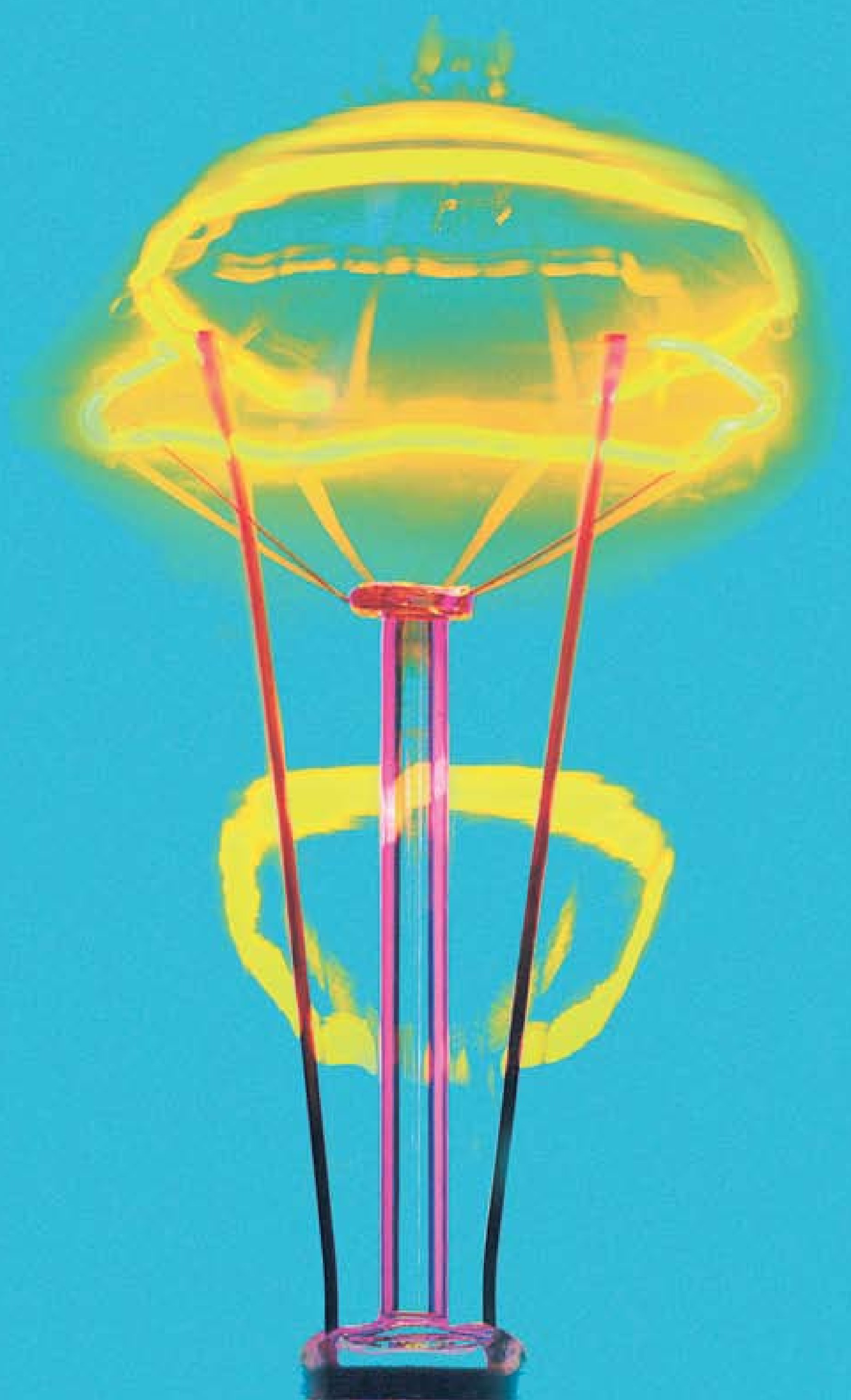
JAMAICA PUBLIC SERVICE COMPANY LIMITED

ANNUAL REPORT 2005



CONTENTS

OUR VISION

To become a world-class energy service organisation, providing superior customer service while achieving financial viability.

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.

United States- based Mirant Corporation 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 560,000 customers who are served by a workforce of approximately 1,600 employees.

The Company owns and operates 28 generating plants, 54 substations, and approximately 14,000 kilometres of distribution and transmission lines.

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Jamaica Public Service Company Limited will be held on Tuesday, 19th day of September 2006, at the offices of the Jamaica Public Service Company Limited, 6 Knutsford Boulevard, Kingston 5 in the parish of Saint Andrew, Jamaica at 2nd Floor Conference Room, 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, 2005, together with the Report of the Directors and Auditors thereon and to consider and (if thought fit) pass the following resolution:

"That the Audited Accounts for the year ended December 31, 2005 together with the Reports of the Directors and Auditors thereon, be and are hereby adopted."

2. TO APPROVE DIVIDENDS

(a) That the Interim dividend payment of Jamaican six point four eight cents (J$0.0648) paid by the Board on the 8th day of April 2005 be and is hereby approved.

(b) That the interim dividend payment of Jamaican six point four eight cents (J$0.0648) paid by the Board on the 5th day of August 2005 be and are hereby declared as final and no further dividend be declared and paid in respect of the year under review.

3. TO ELECT DIRECTORS

The directors retiring by rotation pursuant to Section 117 of the Company Articles of Association are Eleanor Brown, Hugh Campbell, and Prakash Vaswani.

The retiring directors being eligible for re-election pursuant to Section 119 of the Company Articles of Association offer themselves for re-election.

To consider and (if thought fit) pass the following resolutions:

(a) "that retiring Director Eleanor Brown be and is hereby re-elected a director of the Company."

(b) "that retiring Director Hugh Campbell be and is hereby re-elected a director of the Company."

(c) "that retiring Director Prakash Vaswani be and is hereby re-elected a director of the Company."

4. TO APPOINT AUDITORS AND FIX REMUNERATION

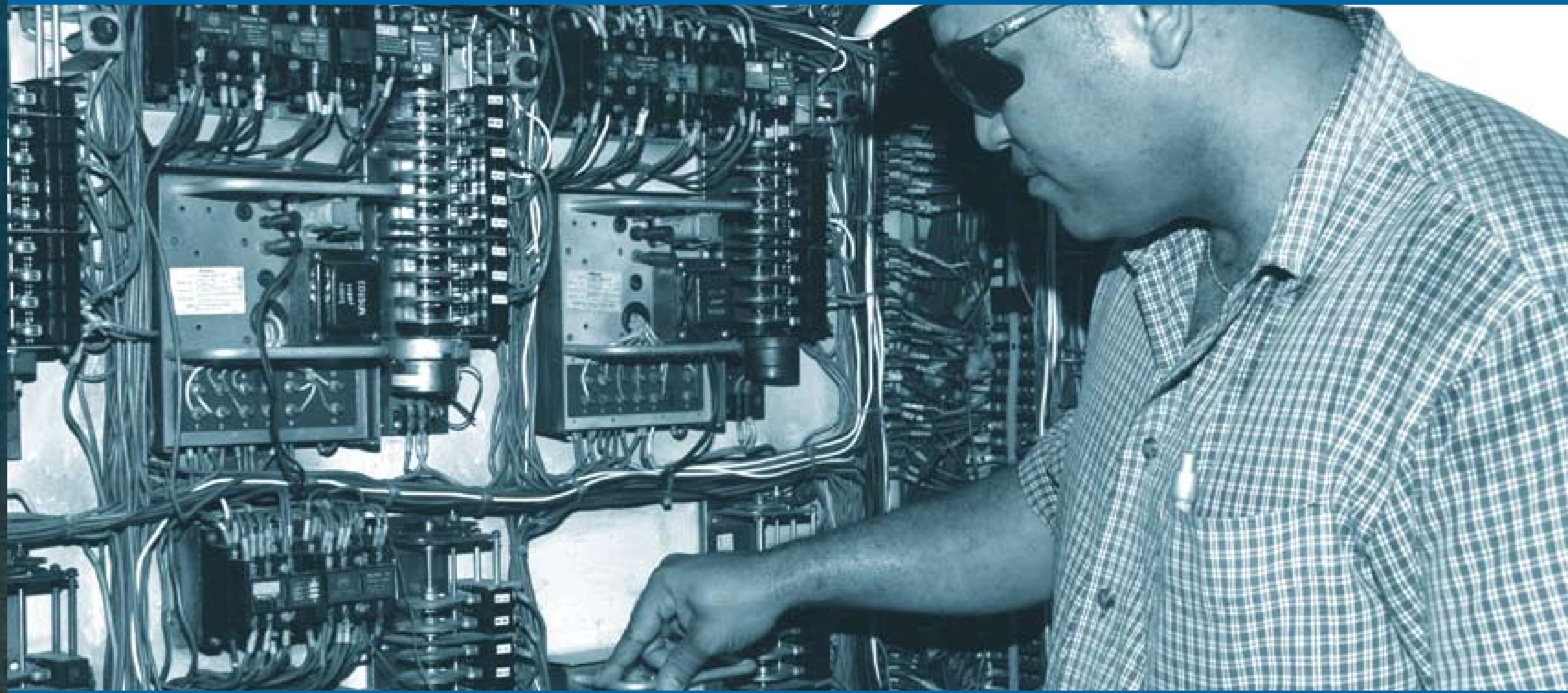
"To consider and (if thought fit) pass the following resolution:

"That Messrs. KPMG having agreed to continue in office as Auditors, be and are hereby appointed Auditors of the Company to hold office until the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company".

