NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY

ANNUAL REPORT

2018/2019

Contents

1. Chairman's Report

On behalf of the Board of Directors of the National Road Operating & Constructing Company (NROCC), I am pleased to present the organization's Annual Report for the 2018/2019 financial year. It was a positive year and the Board of Directors continue to work with the dynamic team at NROCC. The Board of Directors was organized as outlined below.

Subcommittees

The NROCC Board of Directors is further divided into three (3) subcommittees: Audit, Procurement and Finance/Human Resources.

Audit

This subcommittee was established to assist in the oversight, pertaining to integrity of the financial statements, compliance with the relevant Acts and policies, the independence and qualifications of the independent auditors and the performance of the internal audit function and independent auditors. These activities included:

- reviewing the internal system of audit and financial controls;
- reviewing the effectiveness of the auditing, compliance and risk management functions;
- overseeing the relationship between the Company and its external auditors;
- ensuring compliance with legal and regulatory requirements; and
- ensuring the production and timely submission of the yearly Audited Financial Statements.

For the 2018/2019 period the Committee members included:

- Mrs. Janet Coleman-Howlett – Chairperson
- Mr. Alston Douglas
- Mr. Ivan Anderson – Managing Director

Finance/Human Resources

This subcommittee has oversight for NROCC's operating and financing activities as well as issues relating to Administration and Human Resources. It is responsible for reviewing the monthly financial statements as presented by the agency which supplied accounting services, the Development Bank of Jamaica Limited. This included ensuring that NROCC stays in compliance with guidelines and policies as determined by the Government of Jamaica. The Committee members include:

- Mr. Phillip Henriques – ***Chairman***
- Mrs. Veronica Warmington – ***Tenure ended in April 2018***
- Mr. Andre Foster – ***Appointed May 2018 (to replace Mrs. Veronica Warmington)***
- Mr. Ivan Anderson – ***Managing Director***

Procurement

This subcommittee has oversight for the procurement activities of NROCC. It is responsible for reviewing procurement activities to ensure compliance with the relevant Government Guidelines and Regulations. The Committee members include:

- Mr. Alston Douglas – Chairman
- Mr. Don Mullings
- Mrs. Janet Coleman - Howlett

Financial Overview

NROCC reported a loss of J$3,997,693,000 for the financial year ended 2019 March 31. The previous financial year's reported loss was J$4,962,790,000. For the year interest charges accounted for more than 95% of the losses incurred. NROCC saw revenues amounting to $505,155,000 for the financial year. There was an increase in the company's total assets over the 2018/2019 period. This increase amounted to $1,965,893,000.

Administrative and general expenses for 2018/2019 amounted to J$199,221,000 compared with J$273,301,000 for the 2017/2018 financial year. The single largest element of the administrative expenses was related to staff costs which amounted to J$87,508,000.

Further details may be found in the attached audited financial statements for period ended 31 March 2019.

Auditors

KPMG Chartered Accountants were selected as Auditors for the Company for the 2018/2019 period. This was ratified at the Annual General Meeting (AGM) held in September 2018.

Scope

Proposed changes to the scope of the organization are outlined in the attached revised Operational Plan for 2019/2020 seen in Appendix 2.

During the year, keeping in line with the National Goals under Vision 2030, we sought to fulfill our main objective of "*Accelerating Development through Infrastructure*". With this in mind, we embarked upon the task of completing some preliminary activities and secured contracts which are necessary for the completion of the projects. Further steps were made to secure financing for the May Pen to Williamsfield extension of Highway 2000 as well as the Montego Bay Perimeter Road.

During the year the company also commenced discussion with Transjamaican Highways to look at ways in which the concession agreement could be restructured to reduce interest rates and mitigate potential claims associated with roadworks being done.

Additionally, as an organization, we continued to monitor the operations of the existing phases of Highway 2000. These activities include assessing road safety concerns, traffic growth, inspections, among other activities. Details of these activities can be seen in the Managing Director's report.

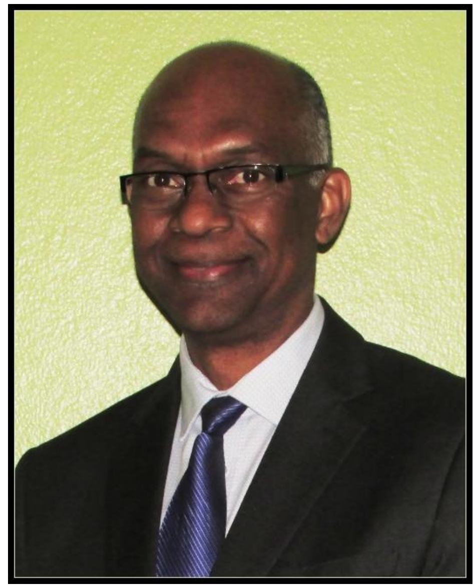
Standing on the tenets of the Quality Management System (QMS), all interested parties can be assured that we are an organisation of quality. As seen in our Quality Policy, our customers' satisfaction is priority, as such, we continue to monitor and improve, to achieve the satisfaction of our customers and other stakeholders. The certified QMS ensures that we operate in an effective and efficient manner while achieving our targets as mandated for the organization.

On behalf of the Board of Directors, I would like to express our gratitude to the valued shareholders of NROCC. We continue to work hard in ensuring that the mission and vision of NROCC are realized as we deliver quality service to the Government and the people of Jamaica.

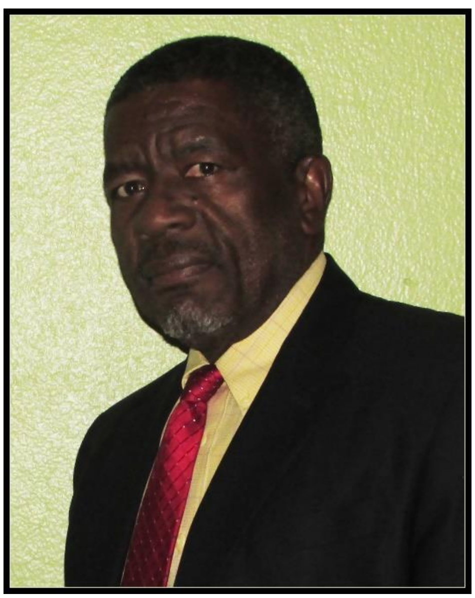
Mr. Phillip Henriques - Chairman

Board of Directors

Mr. Phillip Henriques

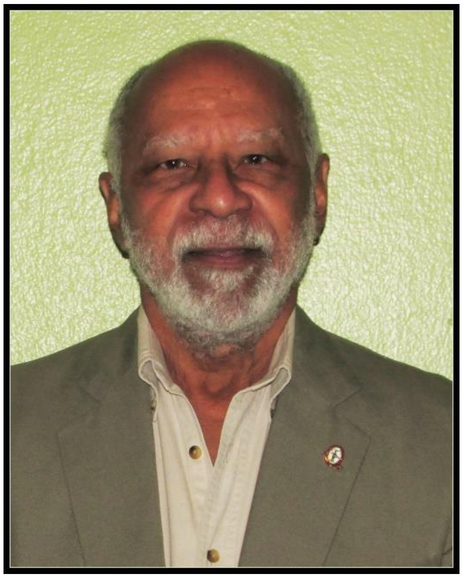


Mr. Ivan Anderson

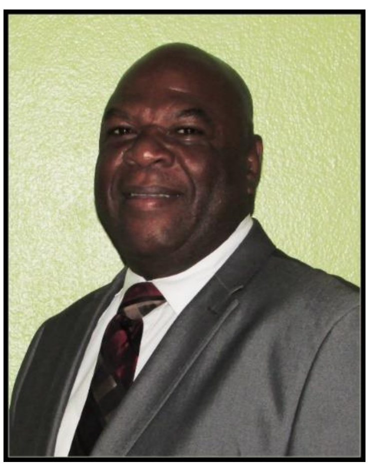


Mr. Don Mullings

Mrs. Janet Coleman – Howlett



Mr. Alston Douglas **Mrs. Veronica Warmington**



Mr. Newton Amos **Ms. Karen Chuck** **Mr. Andre Foster**

Please see attendance logs for the Board and sub-committee meetings.

BOARD MEETINGS

Meetings Held 18-19		11
Name	Meetings Attended 18-19	Percentage
Phillip Henriques	10	91%
Newton Amos	6	55%
Karen Chuck	4	36%
Janet Coleman-Howlet	11	100%
Alston Douglas	11	100%
Andre Foster	9	82%
Donald Mullings	10	91%
Veronica Warmington	3	27%
Ivan Anderson	11	100%

HR/FINANCE SUBCOMMITTEE

Meetings held 18-19		10
Name	Meetings Attended 18-19	Percentage
Phillip Henriques	9	90%
Andre Foster	8	80%
Veronica Warmington	2	20%
Ivan Anderson	10	100%

JOINT FINANCE/AUDIT SUB-COMMITTEE

	Meetings Held 18-19	1
Name	Meetings Attended 18-19	Percentage
Janet Coleman-Howlett	1	100%
Alston Douglas	1	100%
Phillip Henriques	1	100%
Andre Foster	1	100%
Veronica Warmington	1	100%
Ivan Anderson	1	100%

Note: Rate of attendance outlined for Mrs. Veronica Warmington is reflective of the end of her tenure in April 2018.

There was no meeting of the Procurement Committee during the period.

Quality Policy

The continuing Policy of the National Road Operating & Constructing Company Ltd. is to implement toll highways and related infrastructure to assist economic expansion and strive to meet the requirements of our stakeholders.

The Organization:

- *has a Policy of setting Quality Objectives in line with the framework laid down within our Quality Management System and the strategic direction of the Company. These objectives will address the risks and opportunities as determined by Top Management; and*
- *is committed to satisfying applicable requirements by ensuring that relevant customer, statutory and regulatory requirements are determined, understood and consistently met.*

The Management Team will show leadership and commitment and bear the responsibility for maintaining and continually improving the Quality Management System.

The Quality System will be monitored, measured, evaluated and enhanced regularly under the Top Management's ultimate responsibility, with regular reporting and communication of the status and effectiveness at all levels. This will result in securing efficiencies, a strong customer focus and enhancement of the Organization's sustainability

June 1, 2017

2. Managing Director's Report

2.1 Project Overview

The National Road Operating and Constructing Company Limited (NROCC), also known as the Grantor, is a public company formed to represent the Government of Jamaica's interest under a Concession Agreement signed in 2001 for the establishment, development, financing, operation and maintenance of a tolled highway.

NROCC entered into an arrangement with the Developer, Transjamaican Highway Limited (TJH) for the design, construction, operation and maintenance of the Highway 2000 toll road. The section managed by TJH is referred to as the East/West Highway. The project was conceived as a public-private partnership and implemented as a build-finance-operate and transfer (BFOT) 35-year concession scheme. NROCC also has the responsibility for monitoring the performance of the Developer to assure compliance with the requirements of the existing Concession Agreement and for monitoring new tolled roads which are added to the network. NROCC purchases properties affected by the Highway alignment on behalf of the Government of Jamaica and also provides partial funding to the project.

In 2012, NROCC signed a second Concession for the implementation of Phase 2 of the Highway 2000 project from Caymanas to Ocho Rios under a 50-year BFOT concession with Jamaica North South Highway Company (JNSHC). This section is referred to as the North-South Highway.

It was envisioned that Phase 2 of the Highway 2000 project will meet the rapidly growing surface transport needs of the country by establishing a safe and efficient motorway axis linking Kingston and Ocho Rios, by passing through the parish of St. Catherine and parts of St. Ann. The Highway is the largest and most significant infrastructure project ever undertaken in Jamaica, as well as the English-speaking Caribbean. It features a four-lane controlled-access, tolled motorway with fully grade separated interchanges and intersections built according to modern international standards.

The Highway 2000 project is divided into two (2) main phases which are further sub-divided into sections as shown below:

Phase 1 (*East – West)*

Phase 1A (~46 km) – Kingston to Sandy Bay

Phase 1B (~ 10.5 Km) – Sandy Bay to May Pen

Phase 1C (~ 27.5 Km) – May Pen to Williamsfield

Phase 2 (*North – South*)

Phase 2A (~67 km) – Caymanas to Ocho Rios (Includes Mt. Rosser Bypass)

Phase 2B – Williamsfield to Montego Bay.

Phase 1A of the Highway was completed in 2006 July. Phase 1B was completed in 2012 August. Section 2 (Mount Rosser Bypass) of Phase 2A was completed in August 2014. Sections 1 and 3 of Phase 2A were completed in 2016 March.

2.1.1 Phase 1C – May Pen to Williamsfield

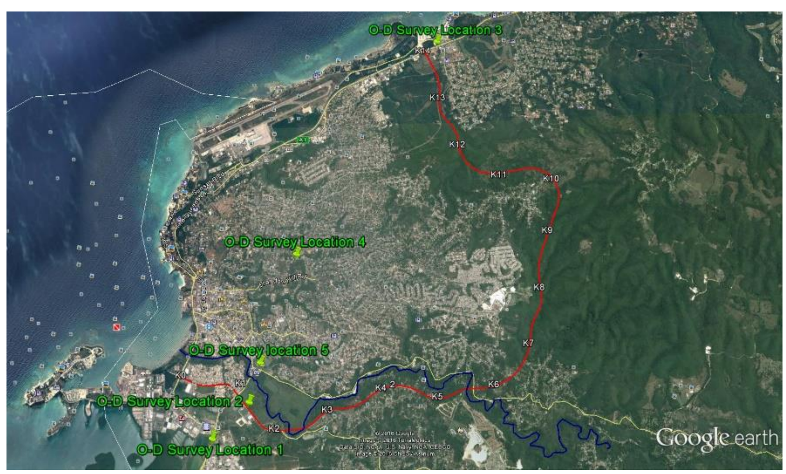
Preliminary works for Phase 1C were completed during the reporting period. The activities completed include:

- Conducting of meetings with relevant stakeholders,
- Receival of approval for a budget of J$1,538,000,000.00 for these Part A works of the South Coast Improvement Project – *May Pen to Williamsfield.*
- Awarding of contracts for land acquisition services.
- Commencing surveying services along the alignment

2.1.2 Montego Bay Perimeter Road

During the reporting period, the organization advanced on the preliminary activities for the implementation of the Montego Bay Perimeter Road.

Following the submission of the feasibility study, geotechnical studies were initiated along the preferred alignment. The project received conditional approval from the Public Investment Management Secretariat (PIMSEC) of the Ministry of Finance and the Public Service (MOFPS) in March 2018.



