Annual Report | 2015

JPS | Jamaica Public Service Company LImited

VISION

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

MISSION

Through inspired and committed employees and innovative technologies, we deliver an energy solution for every Jamaican – improving lives, fueling 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 602,008 customers who are served by a workforce of 1,656 employees.

The Company owns and operates: 4 power stations, 9 hydroelectric plants, and 1 wind farm.

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, and youth development. 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

Summary

At the beginning of the year, JPS declared 2015 the "Year of Good Fortune", and throughout the year many occurrences confirmed that declaration. Notably, the Company delivered improved financial performance, drove changes in the regulatory landscape, and made significant strides towards the overall long term goal of energy security, affordability and sustainability for Jamaica.

The fuel diversity objective was significantly furthered by the ground breaking launch of the Bogue conversion project designed to introduce natural gas to Jamaica's generation landscape for the first time. Heralding in a new era in the electricity sector, this project begins the march toward a cleaner, less volatile energy mix. This fuel diversity effort was supported by an accelerated smart grid focus, which forms the basis of our five-year operations improvement plan.

On the affordability front, our customers enjoyed the lowest energy charges in five years due to decreased fuel prices and greater plant efficiency which, in turn, increased customer confidence and decreased public perception deficits. Measurements for both customer and employee satisfaction levels improved substantially, and stakeholder engagement was at an all-time high.

Milestone Regulatory and Legislative Changes

2015 will be recorded as an unprecedented and historic year of regulatory and legislative changes. The regulatory platform and rules changed dramatically, positioning the Company in the best shape in nearly a decade to realize sustained growth and profitability. The unprecedented changes were the culmination of years of lobbying, protest and advocacy by the Company to allow fair recovery of costs, reasonable returns to shareholders and an environment to attract capital to the business.

In one year, all three statutes governing the local energy sector and JPS' operations – the Electric Lighting Act, the OUR Act and the All-Island Electric Licence – were radically amended or completely rewritten. While some of the changes pose new challenges, JPS will benefit from a new progressive pricing approach, the easing of punishing fuel penalties, the overhaul of archaic regulatory rules, and an infusion of more objective voices with independent perspectives in decision making at the Office of Utilities Regulation (OUR).

The improvements will also help bring clarity to the electricity sector. The new Electricity Act makes clear the policy directive of the Government of Jamaica (GOJ) and its intention to modernize the electricity sector. Of significance is the fact that the new OUR Act will require the establishment of a seven- member independent Board of Commissioners (Office of the OUR) who will jointly be responsible for all major decisions of the OUR. For its part, the new Electricity Act brings an end to the debate over whether the Minister was correct in issuing an exclusive Licence to JPS.

Additionally, after much negotiation with the GOJ, JPS was able to secure an amendment to our operating Licence, which was approved by a Cabinet meeting in early January 2016. This amendment redefines the risks the utility must undertake to those controllable by the Company and offers a more level balanced approach to utility governance. The changes are consistent with the recent amendments to law and concerted effort by the GOJ to modernise the electricity sector to ensure that Jamaica is poised for growth and global competitiveness.

Strong Financial Performance

JPS delivered US$26.5Million net profit and US$30.7Million Total Comprehensive income which was an improvement over the $23Million and $7.5Million recorded respectively in 2014. This improvement was due to a combination of factors, including a growth in energy sales, improved generation efficiency and lower than expected finance costs.

The Company recorded 3,071 GWh in energy sales, which was 1.9% above the 2014 performance, reversing a three year trend of declining sales. The increase was attributed to warmer weather, lower fuel costs and increased consumer confidence. As a result, the non-fuel revenues were approximately $7M or 1.7% above budget. The company also recorded the best thermal plant fleet Heat Rate ever: 11,332 kJ/kWh, against a target of 11,405 kJ/kWh. Net finance costs totalled $42.5M, which was $9.5M or 18% below budget, primarily due to the relative stability of the J$ and the resulting favourable variance in relation to foreign exchange (FX) losses.

The positive financial performance allowed JPS to achieve compliance with its Debt to EBITDA financial covenant of 2.75:1. In addition to supporting compliance with all key financial covenants, this favourable

EBITDA performance also facilitated the declaration of dividends to the Class F Preference Shareholders for Q2 to Q4. We anticipate continued compliance throughout 2016, especially based on the recent amendments to our Licence. This is critical to our ability to continue raising much needed financing to support the large capital expenditure programme, which has as a primary objective the modernizing of the electricity grid.

Breaking New Ground in Generation

JPS celebrated a game-changing milestone in October 2015, with the official launch of the Bogue conversion project. The Bogue plant, which was first commissioned into service in 2003, was originally built to operate on both gas and oil. Its conversion to use gas is a pivotal column in Jamaica's fuel diversification strategy, which aims at reducing the country's dependence on oil.

In 2015, JPS also made progress towards the official start of the new gas-fired 190MW power plant project. Having received the nod of approval from the Government-appointed Energy Sector Enterprise Team (ESET), the OUR and the Ministry of Energy, JPS started negotiations with the shortlisted Engineering, Procurement and Construction (EPC) companies. By the end of the year, JPS was close to execution on both its Power Purchase Agreement (PPA) and the Gas Supply Contract.

In the meantime, JPS' existing generation fleet continued to deliver commendable performance, resulting in more efficient operations – the benefits of which were passed on to customers. Despite being called on to serve a record peak demand of 638MW - the highest recorded since 2009 – the aging generating fleet held its own, with record efficiency and low levels of forced outages. Team members' commitment to excellence, combined with ongoing investment in maintenance and plant overhaul, ensured that the generating fleet recorded the best JPS thermal plant Heat Rate ever, at 11,332 kJ/kWh, beating the target by 73 kJ/kWh.

Improved Reliability

In 2015 JPS achieved notable improvement in service reliability, and strengthened its capacity for sustaining further improvements. The Company delivered a 10.9% and 30.3% improvement in both System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) respectively, when compared to 2014. This was due primarily to the Company's Distribution Automation, Structural Integrity, and Vegetation Management initiatives. JPS also added and expanded business intelligence tools, to allow for better communication and proactive management of the system. These tools included an Outage Management System (OMS), Focal Point, and Outage Maps.

During the year, the Company's Transmission team continued to display significant expertise, which facilitated their selection, from among other contenders, to construct transmission lines to facilitate the interconnection of renewable energy from the Independent Power Producers (IPPs). A major highlight of the period was the construction of a new 7.5km 69kV, single circuit transmission line from the New Spur Tree substation to the proposed Wigton III Wind Farm in Rose Hill, Manchester, and the relocation of 1.5km of existing Wigton 1&2 Transmission Lines.

Partnering to Address Electricity Theft

The problem of system losses has persisted, despite the introduction of a number of measures to deal with the challenge of electricity theft. Recognising the socio-economic realities behind electricity theft, in 2015 JPS partnered with the Government and supporting agencies, to introduce its Community Renewal pilot project, which aimed at converting 2000 consumers to customers through social intervention. The Company achieved the Regulator's approval for the introduction of a special Community Renewal Rate in support of our loss reduction social intervention programme.

As part of an ongoing effort to explore best practices in other countries, JPS and the OUR collaborated on a losses workshop, sponsored by the United States Agency for International Development (USAID) and the World Bank. The primary objective of the workshop was to raise awareness of the tough challenge that utilities face globally to reduce losses and realistic timeframes for results. The need for close utility/regulator collaboration, and the pivotal role of government support for success, were two key outcomes. Another signal outcome was the formation of a joint Losses Interface Team with the OUR.

Improving Customer Value

JPS' customers enjoyed an average 30% reduction in their energy bills in 2015, as JPS used less fuel to power its generating units and passed on savings from reductions in oil prices. At the same time, the Company

STATEMENT TO SHAREHOLDERS CONT'D.

continued to roll out innovative customer solutions to give customers more control over their energy usage and bill payments. This included the launch of the commercial pilot of the Pay As You Go (PAYG) prepaid service, and the introduction of an Amnesty programme for customers with bad debt.

JPS also expanded its offering of solutions to help both residential and commercial customers manage their energy usage. In 2015, the Company introduced the MyJPS Rewards programme, to provide incentives to customers who consistently pay their bills in full and on time. The combination of initiatives and overall improvements in service delivery resulted in a significant increase in customer satisfaction levels, which moved from 54.9% in 2014, to 68.4% in 2015.

Ahead: The Year of Breakthrough

As we move into 2016, the "Year of Breakthrough," our focus will be on furthering our progress to position JPS as a forward-thinking utility of the future. This plan involves two central themes. The first is our passion around the creation of a culture of excellence and the development of even stronger relationships with our customers. The second is our firm commitment to the latest technologies and embed innovation, including mobile apps, mobile money, customer portals, drones, and more. Simultaneously, JPS will further our leadership as a company that supports care of the environment. To this end, 2016 will include the roll-out of a Clean and Green programme that will support our vision for energy security and sustainability.

The stage has been set. The regulatory and legislative framework is in place. The foundation has been established for greater shareholder value, and enhanced stakeholder relations. The future is indeed promising, as JPS continues to lead Jamaica's energy revolution --destined to unleash Jamaica's growth and prosperity while finding a solution for every Jamaican.

Mr. Chang Sup Jo
Chairman

Ms. Kelly Tomblin
President & CEO


ASPLUND

BOARD OF DIRECTORS

Chang Sup Jo
Chairman of the Board

Tatsuya Ozono
Director

Seiji Kawamura
Director

Honourable Charles Johnston, C.D.
Independent Director

Professor Evan Windsor Duggan
Director

Minna Israel
Independent Director

Geun Tae Kim
Director

Professor Gordon Shirley
Director

Fitzroy Vidal
Director

Kengo Aoki
Alternate Director

Dong Uk Kim
Alternate Director

EXECUTIVE LEADERSHIP TEAM

Kelly Tomblin
President and
Chief Executive Officer

Dan Theoc
Chief Financial Officer

Gary Barrow
Senior Vice President,
Energy Delivery

Sheree Martin
Senior Vice President,
Customer and Corporate Services

Keith Garvey
Vice President, Community Renewal and Energy Solutions

Katherine Francis
General Counsel and Corporate Secretary

Darren Booth
Director, Generation Projects

Joseph Williams
Vice President, Generation

MANAGEMENT DISCUSSION AND ANALYSIS 2015

Results of Operations

(Expressed in United States Dollars)

The Company earned operating revenues of $760 million for the year which represents a decline of $263 million or 26% relative to 2014, due primarily to the 46% decrease in fuel costs recovered from customers offset by a 2% increase in energy sales (3,071 GWh in 2015 as opposed to 3,013 GWh in 2014). Fuel costs are passed through to customers to the extent that the Company meets the regulatory performance targets for heat rate and system losses. Therefore as global fuel prices have declined over the period, customers have been able to experience the benefit of these reduced prices in their monthly bills.

Cost of sales for the year was $474 million, which reflected a decline of $277 million or 37% compared to 2014. This is mainly as a result of the reduction in the cost of fuel and the ongoing efforts of the Company to improve operational efficiency as measured by heat rate. Actual production (net generation) for 2015 was 4,209 GWh as compared to 4,107 GWh in 2014 representing an increase of 2.5%. Despite the increase in energy sales previously mentioned, the Company suffered an increase in system losses over the prior year, with losses in 2015 increasing to 27.0% of net generation as opposed to 26.6% for 2014.

Based on this performance, the Company has experienced an improvement in Gross Profit of 5% with 2015 being $286 million as compared to $273 million in 2014.

During the year, there was an increase in operating expenses (excluding depreciation and amortisation expenses) of $5 million or 4%, moving from $137 million in the prior year to $142 million in 2015, which is primarily due to increases in employee related costs. Despite the increase in operating expenses, the Company benefitted from an improvement in earnings before interest, tax, depreciation and amortisation of 6% to $144 million in 2015 from $136 million in 2014. Depreciation and amortisation expenses also increased over the prior year, to $58 million in 2015 as opposed to $54 million in 2014. This has resulted in total operating expenditure of $200 million being incurred in the current year as compared to $191 million in 2014.

Net finance costs decreased by $13 million or 23% from $55 million in 2014 to $42 million in 2015 mainly as a result of a reduction in net losses suffered on foreign currency transactions and balances. This reduction is due to a decline in rate of devaluation of the Jamaican dollar against its United States counterpart. The Company is primarily exposed to foreign currency risk on the settlement of its Jamaican dollar receivables.

Other income earned for the year decreased from $7 million in 2014 to $2 million in 2015. This reduction is mainly as a result of income earned in the prior year from insurance proceeds and the sale of wind energy studies which did not recur in the current year. The Company also suffered from an increase in other expenses from $12 million in 2014 to $15 million in 2015.

Taxation expense for the current year was $4 million as compared to net taxation income of $0.8 million in 2014. This was primarily due to the improved profit performance and other tax related adjustments which were made during the year.

Based on the foregoing, the Company has achieved a net profit after tax of $27 million for 2015, representing a $4 million increase over the prior year. These profits result in a return on equity of approximately 7.9% for 2015 which is a slight improvement over the 7.0% earned in 2014. The improved performance for the year was primarily due to the reduction in the cost of fuel and the continued efforts of the Company to improve its overall efficiency. However, the Company continues to suffer from a high proportion of system losses and the resulting penalties which arise through regulatory and tariff deficiencies related to these losses.

Liquidity

Cash inflows from operating activities improved from $106 million in 2014 to $119 million in 2015. These cash flows are derived principally from billings to customers, which the company uses to meet its cash needs for operating expenses, routine capital expenditure, debt service obligations and shareholder returns. The improved inflows from operating activities were offset by increases in the cash outflows from investing and financing activities. Cash outflows from financing activities increased marginally from $64 million in 2014 to $65 million in 2015. Cash outflows from financing activities increased from $36 million in 2014 to $57 million in 2015, due to a reduction in the level of new debt entered into

by the Company and its continued focus on servicing its existing debt obligations.

These cash flows resulted in a decline in the cash position over the year with net cash & cash equivalents decreasing from $8 million in 2014 to $6 million as at December 31, 2015.

Capital Investment

As in previous years, JPS has made significant investments in the modernisation of its generation, transmission & distribution assets. These investments continue to outpace net income with capital expenditure for 2015 and 2014 being $68 million and $65 million respectively, compared to net income of $27 million and $23 million respectively.

The Company has been able to maintain a strong capital structure with total capitalisation, as measured by Debt and Equity, totaling $751 million as at December 31, 2015 representing a 2% increase over the $737 million in the prior year. Based on the Company's continuing efforts in servicing its debt obligation, the gearing ratio has reduced slightly to 47% in 2015 from 51% in 2014. Interest cover, continues to show improvement year on year, being 4.22 times for 2015 as compared to 3.67 times for 2014.

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, organisational 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's 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.

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 best estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is a 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 debtors' ability to settle the 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 aims at maintaining flexibility in funding by keeping lines of funding available as well as by acquiring and

MANAGEMENT DISCUSSION AND ANALYSIS 2015 CONT'D.

maintaining prudent cash resources in appropriate currencies.

Market Risk

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

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The nature of the Company's exposures to market risks and its objectives, policies and processes for managing these risks have not changed significantly over the prior year. 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.

