







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 a vertically integrated electric utility company and the sole licensed distributor of electricity in Jamaica. The Company is engaged in the generation, transmission and distribution of electricity, and also purchases power from seven Independent Power Producers.

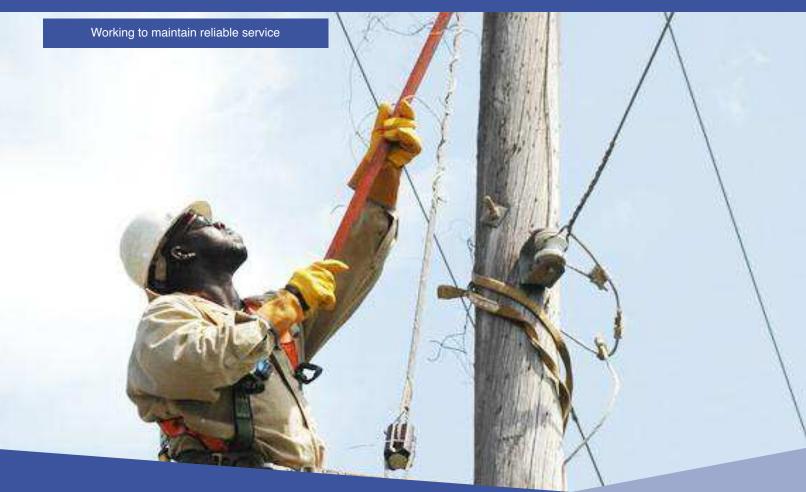
In April 2011, Marubeni Corporation entered into a Purchase and Sale Agreement with Korea East-West Power (EWP), for joint ownership of majority shares (80%) in the Jamaica Public Service Company Ltd (JPS). The Government of Jamaica and a small group of minority shareholders own the remaining shares.

JPS currently has 630,000 customers who are served by a workforce of 1,700 employees.

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

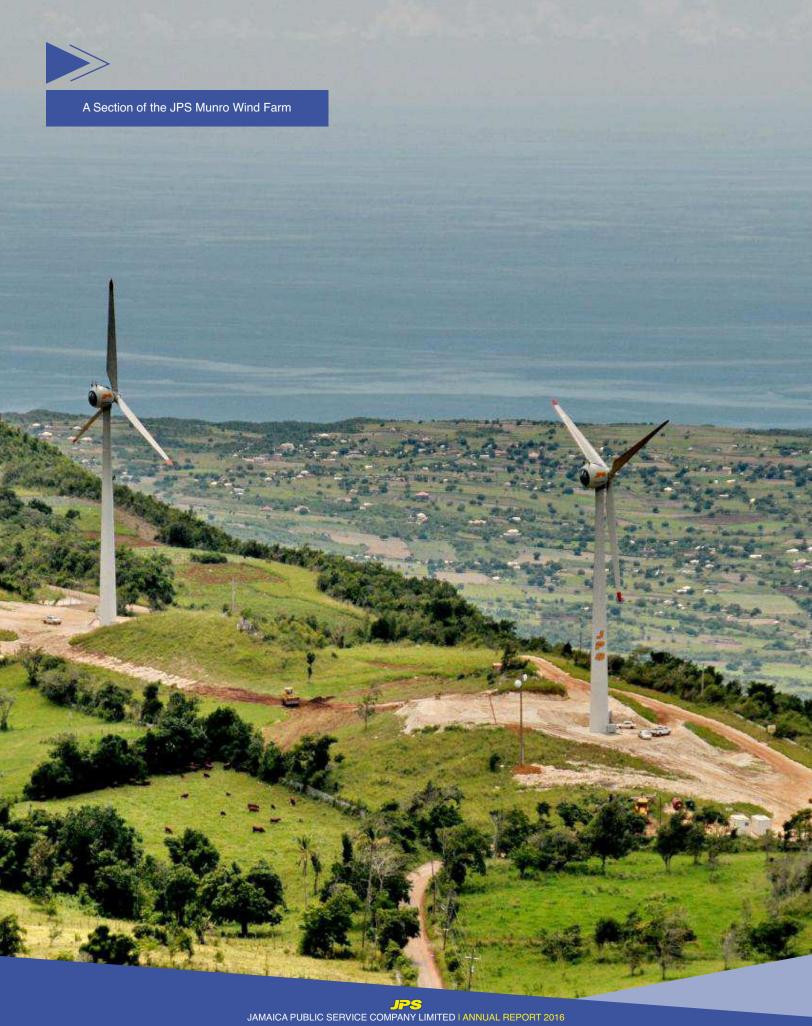
Along with the provision of electricity, JPS is a key partner in national development. The company has a vibrant corporate social responsibility portfolio and makes significant contributions in the areas of education and youth development. The company also has a strong environmental focus and carries 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

Overview

In 2016, the energy landscape continued to change – locally, regionally and internationally. JPS experienced that change first hand and was an integral part of milestone achievements in the local energy sector.

First, a new regulatory framework emerged, including a new licence for JPS, a new Electricity Act, and a revised act to guide the Office of Utility Regulation. Government policies and practices were changed as the many players in the industry aligned around the vision for Jamaica's energy sector that would both further economic growth and promote energy security. This vision survived a change in government administration and a number of technical and financial challenges.

Throughout the year, JPS took bold steps to deliver on our vision to lead an energy revolution to unleash Jamaica's growth and prosperity. We continued to be guided by the four pillars of our energy strategy for Jamaica: fuel diversification, smart grid technology, unique solutions for customers, and nation building initiatives for energy efficiency, customer empowerment and energy education. We achieved several major breakthroughs in our operations, and utilised technology to improve service to our customers, while capitalizing on our human capital. We also became better organized to meet the demands of the changing market.

2016 also repositioned JPS in the market as the Energy Experts, and we continued to enjoy improved relationships with our stakeholders through significant improvements in customer service, an expanded media relations programme, the roll-out of our "Reimagine Energy" campaign, a more strategic approach to corporate giving and greater engagement of communities, regulators and policy makers.

Licence Amendment

After almost two years of discussions and negotiations with various representatives of the GOJ and the Ministry of Energy, and based on guidance received from several international consultants, ESET and the OUR, we were able to successfully conclude deliberations which resulted in a JPS Electricity Licence on January 27, 2016.

This 2016 Electricity Licence was issued specifically with the view to spur development, promote energy efficiency and renewable development, and facilitate the growth of the Jamaican economy. It provides greater regulatory certainty and improved investor confidence which will facilitate the ability of the utility company and other energy sector partners to raise the capital needed to retool the energy sector in Jamaica.

The new Licence is complemented by a new 2015 OUR Act and Electricity Act which together result in a significant improvement and modernisation of the regulatory laws in Jamaica.

As a result, JPS was able to more powerfully embrace energy efficiency programmes and net billing initiatives without conflict and be able to fully support the GOJ's initiatives and policy directives for the energy sector. This includes the desire to modernize streetlights island-wide, to introduce new tariff structures that support economic development, to support IPPs which further promote renewables and to support the introduction of LNG to Jamaica. This new regulatory compact will make it much easier for Jamaica to attract the billions of US dollars that are required to modernize the energy sector over the next decade.

Financial Performance

JPS ended 2016 with a Net Profit of \$24.1 million due primarily to the following factors.

With an increase in sales of approximately 4%, the Company earned operating revenues of \$712.5 million for the year. Due primarily to a decrease in fuel costs and therefore fuel revenues, revenues were \$47.3 million less than 2015. It should be noted that on average, fuel prices in 2016 were below the average prices in 2015. Even though prices began to rise in the latter half of 2016, the overall average was still below 2015.

In addition, due to the removal of the Bogue Plant Reconfiguration Fund (BPRF) (\$12.5 million), the Company's non-fuel revenues was relatively flat between 2016 and 2015. The BPRF had been approved by the OUR for collection over a 12-month period, which ended in January 2016, to facilitate the conversion of the Bogue 120 MW Power Plant to use natural gas.

Statement to Shareholders Cont'd

Cost of Sales for the year was \$427.8 million which reflected a \$45.8 million decline over the previous year. This reduction is primarily due to lower fuel costs in 2016, which were somewhat offset by an increase in the energy acquired from Independent Power Producers (IPPs), in particular as a result of additional power purchase agreements which became effective during the year. During 2016, we entered into contracts for 80 MW of additional renewable capacity with BMR Wind, Content/WRB Solar and Wigton III, to purchase net energy output.

Operating Expenses grew \$20.3 million over the prior year. This includes a significant decrease in depreciation charges of which \$13.4 million related to changes in the rates of depreciation used for certain assets held. Specifically, the 2016 Electricity Licence resulted in shorter useful lives for several asset categories, notably computers and metering equipment. The lives of these assets were substantially reduced, for example, from 15 to 6 years for computers and from 25 to 15 years for meters. The depreciation rates used by the company were also modified to bring them in line with these new rates, which resulted in significant accelerated depreciation charges for these categories.

The Company was able to reduce its other expenses by \$13.3 million, mainly as a result of lower restructuring costs, house wiring expenses and other provisions. Other notable items include: a reversal of expenses (\$3.9 million) associated with the buyout of sick leave that did not materialize in 2015 as planned, development fee income (\$2.5 million) based on our participation in the development activities associated with OH 190MW project, and improvement in the amounts earned from other income by \$1.5 million.

Net Finance Costs for 2016 (\$39.8 million) were \$2.7 million or 6% lower than 2015, primarily due to lower interest costs.

As a result of the foregoing factors and a taxation charge of \$8.9 million for 2016, JPS recorded a net profit of \$24.1 million as compared to the \$26.5 million earned in 2015.

Fuel Diversification

2016 marked a turning point for Jamaica, as the country achieved several significant milestones for fuel diversification. After more than a decade of preparation and planning, natural gas was finally introduced into the fuel mix for electricity generation. In addition, the country doubled the amount of renewables on the grid within the space of a few months.

Liquefied Natural Gas (LNG), now accounts for approximately 10% of JPS' production - a notable achievement, as we push for more diversity in the fuel mix. The use of LNG will result in greater stability in the price of electricity for our customers. Jamaica will also enjoy additional economic benefits to be derived from having LNG, including the potential for LNG bunkering for ships, LNG transhipment services for the Caribbean to support small scale deliveries and natural gas supplies for industrial purposes (including the transport sector). Jamaica is only the third country in the region to import LNG.

LNG will further enable JPS to produce cleaner electricity, while allowing for more seamless integration of renewables on the grid.

With regard to renewables, JPS facilitated the addition of 80MW of renewables in 2016, from partnerships with several Independent Power Producers (IPPs): 36 MW of wind energy from BMR Jamaica Wind; 24MW of wind energy from Wigton; and 20MW of solar energy from Content/WRB Solar. In addition, the Company began negotiation of a Power Purchase agreement with Eight Rivers Energy Company (EREC), which was selected by the Office of Utilities Regulation (OUR) for the construction of a photovoltaic power generation plant in the west of the island, to supply up to 37 MW (net) of electricity.

Generation Performance

In 2016, JPS served the highest net demand since 2009. Demand was 155GWh or 5% higher than forecasted. A cheaper product 2016 (US\$0.18) versus 2015 (US\$0.38) helped demand. The peak for 2016 656.8MW was achieved in September. Daily loads were higher than normal for the entire year, slight temperature increase over the period and small

customer growth with some commercial customers returning to the grid also contributed to increased demand.

Smart Grid Roll-out

In 2016, JPS took first steps to introduce smart city technology in Jamaica's capital, with the roll-out of smart meters in the commercial district of New Kingston, and the replacement of streetlights to LED streetlights with smart capabilities. As part of the ongoing roll-out of the smart grid, JPS deployed more than 20,000 smart meters in communities islandwide, and unveiled the country's first smart home.

JPS also continued its roll-out of advanced technology to improve the reliability of power supply to our customers, while allowing for more efficient access to information. Critical steps were taken during the year, to improve the company's operations through the greater use of technology. These included the installation of 61 Distribution Automation (DA) switches; a SCADA upgrade project; the implementation of Street Light Maintenance App; and the implementation of Enterprise Asset Management for the Bogue Power Station.

Unique Customer Solutions

In 2016, JPS expanded customer options with our prepaid solution, "Pay As You Go," to approximately 1800 customers islandwide. The new solution was embraced as an energy management tool, and was welcomed primarily by landlords, seasonal electricity users, and sporting facilities.