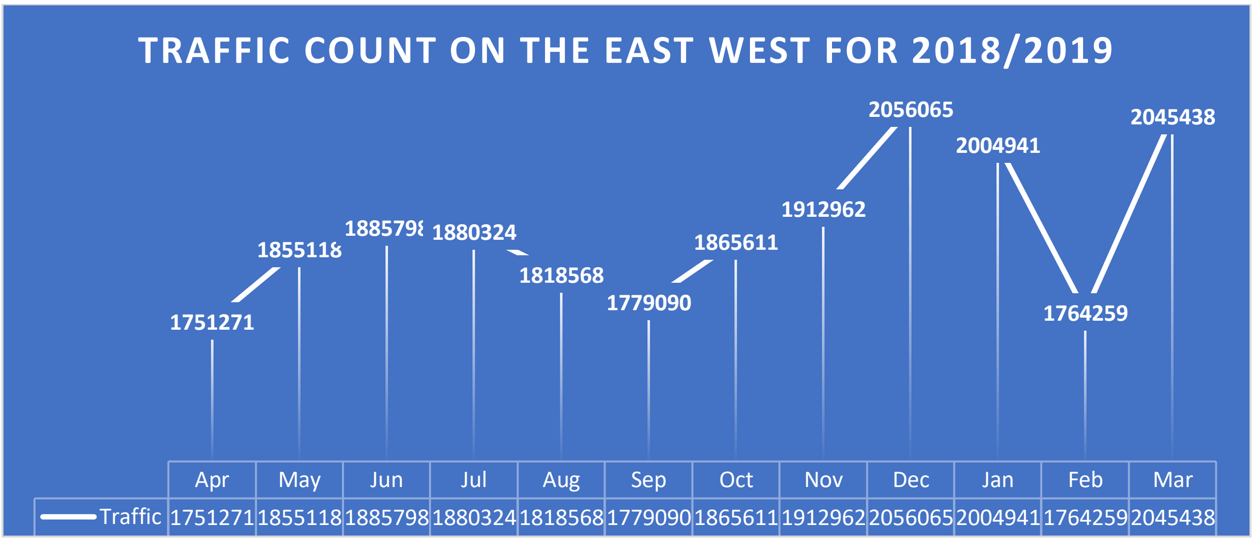
Other components of the project were added or extended to ensure the economic viability. These included the Long Hill Bypass, West Green/Barnett Street improvement and Drainage works.

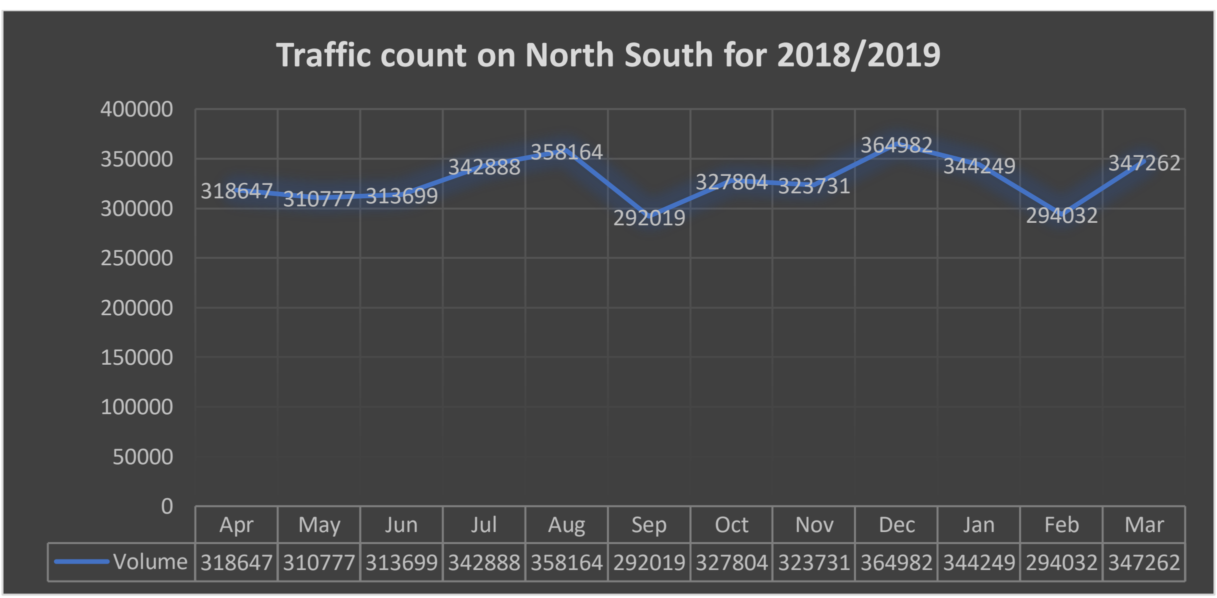
The company also undertook the procurement activities in relation to the valuation services and surveying services along the alignment. Work on the Environmental Impact Assessment was also well advanced during the year.

2.2 Operations

2.2.1 Traffic

Traffic on both legs of the Highway continued to show improvement. Over the year 2018-2019, there was an increase in the traffic on the East -West Leg of Highway by approximately 8.1% when compared to the 2017/2018 period. Similarly, traffic on the North South leg increased by approximately 11.63%

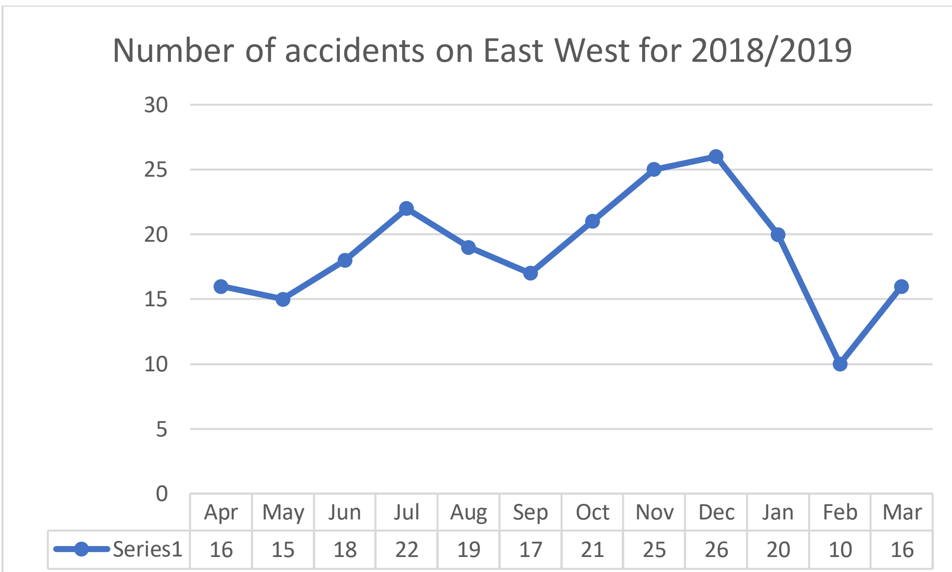


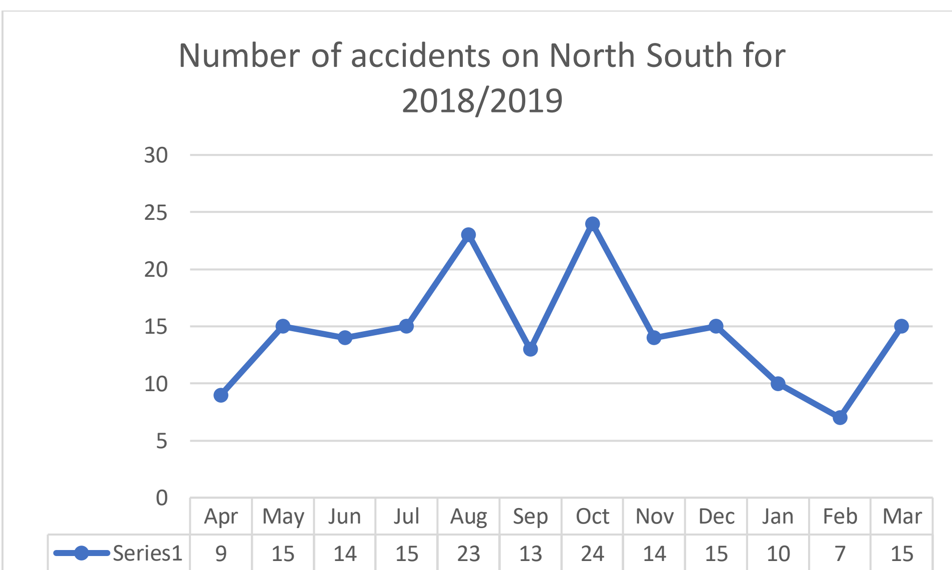


2.2.2 Road Safety

Accidents

The total number of accidents on the East-West leg of Highway 2000 for 2018/2019 decreased to 225 from the 292 recorded for the 2017/2018 financial year. Similarly, on the North South Highway, there was a decrease in accidents from 202 to 174 over the period.





Fire and Smoke

The incidences of fire and smoke on the toll roads for 2018/2019 showed an overall increase from 162 to 194 or 19.75% from 2017/2018. TJH continued to work with the Sugar Estates and the Fire Department to mitigate these incidences and the effects they have on the users of the Highway. There was increased communication between the two entities to allow for the Fire Department to be in place before a planned fire is started. This helped in limiting the effects of fire and smoke on visibility on the roadway.

Quality Assurance

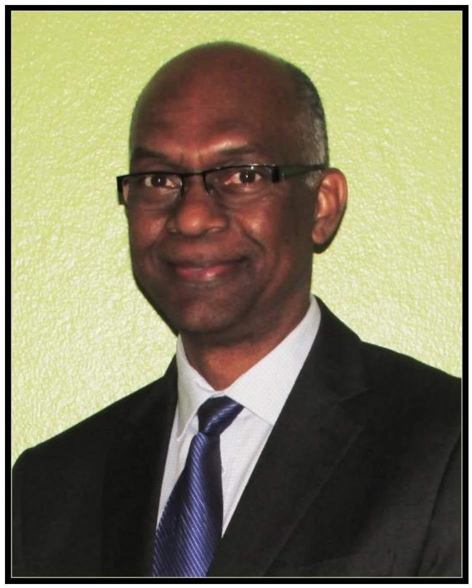
During the year, NROCC continued to strive for maintenance of the ISO 9001 certification of its operations. The company continues to maintain its internal audit programme to monitor its compliance to the different requirements.

Finally, we wish to thank the hardworking team at NROCC as seen below for their continued efforts during the review period and we are confident that the mission of NROCC will be accomplished, despite the impending challenges.

Mr. Ivan P.G. Anderson – Managing Director

Senior Executive Team

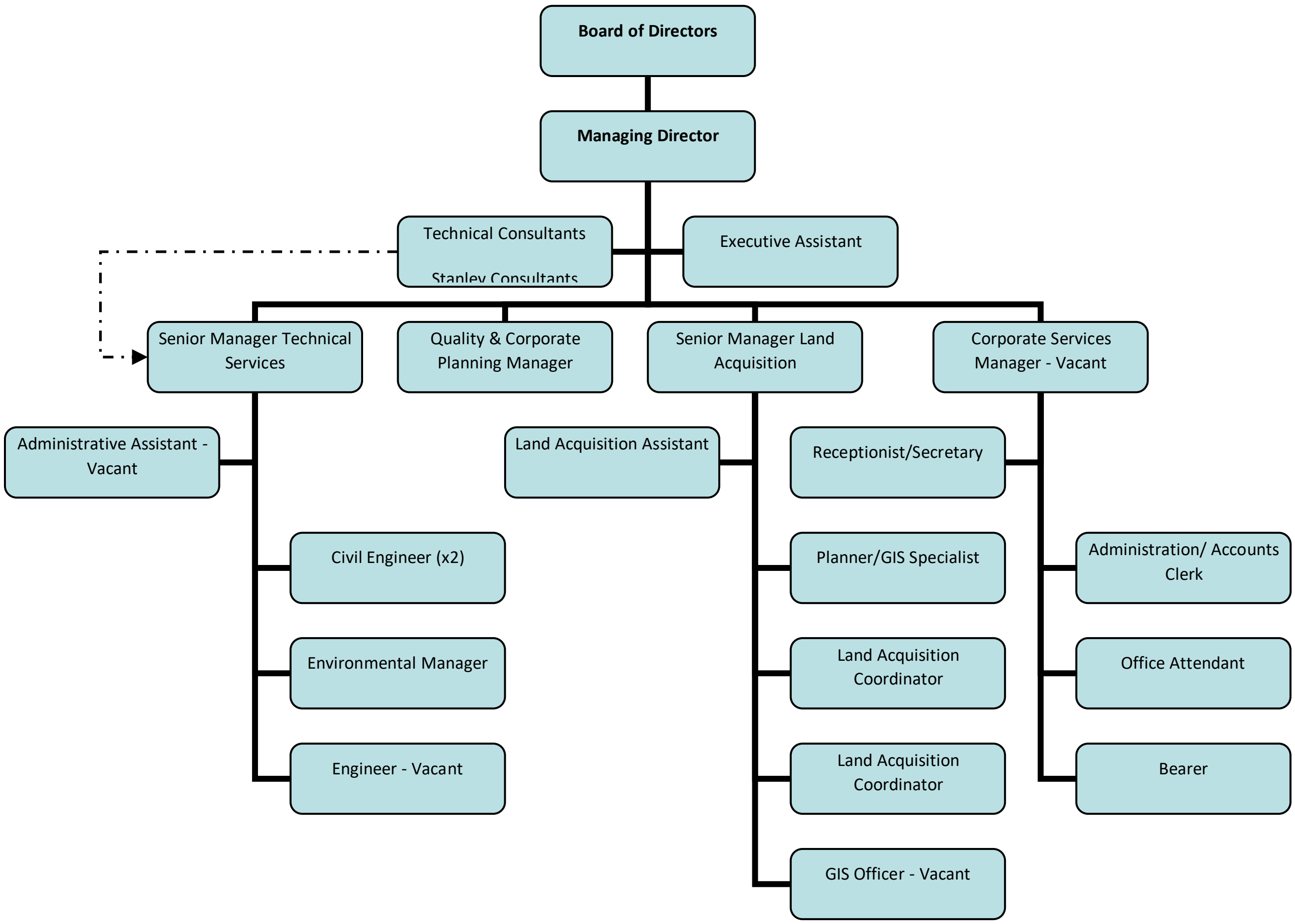
- **Managing Director** – Ivan Anderson
- **Senior Manager Technical Services –** George Nicholson (January – March 2019)
- **Senior Manager Land Acquisition** – Phillip Myers **Director of Technical Services** – Stephen Shaw (April – July 2018)
- **Quality & Corporate Planning Manager** – Kimberly Thompson
- **Corporate Services Manager** – *Vacant as at October 2015*



Mr. Ivan Anderson

Mr. George Nicholson **Mr. Phillip Myers** **Mrs. Kimberly Thompson**

NROCC's Organizational Chart



3. Project Update

3.1 Operational Review and Update

The company continued to monitor its operational activities through its performance objectives and targets. These are outlined annually and reviewed quarterly, ad is done for all sections of the project.