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 settlement of accounts receivable, accounts payable 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 Jamaican dollar (J$) and the 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 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. These risk management activities include:

- the management and control of significant operational risks by each department;
- the active involvement of an 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 its assets and personnel are adequately covered through a variety of policies, 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.

PERFORMANCE HIGHLIGHTS

The year 2015 was marked by significant achievements for the Company, as it charted new courses and broke down barriers which for years stood in the way of greater productivity and return on investment. Dubbed as the "Year of Good Fortune," 2015 did indeed see many victories both within the Company and in the broader energy sector.

STRONGER FINANCIAL PERFORMANCE

JPS made a net profit of US$26.5M in 2015. This compares favourably with last year's performance of US$23M. This improvement was due to a number of factors, including improved generation efficiency, increased energy sales, and lower than expected finance costs.

This financial performance allowed JPS to maintain its Debt to EBITDA ratio of 2.75:1, in addition to the declaration of dividends for shareholders of Class F Preference Shares for the second and fourth quarters of the year.

GENERATION MILESTONES

Last year the Company undertook a number of outstanding projects. Of note was the launch of the conversion of the Bogue Power Plant in Montego Bay, St. James. This project will see the power station being converted to dual capability, so as to use both Automotive Diesel Oil, (as it currently does), and Liquefied Natural Gas, which will be brought to Jamaica in 2016.

Still on generation milestones, the proposed 190MW Power Plant to be located in Old Harbour Bay, St. Catherine, came one step closer to reality, as Engineering, Procurement and Construction (EPC) Contractors were shortlisted. This plant will also use Liquefied Natural Gas and will contribute significantly to the country's energy security, diversity and sustainability. Further, it will help push the clean and green agenda, being pursued by the Company in the interest of creating a better environment.

The Company also hosted a Public Meeting in November, in the Old Harbour Bay community to discuss the Environmental Impact Assessment of the 190MW plant, in keeping with requirements of the National Environment and Protection Agency (NEPA).

Founder of New Fortress Energy Group, Wes Eden (2nd left), enjoys a humorous moment, during discussions on arrangements to bring LNG to Jamaica. Sharing the moment are (l-r): JPS President & CEO, Kelly Tomblin, former Energy Minister, Hon. Phillip Paulwell, JPS Vice President, Generation, Joseph Williams and ESET Chairman, Dr. Vin Lawrence.

Old Harbour Bay Station Manager, Ainsley Bennett, discusses operations of the power plant with President & CEO, Korea East West Power, Joo Ok Chang, during a tour of the plant in September. Looking on are (l-r): Board Director, Geun Tae Kim; O&M Consultant, Yoon Kyong Kim; Strike Force Coordinator, Warren Atkinson; and Operations Manager, Moses Williams.

JPS Vice President, Generation, Joseph Williams, signs a contract with General Electric (GE), to provide technical services for the conversion of the Bogue Power Plant. Looking on (l-r) are JPS President & CEO, Kelly Tomblin, Genco Managing Director, (GE Representative in Jamaica Sam Crichton) and GE, Senior Sales Manager, Latin America & Caribbean, Luis Angulo.

Hundreds of residents attended the Town Hall meeting, to discuss the Environmental Impact Assessment of the proposed 190MW Power Plant to be built in Old Harbour Bay.

Generation also received a boost in August 2015, when the Company invested over US$8.55M on the overhaul of Unit 3, at the Old Harbour Bay Power Plant, resulting in improved reliability and efficiency.

FEWER OUTAGES

Efforts on the part of the Company to improve reliability - less outages and shorter in duration – yielded fruit, as the programme resulted in a reduction in the average duration of outages, by 10.9%. The average frequency of outages also fell by an impressive 30.3%.

A SOLUTION FOR EVERY JAMAICAN

JPS forged ahead in its Mission to provide an Energy Solution for every Jamaican when it undertook the launch of the commercial pilot for Pay As You Go (prepaid metering) for Kingston & St. Andrew, and St. Catherine; declared an Amnesty on outstanding debtors – earning over J$70M in the process; and commenced the pilot for the exciting MyJPS Rewards loyalty programme.

Additionally, the Company continued to reach out to communities in which it has historically been challenging to carry out business. The Community Renewal and Energy Solutions Division was formalized in 2015, with dedicated resources

Dr. Princeton Brown attends to an elderly resident at the JPS Community Wellness Fair held at the Church of God of Prophecy on Maxfield Avenue in Kingston, on Saturday November 14. Over 500 persons received free medical attention at the JPS Wellness Fairs in 2015.

Project Manager of the JPS Wellness Fairs & Manager of Stakeholder Relations, Kathryn Oliver (left), pauses for a moment with Vice President, Community Renewal, Keith Garvey; Project Officer, Kimberley Spencer; and President & CEO, Kelly Tomblin.

PERFORMANCE HIGHLIGHTS CONT'D.

and the appointment of the Vice President of Community Renewal and Energy Solutions. The division carried out Community Wellness Fairs in Payne Land, Maxfield Avenue, and McGregor Gardens. Over 500 persons from these communities received free medical attention, in addition to other services.

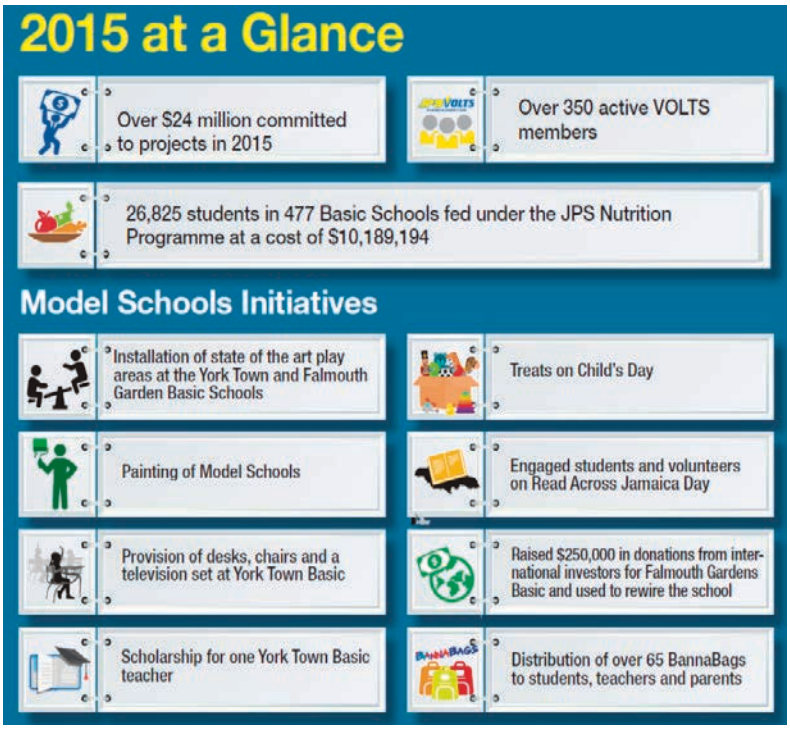
This new approach to communities with socio-economic challenges, is part of the Company's wholistic approach to fighting the illegal abstraction of electricity. This approach has gone hand in hand with continued efforts to identify and eradicate theft, through the use of technology, meter auditing, on the ground operations, and partnerships with such agencies as Jamaica Social Investment Fund and Crime Stop Jamaica.

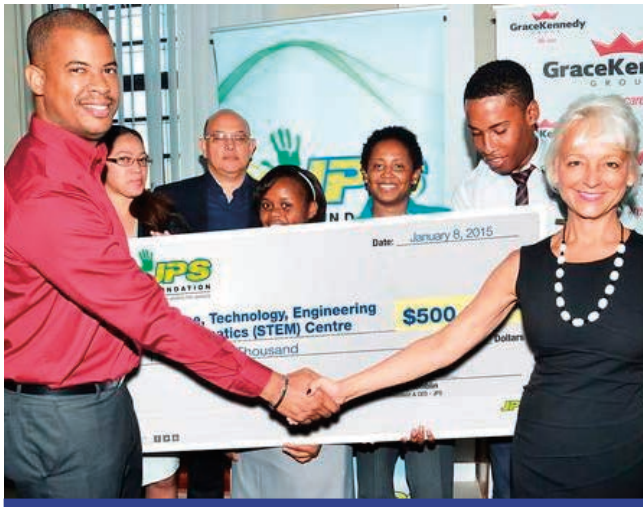
Senior Vice President, Customer and Corporate Services, Sheree Martin; General Secretary of the National Workers Union, Granville Valentine; and Manager, Human Resource Business Services, Silina Patterson, pause for a moment at the JPS Community Wellness Fair for residents of Payne Land.

Director of Corporate Communications, Winsome Callum, assists a participant at the JPS Community Wellness Fair for residents of Whitfield Town and Rose Town. In addition to medical services, the Fair offered multiple services to empower residents, through agencies such as the Registrar General's Department.

JPS FOUNDATION AT WORK

JPS continued its community outreach through its corporate social responsibility arm – the JPS Foundation – with particular emphasis on education and youth development.





JPS shareholder Marubeni, donated $500,000 to the Grace and Staff Community Development Foundation's Science, Technology, Engineering, and Mathematics (STEM) Centre. Here, JPS President and CEO, Kelly Tomblin (right), presents to the Grace Kennedy and Staff Community Development Foundation Board Director Frank James. Sharing in the moment are (from second left) former JPS Foundation Manager, Nathelie Taylor; Grace Kennedy and Staff Community Development Foundation Board Director, Simon Roberts; Tanesha Boswell of The Queen's School; General Manager of the Grace Kennedy and Staff Community Development Foundation, Tanketa Chance-Wilson; and St Andrew Technical High student, Daniel Santos.

Fifty children at the York Town Basic School in Clarendon are now benefitting from a brand new playground, as part of the JPS Foundation's effort to help the school attain the minimum standards set by the Early Childhood Commission (ECC). The playground which was officially opened in December and boasts a spacious recreational area with climbing structures and other play equipment. Here some children of the school enjoy themselves in a section of the playground.

Members of the JPS' volunteer arm VOLTS (Volunteers On Location To Serve), get busy working on the perimeter wall for the York Town Basic School.

PERFORMANCE HIGHLIGHTS CONT'D.

LOOKING AHEAD

As we look ahead, the Company now stands in a radically changed environment. The regulatory platform and rules changed dramatically over the year, positioning JPS to realize sustained growth and profitability. JPS is expected to benefit from a new pricing approach, the easing of punishing fuel penalties and overhaul of archaic regulatory rules.

The Company expects, not only to contribute to the National Energy Policy, with our agenda of diversification and secure energy, but also to empower our customers in new ways, while constantly improving service levels.

Bogue Power Plant


FIRE
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FIRE

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, 2015:

	YEAR ENDED DECEMBER 31, 2015 (TWELVE MONTHS) US$'000	YEAR ENDED DECEMBER 31, 2014 (TWELVE MONTHS) US$'000
OPERATING REVENUES		
Profit before Taxation	30,829	22,158
Taxation (expense) / credit	(4,322)	847
Net Profit attributable to shareholders	26,507	23,005
Dividends on Preference Shares:		
-Classes 'B' through 'E	1.4	2
-Class 'F'	2,339	2,718
Dividends on Ordinary Shares	0	0

Dividends:

The dividends for the year on the preference shares for Classes B-E have been paid in full and dividends for the Class F preference shares have all been paid in full except for the fourth (4th) quarter of 2015; no dividends were declared or paid on the ordinary stocks and shares or on the Class G preference shares for the year 2015.

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:

Messrs. Jin Won Kim, Imazato Masao and Ms. Cathrine Kennedy resigned from the Board during the year under review. The Board wishes to express its sincere appreciation to Messrs. Kim, Masao and Ms. Kennedy for their sterling contribution to the Company during their tenure on the Board.

In accordance with Articles 86 and 123 of the Company's Articles of Incorporation, Mr. Chang Sup Jo, having been appointed to the Board 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 & Shares
Jamaica Central Securities Depository Limited
40 Harbour Street
Kingston
Jamaica WI

Registered Office
6 Knutsford Boulevard
Kingston 5
Jamaica WI

Auditors
KPMG
6 Duke Street
Kingston
Jamaica WI

Attorneys-at-Law
Livingston Alexander & Levy
72 Harbour Street
Kingston

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

Hylton Powell
Attorneys-at-Law
11a Oxford Road
Kingston 5

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

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

Bankers
National Commercial Bank Jamaica Limited
3rd Floor, 32 Trafalgar Road
Kingston 10
Jamaica WI

Bank of Nova Scotia Jamaica Limited
ScotiaBank Centre
Cnr Duke & Pt Royal Streets
Kingston
Jamaica WI

CIBC First Caribbean International Bank Jamaica Limited
23 -27 Knutsford Boulevard
Kingston 5

Citibank, N.A.
63 Knutsford Boulevard
Kingston 5

TEN LARGEST SHAREHOLDINGS

AS AT DECEMBER 31, 2015

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	41,000
4	Everard Smith/Alain Smith	38,285
5	Jamaica Mutual Life Assurance Company	16,567
6	Crown Life Insurance Company	10,000
7	John Headcock	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	4,421
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 (7%)		
Rank	**Name of Shareholder**	**No. of Units**
1	Philip Harvey-Lewis	82,817
2	Everard Smith	80,798
3	MF&G Finance Ltd- A/C 57	71,921
4	Security Brokers Ltd/Alain Smith	64,470
5	Jamaica Mutual Life Assurance Society 1059385	52,795
6	Crown Life Insurance Company Ltd	20,000
7	Grethel Forrester Benjamin	20,000
8	Prudential Stock Brokers Ltd	18,185
9	Ronald W. Kuper	13,600
10	Jamaica Mutual Life Assurance Society	9,605

JPS Preference E Shares (7%)		
Rank	**Name of Shareholder**	**No. of Units**
1	Everard Smith	77,206
2	MF&G Trust & Finance Ltd- A/C 57	36,660
3	Security Brokers Ltd	30,000
4	Susan Headcock	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

TEN LARGEST SHAREHOLDINGS

AS AT DECEMBER 31, 2015

JPS Preference F Shares (9.5%)		
Rank	**Name of Shareholder**	**No. of Units**
1	National Insurance Fund	350,000
2	JPS Employees Superannuation Fund	324,832
3	Grace Kennedy Limited Pension Fund	250,000
4	West Indies Trust Company Limited A/C WT 115	150,000
5	ATL Group Pension Fund Trustee Nominee Limited	100,000
6	Sagicor Life Jamaica Limited	98,643
7	SJIML A/C 3119	98,137
8	M/VL Clients Unpaid for Trades Account	93,000
9	Continental Petroleum Products Ltd.	81,662
10	LOJ PIF Foreign Currency Fund	78,914

JPS Preference G Shares (11%)		
Rank	**Name of Shareholder**	**No. of Units**
1	MaruEnergy JPSCO 1, Srl	200,046
2	Accountant General's Department	99,908

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

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	2,386,573,897
4	Accountant General	1,974,065,546

CORPORATE GOVERNANCE

The Directors of Jamaica Public Service Company Limited (JPS) Board are fully cognizant of their legal and corporate governance responsibilities and they undertake these with honesty, probity and integrity. The Board works together with Management to set the "tone at the top" for all employees to emulate particularly as it relates to doing the right thing in our business. The Board through its work and the work of its Committees monitor and ensure the effectiveness of the Company's corporate governance practices and approves changes, as needed.

