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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 financial statements of National Road Operating and Constructing Company Limited ("the company"), set out on pages 3 to 38, which comprise the statement of financial position as at March 31, 2011, the statements of 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 and fair presentation of the financial statements 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 the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the 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

To the Members of
National Road Operating and Constructing Company Limited

Report on the Financial Statements, cont'd

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of the company as at March 31, 2011, and of its financial performance, changes in equity 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 and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

KPMG

Chartered Accountants
Kingston, Jamaica

September 30, 2011

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Statement of Comprehensive Income
Year ended March 31, 2011
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	**2011** **$'000**	**2010** **$'000**
Revenue	7	-	-
Administrative and general expenses	8	(384,032)	(466,930)
Operating loss		(384,032)	(466,930)
Impairment loss	10	(10,467,893)	-
Miscellaneous income		3,266	97,639
Finance income	11	258,746	825,947
Finance costs	12	(2,934,343)	(3,170,064)
Inflation compensation on Real Return Convertible Bonds	22(a)	(886,542)	(839,882)
Loss before income tax		(14,410,798)	(3,553,290)
Income tax credit	13	165,086	389,892
Loss for the year, being total comprehensive loss for the year		(14,245,712)	(3,163,398)

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

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Statement of Financial Position
March 31, 2011
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2011 $'000	2010 $'000
Non-current assets			
Property and equipment	14	12,270,596	12,225,739
Long-term receivables	15	-	12,263,510
Investment securities	16	3,458,101	31,135
		15,728,697	24,520,384
Current assets			
Income tax recoverable		88,300	87,004
Other receivables	17	105,989	556,445
Resale agreements	18	-	165,853
Cash and cash equivalents	19	2,922	11,758
		197,211	821,060
Total assets		15,925,908	25,341,444
Equity			
Share capital	20	1,000	1,000
Inflation reserve	21	152,066	152,066
Accumulated deficit		(31,063,313)	(16,817,601)
Total equity		(30,910,247)	(16,664,535)
Non-current liabilities			
Long-term loans and advances	22	45,672,180	40,785,884
Deferred income tax	23	-	165,086
		45,672,180	40,950,970
Current liabilities			
Bank overdraft (unsecured)	19	-	6,699
Payables	24	1,157,244	1,036,989
Short-term loan	25	400	4,990
Income tax payable		6,331	6,331
		1,163,975	1,055,009
Total liabilities		46,836,155	42,005,979
Total equity and liabilities		15,925,908	25,341,444

The financial statements on pages 3 to 38 were approved for issue by the Board of Directors on September 30, 2011 and signed on its behalf by:

____________________ Director
Ivan Anderson

____________________ Director
Millicent Hughes

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

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Statement of Changes in Equity
Year ended March 31, 2011
(Expressed in Jamaican dollars unless otherwise indicated)

	Share capital $'000	Inflation reserve $'000	Accumulated deficit $'000	Total $'000
Balances at March 31, 2009:				
As previously reported	1,000	152,066	(13,231,098)	(13,078,032)
Prior year adjustments (note 27)	-	-	(423,105)	(423,105)
As restated	1,000	152,066	(13,654,203)	(13,501,137)
Total comprehensive loss:				
Loss for the year	-	-	(3,163,398)	(3,163,398)
Balances at March 31, 2010	1,000	152,066	(16,817,601)	(16,664,535)
Total comprehensive loss:				
Loss for the year	-	-	(14,245,712)	(14,245,712)
Balances at March 31, 2011	1,000	152,066	(31,063,313)	(30,910,247)

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

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Statement of Cash Flows
Year ended March 31, 2011
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2011 $'000	2010 $'000
Cash flows from operating activities			
Loss for the year		(14,245,712)	(3,163,398)
Adjustments for:			
Depreciation	14	52,480	45,826
Loss on disposal of property and equipment		-	858
Interest income		(713,518)	(867,230)
Interest expense	12	3,110,729	2,488,549
Income tax credit		(165,086)	(389,892)
Impairment loss		10,467,893	-
Effect of exchange rate movements on foreign currency long-term loans and advances, receivables and payables		287,314	250,116
Inflation compensation on Real Return Convertible Bonds		886,542	839,881
		(319,359)	(795,290)
Changes in operating assets and liabilities:			
Short-term loan		(4,590)	4,990
Other receivables		209,061	(71,409)
Income tax recoverable		(1,296)	126,688
Payables		(202,770)	(572,293)
Cash used by operating activities		(318,954)	(1,307,314)
Cash flows from investing activities			
Acquisition of land and construction of roads	14	(612,580)	(3,504,262)
Purchase of other property and equipment		(270)	(309,889)
Resale agreements		165,853	(165,853)
Investment securities		9,786	12,842
Long-term receivables		(644,391)	(14,120)
Interest received		7,632	55,546
Cash used by investing activities		(1,073,970)	(3,925,736)
Cash flows from financing activities			
Long-term loans and advances received		4,178,107	7,576,535
Interest paid		(2,785,096)	(2,339,360)
Cash provided by financing activities		1,393,011	5,237,175
Increase in cash and cash equivalents		87	4,125
Effect of exchange rate movements on cash and cash equivalents		(2,224)	(608)
Cash and cash equivalents at beginning of year		5,059	1,542
Cash and cash equivalents at end of year	19	2,922	5,059

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

1. Identification and principal activities

(a) National Road Operating and Constructing Company Limited (" the company" or "NROCC") is a private limited liability company incorporated and domiciled in Jamaica. The company 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"), which is a limited liability company registered under the Jamaican Companies Act, and owned by Bouygues Travaux Publics S.A., Autoroutes du Sud de la France, Société de Promotion et de Participation pour la Coopération Economique S.A., all of France, and International Finance Corporation.