Refer to Appendix 1- Status Report for Financial Year 2018/2019

3.1.1 Accelerating Development through Infrastructure

This strategic objective is reflective of the Company's commitment to contribute to national economic development. The main projects identified for the 2018/2019 planning period were:

A. Implementation of Phase 1C – May Pen to Williamsfield
   i. Review of Outline Design
   ii. Acquire lands needed for construction
   iii. Preliminary Identification of Utilities impacted

B. Implementation of Montego Bay Perimeter Road
   i. Appoint design consultants and review designs
   ii. Preliminary Identification of Utilities impacted
   iii. Appointment of Surveyors
   iv. Appointment of Valuators

C. Desktop studies for new projects
   i. Prioritization of North Coast Highway Roads

D. Finalize outstanding Land Acquisition transactions
   i. Complete transfer of titles according to schedule.
   ii. Inspection of existing unused properties

3.1.1.1 Implementation of Phase 1C – May Pen to Willliamsfield

Approval for financing was not finalized by the Ministry of Finance and Public Service (MOFPS) for this project. This has resulted in an overall delay in the implementation of the project. The contractors have also as a result not been given the approval to proceed resulting in the further delays in the completion of the outline design for the roadway.

This delay also meant that the acquisition activities along the alignment were also delayed, approximately 17% of lands along the highway corridor have so far been acquired. This represents 4.1 km out of the planned 24 km. the target for the operational year being 40%.

Additionally, only a preliminary list of utilities could be identified as the design for the Highway has still not yet been finalized and as such, none of the utilities have been relocated.

3.1.1.2 IMPLEMENTATION OF MONTEGO BAY PERIMETER ROAD

Similarly, given that the Contracts and the financing for the project have not been finalised during the reporting period, the outline design have also not been completed. Discussions continue with the proposed Contractor for the project in order to finalise the contracts and obtain financing.

During the reporting period, the preliminary utilities have been identified and discussions with the relevant entities commenced.

The consultants for land acquisition and valuation services were secured through procurement activities. These consultants have commenced work.

The necessary steps were taken to complete the Environmental Impact Assessment (EIA). Additionally, community meetings were initiated and consultations undertaken with the relevant authorities and stakeholders.

3.1.1.3 DESKTOP STUDIES FOR NEW PROJECTS

During the reporting period, the organization embarked upon analyzing the possibilities of engaging in additional projects under the umbrella of national development. These included :

1. the development of a bypass of Santa Cruz and
2. Connection between the two existing legs of the Highway, East – West and North - South.
3. Implementation of a road widening project along the North Coast Highway

3.1.1.4 FINALIZE OUTSTANDING LAND ACQUISITION TRANSACTIONS

A total of 20 titles were transferred to NROCC during the reporting period. These covered varying sections of the highway. The target for this activity for the year was 36, this was affected by vendors inability to finalised these transaction and delays in finalising titles in the Titles office.

During the planning and construction of the previous phases, a few properties were acquired and not all were used for the completion of the right of way. The Land Acquisition team have kept a close eye through quarterly inspections. Where necessary, “No Trespassing” signs have been erected and/or eviction notices issued. These properties, where relevant are also scheduled for disposal according to NROCC’s internal processes.

3.1.2 ROAD USER SAFETY

The strategy used for road safety was to monitor the Highway Operating Agreement and to partner with each Developer, Operator and Police to identify and implement safety improvement measures.

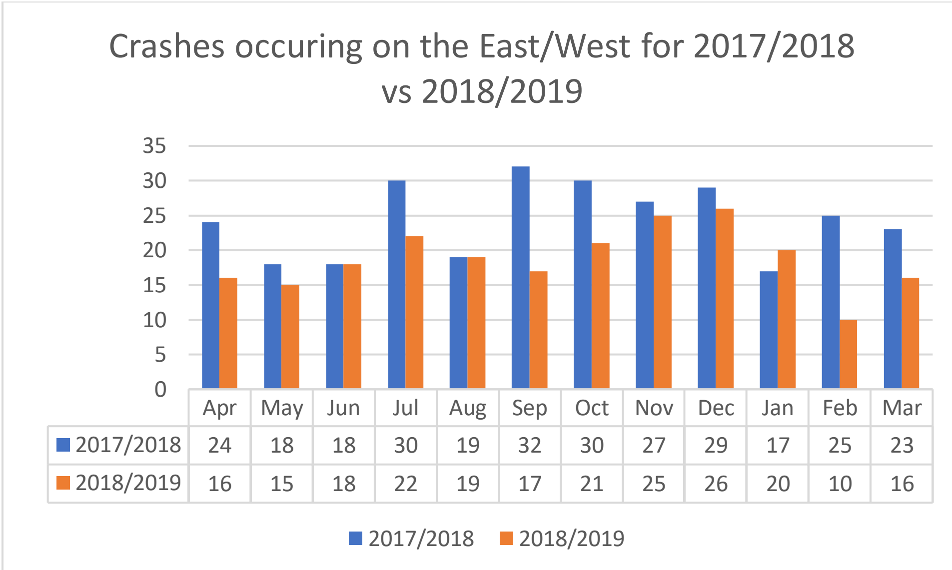
3.1.2.1 ACCIDENTS

NROCC achieved the year’s targets of analyzing the accident data provided in the Developers’ monthly reports to find patterns and trends. The number and categories of accidents along the highway were discussed at the H2K project meetings to arrive at remedial measures that may lead to a possible reduction in the frequency of accidents.

All accidents occurring on the Toll Road were recorded, analyzed and reported by the Operators. The number and causes of accidents were discussed at the project meetings and monthly Operations and Maintenance meetings held with representatives of the Developers, Operator, Contractor, Grantor, Toll Authority, and the National Works Agency.

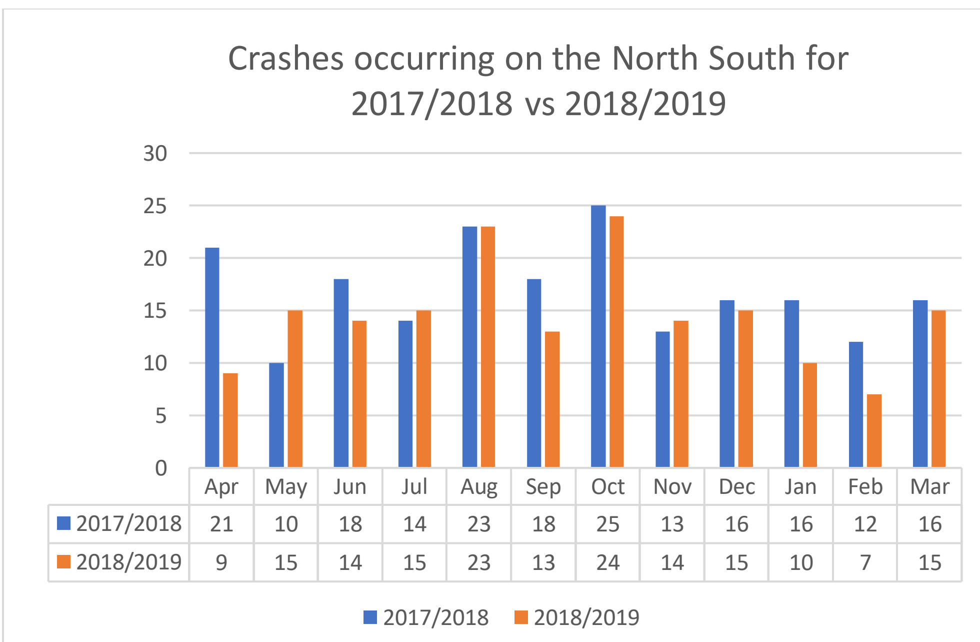
Accident data were included in monthly Operations and Maintenance Reports submitted by the Developer of the East West Highway, TransJamaican Highway (TJH) to NROCC and the Toll Authority, giving the location, cause, gravity and other statistics relating to the accidents.

The total number of accidents for 2018/2019 showed a decrease when compared to 2017/2018, moving from 292 to 225. The graph shows the numbers recorded for each month.



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2017/2018	24	18	18	30	19	32	30	27	29	17	25	23
2018/2019	16	15	18	22	19	17	21	25	26	20	10	16

The number of accidents was also reported for the North South Link of Highway 2000 by JNSHC. For the reporting period, the total number reported for this link is 174. This shows a decrease when compared to the 202 reported for 2017/2018. This can be seen in the graph below.



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2017/2018	21	10	18	14	23	18	25	13	16	16	12	16
2018/2019	9	15	14	15	23	13	24	14	15	10	7	15

3.1.2.2 COMPARATIVE ACCIDENT STATISTICS

In keeping with the objective of having a safe highway system, NROCC has undertaken a benchmarking exercise to determine how the two highways perform when compared against other territories. The exercise compared the number of crashes per million vehicle-km travelled as well as the number of fatalities associated with those crashes.

The benchmark data used was the US toll highway system from the US National Highway Traffic Safety Administration (NHTSA) which reported an average of 1.163 fatalities per 100 million vehicle-miles travelled and crash rate of 195.6 crashes per 100 million vehicle miles travelled.

Table 4 - Crash statistics – East West Highway

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Crashes per 100 mil veh-miles	262.2	248.4	272.2	367.5	327.5	252.46	29.05	140.99	121.06	144.47	153.75
Fatalities per 100 mil veh-miles	11.50	1.43	4.56	3.35	4.91	3.28	0.59	6.00	2.57	3.76	2.62

**NHSTA has not yet released crash statistics for 2018*

**NS Highway numbers not assessed as only there are only 2 data point available for consideration*

Compared to US, since 2013 the highway has performed significantly better than the US average with the number of crashes occurring per vehicle mile travelled (29.05 vs 195.6) however more deaths occur on the highway on account of those crashes.

Figure 6 – Number of crashes per 100 million vehicles per mile travelled

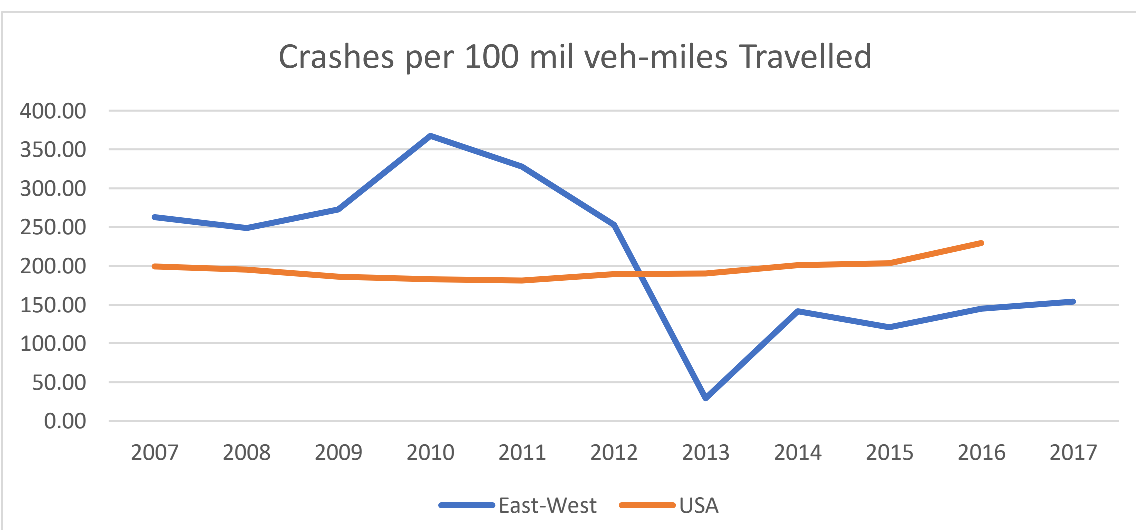
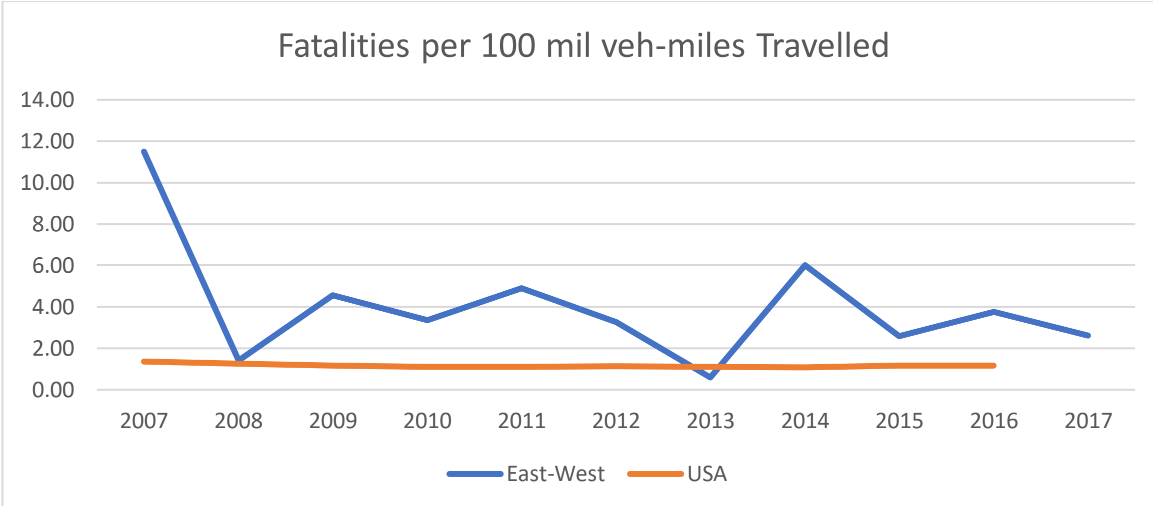


Figure 7 – Number of fatalities per 100 million vehicles per mile travelled

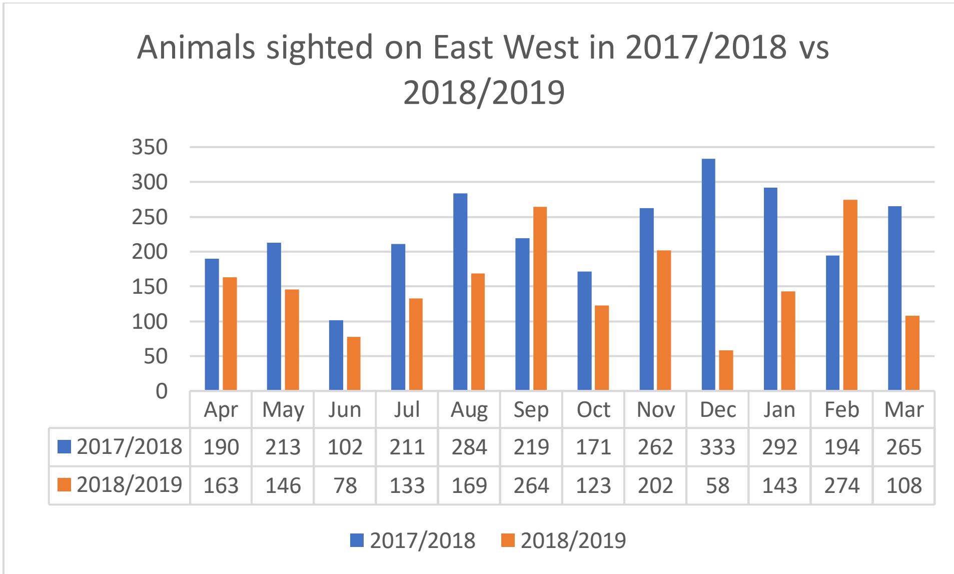


3.1.2.2 ANIMALS ON THE HIGHWAY

The number of animals crossing the highway as a result of stolen and/or damaged fencing continued to be a major concern. In order to counter this problem, the following actions were taken by the Developers;

