



NROCC

**NATIONAL ROAD OPERATING
& CONSTRUCTING COMPANY LTD**



National Road Operating and Constructing Company Limited

ANNUAL REPORT 2013 - 2014

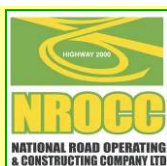


TABLE OF CONTENTS

1. CHAIRMAN’S AND MANAGING DIRECTOR’S REPORT	3
1.1. HIGHWAY 2000 PROJECT OVERVIEW	3
1.2 NORTH-SOUTH LINK HIGHWAY (FERRY/CAYMANAS TO OCHO RIOS)	4
1.2.1 GENERAL ISSUES	4
1.2.1.1 LAND DELIVERY	4
1.2.1.2 EMPLOYMENT:	4
1.2.1.3 ENVIRONMENTAL PERMITS	5
1.2.2. CONSTRUCTION.....	5
1.2.2.1 Section 1 (Caymanas to Linstead):.....	5
1.2.2.2 Section 2 (Linstead to Moneague):.....	6
1.2.2.3 SECTION 3 (MONEAGUE TO OCHO RIOS) :.....	6
1.3 East – West Corridor Operations	7
1.3.1 Traffic	7
1.3.2 Road Safety	7
1.4 Quality Management System.....	7
2. NROCC’S ORGANIZATIONAL CHART	9
3. BOARD OF DIRECTORS.....	10
4. DIRECTORS’ REPORT	11
5. FIVE YEAR FINANCIAL REVIEW	13
6. PROJECT UPDATE	14
6.1. OPERATIONAL REVIEW AND UPDATE	14
6.1.1. ACCELERATING DEVELOPMENT THROUGH INFRASTRUCTURE.....	14
6.1.1.1. DESIGN STUDIES/INVESTIGATIONS FOR THE MAY PEN TO WILLIAMSFIELD	15
6.1.1.2. LAND ACQUISITIONS	15
6.1.1.3. NORTH - SOUTH LINK (CAYMANAS TO OCHO RIOS)	16
6.1.2. ROAD USER SAFETY	20
6.1.2.1. ACCIDENTS	20
6.1.2.2. ANIMALS ON THE HIGHWAY	22
6.1.2.3. STONE THROWING/ROBBERIES	22
6.1.2.4. ROAD SPIKES	23
6.1.2.5. FIRE AND SMOKE:	23
6.1.3. ENVIRONMENTAL BALANCE	24
6.1.4. ECONOMIC DEVELOPMENT	25
6.1.5. CUSTOMER SERVICE/QUALITY MANAGEMENT SYSTEM	26
6.1.6. ORGANIZATIONAL DEVELOPMENT AND EFFICIENCY IMPROVEMENT.....	27
6.1.6.1. MAINTENANCE OF CERTIFICATION OF ISO 9001 QUALITY MANAGEMENT SYSTEM (QMS).....	27



6.1.6.2. TRAINING	27
6.1.6.3. OPERATIONAL EXPENSES	28
6.1.7. PROJECTIONS.....	29
7 DIRECTORS' FEES 2013-2014.....	30
8 SENIOR STAFF REMUNERATION FOR 2013-2014	31
9 AUDITORS' REPORT & AUDITED FINANCIAL STATEMENTS	32
Appendix 1 – STATUS REPORT FOR FINANCIAL YEAR 2013-2014	33



1. CHAIRMAN'S AND MANAGING DIRECTOR'S REPORT

1.1. HIGHWAY 2000 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 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.

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).

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 Kingston and Ocho Rios by passing through the parishes of St. Catherine 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 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:

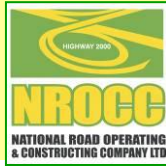
Phase 1

- 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

- 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. Construction is now underway on Phase 2A to complete Mount Rosser Bypass (Section 2). Caymanas to Linstead (Section 1) and Moneague to Ocho Rios (Section 3) are also under construction and are expected to be completed in 2016.

1.2 NORTH-SOUTH LINK HIGHWAY (FERRY/CAYMANAS TO OCHO RIOS)

1.2.1 GENERAL ISSUES

1.2.1.1 LAND DELIVERY

All the lands required in keeping with the Concession Agreement were delivered as scheduled. In addition, in discussion with the Developer a number of new areas were also delivered to assist the Developer to expedite his works. A total of 34.9 km of Highway out of a total of 48Km was delivered to the Developer as against 22.6 Km which would have been required in the agreement.

Lands were acquired through a combination of Compulsory Acquisition (where the owner is not available or no agreement can be reached) or through Private Treaty with the owners. In instances where persons do not have a title, compensation was still made to the occupants for the buildings on the property. Additional rental assistance and trucking were also provided. The objective of the program was to try and ensure that persons are no worse off as a result of the construction of the Highway.

1.2.1.2 EMPLOYMENT:

A total of approximately 1038 persons were employed on the various sections, comprising of approximately 604 Jamaicans and 434 expatriates (Chinese/Others). These numbers were within the targets as specified in the Concession Agreement.



1.2.1.3 ENVIRONMENTAL PERMITS

The Developer received a total of 27 permits (National Environment and Planning Agency [NEPA] and the Parish Councils [PC]) for the various aspects of construction i.e.: Buildings, Batching Plants, Fuel Storage, Waste Water Treatment, Highway Construction, etc.

The level of compliance with the Highway permits recorded for the month of January 2014 showed basic conformance with the applicable standards in most of the parameters reviewed.

1.2.2. CONSTRUCTION

1.2.2.1 Section 1 (Caymanas to Linstead):

Construction started Oct. 2013: Planned Completion Jan 2016

All the areas of the alignment in this section have been confirmed and designs completed, with the exception of the first 4 Km in Caymanas where the Developer has proposed a new Cloverleaf interchange to connect to Mandela Highway. This is currently being reviewed and discussed with the various stakeholders.



Preconstruction, clearing, grubbing and the creation of the construction road was well underway in almost all areas in Section 1. Construction of major structures also commenced with the bridge over the existing gorge road at "Dam Head".

Preliminary works also commenced on the new Rio Cobre Bridge crossings.





1.2.2.2 Section 2 (Linstead to Moneague):

Construction started Feb. 2013: Original Planned Completion May 2016. This was revised to August 2014

Work progressed well on the piling/retaining walls in the areas with the Geotechnical Problems. Approximately 90% of these structures were completed.

The Contractor is now also erecting a new “Asphalt Paving Plant” in Mt. Rosser to allow for the paving of the roadways once the earthworks are completed.



