

**National Road Operating and
Constructing Company Limited**

**Financial Statements
31 March 2002**

National Road Operating and Constructing Company Limited

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31 March 2002

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28 January 2003

To the Members of
National Road Operating and Constructing
Company Limited

Auditors' Report

We have audited the financial statements set out on pages 1 to 11. These financial statements are the responsibility of the directors and management of the company. The directors and management are required to select suitable accounting policies and then apply them consistently, make judgements and estimates that are reasonable and prudent, follow applicable accounting standards and prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business. The directors and management are responsible for keeping proper accounting records, for safeguarding the assets of the company, and for the prevention and detection of fraud and other irregularities. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with standards on auditing generally accepted in Jamaica. Those standards require that we plan and perform the audit to obtain all the information and explanations which we considered necessary to provide us with reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by the directors and management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, proper accounting records have been kept and the financial statements, which are in agreement therewith, give a true and fair view of the state of affairs of the company as at 31 March 2002 and of the results of operations, changes in equity and cash flows for the year then ended, and have been prepared in accordance with Jamaican generally accepted accounting principles and comply with the provisions of the Jamaican Companies Act.



Chartered Accountants
Kingston, Jamaica

National Road Operating and Constructing Company Limited

Profit and Loss Account

Year ended 31 March 2002

	Note	2002 \$'000	2001 \$'000
Income	2 (f)	31,848	-
Administrative expenses		<u>(2,967)</u>	<u>-</u>
Operating Profit	3	28,881	-
Finance costs	5	<u>(31,071)</u>	<u>-</u>
Loss before taxation		(2,190)	-
Taxation	6	<u>-</u>	<u>-</u>
Net Loss		<u><u>(2,190)</u></u>	<u><u>-</u></u>

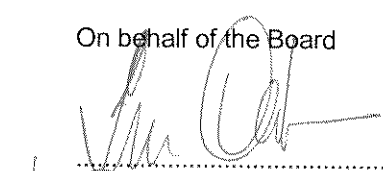
National Road Operating and Constructing Company Limited

Balance Sheet

31 March 2002

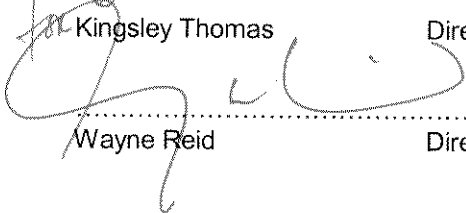
	Note	2002 \$'000	2001 \$'000
NET ASSETS EMPLOYED			
Long Term Receivable	7	913,658	-
Fixed Assets	8	10,976	-
Deferred Costs	9	65,263	-
Current Assets			
Accounts receivable	10	20,795	1,000
Cash and deposits	11	2,480,473	-
		2,501,268	1,000
Current Liabilities			
Accounts payable	12	749,899	-
Short term loans	13	374,456	-
		1,124,355	-
Net Current Assets		<u>1,376,913</u>	<u>1,000</u>
		<u>2,366,810</u>	<u>1,000</u>
FINANCED BY			
Share Capital	14	1,000	1,000
Accumulated deficit		(2,190)	-
		(1,190)	1,000
Long Term Loan	15	2,368,000	-
		<u>2,366,810</u>	<u>1,000</u>

On behalf of the Board



Kingsley Thomas

Director



Wayne Reid

Director

National Road Operating and Constructing Company Limited

Statement of Changes in Equity

Year ended 31 March 2002

	Note	Number of Shares	Share Capital \$'000	Accumulated Deficit \$'000	Total \$'000
Balance as at 1 April 2001	14	1,000,000	1,000	-	1,000
Net loss		-	-	(2,190)	(2,190)
Balance at 31 March 2002		<u>1,000,000</u>	<u>1,000</u>	<u>(2,190)</u>	<u>(1,190)</u>

