PRICEWATERHOUSECOOPERS

National Road Operating and Constructing Company Limited

Financial Statements
31 March 2008

National Road Operating and Constructing Company Limited

Index

31 March 2008

PRICEWATERHOUSECOOPERS

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Independent Auditors' Report

To the Members of
National Road Operating and
Constructing Company Limited

Report on the Financial Statements

We have audited the accompanying financial statements of National Road Operating and Constructing Company Limited, set out on pages 1 to 36, which comprise the balance sheet as of 31 March 2008 and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 controls. 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.

PRICEWATERHOUSECOOPERS

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as of 31 March 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Other Legal and Regulatory Requirements

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 kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Act, in the manner so required.

PricewaterhouseCoopers

Chartered Accountants
27 October 2008
Kingston, Jamaica

National Road Operating and Constructing Company Limited

Profit and Loss Account

Year ended 31 March 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2008	2007
		$'000	$'000
Revenue		-	-
Administration expenses		(513,196)	(492,156)
Operating Loss		(513,196)	(492,156)
Finance income	8	1,485,399	1,291,736
Finance costs	9	(6,095,578)	(2,328,102)
Inflation compensation on Real Return Convertible Bonds	23(a)	(1,244,248)	(368,340)
Loss before Taxation		(6,367,623)	(1,896,862)
Taxation	10	16,921	1,981
NET LOSS		(6,350,702)	(1,894,881)

National Road Operating and Constructing Company Limited

Balance Sheet

31 March 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2008 $'000	2007 $'000
Non-Current Assets			
Fixed assets	11	6,052,583	2,350,028
Deferred tax assets	12	149,220	185,560
Loans receivable	13	8,656,497	7,687,208
Investment securities	14	100,769	658,463
		14,959,069	10,881,259
Current Assets			
Reverse repurchase agreements	15	-	231,401
Taxation recoverable		173,227	62,050
Receivables	16	477,632	276,931
Cash and short term investments	17	4,400,374	4,086,914
		5,051,233	4,657,296
Current Liabilities			
Payables	18	389,877	55,969
Taxation payable		126,551	126,551
Short term loans	19	213,266	203,400
		729,694	385,920
Net Current Assets		4,321,539	4,271,376
		19,280,608	15,152,635
Shareholders' Equity			
Share capital	20	1,000	1,000
Inflation reserve	21	152,066	152,066
Fair value reserve	22	(116,217)	(179,349)
Accumulated deficit		(11,041,900)	(4,691,198)
		(11,005,051)	(4,717,481)
Non-Current Liabilities			
Long term loans	23	30,285,659	19,870,116
		19,280,608	15,152,635

Approved for issue by the Board of Directors on 15 September 2008 and signed on its behalf by:

Ivan Anderson — Director

Christopher Bovell — Director

National Road Operating and Constructing Company Limited

Statement of Changes in Shareholders' Equity

Year ended 31 March 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital $'000	Inflation Reserve $'000	Fair Value Reserve $'000	Accumulated Deficit $'000	Total $'000
Balance at 1 April 2006	1,000	152,066	(147,463)	(2,796,317)	(2,790,714)
Unrealised loss on fair value adjustment, net of deferred taxation	-	-	(31,886)	-	(31,886)
Net loss recognised directly in shareholders' equity	-	-	(31,886)	-	(31,886)
Net loss	-	-	-	(1,894,881)	(1,894,881)
Total expense recognised in current year	-	-	(31,886)	(1,894,881)	(1,926,767)
Balance at 31 March 2007	1,000	152,066	(179,349)	(4,691,198)	(4,717,481)
Unrealised gains on fair value adjustment, net of deferred taxation	-	-	63,132	-	63,132
Net gain recognised directly in shareholders' equity	-	-	63,132	-	63,132
Net loss	-	-	-	(6,350,702)	(6,350,702)
Total income/(expense) recognised in current year	-	-	63,132	(6,350,702)	(6,287,546)
Balance at 31 March 2008	1,000	152,066	(116,217)	(11,041,900)	(11,005,051)

National Road Operating and Constructing Company Limited

Statement of Cash Flows

Year ended 31 March 2008

(expressed in Jamaican dollars unless otherwise indicated)

	2008 $'000	2007 $'000
Cash Flows from Operating Activities		
Cash used in operating activities (Note 25)	(531,616)	(1,402,366)
Cash Flows from Investing Activities		
Road construction and acquisition of land	(3,751,708)	(261,781)
Purchase of other fixed assets	(6,492)	(16,222)
Purchase of investment securities	(1,573,526)	(162,154)
Proceeds from sale of investment securities	2,256,793	640,542
Short term investments	(1,627,618)	123,113
Interest received	481,107	304,887
Cash (used in)/provided by investing activities	(4,221,444)	628,385
Cash Flows from Financing Activities		
Short term loans repaid	-	(2,296,627)
Long term loan received	4,787,501	13,165,885
Long term loan repaid	-	(4,912,133)
Interest paid	(1,685,547)	(1,600,566)
Cash provided by financing activities	3,101,954	4,356,559
(Decrease)/increase in cash and cash equivalents	(1,651,106)	3,582,578
Effect of exchange rate on cash and cash equivalent	19,430	372,462
Cash and cash equivalents at beginning of year	3,961,452	6,412
CASH AND CASH EQUIVALENTS AT END OF YEAR	2,329,776	3,961,452

National Road Operating and Constructing Company Limited

Notes to the Financial Statements
31 March 2008
(expressed in Jamaican dollars unless otherwise indicated)

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. Its registered office is located at 11A Oxford Road, Kingston 5, Jamaica. All of the shares in NROCC are beneficially owned by the Government of Jamaica.