Our Energy Solutions Team continued to generate revenue through the sale of LED's Energy Efficiency, and Renewable Energy solutions, in response to growing customer demand. The team was also able to provide two additional services for customers: maintenance of PV systems, and hurricane mitigation (removal of solar panels). Energy Solutions also demonstrated the feasibility of Solar Car Parks by constructing two at our very own locations: at the Head Office in New Kingston and at our Ruthven Road Commercial Office.

During the year, the Company also made significant

headway in providing multiple channels for customers to contact us. We launched the JPS Mobile App, increased our customer engagement via Social Media, and introduced Webchat on the JPS website. This resulted in a 12% reduction in the number of calls received, compared to 2015. At the same time, there was a 23% increase in our social media fan base – primarily due to the social media customer service. At the end of the year, the company had have over 12,000 users of the JPS Mobile App, and more than 1,800 customers were served via Webchat, which became fully operational in Q4.

A Solid Foundation

In summary, in 2016, JPS established a solid foundation for national development by significantly advancing the country's fuel diversification agenda, building out its smart-grid technology and developing numerous customer solutions. With these innovations, JPS is now being positioned as a best-in-class utility, which will further enhance Jamaica's attractiveness as an option for investors. The Company is committed to continuing its contribution to nation building both through our operations, through the JPS Foundation and our Community Renewal programme. JPS has fully embraced our motto: "Do Power Differently" and we are poised to take that idea even more forcefully into 2017 as we continue to lead Jamaica's energy revolution.

Mr. Chang Sup Jo Chairman

Ms. Kelly Tomblin President & CEO

Board of Directors



Chang Sup Jo Chairman of the Board





Colin Williams Director



Suzette Buchanan Director



Dong Uk Kim Alternate Director



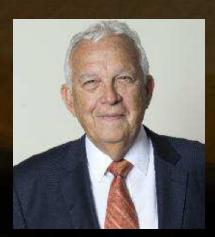
Fitzroy Vidal Director



Minna Israel Director



Professor Gordon Shirley (Retired)



Hon. Charles Johnston, C.D Director



Kengo Aoki Alternate Director



Professor Evan Duggan (Retired)



Geun Tae Kim (Retired)



>>> Executive Leadership Team



Kelly Tomblin President and Chief Executive Officer





Gary Barrow Chief Technology Officer



Sheree Martin Senior Vice President, **Energy Delivery**



Joseph Williams Senior Vice President, Generation and Special Projects



Katherine P.C. Francis Vice President, Legal and Compliance General Counsel and Corporate Secretary



Dan Theoc Chief Financial Officer



Keith Garvey Vice President, Customer Service and Communications





Management Discussion and Analysis

Results of Operations (Expressed in United States Dollars)

The Company earned operating revenues of \$712.5 million for the year which represents a decline of \$47.3 million or 6% relative to 2015, due primarily to the 17% decrease in fuel costs recovered from customers offset by a 4% increase in energy sales (3,179 GWh in 2016 as opposed to 3,071 GWh in 2015).

Cost of sales for the year was \$427.8 million, which reflected a decline of \$45.8 million or 10% compared to 2015. 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 2016 was 4,349 GWh as compared to 4,209 GWh in 2015 representing an increase of 3%. Due to the 4% increase in energy sales previously mentioned, the Company was able to benefit from a decrease in system losses over the prior year, with losses in 2016 being 26.9% of net generation as opposed to 27.0% for 2015.

Based on this performance, the Company has experienced a reduction in Gross Profit of 0.5% with 2016 being \$284.7 million as compared to \$286.2 million in 2015.

During the year, there was a marginal increase in operating expenses (excluding depreciation and amortisation expenses) of \$0.6 million, moving from \$142.1 million in the prior year to \$142.7 million in 2016, which is primarily due to an increase in third party services and office and other expenses offset by savings experienced in bad debt. As a result, earnings before interest, tax, depreciation and amortisation decreased by 1% to \$142.0 million in 2016 from \$144.1 million in 2015. Depreciation and amortisation expenses increased over the prior year, to \$77.6 million as opposed to \$57.9 million in 2015. This increase is primarily as a result of the Company adjusting its depreciation rates to bring them in line with the Amended Electricty Licence which was issued January 27, 2016. The modification in rates resulted in an acceleration in the depreciation and amortisation charge for several of the Company's assets

This has resulted in total operating expenditure of \$220.3 million being incurred in the current year as compared to \$200.0 million in 2015.

Net finance costs decreased by \$2.7 million or 6% from \$42.5 million in 2015 to \$39.8 million in the current year mainly as a result of a reduction in interest expenses and loan financing fees primarily due to a lower overall debt portfolio as compared to the prior year.

Other income earned for the year increased from \$2.4 million in 2015 to \$10.4 million in 2016. This increase is primarily as a result of project development fees and increased sales of scrap during the year as well as a reduction in the provisions made for certain expenses. The Company also benefitted from a reduction in other expenses from \$15.3 million to \$2.0 million, primarily as a result of a reduction in provisions for restructuring expenses and other costs made in 2015 which did not recur in 2016.

Taxation expense for the current year was \$\$8.9 million as compared \$4.3 million in 2015. 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 \$24.1 million for 2016, representing a \$2.4 million decrease over the prior year. These profits result in a return on equity of approximately 6.6% for 2016 which is a reduction over the 7.9% earned in 2015.

Liquidity

Cash inflows from operating activities decreased slightly from \$117.9 million in 2015 to \$117.1 million in 2016. 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. These inflows from operating activities were offset by the cash outflows from investing and financing activities. Cash outflows from investing activities decreased from \$63.5 million in 2015 to \$61.4 million in 2016. Cash outflows from financing activities decreased from \$56.6 million in 2015 to \$52.7 million in 2015, due to a reduction in financing costs and the level of new debt entered into by the Company.



Management Discussion and Analysis Cont'd

These cash flows resulted in an improvement in the cash position over the year with net cash & cash equivalents increasing from \$5.6 million in 2015 to \$8.7 million as at December 31, 2016.

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 2016 and 2015 being \$64.3 million and \$68.7 million respectively, compared to net income of \$24.1 million and \$26.5 million respectively.

The Company has been able to maintain a strong capital structure with total capitalisation, as measured by Debt and Equity, totaling \$764.3 million as at December 31, 2016 representing a 2% increase over the \$750.8 million in the prior year. Based on the Company's continuing efforts in servicing its debt obligation, the gearing ratio has reduced slightly to 45% in 2015 from 47% in 2015. Interest cover also improved slightly from 4.22 times for 2015 to 4.25 times for the current year.

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 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.



JPS Linesmen - Excellent performance at the International Linesmen Rodeo in Kansas, USA



>>> Performance Highlights



The Year of 2016 was dubbed internally, as the Year of Breakthrough. This mantra became a guiding light for members of the organization, and helped drive many of the achievements seen across the Company during the year. These included the Conversion of the Bogue Power Plant to use Liquefied Natural Gas and the introduction of LNG into the fuel mix in the The organization also saw internal improvements and strides, such as the island wide rollout of the Pay As You Go (prepaid) service and customer service improvements, among others.

Financial Performance

JPS ended 2016 with a Net Profit of \$24.1 million. which was \$2.5 million (or 9%) below the profit recorded for 2015. The decrease in profit is primarily as a result of an increase in our operating expenses.

During the year, the Company incurred additional depreciation charges of approximately \$13.4 million, as a result of changes in the rate of depreciation used for certain assets held. The new Electricity Licence issued in 2016 reduced the expected useful lives of certain categories of our property, plant and equipment and as a result the depreciation rates used by the company were also modified to bring them in line with these new rates which resulted in a



Performance Highlights Cont'd



significant accelerated depreciation charges for these categories. Additionally, we also experienced an increase in staff costs and other operating expenses.

Although energy sales (kWh) increased by approximately 4% in 2016, resulting in increased revenue of approximately \$11.8 million, this was offset by the removal of the Bogue Plant Reconfiguration Fund (BPRF) (\$12.5 million), resulting in our non-fuel revenue being relatively flat between 2016 and 2015.

JPS Makes Fuel Diversification a Reality

It was years in coming, but in 2016 natural gas finally arrived on the shores of Jamaica, and was officially introduced into the nation's fuel mix. The process involved the entire JPS and saw both internal and external partners aligning around the vision of fuel diversification.

The journey to fuel diversification through natural gas is a dream that Jamaica had pursed for more than a decade - since the Boque Combined Cycle Gas Turbine facility was first built in 2003. alternative fuels to oil were explored, including Ethane, Propane, Compressed Natural Gas and CGLs but in the end all were confident that Liquefied Natural Gas (LNG), a commercially proven and tried fuel, was the best choice in the journey to fuel diversification.

The introduction of natural gas to Jamaica was easily JPS' biggest achievement in 2016. It represents a significant milestone which sees approximately 10% of our production now coming from a new source of There are several additional fuel (natural gas). economic benefits to be derived from having LNG in Jamaica, including: LNG bunkering for ships, LNG transshipment services for the Caribbean to support

small scale deliveries and natural gas supplies for industrial purposes (including the transport sector). Jamaica is only the third country in the region to be importing LNG. The significance of LNG was not lost on the international community – Jamaica got a credit rating upgrade from Moody's shortly after this accomplishment.

It is expected that in 2017, 12% of production at JPS will come from natural gas and approximately 12% from renewable energy sources as well.

Building a Smart Nation

In 2016, we took the first bold steps to create the Caribbean's first 'smart city' in New Kingston. In the first phase of this initiative, the company started the roll-out of smart meters in the commercial district, and the replacement of streetlights to LED streetlights with smart capabilities. As part of the ongoing roll-out of the smart grid, JPS also deployed over 20,000 smart meters in communities islandwide, and unveiled the country's first smart house in Meadows of Irvin in St James.

Expansion of Prepaid Service

JPS continued to deliver on its mission to provide a solution for every Jamaican in 2016. Our prepaid, Pay-As-You-Go (PAYG) service, in particular, saw a significant growth in popularity as an energy management tool.

Jamaican customers now join millions in such countries as the United Kingdom, South Africa, Argentina, the United States and a number of Caribbean islands, which offer pre-paid electricity service.

The Pay As You Go service was first piloted in 2015, with a small test group in Portmore, St. Catherine. The pilot was extended to three parishes to allow for testing of the technology and customer behavior.

Residential and small business customers who have made the switch from post-paid to pre-paid, have typically experienced savings of about 35% as a result of being more aware of how their electricity is being used in real time.

Persons who opt to go pre-paid have a Customer Interface Unit installed in their homes, which will allow them to top up credit and to see their available balance. The Unit also signals when credit is running low, so that customers will be able to top up on time. Furthermore, customers in need of emergency topup may call the Customer Care Centre for an advance on credit, making the product virtually risk free.





>> Performance Highlights Cont'd



Lighting the Way for Skills Training in High Schools

Through the JPS Foundation, we continued to make our mark on education in Jamaica. In 2016, we entered into an agreement with the Ministry of Education, Youth and Information and the Overseas Examination Commission (OEC), to cover the cost of examination fees for students sitting the Electrical and Electronic Technology exams for the Caribbean Secondary Examinations Council (CSEC). The initiative supports the Education Ministry's requirement to have each student receive skill based knowledge or certification, by the time they leave high school. The JPS Foundation also continued its work in Energy Education, Youth Development and general Community Outreach.

Recognition at Home and Abroad

JPS received a number of recognitions in 2016. The President & CEO Kelly Tomblin, won the CEO of the Year Award at the 2016 Platts Global Energy Awards, held in New York, USA. JPS was also a finalist - for the Energy Company of the Year Award. The CEO was the sole female in an outstanding line-up of finalists from around the world, including India, China, Thailand, UK and the USA.

