NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

FINANCIAL STATEMENTS

MARCH 31, 2018

KPMG
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Members of
NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Road Operating and Constructing Company Limited ("the company"), set out on pages 5 to 37, which comprise the statement of financial position as at March 31, 2018, the statements of profit or loss and other comprehensive income, changes in net equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at March 31, 2018 and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Report on the Audit of the Financial Statements (Continued)

Material Uncertainty relating to Going Concern

We draw attention to Note 2(d) to the financial statements which discloses that the company incurred a loss for the year of $4,962,790,000 (2017: $6,607,456,000) and, as of the reporting date, had an accumulated deficit of $69,432,064,000 (2017: $64,469,274,000). As stated in Note 2(d), these events or conditions, along with other matters as set forth in Note 2(d) indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS 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.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Report on the Audit of the Financial Statements (Continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

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.

KPMG

Chartered Accountants
Kingston, Jamaica

June 29, 2018

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Statement of Profit or Loss and Other Comprehensive Income
Year ended March 31, 2018
(Expressed in thousands of Jamaica dollars unless otherwise indicated)

	Notes	**2018**	**2017**
Revenue	7	-	-
Administrative and general expenses	8	(273,301)	(289,942)
Operating loss		(273,301)	(289,942)
(Loss)/gain on investment securities	10	(81,743)	168,139
Other income	11	160	44
Finance income	12	1,296,877	1,145,526
Finance costs	13	(5,245,709)	(7,281,272)
Inflation compensation on Real Return Convertible Bonds	22(a)	(659,074)	(349,951)
Loss, being total comprehensive loss for the year		(4,962,790)	(6,607,456)

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

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Statement of Financial Position
March 31, 2018
(Expressed in thousands of Jamaica dollars unless otherwise indicated)

	Notes	**2018**	**2017**
Non-current assets			
Long term receivable	15	16,270,649	16,394,644
Property and equipment	16	4,824,345	4,791,909
Investment security	17	3,273,053	3,354,762
		24,368,047	24,541,315
Current assets			
Other receivables	18	3,575	5,566
Resale agreements	19	218,485	593,786
Cash and cash equivalents		35,297	6,116
		257,357	605,468
Total assets		24,625,404	25,146,783
Equity			
Share capital	20	1,000	1,000
Inflation reserve	21	1,220,905	1,220,905
Accumulated deficit		(69,432,064)	(64,469,274)
Net equity		(68,210,159)	(63,247,369)
Non-current liabilities			
Long-term loans and advances	22	90,394,435	85,843,900
Current liabilities			
Current portion of long term liabilities	22	669,178	683,425
Other payables	23	1,771,950	1,866,827
		2,441,128	2,550,252
Total liabilities		92,835,563	88,394,152
Total equity and liabilities		24,625,404	25,146,783

The financial statements on pages 5 to 37 were approved for issue by the Board of Directors on June 29, 2018 and signed on its behalf by:

______________ Chairman ______________ Managing Director

Philip Henriques Ivan Anderson

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, 2018
(Expressed in thousands of Jamaica dollars unless otherwise indicated)

	Share capital (note 20)	**Inflation reserve (note 21)**	**Accumulated deficit**	**Total**
Balances at March 31, 2016	1,000	1,220,905	(57,861,818)	(56,639,913)
Total comprehensive loss:				
Loss for the year	-	-	(6,607,456)	(6,607,456)
Balances at March 31, 2017	1,000	1,220,905	(64,469,274)	(63,247,369)
Total comprehensive loss:				
Loss for the year	-	-	(4,962,790)	(4,962,790)
Balances at March 31, 2018	1,000	1,220,905	(69,432,064)	(68,210,159)

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, 2018
(Expressed in thousands of Jamaica dollars unless otherwise indicated)

