NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

FINANCIAL STATEMENTS

MARCH 31, 2020

KPMG
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Members of
NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Road Operating and Constructing Company Limited ("the company"), set out on pages 5 to 55, which comprise the statement of financial position as at March 31, 2020, 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, 2020 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 International Code of Ethics for Professional Accountants including International Independence Standards (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 reported a profit for the year of $1,197,106,000 (2019: loss $4,709,977,000) and, as of the reporting date, had an accumulated deficit of $78,192,865,000 (2019: $74,142,041,000) and net current liabilities of $1,727,724,000 (2019: $1,761,685,000). 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 30,2020

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Statement of Profit or Loss and Other Comprehensive Income
Year ended March 31, 2020
(Expressed in thousands of Jamaica dollars unless otherwise indicated)

	Notes	2020	2019
Revenue	8	4,706,072	505,155
Administrative and general expenses	9	(1,239,745)	(199,221)
Operating profit		3,466,327	305,934
Other income	11	7,780,907	112,936
Loss on disposal of investment security, net		(2,570,067)	-
Finance income	12	1,796,647	335,771
Finance costs	13	(8,500,984)	(5,137,997)
Inflation compensation on real return convertible bonds	26(a)	(775,724)	(326,621)
Profit/(loss) for the year		1,197,106	(4,709,977)
Other comprehensive gain:			
Items that will not be reclassified to profit or loss:			
Fair value gains on investment security at fair value through other comprehensive income (FVOCI)		339,580	2,028,731
Total comprehensive profit/(loss) for the year		1,536,686	(2,681,246)

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

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Statement of Financial Position
March 31, 2020
(Expressed in thousands of Jamaica dollars unless otherwise indicated)

	Notes	2020	2019
Non-current assets			
Long-term receivable	15	17,974,494	16,430,084
Property and equipment	16	4,864,612	4,816,568
Right-of-use asset	17	14,566	-
Investment security	18	-	5,988,077
Cumulative redeemable preference shares	19	3,814,417	-
Quoted equities	20	3,376,350	-
		30,044,439	27,234,729
Current assets			
Other receivables	21	137,699	40,567
Resale agreements	22	560,286	577,489
Cash and cash equivalents		163,522	54,959
		861,507	673,015
Total assets		30,905,946	27,907,744
Equity			
Share capital	23	1,000	1,000
Inflation reserve	24	1,699,747	1,220,905
Fair value reserve	25	-	2,715,024
Accumulated deficit		(78,192,865)	(74,142,041)
Net deficit		(76,492,118)	(70,205,112)
Non-current liabilities			
Long-term loans and advances	26	104,799,437	95,678,156
Lease liability	27	9,396	-
		104,808,833	95,678,156
Current liabilities			
Current portion of long-term loan	26	359,569	671,736
Current portion of lease liability	27	5,566	-
Other payables	28	2,224,096	1,762,964
		2,589,231	2,434,700
Total liabilities		107,398,064	98,112,856
Total equity and liabilities		30,905,946	27,907,744

The financial statements on pages 5 to 55, were approved for issue by the Board of Directors on July 30, 2020 and signed on its behalf by:

________________ Chairman   ________________ Managing Director

Philip Henriques   Ivan Anderson

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

NATIONAL ROAD OPERATING AND CONSTRUCTING COMPANY LIMITED

Statement of Changes in Equity
Year ended March 31, 2020
(Expressed in thousands of Jamaica dollars unless otherwise indicated)

	Share capital (note 23)	Inflation reserve (note 24)	Fair value reserve (note 25)	Accumulated deficit	Total
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	-	-	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)
Profit for the year	-	-	-	1,197,106	1,197,106
Other comprehensive gain:					
Fair value gains on investment security	-	-	339,580	-	339,580
Total other comprehensive gains	-	-	339,580	1,197,106	1,536,686
Total comprehensive income for the year	1,000	1,220,905	3,054,604	(72,944,935)	(68,668,426)
Transfer on disposal of financial asset	-	-	(3,054,604)	3,054,604	-
Transfer to inflation reserve (note 24)	-	478,842	-	(478,842)	-
Transactions with owners:					
Distribution shareholder (note 29)	-	-	-	(7,823,692)	(7,823,692)
Balances at March 31, 2020	1,000	1,699,747	-	(78,192,865)	(76,492,118)

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, 2020
(Expressed in thousands of Jamaica dollars unless otherwise indicated)