Locally, The Jamaica Institute of Engineers awarded the Company the Best Project of the Year Award, for the Bogue Conversion Project, undertaken earlier in the year. The organization was also selected for the Project Management Global Institute (PMGI) Exemplary Employer Awards. Congratulations also came in from the Social Development Commission, in recognition of our St. Ann Team, which was awarded the "2016 Spirit of the Community Award,"



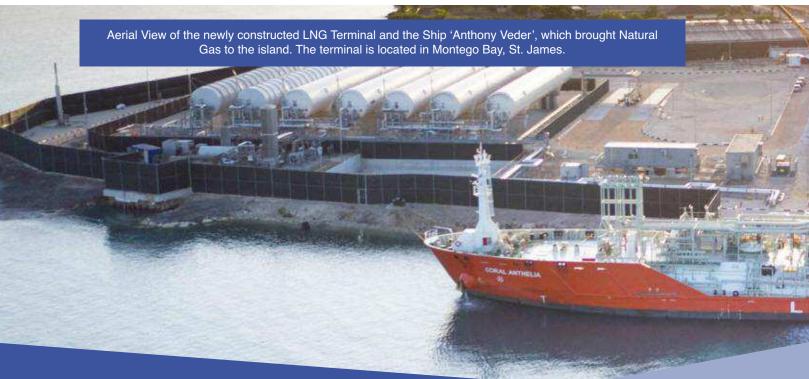
for Unwavering Support of Programmes and Projects that Foster Social Protection and Community Development.

The Company also received special recognition at the Montego Bay Chamber of Commerce & Industry Annual Awards event – copping the New Investment Business Development & Expansion Award, for JPS' role in bringing gas to Jamaica, and the conversion of the Bogue Power Station to operate on natural gas. Additionally, Director for Region West, T'Shura Gibbs, was presented with the Outstanding Customer Service Vocation Award.

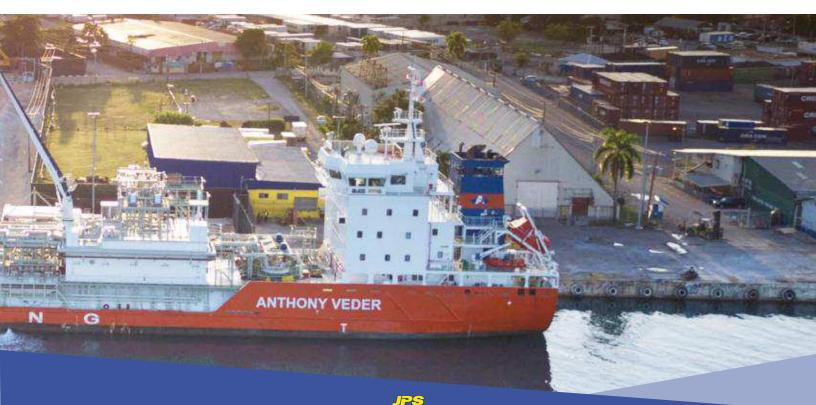
JPS also received the PSOJ/JaCSA Service Excellence Award for Quality Monitoring. This is the first award JPS has ever won for Customer Service, and stands as a major breakthrough for the company and the perception of our partners and stakeholders. The Company was also selected for the Gleaner Honour Award for its strides in Science and Technology in 2016.

>> Performance Highlights Cont'd











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, 2016:

	Year ended December 31, 2016 (Twelve months)	Year ended December 31, 2015 (Twelve months)
	US\$'000	US\$'000
OPERATING REVENUES		
Profit before Taxation	32,992	30,829
Taxation (expense)	(8,941)	(4,322)
Net Profit attributable to shareholders	24,051	26,507
Dividends on Preference Shares:		
- Classes 'B' through 'E'	1.3	1.4
- Class 'F'	1,751	2,339
- Class 'G'	1,065	0
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; dividends for the Class F preference shares have all been paid in full except for the fourth (4th) quarter of 2016 which was paid on March 24, 2017; no dividends were declared or paid on the ordinary stocks and shares for the year 2016.

The Class G Redeemable Preference Shares issued to the Accountant General's Department valued at US\$999,084.00 and to MaruEnergy JPSCo I, SRL valued at US\$2,000,458 were redeemed for payment arrears or accruals of the cumulative preferential dividends.

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. Geun Tae Kim, Gordon Shirley and Evan Duggan resigned from the Board during the year under review. The Board wishes to express its sincere appreciation to Messrs. Kim, Shirley and Duggan for their sterling contribution to the Company during their tenure on the Board.

Consequent on the resignation of Mr. Chang Sup Jo as Chairman (he remains a director of the Board), Mr. Seiji Kawamura was appointed Chairman effective April 13, 2017.

In accordance with Articles 86 and 123 of the Company's Articles of Incorporation, Messrs. Ha Kyoung Song, Masao Imazato, Colin Williams, Mo Majeed and Ms. Suzette Buchanan, having been appointed to the Board since the last Annual General Meeting shall cease to hold office and being eligible, offer themselves for election.

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



Registrar

Cumulative Preference Shares and Ordinary Stock & Shares Jamaica Central Securities Depository Limited 40 Harbour Street, Kingston Jamaica WI

Registered Office

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Auditors

KPMG

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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

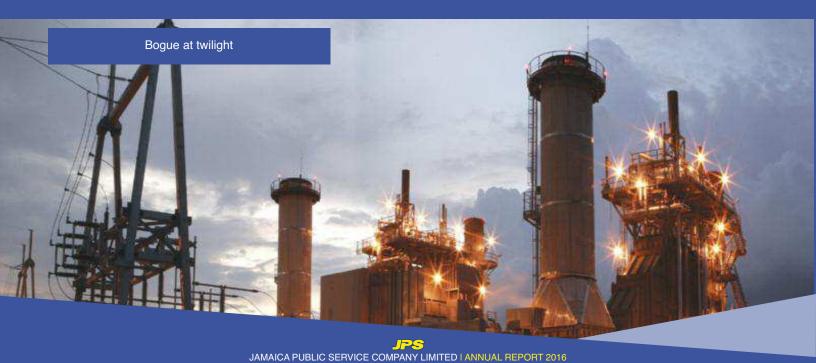
Bankers

National Commercial Bank Jamaica Limited 3rd Floor, 32 Trafalgar Road Kingston 10, Jamaica, W.I.

Bank of Nova Scotia Jamaica Limited ScotiaBank Centre Cnr Duke & Pt Royal Streets Kingston, Jamaica, W.I.

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

Citibank, N.A. 63 Knutsford Boulevard Kingston 5







Ten Largest Shareholders' Listings

As At December 31, 2016

	JPS Preference B Shares (7%)						
Rank	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	Everard Smith	5,371			
4	Renata Headcock 4,460				
5	Jamaica Mutual Life Assurance Company	3,610			
6	Herma Sassoon (Deceased)	1,900			
7	MF&G Trust & Finance Ltd- A/C 57	1,835			
8	Uraine Ferro	1,800			
9	Prudential Stockbrokers Ltd	1,628			
10	Buck Security Brokers Ltd	1,566			

	JPS Preference D Shares (5%)						
Rank	Name of Shareholder No. of Units						
1	Philip Harvey-Lewis	82,817					
2	Everard Smith	83,798					
3	MF&G Finance Ltd- A/C 57 71,921						
4	Security Brokers Ltd. 64,470						
5	Jamaica Mutual Life Assurance Society 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					
11	Unranie Ferro	9,202					

	JPS Preference E Shares (6%)							
Rank	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						
11	Winston G. Headcock	3,400						
12	Monica Powell	3,300						

	JPS Preference F Shares (9.5%)				
Rank	Name of Shareholder	No. of Units			
1	National Insurance Fund	350,000			
2	P.A.M. LTD - JPS Employees Superannuation Fund	324,832			
3	Grace Kennedy Limited Pension Fund 250,000				
4	PAM – Pooled Equity Fund 192,931				
5	NCB Insurance Company Limited 149,900				
6	ATL Group Pension Fund Trustee Nominee Limited	100,000			
7	JCSD Trustee Services Ltd – Sigma Solution	98,644			
8	Sagicor Life Jamaica Limited	98,643			
9	SJIML A/C 3119	98,137			
10	Sagicor Pooled Foreign Currency Fund	78,914			

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

Good Corporate Governance is fundamental to the core values, culture and business practices of Jamaica Public Service Company Limited (JPS). The Directors of Board of JPS 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 pertains 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 of providing a solution for every Jamaica for the growth and prosperity of Jamaica. established corporate governance principles which guide management decisions as well as its 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 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 to and is 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.



Corporate Governance Cont'd

THE TABLE BELOW HIGHLIGHTS THE RESPECTIVE SKILLS SETS OF THE BOARD OF DIRECTORS:

BOARD EXPERTISE	GENERAL MANAGEMENT	FINANCE & AUDIT	STRATEGIC MANAGEMENT	BANKING	ENGINEERING	H.R. & EDUCATION	LEGAL	RISK MANAGEMENT
Chang Sup Jo	1	1						
Tatsuya Ozono	1	✓	1		✓			1
Seiji Kawamura		✓	1	✓				
Minna Israel		✓		✓		1		✓
Prof. Evan Duggan		✓				1		✓
Prof. Gordon Shirley	✓	✓	1	✓	1	1	1	√
Charles Johnston	1	✓	1	✓			1	1
Geun Tae Kim	1		1		1			1
Fitzroy Vidal			1		1			1
Dong Uk Kim (Alternate Director)	1		1					
Kengo Aoki (Alternate Director)	√		1		1			
Colin Williams	1					1		1
Suzette Buchanan	✓		✓					

As at December 31, 2016, 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
Seiji Kawamura- Chairman ¹
Chang Sup Jo
Masao Imazato ²
Minna Israel (Independent Director)
Colin Williams ³
Suzette Buchanan ⁴
Charles Johnston (Independent Director)
Ha Kyoung Song⁵
Fitzroy Vidal
Dong Uk Kim (Alternate Director)
Kengo Aoki (Alternate Director)
Mo Majeed (Alternate Director) ⁶
Tatsuya Ozono ⁷

¹ Appointed April 13, 2017

² Appointed April 13, 2017

³ Appointed July 22, 2016

⁴ Appointed July 22, 2016

⁵ Appointed July 22, 2016

⁶ Appointed April 13, 2017

⁷ Resigned April 3, 2017

The only director compensation paid is to non-shareholder members of the Board who receive a fixed amount equivalent to US\$1,000 for attendance at each Board or Committee meeting, and any other meeting requiring a director's attendance. 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 engage 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 on 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 Committee⁸

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, 2016 are:

- Ms. Minna Israel Chairman (Independent)
- Mr. Colin Williams (Independent)
- Mr. Ha Kyoung Song

⁸ Messrs. Evan Duggan and Geun Tae Kim resigned from the Audit Committee on July 22, 2016 and July 31, 2016 respectively. Consequent on their resignation from the Board as both were leaving the jurisdiction, Messrs. Colin Williams and Ha Kyoung Song were appointed on July 22, 2016.



Corporate Governance Cont'd

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 Corporate Secretary/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

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 Committee9

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 Management with respect to the day-to-day operations 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 address critical operational issues that may arise at Board meetings.

Members of the Operations Committee as at December 31, 2016 are:

- Mr. Tatsuya Ozono (Chairman)
- Mr. Ha Kyoung Song
- Mr. Kengo Aoki
- Mr. Fitzroy Vidal
- Prof. Audley Darmand (Shareholder Representative)
- Mr. Hyung Soo Kim (Shareholder Representative)

Other invitees to the Committee's meeting include:

- Mrs. Kelly Tomblin President & CEO
- Ms. Katherine P.C. Francis Corporate Secretary
- Members of the Executive Leadership Team

⁹ Messrs. Geun Tae Kim and Young Sung Park resigned from the Operations Committee effective July 31, 2016 and March 17, 2016 respectively. Consequent on their resignation from the Board as both were leaving the jurisdiction, Messrs. Colin Williams, Ha Kyoung Song and Mr. Hyung Soo Kim were appointed on July 22, 2016 and March 30, 2016, respectively.

