

HIGHWAY 2000

NROCC

**NATIONAL ROAD OPERATING
& CONSTRUCTING COMPANY LTD**



ANNUAL REPORT
2009 - 2010

Mission Statement

To oversee the financing, planning, building and maintenance of a safe and efficient network of toll highways and support roads of the highest quality, to serve Jamaica.

Vision Statement

To establish a safe, efficient network of toll highways, to stimulate economic expansion and development in Jamaica.

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Strategic Objectives

NROCC has identified strategic objectives as follows:-

- Accelerating Development through Infrastructure
- Road user safety
- Environmental balance
- Economic Development
- Customer Service
- Organizational Development and Efficiency Improvements

CHAIRMAN'S STATEMENT



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The financial year 2009/10 continued to be challenging given the continuing restrictions in the global credit environment.

In order to address this issue NROCC along with the Developer, TransJamaican Highway Limited, began actively pursuing a number of sources for lower cost funding. Through these efforts and in order to finance the next phase of the Highway from Sandy Bay to Four Paths, the Developer has now reached agreement with a consortium of Multilateral Financial Institutions for financing this leg.

This funding will not only be used to finance the new construction but will enable the repayment of existing high cost debt which will ultimately improve the viability of the Developer's project.

NROCC was also able to identify longer term funding at lower interest rates for the completion of the Mt. Rosser project. This section of the North-South link is almost completed except for approximately one half of a kilometer where work has stopped due to geotechnical issues which have caused the highway to be re-designed to overcome these difficulties.

In order to make the link from the South to the North Coast active, discussions are now taking place with China Harbour Engineering and Construction for the construction of the Spanish Town to Linstead Leg of the Highway using low cost funding through China EXIM Bank.

While the overall economic environment impacted the traffic using the Highway, this decline was modest. The average traffic using the roadway declined from 53,900 vehicles per day during 2008/09 to 50,700 during 2009/10. Notwithstanding the foregoing, some 87 million trips have been taken on the highway to date with 18.5 million during the current year.

In the new fiscal year, NROCC will continue to search for lower cost funding and seek to establish more Public Private Partnerships especially as it seeks to complete the link from Spanish Town to Ocho Rios.

On behalf of the entire Board I wish to thank the management and staff for their continued dedication to this vision.

CHRISTOPHER BOVELL
CHAIRMAN



The 2009-2010 Financial year was a mixed year for the National Road Operating and Constructing Company Limited (NROCC). In fulfillment of our strategic objectives, while making significant progress on the works under construction, significant difficulties were experienced with the financing of our ongoing projects.

Financing

As a consequence of the difficulties in the global market, NROCC had significant difficulty in continuing to fund its projects. Funding was ultimately obtained from both the Export-Import (EXIM) Bank and the Petrocaribe Development Fund. PriceWaterhouse Coopers was also appointed to seek funding for NROCC.

Mt. Rosser

During the year, significant progress was achieved moving the progress on the project from 47% at the end of the last financial year to 79% at the end of the current year - an increase of 68%. More than 90% of the earthworks have been completed and works have now commenced on the toll facilities. The project is expected to be completed by its scheduled completion date of Jan 2011.

In February of 2010 the contractor identified geotechnical difficulties in a 500m area of zone 2 which will likely cause a realignment of the work in this area to become necessary.