(b) The company was granted a 70-year concession 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 holder 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 Transjamaican Highway Limited.

(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 Traveaux 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. Lands required for the project include lands leased by the Commissioner of Lands to the company for a period of 99 years.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), and have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Although these estimates are based on managements' best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Standards, interpretations and amendments to published standards effective in current year that are relevant to the company's operations

- IFRS 7, Financial instruments: Disclosures, and the complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective 1 January 2007). IFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of the company's financial instruments. IFRS 7 supersedes IAS 30 and the disclosure requirements of IAS 32.

- There was no impact on the opening accumulated deficit as 1 April 2006 from the adoption of the above standard.

National Road Operating and Constructing Company Limited

Notes to the Financial Statements
31 March 2008
(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards effective in current year that are relevant to the company's operations

- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006)
- IFRIC 11, IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007).
- IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006).
- IFRIC 9, Reassessment of embedded derivative (effective for annual periods beginning on or after 1 June 2006).

The adoption of these standards has resulted in no changes to the company's accounting policies.

Standards, interpretations and amendments to published standards not yet effective and not early adopted by the company

- IAS 23 (Amendment), Borrowing costs (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The company will apply IAS 23 (Amended) from 31 March 2009.

- IAS 1 Presentation of Financial Statements (Revised) (effective for annual periods beginning on or after 1 January 2009). The main objective in revising IAS 1 was to aggregate information in the financial statements on the basis of shared characteristics. IAS 1 will affect the presentation of owner changes in equity and of comprehensive income. It will not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRS. IAS 1 will require an entity to present, in a statement of changes in stockholders' equity, all owner changes in stockholders' equity. All non-owner changes in stockholders' equity (i.e. comprehensive income) will be required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income will not be permitted to be presented in the statement of changes in stockholders' equity. Management is currently assessing the impact of these changes. The company will apply IAS 1 (Revised) from 31 March 2009.

Standards, interpretations and amendments to published standards not yet effective and not relevant to the company's operations

- IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008).
- IFRIC 13, Customer loyalty programmes (effective from 1 July 2008).
- IFRS 3 (Revised) Business Combination and IAS 27 (Revised) Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009).
- IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009).

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards not yet effective and not relevant to the company's operations (continued)

- IFRIC 12, Services Concession Arrangements (effective for annual periods beginning on or after 1 January 2008).

- IAS 32 Financial Instruments: Presentation/IAS 1 Presentation of Financial Statements (Amendments) – Puttable Financial Instruments and Obligations Arising on Liquidation (effective for annual periods beginning on or after 1 January 2009).

Management has determined that the adoption of these standards will have no impact on the company's accounting policies.

(b) Revenue recognition

(i) Interest and fees

Fees and commission income are recognised on the accrual basis. Loan origination fees for loans which are likely to be drawn down are deferred, together with related direct costs, and recognised as an adjustment to the effective yield on the loan. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

Interest income and expense are recognised in the profit and loss account for all interest-bearing instruments on an accrual basis using the effective yield method based on the actual purchase price of the instrument. Interest income includes coupons earned on fixed income investments and accrued discount or premium on treasury bill and other discounted instruments.

When loans become impaired, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

(ii) Toll revenues

Subject to Clause 24 (Developer Payments) of the Concession Agreement (the Agreement), the concessionaire has sole rights to revenues arising out of the collection of tolls during the concession period. Under Clause 24, on the completion of certain prescribed sections of the Toll Road, and to the extent that the actual annual traffic revenues exceed those forecasted in the financial model as prepared by the concessionaire and agreed by the company from time to time, those excess revenues will be shared with the company in accordance with the Upside Formula as prescribed by Schedule 18 of the Agreement. Such revenues, if any, are recognised in the profit and loss account on an accrual basis.

National Road Operating and Constructing Company Limited

Notes to the Financial Statements
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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(c) Foreign currency translation

Foreign currency transactions during the year are accounted for at the exchange rates prevailing at the dates of the transactions. At the balance sheet date, monetary assets and liabilities in foreign currencies are translated using the closing exchange rate. These rates represent the weighted average rates at which the company trades in foreign currencies.

Exchange differences resulting from the settlement of transaction at rates different from those at the dates of the transactions, and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in the profit and loss account.

(d) Income taxes

Taxation expense in the profit and loss account comprises current and deferred tax charges.

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The company's liability for current tax is calculated at tax rates that have been enacted at balance sheet date.

Deferred tax is the tax expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

National Road Operating and Constructing Company Limited

Notes to the Financial Statements
31 March 2008
(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(e) Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the financial year which they are incurred.

Land is not depreciated. Depreciated on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated using lives, as follows:

Roads and leasehold improvements	2½%
Office furniture, fixtures and equipment	10%
Computer equipment	25%
Motor vehicles	20%

Grantor variations as determined in the Concession Agreement dated 21 November 2001 are capitalised and recorded at cost, less any reimbursements received.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Gains and losses arising on the disposal of fixed assets are determined by reference to their carrying amount and are taken into account in determining operating profit. Repair and maintenance expenditure is charged to the profit and loss account when the expenditure is incurred. Improvement expenditure is included in the cost of the related asset or in leasehold improvement as is appropriate.

(f) Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful life of two years. Costs associating with developing or maintaining computer software programs are recognised as the expense is incurred.