National Road Operating and Constructing Company Limited

Statement of Cash Flows
Year ended 31 March 2002

	2002 \$'000	2001 \$'000
CASH RESOURCES WERE PROVIDED BY/(USED IN):		
Operating Activities		
Net loss	(2,190)	-
Item not affecting cash resources:		
Depreciation	378	-
Changes in non-cash working capital components:		
Accounts receivable	(19,795)	-
Accounts payable	749,899	-
	<u>730,482</u>	<u>-</u>
Cash provided by operating activities	<u>728,292</u>	<u>-</u>
Financing Activities		
Proceeds from Bond Issue	2,368,000	-
Short term loans received	374,456	-
Cash provided by financing activities	<u>2,742,456</u>	<u>-</u>
Investing Activities		
Deposits	(2,010,940)	-
Development costs	(978,921)	-
Purchase of fixed assets	(11,354)	-
Cash used in investing activities	<u>(3,001,215)</u>	<u>-</u>
Increase in cash and cash equivalents	469,533	-
Cash and cash equivalents at beginning of year	-	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>469,533</u></u>	<u><u>-</u></u>
Represented by:		
Short-term deposits (included in deposits; note 11)	450,000	-
Cash at bank	19,533	-
	<u><u>469,533</u></u>	<u><u>-</u></u>

National Road Operating and Constructing Company Limited

Notes to the Financial Statements

31 March 2002

1. Identification and Principal Activities

- (a) National Road Operating and Constructing Company Limited (the "Company" or NROCC), which was incorporated on 2 February 1995 under the name of National Road Conservation Company Limited, is a private limited liability company domiciled in Jamaica. The company changed its name to NROCC on 22 May 2000, and commenced operations in February 2002. All of the shares in NROCC are beneficially owned by the Government of Jamaica.
- (b) The company is the owner of a 70 year concession granted by the Minister of Transport and Works under the Toll Roads Act, 2002, for the establishment, development, financing, operation and maintenance of a tolled highway. The principal business of the company as owner of the concession is the arrangement of the construction, operation, maintenance, management and financing of Phase 1 of Highway 2000, Jamaica's first tolled highway, through the concessionaire.
- (c) The company has entered into a 35 year concession Agreement with Transjamaican Highway Limited (the "Concessionaire"), a limited liability company registered under the Jamaican Companies Act which is wholly owned by Bouygues Travaux Publics of France.
- (d) The company has also entered into an agreement dated 12 March 2002 to lease to the concessionaire for a period of 35 years certain lands upon which Phase 1 of Highway 2000 will be constructed. All lands required for the project will be leased by the Commissioner of Lands to the company for a period of 99 years.
- (e) These financial statements are stated in Jamaican dollars unless otherwise stated.

2. Significant Accounting Policies

(a) Basis of preparation

These financial statements have been prepared in accordance with and comply with Jamaican Accounting Standards, and have been prepared under the historical cost convention.

(b) Use of estimates

The preparation of financial statements in conformity with Jamaican generally accepted accounting principles requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(c) Fixed assets and depreciation

Fixed assets are stated at historical cost, less accumulated depreciation. Depreciation is calculated on the straight-line basis at annual rates estimated to write off the cost of the assets over their expected useful lives. The rates are as follows:

Office furniture, fixtures and equipment	10%
Leasehold improvements	2.5%
Computer equipment	25%
Computer software	50%

National Road Operating and Constructing Company Limited

Notes to the Financial Statements

31 March 2002

2. Significant Accounting Policies (Continued)

(d) Foreign currency translations

Foreign currency transactions during the year are converted into Jamaican dollars at the exchange rates prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated into Jamaican dollars at the rates of exchange prevailing at balance sheet date. Realised and unrealised gains or losses, if any, are reflected under finance costs in the profit and loss account.

(e) Fair value of financial instruments

Financial instruments carried on the balance sheet include long term receivables, accounts receivable, accounts payable, short term loans, and long term loans.

The fair values of the company's financial instruments are discussed in Note 16.

(f) Revenue recognition

Revenue represents interest earned on funds received from the subscription of the Real Return Convertible Bond Issue, and is recognised on the accruals basis.

(g) Deferred costs

These costs are being amortised using the straight-line method over a thirty-year period commencing April 2002.