(d) The company has also entered into an agreement, dated March 12, 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. Basis of preparation

(a) Statement of compliance

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

New, revised and amended standards and interpretations effective in the current year

Certain new, revised and amended standards and interpretations have been published that became effective during the current financial year. The company has assessed their relevance and has concluded that their adoption had no significant effect on the financial statements.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

At the date of authorisation of these financial statements, certain new, revised and amended standards and interpretations have been issued which are not effective for the reporting year and which the company has not early adopted. The company has assessed their relevance and has determined that the following may be relevant to the company when they become effective:

- IAS 24 Revised, *Related Party Disclosures,* which is effective for annual reporting periods beginning on or after January 1, 2011, introduces changes to the related party disclosure requirements for government-related entities and amends the definition of a related party. The standard also expands the list of transactions that require disclosure.

- Amendments to IFRS 7, *Disclosures – Transfer of Financial Assets,* which is effective for annual reporting periods beginning on or after July 1, 2011, requires disclosure of information that enables users of financial statements to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities and to evaluate the nature of, and risks associated with, the entity's continuing involvement in these derecognised assets.

- IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*, which is effective for annual reporting periods beginning on or after July 1, 2010, addresses the accounting by the debtor in a debt for equity swap transaction and, specifically, how the entity should measure the equity instruments issued to extinguish a financial liability.

- *Improvements to IFRS (2010)* contain amendments to six standards and to one interpretation and are effective for annual reporting periods beginning on or after July 1, 2010 or January 1, 2011. The main applicable amendments are as follows:

  - IFRS 7, *Financial Instruments: Disclosures,* has been amended, effective for annual reporting periods beginning on or after January 1, 2011, to add an explicit statement that the interaction between qualitative and quantitative disclosures better enables users to evaluate an entity's exposure to risks arising from financial statements. Existing disclosures relating to maximum exposure to credit risk, financial effect of collateral held as security and other enhancements in respect of a financial instrument have been amended. Certain disclosures relating to carrying amount of financial assets that are not past due or are not impaired as a result of their terms having been renegotiated and description of collateral held as security for financial assets that are past due have been removed.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- IAS 1, *Presentation of Financial Statements*, has been amended, effective for annual reporting periods beginning on or after January 1, 2011, to state that for each component of equity a reconciliation from opening to closing balances is required to be presented in the statement of changes in equity, showing separately changes arising from items recognised in profit or loss, in other comprehensive income and from transactions with owners acting in their capacity as owners.

- IFRS 11, *Joint Arrangements,* and IAS 28, *Investments in Associates and Joint Ventures (2011)*, which are effective for annual reporting periods beginning and or after from January 1, 2013, remove from IAS 31, *Jointly Controlled Entities*, those cases in which, although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations and are now called joint operations. In addition, the option of choosing between equity accounting and proportionate consolidation has been removed; use of the equity method is now mandatory.

- IFRS 12, *Disclosure of Interest in Other Entities*, which is effective for annual reporting periods beginning on or after January 1, 2013, contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. These required disclosures aim to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows.

- IFRS 13 *Fair Value Measurement*, which is effective for annual reporting periods beginning on or after January 1, 2013, defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value and is applicable to assets, liabilities and an entity's own equity instruments that, under other IFRSs, are required or permitted to be measured at fair value or when disclosure of fair values is provided. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- IAS 1, *Presentation of Financial Statements*, has been amended, effective for annual reporting periods beginning on or after January 1, 2013, to require an entity to present separately the items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future from those that would never be reclassified to profit of loss. Consequently an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these sections. The existing option to present the profit or loss and other comprehensive income in two statements has not changed. The title of the statement has changed from 'Statement of Comprehensive Income' to 'Statement of Profit or Loss and Other Comprehensive Income'. However, an entity is still allowed to use other titles.

The company is assessing the impact the new, revised and amended standards and interpretations will have on its financial statements when they become effective.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

The financial statements are presented in Jamaican dollars, which is the functional currency of the company, unless otherwise indicated.

(d) Assumptions, estimates and judgements

The preparation of financial statements in conformity with IFRS 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 management's best knowledge of current events and actions, 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 4.

(e) Going concern basis

The financial statements have been prepared on the going concern basis, although the company reported a loss for the year, following losses for preceding years, and has a significant accumulated deficit as at the reporting date. The appropriateness of this basis is dependent on the ability of the company to obtain financing and, ultimately, on future profitable operations. The Government of Jamaica has indicated that it will continue to provide such financial assistance as the company may require to meet its obligations for the foreseeable future. Management, therefore, is of the opinion that the preparation of the financial statements on the going concern basis continues to be appropriate.

3. Summary of significant accounting policies

(a) Revenue recognition

Revenue, which arises from road tolls as described in note 7, are recognised on the accrual basis.

(b) Finance income and finance costs

(i) Finance income

Finance income comprises interest income and foreign currency gains.