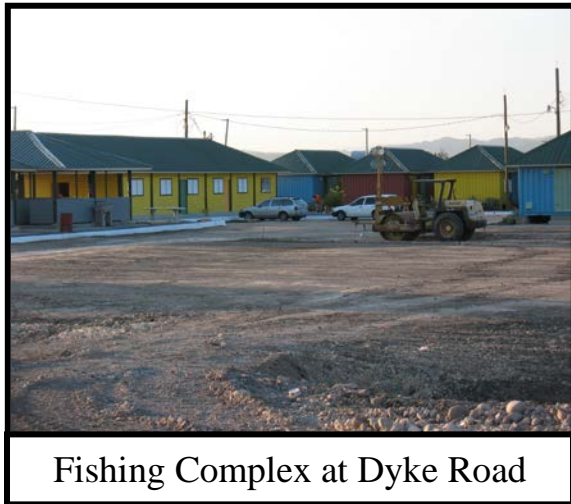
Four Paths to Sandy Bay

In December 2009 TJH secured the approval for funding from four multi-lateral organizations (Inter-American Development Bank, International Financial Corporation, European Investment Bank and Proparco) for the construction of Phase 1B-1 (Sandy Bay to Four Paths). The scope of this project significantly modifies the requirements of the concession agreement (Sandy Bay to Williamsfield) including the requirement for financing by NROCC totaling about US\$28 M (excluding the costs for land acquisition and utilities relocation ~ US\$7 M) . These are now being discussed with the Developer.

Notwithstanding the funding challenges, significant progress was made in finalizing the acquisition of lands for Phase 1B-1. A total of 86% of the targeted acquisitions for the year have so far been completed.

Dyke Road

The Dyke Road fishing village including the construction of a new beach was completed on budget and opened on 2009 October 30. This facility has led to the relocation of more than 300 persons from the section of the Causeway - a squatter community which they had occupied for more than 30 years.