Dated this 1st day of August 2006
BY ORDER OF THE BOARD

Katherine P. C. Francis
Secretary

ENERGY



CHANGES

LIVES

STATEMENT TO SHAREHOLDERS

WILLIAM VON BLASINGAME
CHAIRMAN

CHARLES MATTHEWS
PRESIDENT AND CEO

The year 2005 represented another challenging year for JPS, but the company is able to report that it has been able to create value for its shareholders through increase in earnings and improved operational performance. The notable challenges for the year included several events that had an impact on the strategic focus of the company.

JPS experienced continued increases in world oil prices, resulting in an overall 52% increase in the cost of fuel purchased by JPS during 2005 with very little expectation of a reduction in the near future. This had a negative impact on energy sales growth as customers initiated conservation initiatives to negate the increased cost of electricity. It also underscores the importance of JPS' commitment to ensure that the next major generation expansion results in a more diversified source of fuel, specifically targeted towards reducing our dependence on oil, thus stabilizing the cost of electricity to our customers in the future. In this regard, the company is in discussions with the Office of Utilities Regulation (OUR) to finalize the next major phase of our least cost generation expansion plan.

Additionally, JPS has incurred an increase in system losses from 19.9% on average in 2004 to 21.2% in 2005. In light of this, the company has intensified its efforts to reduce the theft of electricity. JPS cannot tolerate the criminal act of stealing electricity by any individual, or business as this has significant impact on the company, our shareholders and our customers. JPS has increased customer awareness of the problem and will be seeking additional support from the relevant authorities to address this problem of crime, which is not just limited to JPS but is of national concern.

JPS was affected by three hurricane storm systems (Dennis, Emily and Wilma), which reminded us of the need to have an appropriate, efficient and agreed regulatory process in place to address the unavailability of insurance in relation to hurricane storm damage. This is important to ensure the sustainability of Jamaica's critical energy sector in case of a catastrophic event such as Hurricane Ivan 2004 or the devastation of two of our sister islands Cayman and Grenada during the same year.

In the meantime, JPS continues to be committed to improving customer service through a number of projects that have required significant capital expenditures. These projects included the expansion of the 24-hour customer care centre through investment in technology and additional staff, and this has resulted in the company being more responsive to customers who contact us by phone. A new office was opened to better serve customers in Portmore, St Catherine – the largest residential community in the island. This marks the beginning of a programme to update customer service offices islandwide. A heightened customer outreach and customer education program will continue into 2006 and beyond to strengthen the company's relationship with customers.

As the company's focuses more on fuel diversification, over the years significant investment has been made in the rehabilitation of the company's five older Hydro units. As a result, in 2005, they were able to achieve availability of 95%, the best performance recorded by these units in many years. The issues of environment, health and safety were central to the performance of the Hydro team, which was recognized by both Mirant and JPS for operating throughout the year without a single safety or environmental incident. The Bogue power station, which boasts the newest units in the company's generating fleet, also recorded significant safety performance, winning accolades both locally and overseas.

Despite these achievements by the Bogue and Hydro teams, the overall safety record at JPS continues to be an area of concern. Following an accident at the Old Harbour Power Station in September 2005, which claimed the lives of three workers, the company doubled its efforts to improve employee safety throughout its facilities through significant safety equipment purchases, and the training and retraining of workers in safety policies and procedures.

The salient points relating to the improvement in the financial results from 2004 to 2005 are noted below:

- Operating revenues increased by 32%, from J$30 billion to J$40 billion, due to higher fuel revenues (J$6 billion) and higher non-fuel revenues (J$4 billion). The increase in fuel revenues was driven primarily by the increase in fuel costs; while the increase in non-fuel revenues was due to a combination of events, including: the full year effect of the June 2004 rate determination and the part-year effect of the August 2005 non-fuel tariff increase granted by the OUR, a 4.8% increase in the foreign exchange billing rate during the year, and a 3% increase in energy sales.

- Cost of sales increased by 52%, from J$18 billion to J$26 billion, primarily due to a significant increase in the average fuel prices; and partly due to the 4.3% increase in the net generation (from 3,717 to 3,878 GWh) and the 4.8% increase in the foreign exchange rate during the year.

- Gross profit increased by 15%, from J$12 billion to J$14 billion, principally due to the non-fuel tariff increase granted by the OUR in June 2004 and August 2005. This increase was offset by a J$977 million net under-recovery of fuel costs (i.e. fuel revenues were lower than fuel costs). The under-recovery of fuel costs was principally due to: 1.) The deterioration in the heat rate performance against the OUR target as a result of the increased use of our less efficient peaking units to compensate for the unavailability of our more efficient combined cycle plant at Bogue between September 2004 and August 2005. This unit was damaged in the aftermath of Hurricane Ivan and took approximately one year to be repaired. 2.) An increase in system losses from 20.0% in 2004 to in 2005

- Operating expenses increased by 11%, from J$6.6 billion to J$7.3 billion, principally as a result of local inflation (13%) and its impact on employee wages and third party service rates.

- Earnings before interest, tax, depreciation and amortization (EBITDA) increased by 21%, from J$5.6 billion to J$6.8 billion, as a result of the 15% improvement in the gross profit which was partially offset by the 11% increase in operating expenses.

- Net finance costs increased by 22%, from J$2.0 billion to J$2.4 billion, primarily as a result of the $308 million increase in the unrealized foreign exchange losses, which is attributable to the 4.8% depreciation of the J$ in 2005; and partly due to the increased J$ interest costs, in relation to our U.S. dollar denominated debt, as a result of the currency depreciation.

- Other expenses reduced substantially (by J$1,485 million) as a result of the non-recurrence of the one-off expenses in 2004 associated with hurricane Ivan (J$725 million) and a company-wide reorganization (J$652 million).

JPS recorded a net profit after taxation of J$1,466 million, compared to a J$142 million net loss after taxation for 2004. While this improvement in financial performance over 2004 can be materially explained by the absence of the one-off costs incurred in 2004 in relation to a company-wide restructuring and hurricane restoration costs (collectively J$1,377 million), we anticipate continued improvement in the operational and financial performance as management continues to implement initiatives which are aimed at adding value for all its stakeholders. This includes, among other things, focus on productivity improvement, customer satisfaction, safety and a strategy aimed at growing sales while curtailing system losses.

WILLIAM VON BLASINGAME
CHAIRMAN

CHARLES MATTHEWS
PRESIDENT AND CEO

BOARD OF DIRECTORS

WILLIAM VON BLASINGAME
CHAIRMAN

CHARLES MATTHEWS
PRESIDENT AND CEO

CHARLES JOHNSTON

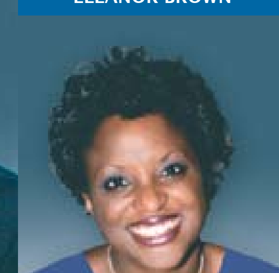
DAVID DUNBAR

DONALD GRAY

PRAKASH VASWANI

HUGH CAMPBELL

ELEANOR BROWN



MANAGEMENT COUNCIL

CHARLES MATTHEWS
PRESIDENT AND CEO

THOMAS DORSEY
SENIOR VP, CUSTOMER OPERATIONS

MONTE ASH
SENIOR VP, GENERATION
(Appointed August 1, 2005)

CARLTON WATSON
SENIOR VP, ADMINISTRATION

ROSE ANN DAVIS
SENIOR LEGAL COUNSEL
AND SECRETARY

ROBERT PATRICK
SENIOR VP, GENERATION

FRANK RAY
DIRECTOR, EXTERNAL AFFAIRS

GLENFORD WATSON
ACTING SENIOR LEGAL COUNSEL
AND SECRETARY
(Appointed August 1, 2005)

PAMELA HILL
CFO AND SENIOR VP, FINANCE

THE YEAR IN REVIEW

MOVING FORWARD

In 2005 JPS continued to focus on improving its performance in the area of customer service. The company made significant progress in this regard through a number of initiatives, including an intense islandwide series of customer and community meetings. These meetings were particularly effective in strengthening the company's relationship with customers, as they provided the opportunity for the parties to engage in constructive, frank and open discussions.

The company's success in this area came against the backdrop of a number of challenges encountered by the organization in 2005. Chief among them was the continuous escalation in the price of fuel on the world market. The high oil prices had a significant impact on JPS and many other companies that depend on oil for operational efficiency. In light of the fact that approximately 20,000 barrels of oil are required each day to produce the electricity needed by customers, it was inevitable that customers, for whom the cost of fuel is a direct 'pass through' on their electricity bills, also felt the impact of the price increases.

