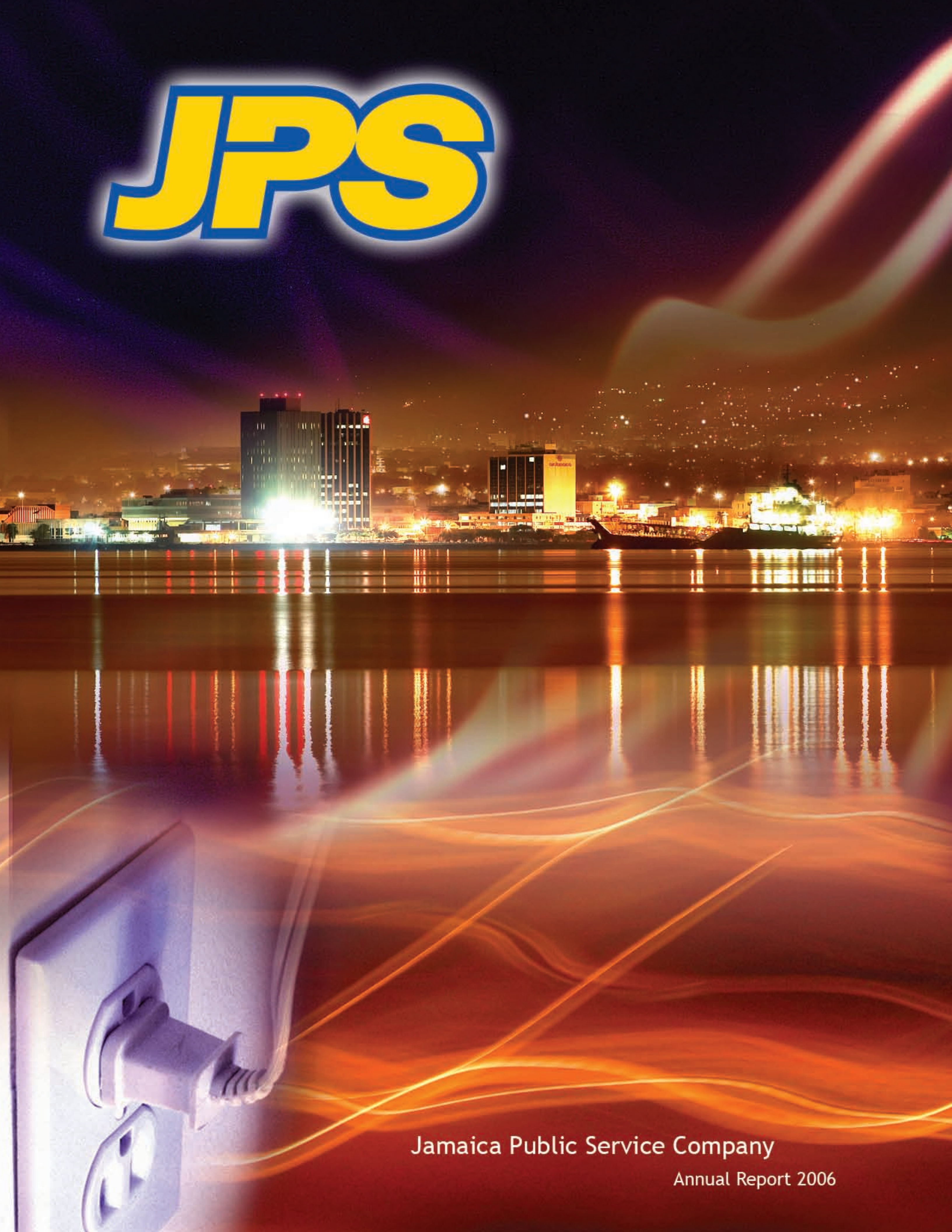
JPS
Jamaica Public Service Company
Annual Report 2006

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.

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

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

Cover photo: Kingston waterfront by night

Jamaica Public Service Company Limited

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Statement to Shareholders

William Von Blasingame
CHAIRMAN

During 2006 the Jamaica Public Service Company Ltd (JPS) improved its operational performance by creating material value for shareholders and its other stakeholders. Our full attention was dedicated to addressing key priorities. As a result, new strategies were implemented towards: safety, electricity theft and customer services. Also, some unusual events including increases in world oil prices and an all-island blackout, forced the Company to critically analyse and make an extra effort to improve internal processes.

Serving Customers Better

Our number one priority is to serve our customers, and to make it a pleasure for them to do business with us. There were some commendable efforts in this regard in 2006. Among our significant achievements was the introduction of at least two new customer service initiatives: text message reminders for overdue bills, and the bill payment by telephone facility. In addition, the increase in the number of customer care representatives, along with their ongoing training, has set the stage for a greatly enhanced Customer Care Centre. JPS continued to be committed to improving 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, and this has resulted in the Company being more responsive to customers who contact us by phone.

JPS continued to be affected by increases in world oil prices, which resulted in an overall 20% increase in the cost of fuel purchased by JPS during 2006, with very little expectation of a reduction in the near future. The increases in fuel costs had a negative impact on energy sales and directly contributed to an increase in the company's electrical losses, as more customers turned to electricity theft.

To stem the trend of increasing electricity costs, the Government of Jamaica established an energy policy aimed at reducing our dependence on oil by diversifying fuel sources, and stabilizing the cost of electricity to our customers in the future. In January 2006, the regulators, Office of Utilities Regulation (OUR), awarded JPS the right to build a coal plant under the following terms: 120MW capacity and commencement of operations in 2008/2009, structured as an Independent Power Producer providing power to JPS under a Power Purchase Agreement (PPA). To this end, JPS has submitted a revised generation expansion plan for final approval, with the expectation that the coal plant will be constructed by mid-2012.

Addressing Losses

Electricity loss reduction continues to be a challenge. We introduced a number of initiatives last year, but these did not result in the reduction in losses that we anticipated. JPS experienced an increase in system losses, which moved from 21.2% on average in 2005 to 22.9% in 2006. As a result, the company has intensified its efforts to reduce the theft of electricity, as we cannot tolerate the criminal act of stealing electricity by any individual or business. Electricity losses have had a significant impact on the company, our shareholders and our customers. In 2006, we carried out 138 arrests and 13,000 account audits; removed over 7,000 throw-ups; and recovered approximately 9 GWh or J$100.5 M in retroactive and forward billing. The investigations and analyses undertaken during the year, as well as the introduction of a Customer/Feeder Mapping project, have also set the stage for a more intense loss reduction programme in 2007. Our focus will be on: more intelligence and analysis; decentralising the management of losses to include our Region Operations; systems integrity and controls; and public involvement and education.

Safety Performance

Damian Obiglio
PRESIDENT AND CEO

JPS' safety performance in 2006 was very disappointing. The Company had 57 accidents, more than double our target of 25, and 230 lost workdays against a target of 15. Despite the disappointing overall safety performance, we had a few high points: Hunts Bay Power Station celebrated two years without a Days Away from Work Case (DAWC), and on January 1, 2007, Bogue Power Station achieved the significant milestone of operating 4,745 days or 13 years without a DAWC.

In continuing efforts to create a safety culture throughout the organization, a number of activities were undertaken during 2006. These included; the establishment of a new format for the Executive Safety Council, the constitution of the Regional and Plant Safety Councils, a detail analysis of skills and individual safety awareness, more training courses, improved communications, and new performance management and accountability policies.

All-Island Blackout

At about 4:15 p.m. on Saturday, July 15, 2006, the company was faced with a major crisis when an unexpected system shutdown occurred, resulting in the entire island being without electricity for several hours. The event was triggered by a fault on the high-tension 138kV transmission line from Bogue to Duncans. Despite the magnitude of the situation, our hardworking team worked tirelessly at resolving the problem and within eight hours power was restored to all customers.

Investigations into the incident revealed that it was triggered by a lightning strike on the Bogue-Duncans line, and the subsequent failure of the Duncans substation to operate as it is designed to in response to this interference. Except for the Bogue-Duncans line, the system responded as designed, and as a result there was no power system equipment damage resulting from the incident.

Following the all-island power outage, the Company put corrective measures in place to address the immediate causes of the system shutdown, as well as to reduce the possibility of a recurrence. JPS immediately replaced the faulty device at the Duncans Substation, which had triggered the shutdown. In addition, in collaboration with the Independent Power Producers (IPPs), the Company has upgraded other system protection mechanisms to reduce their susceptibility to outages triggered by disturbances. Further steps are being taken to implement other measures agreed with the OUR for improvement in the system's reliability.