Fishing Complex at Dyke Road



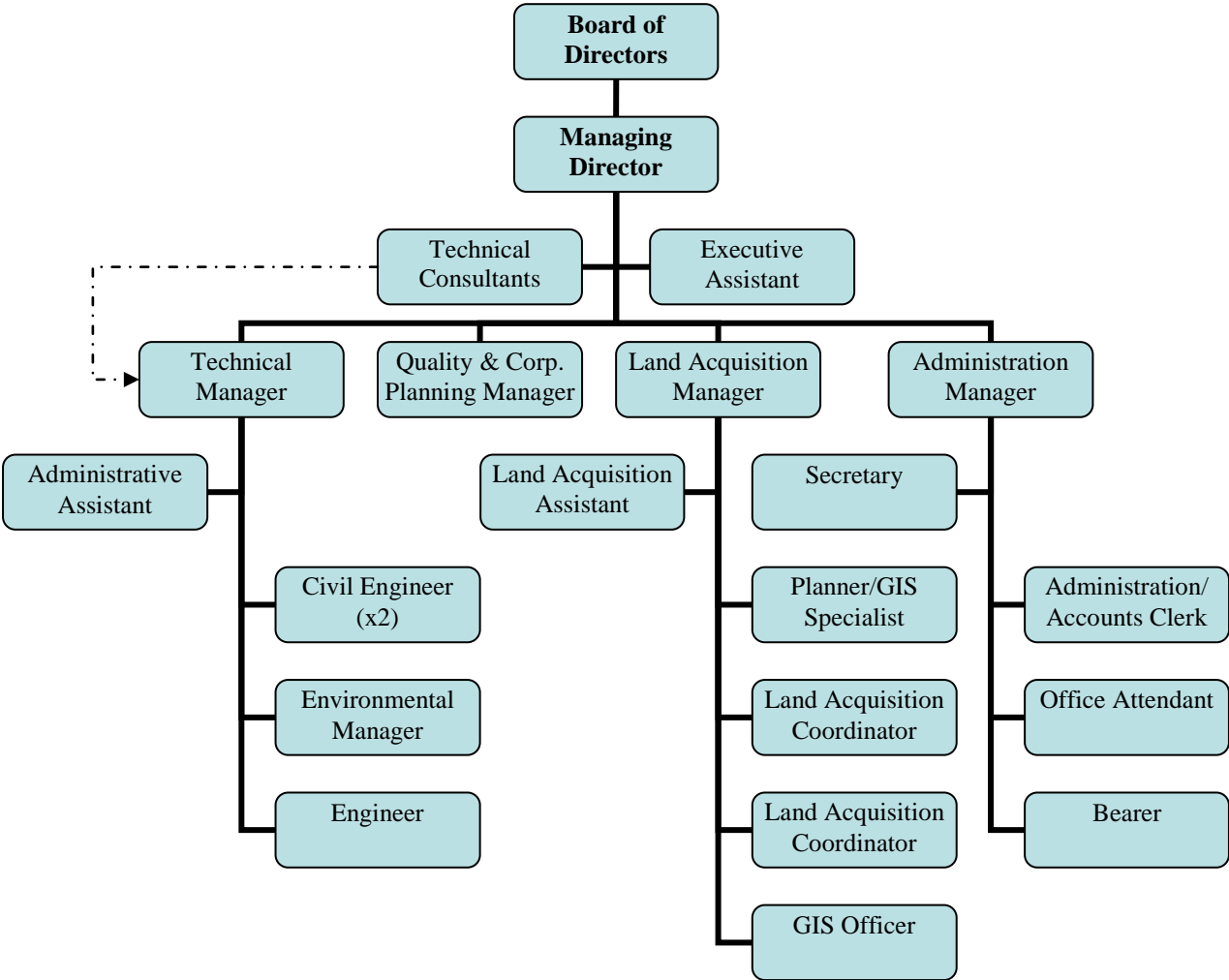
New beach along the Dyke Road

Road Safety

Road safety is monitored for the Highway Operating Agreement to identify and implement safety improvement measures. The number of accidents recorded for 2009-2010 decreased from 220 for 2008-2009 to 214. The main causes of the accidents in 2008-9 were bad driving and speeding while for 2009-10, most accidents were attributable to speeding only. The incidents of fire and smoke on T1 for 2010 compared with the similar period in 2009 showed a marked decline in numbers. Several additional measures were put in place by the Operator to warn motorists of smoke and fire including a sensitization campaign and a new smoke procedure and the involvement of the sugar factory.

IVAN P.G. ANDERSON
MANAGING DIRECTOR

NROCC'S ORGANIZATIONAL CHART



BOARD OF DIRECTORS



<p>Mr. Christopher Bovell, C.D. - Chairman Consultant Dunn Cox (Attorneys-At-Law & Notaries Public) Patent & Trade Mark Agents</p>	<p>Mr. Ivan Anderson Managing Director National Road Operating & Constructing Company Ltd.</p>
<p>Mr. Edison Galbraith General Manager, Portfolio Investments Development Bank of Jamaica</p>	<p>Dr. Alwin Hales Permanent Secretary Ministry of Transport & Works</p>
<p>Ms. Millicent Hughes Accountant General Accountant General's Department</p>	<p>Ms. Ann-Marie Rhoden Deputy Financial Secretary Ministry of Finance & the Public Service</p> <p>Alternate</p> <p>Mrs. Veronica Warmington Unit Director Ministry of Finance & the Public Service Public Enterprise Division</p>
<p>Mr. Peter Schroeter General Manager Asphalting Specialists Ltd.</p>	<p>Mr. Robert Woodstock Director Messrs. Morrison Woodstock Assoc. Architects</p>

DIRECTORS' REPORT



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Your Directors submit their Annual Report together with the Audited Financial Statements for the year ended 2010 March 31.

Financial Statements

For the year the company had no revenues, and therefore its operating loss was \$466,930,000 after deducting administrative costs. The single largest element of the administrative expenses was the expenses associated with the relocation of Fisherfolk from the Causeway to the newly constructed Dyke Road Fishing Complex and other resettlement expenses which amounted to \$184,307,000. Finance income for the year amounted to \$825,947,000. After deducting finance costs, inflation compensation and taxes, the net loss for the year was \$3,163,398.

Details of the results are shown on Page 3 of the audited Financial Statements.

Dividends

As a consequence of the foregoing losses no dividends can be paid at this time.

Directors

The names of the Directors are shown in the above list of directors and none of them are due for retirement.

