Jamaica Public Service Company Limited

STRATEGIZING FOR THE FUTURE

ANNUAL 2012 REPORT

JPS

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Our Vision

We are the people leading the energy revolution, unleashing Jamaica's growth and prosperity!

Our Mission

Through inspired and committed employees and innovative technologies, we deliver an energy solution for every Jamaican – improving lives, fuelling the growth of businesses, and powering the development of Jamaica.

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.

In April 2011, Marubeni Corporation entered into a Purchase and Sale Agreement with Korea East-West Power (EWP), for joint ownership of majority shares (80%) in the Jamaica Public Service Company Ltd (JPS). The Government of Jamaica and a small group of minority shareholders own the remaining shares.

JPS currently has approximately 595,971 customers who are served by a workforce of approximately 1,375 employees.

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

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

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

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Statement to Shareholders

Hisatsugu Hirai,Chairman (left) and Kelly Tomblin, President and CEO

Overview

As it was for Jamaica, 2012 was a challenging year for JPS. The Company faced increased financial pressure due to the devaluation of the Jamaican dollar, an increase in electricity theft, and the onslaught of a near Category 2 hurricane. Additionally, the development process of the 360 MW power plant was stalled, when the Government of Jamaica, having failed to procure Liquefied Natural Gas for the plant, requested that JPS and its shareholders take over this responsibility.

Despite the challenges at both the macro and microeconomic levels, 2012 was a year of reflection for JPS and the country. Jamaica achieved its 50th year of self-governance and, as the nation celebrated, there was a remarkable level of introspection and an air of expectancy as the nation planned for its future. It was the same for JPS, as the Company laid the foundations for a new Vision, Mission and Core Values.

Managing the Challenges of 2012

The impact of the challenging economic environment on JPS was evident in the dramatic reduction in the Company's Net Profit, which moved from US$34 Million in 2011 to US$12.9 Million in 2012.

The most significant impediments of the year were the escalating impact of electricity theft on the organization, and the related failure to achieve the required Debt to EBITDA loan covenant ratio. This, coupled with the 7.4% devaluation of the Jamaican dollar and the 2.6% decline in sales, threatened the Company with a loss for 2012. However, despite these odds, JPS though challenged, made a modest profit for shareholders.

There is no doubt that the primary contributor to JPS' financial challenges was the increase in electricity theft, combined with a reduced losses target, which means that JPS had to continue to absorb more of the cost of electricity theft through the fuel penalty imposed by the Regulators. The regulated losses target resulted in the Company experiencing a net penalty of US$30M on the cost of fuel used in the generation of electricity.

The effect of the fuel penalty on the organization could have been much more, had it not been balanced by a commendable Heat Rate performance. In 2012, we significantly improved Heat Rate performance. The result was 9,965 kj/kWh which represents a 1.5% reduction from the 10,112 kj/kWh achieved in 2011.

It is also noteworthy that the Company operated 5% more efficiently during the year, evidenced by the reduction in operating and maintenance expenses from US$169 million in 2011 to US$160 million in 2012.

Loss Reduction

Our fight against theft of electricity and system losses continued in earnest. In 2012, we invested US$27 million for this activity. A significant portion of this investment was in the continued implementation of the capital intensive Residential Advanced Metering Infrastructure (RAMI) tamper resistant system. In addition, we investigated over 115,000 accounts which yielded the recovery of 47 GWh in energy sales; replaced 30,000 electromechanical meters; removed 98,000 illegal throw-up lines and re-engaged 6,000 inactive customers. Despite these efforts, system losses increased by 2%, because of theft. This resulted in 24.3% losses for the year.

In light of the challenges addressing the problem of theft, we believe that a review of the regulatory treatment of losses is urgently needed. The current mechanism, which penalises the Company for losses beyond the established target, has proven ineffective in reducing losses and has placed the Company at significant risk. In addition, the system of setting the losses target and penalising the Company ignores the practical extent to which JPS has control over the losses. It is instructive that in countries where the utilities have managed to bring down system losses substantially, there is strong governmental support particularly in the area of policy making.

While we commit to intensifying our efforts to address losses, we will continue to focus on technology driven Residential and Commercial AMI solutions. We will also be pursuing discussions with the Office of Utilities Regulation as well as partnerships with the government and key stakeholders, with a view to implementing programmes that will ensure sustained success in the fight against electricity theft.

New Generation Capacity

We recognize that affordability and the high cost of electricity are key issues that must be dealt with as quickly as possible. The 360 MW project was a significant step in the process of reducing the use of expensive oil. Following its approval by the Office of Utilities Regulation in late 2011, therefore, JPS moved into full gear with its efforts to get the project going in 2012. With the introduction of new technologies and fuel diversification, the new plant would lead to a significant reduction in the cost of electricity.

However, the most highly anticipated generation expansion project took an unexpected turn. There was significant change in the scope of the project, when the Government of Jamaica requested that JPS source LNG. As a result, the process of negotiation was tremendously delayed.

The original tender was terminated in January 2013, after more than two years of discussion between JPS and the Office of Utilities Regulation. The Regulator has issued a new RFP for Base Load Generation Capacity.

With regard to other generation expansion projects, we are pleased to have an additional 65.5 MW generation capacity brought to the national grid by West Kingston Power Partners. This addition is timely and will help to improve the reliability of electricity supply.

Renewable Energy & Energy Conservation

We believe it is important to proactively invest in and expand the country's renewable generation capacity in order to reduce dependence on oil for power generation. In this regard, we are proceeding with construction of the second Maggotty Hydroelectric Power Plant. Upon completion in November 2013, the plant will add another 6.3MW of power to the national grid, at a generation cost below 14c per kWh. JPS will then have access to roughly 7% of renewable energy sources, which is impressive by international standards.

Energy conservation is also a part of our overall strategic plan for the country. Starting with our own offices, we replaced the lighting system with LED in two customer service offices – East Parade and Ruthven Road – as well as on the ground floor of the head office building. This is expected to result in more than 30% reduction in the energy used for lighting.

Hurricane Sandy Recovery

On October 24, Hurricane Sandy hit Jamaica with maximum wind speeds of 80 mph. Approximately 70% of the customer base experienced interruptions, but the eastern and southern parishes bore the brunt of the impact – with the greatest levels of outages and network damage.

Our company performed creditably in the circumstances, with the majority of customers being restored in less than three weeks. We subsequently received an award from the Edison Electric Institute for our power restoration efforts. The power restoration efforts cost us approximately US$6.1 million.

Foundations for Renewal

The Company embarked on a comprehensive organizational restructuring in 2012, with a view to transforming how we serve our customers. At the core of the transformation process was the mantra "Service is Personal", which underlined the creation of a new, more service-oriented organization. The appointment of Regional Directors and Parish Managers, and the establishment of a dedicated Customer Service Unit were fundamental steps in creating a new JPS.

All JPS Employees, participated in a visioning exercise that resulted in the development

of a new Vision, Mission, Core Values and Strategic Objectives. This exercise provided the foundation for the much needed renewal within the organization.

In closing, though this year was not the most successful in terms of financial results, we believe we can indeed transform the energy landscape of Jamaica. Given the internal restructuring to serve customers better and the steps being taken to improve efficiencies across the board, we remain confident we will create a stronger Company that will be a key partner in Jamaica's development.

Hisatsugu Hirai

Chairman

Kelly Tomblin

President and CEO

Board of Directors

Dong Uk Kim

SEATED IN FRONT:

Sang Kie Cho, Kelly Tomblin – *President and CEO,*
Hisatsugu Hirai – *Chairman,* Professor Gordon Shirley

STANDING LEFT TO RIGHT:

Fitzroy Vidal, Professor Evan Windsor Duggan, Cathrine Kennedy, Yung Joon Pyo, Hon. Charles Johston C.D., Seiji Kawamura, Masao Imazato – *Alternate Director*, Inset: Dong Uk Kim - *Alternate Director*

SAM DAVIS	Head, Government and Regulatory Affairs
HERVE PERRIN	Vice President, Generation
KATHERINE FRANCIS	General Counsel and Corporate Secretary
GARY BARROW	Senior Vice President – Customer Operations and Support Services
KELLY TOMBLIN	President and CEO
GARTH MCKENZIE	Director, Sales and Marketing
WINSOME CALLUM	Head, Corporate Communication Department
ALDINGTON-DEAN SMITH	Director, Financial Planning and Reporting
DAN THEOC	Chief Financial Officer

Office of the CEO

LEFT TO RIGHT: Sam Davis, Herve Perrin, Katherine Francis, Gary Barrow, Kelly Tomblin, Garth McKenzie, Winsome Callum, Aldington-Dean Smith, Dan Theoc

Management Discussion & Analysis

Results of Operations

(Expressed in United States Dollars)

Operating revenues for 2012 ($1,141 million) declined by 1% or $12 million relative to 2011 primarily due to the $22M increase in the net loss on the cost of fuel used in the generation of electricity mitigated by the $12M rise in fuel cost for the period. Fuel costs are passed through to customers revenues to the extent that JPS meets certain established regulatory performance targets.

The cost of sales ($862 million) increased by 2% or $16 million compared to 2011 due to the $12 million increase in the cost of fuel and the $4 million increase in IPP costs. The cost of fuel rose 2% due to the average price of fuel being 3% higher than the prior year mitigated by a 1% reduction in fuel consumption. IPP costs rose on account of the commissioning of the West Kingston Power Plant during the year.

The result of the above was a $28 million decline in the gross profit.

Operating expenses ($160 million) decreased by 5% or $9 million relative to 2011, primarily as a result of a decline in bad debt and maintenance expenses.

EBITDA deteriorated from $138 to $119 million in 2012, a decline of 14%. As a result, the EBITDA margin fell by 1.5% points (from 12.0% to 10.5%), while the gross profit margin fell by 2.1% points, due to the increased proportion of fuel costs in operating and cost of sales expenses.

Net finance costs ($51 million) experienced an increase of $12 million or 30% relative to 2011. The increase is due to the rise in the foreign exchange rate during 2012 and the resulting increase in foreign exchange losses of $12 million.

Other income, comprising mainly of non-recurring income generating activities, increased marginally by $0.3 million or 6% during 2012. Please refer to note 25(a) in the Audited Financial Statements for details.

Other expenses increased by $2 million over 2011 due to restoration costs associated with Hurricane Sandy which impacted Jamaica during October 2012.

Based on the foregoing, the company recorded a net profit after tax of $12.9 million for 2012, representing a $21.5 million or 63% decline compared to 2011. This reflects a ROE of 3.5% compared to the 8.5% recorded for 2011.

Liquidity

The company remains in a strong liquidity position as at December 31, 2012, with current and acid test ratios of 1.61 and 1.34 respectively. This represents a marginal deterioration of the liquidity position relative to 2011, in which the current and acid test ratios were 1.63 and 1.36 respectively. JPS generally utilizes its internally generated cash flows from operations to meet its cash needs for operating expenses, routine capital expenditures,

debt service obligations and shareholder dividends. JPS' cash flow from operations is derived principally from billings to its customers. In previous years, financing activities yielded significant cash inflows, however, during 2012 these activities yielded a net inflow of only $7.6 million.

In summary, operational activities provided significantly improved cash flows; $121 million or 33% higher than the $91 million generated in 2011; to fund net cash used by investing and financing activities totaling $86 million.

The Company's capital structure remains fairly robust with total capitalization provided by Debt and equity totaling $794 million, 2% up from $777 million in 2011. The proportion of debt in the capital structure remains at 52% in 2012 as was the case in 2011. This is just about in the general vicinity of the 50:50 structure recommended by the Regulator and in line with similar utilities. Interest cover at 3.11 times remains very robust at December 2012 even though there is a marginal decline from the 3.33 times recorded in 2011, while the average cost of borrowing remains at 10% at the end of 2012.

JPS continues to invest heavily in renewing its generation, transmission & distribution assets. As in prior years, capital expenditure continues to outpace the net income earned for the year, reflecting the necessity to reinvest in the business to fuel the continuous improvement in operational efficiency. Capital expenditure for 2012 and 2011 were to $61 and $72 million respectively, compared to net income of $12.9 million and $34.4 million respectively.

Risk management

Overview

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

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

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

Credit Risk

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

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 and recovery of amounts owed by defaulting customers.

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

Liquidity Risk

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

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

Market Risk

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

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

Interest rate risk:

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

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

The maturity profiles and interest rates of the company's long-term loans are disclosed in note 19, the details of short-term loan in note 18 and of customer deposits in note 17. Bank overdraft is subject to interest rates fixed in advance, which may be varied by appropriate notice by the lenders.

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

Foreign Currency Risk:

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

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

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

Operational risk:

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

and regulatory requirements, generally accepted standards of corporate behaviour and force majeure events.

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

- the management and control of significant operational risks by each department;
- active involvement of the independent internal audit department in assessing significant risks identified;
- the use of insurance to ensure that assets and personnel are adequately covered

A critical tool used in the management of operational risk is Insurance. The company ensures that the assets and personnel are adequately covered through a wide range of plans, including personnel, property damage and business interruption. The regulatory tariff mechanism also contributes to the adequacy of our asset coverage by means of provisions for damage to our transmission and distribution assets and certain force majeure occurrences.

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

A member of the JPS team works atop cross arms, as part of the Company's restoration efforts after the passage of Hurricane Sandy.

Performance Highlights

The Changing Face of JPS

The year 2012 was a year of deep reflection and introspection as an organization. Company identity, internal synergies and interaction with our publics all came under the microscope, as the entire company participated in designing the way forward.

Arising from this, the changing face of JPS has included the decentralization of parish management. Each parish has been assigned its own manager along with the necessary technical and non-technical resources and support. This new structure allows the Company to meet the needs of its various customers in a more targeted and timely fashion.

The parishes fall under three regions across the island – Region West, South and East.

The benefits of the new structure are already being realized with better response to parish issues, improved reliability and greater sensitivity to our stakeholders' needs.

Significant changes have also taken place at the executive management level, with accompanying restructuring undertaken across the organization. These moves have been effected to create efficiencies, while improving the customers' experience across the country.

JPS introduced its new approach to the country, highlighting a renewed emphasis on service and customer care.

