

NATIONAL ROAD OPERATING
AND CONSTRUCTING COMPANY LIMITED

FINANCIAL STATEMENTS

MARCH 31, 2015



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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 39, which comprise the statement of financial position as at March 31, 2015, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation of financial statements that give a true and fair view 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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, 2015, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

Emphasis of matter

Without qualifying our opinion we draw attention to Note 2(d) which indicates that the Company had reported losses over the years and had an accumulated deficit at the reporting date. This is an indication of an uncertainty of the Company's ability to continue as a going concern. However, the Government of Jamaica has indicated that it will continue to provide such financial assistance as the Company may require to meet its obligation for the foreseeable future.

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.



Chartered Accountants
Kingston, Jamaica

July 8, 2015

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Statement of Profit or Loss and Other Comprehensive Income

Year ended March 31, 2015

(Expressed in Jamaican dollars unless otherwise indicated)

	<u>Notes</u>	<u>2015</u> \$'000	<u>2014</u> \$'000
Revenue	7	-	-
Administrative and general expenses	8	(306,112)	(485,197)
Operating loss		(306,112)	(485,197)
Gain/(loss) on investment securities	9	144,256	(272,066)
Other income	11	89	603,386
Finance income	12	1,055,815	1,884,518
Finance costs	13	(6,451,380)	(8,274,394)
Inflation compensation on Real Return Convertible Bonds	22(a)	(653,241)	(1,049,852)
Loss for the year, being total comprehensive loss		<u>(6,210,573)</u>	<u>(7,593,605)</u>

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

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Statement of Financial Position

March 31, 2015

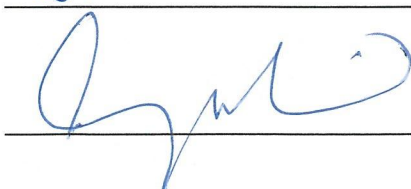
(Expressed in Jamaican dollars unless otherwise indicated)

	<u>Notes</u>	<u>2015</u> <u>\$'000</u>	<u>2014</u> <u>\$'000</u>
Non-current assets			
Long term receivable	15	14,205,345	13,311,907
Property and equipment	16	4,424,299	3,141,771
Investment security	17	<u>3,006,119</u>	<u>2,861,863</u>
		<u>21,635,763</u>	<u>19,315,541</u>
Current assets			
Income tax recoverable		20,330	42,870
Other receivables	18	62,063	73,667
Resale agreements	19	1,398,846	2,593,711
Cash and cash equivalents		<u>63,154</u>	<u>10,420</u>
		<u>1,544,393</u>	<u>2,720,668</u>
Total assets		<u>23,180,156</u>	<u>22,036,209</u>
Equity			
Share capital	20	1,000	1,000
Inflation reserve	21	1,220,905	1,220,905
Accumulated deficit		<u>(51,277,429)</u>	<u>(45,066,856)</u>
Net equity		<u>(50,055,524)</u>	<u>(43,844,951)</u>
Non-current liabilities			
Long-term loans and advances	22	<u>71,349,509</u>	<u>64,255,973</u>
Current liabilities			
Other payables	23	<u>1,886,171</u>	<u>1,625,187</u>
Total liabilities		<u>73,235,680</u>	<u>65,881,160</u>
Total equity and liabilities		<u>23,180,156</u>	<u>22,036,209</u>

The financial statements on pages 3 to 39 were approved for issue by the Board of Directors on July 8, 2015 and signed on its behalf by:



Director



Director

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, 2015

(Expressed in Jamaican dollars unless otherwise indicated)

	<u>Share capital</u> \$'000	<u>Inflation reserve</u> \$'000	<u>Accumulated deficit</u> \$'000	<u>Total</u> \$'000
Balances at March 31, 2013	1,000	1,220,905	(37,473,251)	(36,251,346)
Total comprehensive loss:				
Loss for the year	<u>-</u>	<u>-</u>	(<u>7,593,605</u>)	(<u>7,593,605</u>)
Balances at March 31, 2014	1,000	1,220,905	(45,066,856)	(43,844,951)
Total comprehensive loss:				
Loss for the year	<u>-</u>	<u>-</u>	(<u>6,210,573</u>)	(<u>6,210,573</u>)
Balances at March 31, 2015	<u>1,000</u>	<u>1,220,905</u>	<u>(51,277,429)</u>	<u>(50,055,524)</u>

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, 2015

(Expressed in Jamaican dollars unless otherwise indicated)

	<u>Notes</u>	<u>2015</u> <u>\$'000</u>	<u>2014</u> <u>\$'000</u>
Cash flows from operating activities			
Loss for the year		(6,210,573)	(7,593,605)
Adjustments for:			
Depreciation	16	62,373	123,771
Interest income		(257,954)	(236,377)
Interest expense	13	4,106,673	3,883,209
Gain on disposal of property and equipment		(550)	
Impairment loss	9	-	625,953
Effect of exchange rate movements on foreign currency			
long-term loans and advances, receivables and payables		1,140,367	2,126,933
Inflation compensation on Real Return Convertible Bonds		<u>653,241</u>	<u>1,049,851</u>
		(506,423)	(20,265)
Changes in operating assets and liabilities:			
Other receivables		33,682	31,997
Income tax recoverable		22,540	28,290
Income tax payable		-	(6,331)
Other payables		<u>249,892</u>	<u>7,139</u>
Net cash (used)/provided by operating activities		(200,309)	<u>40,830</u>
Cash flows from investing activities			
Acquisition of land	16	(1,343,434)	(272,077)
Purchase of other property and equipment	16	(1,467)	(96,709)
Resale agreements		1,301,528	(21,578)
Proceeds of disposal of property and equipment		550	-
Interest received		<u>30,924</u>	<u>57,966</u>
Net cash used by investing activities		(11,899)	(332,398)
Cash flows from financing activities			
Long-term loans and advances received		4,357,810	3,895,094
Interest paid		<u>(4,095,588)</u>	<u>(3,668,185)</u>
Net cash provided by financing activities		<u>262,222</u>	<u>226,909</u>
Increase/(decrease) in cash and cash equivalents		50,014	(64,659)
Effect of exchange rate movements on cash and cash equivalents		2,720	57,469
Cash and cash equivalents at beginning of year		<u>10,420</u>	<u>17,610</u>
Cash and cash equivalents at end of year		<u><u>63,154</u></u>	<u><u>10,420</u></u>