Auditors

KPMG have expressed their willingness to continue as Auditors of the company and a resolution will be proposed authorizing the Directors to fix their remuneration.

The National Road Operating and Constructing Company (NROCC), also known as the Grantor, is a limited liability company formed to represent the Government of Jamaica’s interest under the Concession Agreement signed in 2001 between NROCC and the Developer, Transjamaican Highway Limited (TJH) for the design, construction, operation and maintenance of the Highway 2000 toll road. 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. The Project was conceived as a public-private-partnership and implemented as a build-finance-operate and transfer (BFOT) 35-year concession scheme. It is envisioned that the Highway 2000 project will meet the rapidly growing surface transport needs of the country by establishing a safe and efficient motorway axis linking Montego Bay and Ocho Rios by passing through the parishes of St. Catherine, Manchester, St. Elizabeth, Westmoreland, Hanover and 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 to six 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 main phases which are further sub-divided into Sections as shown below:

- Phase 1A (~46 km) - Sandy Bay to Kingston
- Phase 1B (~ 37.7 Km) -Sandy Bay to Williamsfield
- Phase 2A (~47 km) - Spanish Town to Ocho Rios
- Phase 2B – Williamsfield to Montego Bay.

Phase 1A of the Highway was completed in 2006 July. Construction is in progress for the Mount Rosser Section of Phase 2A which is expected to become operational at the end of 2011 January. Land acquisitions are substantially complete for the first section of Phase 1B.



Accelerating Development through Infrastructure

Land Acquisitions for Phase 1B-1 (Sandy Bay to Four Paths) and Mount Rosser

Overall, 86% of land acquisitions targeted for the year was achieved. The shortfall was mainly due to challenges in obtaining funds to pay for the acquisitions.

Phase 1B-1

To the end of March 2010 NROCC had deemed legal possession on all 141 properties identified for acquisition of which 121 had been compulsory acquired and 20 by private treaty. There were five (5) graves remaining to be relocated of the total (15) which were discovered/known to be within the road reservation.

Mount Rosser

The critical area in Mount Rosser continues to be the Mulloch area where new geotechnical issues were identified. The finalization of the acquisition in this area will be dependent on the results of any re-alignments in this area. Notwithstanding the foregoing, Compulsory Acquisition hearings continued to be held where no title or owners are available.

Construction of the East-West Link: Phase 1B – Sandy Bay to Williamsfield

The year-to-date targets were not realized as construction did not start due to delays in reaching an agreement with the Developer on changes to be made to the concession agreement.

Construction of North-South Link: Phase 2A

Mount Rosser Bypass

The value of work completed was approximately 78% as at 2010 March 22. Overall construction completion was 79% as at 2010 March 31. The work programme showed the contractor approximately 2-3 weeks behind. The year's expenditure performance was above target at 55.2% versus 36.8% targeted. The above target expenditures were due to payments owed from previous quarters being paid.

New geotechnical problems were reported by the contractor in an area approximately 500 m long in section 2. This resulted in the shutdown of earthworks in this area. Based on the additional investigations and the preliminary findings, there is going to be an adjustment to the alignment of the roadway in this area. This is expected to have further impact on houses in this area and will delay the project. Although NROCC transferred the risks for geotechnical issues back to the Developer in keeping with the original concession agreement after the first geotechnical issue arose in 2008. Notwithstanding the foregoing, the Developer indicated that he may seek compensation for these changes.

PICTURES OF THE MOUNT ROSSER PROJECT



Asphalting in Progress - Km 16+900



Drainage Protection Works - Km 19+350

Bitumen Containers at Asphalt Plant



Construction of Toll Plaza

Relocation of Fisherfolk to Jamworld

The Dyke Road fishing village was completed and opened on 2009 October 30. The relocation of the Fisherfolk from the Causeway was completed at the end of 2010 March.

NROCC applied for a grant from the Inter-American Development Bank for institutional strengthening of the Fisherfolk. As part of the grant conditions, NROCC agreed to become the executing agency.

