YOUR ENERGY PARTNER

Annual Report 2014

JPS

www.jpsco.com

VISION

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

MISSION

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

CORPORATE PROFILE

Jamaica Public Service Company Limited (JPS) is an integrated electric utility company and the sole distributor of electricity in Jamaica. The Company is engaged in the generation, transmission and distribution of electricity, and also purchases power from five Independent Power Producers.

In April 2011, Marubeni Corporation entered into a Purchase and Sale Agreement with Korea East-West Power (EWP), for joint ownership of majority shares (80%) in the Jamaica Public Service Company Ltd (JPS). The Government of Jamaica holds 19.9% of the Company's shares and a small group of minority shareholders own the remaining shares.

JPS currently has approximately 606,654 customers who are served by a workforce of approximately 1,704 employees.

The Company owns and operates: 4 power stations, 9 hydroelectric plants, 43 substations and approximately 14,000 kilometres of distribution and transmission lines.

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

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

CONTENTS

STATEMENT TO SHAREHOLDERS

JPS' performance results for 2014 reveal encouraging signs of improvement across the Company's operations, and represent a turning point for the organization. These results come after two years of building a foundation encompassing every part of the organization.

In 2012, the Company did an objective analysis of its operations and its role as a partner integral to Jamaica's development. This review resulted in the development of a new strategic plan, new vision and mission statements, and a reconstituted leadership team.

In 2013, JPS undertook the implementation of the new strategic plan which was designed to further the objectives of Jamaica's National Energy Policy while allowing the Company to deliver on its vision to provide an energy solution for every Jamaican. To this end, the Company established a number of significant partnerships, rolled out new technology to support the core business, and introduced innovative customer solutions.

These efforts began to bear fruit in 2014, with better than expected financial performance, and tangible improvements in some key areas of the Company's operations. Additionally, there were a number of developments during the year that set the stage for future success. In mid-2014, the Government established the Electricity Sector Enterprise Team (ESET) which now has responsibility for overseeing the procurement process for new generation. ESET has since indicated that JPS is the primary candidate for the award of a modified 190 MW project to replace generation due for retirement. The Government also approved a licence amendment to give JPS the Right of First Refusal (ROFR) to replace its own generating units. This was a milestone achievement, which has restored significant shareholder value to the Company.

Improved Financial Performance

JPS made a net profit of US$23M in 2014, a significant improvement over the net profit of US$9M recorded in the previous year. This was achieved through prudent management of expenses, and despite a number of challenges outside the Company's control. JPS ended the year with actual Operating & Maintenance (O&M) expenditure US$10M less than budget, contributing to the overall positive year-end results.

The external challenges were not as manageable. The difficult economic environment in which JPS operates contributed to a 1% decline in sales, continuing the trend seen in recent years. System Losses increased by just over 1%, ending the year at 26.65%. Electricity theft resulted in a net penalty of US$18.4M to JPS on the cost of fuel used in electricity generation.

The impact of system losses was, however, partly off-set by the positive Heat Rate performance recorded during the year. In 2014, the Company achieved the best plant efficiency in recent years, ending the year with a System Heat Rate performance of 9,625 kJ/kWh, which was 259 kJ/kWh better than the previous year, and 22 kJ/kWh better than projected.

Tariff Review

JPS dedicated much time and attention to the scheduled five-year Tariff Review during 2014. In its application, the Company requested that the regulators, the Office of Utilities Regulation (OUR), approve changes to the tariff to allow the recovery of costs legitimately incurred by the business and to provide rates structures to support the National Energy Policy. JPS' application anticipated a new tariff structure that would allow the Company to continue to invest in order to strengthen the grid for new generation, to support growth initiatives and to ultimately bring down energy costs.

Unfortunately, the Determination which was received in January 2015 - an unprecedented nine months after submission - was disappointing. The OUR did not approve critical proposals made by the Company and, instead, mandated an overall rate reduction. JPS has appealed the Determination, on the basis that the Company should be treated like other investors in the energy market, and should be allowed to recover legitimate costs incurred in the operation of the business. In addition, JPS has underscored that the utility is a critical component of Jamaica's economic development and requires a balanced regulatory framework. The appeal process is expected to begin in September 2015.

Investment in System Upgrades

Despite the challenges to its financial

performance and the negative impact of the delays in the Tariff Review, JPS continued its capital investment programme throughout 2014. The Company invested over US$67M in Capital Expenditure during the year – primarily to improve the Generation and Transmission & Distribution (T&D) infrastructure. More than US$21M was spent on power plant upgrades and maintenance – resulting in greater operating efficiency. Approximately US$22.6M was invested in substation improvements, distribution automation and an ongoing structural integrity programme targeting the T&D network.

Fighting Electricity Theft

In 2014 JPS took bold and somewhat controversial action against electricity theft, resulting in increased public pressure on the country's leaders to play a more active role in addressing the problem. The Company began curtailing the hours of service to 'red zone' communities where more than 70% of the electricity provided was being stolen. The strategy was short-lived, as the Regulators issued a Cease & Desist Order against the Company.

However, in response, the Prime Minister of Jamaica established a committee to deal specifically with the problem of non-technical losses in the targeted communities. The result was the formalisation of a partnership between JPS and the Jamaica Social Investment Fund (JSIF) – a Government agency – for a community renewal programme to be implemented in seven urban communities.

At the same time, JPS continued implementation of a number of other anti-theft initiatives, including strike force operations, and greater use of technology. The Company expanded the Residential Advanced Meter Infrastructure (RAMI) to yellow zones – that is, communities where illegal abstraction is done using relatively sophisticated methods. In addition, Commercial Advanced Meter Infrastructure (CAMI) was introduced to a number of businesses. Together, these were successful in revenue recovery, and in curtailing the growth of theft among the targeted groups.

Strengthening the Technology Infrastructure

JPS continued its focus on putting in place the necessary technology framework to support the goal of automating and improving business processes. Most significantly, in 2014, a new Customer Service Suite was introduced, which featured a new Customer Information System that replaced a system that was more than 10 years old. Despite the expected challenges during the transition, customers have started to enjoy the features of the new system, and JPS is now operating more in line with international standards.

Reducing the Cost of Electricity

JPS customers benefitted from an average 18% reduction in their electricity bills in late 2014 as a result of the dramatic drop in the price of oil on the world market. Customers also gained from the improved efficiency on JPS' generating units which were able to use less oil to generate each megawatt of electricity. The combination of lower fuel cost and improved efficiency resulted in average cost of electricity moving from US36 cents/ kWh in 2013, down to an average of US34 cents /kWh in 2014.

JPS has also sustained its deliberate strategy to achieve greater fuel diversification in its generation mix. In addition to officially commissioning a new 7.2 MW hydroelectric plant in 2014, the Company signed Power Purchase Agreements (PPAs) with three Independent Power Producers (IPPs) to bring 78MW of wind and solar power to the grid. In the meantime, JPS took tangible steps to convert its 120 MW Bogue plant to gas by 2016, and continues discussion with the Government regarding the construction of new generation.

Looking Ahead

No doubt, the uncertainty of the regulatory environment has impacted investor confidence and may even have raised questions about the viability of JPS. However, we are confident that JPS' improved operational performance, a renewed and engaged workface, strong leadership, and creative customer solutions, combined with developments in the wider energy sector during the year, have set the stage for a sound future for the Company. We remain committed to building on the achievements of 2014, while ensuring that JPS continues to be the energy partner of choice in the years ahead.

Mr Jin Won Kim
Chairman

Ms Kelly Tomblin
President & CEO

JPS

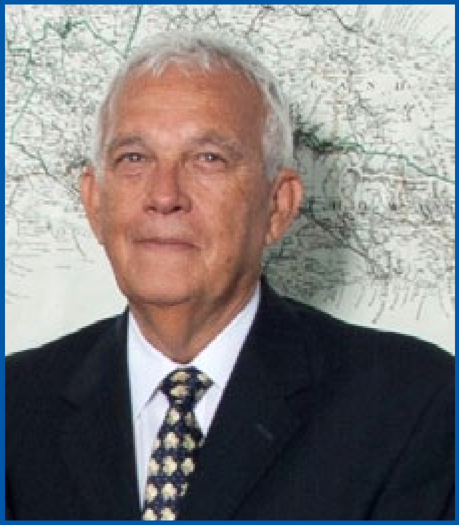
BOARD OF DIRECTORS

Jin Won Kim
Chairman

Tatsuya Ozono

Seiji Kawamura

Geun Tae Kim



Honourable
Charles Johnston, C.D.

Professor
Gordon Shirley

Cathrine Kennedy
(Resigned April 1, 2015)

Fitzroy Vidal

Dong Uk Kim
(Alternate Director)

Professor Evan Windsor Duggan

Masao Imazato
(Alternate Director)
(Resigned April 1, 2015)

Kengo Aoki
(Alternate Director)

SENIOR LEADERSHIP

Kelly Tomblin
President and
Chief Executive Officer

Katherine Francis
General Counsel and
Corporate Secretary

Sheree Martin
Senior Vice President,
Customer and Corporate Services

Gary Barrow
Senior Vice President,
Energy Delivery

John Kistle
Senior Vice President,
Generation

Dan Theoc
Chief Financial Officer

Leisa Batiste-Whyte
Head Internal Audit

Garth McKenzie
Director, Customer Solutions

Keith Smith
Former Vice President,
Technology & Innovation

MANAGEMENT DISCUSSION AND ANALYSIS 2014

Results of Operations

(Expressed in United States Dollars)

The Company earned operating revenues of $1,023 million for the year which represents a decline of 7% or $76 million relative to 2013 due primarily to the 2% decrease in energy sales (3,013 GWh in 2014 as opposed to 3,070 GWh in 2013) as well as a 5% decrease in the fuel costs recovered from customers. These fuel costs are passed through to customers to the extent that the Company meets the regulatory performance targets for heat rate and system losses.

Cost of sales ($750 million) declined by 10% or $83 million compared to 2013 due primarily to the reduction in the cost of fuel and the continued improvement in operational efficiency as measured by heat rate. Actual production (net generation) for 2014 was 4,107 GWh as opposed to 4,142 GWh in 2013. This represents a marginal decrease of 0.8%, despite the 6% reduction in energy sales, which was mainly as a result of an increase in system losses suffered during the year, 26.6% of net generation as opposed to 25.9% for 2013.

This has resulted in an improvement in Gross Profit by 2.5% with 2014 being $273 million as compared to $266 million in 2013.

The Company continued its drive to improve its operational efficiencies which resulted in savings of approximately $6 million over the prior year, driving operating expenses (excluding depreciation and amortization expenses) down from $143 million in 2013 to $137 million in 2014. These efficiencies have resulted in an improvement in earnings before interest, tax, depreciation and amortization of 10.5% to $136 million. The savings were partially offset by an increase in depreciation and amortization expenses of $5 million resulting in total operating expenses being $191 million in 2014 as compared to $192 million in 2013.

Net finance costs decreased by $7 million from $62 million in 2013 to $55 million in 2014 mainly as a result of a reduction in net foreign currency losses. This reduction is due to a decline in rate of devaluation of the Jamaican dollar against its United States counterpart. The Company is primarily exposed to foreign currency risk on the settlement of its Jamaican dollar receivables.

Other income increased by $3 million to $7 million mainly as a result of the sale of data gathered from the study of wind patterns in certain locations in Jamaica. These gains however were offset by a $7 million increase in other expenses from $4 million in 2013 to $11 million in 2014. This is mainly as a result of a provision for foreign exchange adjustment charges on fuel which the Office of Utilities Regulation has directed the Company to repay to its customers.

The Company was able to benefit from net taxation income of $0.8 million in the current year as opposed to tax expense of $3 million in the prior year. This is mainly as a result of certain investment allowances and other tax related adjustments which were made during the year.

This has resulted in the Company achieving a net profit after tax of $23 million for 2014, representing a $14 million increase over the prior year. These profits result in a return on equity of approximately 7.0% for 2014 which is an improvement over the 2.8% earned in 2013, but is still below the rate of return expected by the shareholders, given the level of capital investment over the past few years. Whereas the profit earned for the year was as a direct result of the reduction in the cost of fuel and the company's efforts to obtain greater efficiencies in all areas of operation, JPS continues to suffer from a high proportion of system losses and the resulting penalties which arise through existing regulatory and tariff deficiencies related to these losses.

Liquidity

The Company benefitted from a slight improvement on its liquidity position over the prior year which has resulted in a holding of $8 million in its net cash and cash equivalents at the end of the year as opposed to $2 million in 2013.

Cash inflows from operating activities decreased from $135 million in 2013 to $106 million in 2014. 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. This reduction in the inflows from operating activities were offset by reductions in the cash outflows from investing and financing activities. Cash outflows from financing activities reduced from $92 million in 2013 to $64 million in 2014 mainly as a result of reductions in the level of acquisitions of property, plant and equipment as compared to the previous year. Cash outflows from financing activities reduced from $67 million in 2013 to $36 million in 2014, due to the Company focusing on servicing its existing debt obligations and replacing any matured debt in 2014 with other long term loans as opposed to the prior year where the Company actively sought to reduce its overall debt exposure.

These cash flows resulted in an overall improvement in the cash position of $6 million over the year ended 31 December 2014.

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 2014 and 2013 being $67 million and $69 million respectively, compared to net income of $23 million and $9 million respectively. In the past five years, the Company has made capital investments of over $330 million to further its infrastructural development and improvement in operational efficiency.

The Company's capital structure continues to be robust with total capitalisation, as measured by Debt and Equity, totaling $734 million as at December 31, 2014 representing a 2% increase over the $722 million in the prior year. The Company's gearing ratio remains stable at 51% in 2014 and continues to be in line with the 50:50 gearing ratio recommended by the regulator. Interest cover, continues to show improvement year on year, being 3.67 times for 2014 and 3.17 times for 2013.