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

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Notes to the Financial Statements

March 31, 2015

(Expressed in Jamaican dollars unless otherwise indicated)

1. Identification and principal activities

- (a) National Road Operating and Constructing Company Limited (“company” or “NROCC”) is a public limited liability company incorporated and domiciled in Jamaica. The company commenced operations in February 2002 and 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 Highway 2000, Jamaica’s first tolled highway.
- (c) Subsequent to receipt of the concession per 1(b) above, the company has itself granted two concessions, as follows:
 - (i) **Subsidiary Concession No 1**
 - The company has entered into a 35-year Concession Agreement (dated November 21, 2001 and expiring November 20, 2036) (“Concession No. 1”) with Transjamaican Highway Limited (“Concessionaire No. 1”), which is a limited liability company, incorporated in Jamaica, 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.
 - The company has also entered into an agreement, dated March 12, 2002, to lease to Concessionaire No. 1 for a period of 35 years at J\$1 per annum, certain lands upon which Phase 1A and Phase 1B of Highway 2000 is constructed and operated by Concessionaire No. 1. Some of the lands required for the project are owned by the company and others are leased from the Commissioner of Lands for a period of 99 years at J\$1 per annum.
 - (ii) **Subsidiary Concession No 2**
 - The right of first refusal on that portion of the above-mentioned 35-year Concession Agreement that related to the construction of the Caymanas to Ocho Rios leg and May Pen to Montego Bay leg of Highway 2000 has expired. The company has entered into a 50 year Concession Agreement dated June 21, 2012 and expiring January 28, 2066 (Concession No. 2) with Jamaica North South Highway Company Limited (“Concessionaire No. 2”), which is a limited liability company, incorporated in Jamaica, and owned by China Harbour Engineering Company Limited, for the completion of the construction of the Caymanas to Ocho Rios leg.
 - The company has also entered into an agreement, to lease to Concessionaire No. 2 for a period of 53 years, commencing January 28, 2013 and expiring January 28, 2066, at J\$1, payable in advance, certain lands upon which Phase 2 of Highway 2000 will be constructed and operated by Concessionaire No. 2. Some of the lands required for the project are owned by the company and others are leased from the Commissioner of Lands for a period of 50 years at J\$1 per annum.

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Notes to the Financial Statements

March 31, 2015

(Expressed in Jamaican dollars unless otherwise indicated)

2. Statement of compliance and basis of preparation

(a) Statement of compliance

The financial statements, as of and for the year ended March 31, 2015 (“reporting date”), 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 that became effective during the year

Certain new, revised and amended standards and interpretations came into effect during the current financial year, none of which had any impact on the balances and disclosures in the financial statements.

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

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

- *Improvements to IFRS 2010-2012 and 2011-2013* cycles contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after July 1, 2014. The main amendments applicable to the company are as follows:
 - IAS 16, *Property, Plant and Equipment* and IAS 38, *Intangible Assets*. The standards have been amended to clarify that, at the date of revaluation:
 - (i) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation (amortization) is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking account of accumulated impairment losses or
 - (ii) the accumulated depreciation (amortization) is eliminated against the gross carrying amount of the asset.
 - IAS 24, *Related Party Disclosures* has been amended to extend the definition of ‘related party’ to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. For related party transactions that arise when key management personnel services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to ‘look through’ the management entity and disclose compensation paid by the management entity to the individuals providing the key management personnel services.

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Notes to the Financial Statements (continued)

March 31, 2015

(Expressed in Jamaican dollars unless otherwise indicated)

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

(a) Statement of compliance (continued)

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

- IFRS 13, *Fair Value Measurement*, is amended to clarify that issuing of the standard and consequential amendments to IAS 39 and IFRS 9 did not intend to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.
- *Improvements to IFRS, 2012-2014 cycle*, contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2016. The main amendments applicable to the company are as follows:
 - IFRS 7, *Financial Instruments: Disclosures*, has been amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred assets in cases when they are derecognized in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset e.g., if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'.
 - Amendments to IAS 16 and IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortisation*, are effective for accounting periods beginning on or after January 1, 2016.
 - The amendments to IAS 16, *Property, Plant and Equipment* explicitly state that revenue-based methods of depreciation cannot be used. This is because such methods reflect factors other than the consumption of economic benefits embodied in the assets.
 - The amendment to IAS 38, *Intangible Assets* introduce a rebuttable presumption that the use of revenue-based amortisation methods is inappropriate for intangible assets.
 - IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 also replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Notes to the Financial Statements (continued)

March 31, 2015

(Expressed in Jamaican dollars unless otherwise indicated)

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

(a) Statement of compliance (continued)

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

- IAS 1 *Presentation of Financial Statements*, effective for accounting periods beginning on or after January 1, 2016, has been amended to clarify or state the following:
 - specific single disclosures that are not material do not have to be presented even if they are minimum requirements of a standard;
 - the order of notes to the financial statements is not prescribed;
 - line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Lines items can be aggregated if they are not material;
 - specific criteria are now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI;
 - the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows the IAS 1 approach of splitting items that may, or that will never be reclassified to profit or loss.
- Amendments to IFRS 10, *Consolidated Financial Statements*, and IAS 28, *Investments in Associates and Joint Ventures*, in respect of Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, are effective for annual reporting periods beginning on or after January 1, 2016. The amendments require that when a parent loses control of a subsidiary in a transaction with an associate or joint venture, the full gain be recognized when the assets transferred meet the definition of a 'business' under IFRS 3, *Business Combinations*.

The company is assessing the impact that these standards, amendments and interpretations will have on its financial statements when they are adopted.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis, modified for the inclusion of available-for-sale securities at fair value.