1.2.2.3 SECTION 3 (MONEAGUE TO OCHO RIOS) :

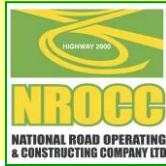
Construction started Oct. 2013: Planned Completion Jan 2016

All the designs were finalized in this area and the connection to the North Coast Highway agreed. This will be located in an area just west of Dunn’s River.

Similar to the other areas, works were well underway in Section 3, and the Contractor has cleared almost the entire section with the exception of the start of the roadway (end of Mt. Rosser) and the end of the alignment on the North Coast Highway.



Construction of structures was also underway at the Main Road crossings close to the old Lydford operations.



1.3 East – West Corridor Operations

1.3.1 Traffic

Over the year, despite the challenges in the economy, 19.2 million trips were made on the Highway, showing a slight increase compared to the 2012-2013 year. During the year the Developer implemented a number of measures designed to increase traffic on the Highway, including weekend and frequent user discounts.

1.3.2 Road Safety

Accidents

The total number of accidents for 2013-2014 increased by 21.4% compared with the numbers for 2012-2013. The analysis of accident data showed that the main cause of accidents for 2013-14 was bad driving (30%) followed by speeding (26%).

Security

The Highway continued to be affected by persons who drive the “wrong way” down the ramps in order to avoid paying tolls. As a consequence, NROCC, working along with the Toll Authority, Ministry of Transport, Works and Housing and the Chief Parliamentary Counsel (CPC), developed regulations which would allow “Road Spikes” to be installed on the ramps. The initial road spikes were commissioned in January 2014 at the Old Harbour and Free Town ramps.

Fire and Smoke

The incidences of fire and smoke on the toll roads for 2013-2014 showed an overall decrease of 21.4% compared with the similar period in 2012-2013. The Developer continued to work with the Sugar Estates and the Fire Department to mitigate these activities and the effects they have on the users of the Highway.

1.4 Quality Management System

During the year NROCC continued to strive for maintenance of the ISO 9001 certification of its operations. The surveillance audit was conducted by the National Certification Body of Jamaica (NCBJ) in March 2014. This resulted in a continued certification.



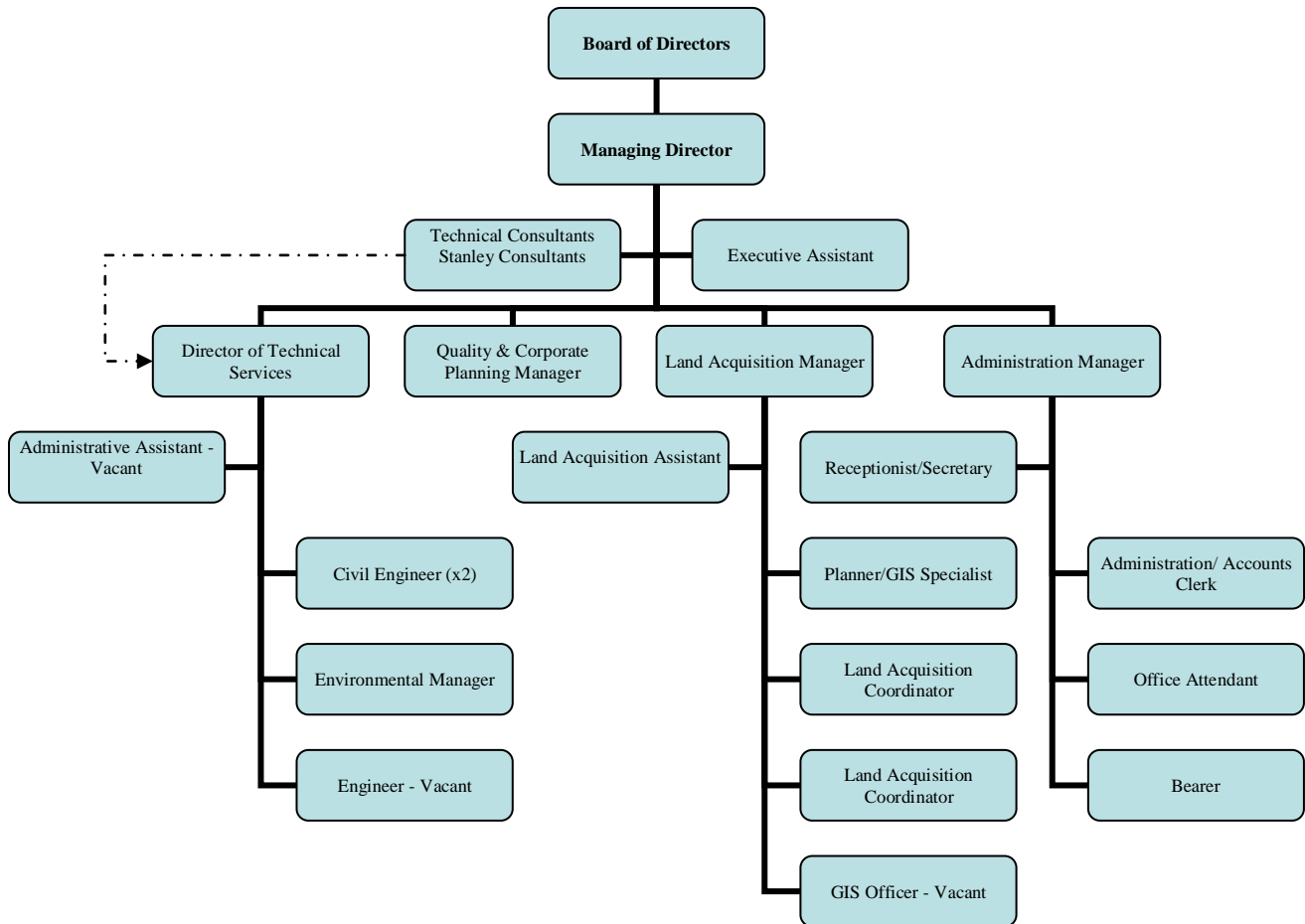
Finally we wish to thank the staff for their efforts during the last year and are confident that we will be able to accomplish our mission despite the impending challenges.

