST AND SYSTEM LOSSES

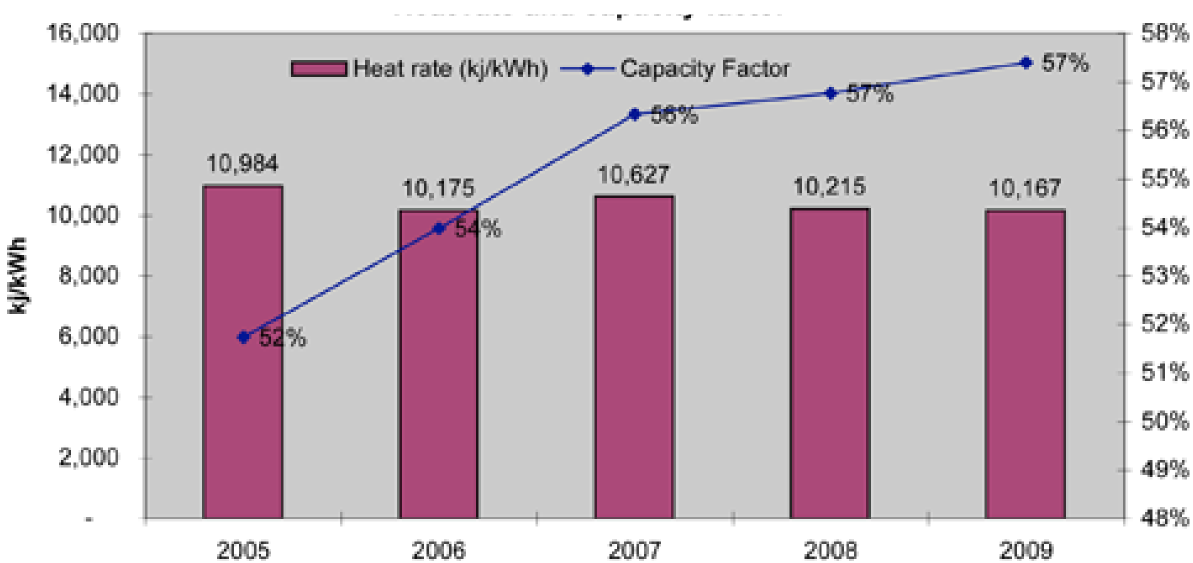


OPERATING EXPENSES

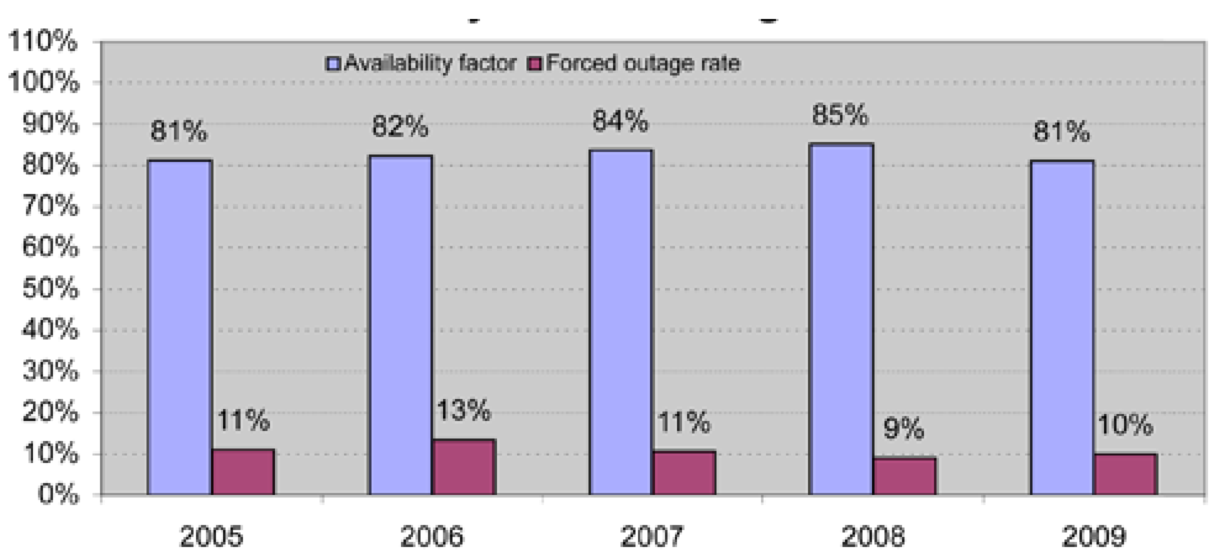


KEY PERFORMANCE INDICATORS

HEAT RATE AND CAPACITY FACTOR



AVAILABILITY & FORCED OUTAGE FACTOR



FINANCIAL STATEMENTS

ERNST & YOUNG
Chartered Accountants

8 Olivier Road,
Kingston 8
Jamaica

Tel: 876 925 2501
Fax: 876 755 0413
www.ey.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Jamaica Public Service Company Limited

We have audited the accompanying financial statements of the Jamaica Public Service Company Limited ("the company"), which comprise the statement of financial position as at 31 December 2009 and the statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Comparative Balances

The financial statements of the company as of 31 December 2007, which used the Jamaican dollar as the functional currency, were audited by another auditor whose report dated 25 April 2008 expressed an unqualified opinion on those financial statements. Those financial statements were subsequently re-measured using the United States dollar as the functional currency and are presented as comparatives in the statement of financial position and related notes to the financial statements. These comparatives have not been audited by the prior year auditor and we express no opinion on those balances. Our audit procedures were limited to providing assurances on the opening balances for purposes of expressing our opinion on the 2008 financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT cotinued

ERNST & YOUNG
Chartered Accountants

8 Olivier Road,
Kingston 8
Jamaica
Tel: 876 925 2501
Fax: 876 755 0413
www.ey.com

To the Shareholders of Jamaica Public Service Company Limited, Continued

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 2009 and of its financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Emphasis of Matter
Without qualifying our opinion we draw attention to Note 3c (ii) to the financial statements which indicates that in the prior year the management and directors of the company, after careful review of the factors that determine functional currency under International Accounting Standard (IAS) 21-The Effects of Changes in Foreign Exchange Rates, took the decision to change the functional currency of the company from the Jamaican dollar to the United States dollar for all periods as of October 1992, to which we have concurred. The Institute of Chartered Accountants of Jamaica ("ICAJ") has challenged our concurrence on this matter and has indicated that, based on the review of available information, the functional currency of the company is the Jamaican dollar. ICAJ has also indicated that the financial statements of the company (prepared using a functional currency of United States dollars) are not deemed to be in compliance with IAS 21. We do not agree with the ICAJ conclusion or its interpretation of IAS 21 as it relates to the company.

We have requested the ICAJ to furnish more detailed particulars of the basis for its conclusion, with the objective of resolving this difference in opinion. The ultimate outcome of this matter cannot presently be determined, and no adjustment that may result from using the Jamaican dollar as the company's functional currency has been made in the financial statements.

Report on Additional Requirements of the Jamaican Companies Act
We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained and the financial statements are in agreement with the accounting records, and give the information required by the Jamaican Companies Act in the manner so required.

Ernst & Young

Chartered Accountants
Kingston, Jamaica

30 March 2010

STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

Expressed in United States Dollars

	Notes	2009 $'000	Restated 2008 $'000 (note 29)	Restated 2007 $'000 (note 29)
ASSETS				
Non-Current Assets				
Property, plant & equipment	11	630,599	623,439	564,772
Intangible assets	12	4,897	4,007	2,654
Employee benefits asset	13(a)	22,062	21,296	28,523
		657,558	648,742	595,949
Current Assets				
Cash and cash equivalents		9,950	7,208	17,677
Reverse repurchase agreements	5	6,112	8,139	4,117
Accounts receivable	6	221,153	172,428	203,262
Tax recoverable		2,547	2,420	2,528
Inventories	7	50,291	43,929	43,453
		290,053	234,124	271,037
TOTAL ASSETS		947,611	882,866	866,986

STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

Expressed in United States Dollars

	Notes	2009 $'000	2008 $'000 (Note 29)	2007 $'000 (Note 29)
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' Equity				
Share capital	14	261,918	261,918	261,918
Capital reserve	15	41,357	41,357	-
Retained earnings		96,490	82,273	100,731
		399,765	385,548	362,649
Current Liabilities				
Bank overdraft	8	-	775	468
Short-term loans	9	47,858	53,250	20,000
Current portion of long-term loans	17	24,175	12,752	6,627
Accounts payable and provisions	10	115,975	78,254	148,953
Corporation tax		9,711	-	-
Due to related companies		154	161	5
		197,873	145,192	176,053
Non-Current Liabilities				
Customer deposits	16	27,919	30,078	33,463
Long-term loans	17	250,213	245,924	216,295
Deferred taxation	18	63,376	58,418	60,072
Employee benefits obligations	13(b)	8,465	17,706	18,454
		349,973	352,126	328,284
Total Liabilities		547,846	497,318	504,337
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		947,611	882,866	866,986

The financial statements on pages,43 to 94, were approved by the Board of Directors on and signed on its behalf by:

_______________ Chairman
Tomofumi Fukuda

_______________ Director
Seiji Kawamura

STATEMENT OF COMPREHENSIVE INCOME

As at 31 December 2009

Expressed in United States Dollars

	Notes	2009 $'000	Restated 2008 $'000 (Note 29)
Operating Revenue	19	793,558	988,204
Cost of Sales:			
Fuel		(465,900)	(655,820)
Purchased power (excluding fuel)	4	(73,552)	(67,541)
		(539,452)	(723,361)
Gross Profit		254,106	264,843
Operating Expenses:			
Operating & maintenance, selling, general & administrative expenses		(128,112)	(161,743)
Depreciation and amortisation		(43,136)	(41,602)
		(171,248)	(203,345)
Operating Profit Before Net Finance Costs, Other Income, Other Expenses and Taxation	20	82,858	61,498
Net Finance Costs:			
Foreign exchange losses		(9,414)	(14,984)
Other finance costs		(36,286)	(34,471)
Finance income		2,666	3,698
	21	(43,034)	(45,757)
Other income	22(a)	18,064	5,058
Other expenses	22(b)	(999)	(16,411)
Profit Before Taxation		56,889	4,388
Taxation (expense)/credit	23	(14,670)	1,656
Profit For The Year		42,219	6,044
Other Comprehensive Income			
Revaluation surplus	15	-	41,357
Total Comprehensive Income Attributable to Shareholders		42,219	47,401
Earnings per share/stock unit	24	0.19¢	0.03¢

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

As at 31 December 2009

Expressed in United States Dollars

	Share capital $'000 (note 14)	Capital reserve $'000 (note 15)	Retained earnings $'000	Total $'000
Balances at 31 December 2007, as previously reported	261,918	-	99,602	361,520
Prior year adjustments (note 29)	-	-	1,129	1,129
Balance at 31 December 2007, as restated	261,918	-	100,731	362,649
Profit for the year, as restated (note 29)	-	-	6,044	6,044
Revaluation surplus (note 15)	-	41,357	-	41,357
Dividends paid (note 25)	-	-	(24,502)	(24,502)
Balances at 31 December 2008, as restated	261,918	41,357	82,273	385,548
Profit for the year	-	-	42,219	42,219
Dividends paid	-	-	(28,002)	(28,002)
Balance at 31 December 2009	261,918	41,357	96,490	399,765

STATEMENT OF CASH FLOWS

As at 31 December 2009

Expressed in United States Dollars

	2009 $'000	Restated 2008 $'000 (note 29)
Cash Flows From Operating Activities		
Profit for the year	42,219	6,044
Adjustments for:		
Depreciation and amortisation	43,136	41,602
Amortisation of debt issuance costs	(1,327)	459
Unrealised foreign exchange losses	(1,712)	761
Interest expense	34,752	32,679
Other interest income	(1,601)	(1,032)
Interest capitalised (note 11)	(1,065)	(2,666)
Deferred tax expense (credit)	4,958	(1,656)
Employee benefits, net	(12,581)	5,584
Cash generated before changes in working capital and deposits	106,779	81,775
Accounts receivable	(51,741)	24,732
Inventories	(6,362)	(476)
Accounts payable	49,008	(68,672)
Due to related companies	(7)	156
Corporation tax payable	9,711	-
Customer deposits and advances	5,101	783
Cash generated from operations	112,489	38,298
Interest paid	(33,718)	(32,703)
Taxes withheld	(12,238)	108
Net cash provided by operating activities	66,533	5,703
Cash Flows From Investing Activities		
Purchase of property, plant & equipment	(48,260)	(56,097)
Purchase of intangible assets	(1,862)	(1,502)
Repurchase agreements	2,027	(4,022)
Interest received	1,512	1,099
Net cash used by investing activities	(46,583)	(60,522)
Cash Flows From Financing Activities		
Short-term loans received	57,608	95,250
Repayment of short-term loan	(63,000)	(62,000)
Long-term loans received	64,412	41,922
Repayment of long-term loans	(47,451)	(6,627)
Dividends paid	(28,002)	(24,502)
Net cash (used)/provided by financing activities	(16,433)	44,043
Net increase/(decrease) in cash and cash equivalents	3,517	(10,776)
Net cash and cash equivalents at beginning of year	6,433	17,209
Net Cash And Cash Equivalents At End Of Year	9,950	6,433
Comprising:		
Cash and cash equivalents	9,950	7,208
Bank overdraft	-	(775)
	9,950	6,433

1. **Corporate structure and nature of business**

The company is incorporated in Jamaica and is an 80% subsidiary of MaruEnergy JPSCO (Barbados) SRL, formerly Mirant JPSCO (Barbados) SRL, which is incorporated in Barbados. MaruEnergy JPSCO (Barbados) SRL is wholly owned by Marubeni TAQA Caribbean Limited (MTC), formerly MaruEnergy Caribbean Limited, which is incorporated in the Bahamas. On 18 March 2009, MTC became jointly owned by Marubeni Corporation, which is incorporated in Japan, and Abu Dhabi National Energy Company PJSC (TAQA), which is incorporated in the United Arab Emirates, upon the sale by Marubeni Corporation of one-half of its shareholding in MTC to TAQA.

A further 19.9% of the issued ordinary shares/stock units is held by the Accountant General and the Development Bank of Jamaica on behalf of the Government of Jamaica (GOJ) collectively, and the remaining 0.1% is held by individuals. In accordance with a Shareholder's Agreement dated March 23, 2001 (amended July 16, 2001) between GOJ and Mirant Corporation and adopted by Marubeni Corporation on July 9, 2007, the majority shareholder (MTC) has 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 (the Licence), granted on March 30, 2001, by the Minister of Mining and Energy.

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.

2. Regulatory arrangements and tariff structure (continued)

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, primarily relating to fuel revenues. Under the rate schedule the company should recover its actual fuel costs, net of the prescribed efficiency adjustments, through its Fuel Rate.

As of May 31, 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

Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board (IASB), and comply with the provisions of the Jamaican Companies Act.

Changes in accounting standards and interpretations:

i) Current year changes:

The accounting policies adopted are consistent with those of the previous financial year except that the company has adopted the following new and amended IFRSs and IFRIC (International Financial Reporting Interpretations Committee) interpretations as of 1 January 2009:

- IFRS 7: Financial Instruments: Disclosures
- IFRS 8: Operating Segments
- IAS 1: Presentation of Financial Statements
- IAS 23: Borrowing Costs (Revised)
- Improvements to IFRSs

3. Statement of compliance, basis of preparation and significant accounting policies (continued)

(b) Changes in accounting standards and interpretations (continued):

i) Current year changes (continued):

Adoption of these Standards and Interpretations is deemed to have an impact on the financial statements or performance of the company. Their impact is described below:

IFRS 7: Financial Instruments: Disclosures
The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.

IFRS 8: Operating Segments
IFRS 8 replaced IAS 14 Segment Reporting upon its effective date. IFRS 8 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance.

IAS 1: Presentation of Financial Statements
The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement or in two linked statements. The company has elected to present one statement.

IAS 23: Borrowing Costs
The revised IAS 23 requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. This is consistent with the company's policy and this did not impact the company.

3. Statement of compliance, basis of preparation and significant accounting policies (continued)

(b) Changes in accounting standards and interpretations (continued):

i) Current year changes (continued):

Improvements to IFRSs

In May 2008 and April 2009 the International Accounting Standards Board issued omnibus amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the company:

IAS 1: Presentation of Financial Statements Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position.

IAS 7: Statement of Cash Flows Explicitly states that only expenditure that results in recognizing an asset can be classified as a cash flow from investing activities.

IAS 16: Property, Plant and Equipment Replaces the term "net selling price" with "fair value less costs to sell".

IAS 18: Revenue The Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:

- Has primary responsibility for providing the goods and service
- Has inventory risk
- Has discretion in establishing prices
- Bears the credit risk

IAS 23: Borrowing Costs: The definition of costs is revised to consolidate the two types of items that are considered components of "borrowing costs" into one. Borrowing costs may include the interest expense, calculated using the effective interest rate method calculated in accordance with IAS 39.

IAS 36: Impairment of Assets When discounted cash flows are used to estimate "fair value less costs to sell" additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate "value in use". The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

3. Statement of compliance, basis of preparation and significant accounting policies (continued)

(b) Changes in accounting standards and interpretations (continued):

i) Current year changes (continued):

Improvements to IFRSs (continued)

IAS 38: Intangible Assets Expenditure on advertising and promotional activities is recognized as an expense when the company either has the right to access the goods or has received the service. The reference to there being rarely, if ever, persuasive evidence to support an amortization method of intangible asset other than a straight-line method has been removed.