For JPS, compliance is a key tenet of its strategic risk management framework as risk management is the basis of any successful entity and is the foundation upon which JPS must continue to grow as a true first class corporate brand fulfilling its Vision and Mission. 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 must be carried out. The Board has responsibility, along with the President and her Executive Leadership Team, for managing the Company's day to day operations, with material issues going before the Board for consideration and decision. Management is responsible for the execution of an agreed upon strategy and for all operational matters. Management is also supported in its work by Committees of the Board.

The Company's corporate governance framework is based on its constitutive documents and best practice. The Board, members of the Executive and the Legal & Compliance Division work together to ensure that the Company's governance practices are consistent and compliant with all applicable legislation, regulations, standards and codes.

Our Corporate Governance Guidelines are available on our website at: www.myjpsco.com

Board Oversight

The Board of Directors is committed and ultimately accountable for enhancing stakeholder value by providing an advisory role in consultation with management regarding the strategic and operational direction of the company. In addition, the Board provides oversight in monitoring company performance. The responsibilities of the Board are separate and distinct from those of management.

The Board meets approximately once per quarter. However special meetings are convened as needed especially when urgent and critical issues are required to be addressed between scheduled meetings. From time to time, members of the Board regularly meet with key members of the senior management team to consider critical financial issues and matters of strategic importance to the Company.

Composition of the Board

The Company's Directors have diverse skill sets, strong experience and varied backgrounds which include local and international experience in engineering, finance and audit, strategic management, banking, human resources, education, and risk management. JPS Directors take care in ensuring that decisions are made after fulsome discussion and careful deliberation of all relevant information.

The table on the next page highlights the respective skills sets of the Board of Directors

As at December 31, 2015, the Board comprised of nine (9) directors and two (2) alternate directors and is chaired by Mr. Chang Sup Jo, a representative from one of our majority shareholders, EWP (Barbados) 1 Srl. Two (2) of our nine (9) directors are independent of the Company. The Board is represented as follows:

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

CURRENT DIRECTORS
Chang Sup Jo – Chairman*
Tatsuya Ozono
Seiji Kawamura
Minna Israel (Independent Director)**
Prof. Evan Duggan
Prof. Gordon Shirley
Charles Johnston (Independent Director)
Geun Tae Kim
Fitzroy Vidal
Dong Uk Kim (Alternate Director)
Kengo Aoki (Alternate Director)

**Appointed October 15, 2015*
*** Appointed June 11, 2015*

The only director compensation paid is to non-shareholder members of the Board who receive a fixed amount equivalent to

Board Expertise (Current Directors)	General Management	Finance & Audit	Strategic Management	Banking	Engineering	H.R. & Education	Legal	Risk Management
Chang Sup Jo	✓		✓					
Tatsuya Ozono	✓	✓	✓		✓			✓
Seiji Kawmaura		✓	✓	✓				
Minna Israel		✓		✓		✓		✓
Prof. Evan Duggan		✓				✓		✓
Prof. Gordon Shirley	✓	✓	✓	✓	✓	✓	✓	✓
Charles Johnston	✓	✓	✓	✓			✓	✓
Geun Tae Kim	✓		✓		✓			✓
Fitzroy Vidal			✓		✓			✓
Dong Uk Kim (Alternate Director)	✓		✓					
Kengo Aoki (Alternate Director)	✓		✓		✓			

US$1,000 for attendance at each Board or Committee meeting, and any other meeting requiring a director's attendance. Shareholder representatives receive no compensation.

Nomination, Appointment, Term, Election and Retirement of Directors

The Company is satisfied that the current slate of Directors have the appropriate skills, experience and capabilities to meet the challenges faced by the Company. In selecting members of the Board, consideration of guidelines similar to those recommended by the Private Sector Organization of Jamaica is taken into account. All Directors automatically retire from the Board at the end of a three-year appointment. 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.

Director Orientation and Training Opportunities

Directors are afforded continuous education about the Company, technological developments in the electricity industry, new energy products and business opportunities in the Energy Sector. All Directors have access to and are encouraged to meet with the Chairman, the President & Chief Executive Officer and key members of the Executive Team. Members of the Executive Leadership team often present to the Board not only the Company's operations but also on a variety of topics in an effort to keep Directors apprised of developments in the energy sector. This affords Directors, an opportunity to pose questions to and interact with senior management on key topics.

Conflicts of Interest

In adherence to the Company's Articles of Incorporation, various statutory requirements on the disclosure of Directors' interest as well as 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. Directors have the same obligation as employees 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
- Risk Management in the Company

Members of the Audit Committee as at December 31, 2015 are:

- Prof. Evan Duggan - Chairman* (Independent)
- Ms. Minna Israel* (Independent)
- Mr. Geun Tae Kim

**Directors appointed effective June 11, 2015 to the Committee*

Other invitees to the Committee's meeting include:

- Mr. Chang Sup Jo – JPS Board Chairman
- Mrs. Kelly Tomblin – President & CEO and/or other executives or managers as are required.
- Mrs. Leisa Batiste-White – Head-Internal Audit
- Ms. Katherine P.C. Francis – JPS General Counsel, Corporate Secretary & Compliance Officer/ Ms. Kim Robinson – Assistant Secretary
- Representatives of the Company's external auditor attend Committee meetings as needed.

The Terms of Reference or Charter of the Company's Audit Committee are reviewed by the Committee and upon recommendation, approved by the Board. The Charter is reviewed from time to time and where appropriate may be revised by the Board. The Committee has oversight responsibility for the Company specifically 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

Prior to the adjournment of Committee meetings, time is reserved for the Chairman of the Committee to meet independently with the internal and/or external Auditors to discuss any areas of concerns. The Audit Committee reviewed and recommended for approval (where relevant) the following items during the year:

- Management accounts for the Company
- Audited Financial Statements
- Engagement Letter of the External Auditors
- External Audit Fees
- Internal Audit Reports
- Regulatory Examination Reports and Management Response
- Connected Party list and transactions
- Compliance Reports
- Management Letter from the External Auditor.

Operations Committee

The Board established an Operations Committee the primary responsibility of which is to assist the Board of Directors in the performance of its functions and to provide technical advice and strategic guidance to the Officers of the Company with respect to the day-to-day management of the Company subject to, of course, the powers, authority, direction and control of the Board.

The establishment of the Operations Committees is consistent with current corporate board practices in Jamaica. This is an efficient approach to the conduct of business as it facilitates a thorough examination of essential details by the Committee, who can then effectively deal with questions and issues that may arise at board meetings.

Members of the Operations Committee as at December 31, 2015 are:

- Mr. Tatsuya Ozono (Chairman)
- Mr. Geun Tae Kim
- Mr. Kengo Aoki
- Mr. Fitzroy Vidal
- Prof. Audley Darmand (Shareholder Representative)
- Mr. Young Sung Park (Shareholder Representative)

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

The table on the next page highlights the attendance record of Board members at meetings

Attendance Record for Directors				
Name of Directors	Annual General Meeting	Board Meeting	Audit Committee	Operations Committee
Total Number of Meetings Held	1	9	4	3
Chang Sup Jo (Chairman)*		2		
Jin Won Kim (past Chairman)**	1	7		
Tatsuya Ozono	1	9		2
Geun Tae Kim	1	8	4	3
Seiji Kawamura***		3		
Charles Johnston		7		
Minna Israel****	1	7	2	
Prof. Gordon Shirley	1	8		
Prof. Evan Duggan	1	9	4	
Fitzroy Vidal	1	9		3
Catherine Kennedy *****		2	2	
Imazato Masao (Alternate Director) *****		2		
Kengo Aoki (Alternate Director)	1	7		3

*appointed October 15, 2015
**resigned October 15, 2015
***overseas and unavoidably absent
****appointed June 11, 2015
*****resigned March 27, 2015

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. The Code also specifically addresses the issues of sexual harassment, the Protected Disclosure or 'Whistle Blower' Legislation and the Company's attendant policies. In addition, the Company provides employees with a Code of Ethics & Business Conduct Questionnaire, which is completed by employees on a yearly basis and there is also a Declaration of Interest Form for persons 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 and in this regard, annual certification of due compliance is required and this is achieved through the annual Questionnaire. The Code of Ethics and Business Conduct provides guidance on key topics of business ethics including but not limited to:

- Guidelines on how to avoid conflicts of interest
- Guidelines on how to conduct business honestly and with integrity
- Keeping the Company's transactions, communications and information accurate, confidential and secure and all customers' safe; and
- The need to treat persons fairly and equitably – whether customers, suppliers, employees or others who deal with the Company.

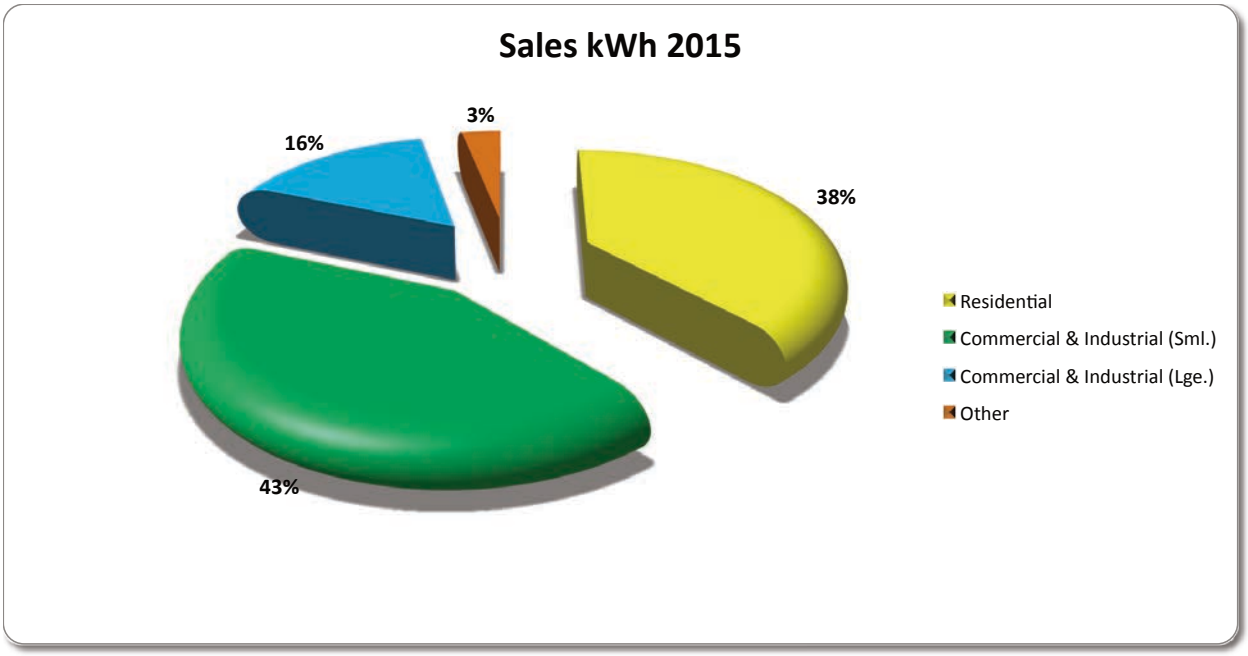
Management

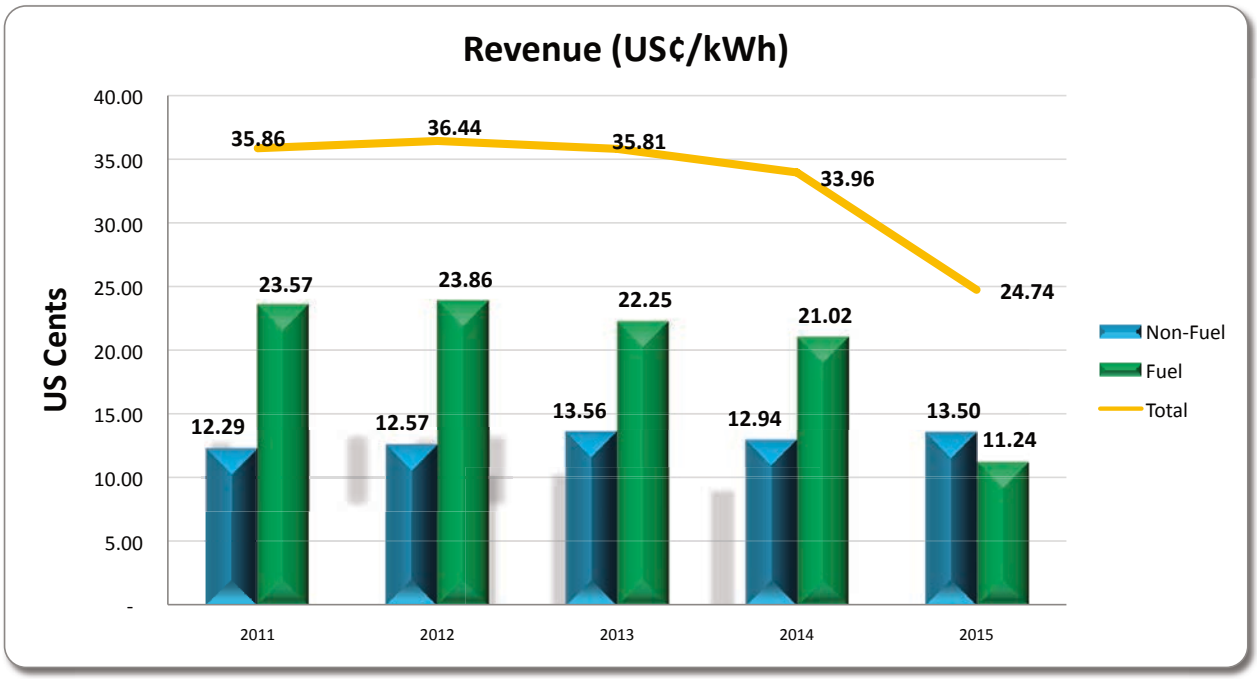
As regards the Management of the Company, the Majority Shareholders select the President & Chief Executive Officer in accordance with the Company's Articles of Incorporation and they conduct the performance review of the President. Members of the management team are selected by the President & CEO in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