Financial Performance

Highlights of our financial performance for 2006, compared to 2005, are as follows:

- Operating revenues increased by 20% from J$40 billion to J$48 billion, due to higher fuel revenues (J$6 billion) and higher non-fuel revenues (J$2 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 August 2005 non-fuel tariff increase and the part-year effect of the June 2006 non-fuel tariff increase; a 5.5 % increase in the average foreign exchange billing rate during the year; and a 2% increase in energy sales.

- Cost of sales increased by 20%, from J$26 billion to J$31.4 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 3,878 to 4046 GWh) and the 5.5% increase in the average foreign exchange rate during the year.

- Gross profit increased by 18%, from J$14 billion to J$16.7 billion, principally due to the non-fuel tariff increases granted by the OUR in August 2005 and June 2006 and the improved performance in the recovery of fuel costs. In 2005, JPS performed miserably in this area with a J$977 million net under-recovery of fuel costs which was principally due to the unavailability of the combined cycle plant for most of 2005.

- Operating expenses increased by 13%, from J$7.3 billion to J$8.3 billion, principally as a result of increases in employee costs and third party service rates, and due to the increased level of maintenance activity.

- Earnings before interest, tax, depreciation and amortization (EBITDA) increased by 23%, from J$6.8 billion to J$8.4 billion, as a result of the 18% improvement in the gross profit, relative to the 13% increase in operating expenses.

- Net finance costs increased by 15%, from J$2.4 billion to J$2.8 billion, primarily as a result of the $165 million increase in loan finance fees (re: the US$180M bond issue) and the increased J$ interest costs, in relation to our US dollar denominated debt, as a result of the currency depreciation.

- Finally, the net profit after taxation increased by 37%, from J$1,446 million to J$1,975 million. This represents a return on opening shareholders' equity of 8%.

Announcement of Sale of Mirant's Shares

On July 11, 2006, Mirant Corporation, the majority shareholder in the Company, announced that it would be initiating auction processes to sell all of its international businesses, which would include its eighty percent (80%) shareholding in JPS. In making the announcement, Mirant acknowledged that, while the sale of certain business units would be subject to particular regulatory approvals and consent, it expected that the sale would be completed by mid-2007. Mirant gave its assurance, however, that JPS would continue to operate normally, providing service to customers, living up to its commitments to employees and the communities it serves; and further, that Mirant would continue to support community programmes and implement planned operational enhancements and capital expenditures.

Serving Our Communities

Along with providing electricity to customers, JPS through its corporate social responsibility portfolio, also makes an effort to contribute to the well-being of the communities it serves. This is done in three key areas: namely; education, health and sports.

In 2006, a number of persons and communities benefitted from the wide variety of programmes in which the company participated. These included: community football leagues, sponsorship of basketball, netball, Gibson Relays, High Mountain 10K. In the area of education, the company continued to partner with the Ministry of Education to support over 12,000 children in the Early Childhood Nutrition programme which guarantees at least one meal per child daily. JPS also donated 50 computers and furniture to a number of schools. Corporate sponsorship included Sigma Corporate Run, Cancer Relay for Life and gold sponsorship of the Jamaica Manufacturer's Association/Jamaica Exporter's Association (JMA/JEA) Expo.

With a mutual focus on supporting Jamaica's long-term growth and development, JPS also joined forces with other private sector leaders and JAMPRO to support the Jamaica's Business Legacy Programme around Cricket World Cup 2007. As a Foundation Partner, JPS provided sponsorship of US$100,000 for the Caribbean Business Club and the Jamaica Investment Attraction initiatives, which served to increase networking opportunities for local businesses, capture the interest of international business visitors as a result of the hosting of Cricket World Cup, and ultimately accelerate trade and investment outcomes for Jamaica.

During its first 12 months, the Caribbean Business Club, through its online business matching services and member events, attracted over 1000 local and overseas members from various sectors and facilitated business meetings, seminars, facility tours and partnerships. During the Cricket tournament, the Club hosted over 20 foreign investors in the areas of tourism, information communications and Manufacturing and conducted familiarization tours for international media and prospects in the areas of film and music. The Club also facilitated over 100 meetings for local exporters with overseas buyers.

William Von Blasingame
CHAIRMAN

Damian Obiglio
PRESIDENT AND CEO

The Board of Directors

William Von Blasingame
CHAIRMAN

Damian Obiglio
PRESIDENT AND CEO

Eleanor Brown

Hugh Campbell

Donald Gray

Charles Johnston

Beverley Lopez

Prakash Vaswani

Charles Matthews
PRESIDENT AND CEO
March 2001 - June 2006

The Senior Management Team

Damian Obiglio
PRESIDENT AND CEO

Swee Chua
VP, COMMERCIAL SERVICES

Thomas Dorsey
SENIOR VP
CUSTOMER OPERATIONS

Katherine Francis
GENERAL COUNSEL AND
CORPORATE SECRETARY

Stephen Gillis
SENIOR VP
ADMINISTRATION

Gary Osborne
CHIEF FINANCIAL OFFICER

Frank Ray
DIRECTOR
EXTERNAL AFFAIRS

Charles Matthews (right) former President and CEO, admires a caricature of himself done by renowned cartoonist Clovis, and presented to him by Winsome Callum, Head of Corporate Communication, to mark the end of his tenure at JPS.

The Changing of the Guard

The Jamaica Public Service Company (JPS) is no stranger to change. The company is constantly repositioning itself, embracing the opportunities and challenges brought by change, while striving to provide customers with a service that is on par with world-class standards.

The year 2006 brought with it a number of noteworthy changes, the most significant being the end of the tenure of Charles Matthews as President & CEO, and Mirant's announcement of its intention to sell its international assets, including its 80% shareholding in JPS. The Company's operations were, however, not affected by Mirant's announcement. New President & CEO, Damian Obiglio, continued to refocus employees' attention on the three priority areas of: safety, customer service and loss reduction. His efforts were reasonably rewarded, as by the end of 2006, the results in these areas were encouraging.

Turning the Spotlight on Safety

The company is constantly repositioning itself, while striving to provide customers with a service that is on par with world-class standards.

Based on the nature of our business, the matter of safety is always high on the company's agenda. Employees are encouraged to be alert and to protect themselves and their colleagues from potentially dangerous situations.

Despite this, our safety performance for 2006 was disappointing. The Company recorded 57 accidents, more than double our target of 25, and 230 lost workdays against a target of 15. A number of initiatives were implemented as part of efforts to create a safety culture throughout the organization. These included training sessions targeting key groups such as field service staff, including Meter Readers and Linemen, who received training on how to minimise hazardous situations and accidents. During September, which was recognized as Environmental Health and Safety (EHS) Month, the focus on safety intensified, with a range of activities at locations across the island. These included Safety Talks, Fire Prevention Drills, Hazard Management Training, Confined Space Operations, a Safety Slogan Competition, and outreach activities in schools and communities.

A participant in the fire prevention training session, demonstrates how much he has learnt about using a fire extinguisher .

The year ended on a safety high, with the Hunts Bay Power Station celebrating the significant milestone of two years without a Days Away from Work Case (DAWC). In addition, on January 1, 2007, Bogue Power Station achieved the safety milestone of operating 13 years without a DAWC.

Field Service Staff receive training on how to use the Bite Terminator to protect themselves from attacks from dogs and other animals while on the job.

Turnaround in Customer Service

2006 was the year for customers. This was the year when we extended ourselves to show customers that they were highly valued and deeply appreciated. Despite rising fuel prices, and an islandwide system shutdown in July, which challenged our relationship with customers, employees remained committed to strengthening the bonds and deepening the connection with those whom we serve. Additionally, a number of initiatives were implemented in 2006, elevating the brand of customer service that customers received.

With a view to improving customer service and business effectiveness, JPS deepened its partnership with collection agent, Paymaster Jamaica Ltd., which took over the cashiering functions of our operations. With the new arrangement, our customer service agents were able to focus entirely on facilitating service delivery and providing information to customers, while Paymaster agents collected bill payments.

Ava English, (left) Collections Agent, and Valentine Scott, (centre) Technical Assistant, share with customers at an exhibition.

Other initiatives aimed at improving our service in 2006 were: the introduction of a telephone bill payment facility and the implementation of a text messaging reminder service. In addition to a range of the other payment facilities that were available, customers were now able to use their Visa or MasterCard to pay electricity bills using the Company's 24-hour customer care line - 1-888-225-5577. Customers, who were now able to pay their bills without leaving the comfort of their homes, welcomed the convenience of this facility. The service was further supported by a text messaging service alerting customers when their bills are overdue.