Customer Care Improvement

The reorganized JPS, has seen changes in the Customer Care Department – for many persons, the first point of contact with the organization. The year saw the creation of a new dedicated arm of service: the Customer Satisfaction team. Positive results have already started to emerge. There has been a 3% improvement in the Abandoned Call Rate and a 9% improvement in the Service Level.

Additionally, the Digicel line was enabled and this has made telephone contact with the centre more affordable for many customers. The "Robo-call" system was also implemented to inform customers of their bill status (when past due).

Reaching out in the Community

Communities are the foundation of our society and as such JPS continues in its commitment to lend support in a variety of arenas to build the nation, one community at a time. The year 2012 saw the Company giving support in the areas of sports, academia and early childhood nutrition. The company boasts a rich history in its support of sports and continued to do so in its financial support for netball at the grassroots level, through sponsorship of the JPS Western Netball Leagues.

JPS is also ensuring the continued growth of athletics through its sponsorship of the JPS Western Primary Athletics Championships. Football is the most widely played sport in the nation and we continued to support several football leagues. These included the JPS Rockfort Football League, the JPS Old Harbour Bay Football League and the JPS Lodge Football League in St. Ann.

In an effort to support the nation in some of the areas of greatest need, 15,000 children at basic schools across the island continued to receive much needed assistance through our Early Childhood Nutritional Support Programme, while students at the tertiary level continued to benefit from grants funded by the company.

Additionally, the Company has been increasingly active at the parish level, through visitations to children's homes, schools, and community associations.

Enter Volunteers on Location to Serve (VOLTS)

Perhaps one of the most significant outreach developments in 2012, was the creation of the employee volunteer arm, dubbed Volunteers On Location To Serve – VOLTS, an appropriately energizing moniker.

The VOLTS left an indelible mark on the recovery and outreach efforts after the passage of Hurricane Sandy. While our technical teams were out effecting restoration of the power supply, our VOLTS were out bringing comfort measures to those worst affected by the storm. VOLTS distributed bottled water, food, candles and tarpaulin in those days following the storm, to those who needed it most. They also travelled with our Company made 'energizer', to facilitate our customers charging their phones. Thanks to the JPS VOLTS, our hurricane restoration efforts became even more human.

The Wareika Hills Football Club celebrates a hard fought victory in the JPS Rockfort Football League against Defending Champions Springfield Football Club. Sharing in the moment is JPS Community Relations Officer, Omar Thomas (4th left).

JAMAICA 50

As the Jamaican landscape came alive at the dawn of its fiftieth year of independence, the country celebrated this important milestone in a variety of ways. The centerpiece of these celebrations was undoubtedly the Jamaica 50 Village at the National Stadium which was powered and in part sponsored by JPS. The village helped to showcase the best of Jamaican culture and achievements in both the public and private sectors – including JPS' contribution over the past 90 years. Jamaica 50 was also celebrated throughout the Company at various locations.

Alicia Prendergast and **Austin Briscoe** (standing left and right) enjoy presenting to visitors at the JPS Booth at the Golden Jubilee Village in the National Arena. The Golden Jubilee Village was one of the major displays during the Jamaica 50 Celebrations.

JPS Meter Testing Lab and Calibration Centre Internationally Accredited

The JPS Meter Testing Lab and Calibration Centre received the internationally recognized ISO/IEC 17025 accreditation from the Jamaica National Agency for Accreditation (JANAAC). The award ceremony took place on Friday May 11, at the Terra Nova Hotel, making the JPS Meter Testing Lab, only the 3rd organization in Jamaica to receive an award from JANAAC.

This development comes as good news to JPS customers, who can now be assured that the results of meter tests are accurate and traceable.

The Meter Testing Lab tests meters that are brought in for investigation, and certifies the equipment which is used on meter tests which are conducted in the field.

The accreditation confirms the lab's competence for the following:

- Registration accuracy of kilowatt-hour meters;
- Registration accuracy of Laboratory and Field Meter Tests;
- Accuracy of Watt-hour Reference Standard.

JPS Chairman **Hisatsugu Hirai** receives the Certificate of Accreditation from Minister of Industry, Investment and Commerce, **Hon. Anthony Hylton** at the award ceremony to recognize the international accreditation of the JPS Meter Testing Lab and Calibration Centre.

Net Billing Introduced to Jamaica

The first eleven net billing licences were handed out to customers who will have the opportunity to sell their excess energy to JPS. Customers who participate in this venture will be paid the avoided cost of generation for the electricity purchased by JPS as well as up to fifteen percent premium on that price.

The Company proudly connected the first net billing customer in November. That customer generates energy through a solar powered system. Since then, interest in net billing has grown, with several applications being made to participate in the programme.

Getting Jamaica's first net billing customer connected to the grid, was an interdepartmental group effort. Members of the proud team are:

Front left - right: Vincent Bryan, Volton Campbell, Dave Wright, Lloyd Blackwood; Back left - right: David Clarke, Leroy Fisher, Ryan McPherson, Kendis Nangle; Veronica McCurdy; Andrew McIntosh; Renaldo Chambers and **Jay McCoskey.**

JPS/UTECH Renewable Energy MOU

In October, JPS and the University of Technology (UTECH), signed a Memorandum of Understanding, which officially launched a partnership for the development of a solar energy facility on the campus.

The facility will provide a well-needed learning tool for engineering students at UTECH, while providing savings of approximately $1M in energy costs to the institution. The university will provide the site and some technical support, while JPS has committed to providing technical and financial assistance for the programme.

The MOU was inked by JPS President & CEO, Kelly Tomblin and UTECH President, Dr. Errol Morrison. This collaboration represents a pioneer move by JPS in the direction of solar energy. The development takes Jamaica another step closer to creating a more diversified energy landscape, while preserving the environment.

President and CEO of Jamaica Public Service (JPS), **Kelly Tomblin** and President of the University of Technology (UTECH), Professor **Errol Morrison,** exchange papers at the signing of the Memorandum of Understanding, for the renewable energy partnership between JPS and UTECH.

Powerful Partnerships – Supporting Economic Development

As part of the Company's focus on national development, JPS continued to partner with critical private and public sector entities. The Company worked closely with important umbrella organizations, such as the Private Sector Organization of Jamaica (PSOJ), the Jamaica Manufacturers' Association (JMA), the Jamaica Chamber of Commerce (JCC), the Jamaica Exporters' Association and the Jamaica Hotel & Tourist Association (JHTA), to name a few.

Our continued collaboration with these groups and others, saw us giving support to the Jamaica Investment Forum, in conjunction with Jamaica Promotions Corporation (JAMPRO). We helped the government to welcome over 100 targeted foreign investors from 16 countries to the island.

JPS was also a sponsor of JAMPRO's ExportMax programme, which facilitated expanded opportunities for 15 small and medium-sized exporters who demonstrated the capacity for growth. Notably, through JPS' sponsorship of Jamaica 50 National Independence activities, the ExportMax companies were also able to have their products showcased at "Jamaica House 2012" during the London 2012 Olympics. (Jamaica House 2012 was the official country house representing the nation, during the Olympics). Our contribution helped ExportMax companies to achieve an overall 8% growth in Jamaica's export sales shown over the past year.

JPS also continued to lend support to the private sector through active participation on the Energy Committees of the PSOJ and the Jamaica Chamber of Commerce (JCC). These Business Associations have representation on the National Energy Council.

Additionally, the company supported the JMA and JEA with their highly anticipated JMA/JEA Expo 2012 and the JEA's Export Month activities.

Other private sector initiatives which were strengthened by JPS' support included: the Quarterly Presentation of the JCC Consumer Confidence Index and the Best of Chamber Awards. We also supported reward and recognition initiatives in energy management for the PSOJ, the JMA and the Jamaica Hotel & Tourist Association. This included our signature awards: "Most Improved Hotel" and "Best Use of Energy" which recognized top energy efficient performers in the JHTA.

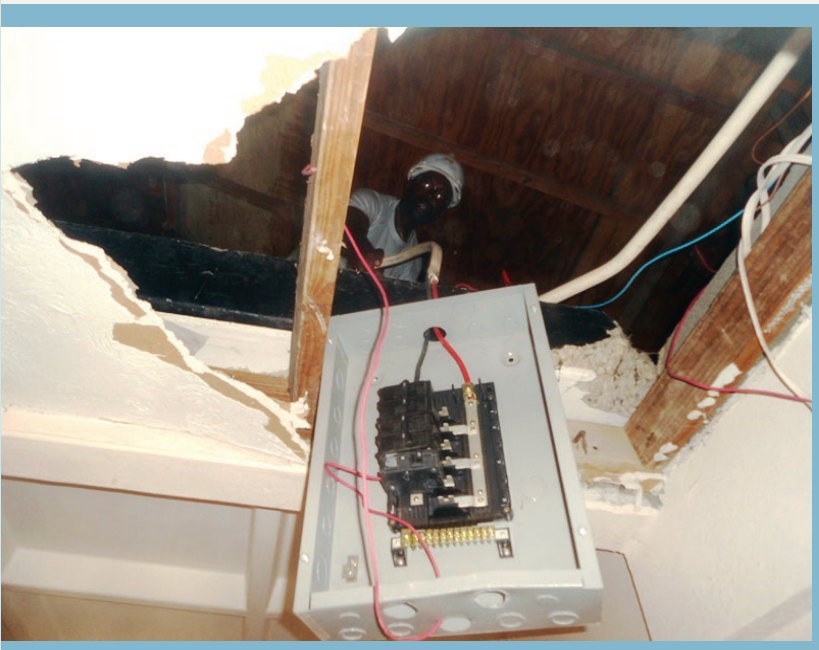
JPS also sponsored other energy efficiency efforts through its Smart Energy programme including the introduction of a new international energy management standard, ISO50001, in collaboration with the National Certification Board of Jamaica in Kingston and Montego Bay, the DBJ GreenBiz Energy Fair and the Government of Jamaica's Energy Efficiency & Conservation Programme Launch.

President and CEO of JPS, **Kelly Tomblin,** engages the Managing Director of Tops Teas, **Norman Wright,** in discussion at the ExportMax displays. JPS sponsored a number of booths in the ExportMax programme, facilitating exposure and business opportunities for these companies.

The Fight Against Electricity Theft

JPS continues to battle the controversial and vexing issue of losses due to electricity theft. The problem is a socio-economic one, resulting in severe loss to the company – a loss of US$30 million dollars in 2012. The company continued to work to stamp out this practice through an aggressive and ongoing programme of removing illegal connections, investigation of meters and public education. The company continues to take a multi-pronged approach with the expansion of the RAMI (Residential Advanced Metering Infrastructure) programme. As of December 2012, a total of 98,000 illegal lines were removed from the infrastructure with 62 arrests made.

In spite of our relentless efforts, the company suffered a fifteen percent loss in generated energy as a direct result of this problem. JPS continues to pursue dialogue with the Jamaican government and other stakeholders with a view to reducing this unsustainable and destabilizing practice.



JPS Technicians find one of many sophisticated devices used by residential customers to steal electricity.

This is just one example of throw-ups, seen in Flanker, St. James, that the JPS technicians have been busy removing from the JPS infrastructure across the island.

And Then There was Hurricane Sandy

On Wednesday October 24 2012, Jamaica sustained a direct hit by Hurricane Sandy at a borderline Category 2 rating. This resulted in considerable damage to the transmission and distribution systems particularly on the eastern and southern ends of the island which account for more than fifty percent of the customer base. The impact of the hurricane was further exacerbated by the prevailing rainfall which affected the eastern parishes of Portland and St. Thomas, prior to the impact. The already saturated soil succumbed to the heavy rainfall associated with the hurricane and this resulted in downed poles and inaccessible communities as a result of the land slippage.

The post hurricane assessment revealed that over 260 poles had been damaged and roughly 480 spans had been dislodged or damaged. This is in addition to significant damage to other areas of the transmission and distribution network. Our crews and staff began the uphill task of restoration within hours after the hurricane passed. Our technical teams along with customer care and the staff volunteer arm VOLTS (Volunteers On Location To Serve) worked tirelessly to serve both the technical and humanitarian needs of customers. Though the task was daunting and inundated with environmental, technical and other challenges the process was complete for the most part, within one month - for which the company won an award from the Edison Electric Institute.

Men work at removing a fallen pole and lines after Hurricane Sandy.

VOLTS member, Levar Allen helps distribute tarpaulin to help bring relief to this lady who has lost sections of her roof.

JPS VOLT member **Grace-Ann Watson-Dennis** shares a big hug with a Portland resident badly affected by Hurricane Sandy.

International Linesman Rodeo, Kansas 2012

On Saturday October 13, 2012 the annual International Lineman Rodeo was held in Kansas in the United States. The JPS linemen 'lit up' Kansas in spite of the poor weather conditions and powered on in the competition alongside two hundred other participants from teams from the United States, United Kingdom and other countries around the world.

As always the JPS team of ten was at the top of its game and persevered through the cold weather to bring home two awards. Dexter Bassier of Spanish Town placed 3rd in Pole Climb and 7th in the Mystery Event while Orville Black of St. James placed 4th in Pole Climb. The team was awarded an additional four top ten placements - O'Neil Archer of Spanish Town placed 7th in the Written Test, 6th overall in his Division and 8th in the 'Best of The Best' rankings, while Ricardo Williams of Clarendon was 6th in the Pole Climb competition. Once again the JPS team has proven that we are truly among the best in the world!

JPS Linesmen display their skills at the International Linesman Rodeo in Kansas.

Summer Employment

Once again JPS made an investment in the future of Jamaica by taking on 115 young people from various secondary and tertiary institutions across the island in the annual Summer Employment Programme. Under the theme "Powering the Winner Within" our Human Resource team opened the programme on June 28. The seven week programme saw young persons placed at JPS offices, as well as a number of government health agencies with which the company partnered. These included the Kingston Public Hospital, Dispute Resolution Foundation, Bellevue Hospital, Bustamante Children's Hospital, and the Community for the Upliftment of the Mentally Ill.

JPS was happy to help empower some of our future leaders, as we continue to invest our time, expertise and resources to build a better Jamaica.