OPERATIONAL STATISTICS

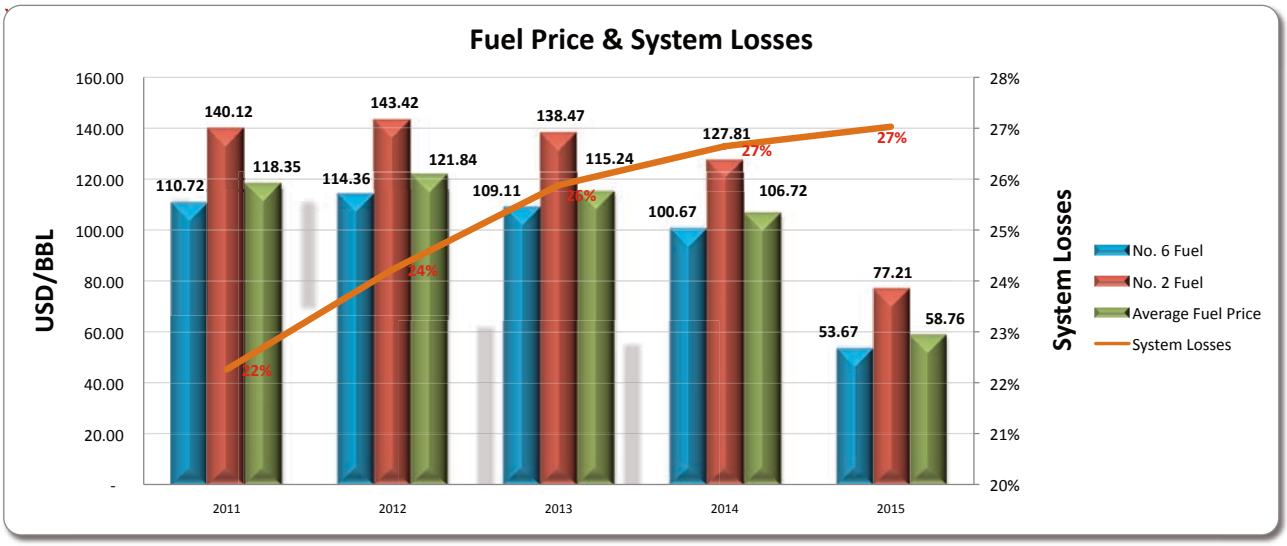
	Dec-31-15	Dec-31-14	Dec-31-13	Dec-31-12	Dec-31-11
OPERATING REVENUES ($US000's)					
Residential	286,954	372,909	387,731	406,752	412,259
Commercial & Industrial (Sml.)	335,472	456,977	497,543	512,481	521,845
Commercial & Industrial (Lge.)	115,543	167,650	185,760	192,958	189,589
Other	21,850	25,703	28,350	29,404	29,703
TOTAL	**759,819**	**1,023,240**	**1,099,383**	**1,141,595**	**1,153,396**
AVERAGE NO. OF CUSTOMERS					
Residential	536,462	531,363	541,691	531,827	513,970
Commercial & Industrial (Sml.)	62,517	62,294	64,559	63,740	61,401
Commercial & Industrial (Lge.)	150	150	150	151	145
Other	401	389	254	253	246
TOTAL	**599,530**	**594,196**	**606,654**	**595,971**	**575,762**
NET GENERATION AND PURCHASES (MWH)					
Steam & Slow Speed Diesel	1,530,023	1,460,626	1,499,305	1,500,497	1,583,387
Hydro	128,951	135,956	123,715	150,689	152,087
Gas Turbines	64,655	84,495	103,632	164,733	179,914
Combined Cycle Plant	806,279	769,622	615,502	777,670	810,212
Purchases	1,679,413	1,656,758	1,799,490	1,542,330	1,411,279
TOTAL	**4,209,321**	**4,107,457**	**4,141,644**	**4,135,919**	**4,136,879**
Losses & Unaccounted for (MWh)	1,137,972	1,094,478	1,071,955	1,001,953	920,889
Systems losses as a percentage of Net Generation	27.0%	26.6%	25.9%	24.2%	22.3%
Heat Rate (Kj/kWh)	9,591	9,625	9,884	9,965	10,112
Heat Rate JPS Thermal (Kj/kWh)	11,332	10,822	11,433	11,245	11,318
ENERGY SALES (MWH)					
Residential	1,016,428	981,730	996,429	1,035,377	1,064,535
Commercial & Industrial (Sml.)	1,360,131	1,347,514	1,366,797	1,383,296	1,437,283
Commercial & Industrial (Lge.)	602,618	589,236	605,402	615,314	615,041
Other	92,172	94,499	101,060	99,979	99,131
TOTAL	**3,071,349**	**3,012,979**	**3,069,688**	**3,133,966**	**3,215,990**
AVERAGE USE & REVENUE per residential customer					
Annualized kWh Consumption/Customer	1,895	1,848	1,839	1,947	2,071
Annualized Revenues/Customer	535	702	716	765	802
U.S Dollars per kWh	0.3	0.4	0.4	0.4	0.4
Average billing exchange rate for period	117.00	110.85	100.14	88.70	86.03
U.S. Cents per kWh	28.23	37.98	38.91	39.29	38.7

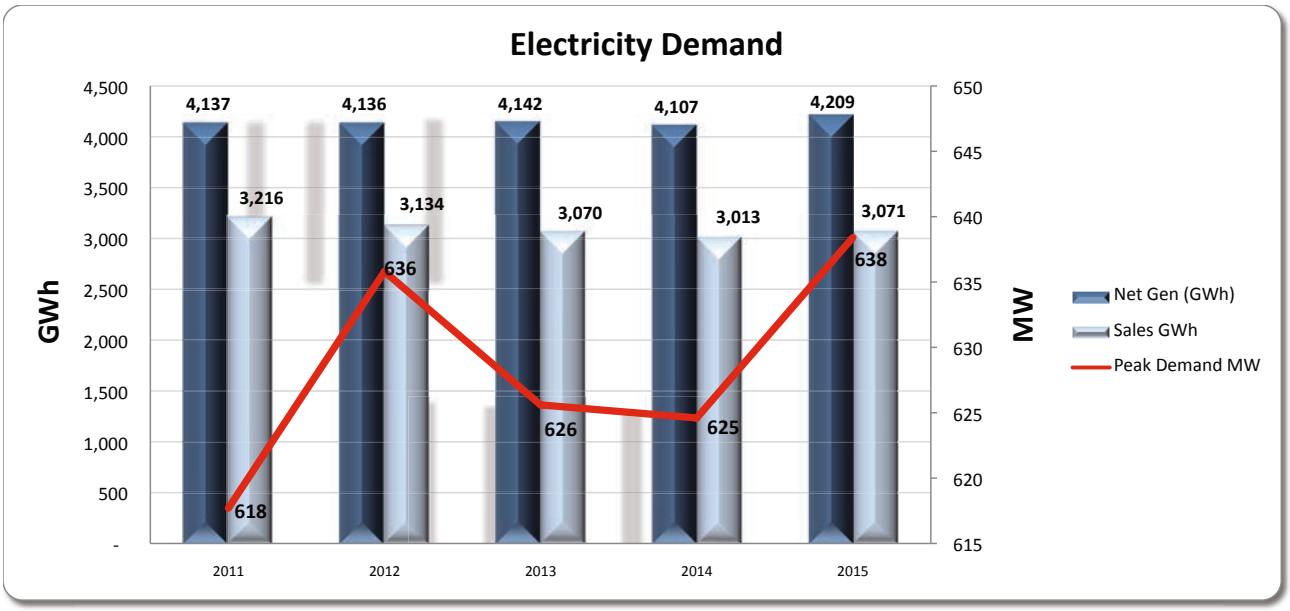
KEY PERFORMANCE INDICATORS





KEY PERFORMANCE INDICATORS





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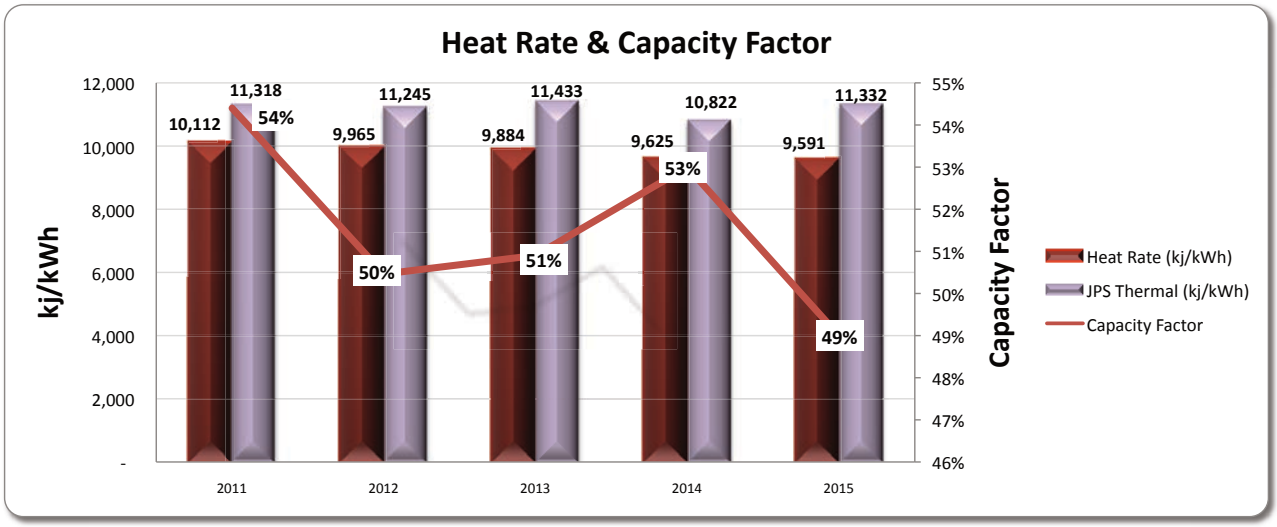
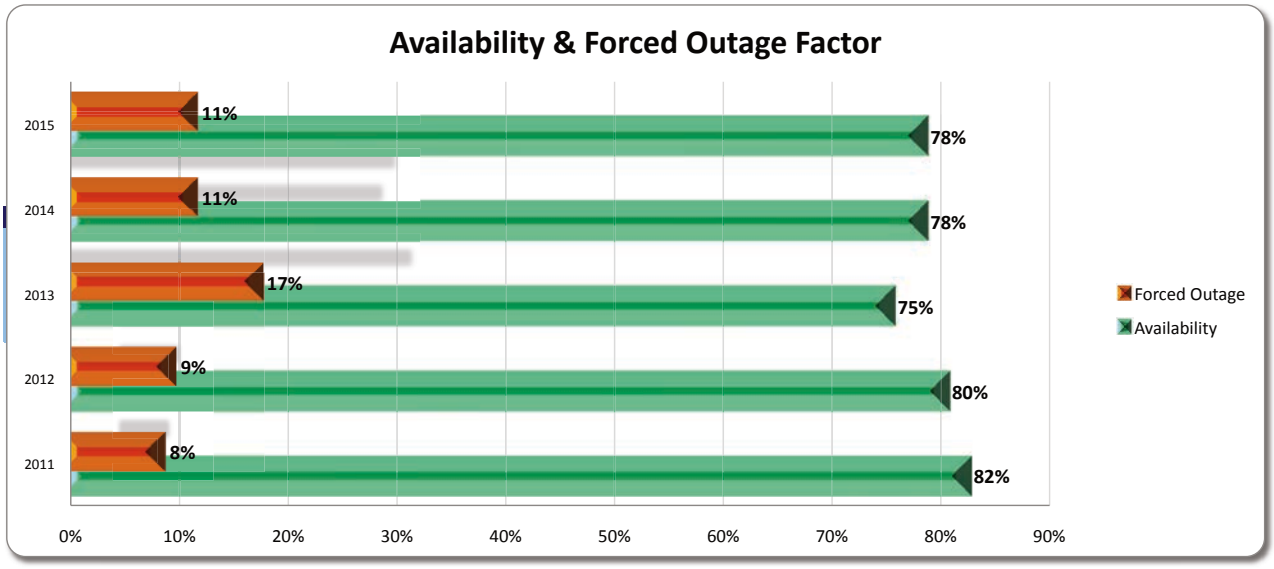
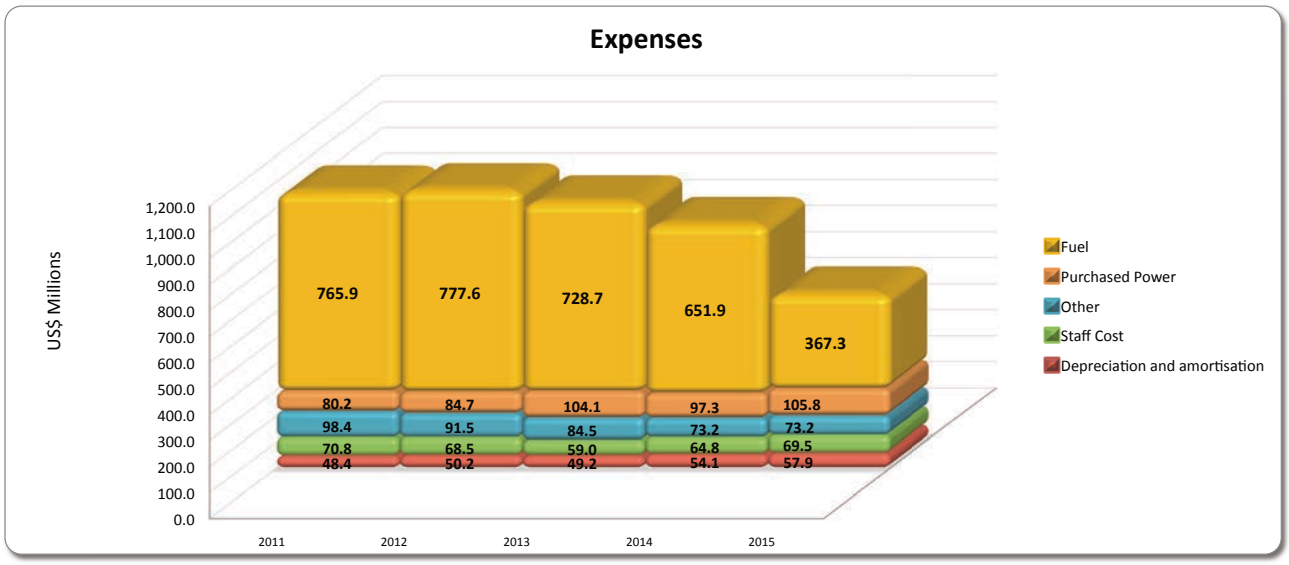




KEY PERFORMANCE INDICATORS



INDEX TO THE FINANCIAL STATEMENTS

KPMG
Chartered Accountants
The Victoria Mutual Building
6 Duke Street
Kingston
Jamaica, W.I.

P.O. Box 76
Kingston
Jamaica, W.I.
Telephone +1 (876) 922-6640
Fax +1 (876) 922-7198
+1 (876) 922-4500
e-Mail firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Members of
JAMAICA PUBLIC SERVICE COMPANY LIMITED

Report on the Financial Statements

We have audited the financial statements of Jamaica Public Service Company Limited ("the Company"), set out on pages 40 to 96, which comprise the statement of financial position as at December 31, 2015, the statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and 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 the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view, 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.