3. Operating Profit

The following items have been charged in arriving at operating profit:

	2002	2001
	\$'000	\$'000
Directors' emoluments -		
Fees	-	-
Management remuneration	908	-
Auditors' remuneration	500	-
Depreciation	378	-
Staff costs (Note 4)	1,533	-
	<u>1,533</u>	<u>-</u>

National Road Operating and Constructing Company Limited

Notes to the Financial Statements

31 March 2002

4. Staff Costs

	2002	2001
	\$'000	\$'000
Salaries and wages	1,451	-
Statutory deductions	82	-
	<u>1,533</u>	<u>-</u>

The number of persons employed by the company at the end of the year -

	No.	No.
Full time	2	-
On contract	1	-
	<u>3</u>	<u>-</u>

5. Finance Costs

	2002	2001
	\$'000	\$'000
Net foreign exchange losses	1,218	-
Interest expense -		-
Interest on loans	20,029	-
Other finance costs	9,824	-
	<u>31,071</u>	<u>-</u>

6. Taxation

- (a) There is no tax charge for the current year as the company incurred tax losses.
- (b) Subject to agreement with the Taxpayer Audit and Assessment Department, losses available for carry forward indefinitely against future taxable profits amount to approximately \$7,426,000.

7. Long Term Receivable

This amount is due from Transjamaican Highway Limited and includes -

- (a) Development costs incurred by the company with respect to the Highway 2000 project including amounts paid for the preliminary design and development work during the tender process, as well as costs associated with the company's consultants on the project. These amounts were converted to a loan facility of US\$20 million under the terms and conditions of a Subordinated Loan Agreement (SLA) dated 21 November 2001 between the company and the concessionaire.
- (b) US\$2,197,970 drawdown by the concessionaire in December 2001 under the terms and conditions of a US\$87.5 million Grantor Procured Debt (GPD) loan agreement dated 21 November 2001.

National Road Operating and Constructing Company Limited

Notes to the Financial Statements
31 March 2002

7. Long Term Receivable (Continued)

The duration of both loans is dependent on the expected cash flows of the concessionaire; however, full repayment of the loans as well as accrued interest is due by 21 November 2036, the end of the concession period. Interest on the SLA loan is calculated at libor rate plus 4.5% per annum. Interest on the GPD loan is calculated at libor rate plus 4% on the US dollar drawdown portion and at 5% on the Jamaican dollar drawdown, adjusted for inflation compensation. Interest has been accrued and capitalized as of the drawdown dates of the loans.

8. Fixed Assets

	Leasehold Improvements	Office Furniture, Fixtures & Equipment	Computer Equipment & Software	Total
	\$'000	\$'000	\$'000	\$'000
Cost -				
1 April 2001	-	-	-	-
Additions	864	5,656	4,834	11,354
31 March 2002	864	5,656	4,834	11,354
Depreciation -				
1 April 2001	-	-	-	-
Charge for the year	4	94	280	378
31 March 2002	4	94	280	378
Net Book Value -				
31 March 2002	860	5,562	4,554	10,976
31 March 2001	-	-	-	-

9. Deferred Costs

These represent professional fees and other costs approximating \$65,263,000 associated with the private placement of the 4.5% Convertible Bonds (Note 15).

	2002	2001
	\$'000	\$'000
At 31 March	65,263	-

National Road Operating and Constructing Company Limited

Notes to the Financial Statements

31 March 2002

10. Accounts Receivable

	2002	2001
	\$'000	\$'000
Receivable from shareholders	1,000	1,000
Interest receivable	15,778	-
Other	4,017	-
	<u>20,795</u>	<u>1,000</u>

11. Cash and Deposits

	2002	2001
	\$'000	\$'000
Deposits -		
The Bank of Nova Scotia Jamaica Limited	2,294,643	-
National Commercial Bank Jamaica Limited	166,297	-
	<u>2,460,940</u>	<u>-</u>
Cash at bank	19,533	-
	<u>2,480,473</u>	<u>-</u>

The weighted effective interest rate on deposits during the year was 11.65%.