JPS
Marubeni
EWP
JPS
Jamaica
Public
Service
Company
Limited
CHANGING
LIVES
WITH OUR
ENERGY
Scotiabank

Directors' Report

The Directors of the Jamaica Public Service Company Limited submit herewith their Annual Report with the Audited Financial Statements for the year ended December 31, 2012:

	YEAR ENDED December 31, 2012 (Twelve months) US$'000	PERIOD ENDED December 31, 2011 (Twelve months) US$'000
OPERATING REVENUES		
Profit/(Loss) before Taxation	18,799	53,211
Taxation credit/(Expense)	(5,929)	(18,860)
Net Profit/(Loss) attributable to shareholders	12,870	34,351
Dividends on Preference Shares	2	2
Dividends on Ordinary Shares	5,000	44,000

Dividends:

The dividends for the year on all preference shares have been paid in full. Interim dividend payments of (US0.00022906¢) on the ordinary stocks and shares were declared payable by the Board on the 16th day of April 2012 to share/stockholders registered at close of business on the 30th day of March 2012. The Board will not recommend any further payment

Auditors:

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

Directors:

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

i. Mr. Seiji Kawamura and Mr. Charles Johnston retiring from office by rotation pursuant to Articles 117 and 119 of the Company Articles of Association and having been appointed to the Board since the last Annual General Meeting shall cease to hold office and, being eligible offer themselves for re-election;

In accordance with Articles 86 and 123 of the Company's Articles of Association,

ii. Mr. Dong Uk Kim having been appointed to the Board as Alternate Director since the last Annual General Meeting shall cease to hold office and being eligible offer himself for election;

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

Corporate Data

Registrar

Cumulative Preference Shares and Ordinary Stock
NCB Nominee Jamaica Limited
32 Trafalgar Road
Kingston 10
Jamaica W.I.

Registered Office

6 Knutsford Boulevard
Kingston
Jamaica W.I.

Auditors

Ernst & Young
8 Olivier Road
Kingston 8
Jamaica W.I.

Attorneys-at-Law

Livingston Alexander & Levy
72 Harbour Street
Kingston

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

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

Michael Hylton & Associates
Attorneys-at-Law
11a Oxford Road
Kingston 5

Symone Mayhew
Attorney-at-Law
17 Herb McKinley Drive
Kingston 6

Bankers

National Commercial Bank Limited
Cnr Duke & Barry Streets
Kingston
Jamaica W.I.

Bank of Nova Scotia Jamaica Limited
ScotiaBank Centre
Duke Street
Kingston
Jamaica W.I.

First Caribbean International Bank Limited
23 Knutsford Boulevard
Kingston 5
Jamaica W.I.

Citibank, N.A.
63 Knutsford Boulevard
Kingston 5

RBC Jamaica Limited
17 Dominica Drive
Kingston 5
Jamaica W.I.

Ten Largest Shareholders Listing

As at December 31, 2012

JPS Preference B Shares (7%)

Rank	Name of Shareholder	No. of Units
1	Philip Harvey-Lewis	130,666
2	Security Brokers Limited	81,005
3	MF&G Trust and Finance Ltd-A/C 57	41,300
4	Everard Smith	35,845
5	Jamaica Mutual Life Assurance Company	16,567
6	Crown Life Insurance Company	10,000
7	John Headock	7,410
8	National Utility Fund	5,600
9	Kimberly Burrowes	5,597
10	Estate George H Scott	5,000

JPS Preference C Shares (5%)

Rank	Name of Shareholder	No. of Units
1	Security Brokers Limited	6,917
2	Philip Harvey-Lewis	6,728
3	Renata Headcock	4,460
4	Everard Smith	3,921
5	Jamaica Mutual Life Assurance Company	3,610
6	Herma Sassoon (Deceased)	1,900
7	MF&G Trust & Finance Ltd- A/C 57	1,835
8	Uraine Ferro	1,800
9	Prudential Stockbrokers Ltd	1,628
10	Buck Security Brokers Ltd	1,566

JPS Preference D Shares (5%)

Rank	Name of Shareholder	No. of Units
1	Philip Harvey-Lewis	82,817
2	MF&G Finance Ltd- A/C 57	71,921
3	Everard Smith	68,178
4	Security Brokers Ltd	64,470
5	Jamaica Mutual Life Assurance Society	52,795
6	Incorporated Lay Body Of The Church in Ja.	36,620
7	Crown Life Insurance Company Ltd	20,000
8	Prudential Stock Brokers Ltd	18,185
9	Ronald W. Kuper	13,600
10	Jamaica Mutual Life Association Society S/A Fund	9,605

JPS Preference E Shares (6%)

Rank	Name of Shareholder	No. of Units
1	Everard Smith	76,706
2	MF&G Trust & Finance Ltd- A/C 57	36,660
3	Susan Headcock	30,000
4	Security Brokers Ltd	30,000
5	Jamaica Mutual Life Association Staff S/A Fund	11,060
6	Field Nominees Limited	10,000
7	Jamaica Mutual Life Assurance Society	8,250
8	Estate Charles O. Edwards (Deceased)	5,000
9	Imperial Optical Company (WI) Ltd	5,000
10	Berkeley Properties Ltd	3,613

JPS Ordinary Stocks

Rank	Name of Shareholder	No. of Units
1	EWP (Barbados) 1 SRL	155,366,792
2	Maruenergy JPSCO 1, SRL	155,366,792
3	National Investment Bank of Jamaica Ltd	2,183,237
4	R.S Gamble and Son Ltd	108,139
5	Faith A. Myers	74,394
6	Melle Marguerite Simard (Deceased)	59,514
7	Frank Renfrette	45,462
8	John George	43,396
9	Agnes Theresa Fong Yee	31,410
10	Renee Rosier Joel	29,757

Top 4 JPS Ordinary Shares

Rank	Name of Shareholder	No. of Units
1	EWP (Barbados) 1 SRL	8,575,911,306
2	Maruenergy JPSCO 1, SRL	8,575,911,306
3	Accountant General	4,360,639,443
4	NIBJ (DBJ)	2,183,237

Corporate Governance

For the Jamaica Public Service Company Limited (JPS), compliance is a basic premise of our business and the foundation upon which JPS has been built and continues to grow a truly first class corporate brand. JPS has established corporate governance principles which guide management decisions as well as a core system of processes and procedures by which all employee decisions and actions are carried out. The Board along with the Senior Leadership Team has responsibility for the day to day operations, with material issues going before the Board for consideration and decision. Management is responsible for the execution of the agreed strategy and for all operational matters.

The members of the Board understand their legal and corporate governance responsibilities and undertake these with honesty, probity and integrity, seeking to set the "tone at the top" for employees to emulate and encourage compliance with applicable obligations, The Board monitors the effectiveness of the Company's corporate governance practices and approves changes, as needed. The Legal Secretariat keeps abreast of the latest regulatory requirements, best practices and guidance in corporate governance matters and updates the Board on these issues on a timely basis.

The Company's corporate governance framework is built on a number of governance standards, including the Private Sector Organization of Jamaica (PSOJ) Handbook & Tool Kit on Good Corporate Governance 2nd Edition, published in 2009. The Board considers and seeks to ensure that its governance practices are generally consistent and compliant with all applicable legislation, regulations, standards and codes.

Board Oversight

The Board meets approximately once per quarter; however, special meetings are convened as needed and particularly, when urgent and critical issues are required to be addressed between scheduled meetings. Members of the Board regularly meet with senior management to consider matters of strategic importance to the Company.

Composition of the Board

Our Directors have diverse skill sets, strong experience and background which include local and international experience in finance and audit, strategic management, banking, human resources and education, and risk management. Our Directors take care in ensuring that decisions are made after fulsome and open discussion at the Board level and careful deliberation of relevant information.

As at December 31, 2012, the Board is comprised of nine (9) directors and two (2) alternate directors and is chaired by Mr. Hisatsugu Hirai and appointed as follows:

- Three (3) directors appointed by MaruEnergy JPSCO 1, Srl
- Three (3) directors appointed by EWP (Barbados) 1 Srl
- Three (3) directors appointed by the Government of Jamaica

The only compensation non shareholder appointees of the Board of Directors receive is a fixed amount equivalent to US$1,000 for attendance at each Board or Committee meeting, and any other meeting requiring a director's attendance.

Current Directors
Hisatsugu Hirai (Chairman)
Sang Kie Cho
Professor Evan Duggan
Masao Imazato (Alternate Director)
Charles Johnston (Independent Director)
Seiji Kawamura
Cathrine Kennedy (Independent Director)
Dong Uk Kim (Alternate Director)
Yung Joon Pyo
Professor Gordon Shirley
Fitzroy Vidal

Nomination, Appointment, Term, Election and Retirement of Directors

In selecting members of the Board, consideration of the Private Sector Organization of Jamaica (PSOJ) Guidelines for director selection is taken into account. All Directors automatically retire from the Board at the end of a three-year appointment in accordance with the Articles of Incorporation. Each year at the Annual General Meeting, the Board recommends and the shareholders elect the retiring directors or new directors as the case may be, in accordance with the Company's Articles of Incorporation. There are no Executive Directors on the Board of JPS.

The Board is satisfied that the current slate of Directors have the appropriate skills, experience and capabilities to meet the challenges faced by the Company as the Board is comprised of a diverse membership with expertise in finance, accounting and audit procedures and relevant industry experience.

Director Orientation and Training Opportunities

All Directors have access to and are encouraged to meet with the Chairman, the Chief Executive Officer and Senior Management. Board meetings are used as opportunities for independent discussion between the Chairman and independent directors. Members of the our Senior Leadership team are invited to Board meetings to make presentations on various topics in an effort to expose Directors to the operations of the Company, especially as it relates to technical operations so as to afford them the opportunity to pose questions to and interact with senior management.

Our Directors are afforded continuous education about the Company, technological developments in the electricity industry as well as new energy products and business opportunities in the Energy Sector.

Conflicts of Interest

In adherence to the Company's Articles of Incorporation, various statutory requirements on disclosure of Directors' interest and the Company's Code of Ethics, members of the Board who have interest in proposals being considered by the Board, including where such interest arises through close family members, must make a declaration to that effect and excuse themselves from deliberation and final decision. Additionally, Directors are obliged as employees are, to abide by all tenets of the Company's Code of Ethics and must complete the Annual Code of Ethics Questionnaire.

COMMITTEES OF THE BOARD

Audit Committee

JPS has an established Audit Committee, the primary responsibilities of which are to assist the Board of Directors in carrying out its duties as they relate to the organization's accounting policies, internal controls and financial reporting practices. In general, the Committee exercises its responsibility in three important areas:

- Financial Reporting
- Governance of Internal Controls and Accounting Policies
- Assessment of Management Risks in the Company

Members of the Audit Committee are:

- Mrs. Cathrine Kennedy – Chairman
- Mr. Fitzroy Vidal
- Mr. Sang Kie Cho

Other invitees to the Committee's meeting include:

- Mr. Hisatsugu Hirai – JPS Board Chairman
- Ms. Katherine P.C. Francis – JPS General Counsel, Corporate Secretary & Compliance Officer
- Mrs. Leisa Batiste-White – Head-Internal Audit

The Terms of Reference of the Company's Audit and Conduct Review Committee may be reviewed by the Committee but must be approved by the Board. The Committee has general oversight responsibility for the Company in relation to the following areas.

- The integrity of the financial reporting of the Company and system of internal controls
- Ensuring compliance with legal and regulatory requirements
- The performance of the internal Audit and external auditors
- The identification and resolution of conflict of interest which may arise from transactions conducted by the Company.

Time may be reserved at Committee Meetings for the Chairman to meet independently with the internal and external Auditors to discuss any areas of concerns.

Finance Committee

The Board has a long established Finance Committee the primary responsibility being to assist the Board of Directors in financial decisions for the Company. Typically, the financial statements, audited and un-audited, are reviewed by the Finance Committee as well as any fiscal policies and financing arrangements with attendant recommendations being made to the Board.

Members of the Finance Committee are:

- Mr. Hisatsugu Hirai – Chairman
- Prof. Evan Duggan
- Mr. Sang Kie Cho

Other invitees to the Committee's meeting include:

- Mrs. Kelly Tomblin – President & CEO
- Ms. Katherine P.C. Francis – JPS General Counsel & Corporate Secretary
- Mr. Dan Theoc – Chief Financial Officer

Corporate Compliance- JPS Code of Ethics & Business Conduct

The Company has in place a Code of Ethics and Business Conduct which guides employees in the right way to do business. It is a core component of the Company's Compliance Programme, which ensures that employees work in accordance with principles of good corporate governance. During 2012, the Code was updated and the new Code distributed to each employee in the Company. The revised Code addressed the issues of sexual harassment, the new Protected Disclosure or 'Whistle Blower' Legislation and the Company's attendant policy. In addition, the Company provides employees with a Code of Ethics & Business Conduct Questionnaire, which is completed by employees on an annual basis. There is also a Declaration of Interest Form for all employees and Board Directors to disclose any potential or actual conflict of interest.

The Board of Directors, the management and all employees of the Company are required to observe the Company's Code of Ethics and Business Conduct. The Code of Ethics and Business Conduct outline the Company's rules and expectations regarding proper business conduct and ethical behavior of directors, officers and employees of the subsidiaries, including:

- Following the law wherever the Company does business
- Avoiding putting themselves or any of the subsidiaries in a conflict of interest
- Conducting themselves honestly and with integrity
- Keeping the Company's transactions, communications and information accurate, confidential and secure and all customers' safe; and
- Treating anyone fairly and equitably – whether customers, suppliers, employees or others who deal with the Company.

Management

As regards the management of the Company, the Majority Shareholders select the President & Chief Executive Officer in accordance with the Company's Articles of Incorporation and they conduct the performance review of the President. Members of the management team are selected by the President & CEO in conjunction with the Board and persons with a high standard of expertise and experience in the relevant area are sought and engaged.

Internal Controls

The Directors acknowledge their overall responsibility for the Company's systems of internal controls and for reviewing their effectiveness. Our systems are designed to control and mitigate, rather than eliminate, the risk of failure and to successfully achieve the Company's business objectives. The Board, through its Audit Committee continuously reviewed the effectiveness of the Company's Systems of Internal Control through reports of the internal and external auditors, which carry details of any material control issues identified in their work. After each meeting of the Audit Committee, its Chairman reports to the Board on all significant issues considered by the Committee so that corrective actions can be implemented.