(c) Functional and presentation currency

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

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Notes to the Financial Statements (continued)

March 31, 2015

(Expressed in Jamaican dollars unless otherwise indicated)

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

(d) Going concern basis

The financial statements have been prepared on the going concern basis, notwithstanding that the company reported a loss for several of the preceding years and had an accumulated deficit at the reporting date. The appropriateness of this basis is, therefore, dependent on the ability of the company to obtain continued 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, is 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 effective interest basis. Interest income includes coupons earned on fixed income investments and amortisation of any relevant discount.

(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 on the effective interest basis.

(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, NIS contributions and vacation leave; as well as long-term employee benefits such as gratuity and 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.

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Notes to the Financial Statements (continued)

March 31, 2015

(Expressed in Jamaican dollars unless otherwise indicated)

3. Summary of significant accounting policies (continued)

(d) Foreign currency translation

Foreign currency transactions are converted at the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rates. 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.

(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 at the reporting 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 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

Recognition

Property and equipment are stated at historical cost less accumulated depreciation and, if any, impairment losses. 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 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.

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

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Notes to the Financial Statements (continued)

March 31, 2015

(Expressed in Jamaican dollars unless otherwise indicated)

3. Summary of significant accounting policies (continued)

(f) Property and equipment (continued)

Depreciation

Land is not depreciated. Depreciation of 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%

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

Impairment

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. The recoverable amount is assessed when there is an 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.

Disposals

Gains and losses arising on the disposal of property and equipment are determined by reference to their carrying amount and are included in profit or loss.

(g) Financial instruments

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

The company classifies its financial assets in the following categories: loans and receivables and available-for-sale. Management determines the classification of its financial assets at initial recognition.

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.

Assets classified as loans and receivables comprise long-term receivables, other receivables, resale agreements and cash and cash equivalents.

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Notes to the Financial Statements (continued)

March 31, 2015

(Expressed in Jamaican dollars unless otherwise indicated)

3. Summary of significant accounting policies (continued)

(g) Financial instruments (continued)

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 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 comprise preference shares.

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.

(h) 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.

Cash and cash equivalents are measured at amortised cost.

(i) Other receivables

Other receivables are stated at amortised cost, less impairment losses.

(j) 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. The underlying asset is not recognised in the company's financial statements.

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.

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Notes to the Financial Statements (continued)

March 31, 2015

(Expressed in Jamaican dollars unless otherwise indicated)

3. Summary of significant accounting policies (continued)

(k) Other payables

Payables are stated at amortised 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 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 of the proceeds of issue 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 of issue is allocated to the conversion option which is included in equity. The carrying 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.

(m) Share capital

Ordinary shares are classified as equity and carried at cost.

4. Use of judgements and estimates

The preparation of the financial statements in conformity with IFRS often requires management to make estimates and assumptions, and critical judgements in applying accounting policies. These estimates, assumptions and judgements affect the application of accounting policies and the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the revenue and expenses for the year then ended. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years.

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Notes to the Financial Statements (continued)

March 31, 2015

(Expressed in Jamaican dollars unless otherwise indicated)

4. Use of judgements and estimates (continued)

The significant assumptions about the future and key areas of estimation uncertainty, and the critical judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements, are as follows:

(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

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

The total allowance for impairment 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.

(iv) Classification of advances

IFRS requires financial instruments with no specific maturity dates or terms to be classified as "current". There is no agreement in place for advances from the Ministry of Finance & Planning. Consequently, the terms and advances have not yet been determined. These amounts however, are classified as non-current liabilities, as the company does not expect the lender to demand repayment within 12 months of the reporting date.

It is reasonably probable, based on existing knowledge, that outcomes within the next financial year that are different from these assumptions could require a material adjustment to the carrying amount reflected in these financial statements.

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Notes to the Financial Statements (continued)

March 31, 2015

(Expressed in Jamaican dollars unless otherwise indicated)

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.

The main financial risks to which the company is exposed are described, measured and managed as follows:

(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.

Maximum exposure to credit risk

The maximum exposure to credit risk is represented by the carrying amount of the financial assets shown on the statement of financial position.

Management manages the credit risk to which it is exposed as follows:

(i) Receivables

The company's main exposure to credit risk lies in its lending activities to Concessionaire No 2 and advances to or on behalf of the Ministry of Transport, Works and Housing (MTWH). Exposure to this credit risk is managed through monitoring of Concessionaire No 2's ability to meet interest payments and principal repayments in accordance with the terms and conditions of the transfer agreement, and follow up of amounts due from MTWH and other debtors. The company does not obtain collateral for its receivables.

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Notes to the Financial Statements (continued)

March 31, 2015

(Expressed in Jamaican dollars unless otherwise indicated)

5. Financial risk management (continued)

(a) Credit risk (continued)

Maximum exposure to credit risk (continued)

(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 exposing it to credit risk. Investment security represents is a non-equity investment in the form of a preference share. Any investment is subject to prior review and approval by the Board of Directors.

(iii) Cash and cash equivalents and resale agreements

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

The only financial asset in respect of which an impairment charge has been made is the preference share in TransJamaican Highway Limited (note 17).

During the year, there was no change in the nature of the company's exposure to credit risk or the manner in which it measures and manages this risk.

(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 and ensuring the availability of funding through an adequate amount of committed credit facilities.

Liquidity risk management process

The company's liquidity management process, as carried out by Development Bank of Jamaica Limited ("DBJ"), 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.

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Notes to the Financial Statements (continued)

March 31, 2015

(Expressed in Jamaican dollars unless otherwise indicated)

5. Financial risk management (continued)

(b) Liquidity risk (continued)

Liquidity risk management process (continued)

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.