National Road Operating and Constructing Company Limited

Notes to the Financial Statements
31 March 2008
(expressed in Jamaican dollars unless otherwise indicated)

2. **Summary of Significant Accounting Policies (Continued)**

(g) Loans receivable and provisions for credit losses

Loans are recognised when cash is advanced to borrowers. They are initially recorded at cost, which is the cash given to originate the loan including any transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

A provision for credit losses is established if there is objective evidence that a loan is impaired. A loan is considered impaired when management determines that it is probable that all amounts due will not be collected according to the original contractual terms. When a loan has been identified as impaired, the carrying amount of the loan is reduced by recording specific provisions for credit losses to its estimated recoverable amount, which is the present value of expected future cash flows including amount recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan.

Loans that are secured by a guarantee or irrevocable undertaking of the Government of Jamaica are classified as sovereign risk and are not considered to be impaired if they are contractually in arrears.

For non-performing and impaired loans the accrual of interest income based on the original terms of the loan is discontinued. The increase in the present value of impaired loans due to the passage of time is reported as interest income.

Write-offs are made when all or part of a loan is deemed uncollectible or in the case of debt forgiveness. Write-offs are charged against previously established provisions for credit losses and reduce the principal amount of a loan. Recoveries, in part or in full, of amounts previously written-off, are credited to credit loss expense in the profit and loss account.

(h) Financial instruments

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

The company classifies its financial assets in the following categories: loans and receivables, held to maturity, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'loans receivable and receivables' in the balance sheet (Notes 13 and 16).

National Road Operating and Constructing Company Limited

Notes to the Financial Statements
31 March 2008
(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(h) Financial instruments (continued)

Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity. Were the company required to sell other than an insignificant amount of held-to-maturity assets, the entire category would be compromised and reclassified as available-for-sale. These assets are classified as non-current assets on the balance sheet.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Purchases and sales of investments are recognised on the settlement date - the date on which an asset is delivered to or by the company. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Available-for-sale financial assets are subsequently carried at fair value. Held-to-maturity investments are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in the profit and loss account, and other changes in carrying amount are recognised in equity. Changes in the fair value of monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognised in shareholders' equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in shareholders' equity are included in the profit and loss account as 'gains and losses on investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in the profit and loss account, and other changes in carrying amount are recognised in shareholders' equity. Changes in the fair value of monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognised in shareholders' equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as 'gains and losses on investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account.

2. **Summary of Significant Accounting Policies (Continued)**

(h) Financial instruments (continued)

Available-for-sale financial assets (continued)

The company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from shareholders' equity and recognised in the profit and loss account.

Financial liabilities

The company's financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest method. These liabilities are classified as 'short term and long term loans and are included in current liabilities and non-current liabilities on the balance sheet

(i) Reverse repurchase transactions

Reverse repurchase agreements (securities purchased under agreements to resell) are treated as collateralised financing transactions. The difference between the purchase and resale price is treated as interest and accrued over the life of the agreements using the effective yield method.

(j) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the statement of cash flows, cash and cash equivalents comprise balances which mature within 90 days of the date of acquisition including cash balances and short term investment.

(k) Payables

Payables are stated at cost.

(l) Borrowings

Borrowings are recognised initially at cost, being their issue proceeds, net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective yield method.

Where convertible bonds are issued, the fair value of the liability portion is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a non-current liability on the amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option which is recognised and included in shareholders' equity. The value of the conversion option is not changed in subsequent periods. Where the fair value of the liability portion cannot be reliably determined and separated from the value of the conversion component, the full amount of the bond is recorded as a non-current liability.

2. Summary of Significant Accounting Policies (Continued)

(m) Share capital
Ordinary shares are classified as equity.

(n) Provisions
Provisions are recognised where the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(o) Comparative information
Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the company's accounting policies
In the process of applying the company's accounting policies, management has made the following significant judgements on the amounts recognised in the financial statements.

Income taxes
Judgement is required in determining the provision for income taxes. Income tax in these financial statements is determined by treating the company as a capital investor. Management has determined that the company is not in the business of raising funds but to arrange the construction, operation, maintenance, management and financing of Phase 1 of Highway 2000.

(b) Key sources of estimation uncertainty
In the process of applying the company's accounting policies, management has made no significant estimates on the amounts recognised in the financial statements.

4. Financial Risk Management

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

The Board of Directors is ultimately responsible for the establishment and oversight of the company's risk management framework. The Board is assisted by the Development Bank of Jamaica Limited which implements and monitors risk management policies and makes decisions on financial matters on a daily basis.

The most important types of risk are credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate and other price risk.

(a) Credit risk

The company takes on exposure to credit risk, which is the risk that its counterparties will cause a financial loss for the company by failing to discharge their contractual obligations. Credit risk is the most important risk for the company's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from the company's receivables and investment activities.

(i) Receivables

The company's main exposure to credit risk lies in its lending activities to the concessionaire. Exposure to this credit risk is managed through close monitoring of the concessionaire's ability to meet interest and principal repayments in accordance with the terms and conditions of the various loan agreements.

(ii) Investments

Due to the specificity of the company's operating objectives, most of its interest earning investments is placed with a few financial institutions in fulfillment of conditions associated with credit arrangements extended by those institutions. Investments are also placed with the Bank of Jamaica. Reverse repurchase agreements and short term investments are placed with counterparties that have high credit quality. Accordingly, management does not expect any counterparty to fail to meet its obligations.

(iii) Cash and bank

Cash and bank transactions are limited to high credit quality financial institutions.

National Road Operating and Constructing Company Limited

Notes to the Financial Statements
31 March 2008
(expressed in Jamaican dollars unless otherwise indicated)

4. **Financial Risk Management (Continued)**

(a) **Credit risk (continued)**

Maximum exposure to credit risk

	2008 $'000	2007 $'000
Credit risk exposures are as follows:		
Loans receivable	8,656,497	7,687,208
Investment securities	100,769	658,463
Reverse repurchase agreements	-	231,401
Receivables	477,632	276,931
Cash and short term investments	4,400,374	4,086,914
	13,635,272	12,940,917

Exposure to credit risk for receivables

Credit exposure for the company mainly relates to balances owing from Transjamaican Highway Limited and the Ministry of Transport and Works.