Risk management Overview

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

The Board of Directors, in managing the business of the Company, oversees the Company's risk management framework. Key management has responsibility for monitoring the Company'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 Jamaica dollar (J$) and Euro (€).

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

Operational risk:

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

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

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

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

PERFORMANCE HIGHLIGHTS

OVERVIEW

JPS recorded a positive turnaround in its operations in 2014, emerging a stronger, healthier company, having overcome significant challenges that had threatened its viability in recent years.

Efforts undertaken two years earlier in a comprehensive inventory to reevaluate its core values, its role as Jamaica's energy partner, and its overall business strategy, began to bear fruit. In 2014 the Company made significant progress towards achieving the long-term goals set in 2012 and which we started implementing in 2013.

The plan, which touched every area of the business, included a programme to rebuild trust among all our stakeholders; a new Vision and Mission; a new reconstituted leadership team; improved maintenance and operating practices; a technology foundation plan; and enhanced communications, internal and external practices, and protocols.

There were several key developments in 2014, including JPS' application for our five-year Rate Review; Licence changes that gave JPS First Right of Refusal to replace our own generating units; stronger relationships with stakeholders; bolder action toward losses and receivables; and the implementation of strong structural integrity and distribution automation programmes.

Significantly, JPS achieved much improved financial performance, making 2014 the most profitable year since 2011. The Company also developed a strong, five-year plan designed to further the National Energy Objectives, as outlined by the Government of Jamaica.

STRONGER FINANCIAL PERFORMANCE

JPS made a profit of US$23 million in 2014. This represents a Return on Equity (ROE) of 7%, and a profit margin of a little over 2%, based on the Company's revenues for the year.

The Company has had an average ROE of 5% over the last five years, while it made average capital investment of US$66 million each year to deliver service to customers. The main challenges to JPS' financial performance have been the fuel penalty associated with electricity theft, which amounted to US$121 million in the last five years, and foreign exchange losses, which totalled US$45 million for the same period. These two areas will come in for continued focus, as they impact the organisation's ability to make the investments needed to deliver high quality service to customers.

MORE EFFICIENT GENERATION

In 2014, the Generation Group achieved the best plant efficiency in recent years, with a Heat Rate of 9,625 kilojoules per kilowatt-hour (kj/kWh), which was 22 kJ/kWh lower than projected. This achievement - on mostly oil-fired units that have been in operation for more than 40 years- was due largely to investment of over US$21 million in plant upgrades and maintenance over the period.

The overall efficiency of the generating fleet was further enhanced by the addition of the

Members of the media are guided on a tour of the Rockfort Power Plant in East Kingston, as Unit 2 of that facility undergoes major overhauling to improve efficiency.

Minister of Energy, Hon, Phillip Paulwell, cuts the ribbon at the ceremony for the Official Commissioning of the New Maggotty Hydroelectric Power Plant in St. Elizabeth. Sharing in the moment are Member of Parliament for North West St. Elizabeth, J.C. Hutchinson, immediate past JPS Chairman, Hisatsugu Hirai, President &CEO, Kelly Tomblin, and Chairman, Jin Won Kim.

Maggotty Hydroelectric Power Plant in January 2014. The hydro plant, designed to deliver a maximum capacity of 7.2 MW of electricity to the grid, is the largest hydroelectric development to take place in Jamaica since independence.

Power Purchase Agreements for More Renewables

On September 18, three entities signed 20-year Power Purchase Agreements (PPAs) with JPS to sell 78 MW of renewable energy to the national grid. The organisations are BMR Jamaica Wind Ltd., Wigton Wind Farm and WRB Enterprises/ Content Solar Ltd.

BMR Jamaica Wind will be building a 34 MW wind project close to the JPS Munro Wind Farm in St. Elizabeth, at a cost of US$90 million. Wigton Wind Farm will be investing US$46 million to erect its third wind facility in Southern Manchester, which will generate 24 MW of energy. WRB Enterprises, through Content Solar Ltd., will be investing US$60 million to build a solar plant in Content Village, Clarendon, to deliver 20 MW of solar power to the national grid.

Fuel Diversification

JPS also took significant steps towards the introduction of gas, as part of the national push for more fuel diversification. Notable progress was made towards the implementation of its plan to convert the Bogue combined-cycle plant to use gas.

The introduction of gas is part of the national drive for fuel diversity, and will help to reduce the country's dependence on oil as the main fuel for electricity generation. The conversion to gas will also save the country millions of dollars each year in foreign exchange currently spent on importing oil.

IMPROVING ENERGY DELIVERY

The Company continued implementation of a structured programme to improve reliability, through a combination of projects and initiatives, including: Distribution Automation, Substation Reliability Improvement, and Structural Integrity.

Work was also done on a number of key capital projects during the year to improve service reliability. Under the Company's structural integrity programme, several main distribution lines were relocated. These included: sections of Bogue 210; the main trunk of Orange Bay 310; and 2.5km line along the Port Royal Road. Over 4,700 defective poles were replaced, and more than 6,000 km of lines benefitted from the implementation of a vegetation management programme. In addition, approximately 63% of the substation defects identified were addressed.

PERFORMANCE HIGHLIGHTS CONT'D.

LED Streetlights Replacement Project

Also in 2014, the Company installed 200 LED streetlights with smart technology at a cost of US$195,000 on the Palisadoes Road in Kingston. This was the result of a Memorandum of Understanding (MOU) between JPS and the Caribbean Maritime Institute (CMI), for a partnership that provided opportunities for the development of engineering students.

(l-r) Executive Director, Caribbean Maritime Institute (CMI), Dr. Fritz Pinnock; President & CEO, JPS, Kelly Tomblin; Minister of Energy, Hon. Phillip Paulwell; and JPS Director, Transmission & Distribution Asset Management, Steve Dixon, listen attentively to CMI Student, Carey Grant, as he explains how his classmates convert High Pressure Sodium streetlights to Light Emitting Diode (LED) streetlights.

MANAGING SYSTEM LOSSES

Non-technical losses continued to be a challenge for JPS, with approximately 17% of the electricity produced being lost to theft. The Company continued to explore and introduce innovative solutions, and formed several partnerships during 2014 to deal with this challenge.

A combination of initiatives were implemented during the period, including:

- Partnership with Government through the Jamaica Social Investment Fund (JSIF) for a Community Renewal Programme in seven communities within the Corporate Area. This programme is intended to address some of the socio-economic contributors to theft, with a focus on behavior modification.
- Partnership with the Security Forces resulted in the arrest of 946 persons for illegal abstraction of electricity during the year.
- A partnership with Crime Stop Jamaica to facilitate the anonymous reporting of theft by businesses, provided a platform for aggressive and continuous all-media advertising and public sensitization throughout the year. Some of the police arrests during the year was as a result of anonymous tips to the Crime Stop hotline.
- Targeting of yellow zones with total meters and Residential Advanced Metering Infrastructure (RAMI): A total of 7,098 installations were completed at a cost of US$3.6 million, with an annual recovery/increase in sales of approximately 15.33 GWh.
- Targeting of small and medium commercial customers with Commercial Advanced Metering Infrastructure (CAMI): A total of 1,532 small commercial customers were transferred to newly installed CAMI meters at a cost of US$1.5 million with an annual recovery/increased sales of 3.68 GWh.
- Continued strike force operations resulting in the removal of 186,961 throw-ups, and 1,218 customers regularised.
- Commencement of Meter Reading in two inner-city communities, Canterbury and William Street in Montego Bay, the first time in eight years.
- 'Total Meter' Project: A total of 1,256 'total' meters were installed at some transformer locations at a cost of US$1 million. The total meter project involves the installation of what are described as 'total' meters at select pole mounted transformer

locations island-wide. They are aggregate meters that are used to measure the total energy delivered and determine energy loss sources at a transformer level. The average energy loss measured in the installed areas was 7.3 MWh monthly.

As a result of these initiatives, JPS was able to slow the growth in non-technical losses.

Senior Vice President, Customer and Corporate Services, Sheree Martin, guides the signing of the Memorandum of Understanding (MOU) between JPS and Crime Stop. Other participants include: (seated l-r): Senior Vice President, Energy Delivery, Gary Barrow; Chairman of Crime Stop, Peter John Thwaites; and Manager of Crime Stop, Prudence Gentles.

IMPROVING CUSTOMER SERVICE THROUGH TECHNOLOGY & INNOVATION

In August, the Company implemented a new Customer Information Suite as part of a deliberate effort to lay the technology foundation necessary to bring the Company's operations in line with international best practices. With the new Customer Suite (CS4.3), customers have been benefitting from automatic account updates after bill payments, quicker resolution of issues, fewer estimated bills, and individual customer ratings.

The new system is also facilitating greater compliance with the service standards agreed with the Office of Utilities Regulation (OUR). Additionally, as part of the CS4.3 roll-out, bill printing and distribution was outsourced to vendor XSOMO, which has resulted in reduced operating costs for JPS. Tools used by employees were upgraded, as Linemen have been equipped with Tablets, and meter readers provided with new handheld equipment. This was part of ensuring near real-time updates of meter reading information, and quicker responses to customer issues in the field.

Customer Solutions

As part of continuing efforts to deliver on its Mission to provide an energy solution for every Jamaican, JPS started the implementation of a number of customer service initiatives. These included an expansion of the Prepaid Meter Pilot, with groundwork put in place for full deployment in 2015. The eBill Campaign was implemented to get more customers to sign up to get their bills by email. As a result, approximately 20% more customers were receiving bills by email only by the end of 2014. The eStore was rolled out to additional locations, as part of our strategy to help customers manage their energy usage, and the eStore PAY-ON-BILL implementation was completed by the Technology team, and a pilot started with select customers. This new facility allowed customers to procure energy-saving devices from the Company, and make payments for these items over time on their electricity bills.

UTech Solar Project

In an effort to assist the University of Technology (UTech) reduce its energy bill, and in furtherance of our objective to provide an energy solution for every Jamaican, JPS partnered with the institution, for the construction and commissioning of the 100 KV JPS/UTech Solar Project. This collaboration not only serves as an energy saving opportunity for the University, but

Minister of State in the Ministry of Energy, Hon. Julian Robinson (centre), and a delighted JPS President & CEO, Kelly Tomblin, admire the newly unveiled sign at one of the main sites of the JPS/UTech Solar Project. Also sharing in the moment are: (l-r) Ambassador, Hon. Burchell Whiteman; UTech Associate Vice President, Dr. Ruth Potopsingh; JPS Head of Projects Management & Engineering, David Cooke; Project Engineer, Ian Buchanan; and Senior Vice President, John Kistle.

also as a learning opportunity for the engineering students at the facility.

BUILDING PARTNERSHIPS & PUBLIC PERCEPTION

Despite the challenges faced during the year, JPS achieved significant positive media exposure in 2014 - in print, electronic as well as online media. This was due primarily to the deliberate and targeted dissemination of information for public education, which led to a greater stakeholder understanding of issues impacting the Company.

A number of initiatives introduced during the year helped to improve public perception of JPS. Of note, was BannaBags, an initiative to turn old vinyl banners into school bags for children. BannaBags received positive support from corporate Jamaica and earned JPS significant public endorsement. Of all our outreach initiatives, it garnered the most positive feedback and engagement from the public during the year.

In 2014, JPS deepened critical partnerships, and continued to make a difference through its corporate philanthropy initiatives, which included:

- Nutrition Support Programme: providing meals for over 26,000 in Early Childhood institutions, through partnerships with the Ministry of Education and the Early Childhood Commission.
- Model Schools: Through a partnership with shareholders, Marubeni, investments were made in early childhood institutions to help them meet the standards set by the Early Childhood Commission.
- Scholarships: Through a partnership between the JPS Foundation and EWP, four post-graduate scholarships were awarded to bright young Jamaicans to study in Korea in 2014.

Significant steps were taken to expand the JPS Foundation's reach in Energy Education, to include the implementation of a two-week Summer Energy Camp, the establishment of Energy Clubs in schools and a partnership with the Junior Achievement BizTown project to teach young students about the business of electricity.

The work of the JPS employee volunteer group, Volunteers On Location to Serve (VOLTS), was recognized by the Council of Voluntary Social Services, which presented JPS with the Private Sector Award for Outstanding Volunteerism. JPS was also recognized by the Ministry of Education for its contribution to Education in Jamaica.

STRENGTHENING HUMAN RESOURCES

Throughout 2014, JPS focused on strengthening its leadership, and creating stronger synergies across operational areas. The Human Resource Services arm of the business was reorganised to better support the operations. The HR team led the Company's renewed focus on the development of a more performance-driven culture, through investments in employee training and development, performance management and leadership development.

As part of this thrust, several organisational changes were implemented, as the Company realigned some areas to better meet the corporate objectives. Also in 2014, a record number of employees and other stakeholders – including Third Party Contractors participated in training programmes. Emphasis was placed on technical training, such as the Lineman Certification Programme, which continues to be in high demand locally and regionally.

GREATER COMPLIANCE & RISK MANAGEMENT

JPS also increased its focus on Compliance through strong risk management, and began laying the foundations for the establishment of a clearly defined and formalised risk management framework. In this regard, the Legal & Compliance team led the establishment of the Company's Risk Council and Corporate Governance Guidelines.

Environmental Management

As part of our continued efforts to meet and surpass environmental standards, the Environment Management team supported the core operation through ongoing monitoring, and by ensuring that required permits were in place. This included the renewal of Air Quality Licence and Vegetation Management Permits. In addition, lease agreements were renewed for a number of our Ambient Monitoring Stations.

LOOKING AHEAD

JPS dedicated much time and attention in 2014 to the Rate Case, through which it requested that its Regulators, the Office of Utilities Regulation, make changes to allow the Company to recover costs legitimately incurred by the business to ensure continued viability. The Rate Determination that was subsequently received in January 2015 was disappointing, and is the subject of an Appeal.