Interest income is recognised in profit or loss for all interest-earning instruments on the accrual basis using the effective yield method. Interest income includes coupons earned on fixed income investments and amortisation of discount on instruments brought at other than par.

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) Finance costs

Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(c) Employee benefits

Employee benefits are all forms of consideration given by the company in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, vacation leave; and long-term employee benefits such as termination benefits.

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. Long-term benefits are not considered material and are charged off when incurred.

(d) Foreign currency translation

Foreign currency transactions are converted at the exchange rates prevailing at the dates of the transactions. At the year-end date, monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate. Exchange differences arising from the settlement of transactions 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 profit or loss.

3. Summary of significant accounting policies (continued)

(e) Income taxes

Income tax expense comprises current and deferred tax charges.

Current income tax charges or credits are based on taxable profit for the year, which differs from the profit or loss 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 as at year-end date.

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

(f) Property and equipment

Property and equipment 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 replaced parts is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to write down their costs to their estimated residual values over their expected useful 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 November 21, 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 year-end date.

3. Summary of significant accounting policies (continued)

(f) Property and equipment (continued)

The carrying amount of the company's property and equipment is reviewed at each reporting date to determine whether there is any indication of impairment. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount. The recoverable amount is assessed when there is an indication of impairment.

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

(g) Loans and receivables and provisions for credit losses

Loans and receivables are recognised when cash is advanced to borrowers or when expenditures are incurred on terms whereby they are recoverable from specified parties. They are initially recorded at cost, which is the cash disbursed, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method.

A provision for credit losses is established if there is objective evidence that a loan or receivable is impaired. A loan or receivable 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 or receivable has been identified as impaired, its carrying amount 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 amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan or receivable.

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, even if they are contractually in arrears.

For non-performing and impaired loans and receivables, the accrual of interest income based on the original terms of the debt 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 is forgiven. 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 profit or loss.

3. Summary of significant accounting policies (continued)

(h) Investment securities

Management determines the classification of investments at the time of purchase and takes account of the purposes for which the investments are made.

Investment securities are classified as held-to-maturity or available-for-sale. Held-to-maturity investments are those with fixed or determinable payment and fixed maturity and for which the company has the positive intent and ability to hold to maturity. These investments are measured initially at cost and subsequently at amortised cost, less impairment losses.

Held-to-maturity investments are recognised/derecognised on the day they are transferred to/by the company. Gains and losses arising from disposal of investments are recognised in profit or loss.

Investment securities are classified as available-for-sale on the basis, and accounted for in the manner, set out in note 3(i) below.

(i) Financial instruments

A financial instrument is any contract that gives rise to 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, fair value through profit and loss, held-to-maturity, and available-for-sale. The classification depends on the purposes for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at each reporting date.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses [see note 3(g)] and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets may comprise equity securities and/or debt securities

3. Summary of significant accounting policies (continued)

(i) Financial instruments (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables are classified as 'long-term receivables' and 'other receivables' in the statement of financial position (notes 15 and 17).

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, respectively, in the statement of financial position.

(j) Cash and cash equivalents

Cash comprises cash in hand and demand and call deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. These include instruments maturing within 90 days of the date of acquisition. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(k) Resale agreements

Resale agreements are short-term contracts under which the company buys securities and simultaneously agrees to resell them on a specified date and at a specified price. Resale agreements are accounted for as short-term collateralised lending – i.e., the securities purchased are reported not as securities but as receivables, and are carried in the statement of financial position at amortised cost.

The difference between the purchase and resale considerations is recognised on the accrual basis over the period of the agreements, using the effective interest method, and is included in interest income.

3. Summary of significant accounting policies (continued)

(l) Payables

Payables are stated at cost.

(m) 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 profit or loss over the period of the borrowings using the effective interest method.

Where convertible bonds are issued, the fair value of the liability portion is determined using a market interest rate for an equivalent bond without the conversion feature. 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 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.

(n) Share capital

Ordinary shares are classified as equity and carried at cost.

4. Key sources of estimation uncertainty and critical accounting judgements

Judgements, assumptions 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) Uncertainties arising from significant assumptions and estimates

(i) Residual value and expected useful life of property and equipment

The residual value and the expected useful life of an asset are reviewed at least at each reporting date, and if expectations differ from previous estimates, the change is accounted for. The useful life of an asset is defined in terms of the asset's expected utility to the company.

(ii) Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a pre-established basis.

4. Key sources of estimation uncertainty and critical accounting judgements (continued)

(a) Uncertainties arising from significant assumptions and estimates (continued)

(ii) Allowances for credit losses (continued)

The component of the total allowance for impairment that is specific applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about the counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are individually approved by management.

(iii) Determination of fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in note 6. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of estimation depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(b) Critical accounting judgements in applying the company's accounting policies

In the process of applying the company's accounting policies, management has not made any critical accounting judgements.

5. Financial risk management

The company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk, and other price 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 Development Bank of Jamaica Limited (DBJ) which, under the terms of a financial management agreement, implements and monitors risk management policies and makes decisions on financial matters on a daily basis.

(a) Credit risk

The company takes on exposure to credit risk, which is the risk that its counterparties will cause a financial loss to 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.