Financial liabilities cash flows

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

	2015						
	On Demand or Subject to Notice \$'000	1 to 3 Months \$'000	4 to 12 Months \$'000	2 to 5 Years \$'000	Over 5 Years \$'000	Total cash flows \$'000	Carrying amount \$'000
Long-term loans	-	2,105,229	2,098,741	13,338,609	59,687,131	77,229,710	39,884,505
Other long term loans*	18,495,201	-	-	-	12,969,803	31,465,004	31,465,004
Other payables	-	1,886,171	-	-	-	1,886,171	1,886,171
Total financial liabilities	<u>18,495,201</u>	<u>3,991,400</u>	<u>2,098,741</u>	<u>13,338,609</u>	<u>72,656,934</u>	<u>110,580,885</u>	<u>73,235,680</u>
	2014						
Long-term loans	-	1,510,997	1,856,358	14,045,023	57,595,993	75,008,371	38,670,409
Other long term loans*	13,271,178	-	-	-	12,314,386	25,585,564	25,585,564
Other payables	-	1,625,188	-	-	-	1,625,188	1,625,187
Total financial liabilities	<u>13,271,178</u>	<u>3,136,185</u>	<u>1,856,358</u>	<u>14,045,023</u>	<u>69,910,379</u>	<u>102,219,123</u>	<u>65,881,160</u>

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

During the year, there was no change in the nature of the company's exposure to liquidity risk or the manner in which it measures and manages this risk.

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Notes to the Financial Statements (continued)

March 31, 2015

(Expressed in Jamaican dollars unless otherwise indicated)

5. Financial risk management (continued)

(c) Market risks

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

At the reporting date, the net foreign currency assets/(liabilities), in nominal amounts, were as follows:

	<u>2015</u> USD \$'000	<u>2014</u> USD \$'000
Assets		
Long-term receivable	124,077	122,134
Investment securities	26,257	26,257
Resale agreements	12,218	23,797
Cash and cash equivalents	<u>84</u>	<u>8</u>
Total financial assets	<u>162,636</u>	<u>172,196</u>
Liabilities		
Long-term loans	(13,506)	(478,292)
Other payables	<u>(490,782)</u>	<u>(13,966)</u>
Total financial liabilities	<u>(504,288)</u>	<u>(492,258)</u>
Net foreign currency position	<u>(341,652)</u>	<u>(320,062)</u>

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Notes to the Financial Statements (continued)

March 31, 2015

(Expressed in Jamaican dollars unless otherwise indicated)

5. Financial risk management (continued)

(c) Market risks (continued)

(i) Foreign currency risk (continued)

Sensitivity to movement in foreign exchange rates

A 1 percent (2014: 1 percent) strengthening and a 10 percent (2014: 15 percent) weakening of the Jamaican dollar against the United States dollar 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 as for 2014.

	<u>2015</u>		<u>2014</u>	
	% Change in exchange rate	Effect on loss \$'000 increase/ (decrease)	% Change in exchange rate	Effect on loss \$'000 increase/ (decrease)
Change in rate of exchange of J\$ for USD:				
Revaluation	1	(392,100)	1	(349,779)
Devaluation	10	<u>3,921,001</u>	15	<u>5,246,677</u>

(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 long-term 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 is longer than the duration of interest-earning financial assets.

At March 31, 2015 and 2014, the company's long term loans were fixed rate instruments.

During the year, there was no change in the nature of the company's exposure to market risks or the manner in which it measures and manages these risks.

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Notes to the Financial Statements (continued)

March 31, 2014

(Expressed in Jamaican dollars unless otherwise indicated)

5. Financial risk management (continued)

(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 support the development of its business. The company defines its capital base as share capital, capital and other reserves and 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 and the risks associated with 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 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

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participations at the measurement date in the principal or, in its absence, the most advantageous market to which the company has access at that date. The fair value of a liability reflects its non-performance risk.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The appropriate quoted market price to be used for financial instruments is the bid price at the reporting date.

The fair value of financial instruments that are not traded in an active market is determined by use of valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Fair values are categorised into different levels in a three-level fair value hierarchy based on the inputs used in the valuation techniques, as follows:

Level 1

Included in the Level 1 category are financial assets and liabilities that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Notes to the Financial Statements (continued)

March 31, 2015

(Expressed in Jamaican dollars unless otherwise indicated)

6. Fair value estimation (continued)

Level 2

Included in the Level 2 category are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions, and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in funds with fair values obtained via fund managers, and assets that are valued using a model whereby the majority of assumptions are market observable.

Level 3

Included in the Level 3 category are financial assets and liabilities that are measured using non-market observable inputs. This means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

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

The financial instruments held at the reporting date were: long term receivable, investment securities, other receivables, resale agreements, cash and cash equivalents, long term loans and advances and other payables.

Accounting classification and fair values

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their classification and levels in the fair value hierarchy. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount				2015 Fair value			
	Loan and receivables \$'000	Available for sale \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets measured at fair value								
Investment securities	-	3,006,119	-	3,006,119	-	-	3,006,119	3,006,119
Financial assets not measured at fair value								
Long term receivable	14,205,345	-	-	14,205,345				
Other assets	62,063	-	-	62,063				
Resale agreements	1,398,846	-	-	1,398,846				
Cash and cash equivalents	63,154	-	-	63,154				
	15,729,408	-	-	15,729,408				
Financial liabilities not measured at fair value								
Long term loans and advances	-	-	71,349,509	71,349,509				
Other payables	-	-	1,886,171	1,886,171				
	-	-	73,235,680	73,235,680				

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Notes to the Financial Statements (continued)

March 31, 2015

(Expressed in Jamaican dollars unless otherwise indicated)

6. Fair value estimation (continued)

	2014				Fair value			
	Carrying amount							
	Loans and receivables \$'000	Available for sale \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets measured at fair value								
Investment securities	-	2,861,863	-	2,861,863	-	-	2,861,863	2,861,863
Financial assets not measured at fair value								
Long term receivable	13,311,907	-	-	13,311,907				
Other assets	73,667	-	-	73,667				
Resale agreements	2,593,711	-	-	2,593,711				
Cash and cash equivalents	10,420	-	-	10,420				
	15,989,705	-	-	15,989,705				
Financial liabilities not measured at fair value								
Long term loans and advances	-	-	64,255,973	64,255,973				
Other payables	-	-	1,625,187	1,625,187				
	-	-	65,881,160	65,881,160				

The company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments or discounted present value 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:

- The amounts included in the above table for resale agreements, cash and cash equivalents, and other payables are assumed to reflect their approximate fair value because of the short-term maturity of these instruments.
- The fair value of substantially all of long-term and other receivables cannot practicably be determined because of the nature of these amounts.
- As explained in note 22(a), the fair value of the convertible bonds cannot be reliably determined. The fair value of the long-term bond (9.375% Amortizing Notes due 2024) is determined by reference to prices quoted on the Luxembourg Stock Exchange. As at the reporting date, the fair value was \$33,242,340,000 (2014: \$31,183,080,000). The fair value of loan payable to the PetroCaribe Development Fund and the advances from the Ministry of Finance and Planning cannot be reliably estimated because they have terms and conditions for which similar terms and conditions are not available in the market.