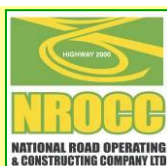
Dr. Wayne Reid – Chairman

Mr. Ivan P.G. Anderson – Managing Director



2. NROCC'S ORGANIZATIONAL CHART





3. BOARD OF DIRECTORS

<p>Dr. Wayne Reid Chairman</p> <p>Jentech Consultants Limited</p>	<p>Ms. Millicent Hughes Deputy Financial Secretary, Technical Advisory Coordination</p> <p>Ministry of Finance & Planning</p>
<p>Mr. Ivan Anderson Managing Director</p> <p>National Road Operating & Constructing Company Ltd.</p>	<p>Mrs. Janet Coleman-Howlett Director, Works Policy</p> <p>Ministry of Transport, Works & Housing</p>
<p>Mr. Rezworth Burchenson Managing Director</p> <p>Prime Asset Management</p>	<p>Mrs. Veronica Warmington Senior Director Public Private Partnerships</p> <p>Ministry of Finance and Planning</p>
<p>Mr. Steven Whittingham Managing Director</p> <p>First Global Financial Services</p>	



4. DIRECTORS' REPORT

Your Directors submit their Annual Report together with the Audited Financial Statements for the year ended 2014 March 31.

Subcommittees

The NROCC Board of Directors is further divided into two (2) subcommittees; Audit and Finance/Human Resources.

Audit

This subcommittee was established mainly to oversee the activities of the auditors. These activities included 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, ensuring the production and timely submission of the yearly Audited Financial Statements. The committee members include:

- Ms. Millicent Hughes – Chairman
- Mrs. Janet Coleman-Howlett
- Mr. Ivan Anderson – Managing Director
- Dr. Wayne Reid – exofficio member

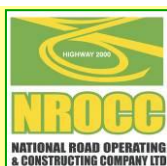
Finance/Human Resources

This subcommittee oversaw NROCC's operating and financing activities and 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, 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. Renzworth Burchenson – Chairman
- Mrs. Veronica Warmington
- Mr. Steven Whittingham
- Mr. Ivan Anderson – Managing Director
- Dr. Wayne Reid – exofficio Member

Financial Statements

NROCC reported a loss of J\$7,593,605,000 for the financial year ended 2014 March 31. This represents an increase over the previous financial year when the reported loss was J\$7,588,997,000. NROCC continued to have no revenues as seen in the five-year financial review. The company recorded a growth of J\$1,696,137,000 or 8.34% in its



total assets, moving from J\$20,340,072,000 at the end of the previous financial year to J\$22,036,209,000 at the end of 2014 March.

Administrative and general expenses amounted to J\$485,197,000 compared with J\$617,237,000 for the 2012/2013 financial year. The single largest element of the administrative expenses was depreciation which amounted to J\$123,771,000.

Dividends

As a consequence of the need for financing going forward, the company is not in a position to declare a dividend at this time.

Directors

The names of the Directors are shown in the list of Directors in Section 3. Two of these Directors, Ivan Anderson and Veronica Warmington, were due for retirement.

Auditors

KPMG Chartered Accountants have expressed their willingness to continue as Auditors of the Company and a resolution will be proposed at the next Annual General Meeting, authorizing the directors to fix their remuneration.

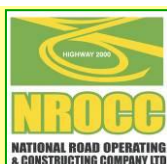
Scope

There are no proposed changes to the nature and scope of the activities of the organization.

Corporate Plan

The three (3) year corporate/strategic plan was modified in table 1.1 to reflect the following information.

POLICIES	OBJECTIVES	STRATEGIES	MAJOR TASKS	PERFORMANCE MEAS./ INDICATORS	YEAR 1 2014/2015	YEAR 2 2015/2016	YEAR 3 2016/2017
	Accelerating Development through Infrastructure	Prior acquisition of the land/properties needed along the alignment of the highway, to facilitate construction	Acquire land for the following sections of H2K:-				
			Phase 1 B-1A (Sandy Bay - May Pen)	Cost (J\$'000)	23,500	30,250	0
			Caymanas to Ocho Rios	Percentage of 421 parcels to be delivered	85%	10%	0
		The strategic rationale behind the planning and sub-phasing of the construction work is to create manageable commercial units that are easy and efficient in their financing and implementation.	Facilitate construction of the following sections of H2K:-				
			North-South Link				
			Caymanas to Ocho Rios	Cost (J\$'000)	Funded by the Chinese		
			Utilities relocation	Cost (J\$'000)	68,250	0	0



5. FIVE YEAR FINANCIAL REVIEW

	'000	'000	'000	'000	'000
	2014	2013	2012	2011	2010
Revenue	-	-	-	-	-
Administrative & general expenses	-485,197	-617,237	-310,235	-384,032	-466,930
Operating loss	-485,197	-617,237	-310,235	-384,032	-466,930
Impairment loss	-272,066	-343,302	-	-10,467,893	-
Gain on sale of bonds	-	-	7,743,850	-	-
Miscellaneous income	-	-	316	3,266	97,639
Finance income	1,884,518	2,398,881	196,479	258,746	825,947
Finance costs	-8,274,394	-8,159,214	-4,310,903	-2,934,343	-3,170,064
Inflation compensation on Real Return Convertible Bonds	-1,049,852	-869,044	-647,409	-886,542	-839,882
Profit/(loss) before income tax	-7,593,605	-7,588,997	2,672,098	-14,410,798	-3,553,290
Income tax credit	-	-	-	165,086	389,892
Other comprehensive income:	-	-	-	-	-
Profit/(loss) for the year, being total comprehensive income/(loss) for the year	-7,593,605	-7,588,997	2,672,098	-14,245,712	-3,163,398
Percentage increase over previous year	0.06	-384	119	-350	-37
Total Assets	22,036,209	20,340,072	18,947,321	15,925,908	25,341,444
Net Equity	-43,844,951	-36,251,346	-28,238,149	-30,910,247	-16,664,535
Total Liabilities	65,881,160	56,591,418	47,185,470	46,836,155	42,005,979
Total equity and liabilities	22,036,209	20,340,072	18,947,321	15,925,908	25,341,444



6. PROJECT UPDATE

6.1. OPERATIONAL REVIEW AND UPDATE

Refer to Appendix 1- Status Report for Financial Year 2013-2014

6.1.1. 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 2013-2014 planning period were:

1. Coordinating the design studies/investigations for the May Pen to Williamsfield leg of the Highway.
2. Acquiring lands for the following sections of Highway 2000:
 - a. Phase 1B (sandy Bay – May Pen)
 - b. Caymanas to Ocho Rios
 - c. May Pen to Williamsfield
 - d. North South 5Km²
3. Facilitating construction of the North-South Link: Phase 2A - Caymanas to Ocho Rios which comprises :
 - a. Caymanas to Linstead,
 - b. Mount Rosser Bypass (MRB),
 - c. Moneague to Ocho Rios
4. Relocation of utilities to facilitate construction of the North-South link.