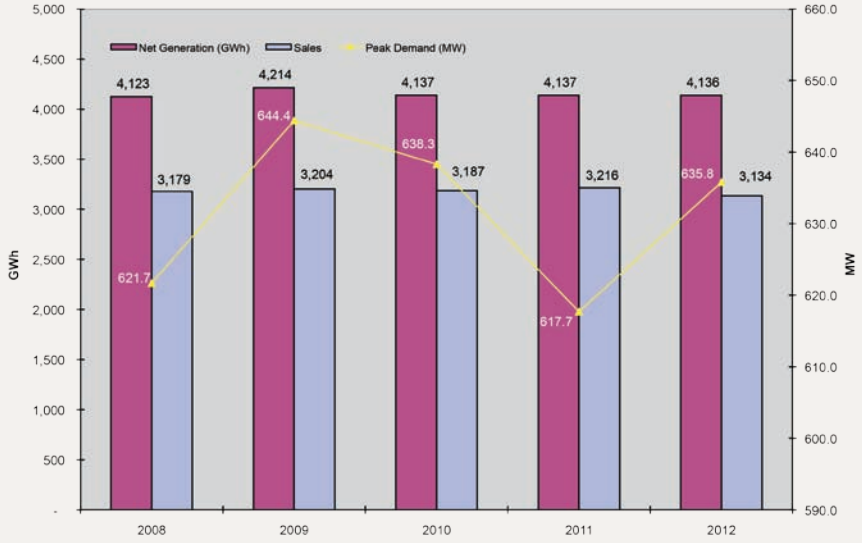
Technician Engineer, Tarik Osbourne gets ready to test a meter in the Meter Testing Lab.

Operational Statistics

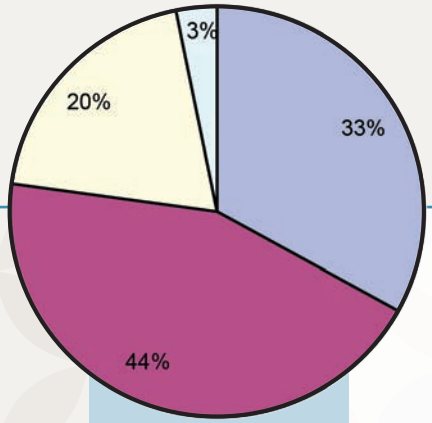
	Dec-31-12 J$'000 (12 months)	Dec-31-11 J$'000 (12 months)	Dec-31-10 J$'000 (12 months)	Dec-31-09 J$'000 (12 months)	Dec-31-08 J$'000 (12 months)
OPERATING REVENUES ($000's)					
Residential	406,752	412,259	351,993	298,225	349,467
Commercial & Industrial (Sml.)	512,481	521,845	417,370	358,233	454,436
Commercial & Industrial (Lge.)	192,958	189,589	148,280	117,327	159,142
Other	29,404	29,703	24,923	19,772	25,159
TOTAL	**1,141,595**	**1,153,396**	**942,567**	**793,558**	**988,204**
AVERAGE NO. OF CUSTOMERS					
Residential	531,827	513,970	509,660	521,837	526,492
Commercial & Industrial (Sml.)	63,740	61,401	60,782	62,029	62,347
Commercial & Industrial (Lge.)	151	145	138	130	124
Other	253	246	221	222	199
TOTAL	**595,971**	**575,762**	**570,801**	**584,218**	**589,162**
NET GENERATION AND PURCHASES (MWH)					
Steam & Slow Speed Diesel	1,500,497	1,583,387	1,673,385	1,725,786	1,693,372
Hydro	150,689	152,087	151,716	140,073	158,180
Gas Turbines	164,733	179,914	182,651	252,579	244,485
Combined Cycle Plant	777,670	810,212	786,101	748,643	769,596
Purchases	1,542,330	1,411,279	1,343,497	1,346,899	1,257,655
TOTAL	**4,135,919**	**4,136,879**	**4,137,350**	**4,213,980**	**4,123,288**
Losses & Unaccounted for (MWh)	1,001,953	920,889	949,862	1,010,102	944,210
Systems losses as a percentage of Net Generation	24.2%	22.3%	23.0%	24.0%	22.9%
Heat Rate (Kj/kWh)	9,965	10,112	10,183	10,167	10,215
ENERGY SALES (MWH)					
Residential	1,035,377	1,064,535	1,090,619	1,082,599	1,048,399
Commercial & Industrial (Sml.)	1,383,296	1,437,283	1,402,748	1,435,285	1,432,323
Commercial & Industrial (Lge.)	615,314	615,041	593,360	589,560	599,850
Other	99,979	99,131	100,761	96,435	98,506
TOTAL	**3,133,966**	**3,215,990**	**3,187,488**	**3,203,878**	**3,179,078**
AVERAGE USE & REVENUE per residential customer					
Annualized kWh consumption/Customer	1,947	2,071	2,140	2,075	1,991
Annualized Revenues/Customer	765	802	691	571	664
U.S Dollars per kWh	0.4	0.4	0.3	0.3	0.3
Average billing exchange rate for period	88.70	86.03	87.65	88.06	72.54
U.S. Cents per kWh	39.29	38.7	32.3	27.5	33.3

Key Performance Indicators

Electricity Demand

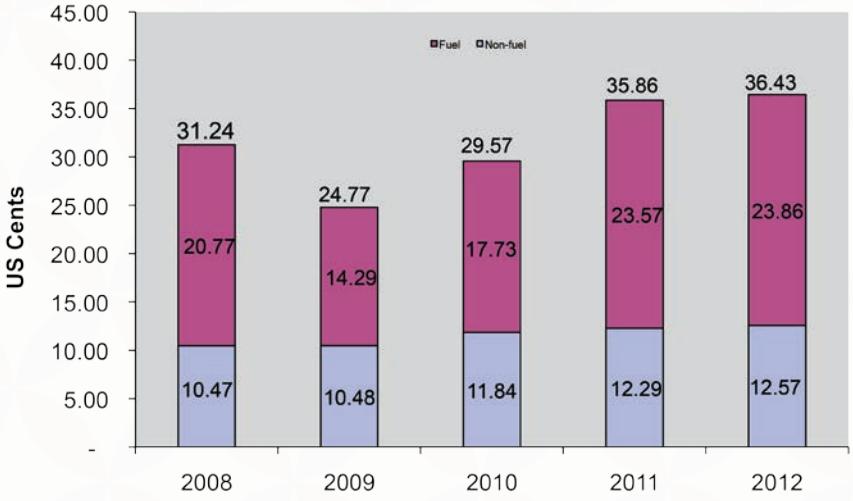


Sales 2012

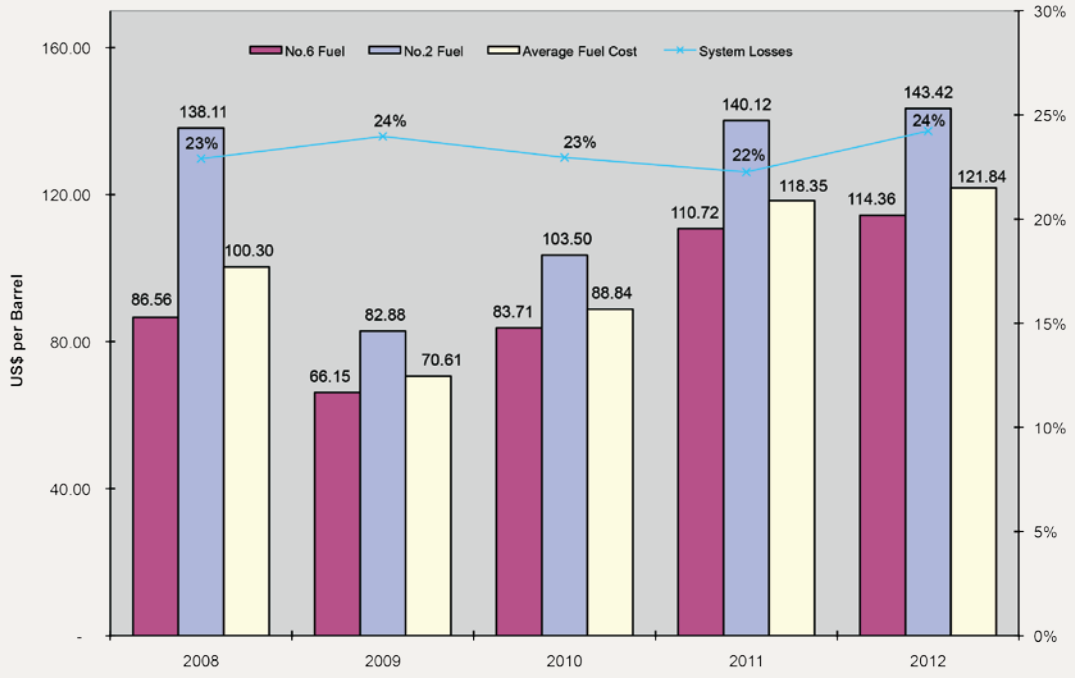


- Other
- Residential
- Small Commercial
- Large Commercial

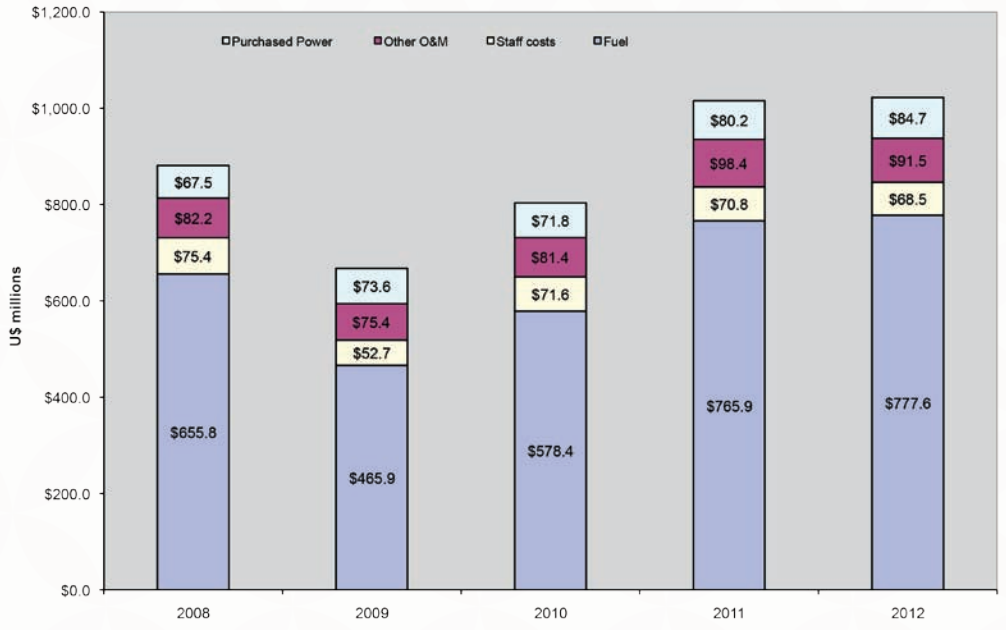
Revenue (US¢/KWh)



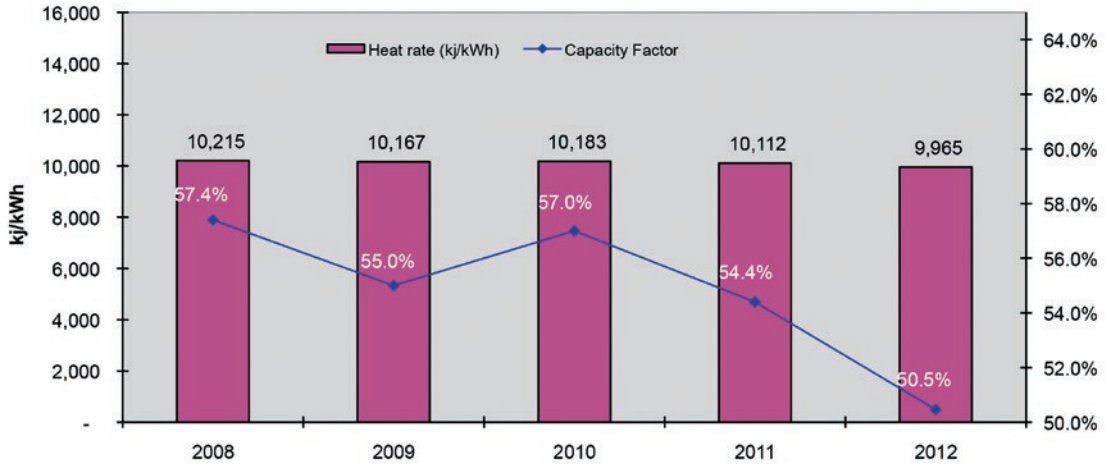
Fuel Cost and System Losses



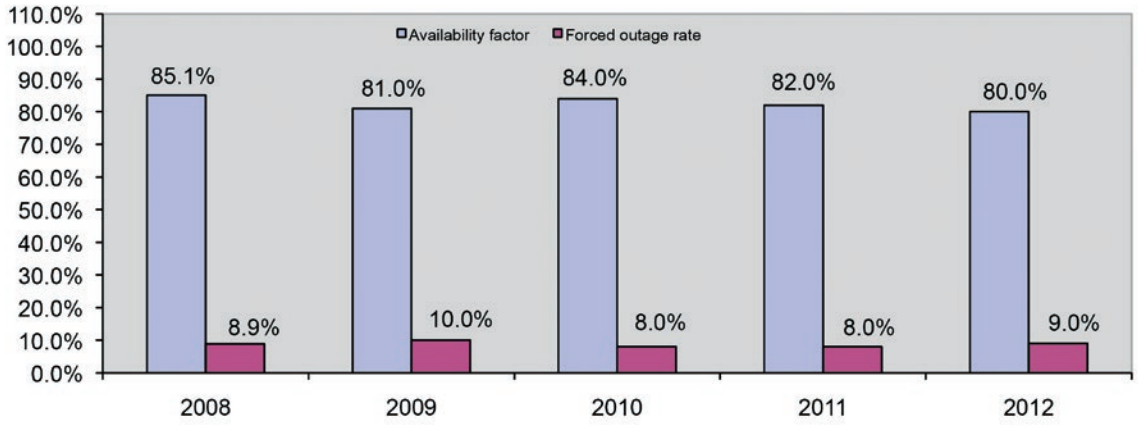
Operating Expenses



Heat Rate and Capacity Factor



Availability & Forced Outage Factor



Jamaica Public Service Company Limited

Financial Statements

Year ended 31 December 2012

Expressed in United States Dollars

8 Olivier Road
Kingston 8
Jamaica

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

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Jamaica Public Service Company Limited

We have audited the accompanying financial statements of the Jamaica Public Service Company Limited ("the Company"), which comprise the statement of financial position as at 31 December 2012 and the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT, CONTINUED

To the Shareholders of Jamaica Public Service Company Limited, Continued

Basis for Qualified Opinion
As described in Notes 3(b) and 19 in the financial statements, the Company is not compliant with a financial loan covenant included in certain loan agreements which may result in those liabilities becoming due and payable. Management has not reclassified these amounts from non-current liabilities to current liabilities, which constitutes a departure from International Financial Reporting Standards. The Company's records indicate that if management had reclassified these amounts, the current portion of long term loans and current liabilities would become $377 million and 587 million, respectively, and long term loans and non-current liabilities would become $13 million and $122 million, respectively.