	Notes	2018	2017
Cash flows from operating activities			
Loss for the year		(4,962,790)	(6,607,456)
Adjustments for:			
Depreciation	16	59,441	61,208
Interest income		(314,385)	(262,213)
Interest expense	13	4,553,536	4,548,473
Allowance for impairment loss	18	-	50,072
Effect of exchange rate movements on foreign currency long-term loans and advances, receivables and payables		(526,581)	1,385,128
Inflation compensation on real return convertible bonds		659,074	349,951
		(531,705)	(474,837)
Changes in operating assets and liabilities:			
Other receivables		2,289	5,679
Other payables		(50,929)	(110,687)
Net cash used in operating activities		(580,345)	(579,845)
Cash flows from investing activities			
Acquisition of lands	16	(90,714)	(145,485)
Acquisition of other property and equipment	16	(1,163)	(1,798)
Resale agreements		372,534	407,715
Proceeds of disposal of property and equipment		-	2,179
Interest received		66,718	52,064
Net cash provided by investing activities		347,375	314,675
Cash flows from financing activities			
Long-term loans and advances received		4,859,706	4,744,050
Interest paid		(4,597,484)	(4,482,881)
Net cash provided by financing activities		262,222	261,169
Increase/(decrease) in cash and cash equivalents		29,252	(4,001)
Effect of exchange rate movements on cash and cash equivalents		(71)	(244)
Cash and cash equivalents at beginning of year		6,116	10,361
Cash and cash equivalents at end of year		35,297	6,116

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

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 design, finance, construction and operation 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 the Caymanas to Ocho Rios leg of Highway 2000 is 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.

2. Statement of compliance and basis of preparation

(a) Statement of compliance

The financial statements, as of and for the year ended March 31, 2018 ("reporting date"), are prepared in accordance with International Financial Reporting Standards ("IFRS"), and comply with the relevant provisions of the Jamaican Companies Act.

New and amended standards that became effective during the year

Certain new and amended standards came into effect during the current financial year, none of which had any impact on the amounts recognised, presented and disclosed in the financial statements.

New and amended standards and interpretations that have been issued but not yet effective

At the date of authorisation of these financial statements, certain new 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:

- The company is required to adopt IFRS 9, *Financial Instruments* from April 1, 2018. The standard replaces IAS 39, *Financial Instruments: Recognition and Measurement* and sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. It contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

  Based on its preliminary assessment, the company does not believe that the new classification requirements will have a material impact on its accounting for accounts receivable, loans, and securities purchased under resale agreements. However, the company is still in the process of its assessment and the final impact is not yet known.

  IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments. Under IFRS 9, loss allowances will be measured on either of the following bases:

2. Statement of compliance and basis of preparation

(a) Statement of compliance (continued)

New and amended standards and interpretations that have been issued but not yet effective (continued)

IFRS 9, *Financial Instruments (continued)*

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for short-term receivables without a significant financing component.

The company believes that impairment losses are likely to increase and become more volatile for assets in the scope of IFRS 9 impairment model. However, the company is still in the process of determining the likely financial impact on its financial statements. IFRS 9 will require extensive disclosures, in particular for credit risk and ECLs. The company's assessment will include an analysis to identify data gaps against current processes and if necessary, implement system and control changes to capture the required data.

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as follows:

- The company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement as well as impairment changes. Differences in the carrying amounts of financial instruments resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at April 1, 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application:
    - The determination of the business model within which a financial asset is held.
    - The designation and revocation of previous designations of certain financial assets as measured at FVTPL.
    - The designation of certain investments in equity investments not held for trading as at FVOCI.

2. Statement of compliance and basis of preparation

(a) Statement of compliance (continued)

New and amended standards and interpretations that have been issued but not yet effective (continued)

- The company is required to adopt IFRS 15, *Revenue from Contracts with Customers* from April 1, 2018. The standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18, *Revenue*, IAS 11, *Construction Contracts* and IFRIC 13, *Customer Loyalty Programmes*.

  The company will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

  Management has assessed that the main impact of this standard is on revenues arising from toll road and interest income on long term receivables and short term deposits.

  (i) Revenue arising from toll road

  Currently, under the terms of the concessionaire agreements as described in note 1(c), and expiring in November 2036 and January 2066, there are no distributions by the concessionaire of free cash flows or of the excess cash over stipulated returns. Consequently, no revenues from toll operations have been recongnised by the company since the inception of the agreement and this pattern is expected to continue for the foreseeable future. Based on preliminary review, IFRS 15 is not expected to have a material impact on the timing and recognition of the revenues.

  (ii) Interest income

  Presently, interest income is recognised over time using the effective interest method. Based on its preliminary review, the company does not expect the application of IFRS 15 to have any impact on the financial statements.

  However, management has not yet completed its assessment and the financial impact has not yet been determined.

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

(a) Statement of compliance (continued)

New and amended standards and interpretations that have been issued but not yet effective (continued)

- IFRS 16, *Leases,* which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessees will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short- term leases and for low-value items with value of US$5,000 or less. Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases.