Other amendments

Other amendments to IFRSs, IFRIC interpretations or amendments resulting from the Board's improvements projects that are either not applicable to the company or did not have any impact on the accounting policies, financial position or performance of the company are as follows:

- IFRS 2: Share-based Payment
- IFRS 5: Non-current Asset Held for Sale and Discontinued Operations
- IAS 8: Accounting Policies, Change in Accounting Estimates and Error
- IAS 10: Events After the Reporting Period
- IAS 19: Employee Benefits
- IAS 20: Accounting for Government Grant and Disclosures of Government Assistance
- IAS 27: Consolidated and Separate Financial Statements
- IAS 28: Investments in Associates
- IAS 31: Interest in Joint Ventures
- IAS 32: Financial Instruments and IAS1 Presentation of Financial Statements-Puttable Financial Instruments and Obligations Arising on Liquidation

3. Statement of compliance, basis of preparation and significant accounting policies (continued)

(b) Changes in accounting standards and interpretations (continued):

i) Current year changes (continued):

Other amendments (continued)

- IAS 34: Interim Financial Reporting
- IAS 38: Intangible Assets
- IAS 39: Financial Instruments: Recognition and Measurement
- IAS 40: Investment Properties
- IFRIC 9: Reassessment of Embedded Derivatives
- IFRIC 13: Customer Loyalty Programmes
- IFRIC 16: Hedge of a Net Investment in a Foreign Operation

ii) Future changes:

The company has not adopted early the following new and revised IFRS's and IFRIC interpretations that have been issued but are not yet effective or are likely to have a significant impact on the company's operations:

IFRIC 17: Distributions of Non-cash Assets to Owners (effective from annual periods beginning on or after 1 July 2009) provides guidance on how to account for such transactions. It also provides guidance on when to recognize a liability and how to measure it and the associated assets, and when to derecognize the asset and liability and the consequences of doing so.

IFRIC 18: Transfers of Assets from Customers (effective from annual periods beginning on or after 1 July 2009) provides guidance on when and how an entity should recognize items of property, plant and equipment received from their customers.

IFRS 2: Share-based Payment: Group Cash settled Share-based Payment

3. Statement of compliance, basis of preparation and significant accounting policies (continued)

(b) Changes in accounting standards and interpretations (continued):

ii) Future changes (continued):

IAS 39: Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective from annual periods beginning on or after 1 July 2009). The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations.

IFRS 3: Business Combinations (Revised) and IAS 27: Consolidated and Separate Financial Statements (Amended) (effective from annual periods beginning on or after 1 July 2009) including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or a loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

IFRS 9, Financial Instruments: Classification and Measurement (effective for accounting periods beginning on or after 1 January 2013). IFRS 9 divides all financial assets that are currently in the scope of IAS 39 into two classifications – those measured at amortised cost and those measured at fair value. Classification is made at the time the financial asset is initially recognised, namely when the entity becomes a party to the contractual provisions of the instrument. The company is assessing the impact.

3. Statement of compliance, basis of preparation and significant accounting policies (continued)

(c) Changes in accounting policies, changes in accounting estimates and errors:

i) Change in method for recognising actuarial gains:

During the year, the company, as a part of its review of accounting policies, changed the method used to recognize actuarial gains in the valuation of the pension fund from the corridor to the immediate recognition method. The immediate recognition method results in the recognition of actuarial gains on the valuation of the pension fund during the period in which they occur. This methodology is consistent with the thrust of the IASB in its project paper on Post Employment Benefits where it indicates a dislike for the corridor method and outlines its intent to recognize all changes in the value of the plan assets in the period in which they occur. The change was accounted for retrospectively (note 29).

ii) Change in functional currency:

During the previous year, management with the agreement of the Board of Directors, conducted a review of its accounting policies, which included a reassessment of the functional currency of the company and concluded after extensive consultation with relevant subject matter experts that the criteria outlined in IAS 21 indicated that the appropriate functional currency is the United States dollar. The change was accounted for retrospectively as the appropriate objective indicator occurred on 1 October 1992.

The change resulted in the re-measurement of the 2007 balances on the basis that monetary items are to be re-measured using the prevailing exchange rates at each year end while non-monetary assets and liabilities and other transactions are to be re-measured using exchange rates at the dates of transactions.

In a letter to our auditors dated 11 February 2010, the Institute of Chartered Accountants of Jamaica (ICAJ) has indicated that, based on the review of available information, the functional currency of the company should be the Jamaican dollar. The management and directors of the company with the concurrence of its auditors do not agree with the ICAJ’s conclusion or its interpretation of IAS 21 and maintain the view that the United States dollar is the appropriate functional currency of the company based on the criteria outlined in IAS 21.

3. Statement of compliance, basis of preparation and significant accounting policies (continued)

(c) Changes in accounting policies, changes in accounting estimates and errors:

iii) Revaluation of property, plant and equipment:

During 2008 the company changed its revaluation policy in respect of specialized plant and equipment from the revaluation basis to the cost method. The revaluation method was previously adopted to ensure that the values of specialized plant and equipment were being carried at their United States replacement cost given the frequent depreciation of the Jamaican dollar against other major currencies and, hence, the loss in value of such plant and equipment whose value were being carried at their Jamaican dollar historical cost. With the change in functional currency from the Jamaican dollar to United States dollar, the management of the company, has decided that it was no longer necessary to revalue these assets as their historical values are now being carried at their United States dollar values and such carrying values are more reflective of depreciated replacement values.

The cost for these assets was determined as deemed cost applicable under IFRS 1 to the first time adoption of IFRS. As a result, the amount of $96,982,000 included in capital reserve for revaluation surplus for these assets as at 1 January 2003, was transferred to retained earnings as at this date.

In addition in 2008, the company's accounting policy was changed for land from the cost method to revaluation method. This change was applied prospectively as there was no practical method of determining revalued amounts for prior periods.

d) Basis of measurement:

These financial statements are presented in United States dollar, which is the functional and presentation currency of the company.

The financial statements are prepared under the historical cost basis, modified for the inclusion of land at valuation and the measurement at deemed cost for specialised plant and equipment. Deemed cost represents the fair value at the date of transition to IFRS.

3. Statement of compliance, basis of preparation and significant accounting policies (continued)

(e) Use of estimates and judgements:

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if applicable.

Judgements made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

(i) Pension

The amounts recognised in the statement of financial position and statement of comprehensive income for pension is determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include expected long-term return on plan assets, expected rates of salary and pension increases, the discount rate used to determine the present value of estimated future cash flows required to settle the pension obligation.

The expected return on plan assets considers the long-term historical returns, asset allocation and future estimates of long-term investment returns. The discount rate is determined based on the estimate of yield on long-term government securities that have maturity dates approximating the terms of the company's obligation; in the absence of such instruments in Jamaica, it has been necessary to estimate the rate by extrapolating from the longest-tenure security on the market. Any changes in these assumptions will affect the amounts recorded in the financial statements for these obligations.

3. Statement of compliance, basis of preparation and significant accounting policies (continued)

(e) Use of estimates and judgements (continued):

(ii) Allowance for impairment losses on receivables

In determining amounts recorded for impairment losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables, for example, default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individually significant receivables with similar characteristics, such as credit risks.

(iii) Lease arrangements

Management evaluates all purchase arrangements to assess whether they contain leases [see notes 3(v) & 4].

(iv) Unbilled revenue

Unbilled revenue at each month-end is estimated consistently using certain objective indicators such as heat rate, system losses rate, fuel rate and IPP charges.

(v) Deferred tax

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which losses can be utilized. The amount of deferred tax assets that is recognized is based upon the likely timing and estimated levels of future taxable profits.

(vi) Property, plant and equipment

Management exercises judgement in determining whether the costs incurred can accrue significant future economic benefits to the company to enable the value to be treated as a capital expense.

Further judgement is applied in the annual review of the useful lives of all categories of property, plant and equipment and the resulting depreciation thereon.

(e) Cash and cash equivalents:

Cash and cash equivalents comprise cash and bank balances including short-term deposits with maturities ranging between one and three months from the statement of

3. Statement of compliance, basis of preparation and significant accounting policies (continued)

(f) Repurchase and reverse repurchase agreements:

A repurchase agreement ('Repo') is a short-term transaction whereby securities are bought and sold with simultaneous agreements for reselling/repurchasing the securities on the date specified.

Although the security is delivered to the "buyer" at the time of the transaction, title is not actually transferred unless the counterparty fails to repurchase the securities on the date specified.

(g) Accounts receivable:

Trade and other accounts receivable are stated at amortised cost less impairment losses.

(h) Inventories:

Inventories materially comprise fuel stocks, and generation, transmission and distribution spare parts. Inventories are valued at the lower of cost, determined principally on a weighted average cost basis, and net realisable value.

(i) Accounts payable:

Trade and other payables are stated at amortised cost.

(j) Provisions:

A provision is recognised in the balance sheet when the company has an obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value, and, where appropriate, the risks specific to the obligation.

3. Statement of compliance, basis of preparation and significant accounting policies (continued)

(k) Property, plant & equipment and intangible assets:

In accordance with the Licence, additions to property, plant & equipment and intangible assets, replacement of retirement units of plant in service, or additions to construction work-in-progress include direct labour, materials, professional fees and an appropriate charge for overheads, reduced by non-refundable contributions received from customers, where applicable.

Specialized, plant & equipment are stated at deemed cost at the IFRS transition date of 1 January 2003, less accumulated depreciation and impairment losses, while all other property, plant & equipment are stated at cost except for land, which is stated at revalued cost. Land was revalued as at 31 December 2008 using the Comparative Cost Basis.

Property, plant & equipment in the course of construction are carried at cost less recognised impairment losses.

Intangible assets, comprising computer software, are stated at cost, less amortisation and impairment losses.

(l) Depreciation and amortisation:

Land and land rights are not depreciated.