Qualified Opinion
In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Emphasis of Matter
We draw attention to Notes 3(b) and 19 in the financial statements which indicate that the Company is in breach of a financial loan covenant included in certain loan agreements. The instances of non-compliance with this loan covenant provide the lenders with the option of issuing notices of default and declaring all principal and interest amounting to $430 million, as at 31 December 2012, as immediately payable. Should the respective lenders exercise their right to demand the repayment of this amount, it would cast significant doubt about the Company's ability to continue as a going concern without the support of the shareholders or other third parties. Our opinion is not qualified in respect of this matter.

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

Ernst & Young
Chartered Accountants
Kingston, Jamaica

28 March 2013

As at 31 December 2012
Expressed in United States Dollars

Statement of Financial Position

	Notes	2012 $'000	2011 $'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	10	657,680	655,534
Intangible assets	11	6,063	5,570
Employee benefits asset	12(a)	20,066	27,180
Other asset	13	5,797	5,222
Long-term receivables	14	1,705	990
		691,311	694,496
Current Assets			
Cash and cash equivalents	8	26,493	8,830
Restricted cash	5	18,849	18,346
Accounts receivable	6	283,697	271,573
Tax recoverable		271	320
Inventories	7	66,723	60,132
		396,033	359,201
TOTAL ASSETS		1,087,344	1,053,697

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

Statement of Financial Position (cont'd)

As at 31 December 2012
Expressed in United States Dollars

	Notes	2012 $'000	2011 $'000
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' Equity			
Share capital	15	261,918	261,918
Capital reserve	16	19,901	20,043
Retained earnings		97,112	89,158
		378,931	371,119
Current Liabilities			
Bank overdraft	8	-	17,412
Short term loans	18	25,000	-
Current portion of long-term debts	19	36,906	49,493
Accounts payable and provisions	9	181,027	147,733
Corporation tax payable		2,713	4,149
Due to related companies		1,005	912
		246,651	219,699
Non-Current Liabilities			
Customer deposits	17	30,917	31,058
Long-term debts	19	353,572	356,295
Deferred taxation	20	66,481	65,337
Employee benefit obligations	12(b)	8,822	9,050
Deferred revenue	21	1,970	1,139
		461,762	462,879
Total Liabilities		708,413	682,578
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,087,344	1,053,697

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

The financial statements were approved by the Board of Directors on 28 March 2013 and signed on its behalf by:

Chairman
Hisatsugu Hirai

Director
Sang Kie Cho

Year ended 31 December 2012
Expressed in United States Dollars

Statement of Comprehensive Income

	Notes	2012 $'000	2011 $'000
Operating Revenue	22	1,141,595	1,153,396
Cost of Sales	23(a)	(862,299)	(846,127)
Gross Profit		279,296	307,269
Operating Expenses	23(b)	(210,158)	(217,554)
Operating Profit	24	69,138	89,715
Finance costs	23(c)	(50,936)	(39,213)
Other income	25(a)	5,431	5,130
Other expenses	25(b)	(4,834)	(2,421)
Profit Before Taxation		18,799	53,211
Taxation expense	26	(5,929)	(18,860)
Profit for the Year		12,870	34,351
Other Comprehensive Income:			
Revaluation deficit	10(a)	(56)	(21,314)
Transfer to profit and loss	10(a)	86	-
Total Comprehensive Income Attributable to Shareholders		12,900	13,037
Earnings Per Share/Stock Unit	27	0.05¢	0.15¢

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

Statement of Changes in Shareholders' Equity

Year ended 31 December 2012
Expressed in United States Dollars

	Share capital $'000 (Note 15)	Capital reserve $'000 (Note 16)	Retained earnings $'000	Total $'000
Balances at 31 December 2010	261,918	41,357	98,809	402,084
Comprehensive income for the year	-	(21,314)	34,351	13,037
Dividends (Note 28)	-	-	(44,002)	(44,002)
Balance at 31 December 2011	261,918	20,043	89,158	371,119
Comprehensive income for the year	-	(56)	12,956	12,900
Transfer to profit or loss (Note 10(a))	-	(86)	-	(86)
Dividends (Note 28)	-	-	(5,002)	(5,002)
Balance at 31 December 2012	261,918	19,901	97,112	378,931

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

Statement of Cash Flows

	Notes	2012 $'000	2011 $'000
Cash Flows From Operating Activities			
Profit for the year		12,870	34,351
Adjustments for:			
Depreciation and amortisation	10, 11	50,211	48,373
Gain on disposal of property, plant and equipment		(2,012)	-
Impairment loss on property, plant and equipment		1,775	-
Amortisation of debt issuance costs		2,127	2,346
Unrealised foreign exchange losses/(gains)		261	(1,240)
Interest expense		36,489	35,755
Other interest income	23(c)	(2,367)	(1,472)
Interest capitalised	23(c)	(1,701)	(1,675)
Income tax expense		4,785	16,546
Deferred tax expense		1,144	2,314
Employee benefits, net		(366)	(10,412)
Long term receivables and deferred revenue, net		116	-
Cash generated before changes in working capital and deposits		103,332	124,886
Accounts receivable		(16,685)	(43,179)
Inventories		(6,591)	(8,539)
Accounts payable		37,407	33,783
Due to related companies		93	871
Customer deposits and advances		10,131	10,141
Restricted cash		(503)	(4,274)
Cash generated from operations		127,184	113,689
Taxes paid		(5,907)	(22,502)
Net cash provided by operating activities		121,277	91,187
Cash Flows From Investing Activities			
Proceeds from sale of property, plant and equipment		10,373	-
Purchase of property, plant and equipment		(60,486)	(70,800)
Purchase of intangible assets	11	(856)	(1,071)
Other assets		(575)	(5,222)
Interest received		2,258	1,400
Net cash used in investing activities		(49,286)	(75,693)
Cash Flows From Financing Activities			
Short-term loans received		55,000	-
Repayment of short-term loan		(30,000)	(26,641)
Long-term loans received		16,643	158,102
Repayment of long-term loans		(34,064)	(71,311)
Interest paid		(36,713)	(36,724)
Dividends paid		(7,782)	(56,645)
Net cash used in financing activities		(36,916)	(33,219)
Net increase/(decrease) in cash and cash equivalents		35,075	(17,725)
Net cash and cash equivalents at beginning of year		(8,582)	9,143
Net Cash And Cash Equivalents At End Of Year	8	26,493	(8,582)

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

1. Corporate structure and nature of business

Jamaica Public Service Company Limited ("the Company") is incorporated and domiciled in Jamaica as a limited liability company and is owned by MaruEnergy JPSCO 1 SRL and EWP (Barbados) 1 SRL each holding 40% interest in the Company's shares, with the Government of Jamaica holding 19.9% and private individuals 0.1%. MaruEnergy JPSCO I SRL, is incorporated in Barbados and is ultimately owned by Marubeni Corporation which is incorporated in Japan. EWP (Barbados) 1 SRL is incorporated in Barbados and is ultimately owned by the Korea Electric Power Corporation which is incorporated in South Korea.

The Government of Jamaica's ownership in the Company is held collectively through the Accountant General's Department and the Development Bank of Jamaica Limited. In accordance with a Shareholder's Agreement the majority shareholders have the right to appoint six members of the Board of Directors while the GOJ has the right to appoint three. Additionally, certain significant decisions of the Board of Directors require a unanimous vote of the appointed directors.

The principal activities of the Company are generating, transmitting, distributing and supplying electricity in accordance with the terms of the All-Island Electric Licence, 2001 (the Licence), granted on March 30, 2001, by the Minister of Mining and Energy.

The registered office of the Company is situated at 6 Knutsford Boulevard, Kingston 5, Jamaica, W. I., and its preference shares are listed on the Jamaica Stock Exchange.

2. Regulatory arrangements and tariff structure

The Licence authorises the Company to supply electricity for public and private purposes within the Island of Jamaica, subject to regulation by the Office of Utilities Regulation (OUR) established pursuant to the Office of Utility Regulation Act, 1995, and as subsequently amended, with power and authority to require observance and performance by the Company of its obligations under the Licence, and to regulate the rates charged by the Company.

Under the provisions of the Licence, the Company is granted the exclusive right to transmit, distribute and supply electricity throughout the Island of Jamaica for a period of twenty years and to develop new generation capacity within the first three years from the effective date of the Licence. Since the expiration of this initial three year period, the Company has the right, together with other persons, to compete for the right to develop new generation capacity. The Licence was extended in August 2007 for an additional period of six years through to 2027 upon the sale of the Company by Mirant Corporation to Marubeni Corporation.

Schedule 3 of the Licence defines the rates for electricity and the mechanism for rate adjustments.

2. Regulatory arrangements and tariff structure (continued)

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

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

As of 1 March 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 to provide for a Self Insurance Sinking Fund in case of a major catastrophe affecting the Company's operations.

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 Financial Reporting Interpretation Committee (IFRIC), and comply with the provisions of the Jamaican Companies Act.

(b) Basis of preparation:

These financial statements are presented in United States dollar, which is the functional and presentation currency of the Company. The United States dollar is the functional currency because it is the primary economic environment in which the Company operates.

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

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

(b) Basis of preparation (continued):

Going concern

As more fully described in Note 19, during the year the Company became non-compliant with a financial covenant included in certain loan agreements.

Whilst the Company remains profitable and the financial statements at 31 December 2012, the business plan and five year projection demonstrate the Company's ability to continue to service its obligations and operate as a going concern within the confines of the restrictions required by the non-compliance, the right of lenders to demand the repayment of the respective loans and interest amounting to $430 million, presents a risk to the operation of the Company as a going concern.

The management and the directors are firmly of the view that the Company will continue as a going concern in the foreseeable future and have prepared these financial statements on the going concern basis.

(c) Changes in accounting standards and interpretations:

i) Current year changes:

The accounting policies adopted are consistent with those of the previous financial year, except for the following amended IFRSs and IFRIC interpretations which became effective as of 1 January 2012 and are of relevance to the Company's operations:

- IAS 12 *Income Taxes (Amendment) - Deferred Taxes : Recovery of Underlying Assets*
- IFRS 1 *First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters*
- IFRS 7 *Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements*

The adoption of the amendments to these standards is described below:

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

(c) Changes in accounting standards and interpretations:

i) Current year changes (continued):

IAS 12 ***Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets***
The amendment clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The adoption of this amendment did not have any impact on the Company's financial statements.

IFRS 1 ***First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters***
The IASB provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment had no impact to the Company.

IFRS 7 ***Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements***
The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the users of financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The adoption of this amendment did not have any impact on the Company's financial position or performance.

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

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

ii) Future changes:

The Company has not adopted early the following new and revised IFRS's and IFRIC interpretations that have been issued but are not yet effective:

IAS 1 *Presentation of Items of Other Comprehensive Income (OCI) – Amendments to IAS 1*
The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations) would be presented separately from items that will never be reclassified. The amendment affects presentation only and will have no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 19 *Employee Benefits* (Amendment)
The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after 1 January 2013. The management of the Company is still assessing the impact of the amendment on the Company's financial performance.

IAS 28 *Investments in Associates and Joint Ventures (as revised in 2011)*
As a consequence of the new IFRS 11, *Joint Arrangements*, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28, *Investments in Associates* has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013. This amendment is not expected to have an impact on the Company's financial statements.

IAS 32 *Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32*
These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

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

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

ii) Future changes (continued):

IFRS 7 Disclosures - *Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7*
These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

IFRS 9 *Financial Instruments: Classification and Measurement*
IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture. The Company will quantify the impact when the final standard is issued.

IFRS 10 *Consolidated Financial Statements*
IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 *Consolidation — Special Purpose Entities*. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013. This standard is not likely to have any impact on the Company's financial statements.

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

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

ii) Future changes (continued):

IFRS 11 *Joint Arrangements*
IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities — Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after 1 January 2013. This standard is not likely to have any impact on the Company's financial statements.

IFRS 12 *Disclosure of Involvement with Other Entities*
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013. This standard is not likely to have any impact on the Company's financial statements.

IFRS 13 *Fair Value Measurement*
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard becomes effective for annual periods beginning on or after 1 January 2013. The management of the Company is still assessing the impact of this standard on the Company's financial statements.

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

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

ii) Future changes (continued):

IAS 1 Presentation of Financial Statements
This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property Plant and Equipment
This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation
This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim Financial Reporting
The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013.

(d) Use of estimates and judgements:

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

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

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

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

(i) Pension

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

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

(ii) Allowance for impairment losses on receivables

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

(iii) Lease arrangements

Management evaluates all purchase arrangements to assess whether they contain leases [Notes 3(t) and 4].

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

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

(iv) Unbilled revenue

Unbilled revenue at each month-end is estimated consistently using certain objective indicators such as heat rate, system losses rate, fuel rate and Independent Power Provider (IPP) charges, other non fuel rates and unbilled quantity.

(v) Deferred tax

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

(vi) Property, plant and equipment

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

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

(vii) Provision for inventory obsolescence

The Company assesses on an annual basis its inventory to determine the provision that should be carried for items that are in good condition, but will not be used in the foreseeable future. Provision is also made for items that have deteriorated or become damaged while in stock.