Exposure to credit risk for investments

The following table summarises the company's credit exposure for investments at their carrying amounts, as categorised by issuer:

	2008 $'000	2007 $'000
Bank of Jamaica	2,436,000	3,294,340
Financial institutions	1,895,640	1,380,053
	4,331,640	4,674,393
Interest receivable	55,720	14,746
	4,387,360	4,689,139

There are no financial assets that are considered impaired; as such no provision has been created in these financial statements.

National Road Operating and Constructing Company Limited

Notes to the Financial Statements
31 March 2008
(expressed in Jamaican dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(a) Credit risk (continued)

Ageing analysis of receivables

Receivables from Transjamaican Highway Limited and the Ministry of Finance and Public Service are neither past due nor impaired.

(b) Liquidity risk

Liquidity risk is the risk that the company is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Liquidity risk management process

The company's liquidity management process, as carried out within the company and monitored by the Board of Directors through the Development Bank of Jamaica Limited, includes:

(i) Monitoring future cash flows and liquidity on a regular basis. This incorporates an assessment of expected cash flows;

(ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

(iii) Optimising cash returns on investments; and

(iv) Maintaining committed lines of credit.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the company and its exposure to changes in interest rates and exchange rates.

Financial liabilities cash flows

The tables below summarise the maturity profile of the company's financial liabilities at 31 March based on contractual undiscounted payments.

National Road Operating and Constructing Company Limited

Notes to the Financial Statements

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4. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

As at 31 March 2008:	On demand or Subject to Notice $'000	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
Payables	-	389,877	-	-	-	389,877
Short term loans	213,266	-	-	-	-	213,266
Long term loans	-	263,453	1,774,823	8,874,114	59,045,121	69,957,511
Total financial liabilities (contractual maturity dates)	213,266	653,330	1,774,823	8,874,114	59,045,121	70,560,654

As at 31 March 2007:	On demand or Subject to Notice $'000	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
Payables	-	55,969	-	-	-	55,969
Short term loans	203,400	-	-	-	-	203,400
Long term loans	-	153,025	1,073,530	5,367,650	24,036,217	30,630,422
Total financial liabilities (contractual maturity dates)	203,400	208,994	1,073,530	5,367,650	24,036,217	30,889,791

Off-balance sheet items – capital commitments

The company has the following capital commitments at year end:

(a) Mount Rosser bypass project

The total value of the project is US$99,500,000. An amount of J$3,723,662,000 (Note 11) has been included in fixed assets at year end in respect of this project.

(b) Dyke Road Fishing Village Complex project

The company has capital commitments in respect of the Dyke Road Fishing Village Complex project. The total value of the project is $83,058,000.

(c) Market risk

The company takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. Market risk is monitored by Development Bank of Jamaica, based on guidelines set by the Board of Directors which carries out research and monitors the price movement of financial assets on the local and international markets.

National Road Operating and Constructing Company Limited

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4. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and US dollar. Foreign exchange risk arises from recognised assets and liabilities.

The company manages this risk to the extent possible, by maximising foreign currency earnings and holding foreign currency balances. The company's ability to manage this risk is constrained by the Concession Agreement, government policies, and the available sources of financing.

The table below summarises the company's exposure to foreign currency exchange rate risk at 31 March.

	2008			
	Jamaican	**US$**	**Euro**	**Total**
	J$'000	**J$'000**	**J$'000**	**J$'000**
Assets				
Loans receivable	2,675,832	5,980,665	-	8,656,497
Investment securities	-	100,769	-	100,769
Receivables	97,160	380,472	-	477,632
Cash and short term investments	2,104,489	1,957,498	338,387	4,400,374
Other	6,375,030	-	-	6,375,030
Total assets	11,252,511	8,419,404	338,387	20,010,302
Liabilities				
Payables	22,083	367,794	-	389,877
Short term loans	-	213,266	-	213,266
Long term loans	7,162,017	-	23,123,642	30,285,659
Other	126,551	-	-	126,551
Total liabilities	7,310,651	581,060	23,123,642	31,015,353
Net position	3,941,860	7,838,344	(22,785,255)	(11,005,051)

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4. **Financial Risk Management (Continued)**

(c) **Market risk (continued)**

(i) Currency risk (continued)

	2007			
	Jamaican	US$	Euro	Total
	J$'000	J$'000	J$'000	J$'000
Assets				
Loans receivable	2,711,997	4,975,211	-	7,687,208
Investment securities	-	658,463	-	658,463
Reverse repurchase agreements	19,679	211,722	-	231,401
Receivables	76,595	200,336	-	276,931
Cash and short term deposits	3,294,719	792,195	-	4,086,914
Other	2,597,638	-	-	2,597,638
Total assets	8,700,628	6,837,927	-	15,538,555
Liabilities				
Payables	55,969	-	-	55,969
Short term loans	-	203,400	-	203,400
Long term loans	5,908,186	-	13,961,930	19,870,116
Other	126,551	-	-	126,551
Total liabilities	6,090,706	203,400	13,961,930	20,256,036
Net position	2,609,922	6,634,527	(13,961,930)	(4,717,481)