Another development in the area of customer service was the implementation of new meter reading routes and billing cycles to facilitate full monthly meter reading. For years, estimated bills have remained one of the areas of greatest dissatisfaction among our customers. In response to our customers' feedback, and as part of efforts to offer excellent service, JPS took the decision to change to monthly meter readings in 2006. For this system to operate at its optimum, however, the company had to embark on a major re-routing exercise to facilitate new meter reading routes. This exercise resulted in a brief disruption in the billing system and provided some challenges for customers and customer care personnel. However, once the transition period was over, customers began to enjoy the long-term benefits of this improved system, as the Company had achieved its objective of delivering approximately 95% of its bills based on actual readings each month, compared to the previous 50%.

We extended ourselves to show customers that they were highly valued and deeply appreciated.

Customer Care Representatives at work in the JPS 24-hour Customer Care Centre.

A number of organizational changes were made to facilitate the delivery of quality service to our customers. One significant change was the merger of the Billing and Mail Services Department with the Call Centre to form the Customer Care Centre. This facilitated more integrated processes, and better handling of customer queries.

Rayon Jarrett, Field Service Technician, inspects a meter during the Losses Stand-Down initiative

Turning the Heat on Electricity Theft

The value of stolen electricity in 2006 is estimated at approximately J$4 billion, a cost that is borne by both JPS and customers. This illegal activity impacts both customers and JPS alike as it erodes the company's bottom line and is a cost to customers.

During 2006, JPS stridently continued its efforts to minimise the prevalence of illegal electrical connections to the company's grid. Along with the ongoing removal of illegal lines, account audits and meter investigations, the Company also implemented an Amnesty Programme which offered illegal users a 30-day grace period within which they could regularize their accounts with the company. This programme resulted in the addition of approximately 5,000 accounts to the system.

Later in the year the company implemented a Losses Stand-down initiative. This aimed to address some of the factors that contribute to losses on its distribution system. During the period, employees went out into the field, sealing and barrel locking meters, repairing open circuits, replacing defective wires along with auditing meters which showed zero readings and other irregular activity.

As part of efforts to get the public involved in the fight against electricity theft, JPS also introduced a new all-media campaign that successfully highlighted the legal consequences of stealing electricity while increasing the public's awareness of the safety implications of this illegal practice.

JPS recognizes the power of successful partnerships with all its stakeholders, and particularly the communities it serves.

Turning Opportunities into Partnerships

JPS recognizes the power of successful partnerships with all its stakeholders, particularly the communities it serves. In 2006, a number of established partnerships were strengthened and new ones created. Corporate partnerships during the year included gold sponsorship of the Jamaica Manufacturer's Association/Jamaica Exporter's Association (JMA/JEA) Expo. In sponsoring this event JPS reinforced its role as a partner in Jamaica's development, as the event showcased Jamaican products and services and attracts thousands of local and international patrons.

Garth McKenzie, (right) Director – Metro Region JPS, explains the details of the generation, expansion and transmission model to the Most Hon. Prime Minister, Portia Simpson-Miller during her tour of the JPS booth, following the Opening Ceremony of the 2006 JMA/JEA Expo.

Our employees continued to give back to communities through participation in activities that benefited a number of charities. A large group of employees also participated in the annual Sigma Run – a much-anticipated event on the JPS calendar. Through their participation, the company was able to partner with other corporate entities to purchase critical equipment for the Maternity Ward at the University Hospital of the West Indies. Later in the year the Cancer Society of Jamaica was a beneficiary of the company's silver sponsorship of their annual event, Relay For Life, which also saw participation from a record number of employees.

Members of the JPS team that participated in the 2006 Sigma Corporate Run.

In 2006 JPS maintained its tradition as a partner in the education of Jamaica's youth. For the past five years, each summer, JPS sends at least two inner city students to participate in the Academically Interested Minorities (AIM) Summer Program at Kettering University in Flint, Michigan, USA. Last year the company reaped major success, when Janese Jackson of Wolmers Girl's School emerged the overall top student in the programme, ahead of students from all over the United States and Bahamas. Jheanell Johnson of Ardenne High School placed fifth. Both students will take up scholarship offers from Kettering University to pursue their Bachelors Degrees in September 2007.

Jheanell Johnson (left) and Janese Jackson (2nd right), recipients of the 2006 JPS/ Kettering Scholarship, share a light moment with Tony Ray, (2nd left) External Affairs Director, JPS and Saira Joshi, Director, External Affairs, International, Mirant.

The company also maintained its commitment to early childhood education through its support of over 12,000 children in the Early Childhood Nutrition Programme and the donation of furniture, 50 computers, and other equipment to a number of schools across the island. At the secondary level, JPS continued its yearly programme of honouring the top Caribbean Examination Council's (CXC) achievers. A successful 2006 series of JPS Science Fairs was also held, providing students with the opportunity to exhibit their creativity in the area of science.

Parent company, Mirant, also played a critical role in providing support for Jamaican students. Mirant provided twelve scholarships to needy high school students from communities located close to JPS power stations. These scholarships emerged from the company's long-standing commitment to invest in the development of the communities it serves. The scholarships, valued at J$110,000 each, were presented by William P. von Blasingame, President of Mirant Caribbean Holdings, at a special function in Kingston, Jamaica. The recipients were all promising 5th form high school students who excel particularly in the Sciences and Math, but whose families are financially challenged. The scholarships covered the cost of school fees, lunch, bus fare, books, and CXC exam fees for the 2006 academic year. In May, Mirant provided Jamaica's 2006 Spelling Bee Champion, Rosanna Pike, with an IBM ThinkPad R51E laptop computer and HP Color printer, to assist in her preparations to compete with the best in the world in the Scripps Howard Spelling Bee Championships in the United States.

Rosanna Pike looks at the new computer she received for emerging the 2006 Gleaner's Spelling Bee Champion. Looking on are: (l-r) Karin Cooper, Corporate Affairs and Marketing Manager, Gleaner Company, Rosanna's mother, Rev. Glen Archer, Spelling Bee Trainer and Monte Ash, former SVP, Generation, JPS.

A basketballer in full flight during the JPS/ Jamaica Basketball Association (JABA) 2006 All Island Basketball League competition.

In recognition of the important role that sporting activities play in uniting communities and individuals, JPS continued to give back to its stakeholders through sporting activities such as Gibson Relays, Eastern Championships, community football league competitions, basketball and netball championships.

Overall, the year 2006 was quite dynamic with a number of challenges and a lot of growth and development. The company's success, however, would not have been a reality had it not been for a committed team of employees. As the company approaches another year with the expected changes, JPS is proud to have a team that is not overwhelmed by uncertainty, but which rises to challenges, turns negatives into positives, and approaches "the bend", not with fear but with the hope that whatever lies around the corner will be a launching pad for the achievement of the company's mandate. The stage has been set for even better performance in the future, and the JPS team appears ready for the task.

Damian Obiglio, (left) President and CEO, and employees, collect garbage from along the shoreline of the Palisadoes Strip as a part of the activities to mark International Coastal Clean-up Day.

Report of the Directors

The Directors of Jamaica Public Service Company Limited submit herewith their Annual Report with the Audited Financial Statements for the year ended 31st December 2006.

	2006 Dec-31-06 $'000	2005 Dec-31-05 $'000
OPERATING REVENUES:	**48,145,435**	**40,253,133**
Profit before Taxation	2,692,754	1,926,056
Deferred Tax Expense	(718,218)	(479,901)
Net Profit attributable to shareholders	1,974,536	1,446,155
Dividend on Preference Shares	(170)	(170)
Dividend on Ordinary Shares	(993,464)	(1,394,811)
Transfer from Capital Reserve, net	922,379	835,536

DIVIDENDS:

The Dividends for the year on all issued Preference Shares have been paid in full. Interim dividend of the Jamaican equivalent of Fifteen Million United States Dollars (US$15,000,000) or 0.068718 United States cents paid by the Board on October 27, 2006 be and is hereby declared and approved as final and no further dividend be paid in respect of the year under review.

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.

DIRECTORS:

In accordance with Article 123 of the Company's Articles of Association, Mr. Damian Obiglio and Mrs. Beverley Lopez, having been appointed to the Board since the last Annual General Meeting cease to hold office and, being eligible offer themselves for election.

Mr. David Dunbar resigned from the Board on February 8, 2007. The Board wishes to express its sincere appreciation to Mr. Dunbar for his contributions to the Company.