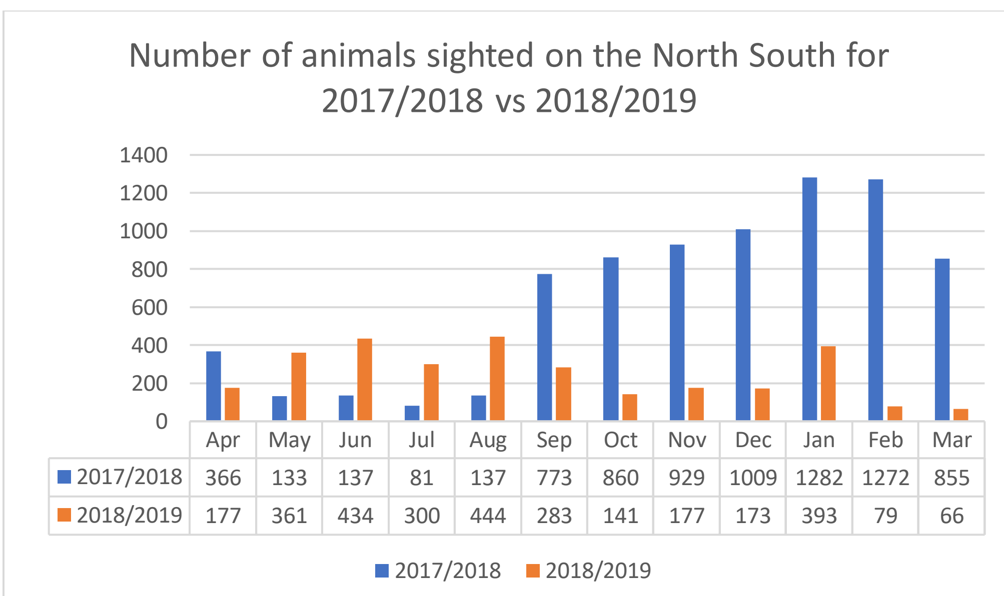
a. The Police continue to meet with members of the surrounding communities;
b. replacement of the stolen or damaged chain-linked fence with hog and barbed-wire fence;
c. repair/replacement of stolen or damaged metallic fence posts with concrete posts;
d. a structured programme for the removal of animals from the Highway;

The graph below shows a decrease in sightings of animals on the East-West for 2018/2019 compared to 2017/2018. The data shows totals of 2,736 in 2017/2018 and 1,861 in 2018/2019.



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2017/2018	190	213	102	211	284	219	171	262	333	292	194	265
2018/2019	163	146	78	133	169	264	123	202	58	143	274	108

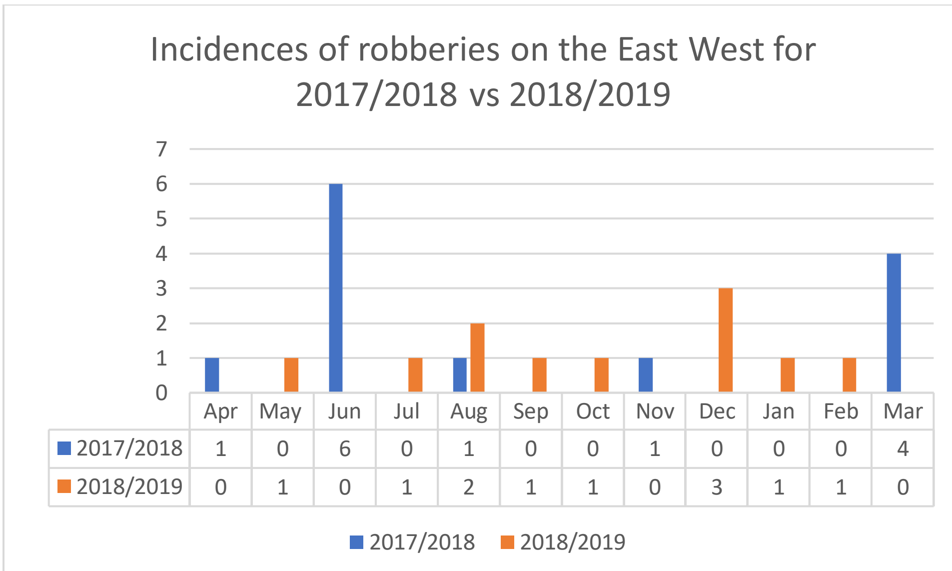
During the reporting period, there was a decrease in the number of animals sighted on the North South leg of the Highway when compared to the previous year. In 2017/2018, reports showed that 7,834 were sighted, and in 2018/2019, 3028 were recorded. This is represented in the graph below.



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2017/2018	366	133	137	81	137	773	860	929	1009	1282	1272	855
2018/2019	177	361	434	300	444	283	141	177	173	393	79	66

3.1.2.3 STONE THROWING/ROBBERIES

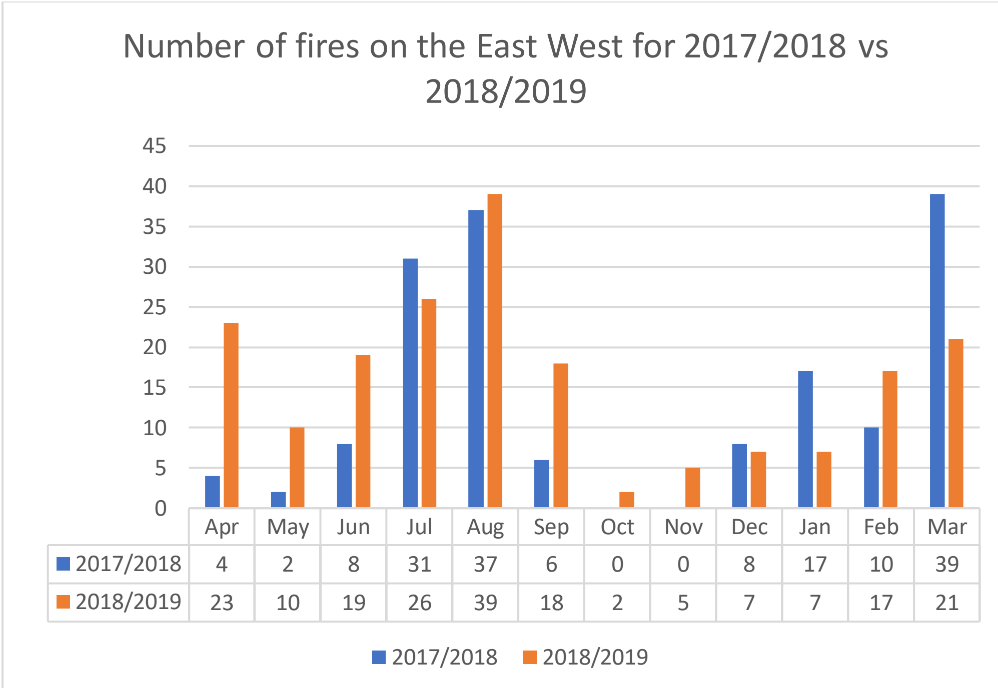
The reports from the operators of the East West Highway reported a decrease in the number of robberies and stone throwing incidents in 2018/2019 compared to 2017/2018, as seen in the graph below. The data showed a decrease from 13 incidents to 11.



3.1.2.4 FIRE AND SMOKE:

NROCC met the year's target of tracking the trends and patterns seen in the data provided in TJH'S monthly reports for the East – West leg of the highway. The numbers and trends were discussed at the H2K project meetings and requests were made to the Developer for adverse trends to be acted on.

The incidents of fire and smoke on the toll roads for 2017/2018 showed an overall increase compared with the similar period in 2018/2019, going from 162 incidents to 194. This comparison is seen in the following graph.



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2017/2018	4	2	8	31	37	6	0	0	8	17	10	39
2018/2019	23	10	19	26	39	18	2	5	7	7	17	21

The Jamaica Fire Brigade (JFB) has been supporting the efforts on the East West Highway to prevent escalation of damages due to fires, whether planned or unplanned. The response of the brigade personnel is commendable and as such, the branches who support the East West Highway, being Spanish Town, Portmore, Old Harbour and May Pen, were awarded in appreciation for this performance during the period.

3.2 ENVIRONMENTAL BALANCE

NROCC remained committed to minimizing the impact of the Project on the surrounding environment, in compliance with the requisite NEPA requirements as well as Jamaica's environmental laws. NROCC also committed to adopting applicable Best Environmental Management Practices, which will ensure the best opportunity to protect, preserve and enhance the quality of the natural resources, as well as mitigate environmental impacts that often emerge in the construction of major highway routes.

During the reporting period, close monitoring and inspection of the sections under construction was maintained. This is especially important for the environmental aspects of the operations and the compliance to the permits issued for the project. The Developers received a number of permits (NEPA and from the Parish Councils and Mines and Geology) for the various aspects of construction i.e.: Buildings, Batching Plants, Fuel Storage, Waste water treatment, Highway Construction, etc.

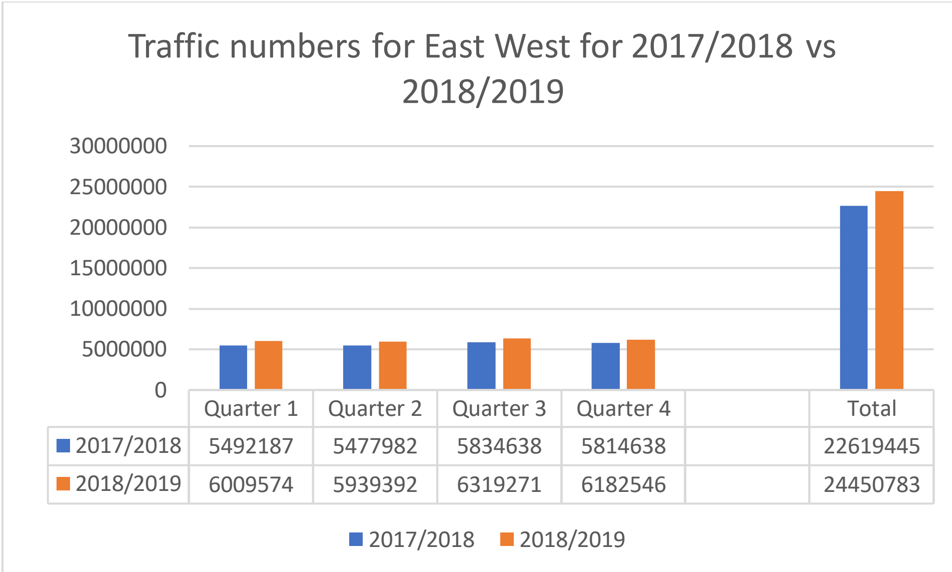
a. For the year under review, all 12 monthly inspections were carried out and reports prepared. Most importantly, issues identified were shared with the developer in an effort to effect improvement where necessary.

b. Inspections were also carried out to verify continued quality of the roadway. Any issues identified is highlighted and if necessary, Routine Surveillance Inspection (RSI) reports are issued to the Developer to have these addressed within the relevant timeframe.

c. Internal to the organization, was the target to develop an Environmental Management System (EMS). This was done in different stages and for this reporting period, the company was able to develop the necessary procedures and circulate to the staff for review. These were approved and signed. The company will endeavor to explore an integration of its QMS with the EMS.

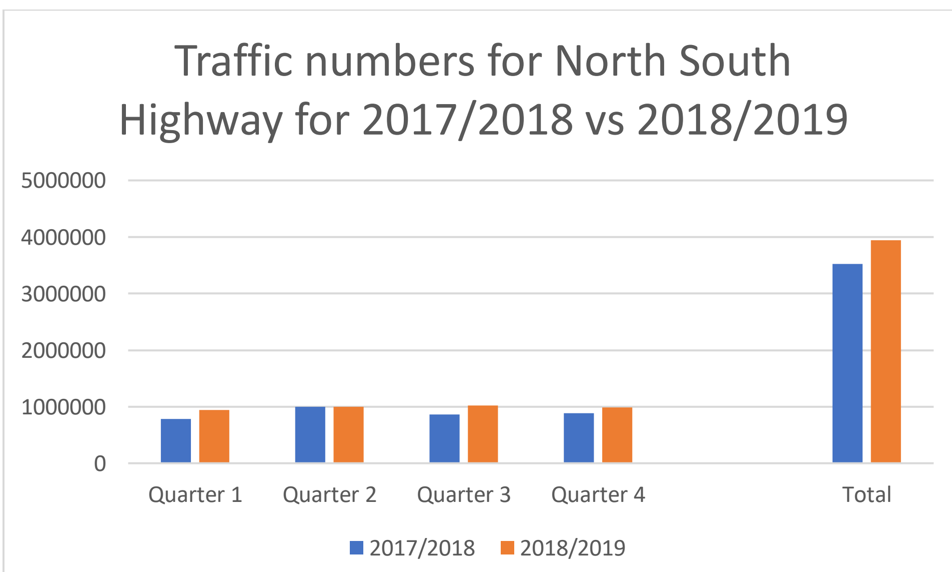
3.3 ECONOMIC DEVELOPMENT

The target of collaborating with the Developers of the completed section of Highway 2000 to formulate plans to improve traffic was achieved. At the monthly H2K project meetings held with the Developers for both sections, discussions took place regarding how traffic numbers can be increased. A number of measures were implemented along the Highway to improve traffic flows in particular changes to the Marcus Garvey Interchange was implemented along with increased marketing efforts.



As seen in the figure above, for 2018/2019, the total traffic volume on the East West increased by approximately 8.1% compared to the 2017/2018 period. This increase was seen throughout all the quarters of the year.

For the North South Highway, there was an increase of 11.63% in 2018/2019 when compared to 2017/2018. Similarly, this growth was seen throughout each quarter of the year.