Other property, plant & equipment and intangible assets are depreciated/amortised on the straight-line basis at annual rates estimated to write off the assets over their expected useful lives.

The depreciation rates, which are specified by the License, are as follows:

Steam production plant	4%
Hydraulic production plant	2%, 2½%, 2.86%
Other production plant	2½%, 4% & 5%
Transmission plant	4%
Distribution plant	3.33% & 4%
General plant & equipment:	
Buildings and structures	2%
Transport equipment	14.3%
Other equipment	4%, 5% & 6.65%

Computer software is amortised at 6.65% per annum.

3. Statement of compliance, basis of preparation and significant accounting policies (continued)

(n) Employee benefits:

Assets and liabilities in respect of the defined benefit pension plan has been actuarially determined by a qualified independent actuary appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations were conducted in accordance with IAS 19, and the financial statements reflect the company's post-employment benefits asset and obligations as computed by the actuary.

(i) Pension assets:

The company participates in two trusteed pension plans (a defined-benefit and a defined contribution pension plan), the assets of which are held separately from those of the company, and remain under the control of the appointed trustees.

Obligations for contributions to the defined contribution pension plan are recognised as an expense in the statement of comprehensive income as incurred.

The defined benefit pension plan requires the company to contribute a percentage of employees' pensionable earnings and employees to contribute a similar amount. Such contributions, which are actuarially determined, provide for current costs and amounts to amortise any past service deficits disclosed over the average future working lifetime of the active membership.

The company's net obligation in respect of the defined benefit pension plan is calculated at each statement of financial position date by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods, discounting it to determine its present value, and deducting the fair value of the plan assets. To the extent that the obligation is less than the fair value of the plan assets, the asset recognised is restricted to the discounted value of future benefits available to the company in the form of future refunds or reductions in contributions. The discount rate applied is the yield at statement of financial position date on long-term government instruments that have maturity dates approximating the term of the company's obligation. The calculation is performed by a qualified independent actuary using the Projected Unit Credit Method.

In calculating the company's obligation in respect of the plan at the statement of financial position date, actuarial gains or losses are recognised in the statement of comprehensive income in the accounting period in which they occur.

3. Statement of compliance, basis of preparation and significant accounting policies (continued)

(n) Employee benefits (continued):

(ii) Other post-employment benefits:

A provision is made for unutilised vacation and sick leave in respect of services rendered by employees up to the statement of financial position date. Under collective bargaining agreements, employees are entitled to a termination benefit in relation to their unutilised vacation and sick leave entitlements that accumulate in certain instances over the life of their service. The provision includes estimated employer's contributions arising out of leave-vesting.

Cumulative unrecognised gains and losses are also recognised in a manner similar to that applied for the defined-benefit pension plan.

(o) Customer deposits:

Given the long-term nature of the customer relationship, customer deposits and construction advances are shown in the statement of financial position as non-current liabilities (i.e., amounts not likely to be repaid within twelve months of the balance sheet date). Interest is credited annually on customer deposits at rates prescribed by the Licence.

(p) Revenue recognition:

Operating revenue represents income for the provision of electricity and related services. Income is recognised for billings made for these services and an estimate of electricity supplied prior to the end of the reporting period which is to be billed subsequently (referred to as "unbilled" revenues and included in accounts receivable).

(q) Borrowings:

(i) Capitalisation of borrowing costs:

Borrowing costs directly attributable to the construction of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

(ii) Debt issuance costs:

These represent legal, accounting and financing fees associated with securing certain long-term loans, which are being amortised on an effective rate basis over the lives of the loans.

3. Statement of compliance, basis of preparation and significant accounting policies (continued)

(q) Borrowings (continued):

(iii) Interest-bearing borrowings:

Interest-bearing borrowings are recognised initially at cost. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost, with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowing using the effective interest method.

(r) General Consumption Tax (GCT):

The company's main operations are exempt from GCT and accordingly, so are its operating revenues. As a result, the company may not recover any GCT input tax incurred in the acquisition of goods or services and, consequently, such goods or services are recorded at cost plus GCT where incurred.

(s) Income taxes:

Taxation on the profit or loss for the year comprises current and deferred tax. Taxation is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is computed using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the statement of financial position date.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

3. Statement of compliance, basis of preparation and significant accounting policies (continued)

(s) Income taxes (continued):

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(t) Foreign currencies:

Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to United States dollars at the rates of exchange ruling at that date. Gains and losses arising from fluctuations in exchange rates are included in the statement of comprehensive income.

For the purposes of statement of cash flows, realised foreign currency gains and losses are treated as cash items and included in cash flows from operating or financing activities along with movement in the relevant balances.

(u) Impairment:

The carrying amounts of the company's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, an asset's recoverable amount is estimated at each statement of financial position date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

Calculation of recoverable amounts:

The recoverable amount of the company's receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

3. Statement of compliance, basis of preparation and significant accounting policies (continued)

(u) Impairment (continued):

Calculation of recoverable amounts (continued):

An impairment loss in respect of receivables is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

(v) Leases:

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease.

(w) Segment reporting:

The company maintains an integrated operating structure and reports accordingly. Consequently, no segment disclosures are considered necessary.

(x) Related parties:

A party is related to the company if:

(i) directly or indirectly, the party:

- controls, is controlled by, or is under common control with the company;
- has an interest in the company that gives it significant influence over the company; or
- has joint control over the company.

(ii) the party is a member of the key management personnel of the company. Such personnel are persons having authority and responsibilities for planning, directing and controlling the activities of the company whether directly or indirectly and whether through an executive or non-executive role.

(iii) the party is a close member of the family of any individual referred to in (i) or (ii) above.

(iv) the party is a post-employment benefit plan for the benefit of employees of the company, or any entity that is a related party of the company.

The company's key related party relationships are with its parent company, ultimate parent company, fellow subsidiaries, directors, key management personnel and its two pension plans [note (n)(i)].

Statement of compliance, basis of preparation and significant accounting policies (continued)

(y) Financial instruments:

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of these financial statements, financial assets have been determined to include cash and cash equivalents, repurchase agreements and accounts receivable. Similarly, financial liabilities include bank overdraft, accounts payable and provisions, due to related companies, customer deposits and loans. Purchases and sales of financial instruments are accounted for at settlement dates.

(z) Determination of fair value:

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed between knowledgeable, willing parties who are under no compulsion to act and are best evidenced by a quoted market price, if one exists.

Power purchase contracts

The company has entered into agreements with independent power providers (IPPs) for the purchase of energy capacity and net energy output.

The main IPP arrangements are:

	Contract termination date
Jamaica Energy Partners (JEP)	February 2026
The Jamaica Private Power Company Limited (JPPC)	January 2018
Jamaica Aluminium Company Limited (JAMALCO)	December 2019
Wigton Wind Farm Limited	May 2024

All agreements are subject to termination prior to the contract dates upon the occurrence of certain events of default as specified in the agreements, and are renewable for an additional period, provided the party seeking the extension gives written notice, ranging from two to six years, before the end of the initial term.

Certain agreements require payment for available energy capacity and for certain operating costs and overheads. Additionally, certain agreements require the company to provide a banker's guarantee in relation to contractual payments. The company has a financing arrangement with a financial institution, which guarantees access to funds by IPPs for contractually agreed payments. The facility was not accessed during the year.

4. Power purchase contracts (continued)

The contracts, which have been assessed as operating leases, gave rise to unexpired commitments for energy capacity and certain operating charges payable as follows:

	2009	2008	2007
	$'000	$'000	$'000
Within 1 year	568	690	743
From 1-2 years	541	686	728
From 2-5 years	1,444	1,812	2,024
Over 5 years	4,844	6,446	7,421
	7,397	9,634	10,916

5. Reverse repurchase agreements

At 31 December 2009, reverse repurchase agreements consist of amounts restricted to use in the manner specified as follows:

	2009	2008	2007
	$'000	$'000	$'000
Self-insurance sinking fund*	5,654	7,666	3,673
Deposit guarantees on staff loans, IPP contracts etc.	458	473	444
	6,112	8,139	4,117

* This represents cash maintained as part of the self-insurance sinking fund administered under the direction of the OUR (note 2).

6. Accounts receivable

	2009	2008	2007
	$'000	$'000	$'000
Trade receivables, net (i) & (ii)	122,241	88,105	108,083
Unbilled revenue	90,577	69,104	73,745
Prepayments	7,204	5,289	8,917
Other receivables	1,131	9,930	12,517
	221,153	172,428	203,262

6. Accounts receivable (continued)

(i) Trade receivables are shown net of an allowance for impairment losses as follows:

	2009 $'000	**2008** $'000	**2007** $'000
Balance at beginning of year	4,877	8,849	7,619
Impairment loss recognised	13,085	15,427	8,922
Amounts written off during the period	(1,039)	(19,399)	(7,692)
Balance at end of year	16,923	4,877	8,849

(ii) The aging of trade receivables at the reporting date was:

	2009		**2008**		**2007**	
	Gross Receivable $'000	**Gross Impairment** $'000	**Gross Receivable** $'000	**Gross Impairment** $'000	**Gross Receivable** $'000	**Gross Impairment** $'000
Due 0-30 days	76,854	-	65,805	-	71,699	-
Past due 31-60 days	9,049	-	9,683	-	7,207	-
Past due 61-90 days	6,923	202	3,541	-	2,479	111
More than 90 days	46,338	16,721	13,953	4,877	35,547	8,738
Trade accounts receivable	139,164	16,923	92,982	4,877	116,932	8,849

(iii) Included in other receivables is an amount of $Nil (2008: $1.9 million) for allowed recovery of Hurricane Ivan restoration costs net of amounts billed.