While the Company hopes for a positive outcome to the Appeal, it celebrates the fact that JPS is a stronger healthier company today as a result of the hard work and commitment of its employees. By building on the groundwork that has been established the Company is poised to deliver on our 2015 Goal of Lowering Energy Bills.

DIRECTORS' REPORT

The Directors of the Jamaica Public Service Company Limited submit herewith their Annual Report with the Audited Financial Statements for the year ended December 31, 2014:

	YEAR ENDED December 31, 2014 (Twelve months) US$'000	YEAR ENDED December 31, 2013 (Twelve months) US$'000
OPERATING REVENUES		
Profit/(Loss) before Taxation	22,158	12,242
Taxation credit/(expense)	847	(3,054)
Net Profit/(Loss) attributable to shareholders	23,005	9,188
Dividends on Preference Shares:		
- Classes B through E	2	2
- Class F	2,718	0
Dividends on Ordinary Shares	0	0

Dividends:

For the year 2014, the dividends on all preference shares for Classes B–E have been paid in full/and dividends for the Class F Preference Shares have been paid up to the third (3rd) quarter of 2014. No dividends were declared or paid on the Class G Preference Shares or on the Ordinary Shares/Stocks of the Company for the year 2014.

Auditors:

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

Directors:

Mr. Hisatsugu Hirai resigned from the Board during the year under review. The Board wishes to express its sincere appreciation to Mr. Hisatsugu Hirai for his contribution to the Company.

In accordance with Articles 86 and 119 of the Company's Articles of Incorporation, Professors Gordon Shirley and Evan Windsor Duggan, and Mr. Fitzroy Vidal, will retire and being eligible, offer themselves for re-election.

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

CORPORATE DATA

Registrar

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

Registered Office

6 Knutsford Boulevard
Kingston
Jamaica WI

Auditors

KPMG
6 Duke Street
Kingston
Jamaica WI

Attorneys-at-Law

Livingston Alexander & Levy
72 Harbour Street
Kingston

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

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

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

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

Bankers

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

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

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

Citibank, N.A.
63 Knutsford Boulevard
Kingston 5

TEN LARGEST SHAREHOLDINGS

As at December 31, 2014

JPS Preference B Shares (7%)		
Rank	**Name of Shareholder**	**No. of Units**
1	Philip Harvey-Lewis	130,666
2	Security Brokers Limited	81,005
3	MF&G Trust and Finance Ltd-A/C 57	41,000
4	Everard Smith/Alain Smith	38,285
5	Jamaica Mutual Life Assurance Company	16,567
6	Crown Life Insurance Company	10,000
7	John Headcock	7,410
8	National Utility Fund	5,600
9	Kimberly Burrowes	5,597
10	Estate George H Scott	5,000

JPS Preference C Shares (5%)		
Rank	**Name of Shareholder**	**No. of Units**
1	Security Brokers Limited	6,917
2	Philip Harvey-Lewis	6,728
3	Renata Headcock	4,460
4	Everard Smith	4,421
5	Jamaica Mutual Life Assurance Company	3,610
6	Herma Sassoon (Deceased)	1,900
7	MF&G Trust & Finance Ltd- A/C 57	1,835
8	Uraine Ferro	1,800
9	Prudential Stockbrokers Ltd	1,628
10	Buck Security Brokers Ltd	1,566

JPS Preference D Shares (5%)

Rank	Name of Shareholder	No. of Units
1	Philip Harvey-Lewis	82,817
2	Everard Smith	80,798
3	MF&G Finance Ltd- A/C 57	71,921
4	Security Brokers Ltd/Alain Smith	64,470
5	Jamaica Mutual Life Assurance Society 1059385	52,795
6	Crown Life Insurance Company Ltd	20,000
7	Grethel Forrester Benjamin	20,000
8	Prudential Stock Brokers Ltd	18,185
9	Ronald W. Kuper	13,600
10	Jamaica Mutual Life Assurance Society	9,605
11	Unranie Ferro	9,202

JPS Preference E Shares (6%)

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

TEN LARGEST SHAREHOLDINGS CONT'D.

As at December 31, 2014

JPS Preference F Shares (9.5%)		
Rank	**Name of Shareholder**	**No. of Units**
1	National Insurance Fund	350,000
2	Continental Petroleum Corporation	291,662
3	JPS Employees Superannuation Fund	284,832
4	Grace Kennedy Limited Pension Fund	250,000
5	West Indies Trust Company Limited A/C WT 115	150,000
6	ATL Group Pension Fund Trustee Nominee Limited	100,000
7	Sagicor Life Jamaica Limited	98,643
8	SJIML A/C 3119	98,914
9	LOJ PIF Foreign Currency Fund	78,914
10	Trustee Contributory Pension Scheme – VMBS	69,050

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

JPS Ordinary Stocks

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

JPS Ordinary Shares

Rank	Name of Shareholder	No. of Units
1	EWP (Barbados) 1 SRL	8,575,911,306
2	Maruenergy JPSCO 1, SRL	8,575,911,306
3	Accountant General	2,386,573,897
4	Accountant General	1,974,065,546

CORPORATE GOVERNANCE

For the Jamaica Public Service Company Limited (JPS), corporate governance and compliance are key tenets of its overall risk management programme. Risk management is the foundation for the success of its strategic objectives and therefore the key tenet by which JPS will continue to grow as a true first class corporate brand fulfilling its Vision and Mission. JPS has established corporate governance principles which guide management decisions as well as a core system of processes and procedures by which all employee decisions and actions must be carried out. The Board has responsibility along with the President and her Senior Leadership Team for managing the Company's day to day operations, with material issues going before the Board for consideration and decision. Management is responsible for the execution of an agreed upon strategy and for all operational matters. Management is also supported in its work by Committees of the Board.

The Directors of the JPS Board understand their legal and corporate governance responsibilities. They undertake these with honesty, probity and integrity and work together with Management who seek to set the "tone at the top" for employees to emulate particularly as it relates to doing the right thing. 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.

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 is available on our website at: www.myjpsco.com

Board Oversight

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. 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

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

As at December 31, 2014, the Board is comprised of nine (9) directors and two (2) alternate directors and is chaired by Mr. Jin Won Kim and represented as follows:

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

The only compensation non-shareholder members of the Board of Directors receive is a fixed amount equivalent to US$1,000 for attendance at each Board or Committee meeting, and any other meeting requiring a director's attendance. Shareholder representatives receive no compensation.

CURRENT DIRECTORS
Jin Won Kim – Chairman
Tatsuya Ozono
Seiji Kawamura
Cathrine Kennedy (Independent Director)*
Prof. Evan Duggan
Prof. Gordon Shirley
Charles Johnston (Independent Director)
Geun Tae Kim
Fitzroy Vidal
Masao Imazato (Alternate Director)*
Dong Uk Kim (Alternate Director)
Kengo Aoki (Alternate Director)

These Directors resigned effective April 1 2015.

Nomination, Appointment, Term, Election and Retirement of Directors

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

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

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

Conflicts of Interest

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

COMMITTEES OF THE BOARD

Audit Committee

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

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

Members of the Audit Committee as at December 31, 2014 are:

- Ms. Cathrine Kennedy – Chairman*
- Mr. Fitzroy Vidal
- Mr. Geun Tae Kim

** Director resigned effective April 1 2015*

Other invitees to the Committee's meeting include:

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

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

- The Integrity of the financial reporting of the Company and system of internal controls
- Ensuring compliance with legal and regulatory requirements
- The performance of the internal Audit and external auditors

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

- Management accounts for the Company
- Audited Financial Statement
- 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.

Finance Committee

The Board has a long established Finance Committee the primary responsibility of which is to assist the Board of Directors in making financial decisions for the Company. Typically, the Company's budgets, financial statements (audited and unaudited) are reviewed by the Finance Committee as well as any fiscal policies or financing arrangements with attendant recommendations being made to the Board.

Members of the Finance Committee as at December 31, 2014 are:

- Mr. Charles Johnston
- Mr. Tatsuya Ozono
- Prof. Evan Duggan

Other invitees to the Committee's meeting include:

- Mrs. Kelly Tomblin – President & CEO
- Ms. Katherine P.C. Francis – JPS General Counsel & Corporate Secretary
- Mr. Dan Theoc – Chief Financial Officer
- Mr. Horace Messado – Financial Controller
- Mr. Aldington-Dean Smith – Senior Director, Strategy

CORPORATE COMPLIANCE- JPS CODE OF ETHICS & BUSINESS CONDUCT

The Company has in place a Code of Ethics and Business Conduct, which guides employees in the right way to do business. It is a core component of the Company's Compliance Programme, which ensures that employees work in accordance with principles of good corporate governance. The Code also specifically addresses the issues of sexual harassment, the Protected Disclosure or 'Whistle Blower' Legislation and the Company's attendant policies. In addition, the Company provides employees with a Code of Ethics & Business Conduct Questionnaire, which is completed by employees on a yearly basis and there is also a Declaration of Interest Form for persons to disclose any potential or actual conflict of interest.

The Board of Directors, the management and all employees of the Company are required to observe the Company's Code of Ethics and Business Conduct and in this regard, annual certification of due compliance is required and this is achieved through the annual Questionnaire. The Code of Ethics and Business Conduct provides guidance on key topics of business ethics including but not limited to:

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

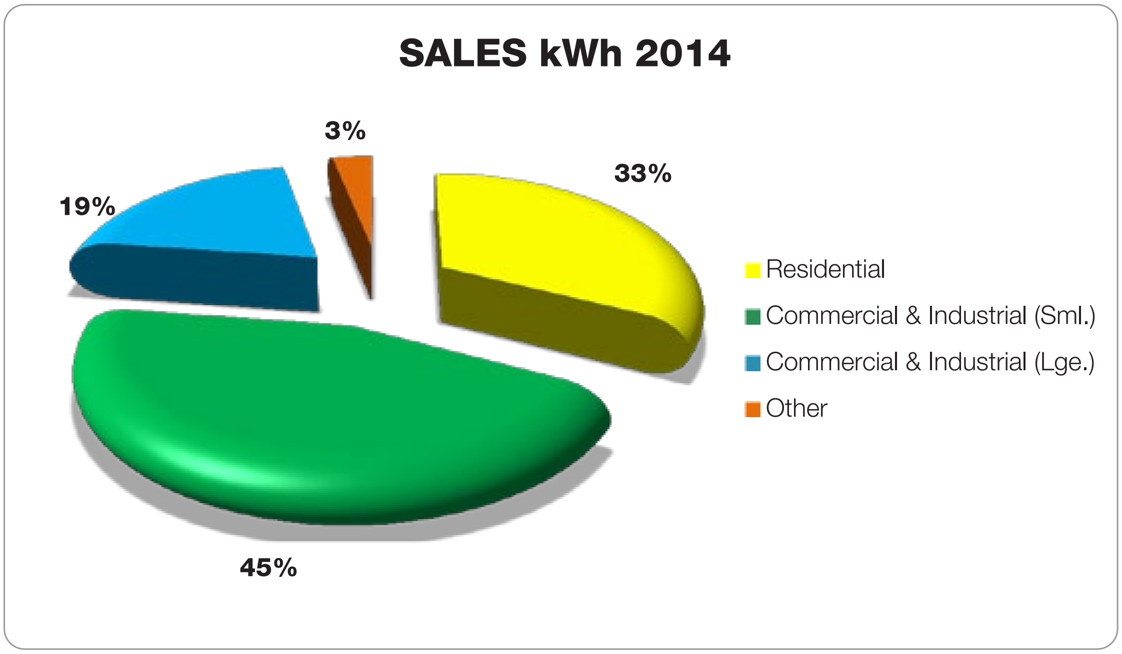
Management

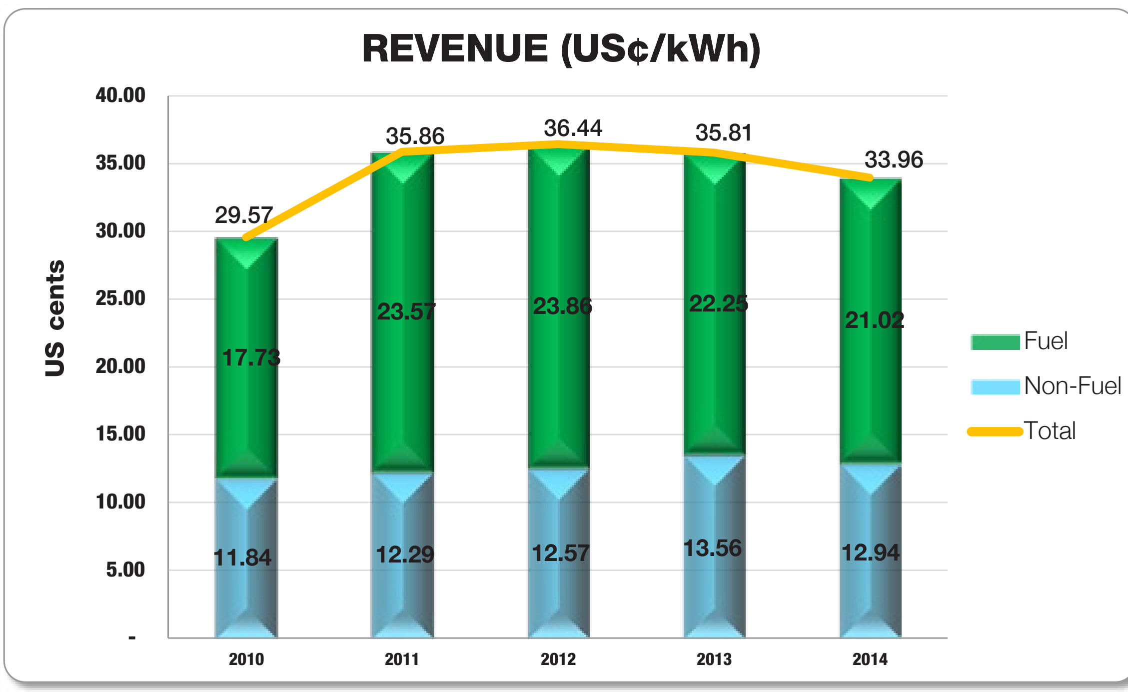
As regards the management of the Company, the Majority Shareholders select the President & Chief Executive Officer in accordance with the Company's Articles of Incorporation and they conduct the performance review of the President. Members of the management team are selected by the President & CEO in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