This and the other challenges faced by JPS set the stage for the company to make significant improvements in the way it operates. Consequently, by the end of 2005, the company was moving forward with a new set of priorities and a new approach to the way it conducts its business.

>>ENERGISING EMPLOYEES

Throughout the year the company continued its programme of energising employees by providing opportunities to maximize their potential. Under the company's scholarship and educational assistance programmes, a total of 36 full or partial scholarships enabled employees and their children to take significant steps towards achieving their personal goals.

In September, an accident at the Old Harbour Power Station regrettably resulted in three fatalities. Following on this event, JPS intensified its programme to improve employee safety at all its facilities. This included the validation of safety procedures, significant safety equipment purchases, and the training and retraining of employees and contractors in safety policies and procedures. JPS utilized every opportunity available to protect its greatest asset – its employees.

(ABOVE, FROM L-R) Dwight DaCosta, Director, System Planning and Control; Dan Theoc, Financial Controller; Nigel Grant, Vice President, Customer Operations; Aldington-Dean Smith, Director, Financial Planning and Reporting; Sam Davis, Head, Government and Regulatory Affairs; and Swee Chua, Vice President, Commercial Services, recipients of the 2005 President's Award for Excellence, pose with President and CEO, Charles Matthews.

(AT LEFT) Participants of the 2005 High Mountain 10K Road Race stride their way along the difficult route headed for finishing line.

>>ENERGISING OUR COMMITMENT TO CUSTOMERS

JPS' relationship with customers was significantly influenced by a number of factors outside the company's control. Spiraling oil prices led to an increase in the fuel charges on customers' bills, and a very active hurricane season resulted in inevitable disruptions in power supply. As could be expected under such circumstances, JPS customers were unhappy and they voiced their dissatisfaction.

(ABOVE) Sonia Jones, (LEFT) Manager, Customer Care, St. Catherine, assists Portmore's Mayor George Lee to cut the ribbon to reopen the Portmore office. Sharing in the moment are Kendis Nangle, (2ND LEFT), General Manager, KSA North; Swee Chua, (RIGHT) Vice President, Commercial Services; and Lloyd Tyme, Director, Region Operations.

(AT RIGHT) 2005 JPS/Kettering awardees Dane Clarke (LEFT) of Ardenne High School and Christian Anderson (RIGHT) of Wolmers Boys School meet the President and CEO, Charles Matthews.

(BELOW) Dr. Omar Davies, Minister of Finance and Planning, meets members of the teams who competed in the JPS/St. James Intermediate Netball League.

In response, the company implemented a number of customer outreach initiatives, including an energy conservation campaign designed to empower customers with practical information to help control energy usage. In addition, the company extended its opening hours to include Saturdays, and hosted a series of meetings with sector groups, members of the business community, and other key customer groups. These meetings provided the opportunity for dialogue leading to mutual understanding.

JPS continued its efforts to improve customer service through a number of projects that required significant capital expenditures. These included the expansion of the 24-hour customer care centre through investment in technology and additional staff, resulting in the company being more responsive to customers. In addition, customers in Portmore, St. Catherine benefited from the opening of a new customer service office, which will serve as a model for the upgrade of other customer service offices.

During the year the island was affected by three hurricanes – Dennis, Emily and Wilma. All three storms did significant damage to some areas of the company's systems; however, with significant improvements made to its disaster response system following Hurricane Ivan in 2004, the company was well prepared to handle the restoration process. In all three cases electricity service was restored to the majority of customers within twenty-four hours. This was the result of the company's undaunted and hardworking linemen who constantly went beyond the call of duty to guarantee excellent service for the customers.

(TOP LEFT) Charles Matthews, (LEFT) President and CEO and Maxine Henry-Wilson (RIGHT) Minister of Education and Youth assist Maurice Reid, Manager Community Relations to display a cheque highlighting JPS' commitment of $2.5 million to the JPS Early Childhood Nutrition Programme.

(ABOVE) A student of Winston Jones High explains his exhibit on purification and recycling of domestic water to a group of students.

(AT LEFT) Charles Matthews shares with a group of young children following the launch of the 2005 JPS Nutrition Programme.

>>ENERGISING COMMUNITIES

Being part of a multi-national group, JPS' alliances extend beyond Jamaica's borders to embrace a regional and global family in which it plays an integral role. This was evident following the devastation from Hurricane Wilma in the Bahamas. A team of expert JPS linemen went to the assistance of the Grand Bahama Power Company (GBPCo) and completed restoration efforts in record time to the delight of customers. The linemen left behind many grateful and appreciative individuals and returned to Jamaica with a trail of accolades and new experiences gathered from their short but rewarding sojourn.

Locally, JPS focuses on changing the lives of young Jamaicans, primarily through support for education, health and sport. In 2005, the company continued its community programme through activities such as: Community Football League Competitions, the High Mountain 10K in Manchester, the Jamaica National Building Society/JPS Eastern Championships, Regional Science Fairs, the JPS/St. James Intermediate Netball Competition, the Early Childhood Nutrition Programme and significant donations of computers and furniture to schools and students.

Each year, approximately 200 students benefit from the JPS Summer Work Programme. This programme prepares the young participants for the world of work through the experience they gain at JPS locations and in outreach centres with which JPS has ongoing partnerships. Included among this group since 2003, are two students from the inner city who are awarded the Kettering Scholarship to spend six weeks at Kettering University in Flint, Michigan each year. In 2005, Christian Anderson of Wolmer's Boy's School and Dane Clarke of Ardenne High School went off to Kettering University and maintained the programme's tradition of success. Christian Anderson excelled in his studies and was awarded a full scholarship to join two earlier JPS/Kettering scholars in the Bachelor's Degree Programme at Kettering University.

>>ENERGY AND EXCELLENCE

In 2005, the Bogue Generation Expansion Project 120MW became the first Jamaican project to place among the top three awardees for the Project Management Institute (PMI) Award. The project was nominated for its completion in record time and under budget. The Bogue operations also recorded significant safety performance in the year under review, winning accolades both locally and overseas.

The company's hydroelectric units recorded exceptional performance in 2005. During the year, they were able to achieve availability of 95%, the best performance recorded by these units in many years. The issues of environment, health and safety were central to the performance of the Hydro team, which was recognized both by Mirant and JPS for operating throughout the year without a single safety or environmental incident.

As part of the company's ongoing efforts to encourage excellence among team members, in 2005 a group of employees was singled out to receive the prestigious President's Award for Excellence. The Rate Case Team won this award as a result of their dedication and exceptional performance during the previous financial year. Sharing the limelight was the Branding Team, whose members were recognized with a Merit Award for their efforts in strengthening the JPS Brand.

Participating in the International Lineman Rodeo in Kansas City, Kansas, is an event that JPS linemen look forward to each year. The event provides linemen with an opportunity to showcase their skills and compete against linemen from over 200 electric utilities. As is customary, in 2005, JPS linemen excelled, with Raymond McDonald and Rudolph Wright placing 4th and 5th respectively in the overall competition.

Throughout the year the company was able to overcome many challenges and meet most targets. This success could not have been achieved without the dedicated support of a strong team of committed employees. It is on their strength that JPS was able to improve its performance and move one step closer towards providing customers with world-class service.

JPS linemen work at restoring electricity supply to customers following Hurricane Wilma.

REPORT OF THE DIRECTORS

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, 2005.

	Year ended Dec-31-05 $'000	Year ended Dec-31-04 $'000
OPERATING REVENUES	40,253,133	30,398,917
Profit/(Loss) before taxation	1,926,056	(126,454)
Deferred Tax Expense	(479,901)	(15,452)
Net Profit (Loss) attributable to shareholders	1,446,155	(141,906)
Dividend on Preference Shares	(170)	(170)
Dividend on Ordinary Shares	(1,394,811)	-
Transfer from Capital Reserve, net	835,536	622,073

Dividend

The dividends for the year on all preference shares have been paid in full. Interim dividend payment of (J$0.0648) was paid on the ordinary stocks and shares by the Board on the 8th day of April 2005 and the 5th day of August 2005, respectively. The Board will not recommend any additional dividend for the period.

Directors

Ms. Eleanor Brown, Mr. Hugh Campbell and Mr. Prakash Vaswani are due to retire at the forthcoming Annual General Meeting, and are eligible for re-election pursuant to Sections 117 and 119 of the Articles of Association.

The Directors who served during the period were James R. Harris (Chairman resigned September 29, 2005), William P. von Blasingame (Chairman appointed December 13, 2005), Charles Matthews, David Dunbar, Charles Johnston, Curtis Morgan (resigned December 2, 2005), Julius Hollis, Eleanor Brown, Prakash Vaswani, and Hugh Campbell.

Auditors

The Auditors Messrs. KPMG have signified their willingness to continue in office. The General Meeting will be asked to approve a resolution for their re-appointment.