Pictures of the Dyke Road Fishing Village



New Fishing Village at Dyke Road



Fish Cleaning Unit



Water Storage tanks for Fishing Village

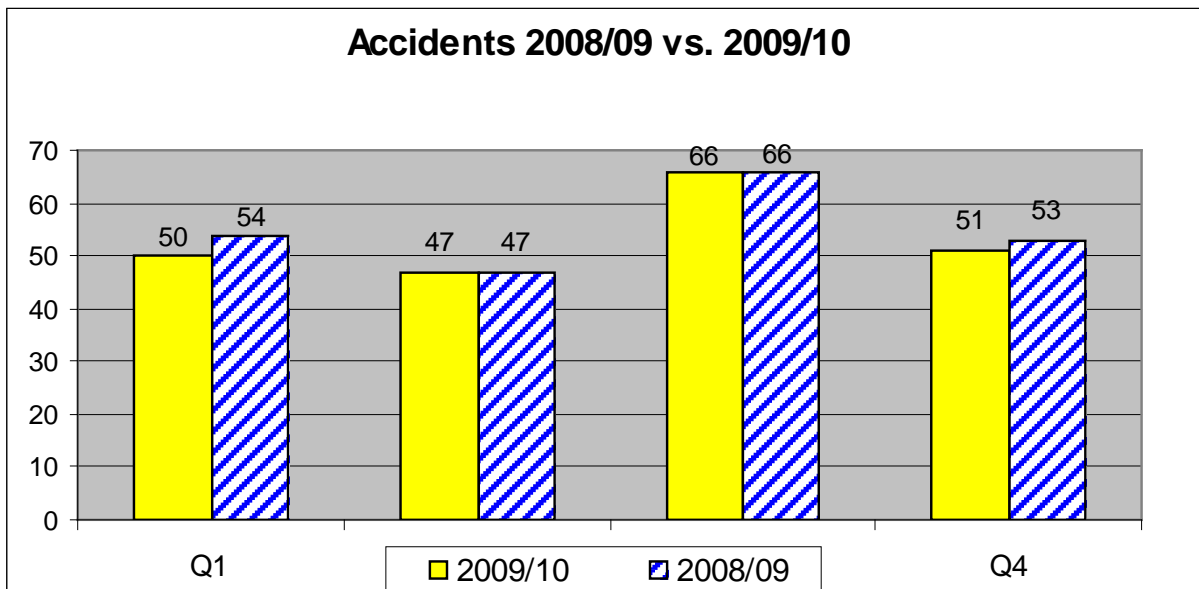


Access road with silt screen in background

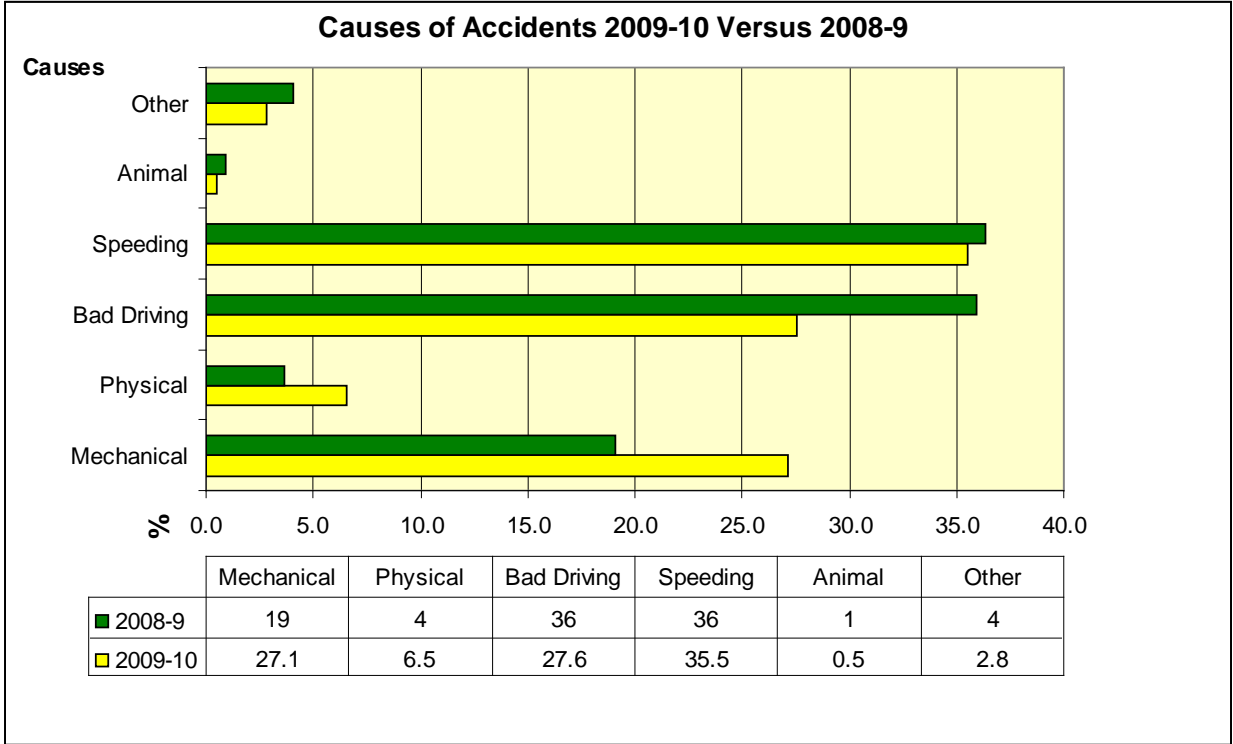
Road User Safety

Accidents occurring on the Toll Road continue to be recorded, analyzed and reported at fortnightly Highway 2000 Project meetings as