7. Inventories

	2009 $'000	**2008** $'000	**2007** $'000
Fuel	13,467	9,469	16,072
Generation spare parts	18,796	16,851	14,621
Transmission, distribution and other spare	18,028	17,609	12,760
	50,291	43,929	43,453

8. Bank overdraft

As at 31 December 2008, a bank overdraft arose on account of unpresented cheques.

. **Short-term loans**

This comprises five short term loans denominated in United States dollars and bearing both fixed and variable rates. The variable rate loans aggregated $35,000,000 (2008: $23,000,000) and had rates ranging from LIBOR plus 4.5% and LIBOR plus 8.35% while the fixed rate loans aggregated $12,858,000 and bore interest between a rate of 4% and 10%per annum.

The loans are unsecured and repayable within eleven months of statement of financial position date.

0. **Accounts payable and provisions**

	2009 $'000	2008 $'000	2007 $'000
Trade payables	95,747	45,400	94,773
Interest accrued on customer deposits and loans	16,527	15,493	15,516
Other payables and provisions (i)	3,701	17,361	38,664
	115,975	78,254	148,953

(i) **Other payables and provisions include provisions as follows:**

	2009 $'000	2008 $'000	2007 $'000
Balance at beginning of year	1,105	36,629	3,005
Provisions made during the year	1,305	13,695	34,946
Provisions utilised during the year	(406)	(49,219)	(1,322)
Balance at end of year	2,004	1,105	36,629

Comprising provisions for:

	2009 $'000	2008 $'000	2007 $'000
Retroactive and bonus salaries	1,082	-	518
Legal and other claims in process (note 27)	922	1,105	36,111
	2,004	1,105	36,629

11. Property, plant & equipment

	Land, buildings & land rights	Production (generation) plant & equipment	Transmission and distribution plant & equipment	General plant & machinery	Computer equipment, office fixtures & fittings	Construction work-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At cost or valuation:							
31 December 2007	73,788	568,390	818,203	113,778	61,910	36,348	1,672,417
Additions	34	-	12,178	6	162	46,383	58,763
Transfers	1,472	8,325	10,525	1,047	4,745	(26,114)	-
Disposals/retirements & adjustments	-	-	-	-	(12)	-	(12)
Revaluation	41,357	-	-	-	-	-	41,357
31 December 2008	116,651	576,715	840,906	114,831	66,805	56,617	1,772,525
Additions	328	-	21,924	-	3,555	33,988	59,795
Transfers	(1,000)	32,598	12,917	2,917	(125)	(47,307)	-
Disposals/retirements & adjustments	(233)	267	(10,062)	(529)	86	-	(10,471)
31 December 2009	115,746	609,580	865,685	117,219	70,321	43,298	1,821,849
Depreciation:							
31 December 2007	11,317	380,829	574,749	94,239	46,511	-	1,107,645
Charge for the year	780	19,152	16,558	2,828	2,135	-	41,453
Disposals/retirements	-	-	-	-	(12)	-	(12)
31 December 2008	12,097	399,981	591,307	97,067	48,634	-	1,149,086
Charge for the year	792	19,409	17,458	2,779	2,324	-	42,762
Disposals/retirements	-	-	112	(712)	2	-	(598)
31 December 2009	12,889	419,390	608,877	99,134	50,960	-	1,191,250
Net book values:							
31 December 2009	102,857	190,190	256,808	18,085	19,361	43,298	630,599
31 December 2008	104,554	176,734	249,599	17,764	18,171	56,617	623,439
31 December 2007	62,471	187,561	243,454	19,539	15,399	36,348	564,772

11. Property, plant & equipment (continued)

(a) Land, buildings and land rights include land, at cost or valuation, aggregating approximately $73.7 million (2008: $73.7 million). Land was revalued during the year 2008 resulting in a revaluation surplus of $41.3 million.

(b) Interest capitalised during construction for the year amounted to approximately $1.1 million (2008: $2.7 million). The capitalisation rate used for the year was 3.887% (2008: 9.375%).

(c) The composite rate of depreciation for the year was approximately 4.1% (2008: 3.9%).

12. Intangible assets

This represents acquired software costs capitalised as follows:

	2009 $'000	**2008** $'000	**2007** $'000
Cost:			
At beginning of year	4,892	3,390	4,178
Additions	1,515	1,502	411
Adjustment	347	-	(1,199)
At end of year	6,754	4,892	3,390
Amortisation:			
At beginning of year	885	736	594
Charge for the year	405	149	142
Adjustment	567	-	-
At end of year	1,857	885	736
Net book values	4,897	4,007	2,654

Additions include projects-in-progress at 31 December 2009 aggregating $0.3 million (2008: $0.9 million).

13. Employee benefits

(a) Defined benefit pension plan

The company administers a defined-benefit pension plan for its permanent employees. The assets of the plan are under the control of trustees and are managed by certain approved investment fund managers. Administrative services are provided by Sagicor Life of Jamaica Limited.

(i) Employee benefits (defined benefit pension plan):

	2009 $'000	Restated 2008 $'000 (note 29)	Restated 2007 $'000 (note 29)
Present value of funded obligations	(29,660)	(55,241)	(49,149)
Fair value of plan assets	73,784	97,832	122,174
Unrecognised amount due to limitation	(22,062)	(21,297)	(44,502)
Asset recognised in balance sheet	22,062	21,296	28,523

(ii) Movements in funded obligations:

	2009 $'000	2008 $'000	2007 $'000
Balance at beginning of year	(55,241)	(49,149)	(47,701)
Benefits paid	1,739	2,684	4,643
Current service and interest costs	(9,329)	(8,888)	(8,413)
Past service costs	-	(4,783)	-
Annuities purchased	21,193	-	-
Loss on curtailment/settlement	(4,443)	-	-
Actuarial gain (loss)	10,794	(1,123)	2,322
Exchange gain	5,627	6,018	-
Balance at end of year	(29,660)	(55,241)	(49,149)

13. Employee benefits (continued)

(a) Defined benefit pension plan (continued):

(iii) Movements in plan assets:

	2009 $'000	2008 $'000	2007 $'000
Fair value of plan assets at beginning of year	97,832	122,174	110,569
Contributions paid	923	1,356	1,763
Expected return or plan assets	11,529	12,786	12,004
Benefits paid	(1,739)	(2,684)	(4,643)
Annuities purchased (1)	(10,324)	-	-
Annuities purchased (2)	(10,867)	-	-
Refund to company	(10,326)	-	-
Actuarial (loss) gain	6,724	(20,840)	2,481
Exchange loss	(9,968)	(14,960)	-
Fair value of plan assets at end of year	73,784	97,832	122,174

(iii) Movements in plan assets:

	2009 $'000	2008 $'000	2007 $'000
Plan assets consist of the following:			
Equities	14,360	16,241	29,078
Fixed income securities	56,403	76,690	85,363
Real estate	3,021	4,901	7,733
	73,784	97,832	122,174

(iv) (Credit) expense recognised in the statement of income:

	2009 $'000	Restated 2008 $'000 (note 29)	Restated 2007 $'000 (note 29)
Current service costs	1,877	1,834	2,096
Interest on obligations	6,810	6,339	5,732
Expected return on plan assets	(11,529)	(12,786)	(12,004)
Net actuarial (gain) loss recognised during the year	(17,520)	21,962	(19,958)
Past service costs	-	4,783	-
Annuities purchased (1)	(10,324)	-	-
Losses/(gain) on curtailment /settlement	4,443	-	-
Total credit	(26,243)	22,132	(24,134)
Net credit recognised due to limitation	(13,122)	11,066	(12,068)
Actual return on plan assets	18,253	(8,053)	14,485

13. Employee benefits (continued)

(a) Defined benefit pension plan (continued):

The credit is recognised in operating & maintenance, selling, general & administrative expenses in the statement of income.

(v) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2009	**2008**	**2007**
Discount rate	16.0%	16.0%	13.0%
Expected return on plan assets	15.0%	15.0%	12.0%
Future salary increases	10.0%	12.0%	9.0%
Future pension increases	4.0%	6.0%	3.0%

Assumptions regarding future mortality are based on PA(90)M and PA(90)F Tables with ages reduced by six years. The expected long-term rate of return is based on the assumed long-term rate of inflation.