Katherine P.C. Francis
Secretary

OPERATIONAL STATISTICS

	Annualised Growth (%) (Dec-31-05)	Dec-31-05 J$'000 (12 months)	Dec-31-04 J$'000 (12 months)	Dec-31-03 J$'000 (12 months)	Dec-31-02 J$'000 (9 months)	Mar-31-02 J$'000 (12 months)
OPERATING REVENUES ($000's)						
Residential	25	16,597,402	13,266,677	12,007,766	7,253,125	8,092,352
Commercial & Industrial (Sml.)	44	18,052,178	12,523,167	10,242,415	6,518,232	7,664,635
Commercial & Industrial (Lge.)	20	4,606,184	3,824,704	3,558,322	2,189,646	2,436,854
Other	27	997,369	784,370	654,594	395,831	615,738
TOTAL	32	40,253,133	30,398,918	26,463,097	16,356,834	18,809,579
AVERAGE NO. OF CUSTOMERS						
Residential	2	491,452	480,665	462,107	452,388	442,845
Commercial & Industrial (Sml.)	2	56,700	55,480	54,276	54,881	54,775
Commercial & Industrial (Lge.)	-2	92	94	103	98	97
Other	4	202	195	195	193	182
TOTAL	2	548,446	536,434	516,681	507,560	497,899
NET GENERATION AND PURCHASES (MWH)						
Steam & Slow Speed Diesel	3	1,788,365	1,731,035	1,885,327	1,454,403	1,889,213
Hydro	13	151,310	134,327	146,313	88,602	67,452
Gas Turbines	25	358,080	286,939	468,334	333,300	513,624
Combined Cycle Plant	-16	513,126	611,376	173,596	-	-
Purchases	12	1,067,109	953,345	1,022,435	811,143	931,662
TOTAL	4	3,877,990	3,717,022	3,696,005	2,687,447	3,401,951
Losses & Unaccounted for (MWh)	15	822,836	717,383	686,544	464,705	582,211
Systems losses as a percentage of Net Generation	10	21.2%	19.3%	18.6%	17.3%	17.1%
ENERGY SALES (MWH)						
Residential	3	1,123,274	1,089,691	1,110,794	842,972	1,074,004
Commercial & Industrial (Sml.)	4	1,382,303	1,332,462	1,282,777	934,911	1,196,026
Commercial & Industrial (Lge.)	-7	464,020	497,815	542,628	392,418	481,275
Other	7	85,557	79,672	73,262	52,441	68,435
TOTAL	2	3,055,154	2,999,639	3,009,461	2,222,742	2,819,740
AVERAGE USE & REVENUE per residential customer						
Annualized kWh consumption/Customer	1	2,286	2,267	2,404	2,485	2,425
Annualized Revenues/Customer	22	33,772	27,601	25,985	21,377	18,274
Jamaican Dollars per kWh	21	14.8	12.2	10.8	8.6	7.5
Average billing exchange rate for period	2	62.35	61.31	57.42	48.73	46.38
U.S. Cents per kWh	19	23.7	19.9	18.8	17.7	16.2

FINANCIAL STATISTICS

Period/Year ending:	Dec-31-05 12 months (IAS) J$'000	Dec-31-04 12 months (IAS) J$'000	Dec-31-03 12 months (IAS) J$'000	Dec-31-02 9 months (IAS) J$'000	Mar-31-02 12 months (Non IAS) * J$'000
FIXED ASSETS	97,173,074	88,686,755	81,667,092	73,491,510	67,363,004
Less accumulated depn.	59,681,572	53,935,001	49,169,076	46,446,070	43,586,629
	37,491,502	34,751,754	32,498,016	27,045,440	23,776,375
NET WORKING CAPITAL/(DEFICIT)	(2,237,279)	5,570,930	4,227,868	1,533,054	1,883,810
NON-CURRENT ASSETS	1,518,801	1,225,700	900,900	781,300	706,075
TOTAL NET ASSETS	36,773,024	41,548,384	37,626,784	29,359,794	26,366,260
CAPITAL EMPLOYED	36,773,024	41,548,384	37,626,784	29,359,794	26,366,260
Represented by:					
Long term debt (%)	15.4%	34.1%	34.6%	25.7%	24.3%
Customer Deposits & Advances (%)	5.6%	5.1%	5.5%	6.0%	6.2%
Employee benefit obligations (%)	3.3%	2.7%	2.8%	2.7%	2.9%
Deferred tax liability (%)	8.3%	3.7%	4.7%	2.4%	0.6%
Shareholder's equity (%)	67.4%	54.4%	52.4%	63.1%	66.0%
TOTAL CAPITAL EMPLOYED	100.0%	100.0%	100.0%	100.0%	100.0%
STATEMENT OF OPERATIONS					
OPERATING REVENUE	40,253,133	30,398,917	26,463,097	16,356,833	18,809,578
LESS OPERATING EXPENSES:					
Fuel	22,174,846	14,591,749	12,570,818	7,144,753	7,856,575
Purchased Power Capacity (excluding fuel)	3,953,703	3,570,568	3,477,385	2,344,485	2,513,117
Operating & maintenance	7,336,154	6,605,588	6,116,478	3,831,205	4,914,660
	33,464,703	24,767,905	22,164,681	13,320,443	15,284,352
Earnings before interest, tax and depreciation	6,788,430	5,631,012	4,298,416	3,036,390	3,525,226
Taxation expense/(income)	479,901	15,452	(725,505)	(35,162)	-
Depreciation	2,531,646	2,265,125	1,960,574	1,333,869	1,692,468
Operating profit before net financing costs	3,776,883	3,350,435	3,063,347	1,737,683	1,832,758
Net financing costs:					
Interest expense, net	1,802,816	1,715,354	1,418,472	737,013	891,562
Foreign exchange losses	620,501	313,343	1,993,796	629,865	-
Debt issuance fees and expenses	35,010	16,806	58,457	28,800	76,970
Interest capitalised during construction	(48,962)	(68,332)	(230,846)	(247,869)	(242,559)
	2,409,365	1,977,171	3,239,879	1,147,809	725,973
Operating profit/(loss) after net financing costs	1,367,518	1,373,264	(176,532)	589,874	1,106,785
Other Income	165,407	57,245	317,339	88,918	41,761
Other expenses	(86,770)	(1,572,415)	(414,843)	-	-
Net Profit/(loss) attributable to shareholders	1,446,155	(141,906)	(274,036)	678,792	1,148,546
Opening retained earnings	2,657,893	2,177,896	3,280,924	1,945,008	1,802,883
Prior period adjustment	-	-	-	-	(1,952,077)
Dividends Paid - Preference and Ordinary	(1,394,981)	(170)	(1,215,960)	(127)	(169)
Transfer from capital reserve, net	835,536	622,073	386,968	657,251	945,825
RETAINED EARNINGS	3,544,603	2,657,893	2,177,896	3,280,924	1,945,008

The periods prior to December 31, 2002 have not been restated under IFRS and are shown as previously reported under JA GAAP. The major differences between JA GAAP and IFRS were identified in Note 23 of the 2003 Financial Statements. The largest difference relates to the treatment of foreign exchange (FX) losses (previously excluded from the Income Statement), see analysis below.

FX losses charged against Capital Reserve	-	-	-	-	285,345

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
P.O. Box 54
Kingston 5
Jamaica WI

AUDITORS

Messrs. KPMG
6 Duke Street
Kingston
Jamaica WI

ATTORNEYS-AT-LAW

Livingston Alexander & Levy
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Myers Fletcher Gordon
21 East Street
Kingston
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BANKERS

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

National Commercial Bank Limited
Corner of Duke & Barry Streets
Kingston
Jamaica WI

RBTT Bank of Jamaica Limited
17 Dominica Drive
Kingston 5
Jamaica WI

AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2005

KPMG

To the Members of
JAMAICA PUBLIC SERVICE COMPANY LIMITED

We have audited the financial statements of Jamaica Public Service Company Limited (the company) as at and for the year ended December 31, 2005, set out on pages 23 to 52, and have obtained all the information and explanations which we required. The financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, proper accounting records have been kept and the financial statements, which are in agreement therewith, and have been prepared in accordance with International Financial Reporting Standards, give a true and fair view of the state of affairs of the company as at December 31, 2005, and of its results, changes in shareholders' equity and cash flows for the year then ended, and comply with the provisions of the Companies Act.