(e) Cash and cash equivalents:

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

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, net of outstanding bank overdrafts.

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

(f) Accounts receivable:

Trade and other accounts receivable are stated at amortized cost less a provision for impairment losses. A provision for impairment losses is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the contracts originating the receivables. Significant financial difficulties of a debtor, probability that a debtor will enter bankruptcy or reorganization, and default or delinquency in payment are considered indicators that accounts receivables may be impaired. The amount of the provision is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The losses arising from impairment are recognized in the statement of comprehensive income in operating expenses.

(g) Inventories:

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

(h) Accounts payable:

Trade and other payables are stated at amortised cost.

(i) Provisions:

A provision is recognised in the statement of financial position 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, and a reliable estimate can be made of that obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value, and, where appropriate, the risks specific to the obligation.

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

(j) Property, plant and equipment and intangible assets:

In accordance with IAS 16, additions to property, plant and equipment, 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. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Specialized, plant and equipment are stated at deemed cost at the IFRS transition date of 1 January 2003, less accumulated depreciation and impairment losses, while all other property, plant and equipment are stated at cost except for land, which is stated at revalued cost. Land was revalued as at 31 December 2011 by an independent valuator using the Market Comparable Basis which is based on the use of sale values obtained for similar properties within the relevant period. Valuations are performed with sufficient frequency to ensure that the fair value of the revalued asset does not differ materially from its carrying amount.

Property, plant and 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. Impairment losses are recognised in the statement of comprehensive income in operating expenses.

(k) Depreciation and amortisation:

Land and land rights are not depreciated.

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

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

(k) Depreciation and amortisation (continued):

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

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

Computer software is amortised at 6.65% per annum.

These depreciation rates are reviewed annually by management to make sure they are in compliance with IFRS.

(l) Employee benefits:

Assets and liabilities in respect of the defined benefit pension plan 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.

(i) Pension assets:

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

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

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

(l) Employee benefits (continued):

(i) Pension assets (continued):

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

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

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

(ii) Other post-employment benefits:

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

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

(m) Customer deposits:

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

Interest income

Interest income is recognised on an accrual basis using the effective interest rate method.

Rental income

Rental income arising from operating leases is accounted for on a straight line basis over the lease term and is included in other income in the statement of comprehensive income.

(o) Borrowings:

(i) Capitalisation of borrowing costs:

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

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

(o) Borrowings (continued):

(ii) Debt issuance costs:

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

(iii) Interest-bearing borrowings:

Interest-bearing borrowings are recognised initially at fair value plus transaction costs directly attributable to the issue of the financial liabilities. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using effective interest method.

(p) General Consumption Tax (GCT):

The Government through an amendment to the GCT Act gazetted in 2012, removed GCT on electricity to residential customers and increased the rate applicable to all other customers to 16.5% with effect from 1 June 2012. The GCT Act also prevents the Company from recovering input GCT incurred in the acquisition of goods or services and, consequently, such goods or services are recorded at cost plus GCT where incurred.

(q) Income taxes:

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

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.

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

(q) Income taxes (continued):

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

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

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.

(r) Foreign currencies:

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

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

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

(s) Impairment:

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

Calculation of recoverable amounts:

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

The recoverable amount of other assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated entity-specific 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.

(t) Leases:

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

As lessor:
Leases in which the Company does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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

(u) Segment reporting:

An operating segment is a component of an entity:

(i) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),

(ii) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and

(iii) for which discrete financial information is available.

The Company maintains an integrated operating structure and its operations are reviewed by management and directors as a whole and not in segments. Consequently, no segment disclosures are included in the financial statements.

(v) Related parties:

A party is related to the Company if:

(i) directly or indirectly, the party:
- controls, is controlled by, or is under common control with the Company;
- has an interest in the Company that gives it significant influence over the Company; or
- has joint control over the Company.

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

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

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

The Company's key related party relationships are with its parent company, ultimate parent company, fellow subsidiaries, fellow associated companies, the Government of Jamaica, directors, key management personnel and its two pension plans.

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

(w) Financial instruments and fair values:

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 bank overdraft, accounts payable and provisions, due to related companies, customer deposits and loans. Purchases and sales of financial instruments are accounted for at settlement dates.

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed between knowledgeable, willing parties who are under no compulsion to act and are best evidenced by a quoted market price, if one exists Note 31 (c).

(x) IFRIC 12- Service Concession Arrangements ("Interpretation"):

The Company reviewed the Licence to determine whether the arrangement with the OUR qualified as a service concession arrangement under the Interpretation. The Licence permits the Government of Jamaica to acquire the Company's electricity undertaking at the expiration of the term of the licence provided that the Minister gives at least two years' prior notice. If the Government of Jamaica exercises its option, the acquisition price is equal to the fair market value of an ongoing business concern including the Licence and all lands, building, works, materials, plant and property of all kinds whatsoever suitable to or intended for the purposes of the undertaking. Because the acquisition price is for the entire business as opposed to the underlying infrastructure, the arrangement is not within the scope of the Interpretation.

(y) Comparative information:

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, they relate to reclassification of balances for other assets (increase of $484,000) long term receivables ($990,000) and deferred revenue ($1,139,000). These reclassifications are not material to the financial statements.

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 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 (Wigton)	May 2024
West Kingston Power Plant (WKPP)	July 2032

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

Certain agreements require payment for available energy capacity and for certain operating costs and overheads. Additionally, certain agreements require the Company to provide a banker's guarantee in relation to contractual payments. The Company has financing arrangements with financial institutions, which guarantee access to funds by IPPs for contractually agreed payments. As at 31 December 2012 the total guarantees under Standby Letters of Credit amounted to $33.5 million (2011: $23.7 million). These facilities were not accessed during the year.

The contracts with JEP, JPPC, WKPP and Wigton have been assessed as operating leases. The contract with JAMALCO is not considered an arrangement that contains a lease. The operating leases with JEP, WKPP and JPPC gave rise to unexpired commitments for energy capacity and certain operating charges payable at 31 December 2012, the minimum lease payments are as follows:

	2012	**2011**
	$'000	$'000
Within 1 year	65,934	44,437
From 1-2 years	66,895	45,257
From 3-5 years	199,354	141,145
Over 5 years	678,024	383,942
	1,010,207	614,781

5. Restricted cash

This cash is restricted in its use in the manner specified as follows:

	2012 $'000	2011 $'000
Self-insurance sinking fund	21,693	17,872
Advance against self-insurance sinking fund	(3,332)	-
Deposit guarantees on staff loans, IPP contracts etc.	488	474
	18,849	18,346

The self-insurance sinking fund represents cash maintained as part of the self-insurance sinking fund administered under the direction of the OUR (Note 2). During the year, the OUR approved a withdrawal from the self insurance sinking fund for the purpose of carrying out restoration work following Hurricane Sandy. These amounts were advanced by a bank against term deposits being held by the financial institution for the purpose of funding the self-insurance sinking fund. The term deposits in the sinking fund earns a rate of 4.25% , whilst the advance attracts an interest rate of 5.25%.

6. Accounts receivable

	2012 $'000	2011 $'000
Trade receivables, net (i) & (ii)	158,177	152,347
Unbilled revenue	107,162	105,316
Prepayments	7,892	5,273
Other receivables	10,466	8,637
	283,697	271,573

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

	2012 $'000	2011 $'000
Balance at beginning of year	37,871	30,654
Impairment loss recognized	20,133	25,910
Amounts recovered during the period	(506)	(427)
Amounts written off during the period	(20,710)	(18,266)
Balance at end of year	36,788	37,871

6. Accounts receivable (continued)

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

	2012		2011	
	Gross receivable	**Gross impairment**	**Gross receivable**	**Gross impairment**
	$'000	$'000	$'000	$'000
Due 0-30 days	102,052	-	106,512	-
Past due 31-60 days	12,933	-	14,549	-
Past due 61-90 days	8,717	-	7,671	-
More than 90 days	71,263	36,788	61,486	37,871
Trade accounts receivable	194,965	36,788	190,218	37,871

7. Inventories

	2012	**2011**
	$'000	$'000
Fuel	17,869	13,442
Generation spare parts	21,812	21,109
Transmission, distribution and other spares	27,351	26,989
	67,032	61,540
Less: Provision for obsolescence	(309)	(1,408)
	66,723	60,132

8. Net cash and cash equivalents

This comprises:

	2012	**2011**
	$'000	$'000
Cash and cash equivalents	26,493	8,830
Bank overdraft	-	(17,412)
	26,493	(8,582)

The bank overdraft represented a book amount which resulted from timing differences between receipts and disbursements at the year end.

9. Accounts payable and provisions

	2012 $'000	2011 $'000
Trade payables	140,348	115,053
Interest accrued on customer deposits and loans	15,356	15,580
Dividend payable	1,015	3,796
Other payables and provisions (i)	24,308	13,304
	181,027	147,733

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

	2012 $'000	2011 $'000
Balance at beginning of year	1,590	843
Provisions made during the year	2,210	2,341
Provisions utilised during the year	(2,686)	(1,594)
Balance at end of year	1,114	1,590

10. Property, plant & equipment

	Land, buildings & land rights	Production (generation) plant & equipment	Transmission and distribution plant & equipment	General plant & machinery	Computer equipment, office fixtures & fittings	Construction work-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At cost or valuation:							
31 December 2010	116,794	631,199	910,111	118,317	71,915	38,046	1,886,382
Additions	-	862	14,629	492	66	56,464	72,513
Transfers	648	15,457	18,020	623	475	(35,223)	-
Disposals/retirements & adjustments	-	(496)	(211)	(24)	(1)	-	(732)
Revaluation	(21,314)	-	-	-	-	-	(21,314)
31 December 2011	96,128	647,022	942,549	119,408	72,455	59,287	1,936,849
Additions	82	344	16,205	86	137	45,389	62,243
Transfers	2,132	4,953	19,494	1,410	267	(28,256)	-
Disposals/retirements & adjustments	(12,328)	(37,371)	(52,971)	(46)	(187)	-	(102,903)
Revaluation	(56)	-	-	-	-	-	(56)
31 December 2012	85,958	614,948	925,277	120,858	72,672	76,420	1,896,133
Depreciation:							
31 December 2010	13,715	440,515	624,911	101,583	53,551	-	1,234,275
Charge for the year	844	22,328	19,514	2,358	2,689	-	47,733
Disposals/retirements	-	(470)	(211)	(11)	(1)	-	(693)
31 December 2011	14,559	462,373	644,214	103,930	56,239	-	1,281,315
Charge for the year	893	23,369	20,487	2,480	2,475	-	49,704
Disposals/retirements	(6,050)	(35,159)	(51,250)	(27)	(80)	-	(92,566)
31 December 2012	9,402	450,583	613,451	106,383	58,634	-	1,238,453
Net book values:							
31 December 2012	76,556	164,365	311,826	14,475	14,038	76,420	657,680
31 December 2011	81,569	184,649	298,335	15,478	16,216	59,287	655,534

10. Property, plant & equipment (continued)

(a) Land, buildings and land rights include land, at valuation, aggregating approximately $49.9 million (2011: $52.6 million). Land, which is considered a separate class of assets, was revalued by independent professional valuators in 2011 resulting in a revaluation deficit of $21.3 million, adjusted to $21.4 million during 2012, an additional revaluation deficit of $56 thousand being recognised. During 2012 land was sold resulting in a transfer of $86 thousand to profit and loss, representing a writeback of prior year revaluation. Land at cost amounted to $25 million (2011: $27 million).

(b) Interest capitalised during construction for the year amounted to approximately $1.7 million (2011: $1.7 million). The capitalisation rate used for the year was 0.3571% (2011: 0.4253 %).

(c) The composite rate of depreciation for the year was approximately 4.28% (2011: 4.2%).

11. Intangible assets

This represents acquired software costs capitalised as follows:

	2012	**2011**
	$'000	$'000
Cost:		
At beginning of year	8,525	7,454
Additions	856	1,071
At end of year	9,381	8,525
Amortisation:		
At beginning of year	2,955	2,315
Charge for the year	507	640
Adjustment	(144)	-
At end of year	3,318	2,955
Net book value	6,063	5,570

Additions include projects-in-progress at 31 December 2012 aggregating $0.4 million (2011: $1.0 million).

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 and are managed by certain approved investment fund managers. Administrative services are provided by three Fund Managers; Sagicor Life of Jamaica Limited, Prime Asset Management Limited and NCB Insurance Company Limited.

(i) Employee benefits:

	2012 $'000	2011 $'000
Present value of funded obligations	(59,757)	(50,995)
Fair value of plan assets	99,889	105,355
Unrecognised amount due to limitation	(20,066)	(27,180)
Asset recognised in statement of financial position	20,066	27,180

(ii) Movements in funded obligations:

	2012 $'000	2011 $'000
Balance at beginning of year	(50,995)	(47,521)
Benefits paid	1,439	1,612
Current service and interest costs	(7,648)	(8,438)
Past service cost – vested benefits	(6,645)	-
Actuarial gain	450	4,193
Exchange gain (loss)	3,642	(841)
Balance at end of year	(59,757)	(50,995)

12. Employee benefits (continued)

(a) Defined benefit pension plan (continued):

(iii) Movements in plan assets:

	2012 $'000	2011 $'000
Fair value of plan assets at beginning of year	105,355	92,135
Contributions paid:		
employer	1,863	1,941
employees	2,299	2,336
Expected return on plan assets	9,453	9,268
Benefits paid	(1,439)	(1,612)
Refund to the company	(8,459)	-
Actuarial (loss) gain	(1,966)	2,074
Exchange loss	(7,217)	(787)
Fair value of plan assets at end of year	99,889	105,355

	2012 $'000	2011 $'000
Plan assets consist of the following:		
Equities	22,182	27,074
Real estate [Note 24 (c)]	11,432	-
Fixed income securities	66,275	78,281
	99,889	105,355

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

	2012 $'000	2011 $'000
Current service costs	2,196	2,529
Interest on obligations	5,015	5,514
Expected return on plan assets	(9,453)	(9,268)
Net actuarial loss (gain) recognised during the year	1,515	(6,276)
Past service cost - vested benefits	6,645	-
Refund to the company	(8,459)	-
Total credit	(2,541)	(7,501)
Net credit recognised due to limitation	(1,270)	(3,751)
Actual return on plan assets	7,487	11,351

12. Employee benefits (continued)

(a) Defined benefit pension plan (continued):

The (credit) expense is recognised in operating and maintenance, selling, general and administrative expenses in the statement of comprehensive income.