OPERATIONAL STATISTICS

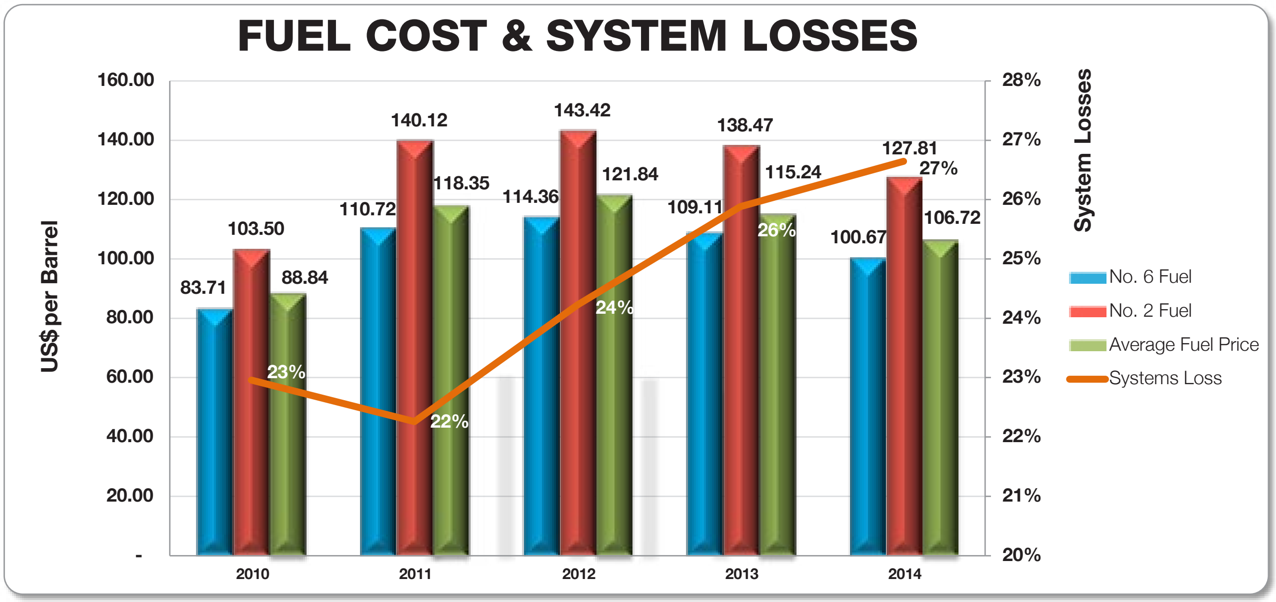
	Dec-31-14	Dec-31-13	Dec-31-12	Dec-31-11	Dec-31-10
OPERATING REVENUES (US$000's)					
Residential	372,909	387,731	406,752	412,259	351,993
Commercial & Industrial (Sml.)	456,977	497,543	512,481	521,845	417,370
Commercial & Industrial (Lge.)	167,650	185,760	192,958	189,589	148,280
Other	25,704	28,349	29,404	29,703	24,924
TOTAL	1,023,240	1,099,383	1,141,595	1,153,396	942,567
AVERAGE NO. OF CUSTOMERS					
Residential	531,363	541,691	531,827	513,970	509,660
Commercial & Industrial (Sml.)	62,294	64,559	63,740	61,401	60,782
Commercial & Industrial (Lge.)	150	150	151	145	138
Other	389	254	253	246	221
TOTAL	594,196	606,654	595,971	575,762	570,801
NET GENERATION AND PURCHASES (MWH)					
Steam & Slow Speed Diesel	1,460,626	1,499,305	1,500,497	1,583,387	1,673,385
Hydro	135,956	123,715	150,689	152,087	151,716
Gas Turbines	84,495	103,632	164,733	179,914	182,651
Combined Cycle Plant	769,622	615,502	777,670	810,212	786,101
Purchases	1,656,758	1,799,490	1,542,330	1,411,279	1,343,497
TOTAL	4,107,457	4,141,644	4,135,919	4,136,879	4,137,350
LOSSES & UNACCOUNTED FOR MWH	1,094,478	1,071,955	1,001,953	920,889	949,862
Systems losses as a percentage of Net Generation	26.6%	25.9%	24.2%	22.3%	23.0%
Heat Rate (Kj/kWh)	9,625	9,884	9,965	10,112	10,183
ENERGY SALES (MWH)					
Residential	981,730	996,429	1,035,377	1,064,535	1,090,619
Commercial & Industrial (Sml.)	1,347,514	1,366,797	1,383,296	1,437,283	1,402,748
Commercial & Industrial (Lge.)	589,236	605,402	615,314	615,041	593,360
Other	94,499	101,060	99,979	99,131	100,761
TOTAL	3,012,979	3,069,688	3,133,966	3,215,990	3,187,488
AVERAGE USE & REVENUE per residential customer					
Annualized kWh consumption/Customer	1,848	1,839	1,947	2,071	2,140
Annualized Revenues/Customer	702	716	765	802	691
U.S Dollars per kWh	0.4	0.4	0.4	0.4	0.3
Average billing exchange rate for period	110.85	100.14	88.70	86.03	87.65
U.S. Cents per kWh	37.98	38.91	39.29	38.7	32.3