6.1.1.1. DESIGN STUDIES/INVESTIGATIONS FOR THE MAY PEN TO WILLIAMSFIELD

Transjamaican Highway did not exercise its rights under its Concession Agreement, to develop the May Pen to Williamsfield section of Highway 2000. As a result of this, the Jamaica North South Highway Company (JNSHC) was given the right of first refusal in December 2013 to carry out the development of this section.

Discussions were undertaken during the reporting period with JNSHC as to the works and studies to be carried out.

6.1.1.2. LAND ACQUISITIONS

a. Phase 1B (Sandy Bay – May Pen)

During the year, the closing out of the land acquisition activities continued for this phase of the project. The majority of instances where property compensation is still outstanding related to those where there were no competent persons to accept payment awarded for lands that were acquired by compulsory acquisitions. In most of these instances persons could not prove ownership of the lands.

b. North South Highway

All the lands required in keeping with the Concession Agreement were delivered as scheduled. In addition, in discussion with the Developer a number of new areas have also been delivered to assist the Developer in expediting his works.

In Section 1, NROCC handed over 17.4 km representing 75.6% of the final corridor for Caymans to Linstead.

In Section 2, all the properties required for the completion of the Linstead to Moneague section, or the Mount Rosser Bypass, were secured and handed over including the properties required to facilitate the re-alignment of the Highway.

In Section 3 – Moneague to Ocho Rios, NROCC handed over 18 km representing 85.7% of the total corridor required for the completion.



A total of 35.4 km of Highway out of a total of 48 Km has been delivered to the Developer as against 22.6 Km which would have been required in the agreement.

c. *May Pen to Williamsfield*

No expenditure was made during the reporting period as all land acquisition activities were suspended for this phase of the project.

d. *North South 5Km²*

No expenditure was made during the year for this aspect of the Highway as no agreement has yet been reached on the suitable government-owned lands to be used for these developments.

6.1.1.3. NORTH - SOUTH LINK (CAYMANAS TO OCHO RIOS)

Construction

Section 1 - Caymanas to Linstead

During this period, design documents were submitted to NROCC by the Developer, Jamaica North South Highway Company (JNSHC) and the Contractor, China Harbour Engineering Company (CHEC). These documents were reviewed and comments given to the relevant parties.

For the reporting period, site clearance was approximately 60% complete and work had commenced in this section. Drilling and blasting and the construction of retaining walls had begun in various areas.

Discussions were ongoing on the matter of the connection of the North-South Link of Highway 2000 to the Nelson Mandela Highway. Several proposals were being reviewed, to come to a final decision.



Progress of works in Section 1 of Highway 2000



Section 2 - Linstead to Moneague (Mount Rosser Bypass [MRB])

During the period, construction of this section of the highway began. Additionally, design documents were submitted to NROCC for review and comments.

Construction activities included earthworks, slope protection works, construction of concrete retaining wall, drainage structures, sub-grade filling and compacting.

Meetings were regularly held with the members of the surrounding communities to keep them informed of the progress of the works and the impact it would have on their lives.

At the end of the reporting period the construction of the retaining wall was 90% complete.



Progress of works in Section 2 of Highway 2000



Section 3 - Moneague to Ocho Rios

During this period, design reviews were ongoing for various elements along this section. These included, but were not limited to:

- Location and dimensions of underpasses and overpasses,
- Traffic assessment reports
- Hydrologic Assessments of Proposed Culvert Crossings
- Geological Surveys
- Road Safety Review Report

Discussions were ongoing on the matter of the connection of the North-South Link of Highway 2000 to the North Coast Highway.



Progress of works in Section 3 of Highway 2000



6.2.1.4 Relocation of utilities to facilitate construction of the North-South link.

Coordination meetings with the utility companies were ongoing on a biweekly basis. These included representatives from Jamaica Public Service Company Limited (JPSCo), National Water Commission (NWC), FLOW, LIME along with representatives from the Contractor and Developer.

Section 1- Caymanas to Linstead

In this section, JPSCo. completed relocation works in Dam Head and Content District. Preliminary designs for the relocations were submitted for other areas.

National Water Commission and their contractor, Vinci, were in dialogue with CHEC discussing the impact of the project on the construction of their water main.

Section 2 – Linstead to Moneague

During the period, JPSCo completed all relocations in the Mullock district.



Additionally, the water tank at Mullock was relocated to facilitate the advancement of the works in that area.



Section 3 –Moneague to Ocho Rios

JPSCo completed works in various areas of this section. These included Retirement District, Davis Town and Annandale.

Additionally, the lines belonging to LIME in the vicinity of Lydford were also relocated to more suitable locations.

6.1.2. ROAD USER SAFETY

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

6.1.2.1. ACCIDENTS

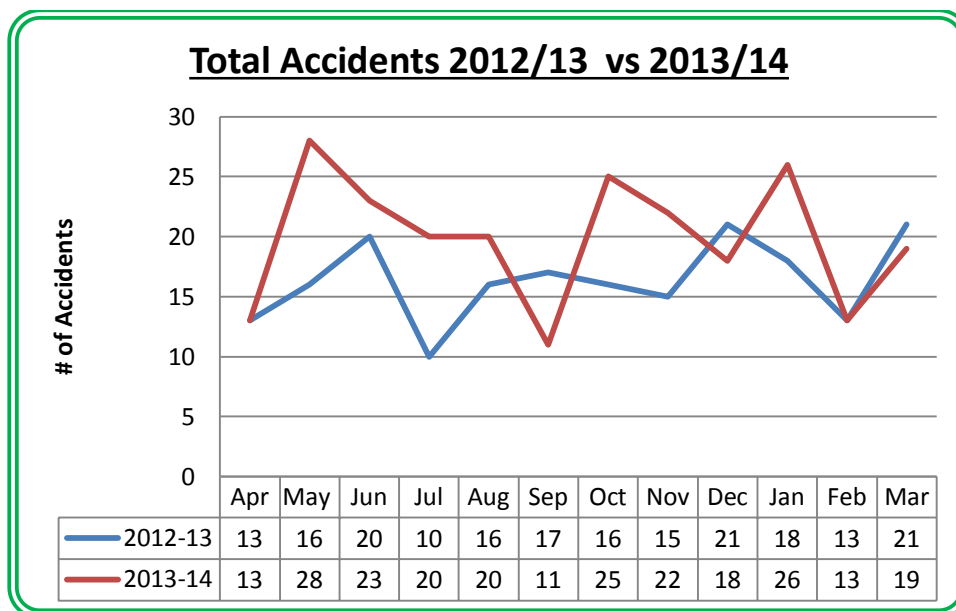
All accidents occurring on the Toll Road were recorded, analyzed and reported by the Operator. The number and causes of accidents were discussed at fortnightly project meetings and monthly Operations and Maintenance meetings held with representatives of the Developer, Operator, Contractor, Grantor, Toll Authority, National Works Agency and the Ministry of Transport Works and Housing. Accident data were included in monthly Operations and Maintenance Reports submitted by the Developer (TJH) to NROCC and the Toll Authority, giving the location, cause, gravity and other statistics relating to the accidents.