THE TABLE BELOW HIGHLIGHTS THE ATTENDANCE RECORD OF BOARD MEMBERS AT MEETINGS DURING THE YEAR 2016:

ATTENDANCE RECORD FOR DIRECTORS					
NAME OF DIRECTORS	ANNUAL GENERAL MEETING	BOARD MEETING	AUDIT COMMITTEE	OPERATIONS COMMITTEE	
TOTAL NUMBER OF MEETINGS HELD	1	6	4	3	
Chang Sup Jo (Chairman)	1	6			
Tatsuya Ozono	1	5		3	
Geun Tae Kim*	1	4	2	1	
Ha Kyoung Song**		2	2	2	
Seiji Kawamura***		3			
Charles Johnston		5			
Minna Israel	1	6	4		
Prof. Gordon Shirley****		3			
Prof. Evan Duggan****		3	2		
Fitzroy Vidal	1	6		3	
Suzette Buchanan****		3			
Colin Williams****		3	2		
Kengo Aoki (Alternate Director)	1	6		3	
Dong Uk Kim (Alternate Director)***					

- *resigned July 31, 2016
 **appointed July 31, 2016
 *** resident overseas
 ****resigned July 22, 2016
 *****appointed July 22, 2016



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 at JPS. It is a core component of the Company's Compliance Programme, which endeavours to ensure 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 order to foster the confidence of its shareholders, employees, investors and the general public, it goes beyond the legal and regulatory framework in Jamaica and reflects internationally recognised principles and practices. 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 Company regularly reviews and updates its Code Conduct confirming its commitment to demonstrably lead and promote good corporate governance and the highest standards of ethical and business conduct.

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.

Although the Code provides standards of conduct for many situations, it does not cover all the possible situations that may arise. Accordingly, stakeholders are expected to conduct themselves in accordance with their legal responsibilities and in a manner consistent with the spirit and letter of this Code and avoid even the perception of improper behaviour

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.

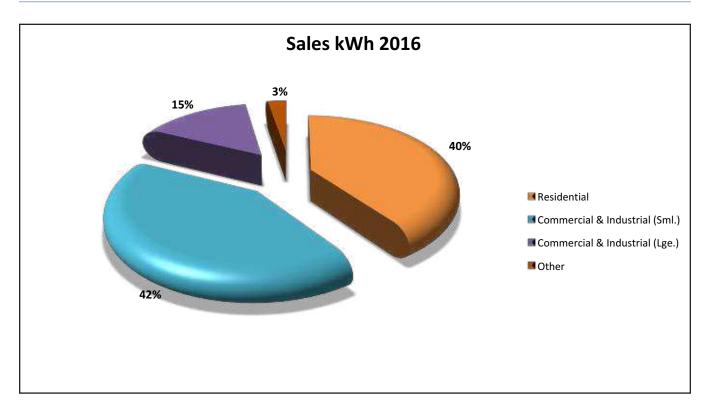


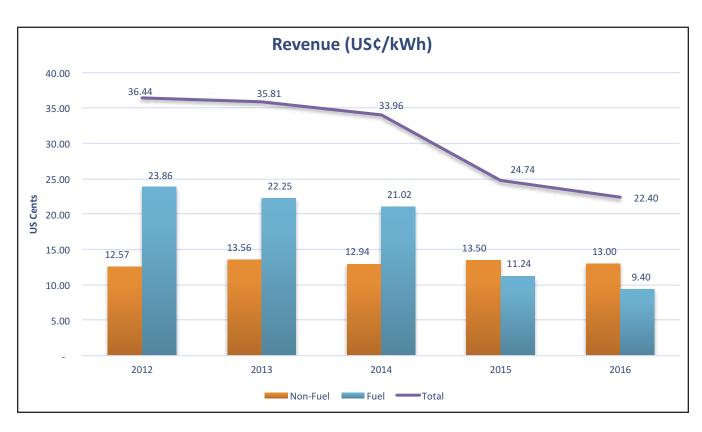


>> Operational Statistics

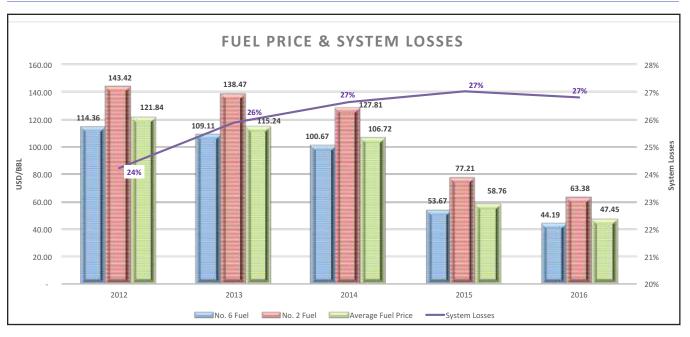
	Dec-31-16	Dec-31-15	Dec-31-14	Dec-31-13	Dec-31-12
OPERATING REVENUES (\$000's)					
OF ERATING REVEROES (\$000 S)					
Residential	283,459	286,954	372,909	387,731	406,752
Commercial & Industrial (Sml.)	304,727	335,472	456,977	497,543	512,481
Commercial & Industrial (Lge.)	104,136	115,543	167,650	185,760	192,958
Other	20,212	21,850	25,703	28,350	29,404
TOTAL	712,534	759,819	1,023,240	1,099,383	1,141,595
	, , , ,		, , , ,	, ,	, , , ,
AVERAGE NO. OF CUSTOMERS					
Residential	564,242	536,462	531,363	541,691	531,827
Commercial & Industrial (Sml.)	66,750	62,517	62,294	64,559	63,740
Commercial & Industrial (Lge.)	157	150	150	150	151
Other	419	401	389	254	253
TOTAL	631,568	599,530	594,196	606,654	595,971
	ŕ	,	,	,	,
NET GENERATION AND PURCHASES (MWh)					
Steam & Slow Speed Diesel	1,668,268	1,530,023	1,460,626	1,499,305	1,500,497
Hydro	118,893	128,951	135.956	123,715	150,689
Gas Turbines	64,386	64,655	84,495	103,632	164,733
Combined Cycle Plant	705,634	806,279	769,622	615,502	777,670
Purchases	1,792,097	1,679,413	1,656,758	1,799,490	1,542,330
TOTAL	4.040.070	4 000 004	4 407 457	1 1 1 1 0 1 1	4.405.040
TOTAL	4,349,278	4,209,321	4,107,457	4,141,644	4,135,919
Losses & Unaccounted for (MWh)	1,169,970	1,137,973	1,094,478	1,071,955	1,001,953
Systems losses as a percentage of Net Generation	26.9%	27.0%	26.6%	25.9%	24.2%
Heat Rate (Kj/kWh)	9,554	9,591	9,625	9,884	9,965
Heat Rate JPS Thermal (Kj/kWh)	11,571	11,333	10,822	11,433	11,245
ENERGY SALES (MWH)					
Decidential	4 077 440	4.046.400	004 720	006 400	4 005 077
Residential Commercial & Industrial (Sml.)	1,077,148 1,380,791	1,016,428 1,360,131	981,730 1,347,514	996,429 1,366,797	1,035,377 1,383,296
Commercial & Industrial (Smi.)	625,219	602,618	589,236	605,402	615,314
Other	96,150	92,172	94,499	101,060	99,979
TOTAL	3,179,308	3,071,349	3,012,979	3,069,688	3,133,966
	0,170,000	0,071,040	0,012,079	0,000,000	0, 100,000
AVERAGE USE & REVENUE per residential customer					
Annualized kWh Consumption/Customer	1,909	1,895	1,848	1,839	1,947
Annualized Revenues/Customer	502	535	702	716	765
U.S Dollars per kWh	0.3	0.3	0.4	0.4	0.4
Average billing exchange rate for period	125.10	117.00	110.85	100.14	88.70
U.S. Cents per kWh	26.32	28.23	37.98	38.91	39.29

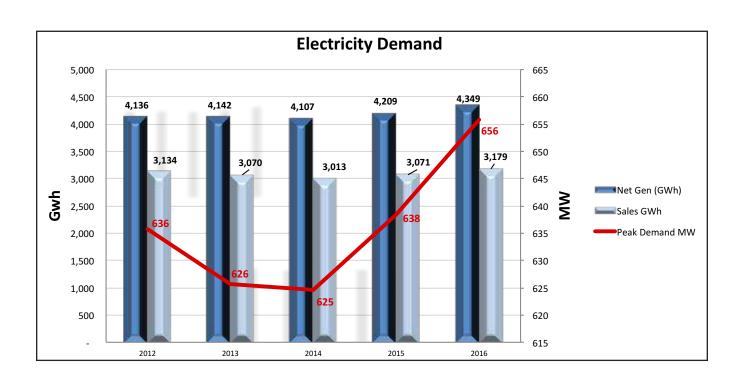




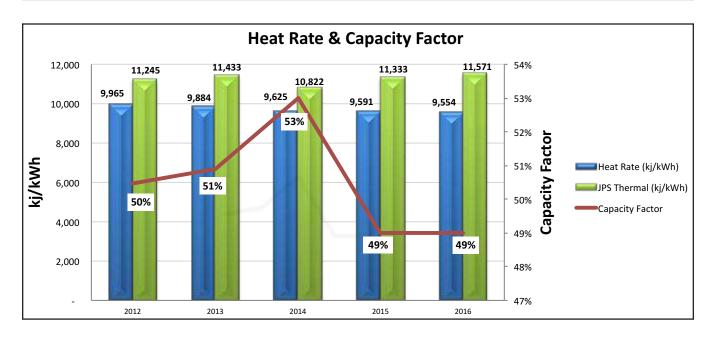


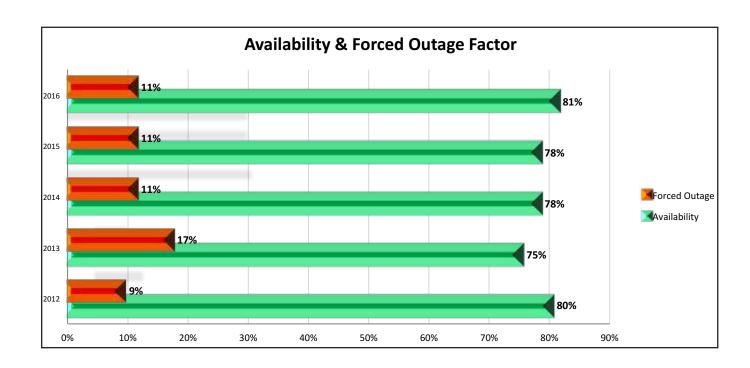




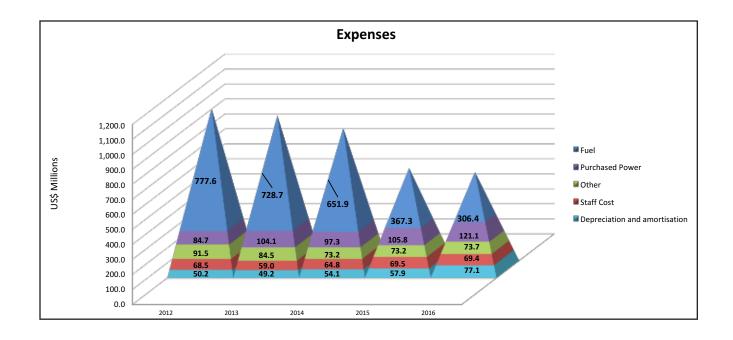














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INDEPENDENT AUDITORS' REPORT

To the Members of JAMAICA PUBLIC SERVICE COMPANY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Jamaica Public Service Company Limited ("the company"), set out on pages 52 to 106, which comprise the statement of financial position as at December 31, 2016, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at December 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMS, p. Jamaksan partnership and a momber from of the CPMS network of independent member firms off listed with KPMS international Cooperative ("KPMS international"), a Swiss emity. R. Tarum Hende Cynthie L. Lawrence Rajan Treiten Norman G. Rainford Nigel R. Chambers

W. Sihan C. de Mel Nyase A. Johnson Wilbert A. Spance Rochalle N. Stephenson



To the Members of JAMAICA PUBLIC SERVICE COMPANY LIMITED.

Report on the Audit of the Financial Statements (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of accelerated depreciation on certain categories of property, plant & equipment

During the year, the company accounted for accelerated depreciation of \$13.40M as a result of revisions to the estimate of useful life of some categories of its assets. The adjustment is considered material and includes significant management judgment in determining the remaining useful life of the affected assets.

How the matter was addressed in our audit

Our audit procedures in response to this matter, included:

- Assessing the reasonableness of the basis of the change in the estimate of useful life recorded by management by:
 - comparing the revised estimate of useful life for each category of property, plant & equipment against estimates utilised by similar entities for those types of assets.
 - Inspecting evidence relating to the timing of replacements and upgrades for assets held within the various categories.
- Testing the completeness of the assets included in the calculation by reviewing the prior year fixed asset register in conjunction with that of the current year to ascertain that all assets in the affected categories were included.
- Evaluating the reasonableness of the amount of the adjustment by vetting the mathematical accuracy of the calculation.