Foreign currency sensitivity

The following table indicates the currencies to which the company had significant exposure on its monetary assets and liabilities and its forecast cash flows. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity of the profit was as a result of foreign exchange gains/losses on translation of US dollar-denominated loan receivables, investment securities, reverse repurchase agreements, receivables, cash and short term investments, payables and Euro denominated loan. Profit is more sensitive to movement in currency/US dollar exchange rates in 2008 than 2007 because of the increased amount of Euro denominated loan amount. The sensitivity of the equity arose mainly from foreign exchange losses/gains on translation of US dollar-denominated investment securities classified as available-for-sale. Equity less sensitive to movement in currency/US dollar exchange rate in 2008 than 2007 because of the decreased amount of US dollar-denominated investment securities classified as available-for-sale. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

National Road Operating and Constructing Company Limited

Notes to the Financial Statements
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4. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity (continued)

	% Change in Currency Rate 2008	Effect on Net Profit 2008 $'000	% Change in Currency Rate 2007	Effect on Net Profit 2007 $'000
Currency:				
USD	5	369,610	5	331,842
EURO	5	(1,139,335)	5	(698,096)

(ii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the company to cash flow interest risk, whereas fixed interest rate instruments expose the company to fair value interest risk.

The company's interest rate risk mainly arises from its long term investments and loans. This risk is managed by analysing the economic environment and obtaining fixed rate loans as interest rates are expected to rise. The company is exposed to interest rate risk to the extent that the duration of its interest bearing liabilities were longer than the duration of interest bearing financial assets.

Investments

At 31 March 2008 and 2007, the company's investments were fixed rate instruments.

Loans

At 31 March 2008 and 2007, the company's loans were fixed rate instruments.

4. **Financial Risk Management (Continued)**

(c) **Market risk (continued)**

(ii) Interest rate risk

Interest rate sensitivity

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the company's shareholder' equity. There is no impact of profit and loss account as all loans and investments were at fixed rates.

The sensitivity of shareholders' equity is calculated by revaluing fixed rate available-for-sale investment securities for the effects of the assumed changes in interest rates.

	Effect on Equity 2008 $'000	Effect on Equity 2007 $'000
Change in basis points:		
-1%	8,554	7,319
+1%	(5,696)	(7,269)

(d) **Capital management**

The company has negative shareholders' equity and obtains long term financing from various financial institutions and the Government of Jamaica.

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

The company is not subject to externally imposed capital requirements.

National Road Operating and Constructing Company Limited

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5. Fair Value Estimation

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the company is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

(a) The amounts included in the financial statements for cash and bank balances, short term investments, reverse repurchase agreements, receivables, payables and short term loans reflect their approximate fair value because of the short term maturity of these instruments;

(b) The carrying value of loans denominated in United States dollars approximates fair value because these loans are contracted at variable market rates. The fair value of the Jamaican dollar portion of loans receivable cannot be reliably determined because there are no similar instruments in the market from which a market rate of interest can be derived for use in the pricing model;

(c) The fair value of investment securities is determined by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques using estimated current market rates of interest.;

(d) As explained in Note 23(a), the fair value of the convertible bond cannot be reliably determined. Other long term loans reflect the company's contractual obligations and are carried at amortised cost, which is deemed to approximate the fair value of these loans because these loans are subject to such terms and conditions as are available in the market for similar transactions.

The following table presents the estimated fair value of financial instruments which are not reflected in the financial statements at fair value:

	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	$'000	$'000	$'000	$'000
Financial Assets				
Held-to-maturity investment securities	-	-	57,572	57,321

National Road Operating and Constructing Company Limited

Notes to the Financial Statements

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6. Expenses by Nature

	2008 $'000	2007 $'000
Accommodation, travel and entertainment	705	1,504
Advertising and public relations	2,078	208
Auditors' remuneration -		
Current year	2,500	2,100
Prior year	-	400
Compensation for crops – Mount Rosser project	28,773	-
Depreciation (Note 11)	55,645	54,964
Delay compensation (Note 18)	-	250,393
Donations	5,626	621
Gain on disposal of fixed assets	-	(6,291)
Legal and professional fees	42,402	42,783
Relocation expenses	17,233	-
Repairs and maintenance	768	60
Staff costs (Note 7)	25,359	18,873
Technical fees	27,000	18,000
Toll subsidies (Note 18)	295,379	101,555
Utilities	5,305	5,272
Other operating expenses	4,423	1,714
	513,196	492,156

National Road Operating and Constructing Company Limited

Notes to the Financial Statements
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7. Staff Costs

	2008	2007
	$'000	$'000
Salaries and wages	23,481	17,524
Statutory contributions	1,396	1,066
Other	482	283
	25,359	18,873

8. Finance Income

	2008	2007
	$'000	$'000
Foreign exchange gains	336,595	387,218
Interest income -		
Investment securities and short term deposits	524,939	290,223
Loans receivable	716,835	612,035
Reverse repurchase agreements	15,767	13,017
	1,594,136	1,302,493
Cumulative loss reclassified from equity to profit and loss	(108,737)	(10,757)
	1,485,399	1,291,736

9. Finance Costs

	2008	2007
	$'000	$'000
Foreign exchange losses	4,296,705	875,919
Interest on loans	1,798,873	1,447,809
Other	-	4,374
	6,095,578	2,328,102

National Road Operating and Constructing Company Limited

Notes to the Financial Statements
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10. Taxation

(a) Taxation in the profit and loss account represents deferred income tax (Note 12).