KPMG

INDEPENDENT AUDITORS' REPORT

To the Members of
JAMAICA PUBLIC SERVICE COMPANY LIMITED

Report on the Financial Statements (continued)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2015, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

Report on additional matters as required by 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, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

KPMG

Chartered Accountants
Kingston, Jamaica

March 30, 2016

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Statement of Financial Position
December 31, 2015
(*Expressed in United States Dollars*)

	Notes	2015 $'000	2014 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	692,881	690,087
Intangible assets	6	20,065	13,950
Employee benefits asset	7(a)	27,652	21,290
Other asset	8	616	3,998
Long-term receivables	9	252	877
		741,466	730,202
Current assets			
Cash and cash equivalents	10	5,558	7,736
Restricted cash	11	31,043	27,147
Accounts receivable	12	124,967	172,516
Due from related party	17(a)(i)	-	52
Inventories	13	30,710	33,652
		192,278	241,103
Total assets		933,744	971,305
Shareholders' equity			
Share capital	14	261,786	261,786
Capital reserve	15	4,145	4,145
Retained earnings		100,960	70,289
		366,891	336,220
Current liabilities			
Accounts payable and provisions	16	112,116	161,599
Corporation tax payable		1,620	1,307
Due to related parties	17(a)(ii)	1,624	1,295
Current portion of long-term loans	19	47,935	54,917
		163,295	219,118
Non-current liabilities			
Customers' deposits	18	25,054	25,732
Long-term loans	19	306,282	316,160
Shareholder's loan	20	2,000	2,000
Preference shares	21	27,688	27,688
Deferred taxation	22	34,616	36,283
Employee benefits obligation	7(b)	7,673	7,244
Deferred revenue	23	245	860
		403,558	415,967
Total liabilities		566,853	635,085
Total shareholders' equity and liabilities		933,744	971,305

The financial statements on pages, 40 to 96, were approved by the Board of Directors on March 30, 2016, and signed on its behalf by:

Chang Sup Jo — Chairman

Seiji Kawamura — Director

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

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Statement of Profit or Loss and Other Comprehensive Income
Year ended December 31, 2015
(*Expressed in United States Dollars*)

	Notes	2015 $'000	2014 $'000
Operating revenue	24	759,819	1,023,240
Cost of sales	25(a)	(473,631)	(750,166)
Gross profit		286,188	273,074
Operating expenses	25(b)	(200,042)	(191,140)
Operating profit		86,146	81,934
Finance income		2,430	2,122
Finance costs		(44,907)	(57,320)
Net finance costs	25(c)	(42,477)	(55,198)
Other income	26(a)	2,449	7,114
Other expenses	26(b)	(15,289)	(11,692)
Profit before taxation		30,829	22,158
Taxation	27	(4,322)	847
Profit for the year		26,507	23,005
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Loss on revaluation of property, plant and equipment	5	-	(15,756)
Remeasurement gains on defined benefit plan	7(a)(v)	6,246	327
Tax on remeasurement gains on defined benefit plan	22	(2,082)	(109)
Other comprehensive gain/(loss), net of tax		4,164	(15,538)
Total comprehensive income attributable to shareholders		30,671	7,467
Earnings per share	28	0.12¢	0.11¢

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

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Statement of Changes in Shareholders' Equity
Year ended December 31, 2015
(*Expressed in United States Dollars*)

	Share capital $'000 (Note 14)	Capital reserve $'000 (Note 15)	Retained earnings $'000	Total $'000
Balance at December 31, 2013	261,786	19,901	47,066	328,753
Total comprehensive income for the year:				
Profit for the year	-	-	23,005	23,005
Other comprehensive loss:				
Loss on revaluation of property, plant and equipment	-	(15,756)	-	(15,756)
Remeasurement gain on defined benefit plan, net of tax	-	-	218	218
	-	(15,756)	218	(15,538)
Total comprehensive income for the year	-	(15,756)	23,223	7,467
Balance at December 31, 2014	261,786	4,145	70,289	336,220
Total comprehensive income for the year:				
Profit for the year	-	-	26,507	26,507
Other comprehensive income:				
Remeasurement gain on defined benefit plan, net of tax	-	-	4,164	4,164
Total comprehensive income for the year	-	-	30,671	30,671
Balance at December 31, 2015	261,786	4,145	100,960	366,891

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

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Statement of Cash Flows
Year ended December 31, 2015
(*Expressed in United States Dollars*)

	Notes	2015 $'000	2014 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		26,507	23,005
Adjustments for:			
Depreciation and amortisation	5,6	57,949	54,090
Loss/(gain) on disposal of property, plant and equipment		1,854	(21)
Amortisation of debt issuance costs		1,665	1,515
Amortisation of other asset		619	894
Unrealised foreign exchange (gains)/losses		(3,273)	5,239
Interest expense		38,317	42,462
Interest income	25(c)	(1,062)	(1,598)
Interest capitalised	25(c)	(1,368)	(524)
Taxation expense		8,071	2,896
Deferred tax	22	(3,749)	(3,743)
Employee benefits asset/obligation, net		(404)	(2,518)
Long term receivables and deferred revenue, net		10	(229)
Cash generated before changes in working capital		125,136	121,468
Restricted cash		(3,896)	(5,505)
Accounts receivable		50,031	11,001
Inventories		4,310	7,886
Accounts payable and provisions		(49,557)	(28,408)
Due from/to related parties		381	616
Customers' deposits and advances		650	(736)
Cash generated from operations		127,055	106,322
Taxation paid		(7,758)	(21)
Net cash provided by operating activities		119,297	106,301
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		-	42
Purchase of property, plant and equipment	5	(66,309)	(60,023)
Purchase of intangible assets	6	(2,403)	(5,433)
Other asset disposal/(addition)		2,763	(286)
Interest received		1,042	1,652
Net cash used in investing activities		(64,907)	(64,048)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term loans received		36,675	61,104
Repayment of long-term loans		(54,715)	(55,229)
Interest paid		(38,528)	(42,308)
Net cash used in financing activities		(56,568)	(36,433)
Net (decrease)/increase in cash and cash equivalents		(2,178)	5,820
Net cash and cash equivalents at beginning of year		7,736	1,916
NET CASH AND CASH EQUIVALENTS AT END OF YEAR		5,558	7,736

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

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements
Year ended December 31, 2015
(*Expressed in United States Dollars*)

1. Identification, Regulation and Licence

(a) Identification:

Jamaica Public Service Company Limited ("the Company") is incorporated and domiciled in Jamaica as a limited liability company. The company is owned by MaruEnergy JPSCO 1 SRL and EWP (Barbados) 1 SRL, each holding 40% interest in the Company's shares, with the Government of Jamaica (GOJ) holding 19.9% and private individuals 0.1%.

MaruEnergy JPSCO 1 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 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 Amended and Restated All-Island Electric Licence, 2011 (the Licence), granted on August 19, 2011, by the Minister of Energy and Mining.

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.

(b) 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). The OUR is 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.

1. Identification, Regulation and Licence (continued)

(b) 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 March 1, 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.

(c) South Jamaica Power Company Limited (SJPC):

As at December 31, 2015, the Company held 20% of the issued share capital of SJPC. SJPC has not traded since incorporation and the amount of the existing investment is not considered significant to these financial statements.

2. Statement of compliance and basis of preparation

(a) Statement of compliance:

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

New, revised and amended standards and interpretations that became effective during the year:

Certain new, revised and amended standards and interpretations which were in issue came into effect for the current financial year. The company has assessed them and has adopted the following which are relevant to its operations.

2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued):

New, revised and amended standards and interpretations that became effective during the year (continued):

- *Improvements to* IFRS *2010-2012 and 2011-2013* cycles contain amendments to certain standards and interpretations, the main amendments applicable to the Company are as follows:

  - IFRS 13*, Fair Value Measurement* is amended to clarify that the issuing of the standard and consequential amendments to IAS 39 and IFRS 9 was not intended to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.

  - IAS 16, *Property, Plant and Equipment* and IAS 38*, Intangible Assets.* The standards have been amended to clarify that, at the date of revaluation:

    (i) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation (amortisation) is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking account of accumulated impairment losses or;

    (ii) the accumulated depreciation (amortisation) is eliminated against the gross carrying amount of the asset.

  - IAS 24*, Related Party Disclosures* has been amended to extend the definition of 'related party' to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. For related party transactions that arise when key management personnel services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognised as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the key management personnel services.

  - Amendments to IAS 19, *Defined Benefit Plans*: *Employee Contributions,* clarify the requirements that relate to how contributions from employees or third parties that are linked to services should be attributed to periods of services. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of services.

  The adoption of these amendments did not result in any change to the presentation and disclosures in the financial statements.

2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued):

New, revised and amended standards and interpretations that are not yet effective:

At the date of authorisation of the financial statements, the following new, revised and amended standards and interpretations, which were in issue, were not yet effective and had not been early adopted by the Company. Those standards and interpretations that management considers may be relevant to the Company are as follows:

- IAS 1, *Presentation of Financial Statements*, effective for annual reporting periods beginning on or after January 1, 2016, has been amended to clarify or state the following:
  - specific single disclosures that are not material do not have to be presented even if they are minimum requirements of a standard.
  - the order of notes to the financial statements is not prescribed.
  - line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material.
  - specific criteria are now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI.
  - the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows the IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.
- IFRS 9*, Financial Instruments,* which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued):

New, revised and amended standards and interpretations that are not yet effective (continued):

- IFRS 15, *Revenue From Contracts With Customers*, effective for accounting periods beginning on or after January 1, 2018, replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes,* IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services.* It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties.

  The Company will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

  There are new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

- Amendments to IAS 16 and IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortisation,* are effective for accounting periods beginning on or after January 1, 2016.

  - The amendment to IAS 16, *Property, Plant and Equipment* explicitly states that revenue-based methods of depreciation cannot be used. This is because such methods reflect factors other than the consumption of economic benefits embodied in the assets.

  - The amendment to IAS 38, *Intangible Assets* introduces a rebuttable presumption that the use of revenue-based amortisation methods is inappropriate for intangible assets.

- IFRS 16*, Leases,* which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Companies will be required to bring all major leases on-balance sheet, recognising new assets and liabilities.

2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued):

New, revised and amended standards and interpretations that are not yet effective:

- IFRS 16*, Leases* (continued)

  The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short- term leases and for low-value items with value of US$5,000 or less.

  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting.

- Improvements to IFRS *2012-2014* cycle, contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2016. The main amendments applicable to the Company are as follows:

  - IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* has been amended to clarify that if an entity changes the method of disposal of an asset or disposal group – i.e. reclassifies an asset or disposal group from held-for-distribution to owners to held-for-sale or vice versa without any time lag, then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset or disposal group and recognises any write-down (impairment loss) or subsequent increase in the fair value less costs to sell/distribute the asset or disposal group. If an entity determines that an asset or disposal group no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting.

  - IFRS 7, *Financial Instruments: Disclosures,* has been amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred assets in cases when they are derecognised in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset -e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'.

2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued):

New, revised and amended standards and interpretations that are not yet effective (continued):

- Improvements *to* IFRS *2012-2014* cycle (continued)

  - IFRS 7, *Financial Instruments* (continued)

    IFRS 7 has also been amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets* and *Financial Liabilities (Amendment to IFRS 7)* are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of IAS 34, *Interim Financial Reporting*, require their inclusion.

  - IAS 19, *Employee Benefits,* has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid. Consequently, the depth of the market for high-quality corporate bonds should be assessed at the currency level and not the country level.

  - IAS 34, *Interim Financial Reporting,* has been amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed "elsewhere in the interim financial report". The interim financial report is incomplete if the interim financial statements and any disclosures incorporated by cross-reference are not made available to users of the interim financial statements on the same terms and at the same time.

Management is currently assessing the impact, if any, on the financial statements in the future when the standards or amendments are adopted.

(b) Basis of preparation:

These financial statements are presented in United States dollars, which is the functional currency of the Company. The United States dollar is the functional currency, as it is the primary economic environment in which the Company operates. All financial information presented in United States dollars have been rounded to the nearest thousands, except where otherwise indicated.

The financial statements are prepared under the historical cost basis, modified for the inclusion of land at valuation, and defined benefits obligation/(asset) at fair value of plan assets less the present value of the defined benefits obligation as explained in note 3(b).

2. Statement of compliance and basis of preparation (continued)

(c) Use of estimates and judgements:

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts could differ from those estimates.

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

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

(i) Post-employment benefits:

The amounts recognised in the statement of financial position and statement of profit or loss and other comprehensive income for post-employment benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include 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 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 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.

2. Statement of compliance and basis of preparation (continued)

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

(iii) Lease arrangements:

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

(iv) Unbilled revenue:

Unbilled revenue at each month-end is estimated consistently based on the average amounts billed in the billing period immediately preceding each reporting date, including amounts unbilled for Independent Power Provider (IPP) charges.

(v) Capitalisation and useful lives of 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 expenditure 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.

(vi) Allowance for inventory obsolescence:

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

3. Summary of significant accounting policies

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

Recognition and measurement

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.

Specialised plant and equipment are stated at deemed cost at the IFRS transition date of January 1, 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 amounts. Land was revalued as at December 31, 2014 by an independent valuator using the Market Comparable Basis which utilises the sale values for similar properties within the relevant period.

4. Summary of significant accounting policies

(a) Property, plant and equipment and intangible assets (continued):

Recognition and measurement (continued)

Valuations are performed with sufficient frequency to ensure that the fair value of the revalued asset does not differ materially from its carrying amount at the reporting date.

Property, plant and equipment being constructed are carried at cost less recognised impairment losses.

Intangible assets includes computer software stated at cost, less amortisation and impairment losses, and land rights stated at cost. Impairment losses are recognised in profit or loss in operating expenses.

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 down the assets to their recoverable values over their expected useful lives.

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	14.30%
Other equipment	4%, 5% & 6.65%

Computer software which is classified as an intangible asset is amortised at 6.65% per annum. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the asset. All other expenditure is recognised in profit or loss as incurred.

Useful lives and residual values are renewed at each reporting date and adjusted as appropriate.

(b) Employee benefits:

Employee benefits comprising pensions and other post-employment assets and obligations included in these financial statements have been actuarially determined by a qualified independent actuary, appointed by management.

3. Summary of significant accounting policies (continued)

(b) Employee benefits (continued):

The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations are conducted in accordance with IAS 19, and the financial statements reflect the Company's post-employment benefits asset and obligation as computed by the actuary.

(i) Pension assets:

The Company participates in two pension plans (a defined benefit plan and a defined contribution pension plan), the assets of which are held separately from those of the Company.

Obligations for contributions to the defined contribution pension plan are recognised as an expense in profit or loss as incurred.

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

The Company's net obligation in respect of the defined benefit pension plan is calculated at each reporting 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 reporting 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 of the net defined benefits obligation/asset is performed by the appointed actuary using the Projected Unit Credit Method.

Remeasurements of the net defined benefits obligation/asset, which comprise actuarial gains and losses, and the effect of the asset ceiling (if any, excluding interest), are recognised in other comprehensive income. The company determines the net interest expense/income on the net defined benefit liability/asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit obligation/asset, taking into account any changes in the net defined benefit obligation/asset during the period as a result of contributions and benefit payments.

3. Summary of significant accounting policies (continued)

(b) Employee benefits (continued):

(i) Pension assets (continued):

Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(ii) Other employee benefits:

A provision is made for unutilised vacation and sick leave in respect of service rendered by employees up to the reporting 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 on leave-vesting. No discounting is applied to unutilized vacation and leave as the timing cannot reliably be determined.

(c) 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 reporting 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.

(d) Accounts receivable:

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

(e) Inventories:

Inventories 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.

(f) Accounts payable:

Trade and other payables are stated at amortised cost.

3. Summary of significant accounting policies (continued)

(g) Provisions:

A provision is recognised in the statement of financial position when the Company has an obligation as a result of a past event, 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 of money, and, where appropriate, the risks specific to the obligation.