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Notes to the Financial Statements (continued)

March 31, 2015

(Expressed in Jamaican dollars unless otherwise indicated)

6. Fair value estimation (continued)

- (d) The 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)(i)].

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 any one of the assumptions used to reasonably possible alternative assumption at the reporting date would, in the case of its investment security, i.e., the preference share in TJH, have the following effects:

	<u>2015</u>	
	Change in discount rate	Effect on loss \$'000 increase/(decrease)
Increase (percentage points)	0.5	609,466
Decrease (percentage points)	<u>0.5</u>	<u>(705,412)</u>
	<u>2014</u>	
	Change in discount rate	Effect on loss \$'000 increase/(decrease)
Increase (percentage points)	2.0	524,588
Decrease (percentage points)	<u>2.0</u>	<u>(683,283)</u>

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, 2015 include:

Discount rate

The discount rate applied to the cash flows of TJH operations is based on the risk free rate for the 10 year US Dollar bond issued by the United States Government, adjusted for an equity market risk premium and other risks.

Traffic volume and toll rates

Projected total annual toll revenue is based on an initial twenty-one year projection of total annual vehicle traffic provided by management. Toll rates are set within a certain range, with an established ceiling.

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Notes to the Financial Statements (continued)

March 31, 2015

(Expressed in Jamaican dollars unless otherwise indicated)

7. Revenue

Per clause 22 of the Concession Agreement for Concession No. 1 [see note 1(c)(i)], 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) toll revenues are to be applied as follows:

- (a) Concessionaire No. 1 is entitled to apply cash collected in the following order of priority:
 - (i) capital expenditure which is due and payable;
 - (ii) operating expenditure, including heavy maintenance expenditure, and taxes (if any) which is due and payable;
 - (iii) interest, principal and other amounts under the Financing Agreements which is due and payable;
 - (iv) amounts required to fund or to restore the required balance of any debt services reserve and maintenance reserve under the Financing Agreement which is due and payable; and
 - (v) capital expenditure incurred with respect to Expansion Schemes which is due and payable.

Any cash left over after the foregoing payments (“free cash flows”) is to be shared equally between Concessionaire No. 1 and the company. As stated in note 17, the company owns one preference share in Concessionaire No. 1. The company’s 50% share of the free cash flows is to be distributed to the company as a dividend on the preference share.

- (b) Of the 50% of the free cash flows distributed to Concessionaire No. 1, any amount in excess of a specified level (ie, that which provides Concessionaire No 1 with a specified rate of return) 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 such excess by Concessionaire No. 1 at the lowest band up to 100% at the highest.

The payments under both (a) and (b) above are to be made contemporaneously. For the year under review, there were no distributions (of free cash flows or of excess cash over stipulated returns) by Concessionaire No. 1, and, accordingly, no revenue from toll road operation was recognized by the company.

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Notes to the Financial Statements (continued)

March 31, 2015

(Expressed in Jamaican dollars unless otherwise indicated)

8. Administrative and general expenses

	<u>2015</u> <u>\$'000</u>	<u>2014</u> <u>\$'000</u>
Advertising and public relations	415	674
Auditors' remuneration	3,296	3,245
Depreciation (note 16)	62,373	123,771
Donations and subscriptions	205	369
Legal and other professional fees	61,610	67,945
Repairs and maintenance	1,657	1,344
Resettlement expenses:		
Compensation for crops	-	15,121
Relocation expenses	-	114,794
Legal and other professional fees	-	83
Staff costs (note 10)	89,563	75,433
Technical fees	67,880	63,229
Rent	6,332	6,023
Utilities	507	503
Other operating expenses	<u>12,274</u>	<u>12,663</u>
	<u>306,112</u>	<u>485,197</u>

9. Gain/(loss) on investment securities

This represents net gain/(loss) recognized on investment securities (note 17), broken out as follows:

	<u>2015</u> <u>\$'000</u>	<u>2014</u> <u>\$'000</u>
Effect of exchange rate depreciation	144,256	353,887
Impairment loss	<u>-</u>	<u>(625,953)</u>
	<u>144,256</u>	<u>(272,066)</u>

10. Staff costs

	<u>2015</u> <u>\$'000</u>	<u>2014</u> <u>\$'000</u>
Salaries and wages	82,768	68,995
Statutory payroll contributions	4,075	4,304
Other	<u>2,720</u>	<u>2,134</u>
Total (note 8)	<u>89,563</u>	<u>75,433</u>

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Notes to the Financial Statements (continued)

March 31, 2015

(Expressed in Jamaican dollars unless otherwise indicated)

11. Other income

	<u>2015</u> <u>\$'000</u>	<u>2014</u> <u>\$'000</u>
Income from Bouygues Travaux Publics S.A. (see note below)	-	603,355
Miscellaneous	<u>89</u>	<u>31</u>
	<u>89</u>	<u>603,386</u>

The amount in 2014 represents US\$6,000,000 (J\$603,355,000) received from Bouygues Travaux Publics S.A. in 2013 in settlement of its obligation to the company in respect of a scope variation relating to construction of the Mount Rosser Bypass [Note (1)] .