NROCC achieved the year's targets of analyzing the accident data provided in the Developer's monthly reports to find patterns and trends. The number and

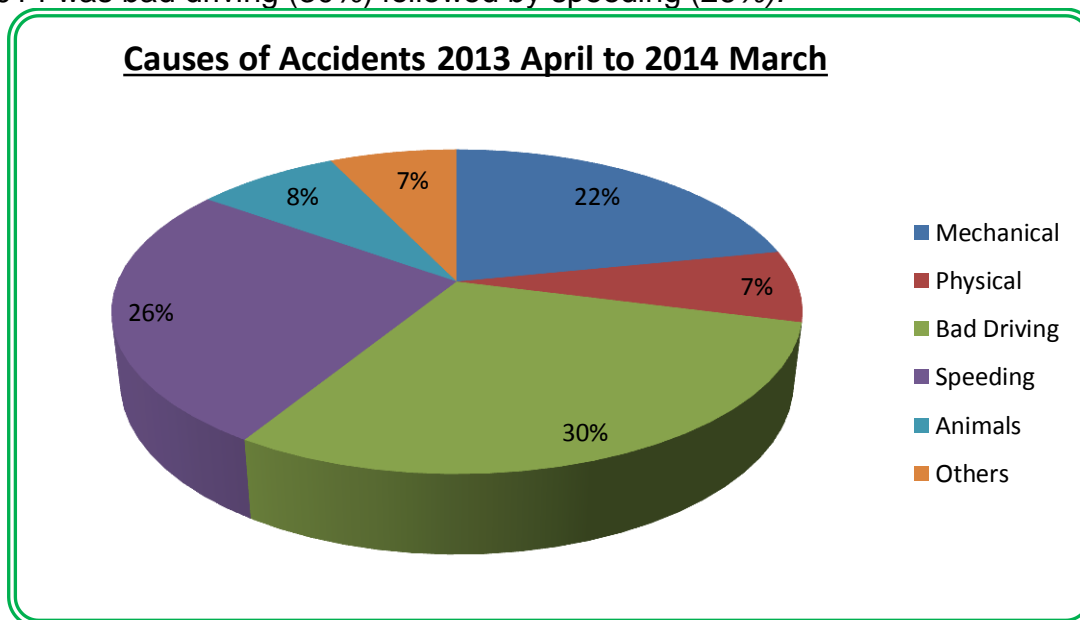


categories of accidents along the highway were discussed at the H2K project meetings to arrive at remedial measures that may lead to a possible reduction in the frequency of accidents.

The total number of accidents for 2013-2014 increased by 21.4% compared with the numbers for the 2012-2013 period. See graph below.



The analysis of accident data showed that the main cause of accidents for 2013-2014 was bad driving (30%) followed by speeding (26%).



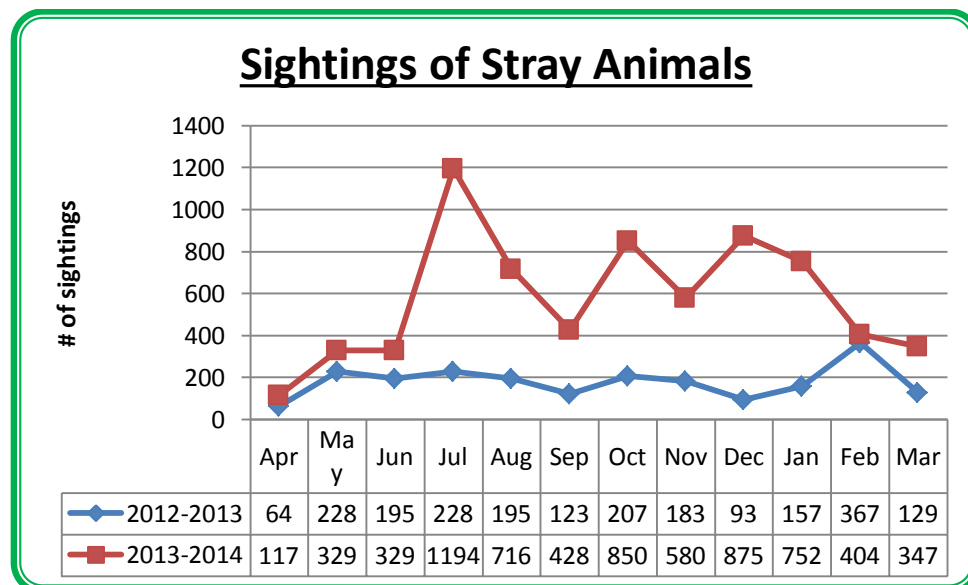


6.1.2.2. ANIMALS ON THE HIGHWAY

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 Developer:

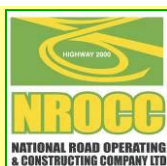
- a. meetings with members of the community;
- b. replacement of the stolen or damaged chain-linked fence with hog and barbed-wire fence;
- c. repair/replacement of stolen or damaged metallic fence posts with concrete posts;
- d. removal of animals from the Highway, and
- e. signs have been planted along the Highway to warn users that caution is necessary as animals may be straying along the thoroughfare.

The graph below highlights the increase in sightings of animals for 2013-2014 compared to 2012-2013.