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

Katherine P.C. Francis
Secretary
April 24, 2007

	Annualised Growth (%) (Dec-31-06)	Dec-31-06 J$'000 (12 months)	Dec-31-05 J$'000 (12 months)	Dec-31-04 J$'000 (12 months)	Dec-31-03 J$'000 (12 months)	Dec-31-02 J$'000 (9 months)
OPERATING REVENUES ($000's)						
Residential	13	18,733,950	16,597,402	13,266,677	12,007,766	7,253,125
Commercial & Industrial (Sml.)	22	21,962,676	18,052,178	12,523,167	10,242,415	6,518,232
Commercial & Industrial (Lge.)	35	6,239,516	4,606,184	3,824,704	3,558,322	2,189,646
Other	21	1,209,293	997,369	784,370	654,594	395,831
TOTAL	20	48,145,435	40,253,133	30,398,918	26,463,097	16,356,834
AVERAGE NO. OF CUSTOMERS						
Residential	4	511,039	491,452	480,665	462,107	452,388
Commercial & Industrial (Sml.)	5	59,694	56,700	55,480	54,276	54,881
Commercial & Industrial (Lge.)	10	101	92	94	103	98
Other	4	211	202	195	195	193
TOTAL	4	571,045	548,446	536,434	516,681	507,560
NET GENERATION AND PURCHASES (MWH)						
Steam & Slow Speed Diesel	-14	1,543,877	1,788,365	1,731,035	1,885,327	1,454,403
Hydro	12	169,633	151,310	134,327	146,313	88,602
Gas Turbines	-35	231,889	358,080	286,939	468,334	333,300
Combined Cycle Plant	47	756,602	513,126	611,376	173,596	-
Purchases	26	1,344,427	1,067,109	953,345	1,022,435	811,143
TOTAL	4	4,046,428	3,877,990	3,717,022	3,696,005	2,687,448
Losses & Unaccounted for (MWh)	13	925,759	822,836	717,383	686,544	464,705
Systems losses as a percentage of Net Generation	8	22.9%	21.2%	19.3%	18.6%	17.3%
ENERGY SALES (MWH)						
Residential	-2	1,103,225	1,123,274	1,089,691	1,110,794	842,972
Commercial & Industrial (Sml.)	3	1,417,327	1,382,303	1,332,462	1,282,777	934,911
Commercial & Industrial (Lge.)	10	510,882	464,020	497,815	542,628	392,418
Other	4	89,235	85,557	79,672	73,262	52,441
TOTAL	2	3,120,669	3,055,154	2,999,640	3,009,461	2,222,742
AVERAGE USE & REVENUE per residential customer						
Annualized kWh consumption/Customer	-6	2,159	2,286	2,267	2,404	2,485
Annualized Revenues/Customer	9	36,659	33,772	27,601	25,985	21,377
Jamaican Dollars per kWh	15	17.0	14.8	12.2	10.8	8.6
Average billing exchange rate for period	5	65.77	62.35	61.31	57.42	48.73
U.S. Cents per kWh	9	25.8	23.7	19.9	18.8	17.7

Financial Statistics

Period/Year ending:	Dec-31-06 12 months J$'000	Dec-31-05 12 months J$'000	Dec-31-04 12 months J$'000	Dec-31-03 12 months J$'000	Dec-31-02 9 months J$'000
FIXED ASSETS	105,518,439	97,173,074	88,686,755	81,667,092	73,491,510
Less accumulated depn.	65,468,995	59,681,572	53,935,001	49,169,076	46,446,070
	40,049,444	37,491,502	34,751,754	32,498,016	27,045,440
NET WORKING CAPITAL/(DEFICIT)	8,800,252	(2,237,279)	5,570,930	4,227,868	1,533,054
NON-CURRENT ASSETS	1,959,276	1,518,801	1,225,700	900,900	781,300
TOTAL NET ASSETS	50,808,972	36,773,024	41,548,384	37,626,784	29,359,794
CAPITAL EMPLOYED	50,808,972	36,773,024	41,548,384	37,626,784	29,359,794
Represented by:					
Long term debt (%)	29.3%	15.4%	34.1%	34.6%	25.7%
Customer Deposits & Advances (%)	4.3%	5.6%	5.1%	5.5%	6.0%
Employee benefit obligations (%)	2.4%	3.3%	2.7%	2.8%	2.7%
Deferred tax liabililty (%)	9.4%	8.3%	3.7%	4.7%	2.4%
Shareholder's equity (%)	54.6%	67.4%	54.4%	52.4%	63.2%
TOTAL CAPITAL EMPLOYED	100.0%	100.0%	100.0%	100.0%	100.0%
STATEMENT OF OPERATIONS					
OPERATING REVENUE	48,145,435	40,253,133	30,398,917	26,463,097	16,356,833
LESS OPERATING EXPENSES:					
Fuel	26,679,270	22,174,846	14,591,749	12,570,818	7,144,753
Purchased Power Capacity (excluding fuel)	4,783,600	3,953,703	3,570,568	3,477,385	2,344,485
Operating & maintenance	8,340,540	7,336,154	6,605,588	6,116,478	3,831,205
	39,803,410	33,464,703	24,767,905	22,164,681	13,320,443
Earnings before interest, tax and depreciation	8,342,025	6,788,430	5,631,012	4,298,416	3,036,390
Taxation expense/(income)	718,218	479,901	15,452	(725,505)	(35,162)
Depreciation	2,860,087	2,531,646	2,265,125	1,960,574	1,333,869
Operating profit before net financing costs	4,763,720	3,776,883	3,350,435	3,063,347	1,737,683
Net financing costs:					
Interest expense, net	2,056,629	1,802,816	1,715,354	1,418,472	737,013
Foreign exchange losses	593,655	620,501	313,343	1,993,796	629,865
Debt issuance fees and expenses	199,985	35,010	16,806	58,457	28,800
Interest capitalised during construction	(70,843)	(48,962)	(68,332)	(230,846)	(247,869)
	2,779,426	2,409,365	1,977,171	3,239,879	1,147,809
Operating profit/(loss) after net financing costs	1,984,294	1,367,518	1,373,264	(176,532)	589,874
Other Income	84,626	165,793	57,245	317,339	88,918
Other expenses	(94,384)	(87,156)	(1,572,415)	(414,843)	-
Net Profit/(loss) attributable to shareholders	1,974,536	1,446,155	(141,906)	(274,036)	678,792
Opening retained earnings	3,544,603	2,657,893	2,177,896	3,280,924	1,945,008
Dividends Paid - Preference and Ordinary	(993,634)	(1,394,981)	(170)	(1,215,960)	(127)
Transfer from capital reserve, net	922,379	835,536	622,073	386,968	657,251
RETAINED EARNINGS	5,447,884	3,544,603	2,657,893	2,177,896	3,280,924

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
Jamaica WI

Auditors
KPMG
6 Duke Street
Kingston

Attorneys-at-Law
Livingston Alexander & Levy
72 Harbour Street
Kingston
&
Myers Fletcher Gordon
21 East Street
Kingston

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

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

RBTT Bank of Ja. Ltd.
17 Dominica Drive
Kingston 5
Jamaica WI

To the Members of
Jamaica Public Service Company Limited

Report on the Financial Statements

We have audited the financial statements of Jamaica Public Service Company Limited (the company), set out on pages 17 to 45, which comprise the balance sheet as at December 31, 2006, the statements of income, changes in equity and cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

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

Auditors' Responsibility
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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of the company as at December 31, 2006, and of its financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on additional requirements of the Companies Act