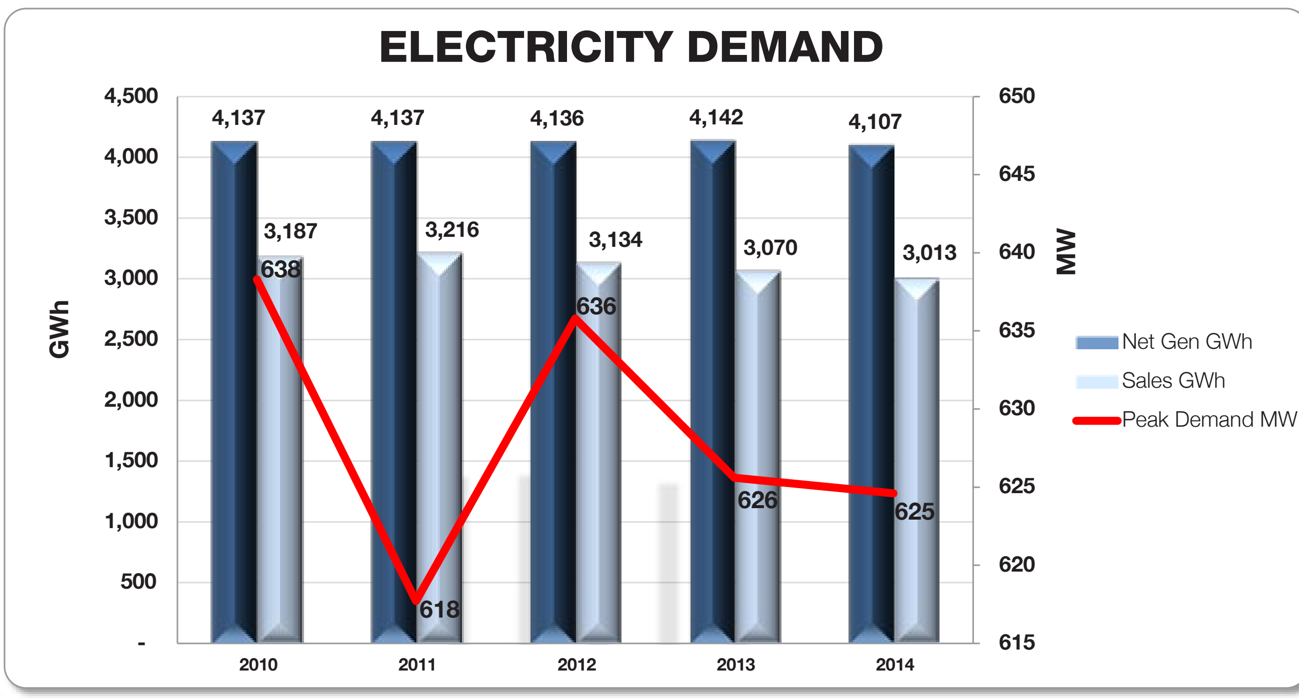
KEY PERFORMANCE INDICATORS



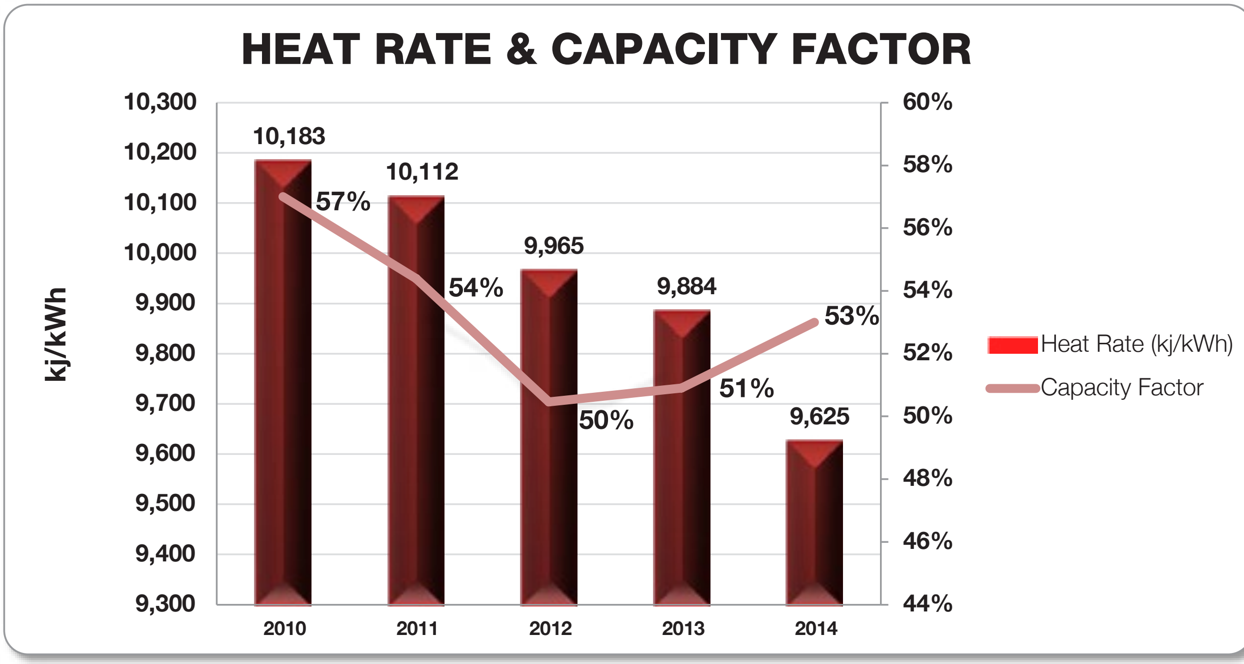


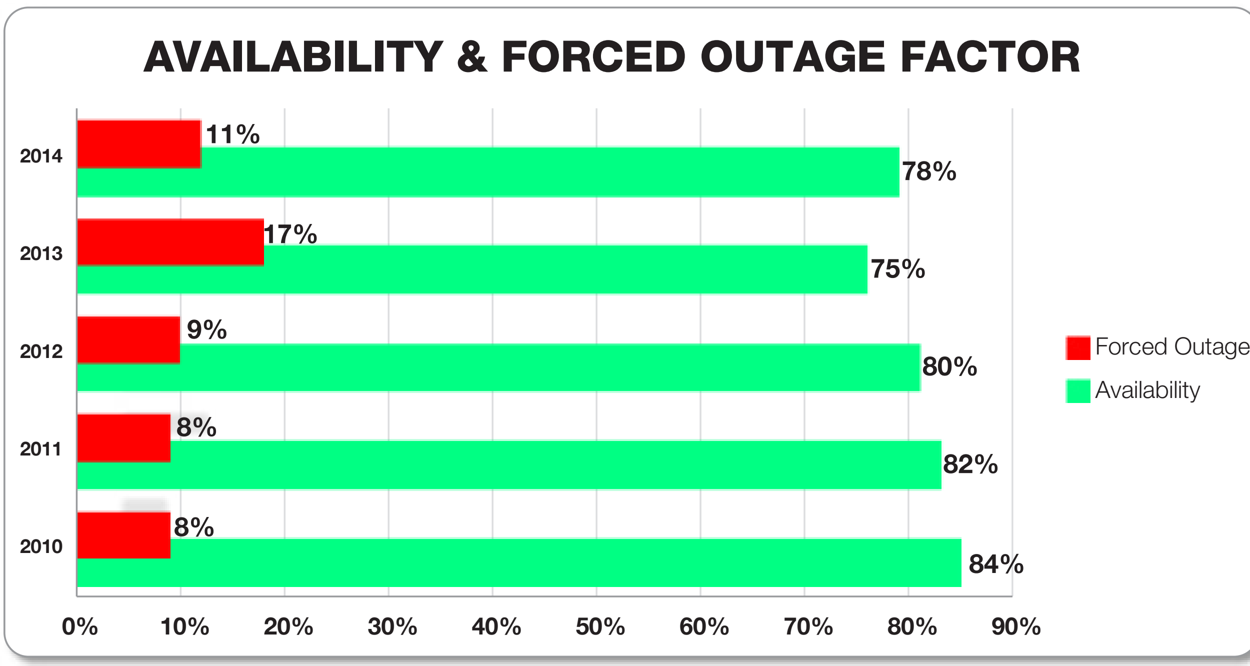
KEY PERFORMANCE INDICATORS





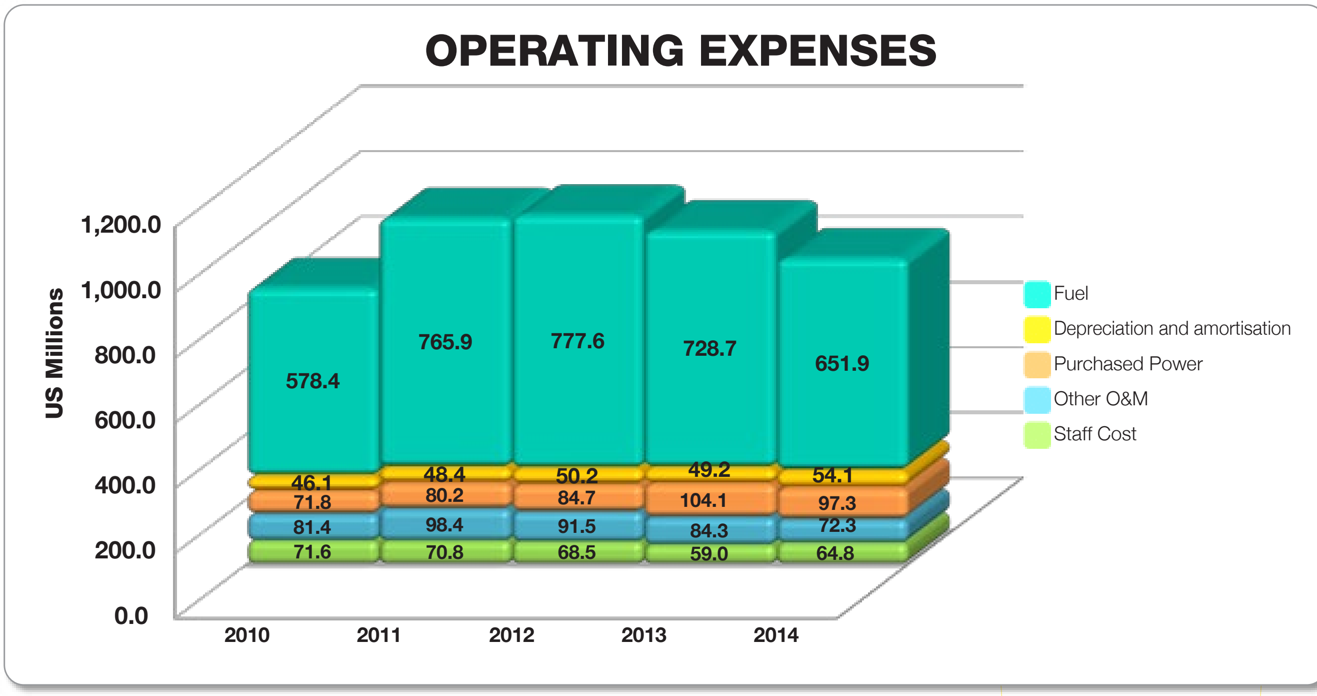
KEY PERFORMANCE INDICATORS





YOUR ENERGY PARTNER

KEY PERFORMANCE INDICATORS



INDEX TO THE FINANCIAL STATEMENTS

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

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

INDEPENDENT AUDITORS' REPORT

To the Members of
JAMAICA PUBLIC SERVICE COMPANY LIMITED

Report on the Financial Statements

We have audited the financial statements of Jamaica Public Service Company Limited ("the Company"), set out on pages 38 to 90, which comprise the statement of financial position as at December 31, 2014, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

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

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

KPMG

INDEPENDENT AUDITORS' REPORT

To the Members of
JAMAICA PUBLIC SERVICE COMPANY LIMITED

Report on the Financial Statements (continued)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2014, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

Comparative information

The financial statements of the prior year were audited by another firm of chartered accountants, whose report on March 31, 2014, expressed an unqualified opinion.

KPMG

Chartered Accountants
Kingston, Jamaica

March 27, 2015

JPS

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Statement of Financial Position
December 31, 2014
(Expressed in United States Dollars)

	Notes	2014 $'000	2013 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	690,087	698,571
Intangible assets	6	13,950	9,877
Employee benefits asset	7(a)(i)	21,290	20,389
Other asset	8	3,998	4,606
Long-term receivables	9	877	1,447
		730,202	734,890
Current assets			
Cash and cash equivalents	10	7,736	3,854
Restricted cash	11	27,147	21,642
Accounts receivable	12	172,516	186,877
Due from related party	18(a)(i)	52	-
Tax recoverable		-	1,568
Inventories	13	33,652	40,871
		241,103	254,812
Total assets		971,305	989,702
Shareholders' equity			
Share capital	14	261,786	261,786
Capital reserve	15	4,145	19,901
Retained earnings		70,289	47,066
		336,220	328,753
Current liabilities			
Bank overdraft	10	-	1,938
Accounts payable and provisions	16	161,599	188,826
Other financial liability	17	-	630
Corporation tax payable		1,307	-
Due to related parties	18(a)(ii)	1,295	627
Current portion of long-term loans	20	54,917	37,492
		219,118	229,513
Non-current liabilities			
Customers' deposits	19	25,732	26,827
Long-term loans	20	316,160	326,442
Shareholder's loan	21	2,000	2,000
Preference shares	22	27,688	27,688
Deferred taxation	23	36,283	39,917
Employee benefits obligation	7(b)	7,244	6,908
Deferred revenue	24	860	1,654
		415,967	431,436
Total liabilities		635,085	660,949
Total shareholders' equity and liabilities		971,305	989,702

The financial statements on pages, 38 to 90, were approved by the Board of Directors on March 27, 2015, and signed on its behalf by:

Director
Jin Won Kim

Director
Tatsuya Ozono

Statement of Profit or Loss and Other Comprehensive Income
Year ended December 31, 2014
(*Expressed in United States Dollars*)

	Notes	2014 $'000	2013 $'000
Operating revenue	25	1,023,240	1,099,383
Cost of sales	26(a)	(750,166)	(833,015)
Gross profit		273,074	266,368
Operating expenses	26(b)	(191,140)	(192,433)
Operating profit	27	81,934	73,935
Finance income		2,122	4,297
Finance costs		(57,320)	(66,074)
Net finance costs	26(c)	(55,198)	(61,777)
Other income	28(a)	7,114	4,425
Other expenses	28(b)	(11,692)	(4,341)
Profit before taxation		22,158	12,242
Taxation	29	847	(3,054)
Profit for the year		23,005	9,188
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Loss on revaluation of property, plant and equipment	5	(15,756)	-
Remeasurement gains/(losses) on defined benefit plan	7(a)(v)	327	(3,317)
Tax on remeasurement (gains)/losses on defined benefit plan	23	(109)	1,106
Other comprehensive loss, net of tax		(15,538)	(2,211)
Total comprehensive income attributable to shareholders		7,467	6,977
Earnings per share	30	0.11¢	0.04¢

Statement of Changes in Shareholders' Equity
Year ended December 31, 2014
(*Expressed in United States Dollars*)

	Share capital $'000 (Note 14)	Capital reserve $'000 (Note 15)	Retained earnings $'000	Total $'000
Balance at December 31, 2012	261,786	19,901	40,089	321,776
Total comprehensive income for the year:				
Profit for the year	-	-	9,188	9,188
Other comprehensive income:				
Remeasurement losses on defined benefit plan	-	-	(2,211)	(2,211)
Total comprehensive income for the year	-	-	6,977	6,977
Balance at December 31, 2013	261,786	19,901	47,066	328,753
Total comprehensive income for the year:				
Profit for the year	-	-	23,005	23,005
Other comprehensive income:				
Loss on revaluation of property, plant and equipment	-	(15,756)	-	(15,756)
Remeasurement losses on defined benefit plan	-	-	218	218
	-	(15,756)	218	(15,538)
Total comprehensive income for the year	-	(15,756)	23,223	7,467
Balance at December 31, 2014	261,786	4,145	70,289	336,220

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Statement of Cash Flows
Year ended December 31, 2014
(*Expressed in United States Dollars*)

	Notes	2014 $'000	2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		23,005	9,188
Adjustments for:			
Depreciation and amortisation	5,6	54,090	49,170
Gain on disposal of property, plant and equipment		(21)	-
Amortisation of debt issuance costs		1,515	3,500
Amortisation of other asset		894	827
Unrealised foreign exchange losses/(gains)		5,239	(7,480)
Interest expense		42,462	41,458
Interest income	26(c)	(1,598)	(1,615)
Interest capitalised	26(c)	(524)	(1,450)
Taxation expense		2,896	-
Deferred tax	23	(3,743)	3,054
Employee benefits asset/obligation, net		(2,518)	(3,701)
Unrealised fair value gain		-	(1,232)
Long term receivables and deferred revenue, net		(229)	(28)
Cash generated before changes in working capital and deposits		121,468	91,691
Restricted cash		(5,505)	(2,793)
Accounts receivable		11,001	14,311
Inventories		7,886	27,302
Accounts payable and provisions		(28,408)	8,430
Due to related parties		616	(378)
Customers' deposits and advances		(736)	222
Cash generated from operations		106,322	138,785
Taxation paid		(21)	(4,010)
Net cash provided by operating activities		106,301	134,775
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		42	-
Purchase of property, plant and equipment	5	(60,023)	(89,575)
Purchase of intangible assets	6	(5,433)	(4,357)
Other asset (addition)/disposal		(286)	364
Interest received		1,652	1,750
Net cash used in investing activities		(64,048)	(91,818)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short-term loans received		-	31,400
Repayment of short-term loans		-	(56,400)
Long-term loans received		61,104	15,502
Repayment of long-term loans		(55,229)	(45,422)
Interest paid		(42,308)	(40,170)
Preference shares		-	27,556
Net cash used in financing activities		(36,433)	(67,534)
Net increase/(decrease) in cash and cash equivalents		5,820	(24,577)
Net cash and cash equivalents at beginning of year		1,916	26,493
NET CASH AND CASH EQUIVALENTS AT END OF YEAR	10	7,736	1,916
Comprised of:			
Unrestricted cash		7,736	3,854
Bank overdraft		-	(1,938)
		7,736	1,916

Notes to the Financial Statements
Year ended December 31, 2014
(*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 and is owned by MaruEnergy JPSCO 1 SRL and EWP (Barbados) 1 SRL each holding 40% interest in the Company's shares, with the Government of Jamaica (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 and Restated All-Island Electric Licence, 2011 (the Licence), granted on August 19, 2011, by the Minister of Energy and Mining.

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

(b) Regulatory arrangements and tariff structure:

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

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

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

1. Identification, Regulation and Licence (continued)

(b) Regulatory arrangements and tariff structure (continued):

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

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

As of March 1, 2004, and thereafter, on each succeeding fifth anniversary, the Company must submit a filing to the OUR for further rate adjustments to its Non-Fuel Base Rate. The rate filing, which requires OUR approval, is based on a test year and includes defined "efficient" non-fuel operating costs, depreciation expenses, taxes, and a fair return on investment.

Embedded in the OUR approved tariff is an amount to be set aside monthly to provide for a Self Insurance Sinking Fund in case of a major catastrophe affecting the Company's operations.

2. Statement of compliance and basis of preparation

(a) Statement of compliance:

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

Certain new, revised and amended standards and interpretations which were in issue, came into effect for the current year. Those which management considered relevant to the company are as follows:

- Amendments to IAS 32, *Offsetting of Financial Assets and Financial Liabilities* clarifies those conditions needed to meet the criteria specified for offsetting financial assets and liabilities. It requires the entity to prove that there is a legally enforceable right to set off the recognised amounts. Conditions such as whether the set off is contingent on a future event and the nature and right of set-off and laws applicable to the relationships between the parties involved should be examined. Additionally, to meet the criteria, an entity should intend to either settle on a net basis or to realise the asset and settle the liability simultaneously.

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

(a) Statement of compliance (continued):

- Amendments to IAS 36, *Recoverable Amount Disclosures for Non-Financial Assets*, reverses the unintended requirement in IFRS 13, *Fair Value Measurement*, to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. The amendment requires the recoverable amount to be disclosed only when an impairment loss has been recognised or reversed.

- IFRIC 21, *Levies* provides guidance on accounting for levies in accordance with the requirements of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It requires an entity to recognise a liability for a levy when and only when the triggering event specified in the legislation occurs.

The adoption of the amendments has not resulted in any changes in amounts recognised or disclosed in these financial statements.

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

At the date of authorisation of these financial statements, certain new, revised and amended standards and interpretations which were in issue were not effective at the reporting date and had not been early-adopted by the Company. The Company is assessing them and has determined that the following are relevant to its financial statements:

- *Improvements to IFRS 2010-2012 and 2011-2013* cycles contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after July 1, 2014. The main amendments applicable to the Company are as follows:

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

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

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

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

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

(a) Statement of compliance (continued):

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

- *Improvements to IFRS 2010-2012 and 2011-2013* cycles (continued)

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

  – Amendments to IAS 19, *Defined Benefits Plans*: *Employee Contributions,* effective for annual periods beginning on or after July 1, 2014, clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of services. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service.

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

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

    IFRS 7 has also been amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments 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.

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

(a) Statement of compliance (continued):

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

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

  – 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.

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

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

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

- 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 though profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 also replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

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

(a) Statement of compliance (continued):

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

- IFRS 15, *Revenue From Contracts With Customers*, effective for accounting periods beginning on or after January 1, 2017, 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.

  An entity is required to 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.