- IFRIC 22, *Foreign Currency Transactions and Advance Consideration*, effective for annual reporting periods beginning on or after January 1, 2018, addresses how to determine the transaction date when an entity recognises a non-monetary asset or liability (e.g. non-refundable advance consideration in a foreign currency) before recognising the related asset, expense or income. It is not applicable when an entity measures the related asset, expense or income or initial recognition at fair value or at the fair value of the consideration paid or received at the date of initial recognition of the non-monetary asset or liability.

  An entity is not required to apply this interpretation to income taxes or insurance contracts that it issues or reinsurance contracts held.

  The interpretation clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

The company is assessing the impact that the new and amended standards and interpretation 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 thousands of Jamaica dollars, which is the functional currency of the company.

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

(d) Going concern basis

The preparation of the financial statements in accordance with IFRS assumes that the business of the company will continue for the foreseeable future. This means, in part, that profit or loss and the statement of financial position assume no intention or necessity to liquidate or curtail the scale of operations. This is commonly referred to as the going concern basis. The company, however, continues to make losses and continuation as a going concern, therefore, may be in doubt.

The company reported a loss for the year of $4,962,790,000 (2017: $6,607,456,000) and at the reporting date had an accumulated deficit of $69,432,064,000 (2017: $64,469,274,000) The ability of the company to regain and sustain profitability and to generate the incremental cash flows to meet its obligations and other costs is dependent on its ability to successfully minimize costs and increase revenues. These conditions indicate the existence of a material uncertainty that may cast doubt on the company’s ability to continue as going concern.

Management has continued to pursue tight cost containment programmes which is geared towards reducing the costs.

On the basis of the foregoing and having regard to the continuing financial support demonstrated by The Government of Jamaica, together with a stated intention to support the company's operation for the twelve months following the reporting date, management is of the opinion that the going concern basis continues to be appropriate in the preparation of the financial statements.

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 using the effective interest method. Interest income includes coupons earned on fixed income investments and amortisation of any relevant discounts.

(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.

3. Summary of significant accounting policies (continued)

(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.

(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.

3. Summary of significant accounting policies (continued)

(f) Property and equipment

Recognition

Property and equipment are measured 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.

Depreciation

Land and construction in progress are 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	2.86%
Office furniture, fixtures and equipment	10%
Computer equipment	25%
Motor vehicles	20%
Leasehold improvements	Shorter of lease term and useful life

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.

3. Summary of significant accounting policies (continued)

(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.

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. Items classified as available-for-sale are initially measured at fair value plus any directly attributable transaction costs. 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. Where fair values cannot be reliably determined, these are measured at cost. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial asset comprises unlisted preference share and is carried at fair value.

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.

3. Summary of significant accounting policies (continued)

(i) Other receivables

Other receivables are measured 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.

(k) Other payables

Payables are measured at amortised cost.

(l) Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds, net of transaction costs incurred. Subsequently, borrowings are measured 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 measured at cost.

(n) Impairment of financial assets

The company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

3. Summary of significant accounting policies (continued)

(n) Impairment of financial assets (continued)

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

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, and future years, if the revision affects both current and future years.

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.

4. Use of judgements and estimates (continued)

(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 and the Public Service, formerly, Ministry of Finance and Planning. Consequently, the terms of the 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.

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 minimize 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 significant 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:

5. Financial risk management (continued)

(a) Credit risk (continued)

(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 Economic Growth and Job Creation (previously Ministry of Transport and Mining); the latter was fully provided for at the reporting date. Exposure to this 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 Ministry of Economic Growth and Job Creation and other debtors. The company does not obtain collateral for its receivables.

(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 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.

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.

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.

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Notes to the Financial Statements (Continued)
March 31, 2018
(Expressed in thousands of Jamaica dollars unless otherwise indicated)

5. Financial risk management (continued)

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.