targeted. Weekly inspections are done on the Portmore Causeway to review patrols, signage and road conditions. The Developer is advised by the Grantor's Representative each time a report is submitted and raises a Routine Surveillance Inspection Request if issues need to be addressed.

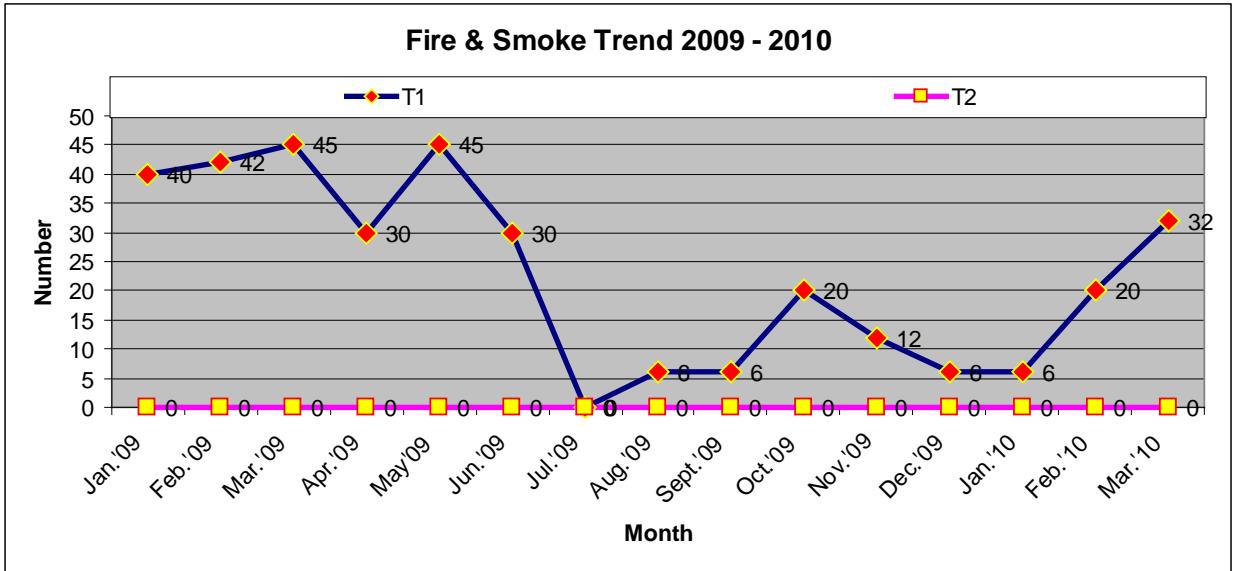
The number of accidents recorded for 2009-2010 was 214 compared with 220 for 2008-2009. See bar chart below.