- IAS *1 Presentation of Financial Statements*, effective for accounting 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 a minimum requirement 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 is 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 accounting for using the equity method follows IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

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

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

(a) Statement of compliance (continued):

Management is currently assessing the impact of the new standards and amendments to standards on the Company's financial reporting when they become effective.

(b) Basis of preparation:

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

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

(c) Use of estimates and judgements:

The preparation of the financial statements in conformity 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 long-term return on plan assets, expected rates of salary and pension increases, and the discount rate used to determine the present value of estimated future cash flows required to settle the pension obligation.

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

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

(i) Post-employment benefits (continued):

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

(ii) Allowance for impairment losses on receivables:

In determining amounts recorded for impairment losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that 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.

3. Summary of significant accounting policies

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

Recognition and measurement

In accordance with IAS 16, additions to property, plant and equipment, replacement of retirement units of plant in service, or additions to construction work-in-progress include direct labour, materials, professional fees and an appropriate charge for overheads. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Specialised plant and equipment are stated at deemed cost at the IFRS transition date of January 1, 2003, less accumulated depreciation and impairment losses, while all other property, plant and equipment are stated at cost except for land, which is stated at revalued amounts. Land was revalued as at December 31, 2014 by an independent valuator using the Market Comparable Basis which utilises the sale values for similar properties within the relevant period. 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 in the course of construction are carried at cost less recognised impairment losses.

Intangible assets, comprising computer software, are stated at cost, less amortisation and impairment losses. Impairment losses are recognised in 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 off the assets over their expected useful lives.

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

Steam production plant	4%
Hydraulic production plant	2%, 2½% & 2.86%
Other production plant	2½%, 4% & 5%
Transmission plant	4%
Distribution plant	3.33% & 4%
General plant & equipment:	
Buildings and structures	2%
Transport equipment	14.30%
Other equipment	4%, 5% & 6.65%

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

These depreciation rates are reviewed annually by management to ensure compliance with IFRS.

3. Summary of significant accounting policies (continued)

(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 assets and obligation as computed by the actuary.

(i) Pension assets:

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

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

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

The Company's net obligation in respect of the defined benefit pension plan is calculated at each reporting date by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods, discounting it to determine its present value, and deducting the fair value of the plan assets. To the extent that the obligation is less than the fair value of the plan assets, the asset recognised is restricted to the discounted value of future benefits available to the Company in the form of future refunds or reductions in contributions. The discount rate applied is the yield at reporting date on long-term government instruments that have maturity dates approximating the term of the Company's obligation. In the absence of such instruments in Jamaica, it has been necessary to estimate the rate by extrapolating from the longest-tenure security on the market. The calculation of the net defined benefit obligation/(asset) is performed by the appointed actuary using the Projected Unit Credit Method.

3. Summary of significant accounting policies (continued)

(b) Employee benefits (continued):

(i) Pension assets (continued):

Remeasurements of the net defined benefit obligation/(asset), which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately 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 then 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 recognized immediately in profit or loss. The company recognizes 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.

(c) Cash and cash equivalents:

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

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

(d) Accounts receivable:

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

(e) Inventories:

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

3. Summary of significant accounting policies (continued)

(f) Accounts payable:

Trade and other payables are stated 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, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of that obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value 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 being amortised on an effective rate basis over the lives of the loans.

(iii) Interest-bearing borrowings:

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

(i) Customers' deposits:

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

(j) Preference shares:

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

3. Summary of significant accounting policies (continued)

(k) Share capital:

Ordinary shares are classified as equity.

(l) Impairment:

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

Calculation of recoverable amounts

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

The recoverable amount of other assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated entity-specific future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of receivables is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss in respect of non-monetary assets is reversed if there has been a change in the estimate used to determine the recoverable amount.

(m) Revenue recognition:

(i) Operating revenue:

Operating revenue represents income for the provision of electricity and related services. Income is recognised for billings made for these services and an estimate of electricity supplied prior to the end of the reporting period which is to be billed subsequently (referred to as “unbilled revenues”).

(ii) Interest income:

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

(iii) Rental income:

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

3. Summary of significant accounting policies (continued)

(n) Taxation:

(i) Current and deferred taxes:

Taxation on the 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 all taxable temporary differences, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(ii) General Consumption Tax (GCT):

Effective June 1, 2013, the Government of Jamaica enacted regulation permitting the Company to recover GCT incurred in the acquisition of goods or services used as inputs to its production process.

(o) Related parties:

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

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

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

(ii) has significant influence over the Company; or

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

3. Summary of significant accounting policies (continued)

(o) Related parties (continued):

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

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

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

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

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

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

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

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

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, fellow associated companies, the Government of Jamaica, directors, key management personnel and its two pension plans.

(p) Leases:

As lessee:

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

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

3. Summary of significant accounting policies (continued)

(p) Leases (continued):

As lessor:

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

(q) Foreign currencies:

Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to United States dollars at the rates of exchange ruling at that date. Gains and losses arising from fluctuations in exchange rates are included in profit or loss.

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

(r) Segment reporting:

An operating segment is a component of an entity:

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

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

(iii) for which discrete financial information is available.

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

3. Summary of significant accounting policies (continued)

(s) Financial instruments and fair value measurement:

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

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, long term receivables, accounts receivable, due from related parties 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 bank overdraft, accounts payable and provisions, other financial liabilities, due to related parties, customer 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 those held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing or settlement in the near term. Gains and losses on these liabilities are recognised in profit or loss on settlement. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, only if the criteria in IAS 39 are satisfied.

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

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

3. Summary of significant accounting policies (continued)

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

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

Derivative financial instruments

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

Fair value measurement

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

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

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

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

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

Notes to the Financial Statements
Year ended December 31, 2014
(*Expressed in United States Dollars*)

4. Power purchase contracts

The Company has entered into agreements with Independent Power Providers (IPPs) for the purchase of energy capacity and net energy output.

The IPP arrangements are:

	Contract termination date
Jamaica Energy Partners (JEP)	February 2026
The Jamaica Private Power Company Limited (JPPC)	January 2018
Jamaica Aluminum Company Limited (JAMALCO)	December 2019
Wigton Wind Farm Limited (Wigton)	May 2024
West Kingston Power Partners (WKPP)	July 2032

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

Certain agreements require payment for available energy capacity and for certain operating costs and overheads. Additionally, certain agreements require the Company to provide a banker's guarantee in relation to contractual payments. The Company has financing arrangements with financial institutions, which guarantee access to funds by IPPs for contractually agreed payments. As at December 31, 2014, the total guarantees under Standby Letters of Credit amounted to $31.9 million (2013: $32.5 million). These facilities were not accessed during the year.

The contracts with JEP, JPPC, WKPP and Wigton have been assessed as operating leases. The contract with JAMALCO is not considered an arrangement that contains a lease. The operating leases with JEP, WKPP and JPPC give rise to unexpired commitments for energy capacity and certain operating charges payable. At December 31, 2014, the minimum lease payments are as follows:

	2014 $'000	2013 $'000
Within 1 year	67,909	66,895
From 1-2 years	69,000	67,909
From 3-5 years	175,006	187,221
Over 5 years	565,464	622,248
	877,379	944,273

Lease payments under operating leases with IPPs recognised in profit or loss for the year, aggregated approximately $97.30 million (2013: $104.10 million) [Note 26(a)].

JAMAICA PUBLIC SERVICE COMPANY LIMITED

Notes to the Financial Statements
Year ended December 31, 2014
(*Expressed in United States Dollars*)

5. Property, plant and equipment

	Land buildings & land rights $'000	Production (generation) plant & equipment $'000	Transmission and distribution plant & equipment $'000	General plant & machinery $'000	Computer equipment, office fixtures & fittings $'000	Construction work-in-progress $'000	Total $'000
Cost or valuation:							
December 31, 2012	85,958	614,948	925,277	120,858	72,672	76,420	1,896,133
Additions	1	13,492	24,077	320	228	51,457	89,575
Transfers	1,057	63,989	46,365	1,770	180	(113,361)	-
Disposals/retirements and adjustments	-	(14)	-	(97)	(1)	-	(112)
December 31, 2013	87,016	692,415	995,719	122,851	73,079	14,516	1,985,596
Additions	19	1,232	10,950	2,893	202	44,727	60,023
Transfers	299	16,302	12,464	(4,051)	472	(25,486)	-
Disposals/retirements and adjustments	(14)	(2,245)	-	(30)	(21)	-	(2,310)
Revaluation	(15,756)	-	-	-	-	-	(15,756)
December 31, 2014	71,564	707,704	1,019,133	121,663	73,732	33,757	2,027,553
Depreciation:							
December 31, 2012	9,402	450,583	613,451	106,383	58,634	-	1,238,453
Charge for the year	785	22,755	20,862	2,185	2,040	-	48,627
Disposals/retirements and adjustments	-	-	-	(54)	(1)	-	(55)
December 31, 2013	10,187	473,338	634,313	108,514	60,673	-	1,287,025
Charge for the year	805	26,387	21,797	1,772	1,969	-	52,730
Disposals/retirements and adjustments	-	(2,245)	-	(30)	(14)	-	(2,289)
December 31, 2014	10,992	497,480	656,110	110,256	62,628	-	1,337,466
Net book values:							
December 31, 2014	60,572	210,224	363,023	11,407	11,104	33,757	690,087
December 31, 2013	76,829	219,077	361,406	14,337	12,406	14,516	698,571

5. Property, plant & equipment (continued)

(a) Land, buildings and land rights include land, at valuation, aggregating approximately $34.20 million (2013: $50 million). Of this amount, the cost of land, amounted to $25 million (2013: $25 million). Land, which is considered a separate class of assets, was revalued in 2014 by an independent professional valuator.

(b) The fair value of land is categorised as level 3 in the fair value hierarchy. The following table show 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 the comparable properties. • Comparability adjustment.	The estimated fair value would increase/(decrease) if: • Sale value of comparable properties were higher/(lower). • Comparability adjustment were higher/(lower).

5. Property, plant & equipment (continued)

(c) The carrying value of temporarily idle property, plant and equipment at December 31, 2014 was $2.90 million (2013: $3.1 million).

(d) Interest capitalised during construction for the year amounted to approximately $0.50 million (2013: $1.50 million). The capitalisation rate used for the year was 3.631% (2013: 3.738 %).

(e) The composite rate of depreciation for the year was approximately 4.89% (2013: 4.45%).

6. Intangible assets

This represents acquired software costs capitalised as follows:

	2014 $'000	2013 $'000
Cost:		
At beginning of year	13,738	9,381
Additions	5,433	4,357
At end of year	19,171	13,738
Amortisation:		
At beginning of year	3,861	3,318
Charge for the year	1,360	543
At end of year	5,221	3,861
Net book value	13,950	9,877

7. Employee benefits

(a) Defined benefit pension plan:

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

7. Employee benefits (continued)

(a) Defined benefit pension plan (continued):

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

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

(i) Employee benefits:

	2014 $'000	2013 $'000
Present value of funded obligations	(58,059)	(53,819)
Fair value of plan assets	100,639	94,597
Unrecognised amount due to limitation	(21,290)	(20,389)
Asset recognised in statement of financial position	21,290	20,389

(ii) Movements in funded obligations:

	2014 $'000	2013 $'000
Balance at beginning of year	(53,819)	(59,757)
Benefits paid	2,288	2,767
Current service cost	(2,057)	(2,273)
Past service cost – vested benefits	(457)	7,074
Interest costs	(4,853)	(4,860)
Voluntary contributions	(474)	(480)
Remeasurement loss on obligation for OCI	(2,575)	(3,818)
Exchange gain	3,888	7,528
Balance at end of year	(58,059)	(53,819)

(iii) Movements in plan assets:

	2014 $'000	2013 $'000
Fair value of plan assets at beginning of year	94,597	99,889
Contributions paid:		
Employer	1,532	1,647
Employees	2,006	2,127
Interest income on plan assets	8,397	9,209
Benefits paid	(2,288)	(2,767)
Remeasurement gain/(loss) on assets for OCI	3,229	(2,816)
Exchange loss	(6,834)	(12,692)
Fair value of plan assets at end of year	100,639	94,597

7. Employee benefits (continued)

(a) Defined benefit pension plan (continued):

(iii) Movements in plan assets (continued):

	2014 $'000	2013 $'000
Plan assets consist of the following:		
Cash and cash equivalents	-	813
Investments quoted in active markets:		
Equities	21,288	16,612
Government bonds	56,900	50,545
Corporate bonds and other debt securities	5,535	7,873
Pooled pension investments	5,125	4,925
Unquoted investments:		
Real estate	8,024	10,021
Net current assets	3,767	3,808
	100,639	94,597

Included in the plan assets as at December 31, 2014 are:

- Real estate occupied by the Company with a fair value of $8 million (2013: $10 million);
- JPS 11% promissory notes with a fair value of $0.33 million (2013: $0.30 million); and
- JPS 9.5% non-redeemable preference shares with a fair value of $2.60 million (2013: $2.90 million).

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

(iv) Credit recognised in profit or loss:

	2014 $'000	2013 $'000
Current service costs	2,057	2,273
Interest cost	4,853	4,860
Interest income on assets	(8,397)	(9,209)
Past service cost	457	(7,074)
Total credit	(1,030)	(9,150)
Net credit recognised due to limitation	(515)	(4,575)

The credit is recognised in operating and maintenance, selling, general and administrative expenses in profit or loss [note 26(b)].

7. Employee benefits (continued)

(a) Defined benefit pension plan (continued)

(v) Remeasurement gains/(losses) recognised in other comprehensive income:

	2014 $'000	2013 $'000
Remeasurement loss on obligation for OCI	(2,575)	(3,818)
Remeasurement gain/(loss) on assets for OCI	3,229	(2,816)
Total remeasurement gain/(loss)	654	(6,634)
Remeasurement gain/(loss) recognised due to limitation	327	(3,317)

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

	2014 $'000	2013 $'000
Change in demographic assumptions	(1,223)	-
Changes in financial assumptions	685	3,858
Experience adjustments	(2,037)	(7,676)
Remeasurement loss on defined benefit obligation	(2,575)	(3,818)

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

	2014	2013
Discount rate	9.50%	9.50%
Future salary increases	5.50%	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, 2014, is 18 years (2013: 17 years).