(h) 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 profit or loss in the period in which they are incurred.

(ii) Debt issuance costs:

These represent legal, accounting and financing fees associated with securing certain long-term loans, which are 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.

(i) Customers' deposits:

Given the long-term nature of customer relationships, customers' 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 reporting date). Interest is credited annually on customers' deposits at rates prescribed by the Licence.

(j) Preference shares:

The company's redeemable preference shares are classified as liabilities because they bear non-discretionary dividends and are redeemable in cash by the holders. Non-discretionary dividend thereon is recognised as interest expense in profit or loss as accrued.

3. Summary of significant accounting policies (continued)

(k) Share capital:

Ordinary shares are classified as equity.

(l) Impairment:

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, an asset's recoverable amount is estimated. 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 profit or loss.

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 in respect of non-monetary assets is reversed if there has been a change in the estimate used to determine the recoverable amount.

(m) Revenue recognition:

(i) Operating revenue:

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”).

(ii) Interest income:

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

(iii) Rental income:

Rental income from operating leases is accounted for on a straight line basis over the lease term and is included in profit or loss.

3. Summary of significant accounting policies (continued)

(n) Taxation:

Current and deferred taxes:

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

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

Deferred tax is computed by 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 reporting date.

A deferred tax liability is recognised for 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.

(o) Related parties:

A related party is a person or company that is related to the entity which is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity", that is, "the Company").

(a) A person or a close member of that person's family is related to the Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

3. Summary of significant accounting policies (continued)

(o) Related parties (continued):

(b) An entity is related to the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan established for the benefit of employees of either the Company or an entity related to the Company.

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the reporting entity or is a member of the key management personnel of the reporting entity (or of a parent of the entity).

(viii) The entity or any member of a group of which it is a part, provides key management services to the company.

A related party transaction involves transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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

(p) Leases:

As lessee:

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. The Company does not have any lease arrangements in which the lease payments are determined on a contingent basis, nor do any of the arrangements currently in effect impose any restrictions with respect to paying dividends, taking additional debt or entering into other lease arrangements.

With respect to the lease of the head office building, which has a fixed lease term of 10 years at a fixed annual rental charge, the Company has a first right of refusal should the lessor opt to sell the building.

3. Summary of significant accounting policies (continued)

(p) Leases (continued):

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.

(q) 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 reporting 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 profit or loss.

For the purposes of the 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.

(r) 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.

(s) Financial instruments and fair value measurement:

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

3. Summary of significant accounting policies (continued)

(s) Financial instruments and fair value measurement (continued):

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financials assets as appropriate. All financial assets are recognised initially at fair value plus transaction costs attributable to the acquisition of the asset. For the purposes of these financial statements, financial assets have been determined to include cash and cash equivalents, restricted cash, long term receivables, accounts receivable, due from related party and other assets. The category most relevant to the Company is loans and receivables [see also note 3(d)].

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the Company has transferred its right to receive cash flows from the asset. Purchases and sales of financial instruments are accounted for at settlement dates.

Financial liabilities are classified at initial recognition as financial liabilities at fair value through profit or loss, or at amortised cost, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans, net of directly attributable transaction costs. The Company's financial liabilities include accounts payable, other financial liabilities, due to related parties, customers' deposits, preference shares and loans.

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss – These include liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing or settlement in the near term. Gains and losses on these liabilities are recognised in profit or loss on settlement. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, only if the criteria in IAS 39 are satisfied.

Financial liabilities at amortised cost – This category is most relevant to the Company [see note 3(h)].

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender or at substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability.

3. Summary of significant accounting policies (continued)

(s) Financial instruments and fair value measurement (continued):

Derivative financial instruments

The Company may use derivative financial instruments such as interest rate swaps to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken to profit or loss.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability between market participants at the measurement date. The fair value is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

A fair value measurement of a non-financial assets takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are classified within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation technique for which the lowest level input that is significant to the fair value measurement is unobservable.

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
The Jamaica Private Power Company Limited (JPPC)	January 2018
Jamaica Aluminum Company Limited (JAMALCO)	December 2019
Wigton Wind Farm Limited (Wigton)	May 2024
Jamaica Energy Partners (JEP)	February 2026
West Kingston Power Partners (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 December 31, 2015, the total guarantees under Standby Letters of Credit amounted to $23.8 million (2014: $31.9 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 give rise to unexpired commitments for energy capacity and certain operating charges payable. At December 31, 2015, the minimum lease payments are as follows:

	2015 $'000	2014 $'000
Within 1 year	68,370	67,909
From 1-2 years	61,816	69,000
From 3-5 years	168,518	175,006
Over 5 years	507,616	565,464
	806,320	877,379

Lease payments under operating leases with IPPs recognised in profit or loss for the year, aggregated approximately $105.8 million (2014: $97.30 million) [Note 25(a)].

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5. Property, plant and equipment

	Land & buildings $'000	Production (generation) plant & equipment $'000	Transmission and distribution plant & equipment $'000	General plant & machinery $'000	Computer equipment, office fixtures & fittings $'000	Construction work-in-progress $'000	Total $'000
Cost or valuation:							
December 31, 2013	87,016	692,415	995,719	122,851	73,079	14,516	1,985,596
Additions	19	1,232	10,950	2,893	202	44,727	60,023
Transfers	299	16,302	12,464	(4,051)	472	(25,486)	-
Disposals/retirements and adjustments	(14)	(2,245)	-	(30)	(21)	-	(2,310)
Revaluation	(15,756)	-	-	-	-	-	(15,756)
December 31, 2014	71,564	707,704	1,019,133	121,663	73,732	33,757	2,027,553
Additions	45	1,054	8,018	1,149	332	55,711	66,309
Transfers	(5,054)	18,793	15,312	2,759	23	(37,087)	(5,254)
Disposals/retirements and adjustments	-	(2,681)	(60)	(106)	(326)	-	(3,173)
December 31, 2015	66,555	724,870	1,042,403	125,465	73,761	52,381	2,085,435
Depreciation:							
December 31, 2013	10,187	473,338	634,313	108,514	60,673	-	1,287,025
Charge for the year	805	26,387	21,797	1,772	1,969	-	52,730
Disposals/retirements and adjustments	-	(2,245)	-	(30)	(14)	-	(2,289)
December 31, 2014	10,992	497,480	656,110	110,256	62,628	-	1,337,466
Charge for the year	816	30,299	22,196	1,576	1,520	-	56,407
Disposals/retirements and adjustments	-	(1,096)	(28)	(36)	(159)	-	(1,319)
December 31, 2015	11,808	526,683	678,278	111,796	63,989	-	1,392,554
Net book values:							
December 31, 2015	54,747	198,187	364,125	13,669	9,772	52,381	692,881
December 31, 2014	60,572	210,224	363,023	11,407	11,104	33,757	690,087

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5. Property, plant & equipment (continued)

(a) Land and buildings include land, at valuation, aggregating approximately $34.20 million (2014: $34.20 million). Of this amount, the cost of land, amounted to $25 million (2014: $25 million). Land, which is considered a separate class of assets, was revalued in 2014 by an independent professional valuator. Management has determined that the valuations carried in the financial statements on the basis of the last external valuation do not need further adjustments as at December 31, 2015.

(b) The fair value of land is categorised as level 3 in the fair value hierarchy. The following table shows the valuation technique used in measuring fair value as well as the significant unobservable inputs used.

Valuation techniques	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Market comparable approach: The approach is based on the principle of substitution whereby the purchaser with perfect knowledge of the property market pays no more for the subject property than the cost of acquiring an existing comparable assuming no cost delay in making the substitution. The approach requires comparison of the subject property with others of similar design and utility, inter alia, which were sold in the recent past. However, as no two properties are exactly alike, adjustment is made for the difference between the property subject to valuation and comparable properties.	• Details of the sales of comparable properties. • Conditions influencing the sale of comparable properties. • Comparability adjustments.	The estimated fair value would increase/(decrease) if: • Sale value of comparable properties were higher/(lower). • Comparability adjustments were higher/(lower).

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5. Property, plant & equipment (continued)

(c) The carrying value of temporarily idle property, plant and equipment at December 31, 2015 was $3.10 million (2014: $2.90 million).

(d) Interest capitalised during construction for the year amounted to approximately $1.4 million (2014: $0.50 million). The capitalisation rate used for the year was 3.984% (2014: 3.631%).

(e) The composite rate of depreciation for the year was approximately 5.24% (2014: 4.89%).

6. Intangible assets

This represents acquired software costs capitalised and land rights purchased as follows:

	Software	Land rights	Total
	$'000	$'000	$'000
Cost or valuation:			
December 31, 2013	13,738	-	13,738
Additions	5,433	-	5,433
December 31, 2014	19,171	-	19,171
Additions	2,397	6	2,403
Transfers	-	5,254	5,254
December 31, 2015	21,568	5,260	26,828
Depreciation:			
December 31, 2013	3,861	-	3,861
Charge for the year	1,360	-	1,360
December 31, 2014	5,221	-	5,221
Charge for the year	1,542	-	1,542
December 31, 2015	6,763	-	6,763
Net book values:			
December 31, 2015	14,805	5,260	20,065
December 31, 2014	13,950	-	13,950

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7. Employee benefits

(a) Defined benefit pension plan:

The Company administers a defined-benefit pension plan for selected employees and their beneficiaries. The accumulated fund is administered by the trustees who are assisted by an independent plan administrator and three fund managers; Sagicor Life of Jamaica Limited, Prime Asset Management Limited and NCB Insurance Company Limited. The administrator is Employee Benefits Administrator Limited, a wholly owned subsidiary of Sagicor Life Jamaica Limited, whose offices are located at 48 Barbados Avenue, Kingston 5, Jamaica, W.I. Effective February 1, 2007, the fund was closed to new entrants.

On retirement, a member is entitled to be paid an annual pension of 1⅔% on the highest average of the member's annual pensionable salary during any consecutive three year period of pensionable service, multiplied by the number of years of pensionable service.

The plan was approved and registered pursuant to Section 13 of the Pensions (Superannuation Funds and Retirement Schemes) Act, 2004 on December 16, 2009.

(i) Employee benefits:

	2015 $'000	2014 $'000
Present value of funded obligations	(72,859)	(58,059)
Fair value of plan assets	128,163	100,639
Unrecognised amount due to limitation	(27,652)	(21,290)
Asset recognised in statement of financial position	27,652	21,290

(ii) Movements in funded obligations:

	2015 $'000	2014 $'000
Balance at beginning of year	(58,059)	(53,819)
Benefits paid	2,848	2,288
Current service cost	(2,127)	(2,057)
Past service cost – vested benefits	(3,263)	(457)
Interest costs	(5,321)	(4,853)
Voluntary contributions	(489)	(474)
Settlement	881	-
Remeasurement loss on obligation for OCI	(10,104)	(2,575)
Exchange gain	2,775	3,888
Balance at end of year	(72,859)	(58,059)

7. Employee benefits (continued)

(a) Defined benefit pension plan (continued):

(iii) Movements in plan assets:

	2015 $'000	2014 $'000
Fair value of plan assets at beginning of year	100,639	94,597
Contributions paid:		
Employer	1,482	1,532
Employees	1,971	2,006
Interest income on plan assets	9,133	8,397
Benefits paid	(2,848)	(2,288)
Remeasurement gain on assets for OCI	22,596	3,229
Exchange loss	(4,810)	(6,834)
Fair value of plan assets at end of year	128,163	100,639
Comprising:		
Investments quoted in active markets:		
Equities	37,453	21,288
Government bonds	53,067	56,900
Corporate bonds and other debt securities	12,372	5,535
Pooled pension investments	8,096	5,125
Unquoted investments:		
Real estate	12,457	8,024
Net current assets	4,718	3,767
	128,163	100,639

Included in the plan assets as at December 31, 2015 are:

- Real estate occupied by the Company with a fair value of $12.5 million (2014: $8 million);
- JPS 11% promissory notes with a fair value of $0.35 million (2014: $0.33 million); and
- JPS 9.5% non-redeemable preference shares with a fair value of $3.2 million (2014: $2.60 million).

All investments are issued by the Jamaican government or companies domiciled in Jamaica.

7. Employee benefits (continued)

(a) Defined benefit pension plan (continued):

(iv) Debit/(credit) recognised in profit or loss:

	2015 $'000	2014 $'000
Current service costs	2,127	2,057
Interest cost	5,321	4,853
Interest income on assets	(9,133)	(8,397)
Past service cost	3,263	457
Settlement	(881)	-
Total debit/(credit)	697	(1,030)
Net debit/(credit) recognised due to limitation	348	(515)

The debit/(credit) is recognised in staff cost-other employees' costs in profit or loss [Note 25(b)].

(v) Remeasurement gains recognised in other comprehensive income:

	2015 $'000	2014 $'000
Remeasurement loss on obligation for OCI	(10,104)	(2,575)
Remeasurement gain on assets for OCI	22,596	3,229
Total remeasurement gain, net	12,492	654
Remeasurement gain recognised due to limitation	6,246	327

(vi) Remeasurement loss on defined benefit obligation arising from:

	2015 $'000	2014 $'000
Change in demographic assumptions	-	(1,223)
Changes in financial assumptions	(8,310)	685
Experience adjustments	(1,794)	(2,037)
Remeasurement loss on defined benefit obligation	(10,104)	(2,575)

7. Employee benefits (continued)

(a) Defined benefit pension plan (continued)

(vii) Remeasurement gain on defined benefit assets arising from:

	2015	2014
	$'000	$'000
Return on plan assets	31,729	11,626
Interest income on plan assets	(9,133)	(8,397)
	22,596	3,229

(viii) Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2015	2014
Inflation rate	5.50%	5.50%
Discount rate	8.50%	9.50%
Future salary increases	5.00%	5.50%
Future pension increases	0.00%	0.00%

Assumptions regarding future mortality are based on GAM(94)M and GAM(94)F tables with ages reduced by five years. The expected long-term rate of return is based on the assumed long-term rate of inflation.

The weighted average duration of the defined benefit obligation as at December 31, 2015, is 18 years (2014: 18 years).

The Company's estimated contribution for the 12 months after year end is $1.60 million ($1.60 million).

(ix) Sensitivity analysis:

The calculation of the projected benefit obligation is sensitive to the assumptions used. The table below summarises how the defined benefit obligation measured at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions by one percentage point. In preparing the analysis for each assumption, all others were held constant.

	2015		2014	
	Increase	Decrease	Increase	Decrease
	1%	1%	1%	1%
	$'000	$'000	$'000	$'000
Discount rate	66,636	85,879	50,481	68,382
Future salary growth	77,886	68,441	62,864	54,403

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7. Employee benefits (continued)

(a) Defined benefit pension plan (continued)

(ix) Sensitivity analysis (continued):

There were no changes to the methods used to prepare the sensitivity analyses.

(b) Other employee benefits obligation:

	2015	2014
	$'000	$'000
Accumulated sick and vacation pay	7,673	7,244

(c) Defined contribution pension plan:

The Company's contribution to the defined contribution pension plan for the year aggregated $0.60 million (2014: $0.45 million). These are recognised in staff cost-other employees' costs [Note 25(b)] in profit or loss.