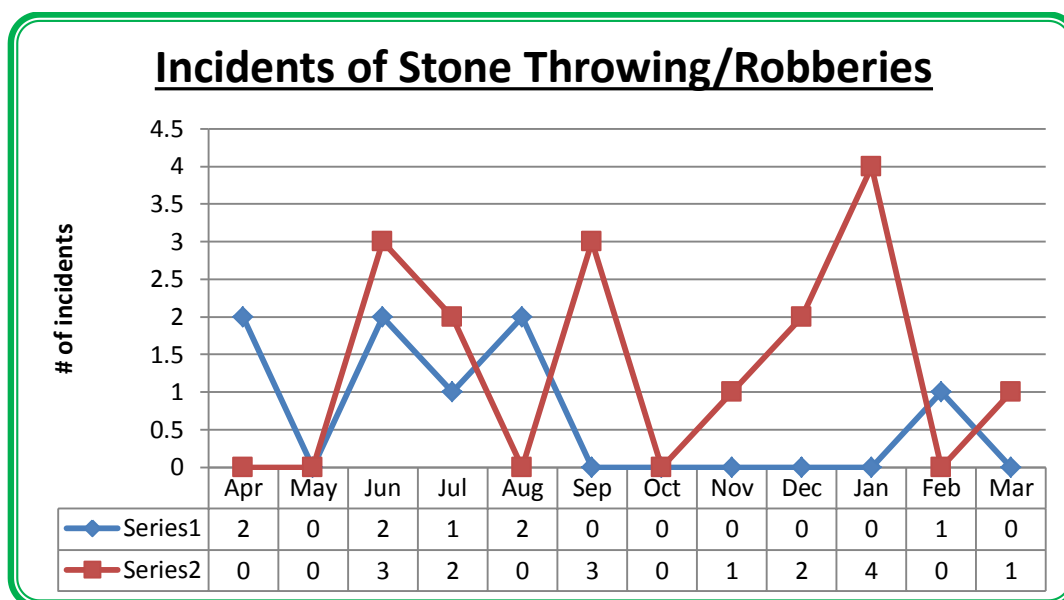


6.1.2.3. STONE THROWING/ROBBERIES

There was a significant increase in the number of robberies and stone throwing incidents on the highway in 2013/2014 compared to 2012/2013. As seen in the graph below, there was a 100% increase over the reporting period. An assessment was made of the areas where the most frequent incidents were



occurring; it was discovered that the Savannah Cross Bridge accounted for at least 50% of the incidences. In December 2013 two new cars were handed over to the Police to assist in the patrolling of the Highway.



6.1.2.4. ROAD SPIKES

The Highway continued to be affected by persons who drive the “wrong way” down the ramps in order to avoid paying tolls. As a consequence, NROCC, working along with the Transjamaican Highway, Toll Authority, Ministry of Transport, Works and Housing and the Chief Parliamentary Counsel (CPC) developed regulations which would allow “Road Spikes” to be installed on the ramps. The initial road spikes were commissioned in January 2014 at the Old Harbour and Free town ramps.

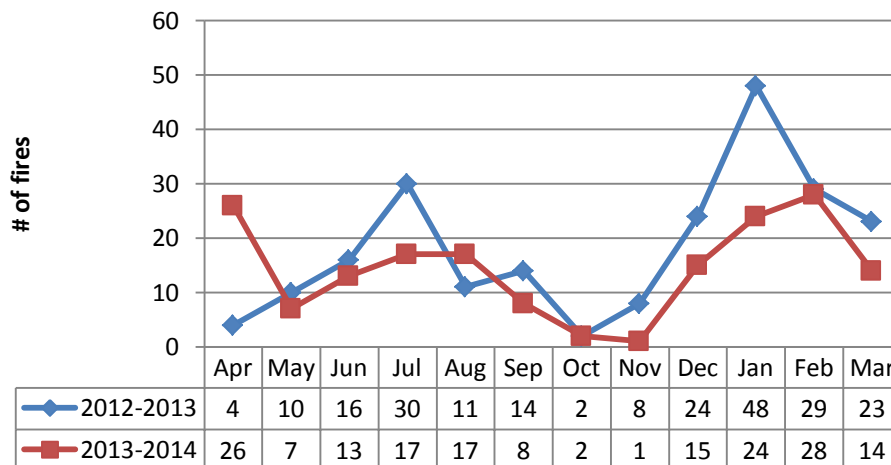
6.1.2.5. FIRE AND SMOKE:

NROCC met the year’s target of tracking the smoke data provided in the Developer’s monthly reports and reviewing the data for patterns and trends. 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 2013-2014 showed an overall decrease of 21.4% compared with the similar period in 2012-2013.



Fire and Smoke Trend



6.1.3. ENVIRONMENTAL BALANCE

NROCC remained committed to minimizing the impact of the construction of the new highway 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.

The Developer received a total of 27 permits (NEPA and from the Parish Councils) for the various aspects of construction i.e.: Buildings, Batching Plants, Fuel Storage, Waste Water treatment, Highway Construction, etc.

The level of compliance with the Highway permits recorded for the month of January 2014 showed basic conformance with the applicable standards in most of the parameters reviewed.

Monitoring mechanisms were developed, implemented and applied to the project with the intention of satisfying all of the requirements. These included:

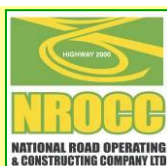
- a. For the 2013-2014 year, 9 of the 11 reports targeted for construction works in progress were completed and submitted by the agreed times. The remaining 2 reports were not done, as at the time, construction on Mount Rosser



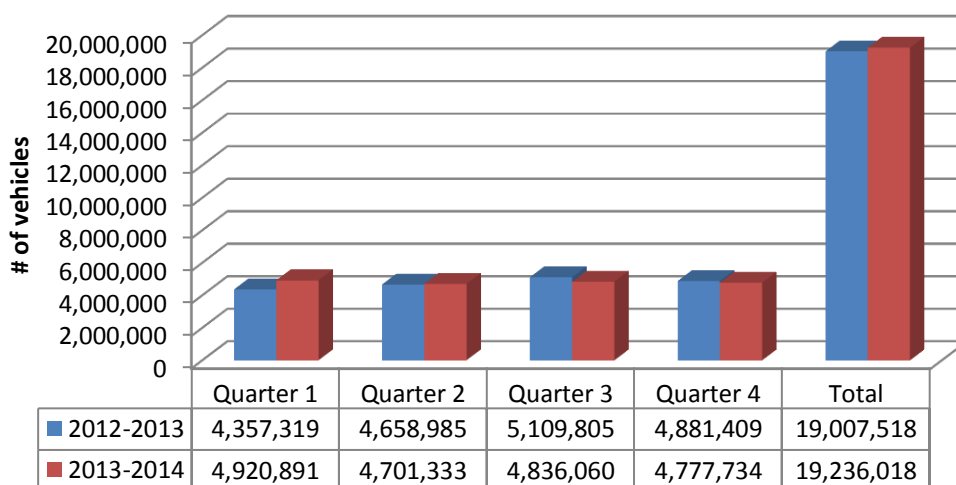
- Bypass had not yet restarted. There were no construction site inspections done in the first quarter of the year given the later start up on construction on the sites.
- b. Seven (7) of the targeted eight meetings with the Developer, Toll Authority, MTWH, communities and local authorities on project related environmental activities were met during 2013-2014. One meeting was held with members of each of the following communities; Content, Caymanas Country Club, Angels, Bermaddy, and Davis Town, and two in the Mullock District.
 - c. During the reporting period of 2013-2014, no new Environmental Impact Assessments or application for Environmental Permits was required.
 - d. Planned weekly inspections of the completed toll roads were done and where issues required attention, the Grantor's Representative was advised and Routine Surveillance Inspection requests issued to the Developer. The targeted 11 reports for the inspections of the completed Highway 2000 relating to safety and environmental compliance was surpassed, as 12 reports were submitted in a timely manner over the period. Information was provided to the Grantor's Technical Representative (GTR) in the bi-weekly reports.
 - e. The targeted activities for NROCC's Environmental Management System (EMS) was to develop an environmental policy and communicate the policy to staff, draft EMS structure, plan, and procedures, review and agree EMS procedures. The draft documentation for the EMS was completed and circulated for comments during the reporting period.