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

KPMG

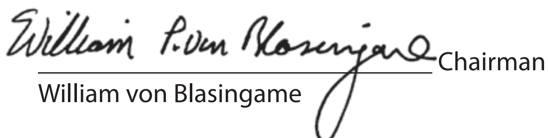
March 20, 2007
Kingston
Jamaica, WI

Balance Sheet

for the year ended December 31, 2006

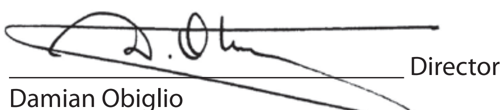
	Notes	2006 $'000	2005 $'000
CURRENT ASSETS			
Cash and cash equivalents	5	2,702,365	1,735,628
Accounts receivable	6	10,571,792	9,180,085
Tax recoverable		169,264	164,089
Inventories	7	2,150,060	2,052,901
		15,593,481	13,132,703
CURRENT LIABILITIES			
Short-term loans	8	1,007,232	1,420,791
Current portion of long-term loans	16	444,994	9,159,423
Accounts payable and provisions	9	5,298,736	4,755,444
Due to related companies		42,267	34,324
		6,793,229	15,369,982
NET CURRENT ASSETS/(LIABILITIES)		8,800,252	(2,237,279)
NON-CURRENT ASSETS			
Property, plant & equipment	10	40,049,444	37,491,502
Intangible assets	11	253,109	110,062
Employee benefits asset	12(a)	1,706,167	1,408,739
		50,808,972	36,773,024
Financed by:			
SHAREHOLDERS' EQUITY			
Stated capital	13	11,744,730	11,744,730
Capital reserve	14	10,559,173	9,493,649
Retained earnings		5,447,884	3,544,603
		27,751,787	24,782,982
NON-CURRENT LIABILITIES			
Customer deposits	15	2,185,032	2,054,811
Long-term loans	16	14,873,518	5,663,107
Deferred taxation	17	4,780,290	3,068,121
Employee benefits obligations	12(b)	1,218,345	1,204,003
		50,808,972	36,773,024

The financial statements on pages, 17 to 45, were approved by the Board of Directors on March 20, 2007, and signed on its behalf by:



Chairman

William von Blasingame



Director

Damian Obiglio

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

Income Statement

for the year ended December 31, 2006

	Notes	2006 $'000	2005 $'000
Operating revenue	18	48,145,435	40,253,133
Cost of sales:			
Fuel		(26,679,270)	(22,174,846)
Purchased power (excluding fuel)	4	(4,783,600)	(3,953,703)
		(31,462,870)	(26,128,549)
Gross profit		16,682,565	14,124,584
Operating expenses:			
Operating & maintenance, selling, general & administrative expenses		(8,340,540)	(7,336,154)
Depreciation and amortisation		(2,860,087)	(2,531,646)
		(11,200,627)	(9,867,800)
Operating profit before net finance costs, other income & expenses and taxation	19	5,481,938	4,256,784
Net finance costs:			
Foreign exchange losses		(593,655)	(620,501) *
Other finance costs		(2,488,937)	(1,911,597) *
Finance income		303,166	122,733
	20	(2,779,426)	(2,409,365)
Other income	21(a)	84,626	165,793 *
Other expenses	21(b)	(94,384)	(87,156)*
Profit before taxation		2,692,754	1,926,056
Taxation	22	(718,218)	(479,901)
Profit for the year		1,974,536	1,446,155
Earnings per share/stock unit	23	9.05¢	6.62¢

*Reclassified to conform to 2006 presentation.

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

Statement of Changes in Shareholders' Equity

for the year ended December 31, 2006

	Stated capital $'000 (note 13)	Share premium $'000	Capital reserve $'000 (note 14)	Retained earnings $'000	Total $'000
Balances at December 31, 2004	10,917,031	827,699	8,207,164	2,657,893	22,609,787
Transfer of share premium	827,699	(827,699)	-	-	-
Revaluation surplus	-	-	3,183,032	-	3,183,032
Deferred tax on revaluation surplus (note 17)	-	-	(1,061,011)	-	(1,061,011)
Profit for the year	-	-	-	1,446,155	1,446,155
Realised revaluation surpluses [note 14(i)]	-	-	(835,536)	835,536	-
Dividends paid (note 24)	-	-	-	(1,394,981)	(1,394,981)
Balances at December 31, 2005	11,744,730	-	9,493,649	3,544,603	24,782,982
Revaluation surplus	-	-	2,981,854	-	2,981,854
Deferred tax on revaluation surplus (note 17)	-	-	(993,951)	-	(993,951)
Profit for the year	-	-	-	1,974,536	1,974,536
Realised revaluation surpluses [note 14(i)]	-	-	(922,379)	922,379	-
Dividends paid (note 24)	-	-	-	(993,634)	(993,634)
Balances at December 31, 2006	11,744,730	-	10,559,173	5,447,884	27,751,787

Net recognised gains for the year aggregated $3,962,439,000 (2005: $3,568,176,000), of which $1,987,903,000 (2005: $2,122,021,000) 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, 2006

	2006 $'000	2005 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	1,974,536	1,446,155
Adjustments for:		
Depreciation and amortisation	2,860,087	2,531,646
Amortisation of debt issuance costs	12,986	-
Loss on disposal/adjustment of property, plant & equipment	94,384	386 *
Unrealised foreign exchange losses	593,655	620,501
Interest expense	2,288,952	1,876,587
Other interest income	(232,323)	(73,771)*
Interest capitalised (note 10)	(70,843)	(48,962)
Deferred taxation	718,218	479,901
Employee benefits, net	(283,086)	(80,759)
Cash generated before changes in working capital and deposits	7,956,566	6,751,684
Accounts receivable	(1,383,796)	(2,314,773)*
Inventories	(97,159)	(434,328)
Accounts payable	52,169	1,158,957
Due to related companies	7,943	(27,587)
Customer deposits and advances	130,221	(70,151)
Cash generated from operations	6,665,944	5,063,802
Interest paid	(1,706,846)	(1,851,199)
Taxes withheld	(5,175)	(16,641)
Net cash provided by operating activities	4,953,923	3,195,962
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(2,450,083)	(2,148,690)*
Purchase of intangible assets	(152,680)	(1,158)
Interest received	224,412	74,950*
Net cash used by investing activities	(2,378,351)	(2,074,898)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term loans received	1,004,595	1,860,803
Repayment of short-term loans	(1,471,760)	(647,197)
Long-term loans received	11,407,837	-
Repayment of long-term loans	(11,555,873)	(665,665)
Dividends paid	(993,634)	(1,394,981)
Net cash used by financing activities	(1,608,835)	(847,040)
Net increase in cash and cash equivalents	966,737	274,024
Cash and cash equivalents at beginning of year	1,735,628	1,461,604
CASH AND CASH EQUIVALENTS AT END OF YEAR	2,702,365	1,735,628

*Reclassified to conform to 2006 presentation.

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

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.

During the year, Mirant Corporation announced its intention to divest its shareholding in the company along with its other Caribbean assets. This pending sale, which has not as yet attracted a binding offer, could trigger redemption of certain of the company's long-term loans (note 16).

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.

These rates are determined in accordance with the tariff regime, which provides that the OUR annually reviews the company's efficiency levels (system losses and heat rate) and, where appropriate, adjusts these in the tariff, primarily relating to fuel revenues. Under the rate schedule the company should recover its actual fuel costs net of the prescribed efficiency adjustments through its Fuel Rate.

As of May 31, 2004, and thereafter, on each succeeding fifth anniversary, the company must submit a filing to the OUR for further rate adjustments to its Non-Fuel Base Rate. The rate filing, which requires OUR approval, is based on a test year and includes defined "efficient" non-fuel operating costs, depreciation expenses, taxes, and a fair return on investment.

Embedded in the OUR approved tariff is an amount to be set aside monthly in case of a major catastrophe affecting the company's transmission and distribution assets (transfer to self-insurance sinking fund).

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.

During the year under review certain new standards, interpretations and amendments to the existing standards became effective. Management has assessed that IAS 19 Amendment, *Actuarial Gains & Losses, Group Plans and Disclosures*, IAS 39 Amendment, *The Fair Value Option*, IFRIC 4, *Determining whether an Arrangement Contains a Lease*, IFRC 5 *Rights to Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds* and IFRIC 8 *Scope of IFRS 2* were the only standards relevant. Appropriate additional disclosures and restatements, together with comparatives, are incorporated in these financial statements.

At the date of authorisation of the financial statements the following new standards, amendments to standards and interpretations become effective for the financial years beginning after December 31, 2006 and have therefore not been applied in preparing these financial statements:

- *IFRS 7 Financial Instruments: Disclosures and the Amendments to IAS 1 Presentation of Financial Statements: Capital Disclosures* require extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which become mandatory for the company's 2007 financial statements, will require additional disclosures with respect to the company's financial instruments and share capital.

- *IFRIC 9 Reassessment of Embedded Derivatives* requires that a reassessment of whether an embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. As at December 31, 2006, IFRIC 9, which becomes mandatory for the company's 2007 financial statements, is not expected to have a material impact on the financial statements.

- *IFRIC 10 Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset at cost. As at December 31, 2006, IFRIC 10 is not considered relevant to the company and is therefore not expected to have any impact on the financial statements.

- *IFRIC 12 Service Concession Arrangements* addresses the accounting requirements for public-to-private service concession arrangements in private sector entities. As at December 31, 2006, the company had not determined the impact of the application of IFRIC 12 on its 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 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 applicable.