	2018						
	On Demand or Subject to Notice	1 to 3 Months	4 to 12 Months	2 to 5 Years	Over 5 Years	Total cash flows	Carrying amount
Long-term loans	-	1,127,700	3,367,380	17,646,558	47,303,735	69,445,373	42,689,507
Other long-term loans*	33,904,653	-	-	-	14,469,453	48,374,106	48,374,106
Other payables	-	1,771,950	-	-	-	1,771,950	1,771,950
Total financial liabilities	**33,904,653**	**2,899,650**	**3,367,380**	**17,646,558**	**61,773,188**	**119,591,429**	**92,835,563**

	2017						
	On Demand or Subject to Notice	1 to 3 Months	4 to 12 Months	2 to 5 Years	Over 5 Years	Total cash flows	Carrying amount
Long-term loans	-	1,331,085	3,293,867	18,158,935	52,935,775	75,719,662	44,058,647
Other long-term loans*	28,660,475	-	-	-	13,808,203	42,468,678	42,468,678
Other payables	-	1,802,710	64,117	-	-	1,866,827	1,866,827
Total financial liabilities	**28,660,475**	**3,133,795**	**3,357,984**	**18,158,935**	**66,743,978**	**120,055,167**	**88,394,152**

* 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.

(c) Market risk

The company takes on exposure to market risk, 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 risk arises 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 Jamaica dollar. The main currency giving rise to this risk is the United States dollar (USD). The company has significant exposure to foreign currency risk.

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

(Expressed in thousands of Jamaica dollars unless otherwise indicated)

5. Financial risk management (continued)

(c) Market risk (continued)

(i) Foreign currency risk

	2018 US$'000	2017 US$'000
Assets		
Long-term receivable	130,526	128,317
Investment security	26,257	26,257
Resale agreements	1,354	3,533
Cash and cash equivalents	13	18
Total financial assets	158,150	158,125
Liabilities		
Long-term loans	(584,105)	(548,826)
Other payables	(13,046)	(13,122)
Total financial liabilities	(597,151)	(561,948)
Net foreign currency liabilities	**(439,001)**	**(403,823)**

The exchange rate of the Jamaica dollar to the United States dollar was J$125.32 (2017: J$128.22) at reporting date.

Sensitivity to movement in foreign exchange rates

A 2 percent (2017: 1 percent) strengthening and a 4 percent (2017: 6 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 2017.

	2018		2017	
	% Change in exchange rate	**Effect on loss increase/ (decrease)**	**% Change in exchange rate**	**Effect on loss increase/ (decrease)**
Change in rate of exchange of J$ for USD:				
Revaluation	2	(1,100,312)	1	(517,768)
Devaluation	4	2,200,624	6	3,106,609

5. Financial risk management (continued)

(c) Market risks (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 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 the reporting date, 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.

(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.

6. Fair value estimation (continued)

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

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

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

Accounting classification and fair values

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.

The fair value of loan payable to the PetroCaribe Development Fund and the advances from the Ministry of Finance and the Public Service, formerly, 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.

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)].

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:

(Expressed in thousands of Jamaica dollars unless otherwise indicated)

7. Revenue (continued)

(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 by Concessionaire No. 1, any amount in excess of a specified level (i.e., 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 recognised by the company.

8. Administrative and general expenses

	2018	2017
Advertising and public relations	246	2,133
Auditors' remuneration	3,634	3,634
Bad debt expense	-	50,072
Depreciation (note 16)	59,441	61,208
Donations and subscriptions	468	202
Legal and other professional fees	17,770	22,092
Letter of credit fees	2,917	2,886
Repairs and maintenance	1,902	1,478
Staff costs (note 9)	86,845	73,619
Technical fees	80,300	52,513
Rent	6,280	6,070
Utilities	600	600
Other operating expenses	12,898	13,435
	273,301	289,942

(Expressed in thousands of Jamaica dollars unless otherwise indicated)

9. Staff costs

	2018	2017
Salaries and wages	78,075	67,373
Statutory payroll contributions	4,342	4,027
Other	4,428	2,219
Total (note 8)	86,845	73,619

10. (Loss)/gain on investment securities

This represents net (loss)/gain from the effect of exchange rate translation on investment security (note 17).

11. Other income

	2018	2017
Sale of tender documents	160	44

12. Finance income

	2018	2017
Foreign exchange gains on financial investments:		
Unrealised gains on translation of foreign currency balances	-	845,220
Realised gains on settlement of foreign currency balances	-	38,093
Net foreign exchange gains on financial liabilities:		
Unrealised gains on translation of foreign currency balances	982,492	-
Interest income:		
Investment security and short-term deposits	11,233	21,369
Long-term receivables	303,152	240,844
	1,296,877	1,145,526

13. Finance costs

	2018	2017
Net foreign exchange losses on financial investments:		
Unrealised losses on translation of foreign currency balances	427,147	-
Realised losses on settlement of foreign currency balances	2,804	-
Net foreign exchange losses on financial liabilities:		
Unrealised gains on translation of foreign currency balances	-	2,470,577
Interest on loans	4,553,536	4,548,473
Amortisation of transaction costs	262,222	262,222
	5,245,709	7,281,272

(Expressed in thousands of Jamaica dollars unless otherwise indicated)

14. Income tax

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.