KPMG

May 2, 2006

KPMG
Chartered Accountants
The Victoria Mutual Building
6 Duke Street
Kingston
Jamaica, WI

BALANCE SHEET

FOR THE YEAR ENDED DECEMBER 31, 2005

	Notes	2005 $'000	2004 $'000
CURRENT ASSETS			
Cash and cash equivalents	5	1,735,628	1,461,604
Accounts receivable	6	9,180,085	6,866,491
Tax recoverable		164,089	147,448
Inventories	7	2,052,901	1,618,573
		13,132,703	10,094,116
CURRENT LIABILITIES			
Short-term loans	8	1,420,791	195,172
Current portion of long-term loans	17	9,159,423	656,671
Accounts payable and provisions	9	4,755,444	3,609,432
Due to related companies		34,324	61,911
		15,369,982	4,523,186
NET CURRENT (LIABILITIES)/ASSETS		(2,237,279)	5,570,930
NON-CURRENT ASSETS			
Property, plant & equipment	10	37,491,502	34,633,358
Intangible assets	11	110,062	118,396
Employee benefits asset	12(a)	1,408,739	1,225,700
		36,773,024	41,548,384
Financed by:			
SHAREHOLDERS' EQUITY			
Stated capital	13	11,744,730	10,917,031
Share premium	14	-	827,699
Capital reserve	15	9,493,649	8,207,164
Retained earnings		3,544,603	2,657,893
		24,782,982	22,609,787
NON-CURRENT LIABILITIES			
Customer deposits	16	2,054,811	2,124,962
Long-term loans	17	5,663,107	14,184,703
Deferred taxation	18	3,068,121	1,527,209
Employee benefits obligations	12(b)	1,204,003	1,101,723
		36,773,024	41,548,384

The financial statements on pages, 23 to 52, were approved by the Board of Directors on May 2, 2006, and signed on its behalf by:

William P. von Blasingame Chairman
William von Blasingame

Charles R. Matthews Director
Charles R. Matthews

The accompanying notes form an integral part of the financial statements.

INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2005

	Notes	2005 $'000	2004 $'000
Operating revenue:	19		
Fuel revenues		21,198,045	14,731,932
Non-fuel revenues		19,055,088	15,666,985
		40,253,133	30,398,917
Cost of sales:			
Fuel		(22,174,846)	(14,591,749)
Purchased power (excluding fuel)	4	(3,953,703)	(3,570,568)
		(26,128,549)	(18,162,317)
Gross profit		14,124,584	12,236,600
Operating expenses:			
Operating & maintenance, selling, general & administrative expenses		(7,336,154)	(6,605,588)
Depreciation and amortisation		(2,531,646)	(2,265,125)
		(9,867,800)	(8,870,713)
Operating profit before net finance costs, other income & expenses and taxation	20	4,256,784	3,365,887
Net finance costs	21	(2,409,365)	(1,977,171)
Other income	22(a)	165,407	57,245
Other expenses	22(b)	(86,770)	(1,572,415)
Profit/(loss) before taxation		1,926,056	(126,454)
Taxation	23	(479,901)	(15,452)
Profit/(loss) for the year		1,446,155	(141,906)
Profit/(loss) per share/stock unit	24	6.62¢	(0.65¢)

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2005

	Stated capital $'000 (note 13)	Share premium $'000 (note 14)	Capital reserve $'000 (note 15)	Retained earnings $'000	Total $'000
Balances at December 31, 2003	10,917,031	827,699	6,966,665	2,177,896	20,889,291
Revaluation surplus	-	-	2,793,858	-	2,793,858
Deferred tax on revaluation surplus	-	-	(931,286)	-	(931,286)
Loss for the year	-	-	-	(141,906)	(141,906)
Realised revaluation surpluses [note 15(i)]	-	-	(622,073)	622,073	-
Preference dividends paid (note 25)	-	-	-	(170)	(170)
Balances at December 31, 2004	10,917,031	827,699	8,207,164	2,657,893	22,609,787
Transfer of share premium (see note 14)	827,699	(827,699)	-	-	-
Revaluation surplus	-	-	3,183,032	-	3,183,032
Deferred tax on revaluation surplus	-	-	(1,061,011)	-	(1,061,011)
Profit for the year	-	-	-	1,446,155	1,446,155
Realised revaluation surpluses [note 15(i)]	-	-	(835,536)	835,536	-
Ordinary dividends paid (note 25)	-	-	-	(1,394,811)	(1,394,811)
Preference dividends paid (note 25)	-	-	-	(170)	(170)
Balances at December 31, 2005	11,744,730	-	9,493,649	3,544,603	24,782,982

Net recognised gains for the year aggregated $3,568,176,000 (2004: $1,720,666,000), of which $2,122,021,000 (2004: $1,862,572,000) was recognised directly in equity.

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2005

	2005 $'000	2004 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) for the year	1,446,155	(141,906)
Adjustments for:		
Depreciation and amortisation	2,531,646	2,265,125
(Gain)/loss on disposal/adjustment of property, plant & equipment	(52,859)	194,616
Unrealised foreign exchange losses	620,501	313,343
Interest capitalised (note 10)	(48,962)	(68,332)
Other interest expense	1,876,587	1,644,166
Deferred taxation	479,901	15,452
Employee benefits, net	(80,759)	(285,077)
Cash generated before changes in working capital and deposits	6,772,210	3,937,387
Accounts receivable	(2,313,594)	(428,453)
Inventories	(434,328)	(145,620)
Accounts payable	1,158,957	(212,883)
Due to related companies	(27,587)	(81,317)
Customer deposits and advances	(70,151)	64,677
Cash generated from operations	5,085,507	3,133,791
Interest paid	(1,851,199)	(1,970,220)
Taxes withheld	(16,641)	(33,899)
Net cash provided by operating activities	3,217,667	1,129,672
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(2,095,445)	(1,773,289)
Purchase of intangible assets	(1,158)	(9,063)
Proceeds from disposal of property, plant & equipment	-	67,727
Net cash used by investing activities	(2,096,603)	(1,714,625)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term loans received	1,860,803	318,647
Repayment of short-term loans	(647,197)	(1,152,369)
Long-term loans received	-	2,332,459
Repayment of long-term loans	(665,665)	(1,343,351)
Share premium (note 14)	-	357,563
Dividends paid	(1,394,981)	(170)
Net cash (used)/provided by financing activities	(847,040)	512,779
Net increase/(decrease) in cash and cash equivalents	274,024	(72,174)
Cash and cash equivalents at beginning of year	1,461,604	1,533,778
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,735,628	1,461,604

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

1. Corporate structure and nature of business

The company is incorporated in Jamaica and is an 80% subsidiary of Mirant JPSCO (Barbados) SRL, which is incorporated in Barbados. 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.

The ultimate holding company is Mirant Corporation, incorporated in Delaware, U.S.A, which is listed on the New York Stock Exchange. Mirant Corporation and its subsidiary companies are referred to in these financial statements as "related companies".

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.

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. Upon the expiration of this period the company shall have the right, together with other persons, to compete for the right to develop new generation capacity.

Schedule 3 of the Licence defines the rates for electricity and the mechanism for rate adjustments. Under the Licence, the rates for electricity consist of a Non-Fuel Base Rate, which is adjusted annually using the Performance Based Rate-making Mechanism; and a Fuel Rate, which is adjusted monthly to reflect fluctuations in actual fuel costs, net of adjustments for prescribed efficiency targets. Both rates (fuel and non-fuel) are adjusted monthly to account for movements in the monetary exchange rate between the United States (US) dollar and the Jamaica dollar.

As of February 1, 2002, these rates are determined in accordance with the tariff regime, provided 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 though 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 transmission and distribution assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

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

(a) 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 Companies Act.

At the date of authorisation of the financial statements, there were certain standards and interpretations which were in issue but were not yet effective. Those which are considered relevant to the company and their effective dates are as follows:

		Effective date
IFRS 7	Financial Instruments: Disclosure	January 1, 2007
IAS 19 Amendment	Actuarial Gains & Losses, Group Plans and Disclosures	January 1, 2006
IAS 39 Amendment	The Fair Value Option	January 1, 2006
IFRIC 4	Determining whether an Arrangement Contains a Lease	January 1, 2006
IFRIC 5	Rights to Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	January 1, 2006
IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste, Electrical and Electronic Equipment	December 1, 2006
IFRIC 8	Scope of IFRS 2	January 1, 2006

The adoption of IFRS 7 is expected to result in additional disclosures for financial instruments. Except for these additional disclosures, the adoption of these standards and interpretations are not expected to have a material impact on the financial statements.

(b) Basis of preparation:

These financial statements are presented in Jamaica dollars ($), which is the currency in which the company conducts the majority of its operations (functional currency).

The financial statements are prepared under the historical cost basis, modified for the inclusion of specialised plant and equipment carried at valuation.

(c) 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 the revision affects both current and future periods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

3. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(c) Use of estimates and judgements (cont'd):

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 and other post-retirement benefits:

The amounts recognised in the balance sheet and income statement for pension and other post-retirement benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include expected long-term return on plan assets, the discount rate used to determine the present value of estimated future cash flows required to settle the pension and other post-retirement obligations and the expected rate of increase in medical costs for post-retirement medical benefits.

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. The estimate of expected rate of increase in medical costs is determined based on inflationary factors. Any changes in these assumptions will affect the amounts recorded in the financial statements for these obligations.

(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 individual significant receivables with similar characteristics, such as credit risks.

(d) 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 balance sheet date.

(e) Accounts receivable:

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

3. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(f) 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.

(g) Accounts payable:

Trade and other payables are stated at cost.