12. Finance income

	<u>2015</u> <u>\$'000</u>	<u>2014</u> <u>\$'000</u>
Foreign exchange gains on financial investments:		
Unrealised gains on translation of foreign currency balances	688,439	1,353,365
Realised gains on settlement of foreign currency balances	109,422	294,776
Interest income:		
Investment security and short term deposits	52,955	89,960
Long-term receivables	<u>204,999</u>	<u>146,417</u>
	<u>1,055,815</u>	<u>1,884,518</u>

13. Finance costs

	<u>2015</u> <u>\$'000</u>	<u>2014</u> <u>\$'000</u>
Net foreign exchange losses on financial liabilities:		
Unrealised losses on translation of foreign currency balances	2,082,485	4,128,963
Interest on loans	4,106,673	3,883,209
Amortisation of transaction costs	<u>262,222</u>	<u>262,222</u>
	<u>6,451,380</u>	<u>8,274,394</u>

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Notes to the Financial Statements (continued)

March 31, 2015

(Expressed in Jamaican dollars unless otherwise indicated)

14. Income tax

- (a) By the Income Tax (National Road Operating and Constructing Company Limited) (Remission) Notice, 2011, the Minister of Finance, with effect from February 8, 2011, has waived all 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.
- (b) Income tax on chargeable income as reported differs from the amount expected from applying the statutory rate of 33⅓% (2014: 33⅓%), as follows:

	<u>2015</u> <u>\$'000</u>	<u>2014</u> <u>\$'000</u>
Computed “expected tax” expense on chargeable income	17,952	31,373
Adjusted for the tax effect of:		
Exchange gain, net	(5,903)	6,431
Other	<u>1,274</u>	<u>87,703</u>
Income tax charge before remission	13,323	125,507
Income tax charge remitted [note 14(a)]	<u>(13,323)</u>	<u>(125,507)</u>
	<u>-</u>	<u>-</u>

15. Long-term receivable

	<u>2015</u> <u>US\$'000</u>	<u>2014</u> <u>US\$'000</u>	<u>2015</u> <u>J\$'000</u>	<u>2014</u> <u>J\$'000</u>
Due from Jamaica North South Highway Company Limited:				
Purchase price [a (i)]	120,000	120,000	13,738,596	13,079,316
Interest receivable [a (ii)]	4,077	2,134	894,326	459,031
Effect of discounting of cash flows [a (iii)]	<u>-</u>	<u>-</u>	<u>(427,577)</u>	<u>(226,440)</u>
	<u>124,077</u>	<u>122,134</u>	<u>14,205,345</u>	<u>13,311,907</u>

This represents the purchase price, amounting to US\$120,000,000, of assets transferred to Jamaica North South Highway Company Limited (“JNSHCL”) (“Concessionaire No. 2”) in 2014 (note 16), under the terms and conditions of the Mt. Rosser Asset Transfer Agreement, dated December 14, 2012, between the company and the Concessionaire No. 2 (note 1). All of the rights, title and interest in and to the Mount Rosser Assets, as well as certain rights relating to the Mount Rosser Bypass, including the right to complete its construction and to operate and maintain it as part of the Toll Road, in accordance with the terms of the Concession Agreement, were transferred. The balance is carried at amortised cost, less any impairment losses.

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Notes to the Financial Statements (continued)

March 31, 2015

(Expressed in Jamaican dollars unless otherwise indicated)

15. Long-term receivable (continued)

- (a) From the effective date (i.e., January 28, 2013) to the date falling on the 20th anniversary of the final handover date (the “First Repayment Date”):
 - i) No part of the purchase price shall be payable by Concessionaire No. 2; and
 - ii) Interest shall accrue on the purchase price at a rate equal to 3% per annum. Such interest shall be added to the purchase price (but not compounded), and the sum of all such interest together with the purchase price shall be the adjusted purchase price.
 - iii) The interest income and related receivable were discounted in accordance with IFRS as the accrued interest earned each period on the long-term receivable is being deferred for a period of approximately 21 years.
- (b) On the first repayment date, and on each date falling on an anniversary of the first repayment date, Concessionaire No. 2 shall pay to NROCC the aggregate of:
 - i) one-thirtieth of the adjusted purchase price; and
 - ii) (other than on the first repayment date) interest on the outstanding balance of the adjusted purchase price for the twelve-month period immediately preceding such repayment date at a rate of 6.5% per annum.
- (c) The purchase price and/or the amount of interest thereon shall be adjusted following any prepayment of any part of the purchase price or the adjusted purchase price or any deduction pursuant to the agreement.

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Notes to the Financial Statements (continued)

March 31, 2015

(Expressed in Jamaican dollars unless otherwise indicated)

16. Property and equipment

	<u>Land</u> <u>[see note (i)]</u> <u>\$'000</u>	<u>Roads</u> <u>[see note (ii)]</u> <u>\$'000</u>	<u>Leasehold</u> <u>Improvements</u> <u>\$'000</u>	<u>Office</u> <u>Furniture,</u> <u>Fixtures &</u> <u>Equipment</u> <u>\$'000</u>	<u>Computer</u> <u>Equipment</u> <u>\$'000</u>	<u>Motor</u> <u>Vehicles</u> <u>\$'000</u>	<u>Construction</u> <u>In Progress</u> <u>[see note (iii)]</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
Cost:								
March 31, 2013	1,132,920	2,018,579	1,259	6,314	8,677	17,323	158,831	3,343,903
Additions	<u>95,838</u>	<u>-</u>	<u>-</u>	<u>625</u>	<u>246</u>	<u>-</u>	<u>272,077</u>	<u>368,786</u>
March 31, 2014	1,228,758	2,018,579	1,259	6,939	8,923	17,323	430,908	3,712,689
Additions	<u>49,106</u>	<u>-</u>	<u>-</u>	<u>727</u>	<u>740</u>	<u>-</u>	<u>1,294,328</u>	<u>1,344,901</u>
Disposal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,100)</u>	<u>-</u>	<u>(2,100)</u>
March 31, 2015	<u>1,277,864</u>	<u>2,018,579</u>	<u>1,259</u>	<u>7,666</u>	<u>9,663</u>	<u>15,223</u>	<u>1,725,236</u>	<u>5,055,490</u>
Depreciation:								
March 31, 2013	-	430,683	548	4,060	7,694	4,162	-	447,147
Charge for the year	<u>-</u>	<u>120,011</u>	<u>91</u>	<u>329</u>	<u>328</u>	<u>3,012</u>	<u>-</u>	<u>123,771</u>
March 31, 2014	-	550,694	639	4,389	8,022	7,174	-	570,918
Eliminated on disposal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,100)</u>	<u>-</u>	<u>(2,100)</u>
Charge for the year	<u>-</u>	<u>58,278</u>	<u>126</u>	<u>397</u>	<u>559</u>	<u>3,013</u>	<u>-</u>	<u>62,373</u>
March 31, 2015	<u>-</u>	<u>608,972</u>	<u>765</u>	<u>4,786</u>	<u>8,581</u>	<u>8,087</u>	<u>-</u>	<u>631,191</u>
Net Book Value:								
March 31, 2015	<u>1,277,864</u>	<u>1,409,607</u>	<u>494</u>	<u>2,880</u>	<u>1,082</u>	<u>7,136</u>	<u>1,725,236</u>	<u>4,424,299</u>
March 31, 2014	<u>1,228,758</u>	<u>1,467,885</u>	<u>620</u>	<u>2,550</u>	<u>901</u>	<u>10,149</u>	<u>430,908</u>	<u>3,141,771</u>
March 31, 2013	<u>1,132,920</u>	<u>1,587,896</u>	<u>711</u>	<u>2,254</u>	<u>983</u>	<u>13,161</u>	<u>158,831</u>	<u>2,896,756</u>