5. Financial risk management (continued)

(a) Credit risk (continued)

Maximum exposure to credit risk

The following table summarises the company's credit exposure to financial instruments:

	2011 $'000	2010 $'000
Long-term receivables (note 14)	-	12,263,510
Other receivables	105,989	556,445
	105,989	12,819,955
Investment securities	3,458,101	31,135
Resale agreements	-	165,853
Cash and cash equivalents	2,922	11,758
	3,564,090	13,028,701

Management of credit risk

Management manages the credit risk to which it is exposed, as set out in the foregoing table, as follows:

(i) Receivables

The company's main exposure to credit risk lies in its lending activities to the Concessionaire and advances to or on behalf of the Ministry of Transport and Works (MTW) i.e., 47.24% (2010: 97.89%) of receivables. Exposure to this credit risk is managed through close monitoring of the Concessionaire's ability to meet interest payments and principal repayments in accordance with the terms and conditions of the various loan agreements, and follow up of amounts due from MTW and other debtors. The company does not obtain collateral for its receivables.

As indicated in note 15, during the year, the amount receivable from the Concessionaire was converted to a preference share, with the consequential adjustment in credit risk for the company.

(ii) Investment securities

Because of the objectives the company is pursuing at this time and the nature of its operations, it has only a very limited holding of securities involving credit risk. Investment securities comprise corporate bonds and a non-equity investment in the form of a preference share. Such limited investments are subject to prior review and approval by the Board of Directors. Accordingly, management does not expect any counterparty to fail to meet its obligations.

5. Financial risk management (continued)

(a) Credit risk (continued)

(iii) Cash and cash equivalents and resale agreements

Cash and cash equivalents, and resale agreements are limited to high credit quality financial institutions.

None of the company's financial assets are considered impaired and, therefore, no provision for impairment has been made, except for investment securities for which an impairment charge of $10,467,893,000 was made in the current year (see note10).

(b) Liquidity risk

Liquidity risk is the risk that the company will be 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, ensuring 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 by Development Bank of Jamaica Limited, and monitored by the Board of Directors, includes:

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

(ii) Optimising cash returns on investments; and

(iii) 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 and exchange rates.

5. Financial risk management (continued)

(b) Liquidity risk (continued)

Liquidity risk management process

Financial liabilities cash flows

The tables below summarise the maturity profile of the company's financial liabilities as at reporting date, based on contractual undiscounted payments.

	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 cash flows $'000
				2011		
Payables	-	1,157,244	-	-	-	1,157,244
Short-term loan	400	-	-	-	-	400
Long-term loans	257,245	-	-	-	45,414,935	45,672,180
Total financial liabilities	257,645	1,157,244	-	-	45,414,935	46,829,824
				2010		
Payables	-	1,036,989	-	-	-	1,036,989
Bank overdraft	6,699	-	-	-	-	6,699
Short-term loan	4,990	-	-	-	-	4,990
Long-term loans	268,524	-	-	-	40,517,360	40,785,884
Total financial liabilities	280,213	1,036,989	-	-	40,517,360	41,834,562

Interest to be paid has not been included in expected cash outflows as it cannot be practicably estimated.

Off-balance sheet items – capital commitments

The company has the following capital commitments at year-end:

Mount Rosser bypass project

The total estimated cost of the project was US$124,400,000 (J$10,688,299,000, using the exchange rate ruling at the reporting date). An amount of J$413,712,000 (2010: J$9,301,261,000) has been included as construction-in-progress in property and equipment (note 14) at year-end in respect of this project. At the financial year-end, the company is, therefore, contractually committed to spend a further US$15,618,000 (J$1,341,880,000, using the exchange rate ruling at the reporting date).

5. Financial risk management (continued)

(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 DBJ, 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.

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The company takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The company is exposed to foreign currency risk on transactions that are denominated in currencies other than the Jamaican dollar. The main currencies giving rise to this risk are the US Dollar and Euro. The company has significant exposure to foreign currency risk.

At the financial year-end, the net foreign currency assets/(liabilities), in nominal amounts, were as follows:

	2011	
	US$	**Euro**
	$'000	**$'000**
Assets		
Investment securities	40,250	-
Cash and cash equivalents	33	-
Total financial assets	40,283	-
Liabilities		
Payables	5,466	3,705
Long-term loans	73,409	204,386
Total financial liabilities	78,875	208,091
Net position	(38,592)	(208,091)

5. Financial risk management (continued)

(c) Market risk (continued)

(i) Foreign currency risk (continued)

	2010	
	US$ $'000	Euro $'000
Assets		
Long-term receivables	76,307	-
Investment securities	350	-
Cash and cash equivalents	13	-
Total financial assets	76,670	-
Liabilities		
Payables	5,792	3,246
Short-term loan	56	-
Long-term loans	57,282	204,386
Total financial liabilities	63,130	207,632
Net position	13,540	(207,632)

Foreign currency sensitivity

A 2 percent (2010: 5 percent) strengthening/weakening of the Jamaican dollar against the following currencies at March 31 would have (decreased)/increased the loss by the amounts shown in the table below. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

	2011		2010	
	% Change in exchange rate	Effect on loss $'000	% Change in exchange rate	Effect on loss $'000
Change in rate of exchange of J$ for:				
USD -				
Revaluation	2	(63,316)	5	(146,315)
Devaluation	2	63,316	5	146,315
EURO -				
Revaluation	2	502,373	5	922,855
Devaluation	2	(502,373)	5	(922,855)

5. Financial risk management (continued)

(c) Market risk (continued)

(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.