6.1.4. ECONOMIC DEVELOPMENT

The target of collaborating with the Developer of the completed section of Highway 2000 to formulate plans to improve traffic on H2K was achieved. At the monthly H2K project meetings held with the Developer, discussions took place regarding how traffic numbers can be increased. The Developer implemented a system of having online top-ups of tags done via their website. This was implemented in December 2013, making it easier to top up and ultimately increase traffic along the highway. Additionally, a discounting scheme for frequent users was implemented for those who travel 10 or more times during the week through the Spanish Town toll plaza.



Total Traffic Count 2012/2013 vs 2013/2014



For 2013-2014 the total traffic volume on the toll roads increased slightly by 1.2% compared to the 2012-2013 period. This increase was evident in the 1st quarter of the year.

6.1.5. 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 on customers while addressing the needs of all stakeholders. 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, Operator and Contractors and the Technical Inspection of the Contractor's Design and Project System. Instances of non-compliances 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 2013-2014, the targeted four audits each of the Developer and Toll Operator were achieved. Additionally all four targeted audits were conducted for the Developer and Contractor of the North-South link.

The bi-monthly targeted update of NROCC's H2K Website was achieved. Over the period, these updates included addition of community bulletins, listing of



gazetted land parcels, listing of section 3 notices served, pictures of the progress of the works on the North-South link and a direct link to the website of the Jamaica Infrastructure Operator (JIO) for the online top-up of tags.

6.1.6. ORGANIZATIONAL DEVELOPMENT AND EFFICIENCY IMPROVEMENT

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

- The maintenance of a quality management system compliant with the requirements of ISO 9001:2008 for the business and operational processes.
- Human Resource Development – a target of 6 job-related training programmes was set for the period.
- Reduction of operational expenses.

6.1.6.1. MAINTENANCE OF CERTIFICATION OF ISO 9001 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 2013-2014 NROCC's target was to maintain ISO 9001:2008 certification of its QMS, by facilitating the surveillance audit and having no hold points during the audit. The surveillance audit of NROCC's QMS was conducted on March 4, 2014. This resulted in the maintenance of the ISO 9001:2008 certification.

6.1.6.2. TRAINING

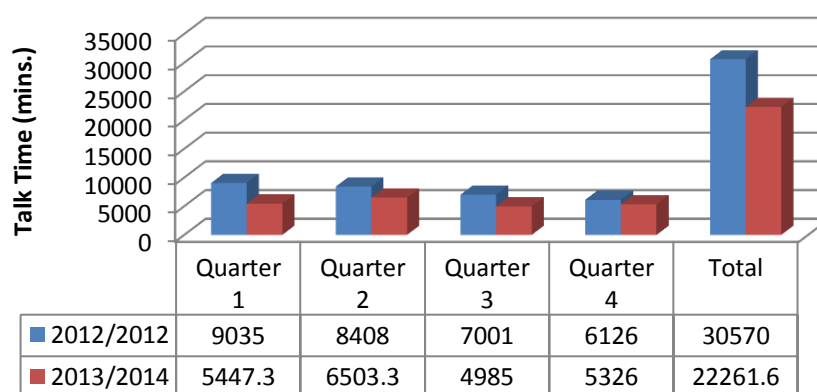
For the 2013-2014 year, the target was surpassed. Seven job-related training sessions versus the targeted six trainings were attended by NROCC staff. The sessions included: Website updating, GOJ Procurement Planning/Capacity Building, Land Conveyance, Carbonite Cloud Computing, Anti-Money Laundering, Improving Project Management Skills and Recommitting to building and maintaining a strong professional team. Internal trainings were also done in the QMS.



6.1.6.3. OPERATIONAL EXPENSES

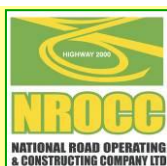
During the year NROCC targeted a number of areas to reduce its operational expenses.

Telephone Talk Time 2012/2013 vs 2013/2014



Improvement of the internal management of utilities, by developing systems to monitor and reduce telephone talk time was targeted. For the reporting period, the 1st quarter saw a reduction of 11% compared to the 4th quarter of the previous year, the 2nd quarter saw an increase in talk time of 16.25% compared to the 1st quarter. Reports for the 3rd and 4th quarters showed a reduction of 23.3% and 13% respectively compared to the preceding quarters. Overall, the 2013/2014 period showed a decrease of approximately 27.2% in talk time, compared to the 2012/2013 period.

The system to reduce paper and ink consumption cost (used paper in fax machine, for meeting notes and internal memo, recycled ink bought for fax machine) was implemented during the 2010-11 financial year. As a result of this, NROCC saw some improvement in the efficient usage of copy paper and ink, as for the 2013/2013 year there was an overall reduction of 46.6%.

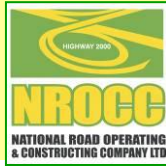


6.1.7. PROJECTIONS

The following are the significant projections for the 2014-2015 financial year:

1. Significant progress towards the Completion of the Mount Rosser section of the North-South Link with completion expected in August 2014.
2. Review the design studies and investigations being carried out for Caymanas to Linstead Bypass and Moneague to Ocho Rios, with significant progress in construction of these sections.
3. Deliver all lands required for the works on North-South link.
4. Continue meeting with the Developer to formulate plans to grow/improve traffic on Highway 2000.
5. Maintain ISO 9001:2008 Quality Management System certification.
6. Agree and implement the Environmental Management System in accordance with ISO 14001.
7. The table below shows the financial projections for the 2014-2015 financial year based on the Corporate Plan.