8. 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.

	2015	2014
	$'000	$'000
At beginning of year	3,998	4,606
(Disposals)/additions	(2,763)	286
Amortisation	(619)	(894)
At end of year	616	3,998

9. Long-term receivables

These represent the long term portion of expenditure incurred by the Company for the wiring of houses for certain customers, recoverable over periods ranging from thirty (30) to sixty (60) months (Notes 8 and 23).

	2015	2014
	$'000	$'000
Receivable	605	1,488
Current portion included in other receivables (Note 12)	(353)	(611)
	252	877

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10. Net cash and cash equivalents

	2015	2014
	$'000	$'000
Cash at bank and in hand	5,558	7,736

11. Restricted cash

	2015	2014
	$'000	$'000
Self-insurance sinking fund	30,522	26,634
Deposit guarantees on staff loans, IPP contracts etc.	521	513
	31,043	27,147

The self-insurance sinking fund represents cash maintained as part of the self-insurance sinking fund administered under the direction of the OUR [Note 1(b)]. The term deposits in the sinking fund earn interest at a rate of 2.4% (2014: 2.3%) per annum.

12. Accounts receivable

	2015	2014
	$'000	$'000
Trade receivables [Note (i)]	153,422	188,915
Allowance for impairment losses [Notes (i) and (ii)]	(45,351)	(47,276)
	108,071	141,639
Unbilled revenue	-	11,199
Prepayments	6,501	7,162
Current portion of long-term receivables (Note 9)	353	611
Other receivables	10,042	11,905
	124,967	172,516

12. Accounts receivable (continued)

(i) The aging of trade receivables at the reporting date is as follows:

	2015		2014	
	Gross receivable $'000	Impairment $'000	Gross receivable $'000	Impairment $'000
Neither past due nor impaired:				
Due 0-30 days	63,304	-	86,855	-
Past due and not impaired:				
Past due 31-60 days	7,856	-	13,184	-
Past due 61-90 days	5,422	-	7,866	-
More than 90 days	31,489	-	33,734	-
	44,767	-	54,784	-
Past due and impaired:				
More than 90 days	45,351	45,351	47,276	47,276
	153,422	45,351	188,915	47,276

(ii) Movement in impairment losses for trade receivables is as follows:

	2015 $'000	2014 $'000
Balance at beginning of year	47,276	38,428
Impairment loss recognised	13,729	11,853
Amounts recovered during the period	(2,144)	(338)
Amounts written off during the period	(13,510)	(2,667)
Balance at end of year	45,351	47,276

13. Inventories

	2015 $'000	2014 $'000
Fuel	9,938	12,538
Generation spares	7,732	7,538
Transmission, distribution and other spares	16,918	14,532
	34,588	34,608
Less: Allowance for impairment	(3,878)	(956)
	30,710	33,652

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14. Share capital

	No of shares
Authorised ordinary share capital:	
Ordinary stock units at no par value	315,733,190
Ordinary shares at no par value	30,000,000,000
Balance as at December 31, 2014 and 2015	30,315,733,190

	No of shares	2015 $'000	2014 $'000
Issued and fully paid:			
Ordinary share capital			
Ordinary stock units	315,733,190	5,684	5,684
Ordinary shares	21,512,462,056	256,102	256,102
At year end (Note 28)	21,828,195,246	261,786	261,786

15. Capital reserve

	2015 $'000	2014 $'000
At beginning of year	4,145	19,901
Revaluation (Note 5)	-	(15,756)
At end of year	4,145	4,145

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

16. Accounts payable and provisions

	2015 $'000	2014 $'000
Trade payables	53,165	112,759
Interest accrued on customer deposits and loans	15,256	16,804
Unbilled revenues	4,361	-
Dividend payable (Note 29)	1,337	1,022
Current portion of deferred revenue (Note 23)	370	628
Other payables	24,229	20,584
Provisions (see below)	13,398	9,802
	112,116	161,599

16. Accounts payable and provisions (continued)

Movement in provisions during the year was as follows:

	2015 $'000	2014 $'000
At beginning of year	9,802	1,155
Provisions made during the year	3,687	8,759
Provisions utilised during the year	(91)	(112)
At the end of year	13,398	9,802

17. Related party balances and transactions

(a) The following balances were due to/(from) related parties:

	2015 $'000	2014 $'000
(i) Due from:		
Marubeni Caribbean Holding	-	52
(ii) Due to:		
EWP (Barbados) 1 SRL	1,602	1,295
Marubeni Caribbean Holding	22	-
	1,624	1,295

These balances are unsecured, interest free and have no fixed repayment terms.

(b) Related party transactions:

(i) 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 to MaruEnergy JPSCO 1 SRL and EWP (Barbados) 1 SRL of approximately $3.02 million (2014: $2.80 million) and recharges of approximately $1.2 million (2014: $0.80 million).

(ii) During 2013, an amount of $2 million owing to EWP (Barbados) 1 SRL for charges was converted to a loan bearing interest at the rate of 11% per annum (Note 20). During 2012, the Company issued Class "G" preference shares to the other two major shareholders, MaruEnergy JPSCO 1 SRL and the Government of Jamaica, in the amount of US$3.0 million (Note 21).

17. Related party balances and transactions (continued)

(b) Related party transactions:

(iii) In 2013, the Company entered into a commercial lease agreement for its Head Office land and building situated at 6 Knutsford Boulevard, Kingston 5 with The Jamaica Public Service Company Limited (JPSCO) (Original 1973) Employees' Pension Plan, a related party. The lease agreement is for an initial lease term of ten (10) years which commenced on January 1, 2013 and is renewable for a further period of five (5) years. Rental payments for the year were $0.82 million (2014: $0.82 million).

(iv) The Company supplies electricity to related parties including the Government of Jamaica [see note 33 (a)(i)]. Total revenue from the Government for the year 2015 was $123.12 million (2014: $158.20 million).

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

18. Customers' deposits

	2015 $'000	2014 $'000
Customers' deposits for electricity service (i)	14,834	15,579
Customers' advances for construction (ii)	10,220	10,153
	25,054	25,732

(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 1(b)], 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.

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19. Long-term loans

		2015 $'000	2014 $'000
(a)	Kreditanstalt fur Weideraudfbau of Frankfurt Government of Jamaica (KFW/GOJ), 7% fixed rate, repayable 2030 [€3.9 million (2014: €3.9 million)]	4,231	4,716
(b)	International Finance Corporation (IFC) variable rate, repaid 2015	-	5,000
(c)	International Finance Corporation (IFC) variable rate, repayable 2020	16,365	19,585
(d)	Deutsche Bank as trustees of the holders of the 11% Senior Notes repayable 2021	176,284	175,822
(e)	FirstCaribbean International Bank (FCIB) variable rate, repaid 2015	-	7,054
(f)	Espirito Santo Bank 6.5% fixed rate, repayable 2016	915	2,368
(g)	Export Development Canada variable rate, repaid 2015	-	1,261
(h)	Citibank Japan/NEXI variable rate, repayable 2020	36,618	43,175
(i)	Proparco variable rate, repayable 2020	33,076	39,586
(j)	OPEC Fund for International Development variable rate, repayable 2020	13,722	16,434
(k)	FirstCaribbean International Bank (FCIB) variable rate, repayable 2018	9,229	12,848
(l)	Peninsula Corporation 5.25% fixed rate, repayable 2017	9,000	7,415
(m)	Citibank/Overseas Private Investment Corporation variable rate, repayable 2017	21,219	29,053
(n)	FirstCaribbean International Bank (FCIB), variable rate, repaid 2015	-	6,000
(o)	Fujitsu Caribbean Limited, 19% fixed rate repaid 2015	-	760
(p)	FirstCaribbean International Bank (FCIB) $30M variable rate, repayable 2020	29,579	-
(q)	Export Development Canada variable rate, repayable 2019	3,979	-
	Total long-term loans	354,217	371,077
	Less: Current portion	(47,935)	(54,917)
	Non-current portion	306,282	316,160

19. Long-term loans (continued)

(a) This loan was received from the Government of Jamaica (GOJ), based on a formal on-lending agreement dated January 17, 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 was repayable in eighteen semi-annual instalments of $2.50 million, which commenced February 2007. The variable interest rate was based on LIBOR plus 6.5% per annum until 2014 and a spread of 6.25% thereafter. The loan was secured by a lien on certain assets of the Company as outlined in the terms of the agreement. This loan was repaid during the year.

(c) This loan is unsecured and repayable in eighteen semi-annual instalments of $1.7 million, commencing March 2012. The variable interest rate is based on LIBOR plus 5.50% until 2014 and a spread of 5.25% thereafter. Interest is paid semi-annually commencing March 2011. The amount due is stated net of debt issuance costs of $0.30 million (2014: $0.40 million).

(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; $179.20 million to mature on July 6, 2021 and $0.80 million to mature on July 6, 2016. Interest payments are to be made on January 6 and July 6 annually with record dates of December 23 and June 22, respectively, and interest rates of 11% for 180/360 of principal amounts outstanding as at record dates.

The amount due is stated net of debt issuance costs, in the amount of $3.7 million (2014: $4.2 million).

(e) This loan was unsecured and repayable in semi-annual instalments of $3.50 million until maturity. The variable interest rate was based on 6 month LIBOR plus 4.5%. This loan was repaid during the year.

(f) This is an unsecured loan facility for which the utilisation 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 $0.01million (2014: $0.01 million).

(g) This loan was unsecured and attracted interest at the rate of 6 month LIBOR plus 1.6%. The utilisation 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. This loan was repaid during the year.

19. Long-term loans (continued)

(h) This loan is unsecured and is repayable in sixteen semi-annual instalments of $4 million, which commenced 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 $4.0 million (2014: $5.60 million).

(i) This loan is unsecured and is repayable in eighteen semi-annual instalments of $3.3 million, which commenced in May 2012. The variable interest rate is based on LIBOR plus 5.50% per annum until 2015 and 5.25% thereafter. The amount due is stated net of debt issuance costs of $0.50 million (2014: $0.70 million).

(j) This loan is unsecured and is repayable in eighteen semi-annual instalments of $1.4 million, which commenced in May 2012. The variable interest rate is based on LIBOR plus 5.50% per annum until 2014 and 5.25% thereafter. The amount due is stated net of debt issuance costs of $0.16 million (2014: $0.23 million).

(k) This loan is unsecured and is repayable in eight semi-annual instalments of $1.9 million, which commenced in October 2014. The variable interest rate is based on the 6 month LIBOR plus 5.5%. The amount due is stated net of debt issuance costs of $0.14 million (2014: $0.27 million).

(l) This loan is unsecured and is repayable by a bullet payment at maturity in January 2017. Interest is paid quarterly at a fixed interest rate of 5.25%.

(m) This loan is unsecured and relates to a US$30 million facility. The facility is repayable in eight quarterly instalments of $3.80 million and commenced in September 2015. The variable interest rate is based on LIBOR plus 5.4%. The amount due is stated net of debt issuance cost of $0.40 million (2014: $0.90 million).

(n) This loan was unsecured and the principal repayable by a bullet payment at maturity in September 2015. The variable interest rate was based on 6 month LIBOR plus 4.75%. This loan was repaid during the year

(o) This loan was unsecured and had an interest rate of 10%. The loan was repayable in twelve quarterly instalments of $0.09 million which commenced in September 2014. This loan was repaid during the year.

(p) This loan is unsecured is repayable in eight semi-annual instalments of $3.75 million and commences in January 2017. The variable interest rate is based on LIBOR plus 5.5%. This amount due is stated net of debt issuance cost of $0.40 million.

19. Long-term loans (continued)

(q) This loan is unsecured and relates to a $10 million facility. Utilisation of the fund is restricted to goods or services originating in Canada. Principal is drawn on various dates and payable quarterly. The variable interest rate is based on LIBOR plus 1.6%. The amount due is stated net of debt issuance costs of $0.30 million.

Additional disclosure of interest

As at December 31, 2015 the average twelve (12) month libor rate was 1.084% (2014: 0.602%).

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 minimum ratio of Debt to Earnings before Interest Tax Depreciation and Amortisation (EBITDA) of 3.5:1. As at December 31, 2015, the Company was in compliance with its debt covenants.

20. Shareholder's loan

The shareholder's loan is unsecured and is due to EWP (Barbados) SRL1, a 40% shareholder in the Company, under terms similar to the Class 'G' preference shares described in note 21. The loan does not have a fixed repayment date and interest is payable quarterly at a fixed rate of 11% per annum.

21. Preference shares

This comprises cumulative preference shares as follows:

	Number of shares	2015 $'000	2014 $'000
7% Class B shares	420,000	38	38
5% Class C shares	66,500	6	6
5% Class D shares	680,000	61	61
6% Class E shares	300,000	27	27
9.5% Class F shares	2,455,607	24,556	24,556
11% Class G shares	299,954	3,000	3,000
	4,222,061	27,688	27,688

The preference shares listed as Classes B, C, D and E are cumulative non-voting and are preferred only in respect of return of capital and any dividends in arrears on a winding up. Dividends on these shares are payable quarterly at fixed rates per annum in Jamaica dollars.

21. Preference shares (continued)

Class F preference shares are listed on the Jamaica Stock Exchange and are non-redeemable, whilst the Class G preference shares are redeemable and are held by two of the Company's existing major ordinary stock holders. The significant terms and conditions of both these classes of preference shares are as follows:

(i) Priority of payment to receive all dividends over any form of capital distributions;

(ii) Full voting rights on winding up;

(iii) Ranking in priority to common equity (but behind preference shares listed as classes B, C, D and E) in the event of a winding up; and

(iv) Dividends are payable quarterly at fixed rates per annum in Jamaican dollars indexed to the Unites States dollar.

Preference shares have been classified in these financial statements as financial liabilities.

22. Deferred taxation

Deferred taxation relates to:

	Balance at December 31 2013 $'000	Recognised in profit or loss $'000 [Note 27(a)]	Recognised in other comprehensive income $'000	Balance at December 31 2014 $'000	Recognised in profit or loss $'000 [Note 27(a)]	Recognised in other comprehensive income $'000	Balance at December 31 2015 $'000
Employee benefits, net	(4,494)	(80)	(109)	(4,683)	105	(2,082)	(6,660)
Unrealised foreign exchange gains	(3,403)	1,361	-	(2,042)	(445)	-	(2,487)
Property, plant & equipment	(65,049)	6,045	-	(59,004)	3,741	-	(55,263)
Cumulative tax losses	32,006	(4,559)	-	27,447	(6,095)	-	21,352
Other	1,023	976	-	1,999	6,443	-	8,442
	(39,917)	3,743	(109)	(36,283)	3,749	(2,082)	(34,616)

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23. Deferred revenue

Deferred revenue represents expenditure recoverable from certain customers for 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 9).