No tax was remitted during the year as the company had no taxable income.

15. Long-term receivable

	2018 US$'000	2017 US$'000	2018 J$'000	2017 J$'000
Due from Jamaica North South Highway Company Limited:				
Purchase price [a(i)]	120,000	120,000	14,958,540	15,331,969
Interest receivable [a(ii)]	18,621	15,021	2,321,237	1,919,226
Effect of discounting of cash flows [a(iii)]	(8,095)	(6,704)	(1,009,128)	(856,551)
	130,526	128,317	16,270,649	16,394,644

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, under the terms and conditions of the Mount. 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.

(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, commencing January 29, 2013.

(Expressed in thousands of Jamaica dollars unless otherwise indicated)

15. Long-term receivable (continued)

(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 the company 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.

16. Property and equipment

	Lands see note (i)	Roads see note (ii)	Leasehold Improvements	Office Furniture, Fixtures and Equipment	Computer Equipment	Motor Vehicles	Total
Cost:							
March 31, 2016	3,348,999	2,018,579	1,259	7,918	9,663	15,223	5,401,641
Additions	145,485	-	-	553	1,245	-	147,283
Disposals	-	-	-	-	-	(8,174)	(8,174)
March 31, 2017	3,494,484	2,018,579	1,259	8,471	10,908	7,049	5,540,750
Additions	90,714	-	-	165	998	-	91,877
March 31, 2018	3,585,198	2,018,579	1,259	8,636	11,906	7,049	5,632,627
Depreciation:							
March 31, 2016	-	667,250	891	5,256	9,132	11,099	693,628
Eliminated on disposal	-	-	-	-	-	(5,995)	(5,995)
Charge for the year	-	58,281	126	470	386	1,945	61,208
March 31, 2017	-	725,531	1,017	5,726	9,518	7,049	748,841
Charge for the year	-	58,278	126	422	615	-	59,441
March 31, 2018	-	783,809	1,143	6,148	10,133	7,049	808,282
Net book value:							
March 31, 2018	3,585,198	1,234,770	116	2,488	1,773	-	4,824,345
March 31, 2017	3,494,484	1,293,048	242	2,745	1,390	-	4,791,909
March 31, 2016	3,348,999	1,351,329	368	2,662	531	4,124	4,708,013

(Expressed in thousands of Jamaica dollars unless otherwise indicated)

16. Property and equipment (continued)

Notes:

(i) This represents costs incurred by the company for the acquisition of lands which have been used in the construction of the highway. At the reporting date, the balance included an amount of $1,534,809,000 (2017: $1,446,030,000) for land for which titles have not yet passed to the company.

(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 concession 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.

17. Investment security

	2018	**2017**
Available-for-sale:		
Preference share [US$26,257,000 (2017: US$26,257,000)]	3,273,053	3,354,762

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.

(Expressed in thousands of Jamaica dollars unless otherwise indicated)

18. Other receivables

	2018	2017
Receivable from Ministry of Economic Growth and Job Creation (previously Ministry of Transport and Mining):		
- Road rehabilitation work*	50,072	50,072
Interest receivable	298	2,063
Other	3,277	3,503
	53,647	55,638
Less allowance for impairment	(50,072)	(50,072)
	3,575	5,566

* The company acted as facilitator in respect of rehabilitation of roads adjoining the Tolled Highway on behalf of the Ministry of Economic Growth and Job Creation (previously Ministry of Transport and Mining) and the balance receivable represents cash advanced by the company for project expenses in excess of funds received.

The company has made a full provision for the outstanding amount.

19. Resale agreements

The fair value of the securities underlying the resale agreements at the reporting date was $226,172,000 (2017: $607,921,000).

20. Share capital

	2018	2017
Authorised, issued and fully paid:		
1,000,000 ordinary shares of no par value	1,000	1,000

During 2017, the outstanding payment of $1,000,000 for the ordinary shares issued was settled by an offset against the debt payments made by the Government of Jamaica on the company's behalf.

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.