Major Tasks	Performance Measure	Forecast (2014/2015)
Acquire Land for the following Sections of H2K:-		
Phase 1B-1A (Sandy Bay –May Pen)	Cost (J\$'000)	23,501
Caymanas to Ocho Rios	Cost (J\$'000)	876,807
Utilities Relocation	Cost (J\$'000)	68,252



7 DIRECTORS' FEES 2013-2014

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	176,000.00	-	-	-	176,000.00
Director 1	106,500.00	-	-	-	106,500.00
Director 2	91,000.00	-	-	-	91,000.00
Director 3	128,500.00	-	-	-	128,500.00
Director 4	168,000.00	-	-	-	168,000.00
Director 5	102,500.00	-	-	-	102,500.00
Managing Director	-	-	-	-	-

** During the reporting period two cheques amounting to \$7,000 and \$5,250 were issued to directors. These cheques were subsequently cancelled.*

8 SENIOR STAFF REMUNERATION FOR 2013-2014

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 2013-March 2014	9,729,594.81	2,347,485.09	487,860.00	-	**25,000	-	12,589,939.90
Director of Technical Services	April 2013-March 2014.	5,375,006.04	-	975,720.00	-	-	-	6,350,726.04
Land Acquisition Manager	April 2013-March 2014	5,793,172.91	@4,108,704.58	975,720.00	-	*846,694.50 **25,000	-	11,749,292.00
Quality/Corporate Planning Mgr.	April 2013-September 2013	1,932,638.91	@1,006,250.00	468,887.67	-	*127,777.78 **25,000	-	3,560,554.36
Quality/Corporate Planning Mgr.	February 2014-March 2014	359,400.86	-	136,484.64	-		-	495,885.50

** Payment under conditions of Public Servants wage freeze

* Pay in lieu of vacation

@ Gratuity payment for three (3) years

9 AUDITORS' REPORT & AUDITED FINANCIAL STATEMENTS

Appendix 1 – STATUS REPORT FOR FINANCIAL YEAR 2013-2014

POLICIES	OBJECTIVES	STRATEGIES	MAJOR TASKS	PERFORMANCE MEASURE/ INDICATORS	TARGET	ACHIEVEMENT
					YTD	YTD
	Accelerating Development through Infrastructure	Phased construction of a multi-lane tolled motor-way from Kingston to Montego Bay and from Bushy Park to Ocho Rios, to link the North and South coasts and the eastern part of the island to the western part.	Coordinate the design studies/investigations for the following sections:-			
			May Pen to Williamsfield	Cost (J\$'000)	10,000	Postponed to 2014/2015 financial year
			Acquire land for the following sections of H2K:-			
		Prior acquisition of the land/properties needed along the alignment of the highway, to facilitate construction.	Phase 1 B-1A (Sandy Bay -	Cost (J\$'000)	30,152	11,168.24
			Caymanas to Linstead Bypass	Cost (J\$'000)	181,748	205,327.83
			Mount Rosser	Cost (J\$'000)	157,104	8515
			May Pen to Williamsfield - Phase 1C	Cost (J\$'000)	4,500	Land Acquisition Activities suspended
			North South 5 Km ²	Cost (J\$'000)	16,560	Government owned land being identified
		The strategic rationale behind the planning and sub-phasing of the construction work is to create manageable commercial units that are	Facilitate construction of the following sections of H2K:-			
			North-South Link	Cost (J\$'000)		To be funded by Chinese
			Caymanas to Linstead Bypass			
			Mount Rosser	Cost (J\$'000)		To be funded by Chinese
			Utilities relocation	Cost (J\$'000)	68,252	14,304.06

					Target	Achievement
POLICIES	OBJECTIVES	STRATEGIES	MAJOR TASKS	PERFORMANCE MEASURE/ INDICATORS	YTD	YTD
	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.	Monthly # and categories of accidents obtained from Operator and reviewed. Adverse trends discussed at monthly meeting.	Number and categories of accidents along the highway have been tracked monthly and discussed at project meetings. Operator provides a detailed report in the monthly operations report as well as the tabling of a short version at the monthly project meeting.
				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.	Smoke trend data are tracked and reported by the Operator of the HWY. The Operator provides a detailed report in the monthly operations report as well as the tabling of a short version at the monthly project meeting. Any adverse trends are discussed and actions planned to reduce the undesirable trend.

					TARGET	ACHIEVEMENTS
POLICIES	OBJECTIVES	STRATEGIES	MAJOR TASKS	PERFORMANCE MEASURE/ INDICATORS	YTD	YTD
	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 and other legal/regulatory requirements.	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).	11 reports submitted by agreed time	9 reports submitted by agreed time
			Liaise with Developer, Toll Authority and MTW/Consult with communities and local authorities on project related environmental activities	# of meetings held with named groups	At least 8 meetings held	7 meetings held with Community members
			Submit applications to NEPA in relation to permits and licences for new works (where NROCC is the Permittee).	Satisfaction of requirements for obtaining permit/licence.	None set for quarter	None set for quarter
			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).	11 reports submitted by agreed time	12 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	Review and agree EMS procedures	EMS Procedures drafted and under review

					TARGET	ACHIEVEMENTS
POLICIES	OBJECTIVES	STRATEGIES	MAJOR TASKS	PERFORMANCE MEASURE/ INDICATORS	YTD	YTD
	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	Analyze traffic numbers for trends	At Project meetings held in Jan., Feb., and Mar., discussions took place on trends in traffic numbers and how this can be increased.
	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 Developer, Contractor and Operator conducted and reported	4 audits each of the Developer, Contractor and Operator conducted and reported
		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 bi-monthly (end of mth.).	Website updated with a link to JIO website to facilitate online top-up of tags.

					TARGET	ACHIEVEMENTS
POLICIES	OBJECTIVES	STRATEGIES	MAJOR TASKS	PERFORMANCE MEASURE/ INDICATORS	YTD	YTD
	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	Facilitate ISO 9001 Surveillance audit. No hold point during audit.	ISO 9001 certification maintained
		Staff Development	Development of staff through training	# of job-related training programmes held	6	7 Training programmes attended
		Reduction in expenditure to improve organizational efficiency	Developing systems to monitor and reduce utilities consumption	Reduction in telephone talk time	Reduce talk time by 15% during the year	27.2 % reduction in talk time.
			Monitor and reduce paper and ink consumption	Reduction in expenditure for copy paper and ink	Expenditure for copy paper and ink reduced by minimum of 10% during quarter	46.6% combined reduction for paper and ink