To the Members of JAMAICA PUBLIC SERVICE COMPANY LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Recoverability of trade receivables

The company has significant overdue balances with government and residential customers. There is significant judgment involved in determining the levels of allowance for impairment on these balances, because of the uncertainty involved in estimating the timing and amount of future collections.

How the matter was addressed in our audit

Our audit procedures in response to this matter, included:

- Testing the company's manual and automated controls over the recording and ageing of receivables.
- Testing subsequent receipts for selected customer accounts.
- Challenging the collection rates used by management in determining its estimate by testing historical collection experience and performing an independent calculation of these rates.
- Evaluating the adequacy of the allowance for impairment recognised in respect of the company's receivables by testing the underlying data used and re-performing the calculation.



To the Members of JAMAICA PUBLIC SERVICE COMPANY LIMITED.

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Revenue recognition - unbilled revenue

The company recognises revenue as electricity is delivered to its customer. Management estimates energy consumption between the date of the last meter reading and the end of the reporting period. Detailed financial models utilising estimates of the electricity and fuel consumption of the company's customers and applicable tariff rates are used in determining the estimated unbilled revenue.

The matter involves significant management judgment to estimate the customer electricity and fuel consumption between the last meter reading date and the end of the reporting period.

How the matter was addressed in our audit

Our audit procedures in response to this matter, included:

- Testing the company's key controls over the determination of the estimate of unbilled revenue.
- Assessing the adequacy of the company's unbilled revenue model by comparing it against industry norms and regulatory requirements.
- Testing the assumptions used in determining the estimate by:
 - Testing the volume data; and
 - Comparing the prices applied by management to actual fuel and independent power providers costs incurred.
- Performing an independent calculation of the estimate of unbilled revenues on a meter read cycle basis, and comparing our results to management's reported amount.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.





To the Members of JAMAICA PUBLIC SERVICE COMPANY LIMITED

Report on the Audit of the Financial Statements (continued)

Other Information (continued)

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS 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.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.



To the Members of JAMAICA PUBLIC SERVICE COMPANY LIMITED

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditors' report. This description, which is located at pages 50-51, forms part of our auditors' report.

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.

The principal on the audit resulting in this independent auditors' report is Sandra Edwards.

KPMG
Chartered Accountants
Kingston, Jamaica

March 28, 2017





To the Members of JAMAICA PUBLIC SERVICE COMPANY LIMITED.

Appendix to the Independent Auditors' report

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



To the Members of JAMAICA PUBLIC SERVICE COMPANY LIMITED

Appendix to the Independent Auditors' report (continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Statement of Financial Position

December 31, 2016

(Expressed in United States Dollars)

	Notes	<u>2016</u> \$'000	2015 \$'000
ASSETS			
Non-current assets		(78.0(5	(02.001
Property, plant and equipment	5 6	678,065 21,479	692,881 20,065
Intangible assets Employee benefits asset	7(a)(i)	32,167	27,652
Other asset	8	89	616
Long-term receivables	9		252
		731,800	741,466
Current assets		731,000	711,100
Cash and cash equivalents	10	8,650	5,558
Restricted cash	11	34,714	31,043
Accounts receivable	12	156,091	124,967
Due from related parties	18(a)(i)	10,360	-
Inventories	13	32,143	30,710
		241,958	192,278
Total assets		<u>973,758</u>	933,744
Shareholders' equity			
Share capital	14	261,786	261,786
Capital reserve	15	4,145	4,145
Capital redemption reserve	16	3,000	-
Retained earnings		126,480	100,960
		395,411	366,891
Current liabilities			
Accounts payable and provisions	17	135,978	112,116
Corporation tax payable	10()(!)	660	1,620
Due to related parties	18(a)(ii)	2,966	1,624
Current portion of long-term loans	20	59,622	47,935
		199,226	163,295
Non-current liabilities	10	24.204	25.054
Customers' deposits Long-term loans	19 20	24,294 284,582	25,054 306,282
Shareholder's loan	21	204,362	2,000
Preference shares	22	24,688	27,688
Deferred taxation	23	38,061	34,616
Employee benefits obligation	7(b)	7,496	7,673
Deferred revenue	24		245
		<u>379,121</u>	403,558
Total liabilities		578,347	566,853
Total shareholders' equity and liabilities		973,758	933,744

The financial statements on pages, 52 to 106, were approved by the Board of Directors on March 28, 2017, and signed on its behalf by:

Chairman

Chang Sup Jo

Tatsuya Ozono

Statement of Profit or Loss and Other Comprehensive Income Year ended December 31, 2016

(Expressed in United States Dollars)

	Notes	2 <u>016</u> S'000	2015 \$1000
Operating revenue Cost of sales	25 26(a)	712,534 (<u>427,792</u>)	759,819 (473,631)
Gross profit Operating expenses	26(b)	284,742 (<u>220,337</u>)	286,188 (<u>200,042</u>)
Operating profit		64,405	86,146
Finance income Finance costs		2,825 (<u>42,639</u>)	2,430 (<u>44,907</u>)
Net finance costs Other income Other expenses	26(c) 27(a) 27(b)	(39,814) 10,376 (<u>1,975</u>)	(42,477) 2,449 (<u>15,289</u>)
Profit before taxation Taxation	28	32,992 (<u>8,941</u>)	30,829 (<u>4,322</u>)
Profit for the year		24,051	26,507
Other comprehensive income			
Items that will never be reclassified to profit or loss: Remeasurement gains on defined benefit plan	7(a)(v)	6,703	6,246
Tax on remeasurement gains on defined benefit plan	23	(_2,234)	(_2,082)
Other comprehensive gain/(loss), net of tax		4.469	4,164
Total comprehensive income attributable to shareholders		28,520	_30,671
Earnings per share	29	0.11¢	0.12¢



Statement of Changes in Shareholders' Equity Year ended December 31, 2016

(Expressed in United States Dollars)

	Share capital \$'000 (Note 14)	Capital reserve \$1000 (Note 15)	Capital redemption reserve \$`000 (Note 16)	Retained earnings \$'000	<u>Total</u> \$'000
Balance at December 31, 2014	261,786	4,145	25	70,289	336,220
Total comprehensive income for the year:					
Profit for the year	150	3(8)		26,507	26,507
Other comprehensive income: Remeasurement losses on defined benefit plan, net of tax	- 120°	(- 15		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
Total comprehensive income for the year:					
Profit for the year	520	70	850	24,051	24,051
Other comprehensive income: Remeasurement losses on defined benefit plan, net of tax		- 21		4,469	4.469
Total comprehensive income for the year		-		28,520	28,520
Transfer to capital redemption reserves		66-18-18	3.000	(_3.000)	
Balance at December 31, 2016	261,786	_4,145	3,000	126,480	395,411

Statement of Cash Flows Year ended December 31, 2016 (Expressed in United States Dollars)

	Notes	2016 \$'000	2015 \$1000
CASH FLOWS FROM OPERATING ACTIVITIES Profit for the year		24,051	26,507
Adjustments for: Depreciation and amortisation	5,6	77,607	57,949
Loss on disposal of property, plant and equipment Amortisation of debt issuance costs		26 2,946	1,854
Amortisation of other asset Unrealised foreign exchange gains		527 (757)	619 (3,273)
Interest expense Interest income	26(c)	34,900 (881)	38,317 (1,062)
Interest capitalised	26(c)	(1,944)	(1,368)
Taxation expense	20(0)	7,730	8,071
Deferred tax	23	1,211	(3,749)
Employee benefits asset/obligation, net		1,007	(404)
Long term receivables and deferred revenue, net		7	10
Cash generated before changes in working capital		146,430	125,136
Restricted cash		(3,671)	(3,896)
Accounts receivable		(31,126)	50,031
Inventories		(1,433)	2,942
Accounts payable and provisions		23,725	(49,557)
Due from/to related parties		(9,018)	381
Customers' deposits and advances		896	650
Cash generated from operations		125,803	125,687
Taxation paid		(8,690)	(_7,758)
Net cash provided by operating activities		117,113	117,929
CASH FLOWS FROM INVESTING ACTIVITIES Proceeds from sale of property, plant and equipment Purchase of property, plant and equipment Purchase of intangible assets Other asset disposal/(addition) Interest received	5 6	119 (56,002) (6,404) - 930	(64,941) (2,403) 2,763 1,042
Net cash used in investing activities		(61,357)	(63,539)
CASH FLOWS FROM FINANCING ACTIVITIES Long-term loans received		32,210	36,675
Repayment of long-term loans		(45,013)	(54,715)
Repayment of shareholders' loan		(2,000)	(54,715)
Preference shares redeemed		(3,000)	2
Interest and dividend paid		(<u>34.861</u>)	(<u>38,528</u>)
Net cash used in financing activities		(_52.664)	(56,568)
Net increase/(decrease) in cash and cash equivalents Net cash and cash equivalents at beginning of year		3,092 5,55 <u>8</u>	(2,178) 7,736
NET CASH AND CASH EQUIVALENTS AT END OF Y	EAR	8,650	5,558



Notes to the Financial Statements

December 31, 2016

(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 the GOJ has the right to appoint three. Additionally, certain significant decisions of the Board of Directors require a unanimous vote of the appointed directors.

The principal activities of the Company are generating, transmitting, distributing and supplying electricity in accordance with the terms of the amended Electricity Licence, 2016 (the Licence), granted on January 27, 2016, by the Minister of Science, Technology, 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.

December 31, 2016

(Expressed in United States Dollars)

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, 2016, 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.

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.



Notes to the Financial Statements (continued)
December 31, 2016
(Expressed in United States Dollars)

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):

- 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 I approach of splitting items that may, or that will never, be reclassified to profit or loss.
- IFRS 14, Regulatory Deferral Accounts, effective for annual reporting periods beginning on or after January 1, 2016, provides guidance on accounting for regulatory deferral account balances by first-time adopters of IFRS.

In order to apply the interim standard, an entity has to be rate-regulated, i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approval by an authorised body. The term 'regulatory deferral account balance' has been chosen as a neutral descriptor for any expense (income) deferral or variance account that:

- is included or is expected to be included by the rate regulator in establishing the rates(s) that can be charged to customers; and
- would not otherwise be recognised as an asset or liability under other IFRSs.
- 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.

(Expressed in United States Dollars)

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):

- Amendments to IAS 16 and IAS 38, Clarification of Acceptable Methods of Depreciation and Amortisation (continued)
 - The amendment to IAS 38, Intangible Assets introduces a rebuttable presumption that the use of revenue-based amortisation methods is inappropriate for intangible assets.
- 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.
 - 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 eash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'.
 - 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.
 - 1AS 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.

The adoption of these amendments did not result in any material changes to the presentation and disclosure in the financial statements.



Notes to the Financial Statements (continued)
December 31, 2016
(Expressed in United States Dollars)

- 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:

- 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.
- 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.

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 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.

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.

- Amendments to IAS 7, Statement of Cash Flows, effective for accounting periods beginning on or after January 1, 2017, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.
- Amendments to IAS 12, Income Taxes, effective for accounting periods beginning on or after January 1, 2017, clarifies the following:
 - The existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.
 - A deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.
 - Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.
 - An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.
 - Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

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



Notes to the Financial Statements (continued)

December 31, 2016

(Expressed in United States Dollars)

Statement of compliance and basis of preparation (continued)

(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 has 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).

(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.

(Expressed in United States Dollars)

Statement of compliance and basis of preparation (continued)

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

(ii) Allowance for impairment losses on receivables:

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

(iii) Lease arrangements:

Management evaluates all purchase arrangements to assess whether they contain leases [Notes 3(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.



Notes to the Financial Statements (continued) December 31, 2016

(Expressed in United States Dollars)

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 measured 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 measured at cost except for land, which is measured 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.

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 measured at cost, less amortisation and impairment losses, and land rights measured 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 2%, 21/2% & 2.86% Hydraulic production plant Other production plant 21/2%, 4%, 41/6% & 5% Transmission plant 4% Distribution plant 3.33%, 4%, 5%, 6%% & 20% General plant & equipment: 2% Buildings and structures 14.30% Transport equipment 10% 16.67% & 20% Other equipment

Summary of significant accounting policies (continued)

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

Depreciation and amortisation (continued):

Computer software which is classified as an intangible asset is amortised at 16.67% 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.

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.