(b) Other post-employment benefit obligations:

	2009 $'000	**2008** $'000	**2007** $'000
Post-employment medical and life insurance benefits	-	9,168	9,044
Accumulated sick and vacation pay	8,465	8,538	9,410
	8,465	17,706	18,454

(i) Post-employment medical and life insurance benefits:

	2009 $'000	**2008** $'000	**2007** $'000
Present value of unfunded obligations	-	8,218	8,746
Unrecognised actuarial losses	-	950	298
Liability recognised in balance sheet	-	9,168	9,044

13. Employee benefits (continued)

(b) Other post-employment benefit obligations (continued):

(ii) Movements in post-employment medical and life insurance benefits:

	2009 $'000	2008 $'000	2007 $'000
Balance at beginning of year	9,168	9,044	7,852
Contributions paid	-	(147)	(160)
(Income)/expense recognised in the statement of income	(8,282)	1,378	1,352
Exchange gains	(886)	(1,107)	-
Balance at end of year	-	9,168	9,044

(iii) Expense recognised in the statement of income:

	2009 $'000	2008 $'000	2007 $'000
Current service costs	(8,282)	429	464
Interest on obligations	-	1,044	1,061
Actuarial loss recognised for the year	-	-	4
Gains on curtailments and/or settlements	-	(95)	(177)
	(8,282)	1,378	1,352

The expense recognised is included in operating & maintenance, selling, general & administrative expenses.

(iv) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2009	2008	2007
Discount rate	16.0%	16.0%	13.0%
Medical claims growth	-	15.0%	12.0%

Actuarial assumptions regarding mortality, inflation, etc. follow the same bases as those outlined in note 13 (a)(v) above.

13. Employee benefits (continued)

(c) Historical information

(i) Defined benefit pension plan:

	2009 $'000	2008 $'000	2007 $'000	2006 $'000	2005 $'000
Present value of the defined benefit obligations	(29,660)	(55,241)	(49,149)	(50,165)	(40,855)
Fair value of plan assets	83,753	97,832	122,174	116,281	102,070
Experience adjustments arising on plan liabilities	(1,629)	(2,201)	(1,813)	(2,116)	87
Experience adjustments arising on plan assets	6,724	(20,838)	2,235	6,101	218

(ii) Post-employment medical and life insurance obligation benefit:

	2009 $'000	2008 $'000	2007 $'000	2006 $'000	2005 $'000
Present value of the post-employment benefit obligation	-	8,218	8,746	8,889	8,244
Experience adjustments arising on plan liabilities	-	792	1,055	188	1,020

(d) Defined contribution pension plan:

The company's contribution to the defined contribution pension plan for the year aggregated $408,000 (2008: $381,000). These are recognised in operating & maintenance, selling, general and administrative expenses in the statement of income.

14. Share capital

Authorised:

Ordinary share capital:

315,733,000	Ordinary stock units at no par value
30,000,000,000	Ordinary shares at no par value
30,315,733,000	

Cumulative preference shares of no par value

567,000	7% "B" shares
66,500	5% "C" shares
1,049,000	5% "D" shares
514,000	6% "E" shares
2,196,500	

		2009 $'000	2008 $'000	2007 $'000
Stated capital:				
Issued and fully paid:				
Ordinary share capital:				
315,733,000	Ordinary stock units	5,684	5,684	5,684
21,512,462,000	Ordinary shares	256,102	256,102	256,102
21,828,195,000		261,786	261,786	261,786
Cumulative preference shares:				
420,000	7% "B" shares	38	38	38
66,500	5% "C" shares	6	6	6
680,000	5% "D" shares	61	61	61
300,000	6% "E" shares	27	27	27
1,466,500		132	132	132
		261,918	261,918	261,918

14. Share capital (continued)

The cumulative preference shares are non-voting and are preferred only in respect of return of capital and any dividends in arrears on a winding up.

The Jamaican Companies Act (the Act) requires that all preference shares be included in the statement of financial position as part of stated capital with the return to preference shareholders, being dividends, paid out of retained earnings, while IFRS requires qualifying preference shares to be classified as liabilities, with the return to preference shareholders being classified as interest expense, charged in arriving at net profit or loss for the year. Due to the immateriality of issued preference share capital, such shares have not been reclassified, and as such, the company is in compliance with the Act and IFRS.

15. Capital reserve

	2009	**2008**	**2007**
	$'000	$'000	$'000
Revaluation surplus	41,357	41,357	-

This represents the net surplus arising on the revaluation of land during the financial year.

16. Customer deposits

	2009	**2008**	**2007**
	$'000	$'000	$'000
Customer deposits for electricity service (i)	17,549	16,456	20,720
Customer advances for construction (ii)	10,370	13,622	12,743
	27,919	30,078	33,463

(i) In general, the company requires a deposit from customers before providing service. The deposit is refundable upon termination of service subject to certain conditions. Interest is paid annually to customers and applied to their electricity accounts according to rates prescribed by the OUR (see note 2), which are broadly equivalent to rates applicable to savings deposits.

(ii) Customer advances for construction relate to non-interest-bearing deposits obtained by the company in relation to construction projects being undertaken by potential customers. These amounts are refundable subject to certain conditions.

17. Long-term loans

		2009 $'000	2008 $'000	2007 $'000
(a)	Kreditanstalt fur Weideraudfbau of Frankfurt/ Government of Jamaica (KFW/GOJ), 7% fixed rate, repayable 2030 [2009 & 2008:€3.9 million (2007: €3.9 million)]	5,548	5,451	5,712
(b)	International Finance Corporation (IFC) variable rate, repayable 2015	30,000	35,000	40,000
(c)	AIC Merchant Bank 8.75% fixed rate, repayable 2009	-	1,627	3,255
(d)	Deutsche Bank as trustees of the holders of the 11% Senior notes due 2016 [2009 & 2008:$180 million; (2007: $180 million)]	174,578	175,112	173,955
(e)	FirstCaribbean International Bank (FCIB) variable rate, repayable 2011	34,470	35,000	-
(f)	FirstCaribbean International Bank (FCIB) variable rate, repayable 2010[J$522 million]	-	6,486	-
(g)	NCB Syndicated Loan variable rate, repayable 2012 ($5.9 million)	5,814	-	-
(h)	First Global Financial Services 11% fixed rate, repayable 2010 ($12.6 million)	12,605	-	-
(i)	First Global Financial Services 10.4% fixed rate, repayable 2011 ($11.5 million)	11,373	-	-
		274,388	258,676	222,92
	Less: Current portion	(24,175)	(12,752)	(6,627)
		250,213	245,924	216,295

(a) This loan is on-lent by the Government of Jamaica (GOJ), and is subject to finalisation of the formal on-lending agreement. Under the terms of the original agreement with KFW the loan is repayable commencing in 2010 through 2030. Interest is payable semi-annually in arrears.

17. Long-term loans (continued)

(b) This loan is repayable in eighteen semi-annual instalments of $2,500,000, which commenced February 2007. The variable interest rate is based on LIBOR plus 7.5% per annum until February 2007 and a spread of 6% thereafter. As at December 31, 2009, the rate so determined was 6.78% (2008: 9.11%). The loan is secured by the assets of the company.

(c) This loan was repayable in twenty quarterly instalments of $406,750 which commenced January 2005, and was secured by a registered 1st mortgage over the company's property at Knutsford Boulevard, Kingston 5, Jamaica. This loan was fully repaid in during the year.

(d) This represents unsecured 11% Senior Notes issued on the US bond market and is tradeable in Portal, a subsidiary of Nasdaq Stock Market, Inc. The Notes are payable in full on maturity at 6 July 2016. Interest payments are to be made on 6 January and 6 July annually with record dates of 23 December and 22 June, respectively, and interest rates of 11% for 180/360 of principal amounts outstanding as at record dates. No collateral is required. Prior to 2009, 35% of principal may be redeemed due to an equity offering; change of control and/or special mandatory redemption. Appropriate waivers in respect of mandatory redemptions arising from change of control were received during the year.

The amount due in respect of Senior Notes is stated net of debt issuance costs associated with the issue, as follows:

	2009 $'000	2008 $'000	2007 $'000
Cost:			
At beginning of year	5,882	5,882	6,703
Additions/Adjustment	989	-	-
At end of year	6,871	5,882	6,703
Amortisation:			
At beginning of year	994	577	184
Amortisation charge for the year, net	455	417	474
At end of year	1,449	994	658
	5,422	4,888	6,045

17. Long-term loans (continued)

(e) This loan is repayable in four (4) semi-annual instalments of $2.8M and the balance at maturity. As at 31 December 2009, the rate so determined was 8.98%. No collateral is required. The amount due is stated net of debt issuance costs of $530,000 associated with the issue.

(f) This loan was unsecured and repayable in full at maturity. The variable interest rate was based on the commercial bank rate plus 1.25% per annum until January 2010. This loan was fully repaid as at December 31, 2009.

(g) This loan is repayable in semi-annual instalments of $421K and the balance at maturity. As at 31 December 2009, the rate so determined was 9.35%. No collateral is required. The amount due is stated net of debt issuance costs of $85,000 associated with the issue.

(h) This loan is unsecured and repayable in full at maturity. The 11% fixed interest is repayable in six (6) quarterly instalments until December 2010.

(i) This loan is unsecured and repayable in full at maturity. The 11% fixed interest is repayable in eight (8) quarterly instalments until December 2011. The amount due is stated net of debt issuance costs of $177,000 associated with the issue.

18. Deferred taxation

Deferred tax (liabilities)/assets relate to:

	Balance at 1 January 2009 $'000	Recognised in income $'000	Balance at 31 December 2009 $'000
Employee benefits, net	(1,198)	(3,335)	(4,533)
Accounts receivable	951	(445)	506
Accounts payable and provisions	5,532	249	5,781
Unrealised foreign exchange loss	-	(571)	(571)
Property, plant & equipment	(63,279)	791	(62,488)
Unamortised debt issuance costs	(1,629)	(442)	(2,071)
Tax value of losses carried forward	1,205	(1,205)	-
	(58,418)	(4,958)	(63,376)

19. Operating revenue

The company's revenue arises materially from the supply of electricity services in accordance with the Licence (see notes 1 and 2).