	2015 $'000	2014 $'000
Balance at the beginning of the year	1,488	2,497
Deferred during the year	-	2
Released to profit or loss	(873)	(1,011)
	615	1,488
Current portion included in other payables (Note 16)	(370)	(628)
Non-current	245	860

24. Operating revenue

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

25. Expenses

(a) Cost of sales

	2015 $'000	2014 $'000
Fuel	(367,291)	(651,880)
Purchased power (excluding fuel) (Note 4)	(105,771)	(97,319)
Other	(569)	(967)
	(473,631)	(750,166)

(b) Operating expenses

	2015 $'000	2014 $'000
Depreciation and amortisation	(57,949)	(54,090)
Staff cost – Other employees' costs	(67,722)	(63,212)
Staff cost – Key management	(1,768)	(1,595)
Director's fees and emoluments	(54)	(154)
Repairs and maintenance	(15,656)	(15,718)
Selling expense (advertising and marketing)	(752)	(923)
Audit fees	(204)	(181)
Bad debt expenses	(13,729)	(11,853)
General expenses	(42,208)	(43,414)
	(200,042)	(191,140)

25. Expenses (continued)

(c) Net finance costs

	2015 $'000	2014 $'000
Foreign exchange losses, net	(4,925)	(13,304)
Other finance costs:		
Long-term loans	(30,359)	(30,419)
Customer deposits	(606)	(553)
Bank overdraft and other	(2,146)	(6,354)
Preference dividends	(2,653)	(2,672)
Debt issuance costs and expenses	(4,218)	(4,018)
	(39,982)	(44,016)
Finance income:		
Interest income	1,062	1,598
Interest capitalised during construction [Note 5(d)]	1,368	524
	2,430	2,122
	(42,477)	(55,198)

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

26. Other income and expenses

(a) Other income comprises:

	2015 $'000	2014 $'000
Rental income	367	585
Insurance proceeds for Bogue combined cycle plant	-	752
Miscellaneous proceeds from scrap sales and other settlements	2,082	2,277
Sale of proprietary wind energy studies	-	3,500
	2,449	7,114

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26. Other income and expenses (continued)

(b) Other expenses comprise:

	2015 $'000	2014 $'000
Miscellaneous expenses	(417)	(371)
Project development costs written off	-	(1,059)
Restructuring costs	(3,497)	(1,773)
Refund of foreign exchange adjustment to customers	-	(8,489)
Inventory and house wiring cost write off	(5,563)	-
Provision for sick leave buy out	(3,958)	-
Loss on disposal of property, plant and equipment	(1,854)	-
	(15,289)	(11,692)

27. Taxation

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

	2015 $'000	2014 $'000
Current tax expense		
Current income tax expense	(6,735)	(2,896)
Adjustment for prior year under accrual	(1,336)	-
Origination and reversal of temporary Differences (Note 22)	3,749	3,743
Taxation (expense)/credit	(4,322)	847

(b) Reconciliation of tax expense:

	2015 $'000	2014 $'000
Profit before taxation	30,829	22,158
Computed "expected" tax at 33⅓%	10,276	7,386
Tax effect of differences between profit for financial statements and tax reporting purposes in respect of:		
Investment allowances	(4,353)	(4,355)
Loan fees disallowed	1,224	1,281
Other	(2,825)	(5,159)
Taxation expense/(credit)	4,322	(847)

27. Taxation (continued)

(c) Tax losses:

At the reporting date, the Company had unused tax losses of approximately $64 million (2014: $82 million) being carried forward for offset against future taxable profits. The amount being carried forward is subject to the agreement of the Tax Authorities. As of January 1, 2014, tax losses may be carried forward indefinitely, however, the amount that can be utilised in any one year is restricted to 50% of the current year's taxable profits.

28. Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2015 $'000	2014 $'000
Profit for the year	26,507	23,005
Number of shares (shown in thousands - Note 14)	21,828,195	21,828,195
Earnings per share/stock unit	0.12¢	0.11¢

29. Dividends

Dividends on cumulative preference shares accrued at December 31, 2015 amounted to $1.3 million (2014: $1.0 million) [see note 16].

30. Commitments

(a) Capital:

At December 31, 2015, commitments for capital expenditure, for which no provision has been made in these financial statements, amounted to approximately $8.0 million (2014: $7.0 million).

31. Commitments (continued)

(b) Lease:

In addition to its commitments under IPP contracts (Note 4), the Company had unexpired operating lease commitments at December 31, 2015, payable as follows:

	2015 $'000	2014 $'000
Within 1 year	9,413	9,030
From 1-2 years	9,410	9,030
From 2-3 years	9,410	9,026
From 3-4 years	1,638	9,026
From 4-5 years	928	9,029
Over 5 years	6,468	7,476
	37,267	52,617

32. Contingent liabilities and asset

As at December 31 2015, 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, where it is more likely than not that an outflow of resources by the Company will occur and the amount can be determined, a provision is made.

Of significance was a lawsuit which was brought against the Company by three persons who contended that the All-Island Electricity Licence granted to the Company in 2001, which provides for the Company to be the exclusive distributor of electricity, is unlawful. The judge delivered judgment in July 2012 and decided that the Licence is valid but the clause in it that gives the Company the exclusive right to distribute and transmit electricity is invalid. The Company filed an appeal with the Court of Appeal against this judgment which was heard in March 2014.

On January 16, 2015, the 2012 ruling was overturned by the Court of Appeal. This indicates that the Minister of Mining and Energy is able to grant the exclusive All-Island Electricity Licence and is not prevented from considering all other licence applications to provide electricity.

On February 13, 2015, the OUR issued a directive for the Company to repay certain foreign exchange adjustment charges on fuel, amounting to $8.49 million, which had been billed to customers in a previous period. A provision has been included in the financial statements for these charges. The Company has stated its intention to appeal the directive on the basis that the charges represent legitimate business costs which it should be able to recover.

32. Contingent liabilities and asset (continued)

As at December 31, 2015, provisions of $13.4 million which includes $9.4 million (2014: $9.8 million) pursuant to pending legal actions, were made in the financial statements (Note 16).

33. 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

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's 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.

The Company's directors have monitoring oversight of the risk management policies and are 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 results 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 impairment losses.

33. Financial instruments (continued)

(a) Financial risk management (continued):

(i) Credit risk (continued):

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 best estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is a 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 debtors' ability to settle the debt [see also notes 12 and 3(l)].

Cash and short term deposit balances are managed by the Company's treasury department and amounts are held with reputable banks and financial institutions considered to have minimal risk of default.

The Company considers concentrations of risk by reference to the amount of exposure it has to individual customers, including their related parties. At December 31, 2015, 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 $42 million (2014: $46 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 recurring discussions are held regarding the reduction of the outstanding balances.

(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.

33. Financial instruments (continued)

(a) Financial risk management (continued):

(iii) Liquidity risk (continued):

Key management of the 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 December 31, 2015, the Company had unutilised lines of credit aggregating $104.1 million (2014: $69.70 million).

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

		Contractual undiscounted cash flows					
	Carrying amount $'000	Total cash outflow $'000	Less than 1 year $'000	1-2 years 10 years $'000	3-5 years $'000	6-10 years $'000	More than 10 years $'000
December 31, 2015							
Accounts payable*	98,348	98,348	98,348	-	-	-	-
Long term loans	354,217	503,234	79,558	96,842	150,312	174,705	1,817
Due to related parties	1,624	1,624	1,624	-	-	-	-
Customer deposits	25,054	25,054	-	-	-	4,592	20,462
Total financial liabilities	479,243	628,260	179,530	96,842	150,312	179,297	22,279
December 31, 2014							
Accounts payable*	151,169	151,169	151,169	-	-	-	-
Long term loans	371,077	543,017	88,389	88,440	152,086	209,771	4,331
Due to related companies	1,295	1,295	1,295	-	-	-	-
Customer deposits	25,732	25,732	-	-	-	5,054	20,678
Total financial liabilities	549,273	721,213	240,853	88,440	152,086	214,825	25,009

*Excludes provisions and deferred revenue.

The shareholder's loan and the preference shares have no specific maturity dates.

Contracted off-balance cash payments in respect of independent power purchase agreements are disclosed in Note 4.

33. 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 year. 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.

At December 31, 2015, 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 18.

  Interest bearing financial assets relate to cash and cash equivalents.

At December 31, 2015, the interest profile of the Company's interest-bearing financial instruments was:

	Carrying amount	
	2015	2014
	$'000	$'000
Fixed rate instruments:		
Financial assets	31,157	27,301
Financial liabilities	(218,119)	(218,769)
Variable rate instruments:		
Financial liabilities	(178,620)	(195,574)

33. Financial instruments (continued)

(a) Financial risk management (continued):

(iii) Market risk (continued):

- *Interest rate risk (continued):*

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 profit or loss.

Cash flow sensitivity analysis for variable rate instruments:

A change of 50/100 (2014: 50/200) 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.

	Effect on profit or loss			
	2015		2014	
	100bp increase	50bp decrease	250bp increase	50bp decrease
	$'000	$'000	$'000	$'000
Cash flow sensitivity (net)	(1,786)	893	(3,911)	978

- *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 settlement of accounts receivable, accounts payable 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.

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33. Financial instruments (continued)

(a) Financial risk management (continued):

(iii) Market risk (continued):

- *Foreign currency risk (continued):*

The table below shows the Company's foreign currency exposure, at the reporting date:

	2015			
	J$	€	£	US$ equivalent
	$'000	$'000	$'000	$'000
Cash and cash equivalents	650,790	-	-	5,405
Trade and other receivables	14,287,767	-	-	122,134
Other asset	74,176	-	-	616
Accounts payable	(7,029,542)	(3,453)	(21)	(62,105)
Long-term loans	-	(3,879)	-	(4,716)
Customer deposits	(3,016,908)	-	-	(25,054)
	4,966,283	(7,332)	(21)	36,280

	2014			
	J$	€	£	US$ equivalent
	$'000	$'000	$'000	$'000
Cash and cash equivalents	845,992	-	-	7,378
Trade and other receivables	19,325,430	-	-	168,544
Other asset	458,413	-	-	3,998
Accounts payable	(5,945,653)	(3,411)	(53)	(55,918)
Long-term loans	-	(3,879)	-	(4,716)
Customer deposits	(2,950,438)	-	-	(25,732)
	11,733,744	(7,290)	(53)	93,554

Sensitivity analysis:

A 8% (2014: 10%) strengthening of the United States dollar against the Jamaica dollar, Euro and the GBP 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.

33. Financial instruments (continued)

(a) Financial risk management (continued):

(iii) Market risk (continued):

- *Foreign currency risk (continued):*

Sensitivity analysis (continued):

	2015		2014	
	Equity $'000	Profit/(loss) $'000	Equity $'000	Profit/(loss) $'000
J$	(3,229)	(3,229)	(10,233)	(10,233)
Euro (€)	713	713	886	886
GBP (£)	(1)	(1)	(8)	(8)
Total	(2,517)	(2,517)	(9,355)	(9,355)

A 1% (2014: 1%) weakening of the United States dollar against the Jamaica dollar, Euro and the GBP, respectively, at year end would have the opposite effect, on the basis that all other variables remain constant.

	2015		2014	
	Equity $'000	Profit $'000	Equity $'000	Profit $'000
J$	413	413	1,023	1,023
Euro (€)	(89)	(89)	(89)	(89)
GBP (£)	-	-	1	1
Total	324	324	935	935

(b) 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.

33. Financial instruments (continued)

(c) 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 1(b)]. 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.

The Company monitors capital using a gearing ratio, which is debt as a proportion of total capital. The Company aims to maintain a gearing ratio in the range of fifty percent (50%) to sixty percent (60%). For purposes of calculating this ratio preference shares are treated as equity instruments and included in total equity.

	2015 $'000	2014 $'000
Current maturity of long term loans	47,935	54,917
Long term loans	306,282	316,160
Shareholder's loan	2,000	2,000
Total debt	356,217	373,077
Share capital	261,786	261,786
Capital reserve	4,145	4,145
Retained earnings	100,960	70,289
Preference shares	27,688	27,688
Total equity	394,579	363,908
Capital and debt	750,796	736,985
Gearing ratio	47%	51%

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

(c) Fair value disclosure:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date.

33. Financial instruments (continued)

(c) Fair value disclosure (continued):

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis or other valuation models. Management assessed that the carrying amounts of cash and cash equivalents, accounts receivable, related party balances, bank overdraft, accounts payable and short-term loan approximate their fair values largely due to the short-term maturities of these instruments. Additionally, the cost of all monetary assets and liabilities has been appropriately adjusted to reflect estimated losses on realisation or discounts on settlement.

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

Basis for determining fair values of financial liabilities:

Quoted equities are valued using the quoted market bid prices listed on the Jamaica Stock Exchange.

Other investment instruments are valued using the following techniques:

- Obtain bid yield from yield curve provided by a recognised pricing source (which uses market-supplied indicative bids).
- Using this yield, determine price using accepted formula.
- Apply price to estimate fair value.

Set out below is a comparison of the carrying amounts and fair value of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	2015		2014	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial liabilities:				
Preference shares	27,688	27,476	27,688	24,551
Long term loans	354,217	452,251	371,077	452,633

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements
Year ended December 31, 2015
(*Expressed in United States Dollars*)

33. Financial instruments (continued)

(c) Fair value disclosure (continued):

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

	2015			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total
Liabilities for which fair values are disclosed:				
Preference shares	(27,476)	-	-	(27,476)
Long term loans	-	(452,251)	-	(452,251)
	(27,476)	(452,251)	-	(479,727)

	2014			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total
Liabilities for which fair values are disclosed:				
Preference shares	(24,551)	-	-	(24,551)
Long term loans	-	(452,633)	-	(452,633)
	(24,551)	(452,633)	-	(477,184)

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Jamaica Public Service Company Limited will be held on Friday, 22nd day of July, 2016 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, 2015 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, 2015 together with the Reports of the Directors and Auditors thereon be approved and adopted

2. **TO ELECT DIRECTORS**

   i. In accordance with Articles 117 and 119 of the Company's Articles of Incorporation, Mr. Charles Johnston and Dong Uk Kim retire from office by way of rotation 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:

      a. That Director Charles Johnston is hereby elected a Director of the Company.

      b. That Director Dong Uk Kim {Alternate Director, EWP (Barbados) 1 Srl} is hereby elected a Director of the Company

   ii. In accordance with Articles 86 and 123 of the Company's Articles of Incorporation, Director Chang Sup Jo, having been appointed to the Board 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 resolution:

      a. That Director Chang Sup Jo is hereby elected a Director of the Company.

   iii. That Mr. Chang Sup Jo having being appointed Director be and is hereby elected as Chairman of the Board in accordance with the Articles of Incorporation.

3. **TO AUTHORIZE DIRECTORS TO APPOINT AUDITORS AND FIX THEIR REMUNERATION**

4. **ANY OTHER BUSINESS FOR WHICH DUE NOTICE HAS BEEN GIVEN.**

DATED THIS 29th DAY OF APRIL, 2016

BY ORDER OF THE BOARD
Katherine P.C. Francis
Secretary

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 **22ND day of July, 2016** at **10:00 a.m.** and at any adjournment thereof.

RESOLUTION	FOR	AGAINST
Resolution 1		
Resolution 2(i)(a) Resolution 2(i)(b) Resolution 2(ii)(a) Resolution 2(iii)		
Resolution 3		
Resolution 4 (Any Other Business)		

DATED THE ..... DAY OF 2016

(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 the holding of the meeting.

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Cover Photograph "City Lights" by Morris Taylor