Variable 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 investment securities and loans. This risk is managed by analysing the economic environment and, as far as practicable, obtaining fixed rate loans where 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 are longer than the duration of interest-earning financial assets.

Loans

At March 31, 2011 and 2010, the company's loans were fixed rate instruments.

(d) Capital management

The company is not a regulated entity and, therefore, has no externally imposed capital requirements. However, the company seeks to maintain a minimum capital to safeguard its ability to continue as a going concern, so that it can continue to provide benefits to its stakeholders and to maintain a strong capital base to support the development of its business. The company defines its capital base as share capital, capital and other reserves plus retained earnings (or minus accumulated deficit). The Board's determination of what constitutes a sound capital position is informed by the mission of the company (see note 1) and the fact of its government ownership. The Board's policy is to maintain a balance between a sound capital position, the shareholders' demand for dividends, and the risks of borrowing to finance its activities. The policies in respect of capital management are reviewed from time to time by the Board of Directors.

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.

6. 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 year-end date. The quoted market price used for financial assets held by the company is the current bid price.

6. Fair Value Estimation (cont'd)

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 year-end 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, resale 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 fixed market rates. The fair value of the Jamaican dollar portion of long-term receivables 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) As explained in note 22(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.

(d) Fair value of investment securities is estimated 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. The projected financial information used to determine the fair value of the preference share held in Transjamaican Highway Limited (TJH) is derived from a financial model developed by a related party, Bouygues Travaux Publics S.A. [see note 1(c)].

The classification of financial instruments at fair value can be determined by reference to the source of inputs used to derive the fair value. The classification uses the following three-level hierarchy:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted process included in Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie directly from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

There are no financial instruments classified in Levels 1 and 2.

6. Fair Value Estimation (cont'd)

(d) (continued)

Although the company believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one of the assumptions used to reasonably possible alternative assumptions would, in the case of its more significant investment security, the preference share in TJH, have the following effects:

	2011	
	Change in discount rate	**Effect on profit or loss $'000**
Increase (percentage points)	1.5	(169,088)
Decrease (percentage points)	1.5	877,918

The favourable and unfavourable effects of using reasonably possible alternative assumptions have been calculated by recalibrating the model values using expected cash flows and risk-adjusted discount rates. Key inputs and assumptions used in the model at March 31, 2011 include:

Discount rate

The discount rate applied to the cash flows of TJH operations is based on the risk free rate for the US Dollar bond issued by the Government of Jamaica which matures in 2036, adjusted for an equity market risk premium and other risks.

Traffic volume and toll rates

Projected total annual toll revenue is based on a twenty-five year projection of total annual vehicle traffic provided by management. Toll rates are set within a certain range, with an established ceiling, which rates cannot exceed without authorisation by Government of Jamaica.

7. Revenue

As per clause 22 of the Concession Agreement, the Concessionaire has sole rights to revenues arising out of the collection of tolls during the concession period. However, under the terms of the Loan Conversion Agreement (and specified in more detail in Schedule 18 to the Concession Agreement), revenue in excess of a specified level shall be shared with the company. The amount to which the company will be entitled depends on the amount of the excess above the specified revenue threshold in prescribed bands, and ranges from 50% of the distributions of the Concessionaire at the lowest band up to 100% at the highest. For the year under review there were no distributions and, accordingly, no revenue was recognised.

8. Administrative and general expenses

	2011 $'000	2010 $'000
Advertising and public relations	408	199
Auditors' remuneration	3,308	2,200
Depreciation (note 14)	52,480	45,826
Donations and subscriptions	253	489
Loss on disposal of property and equipment	-	858
Legal and other professional fees	41,099	30,157
Repairs and maintenance	1,148	859
Resettlement expenses:		
Compensation for crops – Mount Rosser project	5,878	17,075
Relocation expenses	17,824	184,307*
Legal and other professional fees	799	631
Repairs and improvements to Government of Jamaica's roads	140,493	-
Staff costs (note 9)	57,388	47,157
Technical fees	53,623	31,149
Toll subsidies	-	94,872
Rent	5,342	5,351
Utilities	669	539
Other operating expenses	3,320	5,261
	384,032	466,930

* This amount included $167 million expended to establish the Dyke Road fishing complex in order to relocate the fish vendors.

9. Staff costs

	2011 $'000	2010 $'000
Salaries and wages	51,913	42,790
Statutory payroll contributions	2,961	2,394
Other	2,514	1,973
Total (note 8)	57,388	47,157

10. Impairment loss

This represents the impairment loss recognised on the conversion of the long-term receivables to a single preference share in TJH (note 15).

11. Finance income

	2011 $'000	2010 $'000
Foreign exchange losses on financial investments	(454,772)	(41,284)
Interest income:		
Investment securities and short term deposits	7,518	11,383
Long-term receivables	706,000	855,848
	258,746	825,947

12. Finance costs

	2011 $'000	2010 $'000
Net foreign exchange (gains)/ losses on financial liabilities	(180,960)	679,432
Interest on loans	3,110,729	2,488,549
Other	4,574	2,083
	2,934,343	3,170,064

13. Income tax

(a) Income tax in the statement of comprehensive income represents deferred income tax (note 22).