Notes to the Financial Statements (continued)

December 31, 2016

(Expressed in United States Dollars)

3. Summary of significant accounting policies (continued)

(b) Employee benefits (continued):

(i) Pension assets:

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.

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.

(Expressed in United States Dollars)

Summary of significant accounting policies (continued)

(d) Accounts receivable:

Trade and other accounts receivable are measured 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 measured at amortised cost.

(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.



Notes to the Financial Statements (continued) December 31, 2016 (Expressed in United States Dollars)

Summary of significant accounting policies (continued)

(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.

(i) Preference shares:

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

(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.

(Expressed in United States Dollars)

Summary of significant accounting policies (continued)

(m) Revenue recognition:

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.

(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.



Notes to the Financial Statements (continued)

December 31, 2016

(Financial Institut States Dellaws)

(Expressed in United States Dollars)

Summary of significant accounting policies (continued)

(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.
- (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.

(Expressed in United States Dollars)

Summary of significant accounting policies (continued)

(p) Leases:

As lessee:

Payments made under operating leases are recognised in profit or loss on a straightline 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.

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:

- 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.



3. Summary of significant accounting policies (continued)

(r) Segment reporting (continued):

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.

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.

(Expressed in United States Dollars)

3. Summary of significant accounting policies (continued)

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

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

Financial liabilities at amortised cost

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.

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 & 2036
Jamaica Energy Partners (JEP)	February 2026
West Kingston Power Partners (WKPP)	July 2032
Content Solar Limited (CS)	August 2036
BMR Jamaica Wind Limited (BMR)	June 2036

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, 2016, the total guarantees under Standby Letters of Credit amounted to \$30.7 million (2015: \$23.8 million). These facilities were not accessed during the year.

The contracts with JEP, JPPC, WKPP, Wigton, CS and BMR 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, 2016, the minimum lease payments are as follows:

	2016	2015
	\$'000	\$'000
Within 1 year	46,870	68,370
From 1-2 years	46,204	61,816
From 3-5 years	121,667	168,518
Over 5 years	<u>304.377</u>	507,616
	519,118	806,320

Lease payments under operating leases with IPPs recognised in profit or loss for the year, aggregated approximately \$121.1 million (2015: \$105.8 million) [Note 26(a)].

Notes to the Financial Statements (continued)
December 31, 2016
(Expressed in United States Dollars)

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Property, plant and equipment			Transmission		Computer		
		Production (generation)	and distribution	General	equipment, office	Construction	
	Land &	plant &	plant &	plant &	fixtures	work-in-	
	Suldings S'000	equipment \$1000	S'000	S:000	& fittings \$7000	S'000	S'000
Cost or valuation:	*	})))				
December 31, 2014	66.310	707,704	1,019,133	121,663	73,732	33,757	2,022,299
Additions	45	1,054	8,018	1,149	332	55,711	66,309
Tansfers	200	18,793	15,312	2,759	23	(37,087)	ı
Disposals/retirements and adjustments		(_2,681)	(09)	901	(326)		(3,173)
December 31, 2015	66,555	724,870	1,042,403	125,465	73,761	52,381	2,085,435
Additions	4-	1,848	11,591	397	846	43,250	57,946
Transfers	436	34,963	12,844	(32,694)	34,786	(50,335)	•
Disposals/retirements and adjustments	(158)	(55)	•	(55,011)	(13,054)		(68,278)
December 31, 2016	26.847	761,626	1,066,838	38,157	96,339	45.296	2.075.103
Depreciation:							100 000
December 31, 2014	10,992	497,480	656,110	110,256	62,628	ř.	1,337,466
Charge for the year	816	30,299	22,196	1,576	1,520	i i i	26,407
Disposals/retirements and adjustments		(960')	(28)	(36)	(65)	•	(धारा)
December 31, 2015	11,808	526,683	678,278	111,796	63,989	ï	1,392,554
Charge for the year	855	33,689	24,100	2,836	11,137	ï	72,617
Disposals/retirements and adjustments	((77)	(121)	(80,254)	12,476		(68,133)
December 31, 2016	12,606	560,195	702,257	34,378	87,602	Si	1,397,038
Net book values: December 31, 2016	54.241	201,431	364.581	3,779	8,737	45,296	678,065
		1 1 1		4000	0000	100	100.007
December 31, 2015	54.747	198,187	364,125	13,669	27775	22,381	188,240



5. Property, plant & equipment (continued)

- (a) Land and buildings include land, at valuation, aggregating approximately \$28.9 million (2015: \$28.9 million). Of this amount, the cost of land, amounted to \$25 million (2015: \$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, 2016.
- (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).

December 31, 2016

(Expressed in United States Dollars)

Property, plant & equipment (continued)

- (c) The carrying value of temporarily idle property, plant and equipment at December 31, 2016 was \$2.61 million (2015: \$3.10 million).
- (d) Interest capitalised during construction for the year amounted to approximately \$1.9 million (2015: \$1.4 million). The capitalisation rate used for the year was 3.995% (2015: 3.984%).
- (e) The composite rate of depreciation for the year was approximately 6.89% (2015: 5.24%).

6. Intangible assets

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

	Software \$'000	Land rights \$'000	Total S'000
Cost or valuation:	70.0.0.0.0		
December 31, 2014	19,171	쫗	19,171
Additions	2,397	6	2,403
Transfers		5.254	_5,254
December 31, 2015	21,568	5,260	26,828
Additions	6,404		6.404
December 31, 2016	27,972	5,260	33,232
Depreciation:			
December 31, 2014	5,221	色	5,221
Charge for the year	1.542	3 -2	1,542
December 31, 2015	6,763	2	6,763
Charge for the year	4,990	<u> </u>	4,990
December 31, 2016	11,753	12 12 12 12 12 12 12 12 12 12 12 12 12 1	11,753
Net book values:			
December 31, 2016	<u>16,219</u>	5,260	21,479
December 31, 2015	14,805	5,260	20,065

Software includes software projects in development of \$3.6 million (2015: \$3.1 million).



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 13/9% 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:

W	Employee benefits.	\$,000 \$,000	2015 \$'000
	Present value of funded obligations Fair value of plan assets Unrecognised amount due to limitation	(76,430) 140,764 (32,167)	(72,859) 128,163 (27,652)
	Asset recognised in statement of financial position	_32,167	27,652
(ii)	Movements in funded obligations:	2016 \$1000	2015 \$*000
	Balance at beginning of year Benefits paid Current service cost Past service cost – vested benefits Interest cost Voluntary contributions Settlement Remeasurement loss on obligation for OCI Exchange gain	(72,859) 1,475 (2,410) - (6,017) (556) 271 (223) 	(58,059) 2,848 (2,127) (3,263) (5,321) (489) 881 (10,104) 2,775
	Balance at end of year	(76,430)	(72,859)

(Expressed in United States Dollars)

7. Employee benefits (continued)

(a) Defined benefit pension plan (continued):

(iii) Movements in plan assets:

movements in plan assets.	2016	2015
	\$,000	\$,000
	122712	
Fair value of plan assets at beginning of year	128,163	100,639
Contributions paid:	57707230	4717474545
Employer	1,420	1,482
Employees	1,976	1,971
Interest income on assets	10,262	9,133
Benefits paid	(1,475)	(2,848)
Refund to company	(4,815)	-
Remeasurement gain on assets for OCI	13,630	22,596
Exchange loss	(8,397)	(4,810)
Fair value of plan assets at end of year	140,764	128,163
Comprising:		
Investments quoted in active markets:		
Equities	53,004	37,453
Government bonds	47,938	53,067
Corporate bonds and other debt securities	11,384	12,372
Pooled pension investments	9,428	8,096
Unquoted investments:		
Real estate	13,292	12,457
Repurchase agreements	3,001	335-32516VV
Net current assets	2,717	4,718
	140,764	128,163

Included in the plan assets as at December 31, 2016 are:

- Real estate occupied by the Company with a fair value of \$13.0 million (2015: \$12.5 million);
- JPS 11% promissory notes with a fair value of \$0.31 million (2015: \$0.35 million); and
- JPS 9.5% non-redeemable preference shares with a fair value of \$3.1 million (2015: \$3.2 million).

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



Notes to the Financial Statements (continued) December 31, 2016

(Expressed in United States Dollars)

7. Employee benefits (continued)

- (a) Defined benefit pension plan (continued):
 - (iv) Debit/(credit) recognised in profit or loss:

SCHOOL OF HOME WAS ASSETTED TO SERVE	2016 \$'000	2015 \$'000
Current service cost	2,410	2,127
Interest cost	6,017	5,321
Interest income on assets	(10,262)	(9,133)
Past service cost	1 5 9.	3,263
Settlement	(271)	(881)
Total (credit)/debit	(_2,106)	697
Net (credit)/debit recognised due to limitation	(<u>1,053</u>)	_348

The (credit)/debit is recognised in staff cost-other employees' costs in profit or loss [Note 26(b)].

(v) Remeasurement gains recognised in other comprehensive income:

	2016 \$1000	2015 S'000
Remeasurement loss on obligation for OCI Remeasurement gain on assets for OCI	(223) 13,630	(10,104) 22,596
Total remeasurement gain, net	13,407	12,492
Remeasurement gain recognised due to limitation	6,703	6,246

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

	2016 \$'000	2015 \$`000
Changes in financial assumptions Experience adjustments	801 (<u>1,024</u>)	(8,310) (1,794)
Remeasurement loss on defined benefit obligation	(_223)	(10,104)

Notes to the Financial Statements (continued)

December 31, 2016

(Expressed in United States Dollars)

Employee benefits (continued)

(a) Defined benefit pension plan (continued)

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

	2016	2015
	\$,000	2,000
Return on plan assets	23,892	31,729
Interest income on plan assets	(10,262)	(9,133)
	13,630	22,596

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

	2016	2015
Inflation rate	6.00%	5.50%
Discount rate	9.00%	8.50%
Future salary increases	6.00%	5.00%
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, 2016, is 18 years (2015: 18 years).

The Company's estimated contribution for the 12 months after year end is \$1.50 million (2015; \$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.

	2016		2015	
	Increase	Decrease	Increase	Decrease
	1%	1%	1%	1%
	\$'000	\$'000	\$'000	\$'000
Discount rate	65,810	89,861	66,636	85,879
Future salary growth	81,967	71,526	77,886	68,441



Notes to the Financial Statements (continued) December 31, 2016

(Expressed in United States Dollars)

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:

outer outproyee concrets congutton.	2016	2015
	\$.000	\$'000
Accumulated sick and vacation pay	7,496	7,673

(c) Defined contribution pension plan:

The Company's contribution to the defined contribution pension plan for the year aggregated \$0.80 million (2015: \$0.60 million). These are recognised in staff cost-other employees' costs [Note 26(b)] in profit or loss.

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.

	<u>2016</u>	2015
	\$:000	\$,000
At beginning of year	616	3,998
(Disposals)/additions	2	(2,763)
Amortisation	(527)	(<u>619</u>)
At end of year	_89	616

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 24).

	2016 \$'000	2015 S'000
Receivable	133	605
Current portion included in other receivables (Note 12)	(133)	(353)
	<u> 19</u>	_252

Notes to the Financial Statements (continued)

December 31, 2016

(Expressed in United States Dollars)

10. Net cash and cash equivalents

		2016 S'000	2015 \$'000
	Cash at bank and in hand	8,650	<u>5,558</u>
11.	Restricted cash		
		2016 \$'000	2015 \$'000
	Self-insurance sinking fund Deposit guarantees on staff loans, IPP contracts etc.	34,184 530	30,522 521
		34,714	31,043

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 2.25% (2015: 2.4%) per annum.