12. Accounts Payable

	2002	2001
	\$'000	\$'000
Accrued expenses	1,483	-
Interest payable	10,364	-
Payable to Development Bank of Jamaica Limited	737,577	-
Other	475	-
	<u>749,899</u>	<u>-</u>

13. Short Term Loans

	2002	2001
	\$'000	\$'000
Development Bank of Jamaica Limited -		
(i) US\$3,707,000 loan at 7.5%	176,490	-
(ii) J\$ loan at 15%	197,966	-
	<u>374,456</u>	<u>-</u>

These loans are repayable on demand.

National Road Operating and Constructing Company Limited

Notes to the Financial Statements

31 March 2002

14. Share Capital

	2002	2001
	\$'000	\$'000
Authorised, issued, but not paid -		
1,000,000 ordinary shares of \$1 each	<u>1,000</u>	<u>1,000</u>

15. Long Term Loan

This represents the aggregate proceeds received at year-end from the subscribers to the 4.5% Real Return Convertible Bond Issue (the Bonds), due 6 February 2032.

The Bonds were issued on 7 February 2002 at par and will be redeemed at the greater of par or par as adjusted for inflation or deflation based on changes in the all Jamaica "All Group" Consumer Price Index. Coupon interest on the Bonds will accrue at the rate of 4.5% per annum, but adjusted for inflation or deflation, and is payable semi-annually in arrears on February 7 and August 7 of each year until maturity. Interest and inflation compensation is exempt from income tax.

The payment of principal and interest on the Bonds is guaranteed by the Government of Jamaica and the Bonds will rank pari passu with all similar future unsecured indebtedness of the company.

Payments of the third and final installment of the subscription money totaling \$1,184,000,000 were received in June 2002.

The net proceeds of the Bond Issue will be on-lent to the concessionaire to provide part financing of the construction costs of Phase 1 of Highway 2000, in accordance with the terms of the Grantor Procured Debt (GPD) Loan Agreement between the company and the concessionaire.

16. Financial Instruments

(a) Currency risk

Financial instruments at 31 March 2002 include aggregate net foreign liabilities of US\$4,365,000 and £13,000 in respect of transactions arising in the ordinary course of business.

(b) Credit risk

The company has no significant concentration of credit risk. Cash and short term deposits are placed with substantial financial institutions.

(c) Interest rate risk

The company's income and operating cash flows are substantially independent of changes in market interest rates. Deposits are the only financial assets subject to interest. Interest bearing liabilities are disclosed in Notes 13 and 15.

National Road Operating and Constructing Company Limited

Notes to the Financial Statements

31 March 2002

16. Financial Instruments (Continued)

(d) Fair value of financial assets and liabilities

The amounts included in the financial statements for accounts receivable, accounts payable and short-term loans are at cost which reflect the fair values of considerations given or received.

	2002		2001	
	Carrying Amount \$'000	Fair value \$'000	Carrying Amount \$'000	Fair value \$'000
Long term receivable	913,658	913,658	-	-
Long term loan	2,368,000	2,368,000	-	-

The long receivable and the long term loan are carried at amortised cost, which is the same as their original recorded amounts.

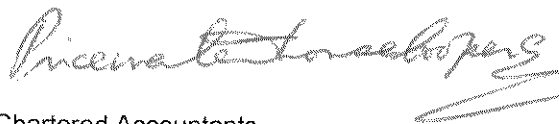
28 January 2003

To the Directors of
National Road Operating and Constructing
Company Limited

Auditors' Report

The supplementary information set out on page 12, taken from the accounting records of the company, has been subjected to the tests and other auditing procedures applied in our examination of the company's financial statements for the year ended 31 March 2002.

In our opinion this information, although not necessary for a fair presentation of the company's state of affairs, results of operations, changes in equity or cash flows, is fairly presented in all material respects in relation to the financial statements taken as a whole.



Chartered Accountants
Kingston, Jamaica

National Road Operating and Constructing Company Limited

Administrative Expenses
Year ended 31 March 2002

	2002	2001
	\$'000	\$'000
Advertising and publication	15	-
Auditors' remuneration	500	-
Depreciation	378	-
Salaries, wages and related costs	1,533	-
Repairs and maintenance	43	-
Utilities	275	-
Office expenses	38	-
Legal and professional fees	70	-
Miscellaneous	115	-
	<u>2,967</u>	<u>-</u>