(b) The tax on profit as reported differs from the theoretical amount that would arise using the basic statutory rate of 33⅓% as follows:

	2008	**2007**
	$'000	**$'000**
Loss before taxation	(6,367,623)	(1,896,862)
Tax calculated at a tax rate of 33⅓%	(2,122,541)	(632,287)
Adjusted for the effect of:		
Expenses not deductible for tax purposes	202,500	135,201
Inflation compensation on Real Return Convertible Bonds	414,749	122,780
Deferred tax not recognised on tax losses (Note 12)	54,522	377,050
Deferred tax not recognised on unrealised foreign exchange loss	1,435,954	-
Other net adjustments and allowances	(2,113)	(4,725)
Tax credit	(16,921)	(1,981)

Subject to agreement with the Taxpayer Audit and Assessment Department, losses of approximately $163,655,000 (2007 - $1,131,151,000) are available for set off against future taxable profits and can be carried forward indefinitely.

National Road Operating and Constructing Company Limited

Notes to the Financial Statements
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11. Fixed Assets

	Land, Road and Leasehold Property & Improvements	Office Furniture, Fixtures & Equipment	Computer Equipment	Motor Vehicles	Construction In Progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost -						
1 April 2007	2,223,033	20,350	1,672	8,082	233,641	2,486,778
Additions	28,046	511	5,981	-	3,723,662	3,758,200
Transfers	233,641	-	-	-	(233,641)	-
31 March 2008	2,484,720	20,861	7,653	8,082	3,723,662	6,244,978
Depreciation -						
1 April 2007	124,885	2,935	1,210	7,720	-	136,750
Charge for the year	52,531	2,091	661	362	-	55,645
31 March 2008	177,416	5,026	1,871	8,082	-	199,215
Net Book Value -						
31 March 2008	2,307,304	15,835	5,782	-	3,723,662	6,052,583

	2007					
	Land, Road and Leasehold Property & Improvements	Office Furniture, Fixtures & Equipment	Computer Equipment	Motor Vehicles	Construction In Progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost -						
1 April 2006	770,339	4,336	1,464	8,082	1,568,304	2,352,525
Additions	28,140	16,014	208	-	233,641	278,003
Disposals	(143,750)	-	-	-	-	(143,750)
Transfers	1,568,304	-	-	-	(1,568,304)	-
31 March 2007	2,223,033	20,350	1,672	8,082	233,641	2,486,778
Depreciation -						
1 April 2006	79,104	1,758	1,110	6,105	-	88,077
Charge for the year	52,072	1,177	100	1,615	-	54,964
Relieved on disposal	(6,291)	-	-	-	-	(6,291)
31 March 2007	124,885	2,935	1,210	7,720	-	136,750
Net Book Value -						
31 March 2007	2,098,148	17,415	462	362	233,641	2,350,028

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12. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 33⅓%.

The movement in the deferred tax balance is as follows:

	2008 $'000	2007 $'000
At 1 April	185,560	167,635
Credited to the profit and loss (Note 10)	16,921	1,981
Transfer to net profit	(36,246)	-
(Credited)/charged to shareholders' equity	(17,015)	15,944
At 31 March	149,220	185,560

Deferred income tax assets are due to the following items:

	2008 $'000	2007 $'000
Deferred income tax assets -		
Available-for-sale investment securities	36,414	89,675
Interest payable	103,081	63,246
Unrealised foreign exchange losses	110,736	110,736
	250,231	263,657
Deferred income tax liabilities -		
Accelerated tax depreciation	(390)	(740)
Interest receivable	(100,621)	(77,357)
	(101,011)	(78,097)
	149,220	185,560

The deferred tax credited to the profit and loss account comprises the following temporary differences:

	2008 $'000	2007 $'000
Interest payable	39,835	(77,786)
Tax losses carried forward	-	(2,321)
Unrealised foreign exchange losses	-	94,106
Accelerated tax depreciation	350	(36)
Interest receivable	(23,264)	(11,982)
	16,921	1,981

12. Deferred Income Taxes (Continued)

These balances include the following:

	2008 $'000	2007 $'000
Deferred tax assets to be settle after more than 12 months	147,150	200,411
Deferred tax liabilities to be recovered after more than 12 months	390	740

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. The company did not recognise deferred income tax assets of $377,050,000 in respect of accumulated tax available (Note 10), because the company is not expected to make taxable profits in the foreseeable future.

13. Loans Receivable

These are due from Transjamaican Highway Limited and include:

	2008 $'000	2007 $'000
Loans -		
(a) Subordinated Loan	2,181,656	1,888,446
(b) Grantor Procured Debt	6,228,694	5,582,703
	8,410,350	7,471,149
Interest receivable -		
(a) Subordinated Loan	69,544	62,573
(b) Grantor Procured Debt	176,603	153,486
	246,147	216,059
	8,656,497	7,687,208

(a) Development costs were 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) between the company and the concessionaire dated 21 November 2001.

(b) There were no drawdowns by the concessionaire in 2008 and 2007 under the terms and conditions of a US$87.5 million Grantor Procured Debt (GPD) loan agreement dated 21 November 2001. Drawdowns are made by the concessionaire via a letter of credit facility held with the Bank of Nova Scotia Jamaica Limited.

13. Loans Receivable (Continued)

The duration and repayment of both loans is dependent on the expected cash flows of the concessionaire. Interest has been accrued as of the drawdown dates of the loans and is calculated as follows:

(a) On the SLA loan at LIBOR plus 4.5% per annum;

(b) On the GPD loan at LIBOR plus 4% per annum on the US dollar drawdown portion and at 5% per annum on the Jamaican dollar drawdown, adjusted for inflation.

Pursuant to the SLA and GPD loan agreements, interest accrued on both loans is payable on 30 May and 30 November each year until maturity of the loans. However, to the extent that any interest payable is not paid on the due date, due to there being insufficient cash available for debt servicing on that date, such interest is capitalised and attracts interest at the rates set out above. Interest capitalised during the year with respect to the SLA was $228,614,000 (2007 - $181,316,000), while that for the GPD loan amounted to $526,169,000 (2007 – $429,757,000).