	Notes	2020	2019
Cash flows from operating activities			
Profit/(loss) for the year		1,197,106	(4,709,977)
Adjustments for:			
Depreciation of property, plant and equipment	16	62,491	61,444
Depreciation on right of use asset	17	5,638	
Gain on disposal of property and equipment	11	(1,280)	(66)
Loss on disposal of investment security, net		2,570,067	-
Interest income		(379,722)	(335,771)
Interest expense	13	4,974,189	4,624,931
Interest on lease liability	13	1,038	-
Dividend income	8	(4,706,072)	(505,155)
Effect of exchange rate movements on foreign currency long-term loans and advances, receivables and payables		1,797,563	249,246
Inflation compensation on real return convertible bonds		775,724	326,621
		6,296,742	(288,727)
Changes in operating assets and liabilities:			
Other receivables		(97,132)	(33,971)
Other payables		455,890	(6,385)
Net cash provided by /(used in) operating activities		6,655,500	(329,083)
Cash flows from investing activities			
Acquisition of lands	16	(104,505)	(43,664)
Acquisition of other property and equipment	16	(6,030)	(10,003)
Resale agreements		63,591	(366,079)
Proceeds of disposal of property and equipment		1,279	66
Dividend received	8	4,706,072	505,155
Investments, net		(7,746,209)	-
Purchase of quoted equities		(9,589,082)	-
Proceeds from disposal of investment security		13,958,942	-
Interest received		105,557	4,823
Net cash provided by investing activities		1,389,615	90,298
Cash flows from financing activities			
Long-term loans and advances received		7,428,086	4,888,454
Payment of lease liability	28	(6,280)	-
Interest paid		(7,626,178)	(4,626,232)
Special distribution		(7,823,692)	-
Net cash (used in)/provided by financing activities		(8,028,064)	262,222
Increase in cash and cash equivalents		17,051	23,437
Effect of exchange rate movements on cash and cash equivalents		91,512	(3,775)
Cash and cash equivalents at beginning of year		54,959	35,297
Cash and cash equivalents at end of year		163,522	54,959

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

1. Identification and principal activities

(a) National Road Operating and Constructing Company Limited ("company" or "NROCC") is a public limited liability company incorporated and domiciled in Jamaica. The company commenced operations in February 2002 and its registered office is located at 11A Oxford Road, Kingston 5, Jamaica. All of the shares in NROCC are beneficially owned by the Government of Jamaica.

(b) The company was granted a 70-year concession by 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 ("TJH") ("Concessionaire No. 1"), which is a limited liability company, incorporated in Jamaica. Up to December 19, 2019, TJH was owned by Bouygues Travaux Publics S., Vinci Concession, Société de Promotion et de Participation pour la Coopération Economique S.A., and International Finance Corporation. Pursuant to a "Purchase and Sale agreement" dated December 19, 2019, NROCC acquired 100% of TJH's ordinary shares from the former shareholders.

  During January 2020, by way of a resolution, the authorised share capital of TJH was restructured, with the view that NROCC would complete an initial public offering on the main market of the Jamaica Stock Exchange. Pursuant to this resolution:

  (A) TJH's share capital was restructured by dividing each of the 27 million existing ordinary shares to create 12.5 billion ordinary shares, and

  (B) the Original Preference Share (see note 18) was redeemed and 2.7 billion 8.0% Preference Shares, issued, (denominated and paid in Jamaican dollars) provided that the 8.0% Preference Shares shall be subordinated to TJH's Senior Secured Notes in all respects.

  On February 17, 2020, an offer for sale prospectus was issued by NROCC for the sale of 10 billion shares in TJH. The initial public offering was closed during March 2020 and on March 24, 2020, TJH was listed on the Jamaica Stock Exchange [(see note 11 (iii)].

1. Identification and principal activities (continued)

(c) (Continued)

(i) Subsidiary Concession No. 1 (continued)

- The purchase of TJH also gave rise to an amendment to the concession agreement between TJH and the company with the amendment now termed "Second Amended and Restated Concession Agreement".

- The company 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, 2020 ("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, revised and amended standards and interpretations came into effect during the current financial year. This is the first set of the company's annual financial statements in which IFRS 16 *Leases*, has been applied from April 1, 2019.

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:

- 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.

- 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.

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)

> *"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."*

The company is assessing the impact that these amendments 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 profit or loss.

(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 reported a profit for the year of $1,197,106,000 (2019: loss $4,709,977,000) and at the reporting date had an accumulated deficit of $78,192,865,000 (2019:$74,142,041,000) and net current liabilities of $1,727,724,000 (2019: $1,761,685,000). The ability of the company to regain and sustain profitability 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 measures which are geared towards meeting the company's debt obligations when they fall due.

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.