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

	2011 $'000	2010 $'000
Loss before taxation	(14,410,798)	(3,553,290)
Tax calculated at a statutory rate of 33⅓%	(4,803,499)	(1,184,430)
Adjusted for the effect of:		
Expenses not deductible for tax purposes	1,103	517,334
Inflation compensation on Real Return Convertible Bonds	295,514	279,961
Reversal of temporary differences	(165,086)	-
Other net adjustments and allowances	4,506,882	(2,757)
Tax credit	(165,086)	(389,892)

(c) Taxation losses, subject to agreement by the Commissioner General of Tax Administration, Jamaica, of approximately $Nil (2010: $5,389,000,000) 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 (continued)
March 31, 2011
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13. Income tax

(c) (continued)

By the Income Tax (National Road Operating and Constructing Company Limited) (Remission) Notice, 2011, the Minister of Finance and the Public Service, with effect from February 8, 2011, remitted the whole of the income tax which may be charged or chargeable on any income, gains, or profits derived by the company in connection with or arrangement of the establishment, development, financing, operation or maintenance of tolled highways in Jamaica, including any investment income or gains derived in the ordinary course of conducting such activities.

14. Property and equipment

	Land, Roads, Leaseholds Property & Improvements $'000	Office Furniture, Fixtures & Equipment $'000	Computer Equipment $'000	Motor Vehicles $'000	Construction In Progress $'000	Total $'000
Cost:						
April 1, 2009	2,494,158	21,600	7,733	8,089	6,174,725	8,706,305
Additions	-	26	152	-	3,504,262	3,504,440
Disposals	-	-	-	(4,630)	-	(4,630)
Transfer/reallocation	327,547	(17,492)	(276)	-	-	309,779
March 31, 2010	2,821,705	4,134	7,609	3,459	9,678,987	12,515,894
Additions	-	230	40	-	612,580	612,850
Transfers	-	-	-	-	(515,513)	(515,513)
March 31, 2011	2,821,705	4,364	7,649	3,459	9,776,054	12,613,231
Depreciation:						
April 1, 2009	230,108	7,169	3,997	6,759	-	248,033
Charge for the year	48,144	(4,389)	1,599	472	-	45,826
Eliminated on disposals	-	-	-	(3,772)	-	(3,772)
Transfer/reallocations	-	90	(22)	-	-	68
March 31, 2010	278,252	2,870	5,574	3,459	-	290,155
Charge for the year	50,959	411	1,110	-	-	52,480
March 31, 2011	329,211	3,281	6,684	3,459	-	342,635
Net Book Value						
March 31, 2011	2,492,494	1,083	965	-	9,776,054	12,270,596
March 31, 2010	2,543,453	1,264	2,035	-	9,678,987	12,225,739
March 31, 2009	2,264,050	14,431	3,736	1,330	6,174,725	8,458,272

Construction in progress comprises the cost of work being done to construct the Mount Rosser bypass.

15. Long-term receivables

		2011 $'000	2010 $'000
Due from Transjamaican Highway Limited:			
Subordinated Loan	[see (a)]	-	3,163,826
Grantor Procured Debt	[see (b)]	-	8,302,507
Other receivable	[see (c)]	-	797,177
		-	12,263,510

(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), dated November 21, 2001, between the company and the Concessionaire.

(b) This represented the Jamaican dollar equivalent of the US$72.0 million drawn down under a US$87.5 million Grantor Procured Debt (GPD) loan agreement, dated November 21, 2001. At the reporting date, the US$15.5 million not drawn down was no longer available as the facility had expired.

(c) This represented the amount receivable for additional costs incurred arising from Developers Variation Orders for Marcus Garvey Drive, Phase 2.

The duration and repayment of loans (a) and (b) were dependent on the expected cash flows of the Concessionaire. Interest has been accrued as of the drawdown dates of the loans and was calculated as follows:

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

(ii) 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 was payable on May 30 and November 30 each year until maturity of the loans. However, to the extent that any interest payable was not paid on the due date, due to there being insufficient cash available for debt servicing on that date, such interest was capitalised and attracted interest at the rates set out above. Interest capitalised during the year with respect to the SLA was $Nil (2010: $196,801,000), while that for the GPD loan amounted to $Nil (2010: $563,993,000).

Under the terms of a Working Capital Reserve Agreement dated February 22, 2002, between the company and the Concessionaire, US$3.5 million has been made available for on-lending to the Concessionaire. No draw-downs on this facility had been made at March 31, 2011. Arrangements have also been made to make a further US$6.5 million available for on-lending to the Concessionaire under the same Working Capital Reserve Agreement. The availability of this amount has been guaranteed by Development Bank of Jamaica Limited in the event that the amount cannot be made available by the company.