Under the terms of a Working Capital Reserve Agreement between the company and the concessionaire dated 22 February 2002, US$3.5 million has been made available for on-lending to the concessionaire. No drawdowns on this facility had been made at 31 March 2008. Arrangements also need to be made to make a further US$6.5 million available for on-lending to the concessionaire under the same Working Capital Reserve Agreement. This amount has been guaranteed by the Development Bank of Jamaica Limited in the event that the amount cannot be paid by the company.

In 2007, the funds held in escrow were used to finance payments made to the developer of the Highway 2000 project, Transjamaican Highway Limited. The company has undertaken to replace this amount into the escrow account within 120 days demand of Transjamaican Highway Limited as stated in the Portmore Causeway Compensation Agreement.

14. Investment Securities

	2008 $'000	2007 $'000
Held-to-maturity securities -		
Wachovia Bank -		
Offshore Escrow Reserve Account – 5.22%	-	57,572
Available-for-sale securities -		
Wachovia Bank -		
Offshore Escrow Reserve Account (2.875% - 7.375%)	100,769	589,796
	100,769	647,368
Interest receivable	-	11,095
	100,769	658,463

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14. Investment Securities (Continued)

Investment securities comprise US$ denominated securities held in an Offshore Escrow Reserve Account (Escrow Reserve), which were pledged to secure the company's obligation for a loan under the terms of the Credit Agreement with Wachovia Bank, National Association, (Wachovia Bank). In accordance with the terms of an Offshore Escrow Reserve and Control Agreement, with Wachovia Bank, the company was required to maintain the investment securities in reserve accounts until the loan with Wachovia Bank is repaid.

All balances owing to Wachovia Bank were repaid during the current year. Subsequently, investment securities classified as held to maturity were reclassified to available-for-sale.

During the year, investment securities totalling $442,470,000 were reclassified to cash and short term investments.

15. Reverse Repurchase Agreements

The company has entered into collateralised resale agreements which may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations.

Reverse repurchase agreements include interest receivable of $1,260,000 in 2007.

The weighted effective interest rate on reverse repurchase agreements in 2007 was 7.65%.

16. Receivables

	2008	2007
	$'000	$'000
Deposit on land acquisitions	28,211	9,855
Deposit on Dyke Road fishing beach	9,334	309
Receivable from Development Bank of Jamaica Limited (a)	32,865	54,545
Receivable from Ministry of Transport & Works (b)	49,622	64,142
Receivable from Transjamaican Highway Limited (c)	347,607	145,791
Other	9,993	2,289
	477,632	276,931

(a) This balance represents funds received by Development Bank of Jamaica Limited from Banco de Desarrollo Economico y Social de Venezuela (Bandes) to be on-lent to the company. These funds were not invested with third parties at year end. It was agreed that Development Bank of Jamaica Limited would pay the company an iinterest rate of 5% on these amounts.

(b) The company acted as facilitator in respect of road rehabilitation projects on behalf of the Ministry of Transport and Works. The balance receivable represents expenses incurred by the company in excess of funds received.

(c) This balance represents a Developer's Variation Order for the rehabilitation of Marcus Garvey Phase 2. The balance in 2007 represents credit notes issued by Transjamaican Highway Limited in respect of the Portmore Causeway Delay claim that was previously paid by the company. The amount was repaid in current year.

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17. Cash and Short Term Investments

	2008 $'000	2007 $'000
Cash at bank and in hand	113,783	45,143
Short term investments	4,230,871	4,038,120
	4,344,654	4,083,263
Interest receivable	55,720	3,651
	4,400,374	4,086,914

Included in short term investments are:

(a) Funds deposited in the Escrow Reserve of $562,374,000 (2007 - $356,853,000) were no longer restricted in current year as all amounts owing to Wachovia Bank were repaid during the current year.

(b) Pursuant to the loan agreement between the DBJ and the company, it was acknowledged that DBJ will on-lend to the company funds obtained from Bandes and that the loan shall be available and disbursed to the company as of the date that the funds are received by DBJ from Bandes.

Amounts valued at $2,944,356,000 (2007 -$3,580,712,000) represent funds invested by DBJ on behalf of the company as permitted by the loan agreement between DBJ and the company. These investments are registered in DBJ's name.

The weighted effective interest rate on short term deposits during the year was 11.2% (2007 – 11.6%). These investments have an average maturity of 112 days (2007 -29 days).

Cash and cash equivalents include the following for the purpose of the cash flow statement –

	2008 $'000	2007 $'000
Cash at bank and in hand	113,783	45,143
Short term investments	2,215,993	3,684,908
Reverse repurchase agreements	-	231,401
	2,329,776	3,961,452

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18. Payables

	2008 $'000	2007 $'000
Accrued expenses	35,469	10,186
Due to Transjamaican Highway Limited	353,579	42,891
Due to Development Bank of Jamaica Limited	67	2,655
Other	762	237
	389,877	55,969

Included in due to Transjamaican Highway Limited in 2008 is an amount of $241,887,000 relating to the Mount Rosser project (Note 11).

Included in due to Transjamaican Highway Limited is an amount of $49,797,000 (2007 - $42,891,000) due to Transjamaican Highway Limited in respect of toll subsidies which represents financial losses arising from charging adjusted toll rates.

19. Short Term Loans

	2008 $'000	2007 $'000
Ministry of Finance and Public Service	213,266	203,400

An amount of US$3,000,000 was received from the Ministry of Finance and Public Service during 2006 to assist in the financing of the Portmore Causeway.