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Notes to the Financial Statements (continued)

March 31, 2015

(Expressed in Jamaican dollars unless otherwise indicated)

16. Property and equipment (continued)

Notes:

- (i) This represents costs incurred by the company for the acquisition of lands which are to be used in the construction of the highway.
- (ii) This represents costs incurred by the company for variations to the contracted core requirements of the construction of Phase 1A, as specified in the concessionaire agreement.

Roads are constructed and operated by the concessionaires [see note 1(c)] for the period of the concession in accordance with the concession specifications. At the end of the concession periods they will be transferred to the company.

- (iii) The balance at the reporting date represents the cost of acquisition of lands, the titles for which had not passed to the company at that date.

17. Investment security

	<u>2015</u> \$'000	<u>2014</u> \$'000
Available-for-sale:		
Preference share [US\$26,257,000 (2014: US\$26,257,000)]	<u>3,006,119</u>	<u>2,861,863</u>

The preference share were re-valued at the reporting date [see note 6(d) for estimates used in the calculation].

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 Phase 1B (i.e., February 18, 2011) 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% [note 7(a)];
- (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.

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Notes to the Financial Statements (continued)

March 31, 2015

(Expressed in Jamaican dollars unless otherwise indicated)

18. Other receivables

	<u>2015</u> <u>\$'000</u>	<u>2014</u> <u>\$'000</u>
Receivable from Ministry of Transport, Works and Housing:		
- Road rehabilitation work*	50,072	50,072
Interest receivable	6,291	13,410
Other**	<u>5,700</u>	<u>10,185</u>
	<u>62,063</u>	<u>73,667</u>

* The company acted as facilitator in respect of rehabilitation of roads adjoining the Tolloed Highway on behalf of the Ministry of Transport, Works and Housing and the balance receivable represents cash advanced by the company for project expenses in excess of funds received.

** Included in other receivables are deposits totaling \$2,524,000 (2014: \$7,464,000) in respect of land acquisition for Phase 1A which is from Kingston to Sandy Bay. The titles have not been received as at March 31, 2015.

19. Resale agreements

The fair value of the securities underlying the resale agreements at the reporting date was \$1,468,859,416 (2014: \$2,627,475,561).

20. Share capital

	<u>2015</u> <u>\$'000</u>	<u>2014</u> <u>\$'000</u>
Authorised and issued:		
1,000,000 ordinary shares of no par value	<u>1,000</u>	<u>1,000</u>

The settlement for the shares issued is still pending as at the reporting date.

Each ordinary share entitles the holder to such dividend per share as is declared from time to time and entitles the holder to attend and vote at meetings of the company, in accordance with the Articles of Incorporation.

21. Inflation reserve

The company transfers a minimum of 40% of each year's profit, if any, to the inflation reserve, which has been established to ensure that payments to bondholders are made in accordance with the terms of the real return convertible bond issue.

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Notes to the Financial Statements (continued)

March 31, 2015

(Expressed in Jamaican dollars unless otherwise indicated)

22. Long-term loans and advances

	<u>2015</u> <u>\$'000</u>	<u>2014</u> <u>\$'000</u>
(a) Real Return Convertible Bonds (face value J\$3,552,000,000, due February 6, 2032)	12,969,803	12,314,386
(b) PetroCaribe Development Fund US\$74,361,386 (2014 - US\$84,049,228)	8,554,794	9,209,645
(c) Ministry of Finance and Planning		
Advances - (i) Interest paid on behalf of company	18,150,070	12,942,455
- (ii) Portmore Causeway	345,131	328,723
(d) Long-term bond (face value US\$294,180,000, due 2024)	<u>31,329,711</u>	<u>29,460,764</u>
	<u>71,349,509</u>	<u>64,255,973</u>

- (a) This represents 4.5% convertible bonds issued by the company on February 7, 2002. The aggregate proceeds received from subscribers totalled \$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 February 7 and August 7 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 Concessionaire No. 1 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 but that loan was, in substance, replaced in 2011 by one preference share in Trans Jamaica Highway (note 17).

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Notes to the Financial Statements (continued)

March 31, 2015

(Expressed in Jamaican dollars unless otherwise indicated)

22. Long-term loans and advances (continued)

(a) (Continued)

The fair value of the bond comprises the fair value of the liability and the fair value of the equity conversion option. 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:

	<u>2015</u> <u>\$'000</u>	<u>2014</u> <u>\$'000</u>
Face value of bonds, being proceeds of issue	<u>3,552,000</u>	<u>3,552,000</u>
Inflation compensation - at beginning of year	8,801,261	7,751,409
- amount for year	<u>653,241</u>	<u>1,049,852</u>
- at end of year	<u>9,454,502</u>	<u>8,801,261</u>
	13,006,502	12,353,261
Less: Unamortised transaction costs	<u>(36,700)</u>	<u>(38,875)</u>
	<u>12,969,802</u>	<u>12,314,386</u>

- (b) 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.