15. Long-term receivables (cont'd)

Under the terms of an agreement dated February 18, 2011, between the company and Transjamaican Highway Limited ("TJH"), all receivables and further cash contributions, were converted to a single preference share in TJH (note 16). The amounts for which the share was issued are as follows:

	$'000
Loans and interest receivable from TJH as at February 7, 2011	11,947,564
Marcus Garvey Drive receivables	797,177
Further cash contributions	1,159,904
	13,904,645

16. Investment securities

	2011 $'000	**2010 $'000**
Held to maturity:		
AIC (Barbados) Bonds	21,349	31,135
Available-for-sale:		
Preference share (see note 15)	3,436,752	-
	3,458,101	31,135

The rights and restrictions attaching to the preference share include the following:

(a) 50% of the dividend declared and paid during the period commencing on Financial Close 1B and ending upon termination of the concession agreement [note 1(c)] (the "participation period"), such payment to be made contemporaneously with the payment of the remaining 50%;

(b) No entitlement to attend or vote at meetings of the members of TJH;

(c) Entitlement to attend (but without participation in certain discussions or access to certain documents), but not to vote at, meetings of the directors of TJH;

(d) Not to have the share redeemed during the participation period, except with the company's prior written consent. The share may be redeemed after the participation period on payment of US$1 if all accumulated dividends have been paid;

(e) Entitlement to receive annual budget of TJH and to require explanations for over-expenditure of in excess of 10%, and in certain situations to have oversight of annual budget approvals;

(f) Transfer of the preference share only to an acceptable transferee and only after prior written consent of TJH and certain lenders to TJH; and

(g) No share in any surplus on a winding up of TJH other than accrued and unpaid dividends.

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17. Other receivables

	2011 $'000	2010 $'000
Deposit on land acquisitions (see note 5(b) for capital commitment)	51,902	25,122
Receivable from Ministry of Transport and Works:		
- Road rehabilitation work [see note (*) below]	50,072	190,565
- Compensation for delay in adjustment to toll rates	-	94,872
Interest receivable	493	241,888
Other	3,522	3,998
	105,989	556,445

(*) The company acted as facilitator in respect of road rehabilitation projects on behalf of the Ministry of Transport and Works and the balance receivable represents cash advanced for project expenses in excess of funds received.

18. Resale agreements

	2011 $'000	2010 $'000
Jamaican dollar agreements	-	165,853

19. Cash and cash equivalents

	2011 $'000	2010 $'000
Cash at bank and in hand	2,922	1,183
Short-term deposits	-	10,575
	2,922	11,758

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	2011 $'000	2010 $'000
Cash at bank and in hand	2,922	1,183
Short term deposits	-	10,575
	2,922	11,758
Bank overdraft	-	(6,699)
	2,922	5,059

20. Share capital

	2011 $'000	2010 $'000
Authorised and issued - 1,000,000 ordinary shares of no par value	1,000	1,000

The settlement for the shares issued is still pending as at the financial year-end.

21. Inflation reserve

The company transfers a minimum of 40% of profit for 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 22(a)]. No transfer has been made in the current year due to the loss incurred.

22. Long-term loans and advances

	2011 $'000	2010 $'000
(a) Real Return Convertible Bonds (face value J$3,552,000,000 due February 6, 2032)	9,741,548	8,852,831
(b) Development Bank of Jamaica Limited €204,386,000 (2010 – €204,386,000)	24,672,458	24,522,493
(c) PetroCaribe Development Fund US$70,408,871 (2010 – US$54,282,045)	6,037,462	4,848,210
(d) Ministry of Finance and the Public Service		
Advances - (i) Interest paid on behalf of company	4,963,466	2,293,826
- (ii) Portmore Causeway	257,246	268,524
	45,672,180	40,785,884

(a) This represents 4.5% convertible bonds issued by the company on February 7, 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 (see note 21). 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 February 7 and August 7 of each year until maturity. Interest and inflation compensation are exempt from income tax.

22. Long-term loans and advances (continued)

(a) (Continued)

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 14).

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.

The convertible bonds are recognised in the statement of financial position as follows:

	2011 **$'000**	**2010** **$'000**
Face value of bonds, being proceeds of issue	3,552,000	3,552,000
Inflation compensation	6,234,955	5,348,414
Less: Unamortised transaction costs	(45,407)	(47,583)
	9,741,548	8,852,831

(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 amounts borrowed 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 principal amount for each disbursement is repayable in sixteen equal quarterly instalments 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 variable and is payable semi-annually in arrears on February 15 and August 15 of each year.

On February 15, 2008, Development Bank of Jamaica Limited, in relation to the Bandes loan, entered into a cross-currency swap agreement with Citibank N.A. for the payment of interest on the DBJ loan. Based on the terms of the agreement, DBJ will pay interest on US$310,896,000 at a rate of 8.29% (2010 – 8.29%) per annum. In exchange, Citibank N.A. will pay interest on the loan amount of €204,400,000 at a rate of 7.50% (2010 – 7.50%) per annum.

22. Long-term loans and advances (continued)

(b) (Continued)

In August 2009, a Parliamentary Guarantee was issued under the provisions of the Approved Organizations and Approved Authorities Loans (Government Guarantee) Act, in respect of the loan of €204,400,000 from Development Bank of Jamaica Limited and DBJ's satisfaction of certain conditions required by Citibank N.A. under the terms of a cross-currency swap entered into on March 1, 2008, to cover the amount of the maximum Mark-to-Market (MTM) exposure of the transaction (estimated at US$79 million).

The loan balance is recognised in the statement of financial position as follows:

	2011 **$'000**	**2010** **$'000**
Face value of loan	24,705,996	24,558,430
Less: Unamortised transaction costs	(33,538)	(35,937)
	24,672,458	24,522,493

(c) This represents a loan facility totalling US$70,600,000 negotiated with the PetroCaribe Development Fund to provide working capital to the company. In particular, the facility was negotiated to complete the Mount Rosser leg of the Highway 2000 project. The loan is supported by promissory notes issued by the company. The total amount drawn down to date is US$70,408,870.