The Company's estimated contribution for the 12 months subsequent to the year end is $1.60 million ($1.70 million).

7. Employee benefits (continued)

(a) Defined benefit pension plan (continued)

(viii) 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.

	2014		2013	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
	$'000	$'000	$'000	$'000
Discount rate	50,481	68,382	46,969	62,766
Future salary growth	62,864	54,403	57,786	50,498

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

(b) Other employee benefits obligation:

	2014	2013
	$'000	$'000
Accumulated sick and vacation pay	7,244	6,908

(c) Defined contribution pension plan:

The Company's contribution to the defined contribution pension plan for the year aggregated $0.45 million (2013: $0.38 million). These are recognised in operating and maintenance, selling, general and administrative expenses [note 26(b)] in profit or loss.

8. Other asset

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

	2014	2013
	$'000	$'000
At beginning of year	4,606	5,797
Additions/(disposals)	286	(364)
Amortisation	(894)	(827)
At end of year	3,998	4,606

9. Long-term receivables

These represent the long term portion of expenditure incurred by the Company for the wiring of houses for certain customers, recoverable over periods ranging from thirty (30) to sixty (60) months (Notes 8 and 24).

	2014 $'000	2013 $'000
Receivable	1,488	2,266
Current portion included in other receivables (Note 12)	(611)	(819)
	877	1,447

10. Net cash and cash equivalents

	2014 $'000	2013 $'000
Cash at bank and in hand	7,736	3,854
Bank overdraft	-	(1,938)
Net cash and cash equivalents	7,736	1,916

11. Restricted cash

	2014 $'000	2013 $'000
Self-insurance sinking fund	26,634	21,141
Deposit guarantees on staff loans, IPP contracts etc.	513	501
	27,147	21,642

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 2.3% (2013: 3.7%).

12. Accounts receivable

	2014 $'000	2013 $'000
Trade receivables [see notes (i) and (ii)]	188,915	179,302
Loss allowance for impairment losses (i)	(47,276)	(38,428)
	141,639	140,874
Unbilled revenue	11,199	30,101
Prepayments	7,162	6,047
Current portion of long-term receivables (Note 9)	611	819
Other receivables	11,905	9,036
	172,516	186,877

12. Accounts receivable (continued)

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

	2014		2013	
	Gross receivable $'000	Impairment $'000	Gross receivable $'000	Impairment $'000
Neither past due nor impaired:				
Due 0-30 days	86,855	-	95,700	-
Past due and not impaired:				
Past due 31-60 days	13,184	-	11,478	-
Past due 61-90 days	7,866	-	7,691	-
More than 90 days	33,734	-	26,005	-
	54,784	-	45,174	-
Past due and impaired:				
More than 90 days	47,276	47,276	38,428	38,428
	188,915	47,276	179,302	38,428

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

	2014 $'000	2013 $'000
Balance at beginning of year	38,428	36,788
Impairment loss recognised	11,853	18,342
Amounts recovered during the period	(338)	(483)
Amounts written off during the period	(2,667)	(16,219)
Balance at end of year	47,276	38,428

13. Inventories

	2014 $'000	2013 $'000
Fuel	12,538	18,333
Generation spares	7,538	8,279
Transmission, distribution and other spares	14,532	14,844
	34,608	41,456
Less: Allowance for obsolescence	(956)	(585)
	33,652	40,871

14. Share capital

	No of shares
Authorised ordinary share capital:	
Ordinary stock units at no par value	315,733,190
Ordinary shares at no par value	30,000,000,000
Balance as at December 31, 2013 and 2014	30,315,733,190

14. Share capital (continued)

	No of shares	2014 $'000	2013 $'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 December 31, 2013 and 2014 (Note 30)	21,828,195,246	261,786	261,786

15. Capital reserve

	2014 $'000	2013 $'000
At beginning of year	19,901	19,901
Revaluation deficit (Note 5)	(15,756)	-
At end of year	4,145	19,901

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

16. Accounts payable and provisions

	2014 $'000	2013 $'000
Trade payables	112,759	146,860
Interest accrued on customer deposits and loans	16,804	16,646
Dividend payable (Note 31)	1,022	1,078
Current portion of deferred revenue (Note 24)	628	843
Other payables	20,584	22,244
Provisions (see below)	9,802	1,155
	161,599	188,826

Movement in provisions during the year was as follows:

	2014 $'000	2013 $'000
At beginning of year	1,155	1,114
Provisions made during the year	8,759	317
Provisions utilised during the year	(112)	(276)
At the end of year	9,802	1,155

17. Other financial liability

In the prior year, the Company had an interest rate swap agreement in place with a notional amount of $85.93 million whereby the Company paid a fixed rate of interest of 1.78% and received interest at a variable rate equal to the six month USD LIBOR. The fair value of the swap amounted to $0.63 million. The change in the fair value of the swap was recognised in finance costs and the swap was fully settled on June 19, 2014.

18. Related party balances and transactions

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

	2014 $'000	2013 $'000
(i) Due from:		
Marubeni Caribbean Holding	52	-
(ii) Due to:		
EWP (Barbados) 1 SRL	1,295	619
Marubeni Caribbean Holding	-	8
	1,295	627

These balances are unsecured, interest free and have no stated repayment periods.

(b) Related party transactions:

(i) The Company has various ongoing transactions with related companies. These include the provision of technical support and related professional services and the acquisition of specialised equipment and spare parts. These transactions include charges to MaruEnergy JPSCO 1 SRL and EWP (Barbados) 1 SRL of approximately $2.80 million (2013: $3.30 million) and recharges of approximately $0.80 million (2013: $1.60 million).

(ii) During 2013, the amount of $2 million owing to EWP (Barbados) 1 SRL for charges was converted to a loan bearing interest at the rate of 11% per annum (Note 21). During the prior year, the Company also issued Class "G" preference shares to the other two major shareholders, MaruEnergy JPSCO 1 SRL and the Government of Jamaica, in the amount of US$3 million (Note 22).

(iii) In the prior year, 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 1 January 2013 and renewable for a further period of five (5) years. Rental payments for the year were $0.82 million (2013: $0.82 million).

(iv) The Company provides electricity for its related parties including the Government of Jamaica [see note 34 (a)(i)]. Total revenue from the Government for the year 2014 was $158.20 million (2013: $166.40 million).

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

19. Customers' deposits

	2014 $'000	2013 $'000
Customers' deposits for electricity service (i)	15,579	16,721
Customers' advances for construction (ii)	10,153	10,106
	25,732	26,827

(i) In general, the Company requires a deposit from customers before providing service. The deposit is refundable upon termination of service subject to certain conditions. Interest is paid annually to customers and applied to their electricity accounts according to rates prescribed by the OUR [Note 1(b)], which are broadly equivalent to rates applicable to savings deposits.

19. Customers' deposits (continued)

(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

		2014 $'000	2013 $'000
(a)	Kreditanstalt fur Weideraudfbau of Frankfurt Government of Jamaica (KFW/GOJ), 7% fixed rate, repayable 2030 [€3.9 million]	4,716	5,356
(b)	International Finance Corporation (IFC) variable rate, repayable 2015	5,000	10,000
(c)	International Finance Corporation (IFC) variable rate, repayable 2020	19,585	22,786
(d)	Deutsche Bank as trustees of the holders of the 11% Senior Notes due 2021	175,822	175,409
(e)	FirstCaribbean International Bank (FCIB) variable rate, repayable 2015	7,054	14,070
(f)	Espirito Santo Bank 6.5% fixed rate, repayable 2016	2,368	3,737
(g)	Export Development Canada variable rate, repayable 2015	1,261	2,670
(h)	Citibank Japan/NEXI variable rate, repayable 2020	43,175	49,706
(i)	Proparco variable rate, repayable 2020	39,586	46,065
(j)	OPEC Fund for International Development variable rate, repayable 2020	16,434	19,135
(k)	Citibank		
	Variable rate, repayable 2015	-	6,000
	Fixed rate, repayable 2015	-	9,000
(l)	FirstCaribbean International Bank (FCIB) variable rate, repayable 2018	12,848	-
(m)	Peninsula Corporation fixed rate, repayable 2015	7,415	-
(n)	Citibank/Overseas Private Investment Corporation variable rate, repayable 2017	29,053	-
(o)	FirstCaribbean International Bank (FCIB), variable rate, repayable 2015	6,000	-
(p)	Fujitsu Caribbean Limited, fixed rate, repayable 2017	760	-
	Total long-term loans	371,077	363,934
	Less: Current portion	(54,917)	(37,492)
	Non-current portion	316,160	326,442

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 repayable in eighteen semi-annual instalments of $2.50 million, which commenced February 2007. The variable interest rate is based on LIBOR plus 6.5% per annum until 2014 and a spread of 6.25% thereafter. The loan is secured by a lien on certain assets of the Company as outlined in the terms of the agreement. The carrying value of those assets at December 31, 2014 was $41.70 million (2013: $44.20 million).

(c) This loan is unsecured and repayable in eighteen semi-annual instalments of $1.7 million, commencing March 2012. The variable interest rate is based on LIBOR plus 5.50% until 2014 and a spread of 5.25% thereafter. Interest is paid semi-annually commencing March 2011. The amount due is stated net of debt issuance costs of $0.4 million (2013: $0.50 million).

(d) This represents unsecured 11% Senior Notes issued on the US bond market and is tradable in Portal, a subsidiary of Nasdaq Stock Market, Inc. The Notes are payable in full on maturity; $179.20 million to mature on July 6, 2021 and $0.80 million to mature on July 6, 2016. Interest payments are to be made on January 6 and July 6 annually with record dates of December 23 and June 22, respectively, and interest rates of 11% for 180/360 of principal amounts outstanding as at record dates. No collateral is provided.

The amount due is stated net of debt issuance costs, as follows:

	2014 $'000	2013 $'000
Cost:		
At end of year	7,815	7,815
Amortisation:		
At beginning of year	3,223	2,853
Amortisation charge for the year, net	414	370
At end of year	3,637	3,223
Balance at end of year	4,178	4,592

(e) This loan is unsecured and repayable in semi-annual instalments of $3.50 million until maturity. The variable interest rate is based on 6 month LIBOR plus 4.5% and the loan will mature in December 2015. The amount due is stated net of debt issuance costs of $0.03 million (2013: $0.097 million).

20. Long-term loans (continued)

(f) This is an unsecured loan facility for which the utilisation of the funds was restricted to capital expenditure on goods originating in the United States. The amounts were drawn down on various dates and principal and interest are repayable semi-annually for each draw-down. The balance is scheduled to be repaid in full in August 2016. The amount due is stated net of debt issuance costs of $0.01 million (2013: $0.27 million).

(g) This loan is unsecured and attracts interest at the rate of 6 month LIBOR plus 1.6%. The utilisation of the funds was restricted to capital expenditure on goods originating in Canada. The principal amounts were drawn on various dates with interest and principal repayable semi-annually for each draw-down. The amount due is stated net of debt issuance costs of $0.02 million (2013: $0.06 million).

(h) This loan is unsecured and is repayable in sixteen semi-annual instalments of $4 million, which commenced in June 2013. Interest is also paid semi-annually. The variable interest rate is based on LIBOR plus 1.7% per annum. The amount due is stated net of debt issuance costs of $5.60 million (2013: $7.20 million) and calculated on the overall approved loan amount of $100 million.

(i) This loan is unsecured and is repayable in eighteen semi-annual instalments of $3.3 million, which commenced in May 2012. The variable interest rate is based on LIBOR plus 5.50% per annum until 2014 and 5.25% thereafter. The amount due is stated net of debt issuance costs of $0.70 million (2013: $0.99 million).

(j) This loan is unsecured and is repayable in eighteen semi-annual instalments of $1.4 million, which commenced in May 2012. The variable interest rate is based on LIBOR plus 5.50% per annum until 2014 and 5.25% thereafter. The amount due is stated net of debt issuance costs of $0.23 million (2013: $0.31 million).

(k) These loans were issued in December 2013 and were repayable by a bullet payment of principal at maturity. Monthly payment of interest commenced in January 2014. The variable interest rate was based on LIBOR plus 6.4% per annum on the loan of $6 million and a fixed interest rate of 7.5% on the loan of $9 million. These loans were repaid during the year.

(l) This loan is unsecured and relates to a $30 million facility of which $15 million was accessed during the year. The loan is repayable in eight semi-annual instalments of $1.90 million. 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 $0.27 million.

(m) This loan is unsecured and is repayable by a bullet payment at maturity in October 2015. Interest is paid quarterly at a fixed interest rate of 5.25%.

20. Long-term loans (continued)

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

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

(p) This loan is unsecured and has an interest rate of 10%. The loan is repayable in twelve quarterly instalments of $0.09 million which commenced in September 2014.

Compliance with debt covenants

Under the terms of the long term loan agreements with certain international development financial institutions, the Company is required to maintain a certain financial covenant relating to minimum Debt to Earnings before Interest Tax Depreciation and Amortisation (EBITDA) ratio of 3.5:1. As at December 31, 2014, the Company was in compliance with its debt covenants.

21. Shareholder's loan

The shareholder's loan is unsecured and is due to EWP (Barbados) SRL1, a 40% shareholder in the Company, under terms similar to the Class 'G' preference shares described in Note 22. The loan does not have a fixed repayment date and interest is payable quarterly at a fixed rate of 11% per annum.