(Expressed in thousands of Jamaica dollars unless otherwise indicated)

22. Long-term loans and advances

		2018	2017
(a)	Real Return Convertible Bonds (face value J$3,552,000,000, due February 6, 2032)	14,469,453	13,808,203
(b)	PetroCaribe Development Fund US$58,426,676 (2017 - US$63,738,246)	7,360,885	8,201,022
(b)	Ministry of Finance and the Public Service, formerly Ministry of Finance and Planning		
	Advances - (i) Interest paid on behalf of company [note 24 (b)]	33,526,698	28,274,473
	- (ii) Portmore Causeway [note 24(b)]	377,955	386,002
(d)	Long-term bond (face value US$294,180,000, due 2024)	35,328,622	35,857,625
		91,063,613	86,527,325
	Current portion of Petro Caribe Development Fund US$5,311,570 (2017 - US$5,311,570)	(669,178)	(683,425)
		90,394,435	85,843,900

(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 Grantor Produced Debt (GPD) Loan Agreement between the company and the Concessionaire but that loan was, in substance, replaced in 2011 by one preference share in Transjamaican Highway (note 17).

(Expressed in thousands of Jamaica 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:

		2018	2017
Face value of bonds, being proceeds of issue		3,552,000	3,552,000
Inflation compensation	- at beginning of year	10,288,552	9,938,601
	- amount for year	659,074	349,951
	- at end of year	10,947,626	10,288,552
		14,499,626	13,840,552
Less: Unamortised transaction costs		(30,173)	(32,349)
		14,469,453	13,808,203

(b) This represents the balance on 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.

	2018 US$	2017 US$
Loan amount outstanding at beginning of period	63,738,246	69,049,816
Principal paid during the year	(5,311,570)	(5,311,570)
Loan amount outstanding at end of period	58,426,676	63,738,246
Less: Current portion of long-term loan	(5,311,570)	(5,311,570)
Non-current portion of long-term loan	53,115,106	58,426,676

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.

(Expressed in thousands of Jamaica dollars unless otherwise indicated)

22. Long-term loans and advances (continued)

(c) (i) This represents interest payments made by the Ministry of Finance and the Public Service, formerly 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 the Public Service, formerly 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 the Public Service, formerly 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

	2018	**2017**
Accrued expenses	20,901	100,369
Professional fees	4,063	9,107
Interest payable	1,699,407	1,743,354
Other	47,579	13,997
	1,771,950	1,866,827

24. Related party balances and transactions

(a) A related party is a person or entity that is related to 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).

(8) The entity, or any member of a group of which it is a part, provides key management personnel services to the company or to the parent of the company.

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.

(Expressed in thousands of Jamaica dollars unless otherwise indicated)

24. Related party balances and transactions (continued)

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

	2018	**2017**
Payable to related parties:		
Development Bank of Jamaica Limited		
- Interest payable	177,430	177,430
PetroCaribe Development Fund		
- Long-term loan [note 22(b)]	7,360,885	8,201,022
Ministry of Finance and the Public Service		
- Long-term loan [note 22(c)]	33,526,698	28,274,473
- Short-term loan [note 22(c)]	377,955	386,002

(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:

	2018	**2017**
Development Bank of Jamaica Limited		
Expenses:		
Professional fees	4,800	4,800
Rent	6,280	6,070

(d) Key management personnel compensation:

	2018	**2017**
Salaries and other short-term employee benefits [including salaries of directors who are executives (see below)]	38,124	33,048
Statutory payroll contributions	2,250	2,027
	40,374	35,075
Directors' emoluments:		
Fees	1,476	991
Management remuneration	17,098	14,280
	18,574	15,271

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 $135,390.

(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 exists 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 $700,000,000.

(c) A claim in the amount of $15,392,000 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 Mount Rosser leg of Highway 2000 for damages to livestock, economic trees and buildings on the land which allegedly occurred during the acquisition process. The company 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 the company in which the allegations were denied. The matter has been referred for mediation.

(d) A claim for compensation under clause 25.8 of Amended and Reinstated Concession Agreement in respect of Highway 2000 Project was submitted by TJH. In accordance with the clause, TJH is claiming compensation in respect of revenue losses from the competing roads, North South Link Highway.

The Attorney General concluded that they were of the view that TJH's entitlement to compensation by virtue of clause 25.8 (b) only arises if existing competing roads were enhanced. The management of the company considers that the North South Link Highway is not an enhancement to existing competing roads and as such do not see a basis for compensation payments to TJH.