(v) Principal actuarial assumptions at the statement of financial position date (expressed as weighted averages):

	2012	2011
Discount rate	10.5%	10%
Expected return on plan assets	9.5%	9.5%
Future salary increases	6%	5%
Future pension increases	2%	2%

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.

The Company's estimated contribution for the 12 months subsequent to the year end is $1.9 million.

(b) Other employee benefit obligations:

Other employee benefit obligations comprise:

	2012 $'000	2011 $'000
Accumulated sick and vacation pay	8,822	9,050

12. Employee benefits (continued)

(c) Historical information

(i) Defined benefit pension plan:

	2012 $'000	2011 $'000	2010 $'000	2009 $'000	2008 $'000
Present value of the defined benefit obligations	(59,757)	(50,995)	(47,521)	(29,660)	(55,241)
Fair value of plan assets	99,889	105,355	92,135	73,784	97,832
Surplus	40,132	54,360	44,614	44,124	42,591
Experience adjustments arising on plan liabilities	12	3,044	(1,122)	(1,629)	(2,201)
Experience adjustments arising on plan assets	(1,966)	2,074	5,040	6,724	(20,838)

(d) Defined contribution pension plan:

The Company's contribution to the defined contribution pension plan for the year aggregated $342,000 (2011: $352,000). These are recognised in operating and maintenance, selling, general and administrative expenses in the statement of comprehensive income.

13. Other asset

This represents the cost of materials and labour incurred to wire the houses of certain customers. The amounts are being amortised over a period of thirty to sixty months, the period over which the Company expects to be reimbursed by the customers (Note 14). This comprises:

	2012	2011
	$'000	$'000
Cost	6,468	5,480
Amortization	(671)	(258)
	5,797	5,222

14. Long-term receivables

This represents the long term portion of expenditure incurred by the Company for the wiring of houses for certain customers, recoverable over periods ranging from thirty to sixty months (Notes 13 and 21).

	2012	2011
	$'000	$'000
Receivable	2,414	1,392
Current portion included in other receivables (Note 6)	(709)	(402)
	1,705	990

15. Share capital

Authorised:

Ordinary share capital:

315,733,190	Ordinary stock units at no par value
30,000,000,000	Ordinary shares at no par value
30,315,733,190	

Cumulative preference shares of no par value

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

		2012 $'000	2011 $'000
Stated capital:			
Issued and fully paid:			
Ordinary share capital:			
315,733,190	Ordinary stock units	5,684	5,684
21,512,462,056	Ordinary shares	256,102	256,102
21,828,195,246		261,786	261,786
Cumulative preference shares:			
420,000	7% "B" shares	38	38
66,500	5% "C" shares	6	6
680,000	5% "D" shares	61	61
300,000	6% "E" shares	27	27
1,466,500		132	132
		261,918	261,918

15. Share capital (continued)

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

16. Capital reserve

	2012 $'000	2011 $'000
Revaluation surplus	19,901	20,043

This represents the net surplus arising on the revaluation of land.

17. Customer deposits

	2012 $'000	2011 $'000
Customer deposits for electricity service (i)	18,693	19,131
Customer advances for construction (ii)	12,224	11,927
	30,917	31,058

(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 (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.

18. Short term loans

During the year, the Company obtained two short term facilities from Citibank, N.A. amounting to $10 million and $15 million, respectively. The loans are unsecured and repayable by bullet payment at maturity. Interest is payable at a variable interest rate of LIBOR plus 4.5%. Full principal repayment is scheduled in February 2013 and July 2013, respectively.

19. Long-term debts

		2012 $'000	2011 $'000
(a)	Kreditanstalt fur Weideraudfbau of Frankfurt Government of Jamaica (KFW/GOJ), 7% fixed rate, repayable 2030 [€3.9 million]	5,131	5,010
(b)	International Finance Corporation (IFC) variable rate, repayable 2015 [$45 million]	15,000	20,000
(c)	International Finance Corporation (IFC) variable rate, repayable 2020 [$30 million]	25,971	29,160
(d)	Deutsche Bank as trustees of the holders of the 11% Senior notes due 2021 [$180 million]	175,039	174,708
(e)	FirstCaribbean International Bank (FCIB) variable rate, repayable 2015 [$40.9 million]	20,924	23,650
(f)	Espirito Santo Bank 6.5% fixed rate, repayable 2016 [$7.68 million]	5,033	6,339
(g)	NCB Syndicated Loan variable rate, repaid 2012 [$5.9 million]	-	4,214
(h)	Peninsula Corporation 5.25% fixed rate, repayable 2014 [$14.76 million]	9,390	-
(i)	Export Development Canada variable rate, repayable 2015 [$5.474 million]	4,046	4,659
(j)	Citibank Japan/NEXI variable rate, repayable 2020 [$65 million]	55,601	54,593
(k)	Proparco variable rate, repayable 2020 [$60.5 million]	52,515	58,947
(l)	OPEC Fund for International Development variable rate, repayable 2020 [$25 million]	21,828	24,508
		390,478	405,788
	Less: Current portion	(36,906)	(49,493)
		353,572	356,295

[These amounts represent the original principal value of loans received.]

19. Long-term debts (continued)

(a) This loan was received from the Government of Jamaica (GOJ), based on a formal on-lending agreement dated 17 January 1996. Under the terms of the original agreement with KFW, the loan is unsecured and repayable commencing in 2010 through 2030. Interest is payable semi-annually in arrears.

(b) This loan is repayable in eighteen semi-annual instalments of $2,500,000, which commenced February 2007. The variable interest rate is based on LIBOR plus 7.5% per annum until February 2007 and a spread of 6% thereafter. The loan is secured by certain assets of the Company.

(c) This loan is unsecured and repayable in eighteen semi-annual instalments of $1,666,666.66, commencing March 2012. The variable interest rate is based on LIBOR plus 5%. Interest is paid semi-annually commencing March 2011. The amount due is stated net of debt issuance costs of $696,000 (2011: $840,000) associated with the issue.

(d) 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; $179,189,000.00 to mature on 6 July 2021 and $811,000.00 to mature on 6 July 2016. Interest payments are to be made on 6 January and 6 July annually with record dates of 23 December and 22 June, respectively, and interest rates of 11% for 180/360 of principal amounts outstanding as at record dates. No collateral is required.

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

	2012	**2011**
	$'000	$'000
Cost:		
At beginning of year	7,815	6,871
Additions/ adjustment	-	944
At end of year	7,815	7,815
Amortisation:		
At beginning of year	2,523	2,047
Amortisation charge for the year, net	330	476
At end of year	2,853	2,523
	4,962	5,292

19. Long-term debts (continued)

(e) This loan is unsecured and repayable in semi-annual instalments of $3.5M until maturity. On 1 April 2012 JPS negotiated a reduction in interest rate from 6 month LIBOR + 6.7% to 6 month LIBOR + 4.5% and in November 2012 and extension of the maturity date was granted until 30 December 2015. The amount due is stated net of debt issuance costs of $173,500 (2011: $150,000) associated with the issue.

(f) This is an unsecured loan facility for which the utilization of the funds was restricted to capital expenditure on goods originating in the United States. The amounts were drawn down on various dates and principal and interest are repayable semi-annually for each draw-down. The balance is scheduled to be repaid in full in August 2016. The amount due is stated net of debt issuance costs of $512,000 (2011: $743,000) associated with the issue.

(g) This loan was unsecured and repayable in semi-annual instalments of $421 thousand and the balance at maturity. This loan was repaid in May 2012.

(h) This loan is unsecured and repayable by bullet payment at maturity. The 5.25% fixed interest is payable in quarterly instalments until January 2014.

(i) This loan is unsecured and attracts interest at the rate of 6 month LIBOR plus 1.6%. The utilization of the funds was restricted to capital expenditure on goods originating in Canada. The principal amounts were drawn on various dates with interest and principal repayable semi-annually for each draw-down. (The amount of $768,527 was drawn-down during the year). The amount due is stated net of debt issuance costs of $139,000 (2011: $186,000) associated with the issue.

(j) This loan is unsecured and is repayable in sixteen semi-annual instalments of $4,062,500, which will commence in June 2013. Interest is also paid semi-annually. The variable interest rate is based on LIBOR plus 1.7% per annum. The amount due is stated net of debt issuance costs of $9,399,000 (2011: $10,407,000) associated with the issue and calculated on the overall approved loan amount of $100,000,000.

(k) This loan is unsecured and is repayable in eighteen semi-annual instalments of $3,361,111.11, which will commence in May 2012. The variable interest rate is based on LIBOR plus 5.0% per annum. The amount due is stated net of debt issuance costs of $1,262,000 (2011: $1,553,000) associated with the issue.

(l) This loan is unsecured and is repayable in eighteen semi-annual instalments of $1,388,888.89, which will commence in May 2012. The variable interest rate is based on LIBOR plus 5.0% per annum. The amount due is stated net of debt issuance costs of $394,000 (2011: $493,000) associated with the issue.

19. Long-term debts (continued)

Non-compliance with debt covenants

Under the terms of the long term loan agreements with certain international development financial institutions, the Company is required to maintain a certain financial covenant relating to minimum Debt to Earnings before Interest Tax Depreciation and Amortization ratio of 3.0 to 1. The Company is non-compliant with this financial covenant as at 31 December 2012 which, in the first instance, prevents the Company from paying dividends to its ordinary shareholders and from incurring additional indebtedness without the consent of the respective lenders. Additionally, the non-compliance provides the lenders with the option of issuing a notice of default and declaring all amounts of principal and interest immediately payable. The non-compliance remains in effect as at the issuance date of these financial statements and the lenders have not exercised their right to demand repayment of the loans. Should the respective lenders exercise their right to demand the repayment of the loans, and given the existence of cross default provisions in substantially all loan agreements, the Company would have a challenge to repay such debts in full immediately without alternative sources of financing or shareholder support. The total principal outstanding at 31 December 2012 pertaining to the loans affected by the event of non-compliance is $183 million ($171 million net of issuance cost). Should the cross default provisions described above be triggered, the total principal of the additional loans including short term loans affected by the potential event of default would be $236 million ($231 million net of issuance cost). In addition, accrued interest on these loans amounting to $11 million at 31 December 2012 would become immediately payable.

20. Deferred taxation

Deferred tax (liabilities) assets relate to:

	Balance at 31 December 2010 $'000	Recognised in statement of comprehensive income $'000	Balance at 31 December 2011 $'000	Recognised in statement of comprehensive income $'000	Balance at 31 December 2012 $'000
Employee benefits, net	(4,685)	(1,358)	(6,043)	2,295	(3,748)
Accountants receivable	270	394	664	(572)	92
Accounts payable and provisions	5,759	(134)	5,625	(697)	4,928
Unrealised foreign exchange gains	(441)	28	(413)	500	87
Property, plant & equipment	(61,735)	3,120	(58,615)	(3,328)	(61,943)
Unamortised debt issuance costs	(2,191)	(4,364)	(6,555)	658	(5,897)
	(63,023)	(2,314)	(65,337)	(1,144)	(66,481)

21. Deferred revenue

Deferred revenue represents expenditure recoverable from certain customers that was incurred by the Company for the purpose of wiring their dwelling houses in order to facilitate certification to receive electricity supply. This will be released to income as those customers are billed to recover such expenditure. (Note 14).

	2012	2011
	$'000	$'000
Balance at the beginning of the year	1,553	75
Deferred during the year	1,659	1,728
Released to statement of comprehensive income	(512)	(250)
	2,700	1,553

	2012	2011
	$'000	$'000
Current portion included in other payables (Note 9)	730	414
Non current	1,970	1,139
	2,700	1,553

22. Operating revenue

The Company's revenue arises from the supply of electricity services in accordance with the Licence (Notes 1 and 2).

23. Expenses

a) Cost of sales

	2012 $'000	2011 $'000
Fuel	(777,645)	(765,947)
Purchased power (excluding fuel) (Note 4)	(84,654)	(80,180)
	(862,299)	(846,127)

b) Operating expenses

	2012 $'000	2011 $'000
Operating and maintenance, selling, general and administrative expenses	(159,947)	(169,181)
Depreciation and amortisation	(50,211)	(48,373)
	(210,158)	(217,554)

c) Finance costs

	2012 $'000	2011 $'000
Foreign exchange losses, net	(14,879)	(3,276)
Other finance costs:		
Short-term loans	(906)	(1,208)
Long-term loans	(33,406)	(32,568)
Customer deposits	(437)	(894)
Bank overdraft and other	(1,740)	(1,085)
Debt issuance costs and expenses	(3,636)	(3,329)
	(40,125)	(39,084)
Finance income:		
Interest income	2,367	1,472
Interest capitalised during construction [Note 10(b)]	1,701	1,675
	4,068	3,147
	(50,936)	(39,213)

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

24. Disclosure of expenses (income) and related party transactions

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

	2012	2011
	$'000	$'000
Directors' remuneration:		
Fees	34	62
Emoluments	240	278
Pensions to former managing directors	8	8
Compensation for key management:		
Short term benefits	2,750	2,721
Pensions paid	32	37
Staff costs	68,480	70,763
Audit fees (including GCT):		
Current year	168	173
Depreciation and amortisation	50,211	48,373
Pension credit (Note 12)	(1,270)	(3,751)

(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 include charges of approximately $3.6 million (2011: $3.0 million) and recharges of approximately $0.7 million (2011: $0.4 million). In addition, the Company provides electricity for its related parties including the Government of Jamaica. All the above transactions were executed in the ordinary course of business.

(c) On 31 December 2012, the Company completed its sale of its Head Office land and building situated at 6 Knutsford Boulevard, Kingston 5 to The Jamaica Public Service Company Limited (JPSCO) (Original 1973) Employees' Pension Plan ('Pension Plan'), a related party, for a consideration of $11.25 million. The Company realized a gain of $4.2 million dollars on this transaction. A subsequent commercial lease agreement was entered into between the Pension Plan and the Company for an initial lease term of ten (10) years commencing 1 January 2013 and renewable for further period of five (5) years (Note 29).