22. Preference shares

This comprises cumulative preference shares as follows:

	Number of shares	2014	2013
		$'000	$'000
7% Class B shares	420,000	38	38
5% Class C shares	66,500	6	6
5% Class D shares	680,000	61	61
6% Class E shares	300,000	27	27
9.5% Class F shares	2,455,607	24,556	24,556
11% Class G shares	299,954	3,000	3,000
	4,222,061	27,688	27,688

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

22. Preference shares (continued)

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

(ii) Full voting rights on winding up;

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

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

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.

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

23. Deferred taxation

Deferred taxation relates to:

	Balance at December 31 2012 $'000	Recognised in profit or loss $'000 [Note 29(a)]	Recognised in other comprehensive income $'000	Balance at December 31 2013 $'000	Recognised in profit or loss $'000 [Note 29(a)]	Recognised in other comprehensive income $'000	Balance at December 31 2014 $'000
Employee benefits, net	(3,748)	(746)	-	(4,494)	(189)	-	(4,683)
Accounts receivable	92	(57)	-	35	(399)	-	(364)
Accounts payable	5,549	118	-	5,667	870	-	6,537
Unrealised foreign exchange gains	87	(3,490)	-	(3,403)	1,361	-	(2,042)
Property, plant & equipment	(61,943)	(4,212)	1,106	(65,049)	6,154	(109)	(59,004)
Unamortised debt issuance costs	(5,897)	1,218	-	(4,679)	505	-	(4,174)
Cumulative tax losses	27,891	4,115	-	32,006	(4,559)	-	27,447
	(37,969)	(3,054)	1,106	(39,917)	3,743	(109)	(36,283)

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).

	2014 $'000	2013 $'000
Balance at the beginning of the year	2,497	2,700
Deferred during the year	2	623
Released to profit or loss	(1,011)	(826)
	1,488	2,497
Current portion included in other payables (Note 16)	(628)	(843)
Non-current	860	1,654

25. Operating revenue

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

26. Expenses

(a) Cost of sales

	2014 $'000	2013 $'000
Fuel	(651,880)	(728,745)
Purchased power (excluding fuel) (Note 4)	(97,319)	(104,111)
Other	(967)	(159)
	(750,166)	(833,015)

(b) Operating expenses

	2014 $'000	2013 $'000
Operating and maintenance, selling, general and administrative expenses	(137,050)	(143,263)
Depreciation and amortization (Notes 5 and 6)	(54,090)	(49,170)
	(191,140)	(192,433)

26. Expenses (continued)

(c) Net finance costs

	2014 $'000	2013 $'000
Foreign exchange losses, net	(13,304)	(21,114)
Other finance costs:		
Short-term loans	-	(1,403)
Long-term loans	(30,419)	(31,383)
Customer deposits	(553)	(549)
Bank overdraft and other	(6,354)	(5,721)
Preference dividends	(2,672)	(1,075)
Debt issuance costs and expenses	(4,018)	(4,829)
	(44,016)	(44,960)
Finance income:		
Fair value gain on interest rate swap	-	1,232
Interest income	1,598	1,615
Interest capitalised during construction [Note 5(d)]	524	1,450
	2,122	4,297
	(55,198)	(61,777)

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

27. Profit before taxation

Operating profit is stated after charging:

	2014 $'000	2013 $'000
Directors' remuneration:		
Fees	40	60
Emoluments	114	229
Pensions to former managing directors	3	7
Compensation for key management:		
Short term benefits	1,557	1,956
Pensions paid	38	42
Staff costs	64,807	58,958
Audit fees (including GCT)	181	216

Notes to the Financial Statements
Year ended December 31, 2014
(*Expressed in United States Dollars*)

28. Other income and expenses

(a) Other income comprises:

	2014 $'000	2013 $'000
Rental income	585	343
Insurance proceeds for Bogue combined cycle plant	752	1,603
Miscellaneous proceeds from scrap sales and other settlements	2,277	2,479
Sale of proprietary wind energy studies	3,500	-
	7,114	4,425

(b) Other expenses comprise:

	2014 $'000	2013 $'000
Hurricane restoration costs	-	(435)
Miscellaneous expenses	(371)	(296)
Project development costs written off	(1,059)	(1,413)
Restructuring costs	(1,773)	(2,197)
Refund of foreign exchange adjustment to customers	(8,489)	-
	(11,692)	(4,341)

29. Taxation

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

	2014 $'000	2013 $'000
Current income tax expense	(2,896)	-
Origination and reversal of temporary differences (Note 23)	3,743	- (3,054)
Taxation credit/(expense)	847	(3,054)

(b) Reconciliation of tax expense:

	2014 $'000	2013 $'000
Profit before taxation	22,158	12,242
Computed "expected" tax at 33⅓%	7,386	4,080
Tax effect of differences between profit for financial statements and tax reporting purposes in respect of:		
Investment allowances	(4,355)	(4,953)
Loan fees disallowed	1,281	790
Other	(5,159)	3,137
Taxation (credit)/expense	(847)	3,054

Notes to the Financial Statements
Year ended December 31, 2014
(*Expressed in United States Dollars*)

29. Taxation (continued)

(c) Tax losses:

At the reporting date, the Company had unused tax losses of approximately $82 million (2013: $96 million) being carried forward for offset against future taxable profits. The amount being carried forward is subject to the agreement of the Tax Authorities. As of January 1, 2014, tax losses may be carried forward indefinitely, however, the amount that can be utilised in any one year is restricted to 50% of the current year's taxable profits.

30. 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.

	2014 $'000	2013 $'000
Profit for the year	23,005	9,188
Number of shares (shown in thousands - Note 14)	21,828,195	21,828,195
Earnings per share/stock unit	0.11¢	0.04¢

31. Dividends

Dividends on cumulative preference shares accrued at December 31, 2014 amounted to $1.022 million (2013: $1.078 million) [see Note 16].

32. Commitments

(a) Capital:

At December 31, 2014, commitments for capital expenditure, for which no provision has been made in these financial statements, amounted to approximately $7 million (2013: $1.2 million).

(b) Lease:

In addition to its commitments under IPP contracts (Note 4), the Company had unexpired operating lease commitments at December 31, 2014, payable as follows:

	2014 $'000	2013 $'000
Within 1 year	9,030	8,485
From 1-2 years	9,030	8,485
From 2-3 years	9,026	8,482
From 3-4 years	9,026	8,480
From 4-5 years	9,029	8,482
Over 5 years	7,476	7,663
	52,617	50,077

33. Contingent liabilities and asset

As at December 31 2014, the Company is subject to various lawsuits in the normal course of business. The outcome of these lawsuits cannot be determined with certainty. However, in the opinion of management and its legal counsel, where it is more likely than not that an outflow of resources by the Company will occur and the amount can be determined, a provision is made.

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

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

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

As at December 31, 2014, provisions of $9.8 million (2013: $1.20 million) pursuant to pending legal actions, were made in the financial statements (Note 16).

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
- Operational risks

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

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

34. Financial instruments (continued)

(a) Financial risk management (continued):

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 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 [see also notes 12 and 3(l)].

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

The Company considers concentrations of risk by reference to the amount of exposure it has to individual customers, including their related parties. At December 31, 2014, 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 $46 million (2013: $41.83 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.

34. Financial instruments (continued)

(a) Financial risk management (continued):

(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, 2014, the Company had unutilised lines of credit aggregating $69.70 million (2013: $25.50 million).

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

		Contractual undiscounted cash flows					
	Carrying amount $'000	Total cash outflow $'000	Less than 1 year $'000	1-2 years 10 years $'000	3-5 years $'000	6-10 years $'000	More than 10 years $'000
December 31, 2014							
Accounts payable*	151,169	151,169	151,169	-	-	-	-
Long term loans	371,077	543,017	88,389	88,440	152,086	209,771	4,331
Due to related companies	1,243	1,243	1,243	-	-	-	-
Customer deposits	25,732	25,732	-	-	-	5,054	20,678
Total financial liabilities	549,221	721,161	240,801	88,440	152,086	214,825	25,009
December 31, 2013							
Bank overdraft	1,938	1,938	1,938	-	-	-	-
Accounts payable*	186,828	186,828	186,828	-	-	-	-
Other financial liability	630	630	630	-	-	-	-
Long term loans	363,934	560,980	71,247	102,681	131,831	251,423	3,798
Due to related companies	627	627	627	-	-	-	-
Customer deposits	26,827	26,827	-	-	5,285	-	21,542
Total financial liabilities	580,784	777,830	261,270	102,681	137,116	251,423	25,340

*Excludes provisions and deferred revenue.

34. Financial instruments (continued)

(a) Financial risk management (continued):

(ii) Liquidity risk (continued):

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

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

(iii) Market risk:

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

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

At December 31, 2014, 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, 2014, the interest profile of the Company's interest-bearing financial instruments was:

	Carrying amount	
	2014	2013
	$'000	$'000
Fixed rate instruments:		
Financial assets	27,301	21,791
Financial liabilities	(218,769)	(225,128)
Variable rate instruments:		
Financial liabilities	(195,574)	(187,153)

34. Financial instruments (continued)

(a) Financial risk management (continued):

(iii) Market risk (continued):

- *Interest rate risk (continued):*

Fair value sensitivity analysis for fixed rate instruments:

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

Cash flow sensitivity analysis for variable rate instruments:

A change of 50/200 (2013: 50/250) 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			
	2014		2013	
	200bp increase	50bp decrease	250bp increase	50bp decrease
	$'000	$'000	$'000	$'000
Cash flow sensitivity (net)	(3,911)	978	(4,679)	936

- *Foreign currency risk:*

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

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

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

Notes to the Financial Statements
Year ended December 31, 2014
(*Expressed in United States Dollars*)

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:

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

	2013			
	J$	€	£	US$ equivalent
	$'000	$'000	$'000	$'000
Cash and cash equivalents	431,802	-	-	4,059
Trade and other receivables	19,731,345	-	-	185,484
Other asset	489,976	-	-	4,606
Accounts payable	(3,837,151)	(4,359)	(16)	(39,255)
Long-term loans	-	(3,879)	-	(5,356)
Customer deposits	(2,853,829)	-	-	(26,827)
	13,962,143	(8,238)	(16)	122,711

34. Financial instruments (continued)

(a) Financial risk management (continued):

(iii) Market risk (continued):

- *Foreign currency risk (continued):*

Sensitivity analysis:

A 10% (2013: 15%) strengthening of the United States dollar (the Company's principal foreign currency) 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.

	2014		2013	
	Equity $'000	Profit/(loss) $'000	Equity $'000	Profit/(loss) $'000
J$	(10,233)	(10,233)	(21,242)	(21,242)
Euro (€)	886	886	1,706	1,706
GBP (£)	(8)	(8)	(3)	(3)
Total	(9,355)	(9,355)	(19,539)	(19,539)

A 1% (2013: 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.

	2014		2013	
	Equity $'000	Profit $'000	Equity $'000	Profit $'000
J$	1,023	1,023	1,416	1,416
Euro (€)	(89)	(89)	(114)	(114)
GBP (£)	1	1	-	-
Total	935	935	1,302	1,302

(iv) Operational risk:

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

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

34. Financial instruments (continued)

(a) Financial risk management (continued):

(iv) Operational risk (continued):

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

(b) Capital risk management:

Capital risk is the risk that the Company fails to comply with mandated regulatory requirements, resulting in a breach of its operating Licence and the possible adverse effects on its tariff structure in accordance with its Licence [Note 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.

	2014 $'000	2013 $'000
Bank overdraft	-	1,938
Current maturity of long term loans	54,917	37,492
Long term loans	316,160	326,442
Shareholder's loan	2,000	2,000
Total debt	373,077	367,872
Share capital	261,786	261,786
Capital reserve	4,145	19,901
Retained earnings	70,289	47,066
Preference shares	27,688	27,688
Total equity	363,908	356,441
Capital and debt	736,985	724,313
Gearing ratio	51%	51%

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

34. Financial instruments (continued)

(c) Fair value disclosure:

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

	2014		2013	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial liabilities:				
Interest rate swap	-	-	630	630
Preference shares	27,688	24,551	27,688	28,763
Long term loans	371,077	452,633	367,934	452,021

34. Financial instruments (continued)

(c) Fair value disclosure (continued):

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

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

	2013			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total
Liabilities measured at fair value:				
Derivative contract – Interest rate swap	-	(630)	-	(630)
Liabilities for which fair values are disclosed:				
Preference shares	(28,763)	-	-	(28,763)
Long term loans	-	(452,021)	-	(452,021)
	(28,763)	(452,651)	-	(481,414)

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Jamaica Public Service Company Limited will be held on **Friday, 10th day of July, 2015** 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, 2014 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, 2014 together with the Reports of the Directors and Auditors thereon be approved and adopted"

2. TO ELECT DIRECTORS

In accordance with Articles 86 and 119 of the Company's Articles of Incorporation, Professors Gordon Shirley and Evan Windsor Duggan, and Mr. Fitzroy Vidal, will retire and being eligible, offer themselves for re-election.

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

i "That Director Gordon Shirley is hereby elected a Director of the Company".

ii. "That Director Evan Windsor Duggan is hereby elected a Director of the Company".

iii. "That Director Fitzroy Vidal is hereby elected a Director of the Company".

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

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

DATED THIS 30th DAY OF APRIL, 2015

BY ORDER OF THE BOARD

Katherine P.C. Francis
Secretary

FORM OF PROXY

I/WE ………...of………………………………………………….
being a member/members of the above Company hereby appoint the Chairman of the meeting or failing him ………………………………………………..of……................………………………
as my/our Proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on the 10th day of July, 2015 at 10:00 a.m. and at any adjournment thereof.

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

DATED THE …………………….. DAY OF …………………….. 2015

……………………………………………….. ………………………………………………..
(signature) (signature)

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

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

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

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

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

1-888-225-5577 || LIME 1-888-935-5577 || DIGICEL

www.jpsco.com

PRINTED IN JAMAICA BY PEAR TREE PRESS LTD.