12. Accounts receivable

	2016 \$'000	2015 \$'000
Trade receivables [Note (i)]	171,184	153,422
Allowance for impairment losses [Notes (i) and (ii)]	(<u>46,091</u>)	(<u>45.351</u>)
	125,093	108,071
Unbilled revenue	12,482	=
Prepayments	6,785	6,501
Current portion of long-term receivables (Note 9)	133	353
Other receivables	11,598	10,042
	156.091	124,967



12. Accounts receivable (continued)

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

		2(2016 201		2015
		Gross	N. 10.00.00	Gross	200.000
		receivable \$'000	Impairment \$'000	receivable S'000	Impairment \$'000
	Neither past due nor impaired:	Ž.			
	Due 0-30 days	76,593		63,304	- 1/4
	Past due and not impaired:				
	Past due 31-60 days	9,185	15	7,856	95
	Past due 61-90 days	6,378	13	5,422	(-
	More than 90 days	32,937		_31,489	7 <u>5 550 0</u> 7
		48,500		44,767	
	Past due and impaired:				
	More than 90 days	46,091	46,091	45,351	45,351
		171,184	46,091	153,422	45,351
	(ii) Movement in impairment loss	es for trade re	ceivables is as f	ollows:	
				2016 \$'000	2015 \$'000
	Balance at beginning of year Impairment loss recognised Amounts recovered during the Amounts written off during the			45,351 10,721 (2,795) (7,186)	47,276 13,729 (2,144) (13,510)
	Balance at end of year			46,091	45,351
13.	Inventories				
				\$`000	2015 \$'000
	Fuel			12,116	9,938
	Generation spares			7,817	7,732
	Transmission, distribution and other	er spares		14,594	16,918
				34,527	34,588
	Less: Allowance for impairment			(2,384)	(3,878)
				32,143	30,710

Notes to the Financial Statements (continued)

December 31, 2016

(Expressed in United States Dollars)

14. Share capital

State suprim		No	o of shares
Authorised ordinary share capital: Ordinary stock units at no par value Ordinary shares at no par value			5,733,190 0,000,000
Balance as at December 31, 2015 and 2016		30,31	5,733,190
	No of shares	2016 \$'000	2015 \$'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 29)	21,828,195,246	261,786	261,786

15. Capital reserve

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

Capital redemption reserve

This represents the value of the Class "G" preference shares redeemed during the year (Note 21) and was created through a transfer from retained earnings.

17. Accounts payable and provisions

	2016 \$'000	2015 \$'000
Trade payables	83,810	53,165
Interest accrued on customer deposits and loans	16,028	15,256
Unbilled revenues	0.7	4,361
Dividend payable (Note 30)	604	1,337
Current portion of deferred revenue (Note 24)	133	370
Other payables	26,550	24,229
Provisions (see below)	8,853	13,398
	135,978	112,116



17. Accounts payable and provisions (continued)

Movement in provisions during the year was as follows:

	<u>2016</u>	<u>2015</u>
	\$,000	8,000
At beginning of year	13,398	9,802
Provisions made during the year	205	3,687
Provisions utilised during the year	(792)	(91)
Provisions reversed during the year	(3,958)	
At the end of year	_8,853	13,398

18. Related party balances and transactions

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

		\$'000	\$'000
(i)	Due from:	(T) A.B.D.	10.000
200	South Jamaica Power Company Limited	10,295	•
	Marubeni Caribbean Holding	65	13 (14 f)
		10,360	14.
	Due to:		
	EWP (Barbados) 1 SRL	1,666	1,602
	Marubeni Caribbean Holding	1 4	22
	Government of Jamaica	1,300	
		_2,966	1,624

2016

2015

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 from MaruEnergy JPSCO 1 SRL and EWP (Barbados) 1 SRL of approximately \$2.9 million (2015: \$3.02 million) and recharges of approximately \$0.8 million (2015: \$1.2 million) and developmental fee income of \$2.5 million from South Jamaica Power Company Limited (SJPC).
- (ii) During 2016, the Company repaid the S2 million loan owing to EWP (Barbados) | SRL which bore interest at the rate of 11% per annum (Note 21).

During 2016, the Company redeemed the Class "G" preference shares issued to two major shareholders, MaruEnergy JPSCO 1 SRL and the Government of Jamaica, in the amount of US\$3.0 million (Note 22). The principal and interest payments due to the Government of Jamaica of \$1.3 million is unpaid as at 31 December 2016.

18. Related party balances and transactions (continued)

- (b) Related party transactions (continued):
 - (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 (2015; \$0.82 million).
 - (iv) The Company supplies electricity to related parties including the Government of Jamaica [see note 34 (a)(i)]. Total revenue from the Government for the year 2016 was \$113.2 million (2015; \$123.1 million).

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

19. Customers' deposits

And the second s	2016	2015
	\$'000	2,000
Customers' deposits for electricity service (i)	14,868	14,834
Customers' advances for construction (ii)	9,426	10,220
	24,294	25,054

- (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 saving deposit accounts.
- (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.



20. Long-term loans

Long-	term loans	2016 S'000	2015 \$'000
(a)	Kreditanstalt fur Weideraudfbau of Frankfurt Government of Jamaica (KFW/GOJ), 7% fixed rate, repayable 2030 [€3.9 million (2015: €3.9 million)]	4,075	4,231
(b)	International Finance Corporation (IFC) variable rate, repayable 2020	13,208	16,365
(c)	Deutsche Bank as trustees of the holders of the 11% Senior Notes repayable 2021	175,991	176,284
(d)	Citibank Japan/NEXI variable rate, repayable 2020	29,824	36,618
(e)	Proparco variable rate, repayable 2020	26,530	33,076
(f)	OPEC Fund for International Development variable rate, repayable 2020	10,999	13,722
(g)	FirstCaribbean International Bank (FCIB) variable rate, repayable 2018	5,568	9,229
(h)	Peninsula Corporation 5.25% fixed rate, repayable 2017	9,000	9,000
(i)	Citibank/Overseas Private Investment Corporation variable rate, repayable 2017	7,500	21,219
(j)	Citibank/Overseas Private Investment Corporation variable rate, repayable 2020	27,227	3
(k)	FirstCaribbean International Bank (FCIB) \$30M variable rate, repayable 2020	29,719	29,579
(1)	Export Development Canada variable rate, repayable 2019	4,563	3,979
(m)	Espirito Santo Bank 6.5% fixed rate, repayable 2016		915
	Total long-term loans	344,204	354,217
	Less: Current portion	(59.622)	(<u>47,935</u>)
	Non-current portion	284,582	306,282

(Expressed in United States Dollars)

20. 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 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 \$0.13 million (2015: \$0.30 million).
- (c) 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 matured 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 \$3.2 million (2015: \$3.7 million)
 - (d) 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 L1BOR plus 1.7% per annum. The amount due is stated net of debt issuance costs of \$2.7 million (2015: \$4 million).
- (e) 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 \$0.36 million (2015: \$0.50 million).
- (f) 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 \$0.11 million (2015: \$0.16 million).
- (g) 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 \$0.06 million (2015: \$0.14 million).
- (h) 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%.



20. Long-term loans (continued)

- (i) This loan is unsecured and relates to a US\$30 million facility. The facility is repayable in eight quarterly instalments of S3.80 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 \$0.06 million (2015; \$0.40 million).
- (j) This loan is unsecured and relates to a US\$30 million facility. The facility is repayable in sixteen quarterly instalments of \$1.8 million and commenced in December 2016. The variable interest rate is based on LIBOR plus 4.5%. The amount due is stated net of debt issuance cost of \$0.58 million (2015: \$0.80 million).
- (k) This loan is unsecured is repayable in 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 \$0.28 million (2015: \$0.40 million)
- (1) This loan is unsecured and attracts interest at a rate of 6 month LIBOR plus 1.6%. The utilisation of the funds is restricted to capital expenditure on goods and services originating in Canada. The principal amounts were drawn on various dates with interest and principal repayable quarterly for each draw-down.
- (m) This was 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 was repayable semi-annually for each draw-down. This loan was repaid during the year.

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, 2016, the Company was in compliance with its debt covenants.

21. Shareholder's loan

The shareholder's loan, which was unsecured and due to EWP (Barbados) SRL1, a 40% shareholder in the Company, under terms similar to the Class 'G' preference shares described in Note 22 was repaid during the year.

December 31, 2016

(Expressed in United States Dollars)

22. Preference shares

This comprises cumulative preference shares as follows:

	Number	of shares		
	2016	2015	2016 \$'000	2015 \$'000
7% Class B shares	420,000	420,000	38	38
5% Class C shares	66,500	66,500	6	6
5% Class D shares	680,000	680,000	61	61
6% Class E shares	300,000	300,000	27	27
9.5% Class F shares	2,455,607	2,455,607	24,556	24,556
11% Class G shares	<u> </u>	299,954		3,000
	3,922,107	4,222,061	24,688	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.

Class F preference shares are listed on the Jamaica Stock Exchange and are nonredeemable, whilst the Class G preference shares were redeemable and were held by two of the Company's existing major ordinary stock holders. The Class G preference shares were redeemed in 2016. The significant terms and conditions of both these classes of preference shares are as follows:

- 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 United States dollar.

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

23. Deferred taxation

Deferred taxation relates to:

	Balance at December 31 2014 S1000	Recognised in profit or loss \$'000 [Note 28(a)]	Recognised in other comprehensive income \$1000	Balance at December 31 2015 \$1000	Recognised in profit or loss \$'000 [Note 28(a)]	Recognised in other comprehensive income \$1000	Balance at December 3! 2016 \$1000
		[stote Zu(a)]			friore ratell		
Employee benefits, no	t (4,683)	105	(2,082)	(6,660)	670	(2,234)	(8,224)
Unrealised foreign exchange gains	(2,042)	(445)	8	(2,487)	(200)	2	(2,687)
Property, plant &	700 004s	200		155 7625	7,908	2 9	(47,355)
equipment	(59,004)	3,741		(55,263)	1,500		(41,333)
Cumulative tax	22332	45 0000	12	2: 252	27 9/75	29	13,490
losses	27,447	(6,095)		21,352	(7,862)	***	C242500000000000000000000000000000000000
Accounts payable	6,537	1,144	7.5	7,681	(1,666)	50	6,015
Other	(4.538)	5.299		761	(61)		700
	(36,283)	3,749	(2.082)	(34,616)	(1,211)	(2,234)	(38,061)



24. 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).

	2016 \$'000	2015 S'000
Balance at the beginning of the year Released to profit or loss	615 (<u>482</u>)	1,488 (<u>873</u>)
Current portion included in other payables (Note 17)	133 (<u>133</u>)	615 (<u>370</u>)
Non-current	- (4	_245

25. Operating revenue

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

26. Expenses

(a)	Cost of sales

	2016 S'000	2015 \$'000
Fuel Purchased power (excluding fuel) (Note 4) Other	(306,389) (121,064) (<u>339</u>)	(367,291) (105,771) (<u>569</u>)
	(427,792)	(<u>473,631</u>)
Operating symmetry		

0011

2016

(b) Operating expenses

	2016 \$'000	\$'000
Depreciation and amortisation	(77,607) (67,529)	(57,949) (67,722)
Staff cost - Other employees' costs Staff cost - Key management	(1,856)	(1,768)
Director's fees and emoluments Repairs and maintenance	(37) (17,398)	(54) (15,656)
Selling expense (advertising and marketing) Audit fees	(902) (147)	(752) (149)
Bad debt expenses General expenses	(10,721) (44,140)	(13,729) (42,263)
NEPTONEY (1990) 1991 € 7 (1990) 1995	(220,337)	(200,042)

Notes to the Financial Statements (continued)

December 31, 2016

(Expressed in United States Dollars)

26. Expenses (continued)

(c) Net finance costs

Net finance costs		
	2016 \$'000	2015 \$'000
Foreign exchange losses, net	(<u>4,793</u>)	(4,925)
Other finance costs:		
Long-term loans	(30,532)	(30,359)
Customer deposits	(13)	(606)
Bank overdraft and other	(763)	(2,146)
Preference dividends	(2,671)	(2,653)
Debt issuance costs and expenses	(2,946)	(1,665)
Other debt expenses	(<u>921</u>)	(2,553)
	(37,846)	(39,982)
Finance income:		
Interest income	881	1,062
Interest capitalised during construction [Note 5(d)]	1.944	1,368
	2,825	_2,430
	(39,814)	(42,477)

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

27. Other income and expenses

(a) Other income comprises:

	<u>2016</u>	2015
	\$'000	\$'000
Rental income	261	367
Insurance Proceeds	500	#3
Project development fee income	2,500	F6
Miscellaneous proceeds from scrap sales		
and other settlements	3,157	2,082
Reduction in provision for sick leave buy back	3,958	
	10,376	2,449



Notes to the Financial Statements (continued)

December 31, 2016

(Expressed in United States Dollars)

27. Other income and expenses (continued)

662,00			
Chal	Othory	aumancan	aamanicat
(b)) Other	expenses	comprise:

Cities enpended comprises	2016 \$'000	2015 \$'000
Miscellaneous expenses	(304)	(417)
Restructuring costs	(834)	(3,497)
Inventory and house wiring cost write off	(811)	(5,563)
Provision for sick leave buy out	* 12.7	(3,958)
Loss on disposal of property, plant and equipment	(26)	(1,854)
	(1,975)	(15,289)

28. <u>Taxation</u>

(b)

(a) Taxation is computed at 33½% of the Company's results for the year, adjusted for tax purposes and comprises:

tax purposes and comprises:		
	2016 S'000	2015 S'000
Current tax expense:		
Current income tax expense	(7,730)	(6,735)
Adjustment for prior year under accrual	35	(1,336)
Deferred tax:		
Origination and reversal of temporary	7. 8.11	
differences (Note 23)	(1.211)	3.749
Taxation expense	(<u>8,941</u>)	(4,322)
Reconciliation of tax expense:		
	2016 \$'000	2015 \$'000
	.5000	3.000
Profit before taxation	32,992	30,829
Computed "expected" tax at 331/5%	10,997	10,276
Tax effect of differences between profit for		
financial statements and tax reporting purposes in respect of:		
Investment allowances	(3,809)	(4,353)
Loan fees disallowed	1,235	1,224
Other	518	(2,825)
Taxation expense	8,941	4,322

December 31, 2016

(Expressed in United States Dollars)

28. Taxation (continued)

(c) Tax losses:

At the reporting date, the Company had unused tax losses of approximately \$40 million (2015: \$64 million) being carried forward for offset against future taxable profits. The amount being carried forward is subject to the agreement of the Tax Authorities. 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.