(h) 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.

(i) 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 income statement over the period of the borrowing using the effective interest method.

(j) 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.

Specialised plant and equipment are revalued quarterly by management on the depreciated replacement cost basis using relevant industry indices (Handy Whitman) for equipment purchased abroad, with the foreign component of costs appropriately adjusted for movements in the Jamaica dollar and the local component of costs adjusted for movements in local inflation. Gains and losses on revaluation are initially recognised in capital reserve (see note 15) and transferred to retained earnings as realised.

Land and buildings are stated at cost, while general plant and machinery and other equipment are stated at cost (or deemed cost at the IFRS transition date of January 1, 2003), less accumulated depreciation and impairment losses.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

3. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(j) Property, plant & equipment and intangible assets (cont'd):

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

(k) Depreciation and amortisation:

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%

Land and land rights are not depreciated.

The composite rate of depreciation for the year was approximately 3.7% (2004: 3.3%).

Computer software is amortised at 6.65% per annum.

(l) Employee benefits:

Assets and liabilities in respect of pensions and other post-employment benefits have 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. In carrying out their audit, the auditors rely on the work of the actuary and the actuary's report.

(i) Defined benefit pension scheme:

The company operates a defined-benefit pension scheme administered by trustees, the assets of which are held separately from those of the company.

The pension scheme 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. Annual pension at normal retirement age is determined based on the employee's years of service and highest three years pensionable earnings. Employees may elect to pay voluntary contributions of up to 3.5% of their pensionable earnings to enhance the basic benefits otherwise payable. The plan is subject to triennial actuarial valuations to determine the funding status, with interim annual valuations for accounting purposes and as required by the trustees.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

3. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(l) Employee benefits (cont'd):

(i) Defined benefit pension scheme (cont'd):

The company's net obligation in respect of the defined benefit pension scheme is calculated at each balance sheet 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. The discount rate applied is the yield at balance sheet 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.

When the benefits of the scheme are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are vested immediately, the expense is recognised immediately in the income statement.

In calculating the company's obligation in respect of the scheme at the balance sheet date, actuarial gains or losses which exceed ten percent (10%) of the greater of the present value of the defined benefit obligation and the fair value of plan assets, are recognised in the income statement over the expected average remaining working lives of the participating employees. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation results in a benefit to the company, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the scheme.

(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 balance sheet 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.

A provision is also made in respect of post-employment health benefits to be provided to employees upon retirement. The post-employment benefit obligation is actuarially determined at the balance sheet date on a basis similar to that used for the pension scheme. Actuarial gains and losses are accounted for in a manner similar to that of the pension scheme.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

3. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(m) Customer deposits:

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

(n) 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).

(o) 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 income statement in the period in which they are incurred.

(p) 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.

(q) Income taxes:

Taxation on the profit or loss for the year comprises current and deferred tax. Taxation is recognised in the income statement, 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 balance sheet 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 balance sheet 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.

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 (see note 23).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

3. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(r) 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 balance sheet date are translated to Jamaica dollars at the rates of exchange ruling at that date. Gains and losses arising from fluctuations in exchange rates are included in the income statement.

For the purposes of cash flow statements, 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.

(s) Impairment:

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, an asset's recoverable amount is estimated at each balance sheet 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 income statement.

(i) 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.

(ii) Reversals of impairment:

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.

(t) Leases:

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

(u) Segment reporting:

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

3. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(v) 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 has a related party relationship with its parent company, ultimate parent company, fellow subsidiaries, directors, key management personnel and the JPS Employees Superannuation Fund.

(w) 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 and accounts receivable. Similarly, financial liabilities include accounts payable, due to related companies, customer deposits and loans. Purchases and sales of financial instruments are accounted for at settlement dates.

(x) 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 is best evidenced by a quoted market price, if one exists.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

4. 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 major IPPs that have agreed to supply the company with electricity are as follows:

	Contract termination date
Jamaica Energy Partners (JEP) [see note 29]	October 2015
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.

Unexpired commitments under power purchase agreements, for energy capacity and certain operating charges, are payable as follows:

	US Dollars	
	2005	2004
	$'000	$'000
Within 1 year	46,240	46,664
From 1-2 years	45,830	46,240
From 2-5 years	130,589	134,761
Over 5 years	207,323	248,981
	429,982	476,646

5. Cash and cash equivalents

At December 31, 2005, cash and cash equivalents include $274 million (2004: $110 million) restricted cash mainly for self-insurance sinking fund, Rural Electrification Programme (REP), house wiring fund and guarantee deposits on staff loans. Of this amount, $180 million (2004: $54 million) represents cash maintained as part of a self-insurance sinking fund administered under approval of the OUR (see note 2).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

6. Accounts receivable

	2005	2004
	$'000	$'000
Trade receivables, net	5,299,546	4,641,290
Unbilled revenue	2,855,824	1,466,831
Prepayments	595,649	308,057
Other receivables	429,066	450,313
	9,180,085	6,866,491

Trade receivables are shown net of an allowance for impairment losses of $785 million (2004: $575 million).

7. Inventories

	2005	2004
	$'000	$'000
Fuel	637,971	491,714
Generation spare parts	603,323	531,531
Transmission, distribution and other spares	811,607	595,328
	2,052,901	1,618,573

8. Short-term loans

At December 31, 2005, the company had two short term loans denominated in United States dollars, bearing interest at rates between 7.87% and 8.77%. At the end of the previous year, the company had one short term loan, bearing interest at 8.75%. These loans were all unsecured and US dollar denominated.

At December 31, 2005, net foreign currency exposure in short-term loans aggregated US$22,000,000 (2004: US$3,167,000).

9. Accounts payable and provisions

	2005	2004
	$'000	$'000
Trade payables (i)	3,842,704	2,951,300
Interest accrued on customer deposits and loans	431,778	406,390
Other payables and provisions (ii)	480,962	251,742
	4,755,444	3,609,432

(i) Included in trade payables at December 31, 2005, is a net amount of $192 million (2004: $192 million) refundable to customers under the fuel clause of the company's tariff structure in effect to December 1998.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

9. Accounts payable and provisions (cont'd)

(ii) Other payables and provisions include provisions as follows:

	2005 $'000	2004 $'000
Balance at beginning of year	162,828	413,917
Provisions made during the year	378,816	104,762
Provisions utilised during the year	(166,529)	(355,851)
Balance at end of year	375,115	162,828
Comprising provisions for:		
Retroactive and bonus salaries	328,305	124,328
Legal claims in process (note 27)	46,810	38,500
	375,115	162,828

Retroactive and bonus salaries are estimated based on salary rates at year-end. Actual rates could differ at final settlement.

10. Property, plant & equipment

	Land & buildings & land rights $'000	Production (generation) plant & equipment $'000	Transmission & distribution plant & equipment $'000	General plant & machinery $'000	Computer equipment, office fixtures & fittings $'000	Construction work-in-progress $'000	Total $'000
At cost or valuation:							
January 1, 2005	1,783,321	33,862,965	46,211,122	3,201,781*	1,715,027 *	1,771,318	88,545,534
Additions	40,200	-	611,171	-	128,596	1,364,440	2,144,407
Transfers	416,282	449,323	795,428	76,506	-	(1,737,539)	-
Disposals/retirements & adjustments	-	-	-	(573)	(1,678)	53,818	51,567
Revaluation	-	3,023,470	3,408,096	-	-	-	6,431,566
December 31, 2005	2,239,803	37,335,758	51,025,817	3,277,714	1,841,945	1,452,037	97,173,074
At cost or deemed cost	2,239,803	-	-	3,277,714	1,841,945	1,452,037	8,811,499
At valuation	-	37,335,758	51,025,817	-	-	-	88,361,575
	2,239,803	37,335,758	51,025,817	3,277,714	1,841,945	1,452,037	97,173,074
Depreciation:							
January 1, 2005	204,641	19,707,846	31,068,483	2,035,138*	896,068*	-	53,912,176
Charge for the year	24,201	1,197,522	1,075,276	117,650	107,504	-	2,522,153
Disposals/retirements	-	-	-	-	(1,292)	-	(1,292)
Revaluation	-	1,549,935	1,698,600	-	-	-	3,248,535
December 31, 2005	228,842	22,455,303	33,842,359	2,152,788	1,002,280	-	59,681,572
Net book values:							
December 31, 2005	2,010,961	14,880,455	17,183,458	1,124,926	839,665	1,452,037	37,491,502
December 31, 2004	1,578,680	14,155,119	15,142,639	1,166,643*	818,959*	1,771,318	34,633,358

* Reclassified to conform with current year presentation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

10. Property, plant & equipment (cont'd)

(a) Land and buildings and land rights include land aggregating approximately $841 million (2004: $800 million), at historical costs.

(b) Allowances for funds used during construction for the year amounted to approximately $49 million (2004: $68 million). The capitalisation rate used for the year was 11.25% (2004: 12%).