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.

(iii) Impairment of property, plant and equipment:

Managements' assessment of impairment of property, plant and equipment is embedded in its annual revaluation exercise [see note 3(j)].

(iv) Lease arrangements:

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

(v) Unbilled revenue:

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

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

(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 amortised cost less impairment losses.

(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 amortised 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 14) 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.

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

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

(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 3.8% (2005: 3.7%).

Computer software is amortised at 6.65% per annum.

(l) Employee benefits:

Assets and liabilities in respect of the defined benefit pension plan 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) Pension assets:

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

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

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

The company's net obligation in respect of the defined benefit pension plan is calculated at each 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. To the extent that the obligation is less than the fair value of the plan assets, the asset recognised is restricted to the discounted value of future benefits available to the company in the form of future refunds or reductions in contributions. The discount rate applied is the yield at 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.

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

(l) Employee benefits (cont'd):

(i) Pension assets (cont'd):

In calculating the company's obligation in respect of the plan 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.

(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 defined benefit pension plan. Actuarial gains and losses are accounted for in a manner similar to that of the defined benefit pension plan.

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

(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) Debt issuance costs:

These represent legal, accounting and financing fees associated with securing certain long-term loans and are being amortised on an effective rate basis over the lives of the loans (note 16).

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

(q) 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.

(r) 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 22).

(s) 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.

(t) 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.

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

(t) Impairment (cont'd):

(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.

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.

(u) Leases:

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

(v) Segment reporting:

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

(w) Related parties:

A party is related to the company if:

(i) directly or indirectly, the party:

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

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

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

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

The company's key related party relationships are with its parent company, ultimate parent company, fellow subsidiaries, directors, key management personnel and the JPS Employees Superannuation Fund.

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

(x) 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.

(y) 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.

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 main IPP arrangements are:

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

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

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.

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.

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

	US Dollars	
	2006	2005
	$'000	$'000
Within 1 year	53,247	46,240
From 1-2 years	52,541	45,830
From 2-5 years	146,851	130,589
Over 5 years	501,034	207,323
	753,673	429,982

5. **Cash and cash equivalents**

At December 31, 2006, cash and cash equivalents include amounts restricted to use in the manner specified as follows:

	2006 $'000	2005 $'000
Self-insurance sinking fund *	350,981	180,488
Rural Electrification Program – house wiring fund	16,628	25,341
Deposit guarantees on staff loans, IPP contracts etc.	72,581	68,594
	440,190	274,423

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

6. **Accounts receivable**

	2006 $'000	2005 $'000
Trade receivables, net (i)	5,995,397	5,299,546
Unbilled revenue	3,346,060	2,855,824
Prepayments	378,717	595,649
Other receivables (ii)	851,618	429,066
	10,571,792	9,180,085

(i) Trade receivables are shown net of an allowance for impairment losses of $538 million (2005: $785 million).

(ii) Included in other receivables is an amount of $418 million (2005: Nil) in respect of a rebate receivable for Special Consumption Tax.

7. **Inventories**

	2006 $'000	2005 $'000
Fuel	660,307	637,971
Generation spare parts	813,153	603,323
Transmission, distribution and other spares	676,600	811,607
	2,150,060	2,052,901

8. **Short-term loans**

At December 31, 2006, the company had one short term loan denominated in United States (US) dollars, bearing interest at LIBOR plus 3% (8.3525%). In the prior year, the company had two US dollar short term loans, bearing interest at rates between 7.87% and 8.77%. All short-term loans are unsecured.

At December 31, 2006, the net foreign currency exposure in short-term loans aggregated US$15,000,000 (2005: US$22,000,000).

9. **Accounts payable and provisions**

	2006 $'000	2005 $'000
Trade payables (i)	3,906,051	3,842,704
Interest accrued on customer deposits and loans	1,013,884	431,778
Other payables and provisions (ii)	378,801	480,962
	5,298,736	4,755,444

(i) Included in trade payables at December 31, 2006, is a net amount of $192 million (2005: $192 million) refundable to customers under the fuel clause of the company's previous tariff structure in effect to December 1998.

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

	2006 $'000	2005 $'000
Balance at beginning of year	375,115	162,828
Provisions made during the year	406,325	378,816
Provisions utilised during the year	(569,231)	(166,529)
Balance at end of year	212,209	375,115
Comprising provisions for:		
Retroactive and bonus salaries	70,639	328,305
Legal claims in process (note 26)	141,570	46,810
	212,209	375,115

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	Production (generation) plant & equipment	Transmission & distribution plant & equipment	General plant & machinery	Computer equipment, office fixtures & fittings	Construction work-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At cost or valuation:							
December 31, 2004	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	-	181,841	1,364,440	2,197,652
Transfers	416,282	449,323	795,428	76,506	-	(1,737,539)	-
Disposals/retirements & adjustments	-	-	-	(573)	(54,923)	53,818	(1,678)
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
Additions	-	36,176	1,068,486	31,511	40,863	1,343,890	2,520,926
Transfers	250,478	554,500	390,623	64,829	6,671	(1,267,101)	-
Disposals/retirements & adjustments	-	(299,234)	-	-	(4,589)	-	(303,823)
Revaluation	-	2,452,703	3,675,559	-	-	-	6,128,262
December 31, 2006	2,490,281	40,079,903	56,160,485	3,374,054	1,884,890	1,528,826	105,518,439
Depreciation:							
December 31, 2004	204,641	19,707,846	31,068,483	2,035,138	896,068	-	53,912,176
Charge for the year	24,201	1,197,523	1,075,276	117,650	107,504	-	2,522,154
Disposals/retirements	-	-	-	-	(1,292)	-	(1,292)
Revaluation	-	1,549,934	1,698,600	-	-	-	3,248,534
December 31, 2005	228,842	22,455,303	33,842,359	2,152,788	1,002,280	-	59,681,572
Charge for the year	45,871	1,348,252	1,224,230	121,471	110,630	-	2,850,454
Disposals/retirements	-	(206,804)	-	-	(2,635)	-	(209,439)
Revaluation	-	1,349,367	1,797,041	-	-	-	3,146,408
December 31, 2006	274,713	24,946,118	36,863,630	2,274,259	1,110,275	-	65,468,995
Net book values:							
December 31, 2006	2,215,568	15,133,785	19,296,855	1,099,795	774,615	1,528,826	40,049,444
December 31, 2005	2,010,961	14,880,455	17,183,458	1,124,926	839,665	1,452,037	37,491,502

(a) Land and buildings and land rights include land aggregating approximately $843 million (2005: $841 million), at historic cost.

(b) Allowances for funds used during construction for the year amounted to approximately $71 million (2005: $49 million). The capitalisation rate used for the year was 9.375% (2005: 11.25%).

(c) The historic cost (net book value) and valuation respectively, for assets carried at valuation are noted below:

	2006	2005
	$'000	$'000
Historic cost:		
Production (generation) plant & equipment	8,561,926	8,657,802
Transmission & Distribution plant & equipment	10,072,258	9,190,928
	18,634,184	17,848,730
Valuation:		
Production (generation) plant & equipment	40,079,903	37,335,758
Transmission & Distribution plant & equipment	56,160,485	51,025,817
	96,240,388	88,361,575

11. **Intangible assets**

This represents acquired software costs capitalised as follows:

	2006 $'000	2005 $'000
Cost:		
At beginning of year	142,378	141,220
Additions	152,680	1,158
At end of year	295,058	142,378
Amortisation:		
At beginning of year	32,316	22,824
Charge for the year	9,633	9,492
At end of year	41,949	32,316
Net book values	253,109	110,062

Additions include projects-in-progress at December 31, 2006 aggregating $149,708,000 (2005: $Nil).

12. **Employee benefits**

(a) Defined benefit pension plan:

The company administers a defined-benefit pension plan for its permanent employees. The assets of the plan are under the control of trustees, 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.