20. Disclosure of expenses/(income) and related party transactions

(a) Operating profit before net finance costs, other income, other expenses and taxation is stated after charging:

	2009 $'000	2008 $'000
Directors' remuneration:		
Fees	50	42
Emoluments	246	399
Pensions to former managing directors	7	7
Compensation for key management:		
Short term benefits	1,102	843
Staff costs	52,728	65,900
Audit fees (including GCT):		
Current year	112	118
Prior year	70	30
Depreciation and amortisation	43,136	41,602
Pension (credit) expense	(21,404)	12,444

(b) The company has various ongoing transactions with related companies. These include the provision of technical support and related professional services and the acquisition of specialised equipment and spare parts. These transactions amounted to approximately $1.2 million (2008: $1.0 million). All the above transactions were executed in the ordinary course of business.

21. Net finance costs

	2009 $'000	2008 $'000
Foreign exchange losses, net	(9,414)	(14,984)
Other finance costs:		
Short-term loans	(4,358)	(5,002)
Long-term loans	(27,799)	(25,681)
Customer deposits	(2,025)	(1,826)
Bank overdraft and other	(570)	(170)
Debt issuance costs and expenses	(1,534)	(1,792)
	(36,286)	(34,471)
Finance income:		
Interest income	1,601	1,032
Interest capitalised during construction (note 11)	1,065	2,666
	2,666	3,698
	(43,034)	(45,757)

Interest income arises materially from treasury transactions entered into in the ordinary course of business.

22. Other income and expenses

(a) Other income comprises:

	2009 $'000	2008 $'000
Rental income	371	311
Insurance proceeds	301	142
Refund of surplus in IPP Debt Service Reserve Account	2,708	-
Post Retirement Benefit Obligation discharged	8,282	-
Miscellaneous proceeds from scrap sales and other settlements	6,402	4,605
	18,064	5,058

22. Other income and expenses (continued)

(b) Other expenses comprise:

	2009 $'000	**2008** $'000
Provision for IDT job reclassification	-	(14,577)
Hurricane restoration costs	-	(1,791)
Miscellaneous expenses	(999)	(43)
	(999)	(16,411)

23. Taxation

(a) Taxation is computed at 33⅓% of the company's results for the year, adjusted for tax purposes and comprises:

	2009 $'000	**2008** $'000
Current income tax expense	(9,712)	-
Origination and reversal of temporary differences	(3,753)	3,905
Benefit of tax losses recognised	(1,205)	(2,249)
Taxation (expense)/credit	(14,670)	1,656

At 31 December 2009, taxation losses available for set-off against future taxable profits, subject to agreement by the Commissioner, Taxpayer Audit & Assessment, amounted to approximately $Nil (2008: $4 million).

(b) Reconciliation of tax expense:

	2009 $'000	**2008** $'000
Profit before taxation	56,889	4,388
Computed "expected" tax @ 33⅓%	(18,963)	(1,462)
Tax effect of differences between (loss)/profit for financial statements and tax reporting purposes in respect of:		
Investment allowances	3,487	3,954
Other disallowed items	806	(836)
Taxation (expense)/credit	(14,670)	1,656

24. Earnings per share/stock unit

	2009 $'000	2008 $'000
Profit for the year	42,219	6,044
Less: Preference dividends (note 25)	(2)	(2)
	42,417	6,042
Number of shares/stock units [shown in thousands (see note 14)]	21,828,195	21,828,195
Earnings per share/stock unit	0.19¢	0.03¢

25. Dividends

	2009 $'000	2008 $'000
Ordinary dividends:		
Interim dividend paid	28,000	24,500
Preference dividends:		
5-7% Cumulative preference shares (notes 14 and 24)	2	2
	28,002	24,502
Ordinary dividend per share /stock unit	0.128 ¢	0.112 ¢

The preference dividends were paid on a quarterly basis in both years.

26. Commitments

Commitments for capital expenditure, for which no provision has been made in these financial statements, amounted to approximately $6 million (2008: $5.6 million).

In addition to its commitments under IPP contracts (note 4), the company had unexpired operating lease commitments at 31 December 2009 payable as follows:

	2009 $'000	2008 $'000
Within 1 year	19,065	18,991
From 1-2 years	18,628	18,859
From 2-3 years	19,394	18,427
From 3-4 years	19,902	19,184
From 4-5 years	10,831	19,687
Over 5 years	326,453	333,634
	414,273	428,782

26. Commitments (continued)

Lease payments under operating leases including IPP contracts (note 4) recognised in the statement of comprehensive income for the year aggregated approximately $80.7 million (2008: $67.3 million).

27. Contingent liabilities

(i) The company was contingently liable at 31 December 2009 in respect of various lawsuits alleging damages. In the majority of these lawsuits, the outcome cannot be determined with certainty at this time. However, at 31 December 2009, a provision of $0.9 million (2008: $1.1 million) was made (see note 10) in accordance with the recommendation of the company's attorneys or based on management's best estimate.

28. Financial instruments

(a) Financial risk management:

The company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risks
- operational risks

This note presents information about the company's exposure to each of the above risks arising in the ordinary course of the company's business, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital.

The Board of Directors, in managing the business of the company, oversees the company's risk management framework. Key management has responsibility for monitoring the company risk management policies in their specified areas and report quarterly to the Board of Directors on their activities.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions. The company, through training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

28. Financial instruments (continued)

(a) Financial risk management (continued)

The company's parent company has monitoring oversight of the risk management policies and is assisted in these functions by the company's internal audit department. The internal audit department undertakes both regular and ad-hoc reviews of risk management controls and procedures, the result of which are reported to the Board of Directors.

(i) Credit risk:

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's trade receivables, which is stated net of an allowance for doubtful balances.

As part of its management of credit risk, the company requires account deposits from certain customers. Additionally, management has processes in place for the prompt disconnection of services to, and recovery of amounts owed by, defaulting customers.

The company establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures. The loss allowance is determined based on historical payment statistics for similar financial assets and an assessment of the debtor's ability to settle debt.

At 31 December 2009, the company had significant concentrations of credit risk in respect of amounts receivable from the Government of Jamaica and its affiliates aggregating $26.27 million (2008: $15.98 million).

(ii) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

28. Financial instruments (continued)

(a) Financial risk management (continued)

(ii) Liquidity risk (continued)

Key management of the company, in conjunction with its ultimate holding company, aims at maintaining flexibility in funding by keeping lines of funding available as well as by acquiring and maintaining prudent cash resources in appropriate currencies. For example, the company's treasury department receives and monitors information from other departments regarding the liquidity profile of their financial assets and liabilities and maintains a portfolio of short-term liquid assets and loans to ensure that sufficient liquidity is maintained within the company as a whole. As at 31 December 2009, the company had unutilised lines of credit aggregating $28 million (2008: $34 million).

An analysis of the contractual maturities of the company's financial liabilities is presented below. The analysis provided is by estimating timing of the amounts recognised in the statement of financial position.

		Contractual undiscounted cash flows					
	Carrying Amount	Total cash outflow	Less than 1 year	1-2 years	3-5 years	6-10 years	More than 10 years
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
31 December 2009:							
Accounts payable and provisions	115,975	115,975	115,975	-	-	-	-
Loans	322,246	322,246	72,033	23,249	43,782	179,214	3,968
Due to related companies	154	154	154	-	-	-	-
Customer deposits	27,919	27,919	-	-	-	6,454	21,465
Total financial liabilities	466,294	466,294	188,162	23,249	43,782	185,668	25,433
31 December 2008:							
Bank overdraft	775	775	775	-	-	-	-
Accounts payable and provisions	78,254	78,254	78,254	-	-	-	-
Loans	311,926	311,926	66,002	17,612	37,750	185,533	5,029
Due to related companies	161	161	161	-	-	-	-
Customer deposits	30,078	30,078	-	-	-	12,161	17,917
Total financial liabilities	421,194	421,194	145,192	17,612	37,750	197,694	22,946

Contracted off-balance cash payments in respect of independent power purchase agreements are disclosed in note 26(b).

28. Financial instruments (continued)

(a) Financial risk management (continued)

(iii) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the value of the company's assets, the amount of its liabilities and/or the company's income. Market risk arises in the company due to fluctuations in the value of assets and liabilities.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The nature of the company's exposures to market risks and its objectives, policies and processes for managing these risks have not changed significantly over the prior period. For each of the major components of market risk the company has policies and procedures in place which detail how each risk is managed and monitored. The management of each of these major components of market risk and the exposure of the company at the reporting date to each major risk are addressed below.

Derivative financial instruments are not presently used to reduce exposure to fluctuations in interest and foreign exchange rates.

At 31 December 2009, the company had no exposure to market risk relating to changes in equity prices.

- *Interest rate risk:*

  Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

  The company contracts financial liabilities at fixed or floating interest rates. These primarily relate to loans, customer deposits, certain trade payables and bank overdrafts.