(c) The historical cost (net book value) for assets carried at valuation are noted below:

	2005 $'000	2004 $'000
Production (generation) plant & equipment	8,657,802	8,836,080
Transmission & Distribution plant & equipment	9,190,928	8,314,012
	17,848,730	17,150,092

11. Intangible assets

This represents acquired software costs capitalised as follows:

	2005 $'000	2004 $'000
Cost:		
At beginning of year	141,220	132,157
Additions	1,158	9,063
At end of year	142,378	141,220
Amortisation:		
At beginning of year	22,824	13,674
Charge for the year	9,492	9,150
At end of year	32,316	22,824
Net book values	110,062	118,396

12. Employee benefits

(a) Pension scheme:

The company administers a defined-benefit pension scheme for its permanent employees. The assets of the scheme are under the control of trustees, with day-to-day management by company employees. Investment management services in respect of portions of scheme assets are also provided by Life of Jamaica Limited and Guardian Life Limited.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

12. Employee benefits (cont'd)

(a) Pension scheme (cont'd):

(i) Employee benefits (pension scheme):

	2005 $'000	2004 $'000
Present value of funded obligations	(2,638,500)	(2,360,000)
Fair value of scheme assets	6,591,800	5,851,700
Unrecognised actuarial gains	(1,135,822)	(1,040,300)
Unrecognised amount due to limitation	(1,408,739)	(1,225,700)
Asset recognised in balance sheet	1,408,739	1,225,700

(ii) Movements in net asset recognised in the balance sheet:

	2005 $'000	2004 $'000
Balance at beginning of year	1,225,700	900,900
Contributions paid	106,590	118,700
Credit recognised in the income statement	76,449	206,100
Balance at end of year	1,408,739	1,225,700

(iii) Credit recognised in the income statement:

	2005 $'000	2004 $'000
Current service costs	121,300	126,200
Interest on obligations	281,300	299,800
Expected return on plan assets	(648,000)	(556,100)
Net actuarial loss/(gain) recognised during the year	110,502	(89,700)
Gains on curtailment	(18,000)	(192,400)
Total credit	(152,898)	(412,200)
Total credit recognised due to limitation	(76,449)	(206,100)
Actual return on plan assets	662,100	1,258,200

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

	2005	2004
Discount rate	12.5%	12.5%
Expected return on plan assets	11.0%	11.0%
Future salary increases	8.0%	8.0%
Future pension increases	3.0%	3.0%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

12. Employee benefits (cont'd)

(b) Other post-employment benefit obligations:

	2005 $'000	2004 $'000
Post-employment medical and life insurance benefits	481,900	431,600
Accumulated sick and vacation pay	722,103	670,123
	1,204,003	1,101,723

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

	2005 $'000	2004 $'000
Present value of unfunded obligations	532,400	517,400
Unrecognised actuarial losses	(50,500)	(85,800)
Liability recognised in balance sheet	481,900	431,600

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

	2005 $'000	2004 $'000
Balance at beginning of year	431,600	292,000
Contributions paid	(10,500)	(10,600)
Expense recognised in the income statement	60,800	150,200
Balance at end of year	481,900	431,600

(iii) Expense recognised in the income statement:

	2005 $'000	2004 $'000
Current service costs	33,600	43,500
Interest on obligations	61,700	87,400
Actuarial (gain)/loss recognised for the year	(19,100)	57,800
Gains on curtailments and/or settlements	(15,400)	(38,500)
	60,800	150,200

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

	2005	2004
Discount rate	12.5%	12.5%
Medical claims growth	11.5%	11.5%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

13. Stated capital

Authorised:

Ordinary share capital:

315,733,000 Ordinary stock units at no par value (2004: $0.50 each)

30,000,000,000 Ordinary shares at no par value (2004: $0.50 each)

Cumulative Preference shares of no par value (2004: $2.00 each)

567,000 7% "B" shares

66,500 5% "C" shares

1,049,000 5% "D" shares

514,000 6% "E" shares

	2005 $'000	2004 $'000
Issued and fully paid:		
Ordinary share capital:		
315,733,000 Ordinary stock units	157,867	157,867
21,512,462,000 Ordinary shares	11,583,930	10,756,231
	11,741,797	10,914,098
Cumulative preference shares:		
420,000 7% "B" shares	840	840
66,500 5% "C" shares	133	133
680,000 5% "D" shares	1,360	1,360
300,000 6% "E" shares	600	600
	2,933	2,933
	11,744,730	10,917,031

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 Companies Act (the Act) requires that all preference shares be included in the balance sheet 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.

14. Share premium

In accordance with an agreement between the two major shareholders of the company, a working capital injection of approximately $827,430,000 was required for the company to achieve a prescribed working capital balance as at March 31, 2001. The amounts accounted for as share premium were transferred to stated capital in accordance with the Companies Act, 2004.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

15. Capital reserve

	2005 $'000	2004 $'000
Revaluation surplus, net of deferred tax (i)	9,489,392	8,202,907
Other reserves (ii)	4,257	4,257
	9,493,649	8,207,164

(i) This represents the net surpluses arising on the revaluation of certain property, plant & equipment, net of deferred tax (see notes 18 and 23) and any surpluses arising in the course of the company's operations. Realised surpluses are transferred to retained earnings.

(ii) Other reserves materially comprise grants net of a past bonus issue of shares.

16. Customer deposits

	2005 $'000	2004 $'000
Customer deposits for electricity service (i)	1,242,481	1,196,444
Customer advances for construction (ii)	812,330	928,518
	2,054,811	2,124,962

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

17. Long-term loans

	2005 $'000	2004 $'000
(a) (i) RBTT Merchant Bank Limited (Trinidad & Tobago), 11.9% fixed rate, repayable 2006 [US$$80 million (2004: US$80 million)]	5,166,512	4,930,064
(ii) RBTT Merchant Bank Limited (Trinidad & Tobago), 10.75% fixed rate, repayable 2006 [US$ US$51.4 million (2004: US$51.4 million)]	3,317,869	3,166,025
(b) (i) RBTT Merchant Bank Limited (Trinidad & Tobago) 12% fixed rate, repayable 2010 [US$18.2 million (2004: US$22.5 million)]	1,176,304	1,386,581
(ii) RBTT Merchant Bank Limited (Trinidad & Tobago) 12% fixed rate, repayable 2011 [US$23.6 million (2004: US$27.9 million)]	1,522,277	1,716,719
(c) (i) Republic Bank Limited (Trinidad & Tobago), 10% fixed rate, repayable 2005 [US$ Nil (2004: US$118,000)]	-	7,259
(ii) Republic Bank Limited (Trinidad & Tobago), 9.5%, repayable 2006 [US$254,000 (2004: US$594,000)]	16,439	36,602
(d) Kreditanstalt fur Weideraudfbau of Frankfurt/ Government of Jamaica (KFW/GOJ), 7% fixed rate, repayable 2030 [€3.9 million (2004: €3.9 million)]	296,670	323,637
(e) International Finance Corporation (IFC) variable rate, repayable 2015 [US$45 million (2004: US$45 million)]	2,906,163	2,773,161
(f) AIC Merchant Bank 8.75% fixed rate, repayable 2009 [US$6.5 million (2004: US$8.1 million)]	420,296	501,326
	14,822,530	14,841,374
Less: Current portion	(9,159,423)	(656,671)
	5,663,107	14,184,703

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

17. Long-term liabilities (cont'd)

(a) (i)&(ii) The principal repayments on these loans are due in full in 2006. Interest is payable quarterly in arrears from the date of initial disbursement of each loan. The loans are secured by the generating assets of the company [see also notes (e) and (g)].

(b) (i) This loan is repayable in twenty-eight quarterly instalments of US$1,071,429 which commenced June 2003. The loan is secured by the generating assets of the company [see also notes (e) and (g)].

(ii) This loan is repayable in twenty-eight quarterly instalments of US$1,071,429 which commenced July 2004. The loan is secured by the generating assets of the company [see also notes (e) and (g)].

(c) (i) This loan was repayable in twelve quarterly instalments of US$120,835, which commenced May 2002, and was secured by certain transport equipment of the company.

(ii) This loan was repayable in twelve quarterly instalments of US$208,334, commencing July 2003, and is secured by certain transport equipment of the company. As a result of an additional principal payment made in July 2005, the remaining balance of the loan is repayable in eight quarterly instalments of US$84,848 commencing October 2005.

(d) 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.

(e) This loan is repayable in eighteen semi-annual instalments of US$2,500,000, which are due to commence 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, 2005, the rate so determined was 11.56% (2004: 9.49%). The loan is secured by the assets of the company, under a security sharing and subordination agreement among IFC, RBTT Merchant Bank Limited and RBTT Trust Limited.