3.4 CUSTOMER SERVICE/QUALITY MANAGEMENT SYSTEM

The main thrust of a Quality Management System (QMS) is to continually improve the performance of an organization by focusing and addressing the needs of our interested parties. An effective QMS will result in improved products and services. NROCC sought to assure that customers' requirements as defined in the Concession Agreements were met through quarterly audits of the QMS for the Highway 2000 Developers and Operators. Instances of non-compliance were formally addressed to the relevant entity for corrective measures to be taken and follow-up done to review the effectiveness of the actions taken.

For 2018/2019, the targeted four audits each, of the Developer and Toll Operator were achieved on the East – West segment. Additionally, all four targeted audits were conducted for the Developer/Operator of the North-South link.

In an effort to increase communication with the public, the Company has made a target of updating the website throughout the year. During this year, the website was redesigned. This allowed for a user-friendly interface. Additionally, quarterly updates were made to the site, these include additions or updates of;

- Procurement notices;
- Land Acquisition Notices;
- Related news items
- Information on the Management team

Additionally, the company measures the satisfaction of its customers to monitor any level of satisfaction/dissatisfaction in order to take corrective measures, if necessary. During the reporting period, a survey was administered to the primary customer, the Government of Jamaica, through the Ministry of Economic Growth & Job Creation. This survey gave an indication of the company being very satisfied with the level of service provided by NROCC.

The satisfaction levels of internal customers, staff members, was also measured during the year. The results of these surveys indicate an acceptable level of satisfaction. Regardless of this satisfaction, a number of issues were highlighted by the staff that would increase their satisfaction. A plan was developed to address these points and will be executed and monitored in 2019/2020.

The company is required to make submissions to the Government of Jamaica (GOJ) through the parent ministry MEGJC. As such, it was targeted by NROCC, to ensure that these reports are submitted by the deadlines prescribed in the Pubic Bodies Management & Accountability (PBMA) Act. These reports include, the performance monitoring report, both quarterly and half-yearly, the annual report along with the Audited Financial statements and the Corporate and Strategic Plans. During the year, all the reporting targets were successfully met.

3.5 ORGANIZATIONAL DEVELOPMENT AND EFFICIENCY IMPROVEMENT

As a public sector company, NROCC sought to implement suitable operating measures that will reduce the impact on expenses on the budget. The following elements were targeted for accomplishment over the planning period:

- The maintenance of a quality management system compliant with the requirements of ISO 9001:2015 for the business and operational processes.
- Human Resource Development – a target of 4 job-related training programmes was set for the period.
- Reduction of operational expenses.

3.5.1 MAINTENANCE OF CERTIFICATION OF QUALITY MANAGEMENT SYSTEM (QMS)

ISO 9001 is a management system standard for fulfilling the minimum quality system requirements for organizational processes. The three main benefits of implementing an ISO 9001-based QMS are, increased customer satisfaction, decreased complaints, and decrease in product/service nonconformities.

For 2018/2019, NROCC's target was to have no hold points during the surveillance audit of the transitioned QMS. In December 2018, the National Certification Body of Jamaica (NCBJ) conducted the surveillance audits of NROCC's QMS. This audit resulted in one non-conformance and a recommendation for continued certification.

Based on the scope of the organization, the company has identified as best as possible, the risks they are exposed to and the opportunities which can be adapted into the system. These and their associated actions are discussed at management review meetings to ensure that the mitigating actions are current and effective.

3.5.2 TRAINING

For the 2018/2019 year, six (6) job-related training sessions were attended by NROCC staff. The sessions included:

- E-procurement
- ISO 9001:2015 – Lead Auditor
- Strategic & Corporate Planning
- Fundamentals of Project Management
- Module 1 – Procurement Laws & Regulations
- Secretarial Qualifying Course and Exam

3.5.3 OPERATIONAL EXPENSES

During the year, NROCC targeted certain areas to reduce its operational expenses.

Improvement of the internal management of utilities, by developing systems to monitor and reduce telephone talk time was targeted. For the reporting period 2018/2019, the telephone talk time decreased by an average of 36% when compared to 2017/2018.

The system to reduce paper (used paper in fax machine, for meeting notes and internal memos) was previously implemented and is monitored annually. There was an average decrease of approximately 5.5% in the usage of copy paper and ink when compared to 2017/2018. The undertaking of the EMS will contribute to further improvements in this area.

4. Projections

As we progress toward the achievement of our strategic objectives, the organization has identified the following significant projections for the 2019/2020 financial year:

1. Implementation of Phase 1C – May Pen – Williamsfield.
2. Implementation of the Montego Bay Perimeter Road, and all its components.
3. Substantially complete the outstanding Land Acquisition transactions.
4. Continue monitoring the Operations of the completed phases according to the relevant agreements.
5. Continue meeting with the Developer to formulate plans to grow/improve traffic on Highway 2000.
6. Maintenance of the certification of the Quality Management System to the requirements of ISO 9001:2015.
7. Agree and implement the Environmental Management System in accordance with ISO 14001:2015.

Details on these are outlined in the Operational Plan for 2019/2020 seen in Appendix 2.

5. 5-YEAR FINANCIAL REVIEW

	$ '000	$ '000	$ '000	$ '000	$ '000
	2019	**2018**	**2017**	**2016**	**2015**
Revenue	505,155	-	-	-	-
Administrative & general expenses	-199,221	-273,301	-289,942	-270,663	-306,112
Operating profit/loss	305,934	-273,301	-289,942	-270,663	-306,112
Gain on Investment Securities	-	-81,743	168,139	180,504	144,256
Gain on sale of bonds	-	-	-	-	-
Miscellaneous income	112,936	160	44	72	89
Finance income	335,771	1,296,877	1,145,526	1,201,674	1,055,815
Finance costs	-5,137,997	-5,245,709	-7,281,272	-7,211,877	-6,451,380
Inflation compensation on Real Return Convertible Bonds	-326,621	-659,074	-349,951	-484,099	-653,241
Profit/(loss) before income tax	-4,709,977	-4,962,790	-6,607,456	-6,584,389	-6,210,573
Income tax credit	-	-	-	-	-
Other comprehensive income:	-	-	-	-	-
Profit/(loss) for the year, being total comprehensive income/(loss) for the year	-2681,246	-4,962,790	-6,607,456	-6,584,389	-6,210,573
Percentage increase/ (decrease) over previous year	24.89	24.89	-0.35	-6	18

Total Assets	26,591,297	24,625,404	25,146,783	24,234,705	23,180,156
Net Equity	-70,205,112	-68,210,159	-63,247,369	-56,639,913	-50,055,524
Total Liabilities	98,112,856	92,835,563	88,394,152	80,874,618	73,235,680
Total equity and liabilities	27,907,744	24,625,404	25,146,783	24,234,705	23,180,156

6. Directors' Compensation - 2018/2019

Name & Position of Director	Fees($)	Motor Vehicle Upkeep/Travelling or Value of Assigned Motor Vehicle ($)	Honoraria	All Other Compensation including Non-Cash Benefits as Applicable ($)	Total ($)
Phillip Henriques *Board Chairman*	356,500.00	-	-	-	356,500.00
Alston Douglas *Director*	181,800.00	-	-	-	181,800.00
Donald Mullings *Director*	165,500.00	-	-	-	165,500.00
Janet Coleman – Howlett *Director*	181,800.00	-	-	-	181,800.00
Karen Chuck *Director*	56,000.00	-	-	-	56,000.00
Newton Amos *Director*	84,000.00	-	-	-	84,000.00
Veronica Warmington*** *Director*	34,900.00	-	-	-	34,900.00
Andre Foster*** *Director*	167,400.00	-	-	-	167,400.00
Ivan Anderson** *Managing Director*	-	-	-	-	-
Total	1,227,900.00				1,227,900.00

****Managing Director does not receive compensation from the Board.**

7. Senior Executive Compensation – 2018/2019

Name & Position of Senior Executive	Year	Salary ($)	Gratuity or Performance Incentive ($)	Travelling Allowance or Value of Assignment of Motor Vehicle ($)	Pension or Other Retirement Benefits ($)	Other Allowances ($)	Non-Cash Benefits ($)	**Total ($)**
Ivan Anderson *Managing Director*	April 2018-March 2019	13,659,258.00	2,655,851.35	876,020.97	-	-	-	**17,191,130.32**
Stephen Shaw *Director of Technical Services*	April 2018- July 2018	2,851,938.68	**	514,288	-	-	-	**3,366,226.68**
Phillip Myers *Land Acquisition Manager*	April 2018-March 2019	5,686,760.04	**	1,895,034.00	-	-	-	**7,581,794.04**
Kimberly Thompson *Quality & Corporate Planning Manager*	April 2018-March 2019	4,933,160.30	**	1,542,864.00	-	-	-	**6,476,024.30**

George Nicholson *Senior Manager Technical Services*	January 2019 – March 2019	1,301,754.00	**	381,568.76	-	**-**	-	**1,683,322.76**

AUDITORS' REPORT & AUDITED FINANCIAL STATEMENTS

NATIONAL ROAD OPERATING AND

CONSTRUCTING COMPANY

LIMITED

FINANCIAL STATEMENTS

MARCH 31, 2019

KPMG
Chartered Accountants
P.O. Box 76
6 Duke Street
Kingston
Jamaica, W.I.
+1 (876) 922 6640
firmmail@kpmg.com.jm

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 49, which comprise the statement of financial position as at March 31, 2019, the statements of profit or loss and other comprehensive income, changes in 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, 2019 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 $4,709,977,000 (2018: $4,962,790,000) and, as of the reporting date, had an accumulated deficit of $74,142,041,000 (2018: $69,432,064,000) and net current liabilities of $1,761,685,000 (2018: $2,183,771,000). 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

July 19, 2019

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Statement of Profit or Loss and Other Comprehensive Income
Year ended March 31, 2019
(Expressed in thousands of Jamaica dollars unless otherwise indicated)

	Notes	2019	2018
Revenue	8	505,155	-
Administrative and general expenses	9	(199,221)	(273,301)
Operating profit/(loss)		305,934	(273,301)
Loss on investment security	11	-	(81,743)
Other income	12	112,936	160
Finance income	13	335,771	1,296,877
Finance costs	14	(5,137,997)	(5,245,709)
Inflation compensation on real return convertible bonds	24(a)	(326,621)	(659,074)
Loss for the year		(4,709,977)	(4,962,790)
Other comprehensive gain:			
Items that will not be reclassified to profit or loss:			
Net change in fair value of investment security at FVOCI, being other comprehensive gain for the year		2,028,731	-
Total comprehensive loss for the year		(2,681,246)	(4,962,790)

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

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Statement of Financial Position
March 31, 2019
(Expressed in thousands of Jamaica dollars unless otherwise indicated)

	Notes	2019	2018
Non-current assets			
Long-term receivable	16	16,430,084	16,270,649
Property and equipment	17	4,816,568	4,824,345
Investment security	18	5,988,077	3,273,053
		27,234,729	24,368,047
Current assets			
Other receivables	19	40,567	3,575
Resale agreements	20	577,489	218,485
Cash and cash equivalents		54,959	35,297
		673,015	257,357
Total assets		27,907,744	24,625,404
Equity			
Share capital	21	1,000	1,000
Inflation reserve	22	1,220,905	1,220,905
Fair value reserve	23	2,715,024	-
Accumulated deficit		(74,142,041)	(69,432,064)
Net equity		(70,205,112)	(68,210,159)
Non-current liabilities			
Long-term loans and advances	24	95,678,156	90,394,435
Current liabilities			
Current portion of long term liabilities	24	671,736	669,178
Other payables	25	1,762,964	1,771,950
		2,434,700	2,441,128
Total liabilities		98,112,856	92,835,563
Total equity and liabilities		27,907,744	24,625,404

The financial statements on pages 5 to 49 were approved for issue by the Board of Directors on July 19, 2019 and signed on its behalf by:

Chairman — Philip Henriques

Managing Director — 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, 2019
(Expressed in thousands of Jamaica dollars unless otherwise indicated)

	Share capital (note 21)	Inflation reserve (note 22)	Fair value reserve (note 23)	Accumulated deficit	Total
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, as reported	1,000	1,220,905	-	(69,432,064)	(68,210,159)
Adjustment on initial application of IFRS 9 (note 5)	-	-	686,293	-	686,293
Balances at April 1, 2018, as restated	1,000	1,220,905	686,293	(69,432,064)	(67,523,866)
Loss for the year	-	-	-	(4,709,977)	(4,709,977)
Other comprehensive gain:					
Fair value gains on investment security	-	-	2,028,731	-	2,028,731
Total comprehensive loss for the year	-	-	2,028,731	(4,709,977)	(2,681,246)
Balances at March 31, 2019	1,000	1,220,905	2,715,024	(74,142,041)	(70,205,112)

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, 2019
(Expressed in thousands of Jamaica dollars unless otherwise indicated)

	Notes	2019	2018
Cash flows from operating activities			
Loss for the year		(4,709,977)	(4,962,790)
Adjustments for:			
Depreciation	17	61,444	59,441
Gain on disposal of property and equipment		(66)	-
Interest income		(335,771)	(314,385)
Interest expense	14	4,624,931	4,553,536
Dividend income	8	(505,155)	-
Effect of exchange rate movements on foreign currency long-term loans and advances, receivables and payables		249,246	(526,581)
Inflation compensation on real return convertible bonds		326,621	659,074
		(288,727)	(531,705)
Changes in operating assets and liabilities:			
Other receivables		(33,971)	2,289
Other payables		(6,385)	(50,929)
Net cash used in operating activities		(329,083)	(580,345)
Cash flows from investing activities			
Acquisition of lands	17	(43,664)	(90,714)
Acquisition of other property and equipment	17	(10,003)	(1,163)
Resale agreements		(366,079)	372,534
Proceeds of disposal of property and equipment		66	-
Dividend received	8	505,155	-
Interest received		4,823	66,718
Net cash provided by investing activities		90,298	347,375
Cash flows from financing activities			
Long-term loans and advances received		4,888,454	4,859,706
Interest paid		(4,626,232)	(4,597,484)
Net cash provided by financing activities		262,222	262,222
Increase in cash and cash equivalents		23,437	29,252
Effect of exchange rate movements on cash and cash equivalents		(3,775)	(71)
Cash and cash equivalents at beginning of year		35,297	6,116
Cash and cash equivalents at end of year		54,959	35,297

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 then 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, for the design, finance, construction and operation of the Caymanas to Ocho Rios leg. Concessionaire No.2 is wholly owned by the Caribbean (Barbados) Infrastructure Investment Company Limited, a company incorporated and domiciled in Barbados. Its ultimate parent is China Communication Construction Company Limited, a company incorporated in China.

- 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, 2019 ("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 issued that became effective during the year:

Certain new and amended standards came into effect during the current financial year. This is the first set of the company's annual financial statements in which IFRS 9 *Financial Instruments,* and IFRS 15 *Revenue from Contracts with Customers,* have been applied from April 1, 2018.

Changes to significant accounting policies are described in note 5.