The main causes of the accidents in 2008-9 were bad driving and speeding while for 2009-10, most accidents were attributable to speeding only. See bar graph below.



Fire and Smoke: The incidents of fire and smoke on T1 for 2010 compared with the similar period in 2009 showed a decline in numbers (see graph below). Several additional measures were put in place by the Operator to warn motorists of smoke and fire including a sensitization campaign and a new smoke procedure and the involvement of the sugar factory. :-



Environmental Balance



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NROCC remains committed to minimizing the impact of new Highway construction on the surrounding environment, in compliance with the requisite National Environment and Planning Agency (NEPA) requirements. Construction activities are being undertaken in compliance with environmental legislation in Jamaica. NROCC, however, is 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.

Monitoring mechanisms have been developed, implemented and applied to the project with the intention of satisfying all of the requirements.

During the 2009-2010 Financial year, joint weekly site visits targeted were done between NROCC's Environmental Manager and the Contractor's Representative(s) to monitor compliance levels on the Mount Rosser By-pass project. Monitoring included but was not restricted to the following aspects: air and water quality, noise and dust reduction, waste and chemical management, health and safety, protection of biological resources, archaeological resources, erosion and sediment control and community relations. Follow-ups were done to verify actions taken for non-complying conditions. Eleven of the twelve monthly reports targeted for the year were completed and submitted to the Developer by the agreed time. Two quarterly summaries and six monthly reports were submitted by the agreed times.

Monthly reports were submitted in lieu of the targeted quarterly report as they provide sufficient details on the environmental performance of the contractor in relation to the Environmental regulations and the concession agreement

The requisite permits/licenses were obtained by the Developer/Contractor as required under the Concession Agreement. The asphalt plant was relocated to Schwallenberg and an application for a new permit was submitted by the Contractor.

For Mount Rosser, discussions are held weekly with the Contractor's Community Relations Officer on the need for and extent of community intervention. For the year, five meetings were held and a community bulletin was distributed to residents to be affected by the Highway alignment in Phase 1B.

Monitoring of the Operator's activities was also done and reported for the completed sections of the Highway.

Matters relating to the application for the permit on the Spanish Town to Linstead (Gorge Bypass) - Segment 1 of the north-south link, are on hold, until the contract for the Environmental Impact Assessment (EIA) has been awarded. The Terms of Reference was developed, submitted to and a response received from the National Environmental Planning Agency. The tender for the EIA was evaluated and the award is pending the availability of funds.

Environmental Balance Cont'd



Monitoring of the construction activities including beach dredging for the Dyke Road Fishing Village were also done by NROCC. Three licenses were obtained by NROCC for the following to be undertaken: Dredging, Coastline Reclamation Works, Construction of two Breakwaters and one Groyne. NROCC as the Licensee monitored the works to ensure that the contractor's activities conformed to the general and specific conditions of the licenses and Environmental "best practices".

Economic Development

Travel time data has been collected up to the end of March 2010. The data showed that although the distance via the toll road is greater by approximately 0.5 Km the time taken to complete the journey is approximately 30 minutes quicker using the toll road.