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.

	<u>2016</u>	2015
	\$'000	\$'000
Profit for the year	24,051	26,507
Number of shares		01.000.107
(shown in thousands - Note 14)	<u>21,828.195</u>	21,828,195
Earnings per share/stock unit	0.11¢	0.12¢

30. Dividends

Dividends on cumulative preference shares accrued at December 31, 2016 amounted to S0.6 million (2015; \$1.3 million) [see note 17].

31. Commitments

(a) Capital;

At December 31, 2016, commitments for capital expenditure, for which no provision has been made in these financial statements, amounted to approximately \$2.6 million (2015; \$8.0 million).



Notes to the Financial Statements (continued) December 31, 2016

(Expressed in United States Dollars)

32. Commitments (continued)

(b) Lease:

In addition to its commitments under IPP contracts (Note 4), the Company had unexpired operating lease commitments at December 31, 2016, payable as follows:

	2016	2015
	\$.000	\$'000
Within 1 year	8,742	9,413
From 1-2 years	8,739	9,410
From 2-3 years	1,576	9,410
From 3-4 years	925	1,638
From 4-5 years	921	928
Over 5 years	6.326	6,468
	27,229	37,267

33. Contingent liabilities and asset

As at December 31 2016, 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.

On February 13, 2015, the OUR issued a directive for the Company to repay certain foreign exchange adjustment charges on fuel, amounting to \$7.6 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 appealed the directive on the basis that the charges represent legitimate business costs which it should be able to recover.

As at December 31, 2016, provisions of \$8.9 million (2015: \$13.4 million) which includes \$8.9 million (2015: \$9.4 million) pursuant to pending legal actions, were made in the financial statements (Note 17).

34. 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

34. Financial instruments (continued)

(a) Financial risk management (continued):

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.

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(1)].



34. Financial instruments (continued)

(a) Financial risk management (continued):

(i) Credit risk (continued):

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, 2016, 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 \$55 million (2015; \$42 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.

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, 2016, the Company had unutilised lines of credit aggregating \$60.4 million (2015; \$104.1 million).

34. Financial instruments (continued)

(a) Financial risk management (continued):

(iii) Liquidity risk (continued):

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.

		Co	ntractual i	indiscount	ed cash flo	ws	
	Carrying amount \$'000	Total cash outflow \$'000	Less than 1 year \$'000	1-2 years 10 years \$'000	3-5 <u>years</u> \$'000	6-10 years \$'000	More than 10 years \$'000
December 31, 2016							
Accounts payable* Long term loans Due to related parties Customer deposits	126,992 344,204 2,966 24,294	126,992 462,416 2,966 24,294	126,992 86,435 2,966	62,855	310,924	1,352 3,732	- 850 - 20,562
Total financial liabilities	498,456	616,668	216,393	62,855	310,924	5,084	21,412
December 31, 2015							
Accounts payable* Long term loans Due to related parties Customer deposits	98,348 354,217 1,624 25,054	98,348 503,234 1,624 25,054	98,348 79,558 1,624	96,842	150,312	174,705 	1,817 20,462
Total financial liabilities	479,243	628,260	179,530	96.842	150.312	179,297	22,279

^{*}Excludes provisions and deferred revenue.

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.

(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.



34. Financial instruments (continued)

(a) Financial risk management (continued):

(iii) Market risk (continued):

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, 2016, 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 20, and the details of customer deposits in Note 19.

Interest bearing financial assets relate to cash and cash equivalents.

At December 31, 2016, the interest profile of the Company's interest-bearing financial instruments was:

	Carrying amount		
	2016 \$'000	2015 \$'000	
- KONA-600 NAN-600	3000	2000	
Fixed rate instruments:			
Financial assets	34,848	31,157	
Financial liabilities	(213,753)	(218,119)	
Variable rate instruments:			
Financial liabilities	(170,007)	(178,620)	

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.

34. Financial instruments (continued)

- (a) Financial risk management (continued):
 - (iii) Market risk (continued):
 - Interest rate risk (continued):

Cash flow sensitivity analysis for variable rate instruments:

A change of 100/50 (2015: 100/50) 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			
	20	116	20	115
	100bp increase \$'000	50bp decrease \$'000	100bp increase \$'000	50bp decrease \$'000
Cash flow sensitivity (net)	(1,700)	<u>850</u>	(1,786)	893

· 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 (\mathfrak{E}).

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.



34. 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:

		201	6	
	J\$	E	£	US\$
	\$'000	\$'000	\$'000	equivalent \$'000
Cash and cash				
equivalents	741,114	(E	12	5,770
Trade and other	0.000 0.000 0.000			2023202
receivables	19,119,935	-	-	148,862
Other asset	11,431	19 (19 (19 (19 (19 (19 (19 (19 (19 (19 (89
Accounts payable	(5,463,157)	(4,029)	(161)	(46,568)
Long-term loans	5	(3,879)	44	(4,075)
Customer deposits	(_3.120.432)	3 -4-		(24,295)
	11,288,891	(7,908)	(161)	79,783
		20	15	
	JS	e	£	US\$ equivalent
	\$'000	\$'000	2,000	\$'000
Cash and cash				
equivalents	650,790	30	75	5,405
Trade and other				
receivables	14,287,767	949	-	122,134
Other asset	74,176		100	616
Accounts payable	(7,029,542)	(3,453)	(21)	(62,105
Long-term loans	The state of the s	(3,879)		(4,716
Customer deposits	(3.016,908)			(_25,054
	4,966,283	(7,332)	(21)	_36,280

Sensitivity analysis:

A 6% (2015: 8%) 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.

34. Financial instruments (continued)

(a) Financial risk management (continued):

(iii) Market risk (continued):

Foreign currency risk (continued):

Sensitivity analysis (continued):

	2016		2015		
	Equity \$'000	Profit/(loss) \$'000	Equity \$'000	Profit/(loss) \$'000	
J\$	(5,274)	(5,274)	(3,229)	(3,229)	
Euro (€)	498	498	713	713	
GBP (£)	(12)	(<u>12</u>)	()	(1)	
Totai	(4,788)	(4,788)	(2,517)	(2,517)	

A 1% (2015: 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.

	2016		20	15
	Equity \$'000	Profit S'000	Equity \$'000	Profit \$'000
JS	879	879	413	413
Euro (€)	(83)	(83)	(89)	(89)
GBP (£)	2	2	<u></u>	
Total	798	_798	324	<u>324</u>

(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 behavior.

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.



Year ended December 31, 2016 (Expressed in United States Dollars)

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.

	2016 \$'000	2015 \$'000
Current maturity of long term loans Long term loans Shareholder's loan	59,622 284,582	47,935 306,282 2,000
Total debt	344,204	356,217
Share capital Capital reserve	261,786 4,145	261,786 4,145
Capital redemption reserve Retained earnings	3,000 126,480	100,960
Preference shares Total equity	24,688 420,099	27,688 394,579
Capital and debt	764,303	750,796
Gearing ratio	45%	47%

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

(d) 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.

34. Financial instruments (continued)

(d) 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:

	2016		2015	
	Carrying amount \$'000	Fair <u>value</u> S'000	Carrying amount \$'000	Fair <u>value</u> \$'000
Financial liabilities:				
Preference shares	24,688	24,409	27,688	27,476
Long term loans	344,204	445,028	354,217	452,251



34. Financial instruments (continued)

(d) Fair value disclosure (continued):

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

	11645	2016	
	Level 1 \$'000	Level 2 \$'000	Total
Liabilities for which fair values are disclosed:			
Preference shares Long term loans	(24,409)	- (<u>445,028</u>)	(24,409) (<u>445.028</u>)
	(24,409)	(445,028)	(469,437)
		2015	
	Level 1 \$'000	Level 2 \$'000	Total
Liabilities for which fair values are disclosed:			
Preference shares	(27,476)	•	(27,476)
Long term loans	•	(452,251)	(<u>452,251</u>)
	(27,476)	(452,251)	(479,727)

35. Subsequent event

During 2016, the Company modified the useful lives of certain fixed and intangible assets to bring them in line with the Amended Electricity Licence issued on January 27, 2016 by Ministry of Science, Technology, Energy and Mining. In accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, the impact of the change to the useful lives have been applied during the period of change and over future periods. This has resulted in an immediate increase in depreciation and amortisation charges of approximately \$13.4 million during the period 2016. Subsequent to the year end, on February 1, 2017, the Office of Utilities Regulation issued a Determination Notice which stated that the adjustments to the depreciable lives of the assets, would qualify as an exceptional circumstance and therefore would be recoverable through the Z-factor mechanism included in the Licence. The Determination further stated that the recovery of the \$13.4 million would take place over a one year period beginning July 2017. Had recognition been permitted in the financial statements net profit after tax for the year would have increased by \$8.9 million to \$33 million.



NOTICE IS HEREBY GIVEN that the Annual General Meeting of Jamaica Public Service Company Limited will be held on **Friday**, **28th day of July**, **2017** 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, 2016 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, 2016 together with the Reports of the Directors and Auditors thereon be approved and adopted.

2. TO ELECT DIRECTORS

i. In accordance with Articles 86 and 123 of the Company's Articles of Incorporation, Directors Ha Kyoung Song, Masao Imazato, Suzette Buchanan, Colin Williams and Mo Majeed, having been appointed to the Board since the last Annual General Meeting shall cease to hold office and being eligible, offer themselves for election.

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

- a. "That Director Ha Kyoung Song (EWP, Barbados, 1, Srl) is hereby elected a Director of the Company"
- b. "That Masao Imazato (MaruEnergy JPSCO 1, Srl) is hereby elected a Director of the Company"
- c. "That Director Suzette Buchanan (Government of Jamaica) is hereby elected a Director of the Company".
- d. "That Director Colin Williams (Government of Jamaica) is hereby elected as a Director of the Company".
- e. "That Director Mo Majeed (MaruEnergy JPSCO 1, Srl) is hereby elected as an Alternate Director.
- ii. That Mr. Seiji Kawamura 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 28TH DAY OF APRIL 2017

BY ORDER OF THE BOARD

Katherine P.C. Francis

Secretary



			of	
eing a member/members of				g or failing l
s my/our Proxy to vote for ments the 28th day of July, 2017 a	•		_	npany to be
RESOLUTION		FOR	AGAINST	
Resolution 1				
Resolution 2(i)(a)				
Resolution 2(i)(b)				
Resolution 2(i)(c)				
Resolution 2(i)(d)				
Resolution 2(i)(e)				
Resolution 2(ii)				
Resolution 3				
Resolution 4				
(Any Other Business)				
ATED THE	DAY OF		2017	
ignature)			(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.



Cover Photo "Twin Ships" by Antoine Chung, finalist in the #JPS Night Lights Competition

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