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

At the date of authorisation of the financial statements, certain new, revised and amended standards and interpretations, have been issued which are not yet effective and which the company has not early-adopted. Those standards and interpretations which management considers may be relevant to its operations and their effective dates are indicated below:

- 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. Companies 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. Finance lease accounting will be based on IAS 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting.

  Early adoption is permitted if IFRS 15 *Revenue from Contracts with Customers* is also adopted. The company plans to apply IFRS 16 initially on April 1, 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balances of accumulated deficit as of April 1, 2019 with no restatement of comparative information.

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):

- Amendments to IFRS 9 *Financial Instruments,* effective retrospectively for annual periods beginning on or after January 1, 2019 clarifies the treatment of:

  (i) Prepayment features with negative compensation:

  Financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

  (ii) Modifications to financial liabilities:

  If the initial application of IFRS 9 results in a change in accounting policy arising from modified or exchanged fixed rate financial liabilities, retrospective application is required, subject to particular transitional reliefs. There is no change to the accounting for costs and fees when a liability has been modified, but not substantially. These are recognised as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

- IFRIC 23 *Uncertainty Over Income Tax Treatments*, is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

  An entity has to consider whether it is probable that the relevant tax authority would accept the tax treatment that is adopted in its income tax filing.

  If the entity concludes that it is probable that the tax authority will accept a particular tax treatment in the tax return, the entity will determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings and record the same amount in the financial statements. The entity will disclose uncertainty.

  If the entity concludes that it is not probable that a particular tax treatment will be accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better prediction of the resolution of the uncertainty.

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):

- Amendment to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* is effective for annual periods beginning on or after January 1, 2020, and provides a definition of 'material' to guide preparers of financial statements in making judgements about information to be included in financial statements.

  "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

- Amendments to *References to Conceptual Framework in IFRS Standards* is effective retrospectively for annual reporting periods beginning on or after January 1, 2020. The revised framework covers all aspects of standard setting including the objective of financial reporting.

  The main change relates to how and when assets and liabilities are recognised and derecognised in the financial statements.

  - New 'bundle of rights' approach to assets will mean that an entity may recognise a right to use an asset rather than the asset itself;
  - A liability will be recognised if a company has no practical ability to avoid it. This may bring liabilities on balance sheet earlier than at present;
  - A new control-based approach to de-recognition will allow an entity to derecognise an asset when it loses control over all or part of it; the focus will no longer be on the transfer of risks and rewards.

- Annual Improvements to IFRS Standards 2015-2017 cycle contain amendments to IFRS 3, *Business Combinations,* IFRS 11, *Joint Arrangements*, IAS 12, *Income Taxes* and IAS 23, *Borrowing Costs*, are effective for annual periods beginning on or after January 1, 2019.

  (i) The amendments to IFRS 3 and IFRS 11clarifies how an increased interest in a joint operation should be accounted for. If a party maintains or obtains joint control, then the previously held interest is not remeasured. But, if a party obtains control, this is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.

  (ii) IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently (either in profit or loss, OCI or equity) with the transactions that generated the distributable profits.

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 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes borrowings that specifically finance qualifying assets that are still under development or construction. The change will apply to borrowing costs incurred on or after the date of initial adoption of the amendment.

The company is assessing the impact that these new and amended standards and interpretations will have on its future financial statements.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis, modified for the inclusion of equity investments at fair value through other comprehensive income.

(c) Functional and presentation currency

The financial statements are presented in thousands of Jamaica dollars, which is the functional currency of the company.

(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 $4,709,977,000 (2018: $4,962,790,000) and at the reporting date had an accumulated deficit of $74,142,041,000 (2018: $69,432,064,000) and net current liabilities of $1,761,685,000 (2018: $2,183,771,000). 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

The effect of initially applying IFRS 15 on the company's revenue from contracts is described in note 5.

Revenue recognition under IFRS 15 (applicable from April 1, 2018)

Revenue is measured at fair value of consideration received as described in note 8.

Revenue recognition before April 1, 2018

Revenue, which arises from road tolls as described in note 8, 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 and foreign exchange losses. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(c) Employee benefits

Employee benefits are all forms of consideration given by the company in exchange for service rendered by employees. These include current or short-term benefits such as salaries, 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 generally recognised in profit or loss.

3. Summary of significant accounting policies (continued)

(e) Income taxes

Income tax expense comprises current and deferred tax charges.

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

3. Summary of significant accounting policies (continued)

(f) Property and equipment (continued)

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. In these financial statements, financial assets comprise investment security, long-term and other receivables, cash and cash equivalents and resale agreements. Financial liabilities comprise long term loans and advances and other payables.

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets – Policy applicable from April 1, 2018

On initial recognition, a financial asset is classified as measured at: amortised cost and fair value through other comprehensive income (FVOCI) – equity investments.

The financial assets that meet both of the following conditions and are not designated as at fair value through profit or loss: a) are held within a business model whose objective is to hold assets to collect contractual cash flows, and b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, are classified as "Held to collect" and measured at amortised cost.

3. Summary of significant accounting policies (continued)

(g) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets – Policy applicable from April 1, 2018 (continued)

Amortised cost represents the net present value ("NPV") of the consideration receivable or payable as of the transaction date. This classification of financial assets comprises the following captions:

- Cash and cash equivalents
- Resale agreements
- Long-term and other receivables

Due to their short-term nature, the company initially recognises these assets at the original invoiced or transaction amount less expected credit losses

On initial recognition of an equity investment that is not held for trading, the company may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis. This classification of financial assets comprises investment security.

Business model assessments

The company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities that are funding these assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. However, the information about sales activity is not considered in isolation, but as part of an overall assessment of how the company's stated objective for managing the financial assets is achieved and how cash flows are realized.

3. Summary of significant accounting policies (continued)

(g) Financial instruments (continued)

(iii) Classification and subsequent measurement (continued)

Financial assets – Policy applicable from April 1, 2018 (continued)

Assessment whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, 'principal' is defined as the fair value of financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described in the particular recognition methods disclosed in their individual policy statements associated with each item.

3. Summary of significant accounting policies (continued)

(g) Financial instruments (continued)

(iv) Classification and subsequent measurement (continued)

Financial assets – Policy applicable from April 1, 2018 (continued)

Subsequent measurement (continued)

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. Amortised cost is reduced by impairment losses. Interest income, foreign echange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Policy applicable before April 1, 2018

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

Loans and receivables

Loans and receivables were non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets were recognised initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables were measured at amortised cost, using the effective interest method, less any impairment losses.

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

Available-for-sale financial assets

Available-for-sale financial assets were non-derivative financial assets that are designated as available-for-sale or were not classified in any of the other categories of financial assets. Items classified as available-for-sale were initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they were measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, were recognised in other comprehensive income and presented in the fair value reserve in equity. Where fair values could not be reliably determined, these were measured at cost. When an investment was derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

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

3. Summary of significant accounting policies (continued)

(g) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets – Policy applicable from April 1, 2018 (continued)

Impairment of financial assets

Impairment losses of financial assets, including receivables, are recognised using the expected credit loss model for the entire lifetime of such financial assets on initial recognition, and at each subsequent reporting period, even in the absence of a credit event or if a loss has not yet been incurred, considering their measurement past events and current conditions, as well as reasonable and supportable forecasts affecting collectability.

Derecognition

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired, or the company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. The company's financial liabilities, which include payables and long-term loans and advances are recognised initially at fair value

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described in the particular recognition methods disclosed in their individual policy statements associated with each item.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

3. Summary of significant accounting policies (continued)

(g) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial liabilities (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(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. Cash and cash equivalents are measured at amortised cost.

(i) Other receivables

Other receivables and prepayments 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.

3. Summary of significant accounting policies (continued)

(m) Share capital

Ordinary shares are classified as equity and measured at cost.

(n) Impairment of financial assets

Financial assets

Policy applicable from April 1, 2018

The company recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost.

The company measures loss allowances at an amount equal to lifetime ECLs. Loss allowances for long-term and other receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the company considers reasonable and supportable information relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward looking information.

The company assumes that the credit risk on financial assets has increased significantly if it is more than 365 days past due.

The company recognises loss allowances for ECLs considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to action such as realising security if any is held; or
- the financial asset is more than 365 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive).

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD)

3. Summary of significant accounting policies (continued)

(n) Impairment of financial assets (continued

Financial assets (continued)

Policy applicable from April 1, 2018 (continued)

Measurement of ECLs (continued)

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

LGD is the magnitude of the likely loss if there is a default. The company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default.

Subject to using a maximum of a 12-month PD for Stage 1 financial assets, the company measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk, even if, for credit risk management purposes, the company considers a longer period.

Incorporation of forward-looking information

The company incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The economic scenarios used as at March 31, 2019 assumed no significant changes in key indicators for Jamaica for the years ending March 31, 2020 to 2021.

For 2019, forward-looking information was incorporated in the ECL calculation by use of a management overlay. Based on the economic scenario, a proxy of 0.6, 1.1 and 1.6 times ECL was determined to be appropriate for positive, stable and negative outlooks respectively.

Credit-impaired financial assets

At each reporting date, the company assesses whether financial assets carried at amortised costs are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

3. Summary of significant accounting policies (continued)

(n) Impairment of financial assets (continued)

Financial assets (continued)

Policy applicable from April 1, 2018 (continued)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the company's procedures for recovery of amounts due.

Policy applicable before April 1, 2018

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.

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) Judgements:

For the purpose of these financial statements, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS. The key relevant judgements are as follows:

– *Applicable to 2019 only:*

(1) Classification of financial assets:

The assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding requires management to make certain judgements on its business operations.

(2) Impairment of financial assets:

Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL requires significant judgement.

(ii) Key assumptions concerning the future and other sources of estimation uncertainty:

– *Applicable to 2019 only:*

(1) Allowance for impairment losses:

In determining amounts recorded for impairment of financial assets in the financial statements, management makes assumptions in determining the inputs to be used in the ECL measurement model, including incorporation of forward-looking information.

Management also estimate the likely amount of cash flows recoverable on the financial assets in determining loss given default. The use of assumptions make uncertainly inherent in such estimates.

4. Use of judgements and estimates (continued)

(ii) Key assumptions concerning the future and other sources of estimation uncertainty (continued):

– *Applicable to 2018 and 2019 (continued):*

(2) 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.

(3) 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 7. 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.

(4) 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. 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. Changes in accounting policies

The company has initially adopted IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* from April 1, 2018.

A number of other new standards were also effective from April 1, 2018 but they do not have a material effect on the company's financial statements.

Due to the transition method chosen by the company in applying IFRS 9 and IFRS 15, comparative information throughout these financial statements has not generally been restated to reflect the requirements of these new standards.

The effect of initially applying these standards is mainly attributed to the following:

– additional disclosures related to IFRS 9 [see notes 3 and 5];
– additional disclosures related to IFRS 15 [see note 8].

Except for the changes below, the company has consistently applied the accounting policies as set out in note 3 to all periods presented in these financial statements.

5. Changes in accounting policies (continued)

IFRS 15 *Revenue from Contract with Customers*

Under IFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, following a five step model: Step 1: Identify the contract(s) with a customer (agreement that creates enforceable rights and obligations); Step 2: Identify the different performance obligations (promises) in the contract and account for those separately; Step 3: Determine the transaction price (amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services); Step 4: Allocate the transaction price to each performance obligation based on the relative stand-alone selling prices of each distinct good or service; and Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation by transferring control of a promised good or service to the customer. A performance obligation may be satisfied at a point in time or over time.

IFRS 15 also includes disclosure requirements to provide comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. IFRS 15 was effective on April 1, 2018, and supersedes all existing guidance on revenue recognition.

The adoption of IFRS 15 did not impact the timing or amount of sales from contracts with customers and the related assets and liabilities recognised by the company. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

IFRS 9 *Financial Instruments*

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The requirements of IFRS 9 represent a significant change from IAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As a result of the adoption of IFRS 9, the company has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require impairment of financial assets to be presented in separate presentation in the statement of profit or loss and OCI.

Additionally, the company has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2018, but have not been applied to the comparative information.

Transition

For financial assets in the scope of IFRS 9 impairment model, its adoption did not have a material impact on their carrying amounts as at April 1, 2018.

5. Changes in accounting policies (continued)

IFRS 9 *Financial Instruments* (continued)

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except that comparative periods generally have not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in accumulated deficit as at April 1, 2018. Accordingly, the information presented for 2018, does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2019 under IFRS 9.

Classification and measurement of financial assets and financial liabilities

IFRS 9 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 classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

For an explanation of how the company classifies and measures financial instruments under IFRS 9, see note 3(g).

(Expressed in thousands of Jamaica dollars unless otherwise indicated)

5. Changes in accounting policies (continued)

IFRS 9 *Financial Instruments* (cont'd)

Classification and measurement of financial assets and financial liabilities (cont'd)

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the company's financial assets and financial liabilities as at April 1, 2018.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at April 1, 2018 relates mainly to the new disclosure and fair value remeasurements.

	Note	Original classification under IAS 39	New classification under IFRS 9	IAS 39 carrying amount at March 31, 2018	Remeasurement	IFRS 9 carrying amount at April 1, 2018
Financial assets:						
Investment security	(a)	Available for sale	FVOCI - Equity instrument	3,273,053	686,293	3,959,346
Cash and cash equivalents		Loans and receivables	Amortised cost	35,297	-	35,297
Resale agreements		Loans and receivables	Amortised cost	218,485	-	218,485
Long-term receivable		Loans and receivables	Amortised cost	16,270,649	-	16,270,649
Other receivables	(b)	Loans and receivables	Amortised cost	3,575	-	3,575
Total financial assets				19,801,059	686,293	20,487,352
Financial liabilities:						
Loans and advances		Other liabilities	Amortised cost	91,063,613	-	91,063,613
Other payables		Other liabilities	Amortised cost	1,771,950	-	1,771,950
Total financial liabilities				92,835,563	-	92,835,563

(a) This equity instrument represents one (1) preference share that the company holds in Transjamaican Highway Limited (TJH) [see note 18]. As permitted by IFRS 9, the company has designated this investment at the date of initial application as measured at FVOCI. Unlike IAS 39, the accumulated fair value reserve related to this investment will never be reclassified to profit or loss. Upon remeasurement at April 1, 2018 on transition, there was a fair value gain of $686,293,000.

(b) Long term receivable that were classified as loans and receivables under IAS 39 are now classified at amortised cost. Upon transition to IFRS 9, as the ECLs were not considered material, no allowance for impairment on these receivables was recognised in opening accumulated deficit.

5. Changes in accounting policies (continued)

IFRS 9 *Financial Instruments* (cont'd)

Classification and measurement of financial assets and financial liabilities (cont'd)

Impairment of financial assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

For assets in the scope of the IFRS 9 impairment model, impairment loses are generally expected to increase and become more volatile. The company has determined that application to IFRS 9's impairment requirements at April 1, 2018 results in an additional allowance for impairment however the amount was not material and therefore not recognised on transition or at the reporting date.