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

	2006 $'000	2005 $'000
Present value of funded obligations	(3,368,500)	(2,638,500)
Fair value of plan assets	7,808,100	6,591,800
Unrecognised actuarial gains	(1,027,266)	(1,135,822)
Unrecognised amount due to limitation	(1,706,167)	(1,408,739)
Asset recognised in balance sheet	1,706,167	1,408,739

(ii) Movements in funded obligations:

	2006 $'000	2005 $'000
Balance at beginning of year	(2,638,500)	(2,360,000)
Benefits paid	234,100	154,500
Current service and interest costs	(487,100)	(420,600)
Actuarial gain	(477,000)	(12,400)
Balance at end of year	(3,368,500)	(2,638,500)

12. **Employee benefits (cont'd)**

(a) Defined benefit pension plan (cont'd):

(iii) Movements in plan assets:

	2006 $'000	2005 $'000
Fair value of plan assets at beginning of year	6,591,800	5,851,800
Contributions paid	311,400	232,400
Expected return or plan assets	729,300	648,000
Benefits paid	(234,100)	(154,500)
Actuarial gain	409,700	14,100
Fair value of plan assets at end of year	7,808,100	6,591,800
Plan assets consist of the following:		
Equities	756,743	847,248
Fixed income securities	6,321,344	5,017,946
Real estate	730,013	726,606
	7,808,100	6,591,800

(iv) Credit recognised in the income statement:

	2006 $'000	2005 $'000
Current service costs	135,000	121,300
Interest on obligations	328,300	281,300
Expected return on plan assets	(729,300)	(648,000)
Net actuarial (gain)/loss recognised during the year	(24,100)	110,502
Loss/(gains) on curtailment	44,100	(18,000)
Total credit	(246,000)	(152,898)
Total credit recognised due to limitation	(123,000)	(76,449)
Actual return on plan assets	1,139,000	662,100

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

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

	2006	2005
Discount rate	12.0%	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%

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

12. **Employee benefits (cont'd)**

(b) Other post-employment benefit obligations (cont'd):

	2006 $'000	2005 $'000
Post-employment medical and life insurance benefits	554,509	481,900
Accumulated sick and vacation pay	663,836	722,103
	1,218,345	1,204,003

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

	2006 $'000	2005 $'000
Present value of unfunded obligations	596,900	532,400
Unrecognised actuarial losses	(42,391)	(50,500)
Liability recognised in balance sheet	554,509	481,900

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

	2006 $'000	2005 $'000
Balance at beginning of year	481,900	431,600
Contributions paid	(10,700)	(10,500)
Expense recognised in the income statement	83,309	60,800
Balance at end of year	554,509	481,900

(iii) Expense recognised in the income statement:

	2006 $'000	2005 $'000
Current service costs	34,400	33,600
Interest on obligations	65,900	61,700
Actuarial loss/(gain) recognised for the year	3,400	(19,100)
Gains on curtailments and/or settlements	(20,391)	(15,400)
	83,309	60,800

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

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

	2006	2005
Discount rate	12.0%	12.5%
Medical claims growth	11.0%	11.5%

Actuarial assumptions regarding mortality, inflation, etc. follow the same bases as those outlined in note 12 (a)(v) above.

12. **Employee benefits (cont'd)**

(b) Other post-employment benefit obligations: (cont'd)

The assumed medical claims growth trend can have a significant effect on the amounts recognised in the income statement. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	One percentage point increase $'000	One percentage point decrease $'000
Effect on the aggregate service and interest cost	30,400	(21,700)
Effect on the defined benefit obligation	152,800	(113,200)

(c) Historical information

(i) Defined benefit pension plan:

	2006 $'000	2005 $'000	2004 $'000	2003 $'000	2002 $'000
Present value of the defined benefit obligations	(3,368,500)	(2,638,500)	(2,360,000)	(2,310,700)	(1,907,800)
Fair value of plan assets	7,808,100	6,591,800	5,851,800	4,674,400	3,571,500
Experience adjustments arising on plan liabilities	(142,100)	5,600	(13,300)	2,363,700	1,663,700
Experience adjustments arising on plan assets	409,700	14,100	702,100	(40,800)	(94,300)

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

	2006 $'000	2005 $'000	2004 $'000	2003 $'000	2002 $'000
Present value of the post-employment benefit obligation	596,900	532,400	517,400	629,600	282,200
Experience adjustments arising on plan liabilities	12,600	65,900	143,500	(94,000)	(45,700)

13. **Stated capital**

Authorised:
Ordinary share capital:
315,733,000 Ordinary stock units at no par value
30,000,000,000 Ordinary shares at no par value

Cumulative Preference shares of no par value
567,000 7% "B" shares
66,500 5% "C" shares
1,049,000 5% "D" shares
514,000 6% "E" shares

	2006	2005
	$'000	$'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	11,583,930
	11,741,797	11,741,797
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	11,744,730

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. **Capital reserve**

	2006	2005
	$'000	$'000
Revaluation surplus, net of deferred tax (i)	10,554,916	9,489,392
Other reserves (ii)	4,257	4,257
	10,559,173	9,493,649

(i) This represents the net surpluses arising on the revaluation of certain property, plant & equipment, net of deferred tax (see notes 17 and 22) 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.

15. Customer deposits

	2006 $'000	2005 $'000
Customer deposits for electricity service (i)	1,341,593	1,242,481
Customer advances for construction (ii)	843,439	812,330
	2,185,032	2,054,811

(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.

16. Long-term loans

	2006 $'000	2005 $'000
(a) (i) RBTT Merchant Bank Limited (Trinidad & Tobago), 11.9% fixed rate, repayable 2006 [US$Nil (2005: US$80 million)]	-	5,166,512
(ii) RBTT Merchant Bank Limited (Trinidad & Tobago), 10.75% fixed rate, repayable 2006 [US$Nil (2005: US$51.4 million)]	-	3,317,869
(b) (i) RBTT Merchant Bank Limited (Trinidad & Tobago) 12% fixed rate, repayable 2010 [US$Nil (2005: US$18.2 million)]	-	1,176,304
(ii) RBTT Merchant Bank Limited (Trinidad & Tobago) 12% fixed rate, repayable 2011 [US$Nil (2005: US$23.6 million)]	-	1,522,277
(c) Republic Bank Limited (Trinidad & Tobago), 9.5%, repayable 2006 [US$Nil (2005: US$254,000)]	-	16,439
(d) Kreditanstalt fur Weideraudfbau of Frankfurt/ Government of Jamaica (KFW/GOJ), 7% fixed rate, repayable 2030 [€3.9 million (2005: €3.9 million)]	342,644	296,670
(e) International Finance Corporation (IFC) variable rate, repayable 2015 [US$45 million (2005: US$45 million)]	3,021,692	2,906,163
(f) AIC Merchant Bank 8.75% fixed rate, repayable 2009 [US$4.9 million (2005: US$6.5 million)]	327,753	420,296
(g) Deutsche Bank as trustees of the holders of the 11% Senior notes due 2016 [US$180 million (2005: US$Nil)]	11,626,423	-
	15,318,512	14,822,530
Less: Current portion	(444,994)	(9,159,423)
	14,873,518	5,663,107

16. **Long-term loans (cont'd)**

(a), (b) & (c) These loans were fully repaid in 2006 and any attendant charges released.

(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, 2006, the rate so determined was 12.96% (2005: 11.56%). The loan is secured by the assets of the company.

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

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

	2006 $'000	2005 $'000
Cost:		
At beginning of year	-	-
Additions	473,329	-
At end of year	473,329	-
Amortisation:		
At beginning of year	-	-
Amortisation charge for the year, net	12,986	-
At end of year	12,986	-
	460,343	-

17. **Deferred taxation**

Deferred tax (liabilities)/assets relate to:

	Balance at January 1, 2006 $'000	Recognised in income $'000	Recognised in equity $'000	Balance at December 31, 2006 $'000
Employee benefits, net	(68,245)	(94,361)	-	(162,606)
Accounts receivable	222,180	(45,243)	-	176,937
Accounts payable and provisions	143,926	241,225	-	385,151
Unrealised foreign exchange losses	1,198,906	(918,582)	-	280,324
Property, plant & equipment	(5,496,282)	1,121,190	(993,951)	(5,369,043)
Unamortised debt issuance costs	-	(153,448)	-	(153,448)
Tax value of losses carried forward	931,394	(868,999)	-	62,395
	(3,068,121)	(718,218)	(993,951)	(4,780,290)

18. **Operating revenue**

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

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

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

	2006 $'000	2005 $'000
Directors' remuneration:		
Fees	2,384	2,442
Emoluments	52,423	28,714
Pensions to former managing directors	471	501
Compensation for key management:		
Short term benefits	158,652	249,728
Post employment benefits	3,172	4,534
Staff costs	4,166,986	3,606,913
Audit fees (including GCT)	11,621	11,131*
Depreciation and amortisation	2,860,087	2,531,646

(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$3.8 million (2005: US$4.8 million).

All the above transactions were executed in the ordinary course of business.

* Reclassified to conform to 2006 presentation.