The principal amount is repayable in semi-annual instalments, the first of which is due and payable on December 30, 2013, with final repayment due on December 30, 2028. The interest rate is 5% per annum and shall be paid semi-annually in arrears on the last day of each interest period, commencing December 30, 2011. The loan is guaranteed by hypothecation of the inflows expected of toll revenues from the Linstead to Moneague leg of Highway 2000.

(d) (i) This represents payments made by the Ministry of Finance and the Public Service on behalf of the company. There is no agreement in place and the interest rate, repayment date and other terms of the advances have not yet been determined.

(ii) An amount of US$3,000,000 was received from the Ministry of Finance and the Public Service during 2006 to assist in the financing of the Portmore Causeway. There is no agreement in place and the interest rate, repayment date and other terms of the advances have not yet been determined.

These amounts have been classified as non-current or subject to notice because management is of the view that, when agreed with the Ministry of Finance and the Public Service, the repayment dates will be more than a year after the reporting date.

23. Deferred income tax

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

The movement in the deferred income tax balance is as follows:

	2011 $'000	2010 $'000
At beginning of year	(165,086)	(554,978)
Recognised in profit or loss (note 13)	165,086	389,892
At end of year	-	(165,086)

Deferred income tax assets/(liabilities) are attributable to the following items:

	2011 $'000	Movement $'000	2010 $'000
Deferred income tax assets –			
Interest payable	161,033	(161,033)	-
Unutilised tax losses	1,796,284	(1,796,284)	-
	1,957,317	(1,957,317)	-
Deferred income tax liabilities –			
Accelerated tax depreciation	(1,464)	1,464	-
Interest receivable	(1,283,137)	1,283,137	-
Unrealised foreign exchange gains, net	(837,802)	837,802	-
	(2,122,403)	2,122,403	-
	(165,086)	165,086	-

The deferred income tax credited in arriving at the loss for the year is attributable to reversals of the following temporary differences; due largely to the remission of income tax [note 13(c)]:

	2011 $'000	2010 $'000
Interest payable	(161,033)	46,885
Unrealised foreign exchange gains, net	837,802	(23,065)
Unutilised tax losses	(1,796,284)	612,352
Accelerated tax depreciation	1,464	459
Interest receivable	1,283,137	(246,739)
	165,086	389,892

24. Payables

	2011 $'000	2010 $'000
Accrued expenses	104,025	11,717
Due to Transjamaican Highway Limited	166,227	474,219
Due to Halcrow	9,691	-
Due to Development Bank of Jamaica Limited	175,547	110,389
Interest payable	699,104	438,420
Other	2,650	2,244
	1,157,244	1,036,989

Included in due to Transjamaican Highway Limited is an amount of $132,537,000 (2010: $345,142,000) relating to the Mount Rosser Bypass project (included in Construction-in-Progress in note 14).

25. Short-term loan

	2011 $'000	2010 $'000
Development Bank of Jamaica Limited	400	4,990

This represents advances from Development Bank of Jamaica Limited and is unsecured, interest free and repayable on demand.

26. Related party balances and transactions

Related parties include Government-related entities and ministries.

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

	2011 $'000	2010 $'000
Receivable from related parties:		
Ministry of Transports and Works		
- Road rehabilitation (note 17)	50,072	190,565
- Compensation for toll increase delay	-	94,872

26. Related party balances and transactions (continued)

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

	2011 $'000	2010 $'000
Payable to related parties:		
Development Bank of Jamaica Limited		
- Payables	175,547	110,389
- Short-term loan	400	4,990
- Long-term loans	25,153,119	24,915,778
Ministry of Finance and the Public Service		
- Long-term loan	4,963,466	2,293,826
- Short-term loan	257,246	268,524

(b) Income earned from, and expenses incurred in, transactions with related parties are as follows:

	2011 $'000	2010 $'000
Development Bank of Jamaica Limited		
Expenses:		
Interest expense	68,058	70,336
Professional fees	5,648	5,596

(c) Key management personnel compensation:

	2011 $'000	2010 $'000
Salaries and other short-term employee benefits [including salaries of directors who are executives (see below)]	12,074	14,042
Statutory payroll contributions	21	840
	12,095	14,882
Directors' emoluments:		
Fees	446	586
Management remuneration	10,803	8,835
	11,249	9,421

27. Prior year adjustments

During the previous year, the company determined that the correct basis for computing its income tax is that of 'capital investor', rather than 'financial trader'. The resulting correction was made with retroactive effect. The nature of the prior year adjustments were therefore as follows:

(i) An increase in deferred income tax liabilities was recognised.

(ii) Additional current income tax for previous years was recognised.

28. Contingent liability

NROCC, TransJamaican Highway Limited and Bouygues are disputing responsibility for the recently discovered geological ground conditions in the construction of the Mount Rosser Bypass. The discovery may require a redesign of approximately 1 km or 5% of the Project's roadway. However, the parties are working to resolve the dispute and no claim has been filed in respect of it. NROCC's lawyers and consulting engineers have reviewed this matter and have advised that NROCC has a good case in denying responsibility; accordingly, no provision has been made in these financial statements for any possible adverse outcome of this matter.