Additional information about how the company measures allowance for impairment is described in note 3(n).

6. 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 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.

6. Financial risk management (continued)

(a) Credit risk (continued)

Maximum exposure to credit risk (continued)

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 Economic Growth and Job Creation; 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) Cash and cash equivalents and resale agreements

The company considers that cash and cash equivalents, and resale agreements have lower credit risk based on external credit ratings of the counter parties.

The company monitors changes in credit risk on these balances by tracking published external credit ratings of the counterparties. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in the published ratings, the company supplements this by reviewing available press and regulatory information about counterparties.

All resale agreements are collateralised by Government of Jamaica securities. These agreements may result in a credit exposure in the event that the counter party to the transaction is unable to fulfill its collateral obligations.

The company's credit risk for in-scope Stage 1 financial assets was classified as B3 rating at the reporting date. The summary of inputs to ECL calculation, which also included forward-looking information [see note 3(n)] were as follows;

Financial asset	Rating	12-month PD	LGD
Long-term receivable	B3	3.04%	0.0%
Other receivables	B3	2.07%	15.5%
Resale agreements	B3	3.04%	15.5%

6. Financial risk management (continued)

(a) Credit risk (continued)

Maximum exposure to credit risk (continued)

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

As there were no material exposures on initial application of IFRS 9 as at April 1, 2018, the company did not recognise expected credit losses on receivables, cash and cash equivalents, and resale agreements (see note 5).

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.

(Expressed in thousands of Jamaica dollars unless otherwise indicated)

6. Financial risk management (continued)

(b) Liquidity risk (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.

	2019						
	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	-	1,123,638	3,355,453	36,587,640	24,817,920	65,884,651	42,447,633
Other long-term loans*	39,104,010				14,798,249	53,902,259	53,902,259
Other payables	-	1,762,964	-	-	-	1,762,964	1,762,964
Total financial liabilities	39,104,010	2,886,602	3,355,453	36,587,640	39,616,169	121,549,874	98,112,856

	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

* 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.

(Expressed in thousands of Jamaica dollars unless otherwise indicated)

6. Financial risk management (continued)

(c) Market risk (continued)

(i) Foreign currency risk (continued)

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:

	2019 US$'000	2018 US$'000
Assets		
Long-term receivable	132,958	130,526
Investment security	47,746	26,257
Resale agreements	4,228	1,354
Cash and cash equivalents	19	13
Total financial assets	184,951	158,150
Liabilities		
Long-term loans	(613,811)	(584,105)
Other payables	(12,975)	(13,046)
Total financial liabilities	(626,786)	(597,151)
Net foreign currency liabilities	(441,835)	(439,001)

The exchange rate of the Jamaica dollar to the United States dollar was J$125.02 (2018: J$125.32) at reporting date.

Sensitivity to movement in foreign exchange rates

A 4 percent (2018: 2 percent) strengthening and a 6 percent (2018: 4 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 2018.

6. Financial risk management (continued)

(c) Market risk (continued)

(i) Foreign currency risk (continued)

Sensitivity to movement in foreign exchange rates (continued)

	2019		2018	
	% 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	4	(2,209,529)	2	(1,100,312)
Devaluation	6	3,313,294	4	2,200,624

(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.

6. Financial risk management (continued)

(d) Capital management (continued)

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.

7. 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: 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).

Valuation technique and unobservable inputs

The company carries the investment security at fair value through other comprehensive income.

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. Fair value estimation (continued)

The table below summarises the above model used to measure level 3 fair value of the preference share.

Valuation technique	Significant unobservable input	Inter-relationship between significant unobservable inputs and fair value measurement
Discounted cash flows: The valuation model considers the present value of the expected future payments by TJH to NROCC (see note 8), discounted using a risk-adjusted discount rate.	- Expected toll revenue up to 2036. - Expected toll traffic volumes up to 2036. - Risk-adjusted discount rate of 18.1%.	The estimated fair value would increase / (decrease) if: - Expected revenues were higher / (lower); - Traffic volumes were higher / (lower); and - Risk-adjusted discount rate was lower / (higher).

8. 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 18, 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.

(Expressed in thousands of Jamaica dollars unless otherwise indicated

8. Revenue (continued)

(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 distributions (of free cash flows or of excess cash over stipulated returns) by Concessionaire No. 1, and, accordingly, revenue from toll road operation was recognised by the company, aggregating $505,155,000.

9. Administrative and general expenses

	2019	2018
Advertising and public relations	656	246
Auditors' remuneration	3,921	3,634
Depreciation (note 17)	61,444	59,441
Donations and subscriptions	204	468
Legal and other professional fees	16,087	17,770
Letter of credit fees	2,857	2,917
Repairs and maintenance	2,068	1,902
Staff costs (note 10)	87,508	86,845
Technical fees	-	80,300
Rent	6,280	6,280
Local travel	1,721	1,562
Utilities	600	600
General Consumption Tax	10,756	5,794
Other operating expenses	5,119	5,542
	199,221	273,301

10. Staff costs

	2019	2018
Salaries and wages	78,980	78,075
Statutory payroll contributions	4,980	4,342
Other	3,548	4,428
Total (note 9)	87,508	86,845

11. Loss on investment security

This represented net loss from the effect of exchange rate translation on investment security (note 18) under IAS 39. With the adoption of IFRS 9, fair value gains/losses on this security (including any related foreign exchange component) are presented in the statement of other comprehensive income (see notes 5 and 23).

(Expressed in thousands of Jamaica dollars unless otherwise indicated

12. Other income

	2019	2018
Technical fees written-back*	112,758	-
Sale of tender documents	112	160
Gain on disposal of property and equipment	66	-
	112,936	160

*During the year, the company was advised that all technical and professional fees spent on Montego Bay Bypass and May Pen to Williamsfield leg of the South Coast Highway Improvement Project (SCHIP) would be borne by the Ministry of Economic Growth and Job Creation. As such, all accrued amounts were written back.

13. Finance income

	2019	2018
Net foreign exchange gains on financial liabilities:		
Unrealised gains on translation of foreign currency balances	-	982,492
Interest income:		
Short-term deposits	7,547	11,233
Long-term receivables	328,224	303,152
	335,771	1,296,877

14. Finance costs

	2019	2018
Net foreign exchange losses on financial investments:		
Unrealised losses on translation of foreign currency balances	168,789	427,147
Realised losses on settlement of foreign currency balances	10,851	2,804
Net foreign exchange losses on financial liabilities:		
Unrealised losses on translation of foreign currency balances	71,204	-
Interest on loans	4,624,931	4,553,536
Amortisation of transaction costs	262,222	262,222
	5,137,997	5,245,709

15. Income tax

By the Income Tax (National Road Operating and Constructing Company Limited) (Remission) Notice, 2011, the Minister of Finance and the Public Service, with effect from February 8, 2011, 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.

(Expressed in thousands of Jamaica dollars unless otherwise indicated

16. Long-term receivable

	2019 US$'000	2018 US$'000	2019 J$'000	2018 J$'000
Due from Jamaica North South Highway Company Limited:				
Purchase price [a(i)]	120,000	120,000	14,828,820	14,958,540
Interest receivable [a(ii)]	22,221	18,621	2,745,972	2,321,237
Effect of discounting of cash flows [a(iii)]	(9,263)	(8,095)	(1,144,708)	(1,009,128)
	132,958	130,526	16,430,084	16,270,649

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.

(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.

(Expressed in thousands of Jamaica dollars unless otherwise indicated)

17. 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, 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
Transfers	-	-	-	(553)	553	-	-
Additions	43,664	-	-	339	303	9,361	53,667
Disposals	-	-	-	-	(269)	-	(269)
March 31, 2019	3,628,862	2,018,579	1,259	8,422	12,493	16,410	5,686,025
Depreciation:							
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
Charge for the year	-	58,278	92	420	1,094	1,560	61,444
Eliminated on disposal	-	-	-	-	(269)	-	(269)
March 31, 2019	-	842,087	1,235	6,568	10,958	8,609	869,457
Net book value:							
March 31, 2019	3,628,862	1,176,492	24	1,854	1,535	7,801	4,816,568
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

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 $1,439,233,000 (2018: $1,534,809,000) 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.

(Expressed in thousands of Jamaica dollars unless otherwise indicated)

18. Investment security

	2019	2018
Equity investment at FVOCI - Preference share:		
At cost [US$26,257,000 (2018: US$26,257,000)]	3,273,053	3,273,053
Net fair value gain	2,715,024	-
Carrying value [US$47,746,000 (2018: US$26,257,000)]	5,988,077	3,273,053

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 8(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.

19. Other receivables

	2019	2018
Receivable from Ministry of Economic Growth and Job Creation		
- Road rehabilitation work (a)	50,072	50,072
- Project expenses (b)	33,196	-
	83,268	50,072
Interest receivable	3,021	298
Other	4,350	3,277
	90,639	53,647
Less allowance for impairment	(50,072)	(50,072)
	40,567	3,575

(Expressed in thousands of Jamaica dollars unless otherwise indicated)

19. Other receivables (continued)

(a) 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 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.

(b) These relate to amounts spent on behalf of the Ministry of Economic Growth and Job Creation on work done for the Montego Bay Bypass and May Pen to Williamsfield leg of the South Coast Highway Improvement Project (SCHIP).

There was no impairment recognised on this balance as the expected credit losses (ECLs) calculated was not material [see also note 6(a)(i)].

20. Resale agreements

The fair value of the securities underlying the resale agreements at the reporting date was $612,948,000 (2018: $226,172,000).

There was no impairment recognised as the calculated ECLs were immaterial [see note 6(a)(iii)].

21. Share capital

	2019	2018
Authorised, issued and fully paid:		
1,000,000 ordinary shares of no par value	1,000	1,000

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.

22. 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.

23. Fair value reserve

This represents the fair value movements, including related foreign exchange gains or losses in financial assets designated as fair value through other comprehensive income.

(Expressed in thousands of Jamaica dollars unless otherwise indicated)

24. Long-term loans and advances

		2019	2018
(a)	Real Return Convertible Bonds (face value J$3,552,000,000, due February 6, 2032)	14,798,249	14,469,453
(b)	PetroCaribe Development Fund US$53,115,106 (2018 - US$58,426,676)	6,717,287	7,360,885
(c)	Ministry of Finance and the Public Service		
	Advances - (i) Interest paid on behalf of company [note 25(b)]	38,724,610	33,526,698
	- (ii) Portmore Causeway [note 25(b)]	379,400	377,955
(d)	Long-term bond (face value US$294,180,000, due 2024)	35,730,346	35,328,622
		96,349,892	91,063,613
	Current portion of Petro Caribe Development Fund US$5,311,570 (2018 - US$5,311,570)	(671,736)	(669,178)
		95,678,156	90,394,435

(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 Limited (note 18).

(Expressed in thousands of Jamaica dollars unless otherwise indicated)

24. 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:

		2019	2018
Face value of bonds, being proceeds of issue		3,552,000	3,552,000
Inflation compensation	- at beginning of year	10,947,626	10,288,552
	- amount for year	326,621	659,074
	- at end of year	11,274,247	10,947,626
		14,826,247	14,499,626
Less: Unamortised transaction costs		(27,998)	(30,173)
		14,798,249	14,469,453

(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.

	2019 US$	2018 US$
Loan amount outstanding at beginning of period	58,426,676	63,738,246
Principal paid during the year	(5,311,570)	(5,311,570)
Loan amount outstanding at end of period	53,115,106	58,426,676
Less: Current portion of long-term loan	(5,311,570)	(5,311,570)
Non-current portion of long-term loan	47,803,536	53,115,106

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)

24. 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.

25. Other payables

	2019	2018
Accrued expenses	27,255	20,901
Professional fees	3,998	4,063
Interest payable	1,698,106	1,699,407
Other	33,605	47,579
	1,762,964	1,771,950

26. 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)

26. Related party balances and transactions (continued)

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

	2019	2018
Payable to related parties:		
Development Bank of Jamaica Limited		
- Interest payable	177,430	177,430
PetroCaribe Development Fund		
- Long-term loan [note 24(b)]	6,717,287	7,360,885
Ministry of Finance and the Public Service		
- Long-term loan [note 24(c)]	38,724,610	33,526,698
- Short-term loan [note 24(c)]	379,400	377,955
Receivables from related parties:`		
Ministry of Economic Growth and Job Creation	33,196	-
Due from Director	-	1,055

(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:

	2019	2018
Development Bank of Jamaica Limited		
Expenses:		
Professional fees	4,800	4,800
Rent	6,280	6,280

(d) Key management personnel compensation:

	2019	2018
Salaries and other short-term employee benefits [including salaries of directors who are executives (see below)]	36,955	38,124
Statutory payroll contributions	2,370	2,250
	39,325	40,374
Directors' emoluments:		
Fees	1,228	1,476
Management remuneration	24,992	17,098
	26,220	18,574

27. Contingent liabilities

(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 $250,000.

(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 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 $573,200,000.

(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 mediation on this matter was carried out on December 10, 2018, however, no compromise was reached. The matter is to be set down for a case management conference, at which point a timetable will be set for it to be fixed for trial.

(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 on March 22, 2013. 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 on March 31, 2016 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. The status of this matter remains the same as concluded on March 31, 2016.

APPENDIX 1

Performance Status Report for 2018/2019

Objectives	Strategies	Output	Performance Indicators/Measures	Planned Targets for the Period	Achievements Year-to-Date
Accelerating Development through Infrastructure	Implement Phase 1C Project	Review of Outline Design	Outline design submitted	Design submitted and reviewed	Review of Design not completed
		Acquire lands needed for construction	Percentage of lands acquired	40% of lands acquired	4.1/24 Km (17 %) of lands acquired
		Preliminary identification of Utilities impacted	Plan developed based on information from Surveyors	Utilities list prepared and submitted. Up to 33% of utilities relocated.	Preliminary list prepared
	Implement Montego Bay Bypass	Appoint design consultants (based on Cabinet's approval) Review of Contractor's Designs	Outline and Detailed design submitted	Outline and Detailed design submitted	Designs not completed
		Preliminary identification of Utilities impacted	Plan developed based on information from Surveyors	Preliminary list of utilities prepared and submitted to MD	List prepared and submitted to MD
		Appointment of Surveyors	Procurement process completed	Contractor determined	Submission made to procurement committee

Objectives	Strategies	Output	Performance Indicators/Measures	Planned Targets for the Period	Achievements Year-to-Date
		Appointment of Valuators	Procurement process completed	Contractor determined	Submission made to procurement committee in December 2018
	Desk top studies for new projects	Prioritisation of North Coast Highway Roads	Report prepared and submitted	Prepared report submitted to the MD	Report prepared and submitted as part of the North Coast Critical Infrastructure Projects report
	Finalize outstanding Land Acquisition transactions	Complete transfer of titles according to schedule.	Number of titles transferred	36	20
		Inspection of existing unused properties	Report submitted	4 quarterly inspections conducted and report submitted	4 reports submitted by Land Acquisition Coordinator
Road User Safety	Monitor the Highway Operating Agreement and partnering with the Developer and Operator to identify and implement safety	Coordinate the activities for reduction of the number of fatal and serious accidents in collaboration with the Toll Operator.	Number and categories of accidents along highway tracked monthly.	Monthly # and categories of accidents obtained from Operator and reviewed. Adverse trends discussed at monthly meeting.	Data obtained from Operator and reviewed monthly. Adverse trend discussed at monthly meetings.