20. Net finance costs

	2006 $'000	2005 $'000
Foreign exchange losses	593,655	620,501
Other finance costs:		
Short-term loans	111,371	447,848
Long-term loans	2,044,641	1,294,960
Customer deposits	119,516	122,425
Bank overdraft and other	13,424	11,354
Debt issuance costs and expenses	199,985	35,010
	2,488,937	1,911,597
Finance income:		
Interest income	(232,323)	(73,771)
Interest capitalised during construction (note 10)	(70,843)	(48,962)
	(303,166)	(122,733)
	2,779,426	2,409,365

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

21. Other income and expenses

(a) Other income comprises:

	2006 $'000	2005 $'000
Rental income	15,278	22,134
Miscellaneous proceeds from scrap sales or other settlements	69,348	143,659*
	84,626	165,793

(b) Other expenses comprise:

	2006 $'000	2005 $'000
Hurricane restoration costs	-	86,770
Loss on disposal of other property, plant & equipment	94,384	386*
	94,384	87,156

*Reclassified to conform to 2006 presentation.

22. **Taxation**

(a) Taxation is computed at 331/3% of the company's results for the year, adjusted for tax purposes and comprises:

	2006 $'000	2005 $'000
Current income tax expense	-	-
Deferred taxation on:		
Origination and reversal of temporary differences	(150,781)	(390,124)
Benefit of tax losses recognised	868,999	870,025
	718,218	479,901

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

At December 31, 2006, taxation losses available for set-off against future taxable profits, subject to agreement by the Commissioner, Taxpayer Audit & Assessment, amounted to approximately $187 million (2005: $2.8 billion).

(b) Reconciliation of tax expense:

	2006 $'000	2005 $'000
Profit before taxation	2,692,754	1,926,056
Computed "expected" tax @ 331/3%	897,585	642,018
Tax effect of differences between profit for financial statements and tax reporting purposes in respect of:		
Investment allowances	(171,475)	(114,828)
Foreign exchange losses	(171,599)	(72,707)
Disallowed debt issuance costs	157,777	-
Other disallowed items	5,930	25,418
Actual tax expense	718,218	479,901
Deferred tax charged directly to equity in relation to the revaluation of property, plant & equipment (see notes 14 and 17)	(993,951)	(1,061,011)

23. **Earnings per share/stock unit**

	2006 $'000	2005 $'000
Profit for the year	1,974,536	1,446,155
Less: Preference dividends (note 24)	(170)	(170)
	1,974,366	1,445,985
Number of shares/stock units [shown in thousands (see note 13)]	21,828,195	21,828,195
Earnings per share/stock unit	9.05¢	6.62¢

24. **Dividends**

	2006 $'000	2005 $'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
Interim dividend paid @ 0.0687 US¢ per share/stock unit	993,464	-
	993,464	1,394,811
Preference dividends:		
5-7% Cumulative preference shares (notes 13 and 23)	170	170
	993,634	1,394,981

In 2006, there was one interim dividend payment on ordinary shares, on October 27, 2006. The preference dividends were paid on a quarterly basis in both years.

25. **Commitments**

(a) Capital:
Commitments for capital expenditure, for which no provision has been made in these financial statements, amounted to approximately $474 million (2005: $234 million).

(b) In addition to its commitments under IPP contracts (note 4), the company had unexpired operating lease commitments at December 31, 2006 payable as follows:

	2006 $'000	2005 $'000
Within 1 year	437,005	413,338
From 1-2 years	436,949	413,058
From 2-3 years	436,659	413,002
From 3-4 years	10,741	11,250
From 4-5 years	10,672	10,828
Over 5 years	332,771	346,125
	1,664,797	1,607,601

Lease payments under operating leases including IPP contracts (note 4) recognised in the income statement for the year aggregated approximately $5,334 million (2005: $3,090 million).

26. **Contingent liabilities**

(i) The company was contingently liable at December 31, 2006 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, 2006, a provision of J$141.5 million (2005: 46.8 million) was made (see note 9) in accordance with the recommendation of the company's attorneys or based on management's best estimate

(ii) The company is in dispute with the National Workers Union and the Bustamante Industrial Trade Union (IDT) regarding the salary structure consequent on the completion by the company of a job evaluation and compensation review exercise. The IDT made an award stating that:

(a) "The Salary structure that shall be implemented, consequent on the Job Evaluation and Compensation Review Exercise, is one which conforms with and maintains the established compensation policy/ philosophy agreed on by the parties in the 1990/91 Heads of Agreement which is based on a formula of the top 5-10 percentile of the benchmarked market.

26. **Contingent liabilities (cont'd)**

(b) The effective date of the payment of the new rates as a result of the above shall be 1st January 2001."

The financial implication of this decision cannot presently be determined with certainty. An initial provision of J$50 million has been made pending the agreement between the parties as to the method to be employed to ultimately resolve the dispute. Management and the directors are of the opinion that the outcome of this matter will not have a material adverse effect on its financial condition, results of the operations and business.

27. **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, 2006, the company had significant concentrations of credit risk in respect of amounts receivable from the Government of Jamaica and its affiliates aggregating $848 million (2005: $740 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 loans are disclosed in note 16.

(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 significant 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).

27. **Financial instruments (cont'd)**

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

	2006			2005		
	US$ $'000	€ $'000	J$ $'000	US$ $'000	€ $'000	J$ $'000
Cash and cash equivalents	35,693	-	2,396,739	12,867	-	830,969
Accounts payable	(54,552)	(1,266)	(3,774,920)	(38,685)	(1,146)	(2,585,974)
Related companies	(629)	-	(42,267)	(530)	-	(34,228)
Short-term loans	(15,000)	-	(1,007,232)	(22,000)	-	(1,420,791)
Long-term loans	(223,025)	(3,879)	(15,318,512)	(224,923)	(3,879)	(14,822,513)
	(257,513)	(5,145)	(17,746,192)	(273,271)	(5,025)	(18,032,537)
Exchange rates (J$)	67.15	88.33		64.58	76.48	

(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.

(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, 2006, 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 loans are stated at contracted settlement values which are considered to be broadly equivalent to fair value. Additionally, the cost of all monetary assets and liabilities has been appropriately adjusted to reflect estimated losses on realisation or discounts on settlement.

(ii) The fair value of refundable customer advances cannot practically be determined, as payment dates and amounts are not determinable.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Jamaica Public Service Company Limited will be held on Thursday, 31st day of May 2007 at the Company's registered offices, 6 Knutsford Boulevard, Kingston 5 commencing at 11:30 a.m. for the following purposes:

1. **To Receive the Audited Accounts for the year ended December 31, 2006 and the Reports of the Directors and Auditors thereon.**

   The Company is asked to consider, and if thought fit pass the following resolution:

   Resolution 1 -*"That the Accounts for the year ended December 31, 2006 together with the Reports of the Directors and Auditors thereon be and are hereby adopted"*

2. **To Approve and Ratify Interim Dividend**

   The Company is asked to consider, and if thought fit pass the following resolution:

   Resolution 2 – *"that the interim dividend of the Jamaican equivalent of Fifteen Million United States Dollars (US$15,000,000) or 0.068718 United States cents paid by the Board on October 27, 2006 be and is hereby declared and approved as final and no further dividend be paid in respect of the year under review"*.

3. **To Elect Directors**

   In accordance with Article 123 of the Company's Articles of Association, Mr. Damian Obiglio and Mrs. Beverley Lopez, having been appointed to the Board since the last Annual General Meeting shall cease to hold office and, being eligible offer themselves for election.

   The Company is asked to consider, and if thought fit pass the following resolutions:

   Resolution 3 –

- *"That retiring Director Mr. Damian Obiglio is hereby elected a Director of the Company"*.
- *"That retiring Director Beverley Lopez is hereby elected a Director of the Company"*.

4. **To Appoint Auditors and Fix Their Remuneration**

   The Company is asked to consider, and if thought fit pass the following resolution:

   Resolution 5 - *"That 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"*.

5. **Any other business for which due notice has been given.**

DATED THIS 26th DAY OF MARCH 2007

BY ORDER OF THE BOARD

Katherine P.C. Francis
Secretary

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 Jamaica Public Service Company Limited to be held on the 31st day of May 2007 at 11:30 a.m. and at any adjournment thereof.

RESOLUTION	FOR	AGAINST
Resolution 1		
Resolution 2		
Resolution 3		
Resolution 4		
Resolution 5		
Resolution 6		

DATED THE DAY OF 2007

……………………………………………..
(signature)

………………………………………………
(signature)

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

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

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

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

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

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