(d) During the year, a new entity, South Jamaica Power Company Limited (SJPC), was established for the purpose of owning and operating the proposed 360 Megawatt LNG fired plant for which the Company had won construction rights in a bidding process conducted by the OUR in 2011. SJPC was incorporated in Jamaica and is owned by MaruEnergy JPSCO 1 SRL and EWP (Barbados) 1 SRL each holding 40% interest in SJPC's shares, with the Company holding the remaining 20%. SJPC remains non-operational and has share capital and assets as at 31 December 2012 amounting to $1,000.

25. Other income and expenses

(a) Other income comprises:

	2012 $'000	2011 $'000
Rental income	407	351
Insurance proceeds	-	224
Refund of surplus in IPP Debt Service Reserve Account	-	2,969
Gain on disposal of property, plant and equipment (i)	2,012	-
Inventory writeback (ii)	1,099	-
Miscellaneous proceeds from scrap sales and other settlements	1,913	1,586
	5,431	5,130

(i) Includes gain on sale of Head Office land and building included in Note 24 (c), net of losses incurred on other property, plant and equipment sold or retired.

(ii) This represents the cost of fuel inventories purchased and deemed unusable in previous years recovered in the fuel tariff in the current year.

(b) Other expenses comprise:

	2012 $'000	2011 $'000
Restructuring cost	-	(969)
Hurricane restoration costs (i)	(2,269)	(92)
Miscellaneous expenses	(790)	(232)
Inventory write off	-	(1,128)
Impairment loss on property, plant and equipment	(1,775)	-
	(4,834)	(2,421)

(i) This represents costs incurred by the Company for restoration efforts in relation to Hurricane Sandy (Note 5).

26. Taxation

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

	2012 $'000	2011 $'000
Current income tax expense	(4,785)	(16,546)
Origination and reversal of temporary differences	(1,144)	(2,314)
Taxation expense	(5,929)	(18,860)

(b) Reconciliation of tax expense:

	2012 $'000	2011 $'000
Profit before taxation	18,799	53,211
Computed "expected" tax @ 33⅓%	(6,266)	(17,737)
Tax effect of differences between profit for financial statements and tax reporting purposes in respect of:		
Investment allowances	3,925	5,025
Tax on unamortized loan discount	(580)	(5,145)
Other disallowed items	(3,008)	(1,003)
Taxation expense	(5,929)	(18,860)

27. Earnings per share/stock unit

	2012 $'000	2011 $'000
Profit for the year	12,870	34,351
Less: Preference dividends (Note 28)	(2)	(2)
	12,868	34,349
Number of shares/stock units [shown in thousands (Note 15)]	21,828,195	21,828,195
Earnings per share/stock unit	0.05¢	0.15¢

28. Dividends

	2012 $'000	2011 $'000
Ordinary dividends:		
Interim dividend declared	5,000	44,000
Preference dividends:		
5-7% Cumulative preference shares (Notes 15 and 27)	2	2
	5,002	44,002
Ordinary dividend per share /stock unit	0.02¢	0.20¢

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

29. Commitments

Commitments for capital expenditure, for which no provision has been made in these financial statements, amounted to approximately $1.1 million (2011: $1.5 million).

In addition to its commitments under IPP contracts (Note 4), the Company had unexpired operating lease commitments at 31 December 2012 payable as follows [Note 24 (c)]:

	2012 $'000	2011 $'000
Within 1 year	8,492	8,279
From 1-2 years	8,494	7,949
From 2-3 years	8,494	834
From 3-4 years	8,494	150
From 4-5 years	8,494	150
Over 5 years	15,765	3,769
	58,233	21,131

29. Commitments (continued)

Lease payments under operating leases including IPP contracts (Note 4) recognised in the statement of comprehensive income for the year aggregated approximately $84.7 million (2011: $80.2 million).

30. Contingent liabilities

As at 31 December 2012, the Company is subject to various lawsuits in the normal course of business. The outcome of these lawsuits cannot be determined with certainty. However, in the opinion of management and its legal counsel, it is probable that an outflow will be made by the Company and as such a provision of $1.1 million (2011: $1.3 million) was made in the financial statements.

31. Financial instruments

(a) Financial risk management:

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

- Credit risk
- Liquidity risk
- Market risks
- Operational risks

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

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

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

31. Financial instruments (continued)

(a) Financial risk management (continued)

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

(i) Credit risk:

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

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

The Company establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures. The loss allowance is determined based on historical payment statistics for similar financial assets and an assessment of the debtor's ability to settle debt Note 3 (f).

Cash and short term deposit balances are managed by the Company's treasury department and amounts are held with reputable banks and financial institutions.

At 31 December 2012, the Company had significant concentrations of credit risk in respect of amounts receivable from the Government of Jamaica and its affiliates, in respect of electricity charges, aggregating $41.96 million (2011: $40.45 million). The Company maintains a very close relationship with the Ministry of Finance and the Ministry of Local Government in relation to this matter and discussions are held regarding the reduction of the outstanding balances fairly frequently. In recent discussions commitments were made by the GOJ to streamline the payment of streetlight bills and to reduce the overall receivables balance to current levels by September 2013.

31. Financial instruments (continued)

(a) Financial risk management (continued)

(i) Credit risk:

The Company's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2012 and 2011 is equivalent to the carrying amount of each financial asset outlined below.

	2012	**2011**
	$'000	$'000
Cash and cash equivalents	26,493	8,830
Restricted cash	18,849	18,346
Accounts receivable	283,697	271,573
Long-term receivables	1,705	990
	330,744	299,739

(ii) Liquidity risk:

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

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

Key management of the Company, in conjunction with its ultimate holding company, aims at maintaining flexibility in funding by keeping lines of funding available as well as by acquiring and maintaining prudent cash resources in appropriate currencies. For example, the Company's treasury department receives and monitors information from other departments regarding the liquidity profile of their financial assets and liabilities and maintains a portfolio of short-term liquid assets and loans to ensure that sufficient liquidity is maintained within the Company as a whole. As at 31 December 2012, the Company had unutilised lines of credit aggregating $59.2 million (2011: $86.7 million).

31. Financial instruments (continued)

(a) Financial risk management (continued)

(ii) Liquidity risk (continued)

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

		Contractual undiscounted cash flows					
	Carrying amount	Total cash outflow	Less than 1 year	1-2 years	3-5 years	6-10 years	More than 10 years
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
31 December 2012:							
Accounts payable	181,027	181,027	181,027	-	-	-	-
Short term loans	25,000	25,000	25,000	-	-	-	-
Long term debt	390,478	390,478	36,906	45,685	78,525	229,362	-
Due to related companies	1,005	1,005	1,005	-	-	-	-
Customer deposits	30,917	30,917	-	-	5,815	-	25,102
Deferred revenue	1,970	1,970	-	723	1,017	230	-
Total financial liabilities	630,397	630,397	243,938	46,408	85,357	229,592	25,102
31 December 2011:							
Accounts payable	147,733	147,733	147,733	-	-	-	-
Loans	405,788	405,788	49,493	29,007	84,960	160,336	81,992
Due to related companies	912	912	912	-	-	-	-
Customer deposits	31,058	31,058	-	-	6,443	-	24,615
Deferred revenue	1,139	1,139	-	414	642	83	-
Total financial liabilities	586,630	586,630	198,138	29,421	92,045	160,419	106,607

Contracted off-balance cash payments in respect of independent power purchase agreements are disclosed in Note 29.

31. Financial instruments (continued)

(a) Financial risk management (continued)

(iii) Market risk

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

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

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

At 31 December 2012, the Company had no exposure to market risk relating to changes in equity prices.

- *Interest rate risk:*

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

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

  The maturity profiles and interest rates of the Company's long-term loans are disclosed in Note 19, and the details of customer deposits in Note 17.

  Interest bearing financial assets relate to cash and cash equivalents.

31. (a) Financial risk management (continued)

(iii) Market risk (continued)

- *Interest rate risk (continued):*

At 31 December 2012, the interest profile of the Company's interest-bearing financial instruments was:

	Carrying amount	
	2012	**2011**
	$'000	$'000
Fixed rate instruments:		
Financial assets	18,995	21,132
Financial liabilities	(194,593)	(186,057)
Variable rate instruments:		
Financial liabilities	(239,578)	(238,861)

Fair value sensitivity analysis for fixed rate instruments:

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

Cash flow sensitivity analysis for variable rate instruments:

A change of 50/250 (2011: 100) basis points in interest rates at the reporting date would have increased/decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2012 Effect on profit or loss		**2011 Effect on profit or loss**	
	250bp increase	50bp decrease	100bp increase	100bp decrease
Cash flow sensitivity (net)	(5,989)	1,198	(2,389)	2,389

31. Financial instruments (continued)

(a) Financial risk management (continued)

(iii) Market risk (continued)

- *Foreign currency risk*:

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

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

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

The table below shows the Company's foreign currency exposure, at the statement of financial position date:

	2012			2011		
	J$	€	US$	J$	€	US$
	$'000	$'000	$'000	$'000	$'000	'000
Cash and cash equivalents	1,844,642	-	19,840	388,618	-	4,487
Trade and other receivables	25,708,716	-	276,504	23,200,960	-	267,907
Other assest	538,991	-	5,797	452,229	-	5,222
Accounts payable and provisions	(3,239,248)	(2,855)	(34,839)	(5,228,049)	-	(63,764)
Long-term loans	-	(3,879)	(5,131)	-	(3,879)	(5,010)
Customer deposits	(2,874,573)	-	(30,917)	(2,689,621)	-	(31,058)
	21,978,528	(6,734)	231,254	16,124,137	(3,879)	177,784

31. Financial instruments (continued)

(a) Financial risk management (continued)

(iii) Market risk (continued):

- *Foreign currency risk (continued)*:

Sensitivity analysis:
A 1% (2011 : 5%) strengthening of the United States dollar (the Company's principal foreign currency) against the Jamaica dollar and the Euro would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2012		2011	
	Equity	**Profit/(loss)**	**Equity**	**Profit/(loss)**
	$'000	$'000	$'000	$'000
J$	(2,364)	(2,364)	(9,115)	(9,115)
Euro (€)	89	89	250	250
Total	(2,275)	(2,275)	(8,865)	(8,865)

A 10% (2011 : 5%) weakening of the United States dollar against the Jamaican dollar and the Euro, respectively, at year end would have the opposite effect, on the basis that all other variables remain constant.

	2012		2011	
	Equity	**Profit/(loss)**	**Equity**	**Profit/(loss)**
	$'000	$'000	$'000	$'000
J$	21,490	21,490	9,115	9,115
Euro (€)	(891)	(891)	(250)	(250)
Total	20,599	20,599	8,865	8,865

31. Financial instruments (continued)

(a) Financial risk management (continued)

(iv) Operational risk:

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

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

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

(b) Capital risk management:

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

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

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

31. Financial instruments (continued)

(c) Fair value disclosure:

(i) The amounts reflected in the financial statements for cash and cash equivalents, accounts receivable, related party balances, bank overdraft, accounts payable and provisions, and short-term loan are assumed to approximate to their fair values because of their short term nature. The carrying value of loans with variable interest rates approximates fair value as interest rates approximate market rates. The fair value of loans with fixed interest rates is approximately $213,604,000 (2011: $205,935,000); carrying value $194,593,000 (2011: $186,057,000); which is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. Additionally, the cost of all monetary assets and liabilities has been appropriately adjusted to reflect estimated losses on realisation or discounts on settlement.

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Jamaica Public Service Company Limited will be held on **29th** day of **July** at the Company's registered offices, 6 Knutsford Boulevard, Kingston 5 commencing at **10:00 a.m.** for the Following Purposes:

1. To Receive the Accounts

To receive the Audited Accounts for the year ended December 31, 2012 and the Reports of the Directors and Auditors thereon and to consider and (if thought fit) pass the following resolution:

"That the Accounts for the year ended December 31, 2012 together with the Reports of the Directors and Auditors thereon be approved and adopted"

2. To Approve and Ratify Interim Dividends:

i. **RESOLVED** that this Board **HEREBY APPROVES** a final dividend of the Jamaican equivalent of Five Million United States Dollars (US$5,000,000.00) or 0.00022906 United States cents per share/stock on the Ordinary Stock/ Shares of the Company at the rate of exchange of the Bank of Jamaica's daily weighted average selling rate on the 30th day of March 2012 payable on the 16th day of April 2012 to share/ stockholders registered at close of business on the 30th day of March 2012. This amount will be distributed out of retained earnings.

3. To Elect Directors

1. In accordance with Article 117 and 119 of the Company's Articles of Association, Mr. Seiji Kawamura and Mr. Charles Johnston retiring from office by rotation pursuant to Articles 117 and 119 of the Company Articles of Association and having been appointed to the Board since the last Annual General Meeting shall cease to hold office and, being eligible offer themselves for re-election;

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

   i. "That Director Seiji Kawamura is hereby re-elected a Director of the Company".

   ii. "That Director Charles Johnston is hereby re-elected a Director of the Company".

2. In accordance with Articles 86 and 123 of the Company's Articles of Association, Mr. Dong Uk Kim having been appointed to the Board as Alternate Director since the last Annual General Meeting shall cease to hold office and being eligible offer himself for election;

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

   i. "That Director Dong Uk Kim is hereby elected a Director of the Company".

4. To Appoint Auditors and Fix their Remuneration

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

DATED THIS 24th DAY OF JUNE 2013

BY ORDER OF THE BOARD

Katherine P.C. Francis
Secretary

Jamaica Public Service Company Limited

Form of Proxy

I/WE .....of.....being a member/members of the above Company hereby appoint the Chairman of the meeting or failing him .....of.....as my/our Proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on the **29th** day of **July** at **10:00 a.m.** and at any adjournment thereof.

RESOLUTION	FOR	AGAINST
Resolution 1		
Resolution 2 (i)		
Resolution 3 (1)(i)		
Resolution 3 (1)(ii)		
Resolution 3 (2)(i)		
Resolution 4		
Resolution 5		

DATED THE ..... DAY OF 2013

....

(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.

Jamaica Public Service Company Limited

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