Objectives	Strategies	Output	Performance Indicators/Measures	Planned Targets for the Period	Achievements Year-to-Date
	improvement measures.		Smoke trend along highway tracked monthly and discussed at monthly meeting held with Operator.	Monthly # of fires along T1 and T2 obtained from Operator and reviewed. Adverse trends discussed at monthly meeting.	Data obtained from Operator and reviewed monthly. Adverse trend discussed at monthly meetings.
			Animal sightings along the highway against fence theft and vandalism	Data obtained from Operator and reviewed monthly. Adverse trend discussed at monthly meetings along with Police.	Data obtained from Operator and reviewed monthly. Adverse trend discussed at monthly meetings.
Environmental Balance	Monitor the Highway Operating Agreement with a view to minimizing the	Conduct weekly site inspections of works in progress for environmental and safety compliance.	Submittal of monthly report to Developer and other H2K stakeholders (2 weeks after month end).	12 reports submitted by agreed time	12 reports submitted by agreed time

Objectives	Strategies	Output	Performance Indicators/Measures	Planned Targets for the Period	Achievements Year-to-Date
	impact of the new construction on the surroundings in compliance with NEPA's and other legal/regulatory	Conduct weekly site inspections of completed H2K for environmental and safety compliance.	Submittal of monthly report to Grantor's Rep. (2 weeks after month end).	12 reports submitted by agreed time	12 reports submitted by agreed time
	requirements.	Develop an Environmental Management System (EMS) for NROCC	Targets achieved by stated timelines	Draft EMS procedures and circulate to staff	EMS Procedures completed and circulated
Economic Development	Collaborate with Developer to grow the traffic numbers on H2K	Meet with Developer to formulate plan to grow/improve traffic on H2K	Traffic growth through each plaza	Analyse traffic numbers for trends	Traffic numbers analysed and trends discussed at monthly Meetings with Developers and Operators.
Customer Service	Assure compliance of Developer, Contractor and Operator with the Highway Concession Agreement	Audit Quality Management Systems of the Developer, Contractor and Operator to ascertain level of compliance with the Highway Concession Agreement	Quarterly Quality Management compliance audits conducted	4 audits each of the Developers, and Operators conducted and reported	12 of 12 audits conducted by the last day of the quarter.

Objectives	Strategies	Output	Performance Indicators/Measures	Planned Targets for the Period	Achievements Year-to-Date
	Improve the ongoing customer communication and outreach	Update of H2K website with information relating to activities taking place for H2K.	Timely update of H2K website	Website updated each quarter (end of month.	Website redesigned during the year. Additionally, updates were made with news, notices and project information, director's information etc.
	Monitor and Improve Customer Satisfaction levels	Issue Customer Satisfaction Survey	Survey administered to primary customer and feedback received	Surveys issued to primary and Internal Customers	Survey administered to MEGJC and Staff in Sept 2018. Feedback indicated satisfactory levels of primary and internal customers
	Compliance with PBMA Requirements	Submit reports required by the PBMA to the MEGJC	Quarterly Report	Report submitted by the last day of the month following the quarter	All quarterly reports submitted by due date.
			Half-yearly Report	Report submitted by the last day of the 2nd month following the half-year	Report submitted on Nov 13, 2018
			Annual Report	Report submitted by July 31, 2018	Report submitted to MEGJC and MOF on July 19, 2018

Objectives	Strategies	Output	Performance Indicators/Measures	Planned Targets for the Period	Achievements Year-to-Date
			Corporate & Operational Plans	Plans submitted by Dec 31, 2018	Plans submitted to MEGJC and MOF on Dec 28, 2018
Organization Development and Efficiency Improvement	Improve NROCC's Quality Management System (QMS)	Maintain ISO 9001 QMS and obtain certification of the QMS	No Hold Point during ISO 9001 Surveillance Audit	No hold points during ISO 9001 surveillance audit.	Audit conducted without hold points on Dec 5-6
		Monitoring of risks and opportunities	Mitigating actions addressed	Discussed at the Management Review meeting	Risk mitigating actions discussed at Management Review meeting in July 2018
	Staff Development	Development of staff through training	# of job-related training programmes held	4	6
	Reduction in expenditure to improve organizational efficiency	Developing systems to monitor and reduce utilities consumption	Reduction in telephone talk time	Phone minutes not exceeding 3% over the previous year	Phone minutes was 36% below the previous year
		Monitor and reduce paper consumption	Usage not exceeding previous year (percentage increase)	Usage not exceeding previous year by 20%	Usage was an average of 5.5% below the same period last year

Appendix 2

National Road Operating & Constructing Company
Operational Plan 2019/2020 - *Revised*

OBJECTIVES	STRATEGIES	MAJOR TASKS	PERFORMANCE MEASURE/ INDICATORS	PHYSICAL TARGETS			
				Q1	Q2	Q3	Q4
Accelerating Development through Infrastructure	Implement Phase 1C Project	Complete Design ***(If commenecent is issued by May 1, 2019)***	Design completed and reviewed		Review outline design	Design for Approval reviewed	
		Provide Access to lands for Construction ***(Based on approved budget)***	Km of roadway with access for construction	up to 4	up to 5	up to 7	up to 14
		Development of financial model including proposed toll rates and traffic volumes	Model developed by external consultants		Engagement of external consultants for model		Model developed and reviewed
		Preliminary identification and relocation of Utilities impacted by construction	% of utilities relocated to facilitate construction				up to 10%

		Submission of permit documentation for Environmental Permit for Rio Minho Bridge	Environmental Permit documented for Rio Minho Bridge submitted to NEPA **(*subject to completion of DFA)***				Permit documentation submitted
		Maintain Project Environmental Permit previously issued by NEPA	Submit required documentation to maintain permit from NEPA		Documentation submitted or extension requested based on project status		
	Implement Montego Bay Perimeter Road - Montego Bay Bypass - West Green/Barnett St Road Improvement - Long Hill Bypass - Mobay Drainage Study	Review of Contractor's Designs (***If Main contract signed by May 1 and subcontract design contract signed by June 1)***	Design completed and submitted (***For Road works)***			Outline design submitted and reviewed	Preliminary design submitted and reviewed
		Provide Access to lands for Construction	Km of roadway with access for construction				up to 2
		Finalization of documentation and meetings required for the Environmental permit **(Subject to finalization of Long Hill alignment)**	Submission to NEPA		Final EIA Report submitted to NEPA		
	Continue studies for new projects (N-S/E-W Connection)	Development of Feasibility for Priority Projects	Traffic Model Developed and submitted				Traffic model developed for N-S/E-W Project
		Agree with MEGJC the way forward with North Coast projects	Discussion held with MEGJC and agreement on the scope of NROCC's involvement		Agreement in place		

	Finalize Land Acquisition transactions	Complete transfer of titles according to schedule.	Number of titles transferred	7	7	9	12
		Disposal of severed properties	Number of properties disposed (***Sale/Lease agreements signed***)	1	1	0	2
		Inspection of existing unused properties	Quarterly Reports submitted	1	1	1	1

OBJECTIVES	STRATEGIES	MAJOR TASKS	PERFORMANCE MEASURE/ INDICATORS	PHYSICAL TARGETS			
				QTR.1	QTR. 2	QTR.3	QTR.4
Road User Safety	Monitor the Highway Operating Agreement and partnering with the Developer and Operator to identify and implement safety improvement measures.	Coordinate the activities for reduction of the number of fatal and serious accidents in collaboration with the Toll Operator.	Number and categories of accidents along highway tracked monthly. Follow up with Developers on mitigating actions.	Monthly # and categories of accidents obtained from Operators and reviewed. Adverse trends discussed at monthly meeting.	Monthly # and categories of accidents obtained from Operators and reviewed. Adverse trends discussed at monthly meeting. Crash Reduction Analysis and Strategies Reports prepared and submitted to Developer (Jan - June 2019) due Sept 30, 2019	Monthly # and categories of accidents obtained from Operators and reviewed. Adverse trends discussed at monthly meeting.	Monthly # and categories of accidents obtained from Operators and reviewed. Adverse trends discussed at monthly meeting. Crash Reduction Analysis and Strategies Reports prepared and submitted to Developer (Jan - Dec 2019) due Mar 31, 2020

			Smoke trend along highway tracked monthly and discussed at monthly meeting held with Operator. Follow up with Developers on mitigating actions.	Monthly # of fires along highways obtained from Operators and reviewed. Adverse trends discussed at monthly meeting.	Monthly # of fires along highways obtained from Operators and reviewed. Adverse trends discussed at monthly meeting.	Monthly # of fires along highways obtained from Operators and reviewed. Adverse trends discussed at monthly meeting.	Monthly # of fires along highways obtained from Operators and reviewed. Adverse trends discussed at monthly meeting.
			Animal sightings along the Highways fence theft and vandalism. Follow up with Developers on mitigating actions.	Data obtained from Operators and reviewed monthly. Adverse trend discussed at monthly meetings along with Police.	Data obtained from Operators and reviewed monthly. Adverse trend discussed at monthly meetings along with Police.	Data obtained from Operators and reviewed monthly. Adverse trend discussed at monthly meetings along with Police.	Data obtained from Operators and reviewed monthly. Adverse trend discussed at monthly meetings along with Police.

OBJECTIVES	STRATEGIES	MAJOR TASKS	PERFORMANCE MEASURE/ INDICATORS	PHYSICAL TARGETS			
				QTR.1	QTR. 2	QTR.3	QTR.4
Environmental Balance	Monitor the Highway Operating Agreement with a view to minimizing the impact of the new construction on the surroundings in compliance with NEPA's	Conduct weekly site inspections for environmental and safety compliance (Environmental Report)	Submittal of monthly report to MD and Grantors Representative and issues raised discussed with Developers	3 reports submitted by agreed time	2 reports submitted by agreed time	3 reports submitted by agreed time	3 reports submitted by agreed time

	and other legal/regulatory requirements.	Liaise with Developer, Toll Authority and MEGJC, communities and local authoritie etc. on project related environmental activities	# of meetings held with named groups	2	2	2	2
		Conduct weekly site inspections for O&M requirements (Civil Engineer Report)	Submittal of monthly report to Grantor's Rep. and issues raised discussed with Developers	3 reports submitted by agreed time	2 reports submitted by agreed time	3 reports submitted by agreed time	3 reports submitted by agreed time
	Improve Environmental Awareness and practices within NROCC	Develop an Environmental Management System (EMS) for NROCC	Targets achieved by stated timelines	Draft EMS procedures and circulate to staff	Review and agree EMS Procedures	Train staff in EMS Procedures	Implement and monitor EMS Procedures

OBJECTIVES	**STRATEGIES**	**MAJOR TASKS**	**PERFORMANCE MEASURE/ INDICATORS**	**PHYSICAL TARGETS**			
				QTR.1	**QTR. 2**	**QTR.3**	**QTR.4**
Economic Development	Collaborate with Developer to grow the traffic numbers on H2K in keeping with the Government's policy objective	Meet with Developer to discuss plan to grow/improve traffic on H2K	Traffic numbers analyzed for tends, recommendations discussed with Developers	Analyze traffic numbers for trends	Analyze traffic numbers for trends	Monitor impact of N.S Mandela Highway widening on E-W Corridor. Analyze traffic numbers for trends.	Monitor impact of N.S Mandela Highway widening on E-W Corridor. Analyze traffic numbers for trends.

Customer Service	Assure compliance of Developer, Contractor and Operator with the Highway Concession Agreement	Audit Quality Management Systems of the Developer, Contractor and Operator to ascertain level of compliance with the Highway Concession Agreement	Quarterly Quality Management compliance audits conducted and issues raised with Developers	1 audit each of the Developers and Operator conducted and reported. Follow up of non-compliance issues by following quarter	1 audit each of the Developers and Operator conducted and reported. Follow up of non-compliance issues by following quarter	1 audit each of the Developers and Operator conducted and reported. Follow up of non-compliance issues by following quarter	1 audit each of the Developers and Operator conducted and reported. Follow up of non-compliance issues by following quarter
	Improve the ongoing customer communication and outreach	Update of H2K website with information relating to activities taking place for H2K.	Timely update of H2K website	Website updated quarterly	Website updated quarterly	Website updated quarterly	Website updated quarterly
		Resolve Customer complaints within specified timeframe	Percentage of customer complaints resolved within 90 days of receipt	90%	90%	90%	90%
	Monitor and Improve Customer Satisfaction levels	Issue Customer satisfaction Survey	Survey administered to customers. Percentage of satisfied respondents. Development of action plan to address issues raised.		Surveys Issued to primary and Internal Customers	Overall minimum rating of satisfied obtained from minimum of 70% of survey respondents. Develop action plan to address issues raised.	
	Compliance with PBMA Requirements	Submit reports required by the PBMA to the MEGJC	Quarterly Report	last day of month following quarter	last day of month following quarter	last day of month following quarter	last day of month following quarter
			Half-yearly Report	2 months following end of 6 months period		2 months following end of 6 months period	
			Annual Report		4 months following end of financial year		
			Corporate & Operational Plans			last day of calendar year	

OBJECTIVES	STRATEGIES	MAJOR TASKS	PERFORMANCE MEASURE/ INDICATORS	PHYSICAL TARGETS			
				QTR.1	QTR. 2	QTR.3	QTR.4
Organization Development and Efficiency Improvement	Improve NROCC's Quality Management System (QMS)	Maintain ISO 9001 QMS	No Hold Point during ISO 9001 Transition Audit			No Hold point on surveillance audit	
		Monitoring of risks and opportunities	Mitigating actions addressed		Discussed at Management Review meeting		Discussed at Management review meeting
	Staff Development	Development of staff through training	# of staff members attending job-related training programmes	1	1	1	1
	Reduction in expenditure to improve organizational efficiency	Developing systems to monitor and reduce utilities consumption	Reduction in telephone talk time	Phone minutes not exceeding 3% over the previous year	Phone minutes not exceeding 3% over the previous year	Phone minutes not exceeding 3% over the previous year	Phone minutes not exceeding 3% over the previous year
		Monitor and reduce paper consumption	Usage not exceeding previous year (percentage increase)	20	20	5	5