Currently, there are no repayment terms, and no amounts being charged for interest.

20. Share Capital

	2008 $'000	2007 $'000
Authorised and issued -		
1,000,000 ordinary shares	1,000	1,000

The share capital in 2007 and 2008 are stated in these financial statements without a nominal or par value.

21. Inflation Reserve

The company transfers a minimum of 40% of net profit at the end of each year to this reserve, which has been established to ensure that payments to bondholders are made in accordance with the terms of the bond issue (Note 23(a)). No transfer has been made in the current year due to the loss incurred.

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22. Fair Value Reserve

This represents the unrealised gains or losses on the revaluation of available-for-sale investments.

23. Long Term Loans

	2008 $'000	2007 $'000
(a) Real Return Convertible Bonds -		
J$3,552,000,000 due 6 February 2032	7,116,223	5,869,801
Interest payable	45,794	38,385
	7,162,017	5,908,186
(b) Development Bank of Jamaica/Venezuela -		
€204,386,000 (2007 - €153,290,000)	22,860,189	13,808,905
Interest payable	263,453	153,025
	23,123,642	13,961,930
	30,285,659	19,870,116

(a) This represents 4.5% convertible bonds issued by the company on 7 February 2002. The aggregate proceeds received from subscribers totaled $3,552,000,000.

The bonds were issued 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" revised Consumer Price Index. However, bondholders have been given the option to convert some or all of the redemption monies for the bonds at redemption date into the company's ordinary shares, at a share price of 80% of the value of the shares at that date.

Coupon interest on the bonds will accrue at the rate of 4.5% per annum, adjusted for inflation or deflation, and is payable semi-annually in arrears on 7 February and 7 August of each year until maturity. Interest and inflation compensation are 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.

The net proceeds of the bond issue have been 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 GPD Loan Agreement between the company and the concessionaire (Note 13).

The fair value of the liability component of the bonds cannot be reliably determined because the bonds are not being traded and there are no similar instruments in the market. However, there is no evidence to suggest that the liability component is less than proceeds. Also, given that the conversion option is so far into the future, no value has been assigned to the equity conversion component of the bond.

23. Long Term Loans (Continued)

The convertible bonds are recognised in the balance sheet as follows:

	2008 $'000	2007 $'000
Face value of bonds	3,552,000	3,552,000
Inflation compensation	3,616,157	2,371,910
Less: Transaction costs	(51,934)	(54,109)
	7,116,223	5,869,801
Interest payable	45,794	38,385
	7,162,017	5,908,186

(b) This loan represents a loan facility negotiated with Banco de Desarrollo Economico y Social de Venezuela (Bandes) through Development Bank of Jamaica Limited to repay loans incurred to finance the Highway 2000 project and to provide working capital to the company. The loan is supported by promissory notes issued by the company to DBJ.

The final tranche of €51,097,000 was received during the year.

The principal amount for each disbursement is repayable in sixteen equal quarterly payments of principal beginning on the last business day of the first quarter in the fifteenth year after the disbursement of the loan. Interest rate on the loan is fixed at 7.75% per annum and is payable semi-annually in arrears on 15 February and 15 August of each year.

The loan balance is recognised in the balance sheet as follows:

	2008 $'000	2007 $'000
Face value of loan	22,900,922	13,851,975
Less: Transaction costs	(40,733)	(43,070)
	22,860,189	13,808,905
Interest payable	263,453	153,025
	23,123,642	13,961,930

National Road Operating and Constructing Company Limited

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(expressed in Jamaican dollars unless otherwise indicated)

24. Related Party Balances and Transactions

Related companies include Government related entities and ministries.

(a) Year end balances with related parties are as follows:

	2008 $'000	2007 $'000
Receivable from related parties -		
Development Bank of Jamaica Limited	32,865	54,545
Ministry of Transports and Works	49,622	64,142
Payable to related parties -		
Development Bank of Jamaica Limited -		
(i) Payables	67	2,655
(ii) Long term loans	23,123,642	13,961,930
Ministry of Finance and Public Service -		
Short term loan	213,266	203,400

(b) Transactions with related parties are as follows:

	2008 $'000	2007 $'000
Development Bank of Jamaica Limited -		
Interest income	3,568	1,741
Expenses -		
Interest expense	47,329	110,368
Professional fees	6,028	7,292

(c) Key management compensation

	2008 $'000	2007 $'000
Salaries and other short-term employee benefits	5,000	6,160
Statutory contributions	13	340
Pension benefits	-	1,400
	5,013	7,900
Directors' emoluments -		
Fees	226	-
Management remuneration	5,013	7,900

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25. Cash Flows from Operating Activities

	2008	2007
	$'000	$'000
Net loss	(6,350,702)	(1,894,881)
Adjustments for:		
Depreciation	55,645	54,964
Gain of disposal of fixed assets	-	(6,291)
Interest income	(1,257,541)	(915,275)
Interest expense	1,798,873	1,454,007
Tax credit	(16,921)	(1,981)
Effect of exchange rate on foreign balances	3,972,752	185,149
Inflation compensation on Real Return Convertible Bonds	1,244,248	368,340
	(553,646)	(755,968)
Changes in operating assets and liabilities:		
Receivables	(200,701)	(261,163)
Taxation recoverable	(111,177)	(62,050)
Payables	333,908	(323,185)
Cash used in operating activities	(531,616)	(1,402,366)

26. Subsequent Event

A Cabinet Decision was made in June 2008 to remove the toll subsidies paid to by NROCC Transjamaican Highway Limited (THJ) which represents the reimbursement of financial losses incurred by TJH arising from charging adjusted toll rates.