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

(g) Under the loan agreements with RBTT Merchant Bank Limited and IFC, the company is required to maintain certain agreed financial ratios during the loan tenures.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

18. Deferred taxation

Deferred tax assets and liabilities arise in respect of:

	Balance at January 1, 2005 $'000	Recognised in income $'000	Recognised in equity $'000	Balance at December 31, 2005 $'000
Employee benefits, net	(41,326)	(26,919)	-	(68,245)
Accounts receivable	190,288	31,892	-	222,180
Accounts payable and provisions	135,463	8,463	-	143,926
Unrealised foreign exchange losses	931,405	267,501	-	1,198,906
Property, plant & equipment	(4,544,458)	109,187	(1,061,011)	(5,496,282)
Tax value of losses carried forward	1,801,419	(870,025)	-	931,394
	(1,527,209)	(479,901)	(1,061,011)	(3,068,121)

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, expenses and taxation is stated after charging:

	2005 $'000	2004 $'000
Directors'		
- Fees	2,442	2,829
- Emoluments	28,714	63,102
- Pensions to former managing directors	501	501
Staff costs	3,606,913	3,294,409
Compensation for key management		
- Short term benefits	249,728	277,810
- Post employment benefits	4,534	4,166
Audit fees (including GCT)	8,500	7,935
Depreciation and amortisation	2,531,646	2,265,125

(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 US$4.8 million (2004: US$6.6 million).

All the above transactions were executed in the ordinary course of business and on terms similar to arms length transactions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

21. Net finance costs

	2005 $'000	2004 $'000
Interest expenses:		
Short-term loans	447,848	78,677
Long-term loans	1,294,960	1,687,544
Customer deposits	122,425	65,720
Bank overdraft and other	11,354	14,609
Foreign exchange losses	620,501	313,343
Debt issuance fees and expenses	35,010	16,806
	2,532,098	2,176,699
Less: Interest income	(73,771)	(131,196)
Interest capitalised during construction (note 10)	(48,962)	(68,332)
	2,409,365	1,977,171

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

22. Other income and expenses

(a) Other income comprises:

	2005 $'000	2004 $'000
Rental income	22,134	26,757
Miscellaneous proceeds from scrap sales or other settlements	143,273	30,488
	165,407	57,245

(b) Other expenses comprise:

	2005 $'000	2004 $'000
One-off expenses:		
Redundancy costs	-	652,445
Hurricane restoration costs	86,770	725,354
	86,770	1,377,799
Loss on disposal of other property, plant & equipment	-	194,616
	86,770	1,572,415

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

23. Taxation

(a) Taxation is computed at $33^{1}/3\%$ of the company's results for the year, adjusted for tax purposes and comprises:

	2005 $'000	2004 $'000
Current income tax expense	-	-
Deferred taxation on:		
Origination and reversal of temporary differences	(390,124)	29,557
Benefit of tax losses recognised	870,025	(14,105)
	479,901	15,452

There is no current taxation expense for the year as a result of accumulated taxation losses from previous years.

At December 31, 2005, taxation losses available for set-off against future taxable profits, subject to agreement by the Commissioner, Taxpayer Audit & Assessment, amounted to approximately $2.8 billion (2004: $5.4 billion). In his April 2005 budget presentation, the Minister of Finance and Planning announced that, instead of indefinitely, the carry forward of tax losses would be restricted to five years, with effect from January 1, 2006. Up to the reporting date, enabling legislation has not been passed into law.

(b) Reconciliation of tax expense:

	2005 $'000	2004 $'000
Profit/(loss) before taxation	1,926,056	(126,454)
Computed "expected" tax @ $33^{1}/3\%$	642,018	(42,151)
Tax effect of differences between profit/(loss) for financial statements and tax reporting purposes in respect of:		
Investment allowances	(114,828)	(104,752)
Foreign exchange losses	(72,707)	46,529
Disallowed expenses and other items	25,418	115,826
Actual tax expense	479,901	15,452
Deferred tax charged directly to equity in relation to the revaluation of property, plant & equipment (see note 15)	(1,061,011)	(931,286)

24. Loss per share/stock unit

	2005 $'000	2004 $'000
Profit/(loss) for the year	1,446,155	(141,906)
Less: Preference dividends (note 25)	(170)	(170)
	1,445,985	(142,076)
Number of shares/stock units [shown in thousands (see note 13)]	21,828,195	21,828,195
Profit/(loss) per share/stock unit	6.62¢	(0.65¢)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

25. Dividends

	2005 $'000	2004 $'000
Ordinary dividends:		
Interim dividend paid @ 0.0458 US¢ per share/stock unit	616,843	-
Interim dividend paid @ 0.0573 US¢ per share/stock unit	777,968	-
	1,394,811	-
Preference dividends:		
5-7% Cumulative preference shares (notes 13 and 24)	170	170
	1,394,981	170

In 2005, there were two interim dividend payments on ordinary shares, on April 8, 2005 and August 5, 2005. The preference dividends were paid on a quarterly basis in both years.

26. Commitments

(a) Capital:

Commitments for capital expenditure, for which no provision has been made in these financial statements, amounted to approximately $234 million (2004: $407 million).

(b) In addition to its commitments under IPP contracts (note 4), the company had unexpired operating lease commitments at December 31, 2005 payable as follows:

	2005 $'000	2004 $'000
Within 1 year	413,338	482,701
From 1-2 years	413,058	482,701
From 2-3 years	413,002	482,701
From 3-4 years	11,250	404,516
From 4-5 years	10,828	12,100
Over 5 years	346,125	354,379
	1,607,601	2,219,098

Lease payments under operating leases including IPP contracts (note 4) recognised in the income statement for the year aggregated approximately $3,090 million (2004: $2,862 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

27. Contingent liabilities

The company was contingently liable at December 31, 2005 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 December 31, 2005, a provision of J$46.8 million (2004: 38.5 million) was made (see note 9) in accordance with the recommendation of the company's attorneys.

28. Financial instruments

(a) Financial instrument risks:

Exposure to financial instrument risk arises in the ordinary course of the company's business. Derivative financial instruments are not presently used to reduce exposure to fluctuations in interest and foreign exchange rates.

(i) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The company's credit risk relates primarily to accounts receivable, 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.

At December 31, 2005, the company had significant concentrations of credit risk in respect of amounts receivable from the Government of Jamaica and its affiliates aggregating $740 million (2004: $769 million).

(ii) 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 materially contracts financial liabilities at fixed and floating interest rates. These primarily relate to bank overdrafts, customer deposits, certain trade payables and loans subject to interest rates fixed in advance, which may be varied by appropriate notice by the lenders.

The maturity profiles of the company's long-term loan liabilities are disclosed in note 17.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

28. Financial instruments (cont'd)

(iii) 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 Jamaica dollar. The currencies giving rise to foreign currency risk are the United States dollar (US$) and Euro (€). The risk is partially mitigated by the effect of exchange rate adjustments under the company's tariff structure (see note 2).

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

	2005			2004		
	US$ $'000	€ $'000	J$ $'000	US$ $'000	€ $'000	J$ $'000
Cash and cash equivalents	12,867		830,969	21,145	-	1,303,103
Accounts payable	(38,685)	(1,146)	(2,585,974)	(33,551)	(637)	(2,120,790)
Related companies	(530)		(34,228)	(1,009)	-	(62,180)
Short-term loans	(22,000)		(1,420,791)	(3,167)	-	(195,172)
Long-term loans	(224,923)	(3,879)	(14,822,513)	(235,579)	(3,879)	(14,841,374)
	(273,271)	(5,025)	(18,032,537)	(252,161)	(4,516)	(15,916,413)
Exchange rates (J$)	64.58	76.48		61.63	83.43	

(iv) 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 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.

The company's primary exposure to liquidity risk relates to RBTT Merchant Bank Limited (Trinidad & Tobago), loans due in full in 2006 [note 17 (a)(i) & (ii)]. Management is in active discussions to refinance or replace this financing on terms at least as advantageous as currently exist.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

28. Financial instruments (cont'd)

(a) Financial instruments risk (cont'd):

(v) Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer, or factors affecting all securities traded in the market.

At December 31, 2005, the company has no significant exposure to market risk.

(vi) Cash flow risk:

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. The company manages this risk through budgetary measures, ensuring, as far as possible, that fluctuations in cash flows relating to monetary financial assets and liabilities are matched, to mitigate any significant adverse cash flows.

(b) Fair value disclosure:

(i) The amounts reflected in the financial statements for cash and cash equivalents, accounts receivable, related party balances, accounts payable, short-term loans and customer deposits for electricity service are assumed to approximate to their fair values. Long-term liabilities 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 refundable customer advances cannot practically be determined, as payment dates and amounts are not determinable.

29. Subsequent event

On January 12, 2006, the company entered into an agreement with Jamaica Energy Partners for expanded supply of generation capacity and energy output for an initial period coterminous with the pre-existing agreement (note 4).

FORM OF PROXY

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 19th September 2006 at 11:30 a.m. and at any adjournment thereof.

RESOLUTION	FOR	AGAINST
Resolution 1		
Resolution 2 **(a)** **(b)**		
Resolution 3 **(a)** **(b)** **(c)**		
Resolution 4		

Dated the 1st day of August 2006

……………………………………………..
(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. To this form must be affixed a $100.00 stamp in payment of stamp duty.

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

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.