  The maturity profiles and interest rates of the company's long-term loans are disclosed in note 17, the details of short-term loan in note 9 and of customer deposits in note 16. Bank overdraft is subject to interest rates fixed in advance, which may be varied by appropriate notice by the lenders.

  Interest bearing financial assets relate to cash and cash equivalents and repurchase agreements.

28. Financial instruments (continued)

(a) Financial risk management (continued)

(iii) Market risk (continued)

- *Interest rate risk (continued):*

At 31 December 2009, the interest profile of the company's interest-bearing financial instruments was:

	Carrying amount	
	2009	**2008**
	$'000	$'000
Fixed rate instruments:		
Financial assets	18,820	17,043
Financial liabilities	(238,738)	(212,440)
Variable rate instruments:		
Financial liabilities	(101,057)	(116,717)

Fair value sensitivity analysis for fixed rate instruments:

The company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect the statement of comprehensive income.

Cash flow sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	2009 Effect on profit or loss		**2008 Effect on profit or loss**	
	100bp increase	100bp decrease	100bp increase	100bp decrease
Cash flow sensitivity (net)	(1,011)	1,011	(1,167)	1,167

28. Financial instruments (continued)

(a) Financial risk management (continued)

(iii) Market risk (continued)

- *Foreign currency risk*:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The company incurs foreign currency risk primarily on purchases and borrowings that are denominated in a currency other than the United States dollar. The currencies giving rise to significant foreign currency risk are the Jamaica dollar (J$) and Euro (€).

The company manages foreign exchange exposure by maintaining adequate liquid resources in appropriate currencies and by managing the timing of payments on foreign currency liabilities.

The table below shows the company's foreign currency exposure, at balance sheet date:

	2009			2008		
	J$	€	US$	J$	€	US$
	$'000	$'000	$'000	$'000	$'000	'000
Cash and cash equivalents	43,831	-	489	410,565	-	5,102
Reverse repurchase agreements	41,037	-	458	2,304	-	29
Trade and other receivables	19,030,903	-	212,398	13,262,348	-	167,139
Accounts payable and provisions	(2,191,826)	(2,027)	(27,362)	(2,000,114)	(1,953)	(26,808)
Long-term loans	-	(3,879)	(5,548)	(522,000)	(3,879)	(11,938)
Customer deposits	(2,501,548)	-	(27,919)	(2,420,351)	-	(30,078)
	14,422,397	(5,906)	152,516	8,732,752	(5,832)	103,446

28. Financial instruments (continued)

(a) Financial risk management (continued)

(iii) Market risk (continued):

- *Foreign currency risk (continued)*:

Sensitivity analysis:
A 5% strengthening of the United States dollar (the company's principal foreign currency) against the Jamaica dollar and the Euro would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

	2009		2008	
	Equity $'000	Profit/loss $'000	Equity $'000	Profit/loss $'000
J$	(8,048)	(8,048)	(5,426)	(5,426)
Euro (€)	422	422	410	410

A 5% weakening of the United States dollar against the Euro and the Jamaican dollar, respectively, at year end would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(iv) Operational risk:

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes including regulatory risk, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to its reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the company.

28. Financial instruments (continued)

(b) Capital risk management:

Capital risk is the risk that the company fails to comply with mandated regulatory requirements, resulting in a breach of its operating Licence and the possible adverse effects on its tariff structure in accordance with its Licence (see note 2). The company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet, are:

- To comply with the operational requirements set by the regulators;
- To safeguard the company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To maintain creditor and market confidence; and
- To maintain a strong capital base to support the development of its business.

There were no changes in the company's approach to capital management during the year.

(c) Fair value disclosure:

(i) The amounts reflected in the financial statements for cash and cash equivalents, repurchase agreements, accounts receivable, related party balances, bank overdraft, accounts payable and provisions, and short-term loan are assumed to approximate to their fair values. Long-term loans are stated at contracted settlement values which are considered to be broadly equivalent to fair value. Additionally, the cost of all monetary assets and liabilities has been appropriately adjusted to reflect estimated losses on realisation or discounts on settlement.

(ii) The fair value of customer deposits and refundable customer advances cannot practically be determined, as payment dates and amounts are not determinable. However, as customer deposits attract interest rates broadly equivalent to bank savings rates, no fair value adjustment is considered necessary.

29. Prior year adjustments

As indicated in note 3(c) i), the company changed the method used to recognise actuarial gains under IAS 19 from the corridor to the systematic method. The change was accounted for retrospectively and resulted in a net increase of $1.129 million in retained earnings, an increase of $1.694 million in employee benefit assets and an increase in deferred tax liabilities of $0.565 million as at 31 December 2007; and a net decrease in 2008 of $2.506 million in profit for the year, a decrease of $2.801 million in employee benefit assets and a reduction of $0.834 million in deferred tax liabilities.

29. Prior year adjustments (continued)

The retrospective application of this change in accounting policy has resulted in the presentation of three statements of financial position 2007-2009 as required by IAS 1 (amended): *Presentation of financial statements* to reflect the impact of the change on the beginning of the earliest comparative period.

The comparative balances included in the statement of financial position for 2007 and the related notes have been remeasured and those remeasured balances have not been audited (note 3 (c) (ii)).

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Jamaica Public Service Company Limited will be held on Tuesday, 13th day of July 2010 at the Company's registered offices, 6 Knutsford Boulevard, Kingston 5 commencing at 11:30 a.m. for the following purposes:

1. TO RECEIVE THE ACCOUNTS

To receive the Audited Accounts for the year ended December 31, 2009 and the Reports of the Directors and Auditors thereon and to consider and (if thought fit) pass the following resolution:

"That the Accounts for the year ended December 31, 2009 together with the Reports of the Directors and Auditors thereon be approved and adopted"

2. TO APPROVE AND RATIFY INTERIM DIVIDENDS:

i. RESOLVED that this Board HEREBY APPROVES to declare an interim dividend of the Jamaican equivalent of Ten Million United States Dollars (US$10,000,000.00) or 0.0006872 United States cents per share/stock on the Ordinary Stock/Shares of the Company at the rate of exchange of the Bank of Jamaica's daily weighted average selling rate on 16th day of December 2009 payable on the 30th day of December 2009 to share/stockholders registered at close of business on 16th day of December 2009. This amount will be distributed out of retained earnings.

ii. RESOLVED to declare an interim dividend of the Jamaican equivalent of Eighteen Million United States Dollars (US$18,000,000.00) or 0.082462 United States cents per share/stock on the Ordinary Stock/Shares of the Company at the rate of exchange of the Bank of Jamaica's daily weighted average selling rate on 13th day of February 2009 payable on the 27th day of February 2009 to share/stockholders registered at close of business on 13th day of February 2009. This amount will be distributed out of retained earnings.

3. TO ELECT DIRECTORS

i. In accordance with Article 123 of the Company's Articles of Association,

- Mr. Christopher Berry having been appointed to the Board since the last Annual General Meeting shall cease to hold office and, being eligible offers himself for election.

The Company is asked to consider, and if thought fit pass the following resolution:
"That retiring Director Christopher Berry is hereby elected a Director of the Company".

ii. In accordance with Article 117 and 119 of the Company's Articles of Association,

- Director Beverley Lopez be recommended for re-election as a Director at the forthcoming Annual General Meeting of the Company.

The Company is asked to consider, and if thought fit pass the following resolution:
" that Director Beverley Lopez be recommended for re-election as a Director at the forthcoming Annual General Meeting of the Company".

4. TO APPOINT AUDITORS AND FIX THEIR REMUNERATION

5. ANY OTHER BUSINESS FOR WHICH DUE NOTICE HAS BEEN GIVEN.

DATED THIS FOURTEENTH DAY OF JUNE 2010

BY ORDER OF THE BOARD

Katherine P.C. Francis
Secretary

FORM OF PROXY

JAMAICA PUBLIC SERVICE COMPANY LIMITED

I/We ……………………………………………………………

of…………………………………………… being a member/members of the above Company hereby appoint the Chairman of the meeting or failing him ……………………………………………………….of

……………………………...

as my/our Proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on the 13th day of July 2010 at 11:30 a.m. and at any adjournment thereof.

RESOLUTION	FOR	AGAINST
Resolution 1		
Resolution 2 (i)		
Resolution 2(ii)		
Resolution 3(i)		
Resolution 3(ii)		
Resolution 4		

DATED THE ....DAY OF...2010

……………………………………………..
(signature)

…………………………………
(signature)

1. If you wish to appoint a proxy other than the Chairman of the Meeting, please insert the person's name and address and delete the words "the Chairman of the Meeting or failing him". Initial the deletion.

2. Any alteration to this form of proxy should be initialled.

3. If the appointer is a corporation this form of proxy must be UNDER ITS COMMON SEAL or under the hand of some officer or attorney of the corporation DULY AUTHORIZED IN WRITING.

4. In case of joint holders, the vote of the person whose name stands first on the Register will be accepted in preference to the vote of the other holders.

5. To be effective this form of proxy and the power of attorney or other (if any) under which it is signed or a notarially certified copy, of that power or authority must be deposited at Jamaica Public Service Company Limited, 6 Knutsford Boulevard, Kingston 5 for the attention of the Secretary not less than forty-eight (48) hours before the time for holding the meeting.