	<u>2015</u> <u>US\$</u>	<u>2014</u> <u>US\$</u>
Loan amount outstanding at beginning of period	84,049,228	80,744,552
Interest capitalized during the period	-	3,304,676
Principal paid during the year	<u>(9,687,842)</u>	<u>-</u>
Loan amount outstanding at end of period	<u>74,361,386</u>	<u>84,049,228</u>

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

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Notes to the Financial Statements (continued)

March 31, 2015

(Expressed in Jamaican dollars unless otherwise indicated)

22. Long-term loans and advances (continued)

- (c) (i) This represents interest payments made by the Ministry of Finance and Planning 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 Planning 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 Planning, the repayment dates will be more than a year after the reporting date.

- (d) This represents 9.375% Amortizing Notes due 2024 issued by the company on November 10, 2011. The aggregate proceeds received from subscribers totalled US\$294,180,000.

The payment of principal and interest on the bonds is due in United States dollars and is guaranteed by the Government of Jamaica. The bonds rank *pari passu* with all similar future unsecured indebtedness of the company.

The principal amount is repayable in two equal instalments, the first of which is due and payable on November 10, 2023, with final repayment due on November 10, 2024. The interest is payable semi-annually in arrears on May 10 and November 10 of each year, which commenced on May 10, 2012.

23. Other payables

	<u>2015</u> <u>\$'000</u>	<u>2014</u> <u>\$'000</u>
Accrued expenses	247,774	23,729
Professional fees	27,024	15,341
Interest payable	1,594,971	1,583,939
Other	<u>16,402</u>	<u>2,178</u>
	<u>1,886,171</u>	<u>1,625,187</u>

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Notes to the Financial Statements (continued)

March 31, 2015

(Expressed in Jamaican dollars unless otherwise indicated)

24. Related party balances and transactions

- (a) A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24, *Related Party Disclosures*, as the “reporting entity”, in this case, the company).
 - (i) A person or a close member of that person’s family is related to the company if that person:
 - (1) has control or joint control over the company;
 - (2) has significant influence over the company; or
 - (3) is a member of the key management personnel of the company or of a parent of the company.
 - (ii) An entity is related to a company if any of the following conditions applies:
 - (1) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (3) Both entities are joint ventures of the same third party.
 - (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (5) The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company.
 - (6) The entity is controlled, or jointly controlled by a person identified in (a).
 - (7) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Related parties include Government-related entities and Ministries, and key management personnel.

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Notes to the Financial Statements (continued)

March 31, 2015

(Expressed in Jamaican dollars unless otherwise indicated)

24. Related party balances and transactions (continued)

(b) The statement of financial position includes balances with related parties, as follows:

	<u>2015</u> \$'000	<u>2014</u> \$'000
Receivable from related parties:		
Ministry of Transports and Works		
- Road rehabilitation (note 18)	<u>50,072</u>	<u>50,072</u>
Payable to related parties:		
Development Bank of Jamaica Limited		
- Interest payable	<u>177,482</u>	<u>177,482</u>
Ministry of Finance and Planning		
- Long-term loan (note 22)	18,150,070	12,942,455
- Short-term loan (note 22)	<u>345,131</u>	<u>328,723</u>

(c) The statement of profit or loss and other comprehensive income includes income earned from, and expenses incurred in, transactions with related parties, as follows:

	<u>2015</u> \$'000	<u>2014</u> \$'000
Development Bank of Jamaica Limited		
Expenses:		
Professional fees	4,932	5,592
Rent	<u>6,332</u>	<u>6,023</u>

(d) Key management personnel compensation:

	<u>2015</u> \$'000	<u>2014</u> \$'000
Salaries and other short-term employee benefits [including salaries of directors who are executives (see below)]	17,086	18,721
Statutory payroll contributions	<u>38</u>	<u>38</u>
	<u>17,124</u>	<u>18,759</u>
	<u>2015</u> \$'000	<u>2014</u> \$'000
Directors' emoluments:		
Fees	688	785
Management remuneration	<u>17,086</u>	<u>18,721</u>
	<u>17,774</u>	<u>19,506</u>

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Notes to the Financial Statements (continued)

March 31, 2015*(Expressed in Jamaican dollars unless otherwise indicated)***25. Contingent liability**

- (a) As indicated in note 1, the company acquires lands for the purpose of road construction by the Concessionaires. Property tax on these lands has been assessed by the Commissioner of Lands. By virtue of Property Tax (National Road Operating and Constructing Company Limited) (Remission) Notice 2012 dated December 10, 2012, the property tax due and payable in respect of any property in the possession of the company used in connection with toll roads in Jamaica was remitted with effect from that date and for the duration of Concession Agreement No. 2. To date, no property taxes have been paid as the company is in discussion with the Commissioner of Lands in relation to the implementation of the foregoing and other related matters. The liability for the property taxes incurred is not expected to exceed \$1,800,000.
- (b) A number of properties on which the Highway has been built have been compulsorily acquired under the Land Acquisition Act by the Commissioner of Lands (COL) acting on the company's behalf. For the majority of these, the documentation does not now exist for an award or payment to be made to any person for one or more reasons, including unregistered lands, unavailability of owners, owners who died intestate, and wills not yet probated. In the future, however, these persons may come forward with the necessary documentation and request payment. Any such requests are expected to be passed to the company by the COL. The company does not expect this potential liability to exceed \$4,200,000,000.
- (c) A claim in the amount of \$15,390,000 was brought by Magnus Mullings, the Executor of the estate of Ivy Harding, deceased, in respect of land registered at Volume 1039 Folio 209 and compulsorily acquired by the Commissioner of Lands pursuant to the Land Acquisition Act for the purpose of construction of the Mt. Rosser leg of Highway 2000 for damages to livestock, economic trees and buildings on the land which allegedly occurred during the acquisition process. NROCC has been joined as the 3rd defendant with the Commissioner of Land, and the Attorney General in this claim. Defences have been filed by all defendants including NROCC in which the allegations were denied.