Customer Service/Quality Management System

The main thrust of a Quality Management System (QMS) is in defining the processes, which will result in the production of quality products and services. An effective QMS will also ensure that the customers' as well as the organization's requirements are met. NROCC has sought to assure that customers' requirements as defined in the Concession Agreement are met through the targeted quarterly audits of the Highway 2000 Developer's, Operator's and Contractor's QMS and bi-annual Technical Inspection of the Contractor's Design and Project System. Instances of non-compliances are formally addressed to the relevant entity for corrective measures to be taken and follow-up done to review the effectiveness of the actions taken. Three of the planned 4 sets of audits of the Developer, Contractor and Operator were conducted and reported (3 for each of the organizations). The fourth set was not done because of the unavailability the Consultant to do the Technical Inspection at the same time as the QMS audits were being done. One of the two Technical Inspections was completed during the period and the other was done in the 2010-11 financial year.

Organizational Development and Efficiency Improvement



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As a public sector company NROCC is seeking to implement suitable operating measures that will reduce the impact on/support from the Government budget allocations.

Refinancing/Loan Conversion

Proposals were invited by our Financial Arrangers to refinance a substantial portion of NROCC debts. The proposals will be submitted to Cabinet for their approval. In order to increase flows to NROCC after our loans are repaid and in discussion with the Developer, a proposal was submitted to convert NROCC Loans into Preference Shares in TJH. These proposals will be finalized in the 2010-11 financial year.

Training

A total of twelve staff members attended external training and fifteen attended internal training courses throughout the year compared with the target of two.

Operational Expenses

Reduction in telephone usage bill tracked for the year showed a reduction of 17% for the year compared to the target of 20%.

Projections/Constraints

For the 2010-2011 financial year, land acquisition for Phase 1B and Mount Rosser is projected for completion. Land acquisition for Spanish Town to the end of Linstead Bypass is projected to begin. A loan was obtained from the PetroCaribe Development Fund to complete construction of the Mount Rosser Bypass section of Phase 2A (Kingston to Ocho Rios). This section is contractually scheduled for completion in 2011 February. Recent (2010 February) geotechnical problems were identified by the contractor which will require design modifications and will impact on the completion time for the project.

Following on the approval of funding given by the multi-laterals for Phase 1B, NROCC has to make arrangements to raise US\$31M to meet its obligations under the concession agreement. It was also agreed that a further US\$4M (bringing the total to US\$35 M) would be paid to have the price of fuel and bitumen fixed as at 2009 November.

During the 2012-2013 financial year, a design study/investigation will be done for the Spanish Town to Linstead Bypass section (connection to Mount Rosser) to determine the optimum alignment for the route and construction will begin during the same period.

DIRECTORS' FEES



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 (\$)
Board Chairman	184,500.00	0.00	0.00	0.00	184,500.00
Director	102,000.00	0.00	0.00	0.00	102,000.00
Director	93,500.00	0.00	0.00	0.00	93,500.00
Director	76,500.00	0.00	0.00	0.00	76,500.00
Director	71,500.00	0.00	0.00	0.00	71,500.00
Director	51,000.00	0.00	0.00	0.00	51,000.00
Director	7,125.00	0.00	0.00	0.00	7,125.00
Managing Director	0.00	0.00	0.00	0.00	0.00

SENIOR STAFF REMUNERATION FOR 2009-2010

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 (\$)
Managing Director	April 2009- March 2010	7,976,541.94	0	796,500.00	0	0	113,353.00	8,886,394.94
Technical Manager	April 2009- March 2010	4,632,559.92	0	796,500.00	231,627.96	0	113,353.00	5,774,040.88
Land Acquisition Manager	April 2009- March 2010	3,850,940.04	0	796,500.00	0	@ 275,539.92	113,353.00	5,036,332.96
Quality/Corporate Planning Mgr.	April 2009- March 2010	4,025,000.04	0	796,500.00	0	0	113,353.00	4,934,853.04

* Health Insurance & Life Insurance

@ Pay in lieu of vacation

AUDITOR'S REPORT

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AUDITED FINANCIAL STATEMENTS