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

(d) Going concern basis (continued)

If for any reason the company is unable to continue as a going concern, then this could have an impact on the company's ability to realise assets at their recognised values and to extinguish liabilities in the ordinary course of business at the amounts stated in the financial statements.

3. Summary of significant accounting policies

(a) Revenue recognition

Revenue, which arises from road tolls as described in note 8, is recognised on the accrual basis at a point in time when a dividend is declared.

(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 (including lease liability) 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.

3. Summary of significant accounting policies (continued)

(d) Foreign currency translation

Foreign currency transactions are converted at the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rates. Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are generally recognised in profit or loss.

(e) Property and equipment

Recognition

Property and equipment are measured at historical cost less accumulated depreciation and, if any, impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of replaced parts is derecognised. All other repair and maintenance expenditure is charged to profit or loss when the expenditure is incurred. Improvement expenditure is included in the cost of the related asset or in leasehold improvement, as appropriate.

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

Depreciation

Land and construction in progress are not depreciated. Depreciation of other assets is calculated, using the straight-line method, to write down their costs to their estimated residual values over their expected useful lives, as follows:

Roads	2.86%
Office furniture, fixtures and equipment	10%
Computer equipment	25%
Motor vehicles	20%
Leasehold improvements	Shorter of lease term and useful life

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

Impairment

The carrying amount of the company's property and equipment is reviewed at each reporting date to determine whether there is any indication of impairment. The recoverable amount is assessed when there is an indication of impairment. An asset's carrying amount is written down immediately to its recoverable amount, if the carrying amount is greater than its estimated recoverable amount.

3. Summary of significant accounting policies (continued)

(e) Property and equipment (continued)

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.

(f) 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 cumulative preference shares, quoted equities, 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.

(i) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through profit or loss (FVTPL) 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)

(f) Financial instruments (continued)

(i) Recognition and initial measurement (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
- Cumulative redeemable preference shares

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

3. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Business model assessments (continued)

- 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 realised.

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.

3. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets (continued)

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

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.

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.

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are 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.

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.

3. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets (continued)

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

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. There is no reclassification of any fair value gains or losses to profit or loss on disposal of equity instruments measured at FVOCI.

Financial liabilities

Classification

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

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.

3. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial liabilities (continued)

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.

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.

(g) 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.

(h) Other receivables

Other receivables and prepayments are measured at amortised cost, less impairment losses.

3. Summary of significant accounting policies (continued)

(i) 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.

(j) Other payables

Payables are measured at amortised cost.

(k) 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.

(l) Share capital

Ordinary shares are classified as equity and measured at cost.

(m) Impairment

Financial assets

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.

3. Summary of significant accounting policies (continued)

(m) Impairment (continued)

Financial assets (continued)

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)

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.

3. Summary of significant accounting policies (continued)

(m) Impairment (continued)

Financial assets (continued)

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, 2020 assumed a change in key indicators for Jamaica for the year ending March 31, 2021. The COVID 19 pandemic has caused a significant market volatility, which has increased the company's credit risk.

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:

3. Summary of significant accounting policies (continued)

(m) Impairment (continued

Financial assets (continued)

Credit-impaired financial assets (continued)

- 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.

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.

Non-financial assets

The carrying amount of the company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

3. Summary of significant accounting policies (continued)

(m) Impairment (continued)

Non-financial assets (continued)

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

(n) Leases

Policy applicable from April 1, 2019

At inception of a contract, the company assesses whether a contract is, or contains, a lease.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company assesses whether:

– the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.

the company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;

– the company has the right to direct the use of the asset. The company has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the company has the right to direct the use of the asset if either:

  - the company has the right to operate the asset; or
  - the company designed the asset in a way that predetermines how and for what purpose it will be used.

The policy is applied to contracts entered into, or changed, on or after April 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the company has elected not to separate non-lease components and account for the lessee and non-lease components as a single lease component.

3. Summary of significant accounting policies (continued)

(n) Leases (continued)

Policy applicable from April 1, 2019 (continued)

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use is initially measured at cost, which comprise the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same the basis as those or property and equipment. In addition, the right of use is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measure at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing date. Generally, the company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;
- amounts expected under a purchase depend on an index or a rate, initially measured using the index or rate as at commencement date;
- the exercise price under a purchase option that the company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, or if the company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3. Summary of significant accounting policies (continued)

(n) Leases (continued)

Policy applicable from April 1, 2019 (continued)

The company presents right-of-use assets and lease liabilities in the statement of financial position.

Short-term leases and leases of low-value assets

The company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of buildings that have a lease term of 12 months or less and leases of low-value assets. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Policy applicable before April 1, 2019

For contracts entered into before April 1, 2019, the company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets;
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

In the comparative period, as a lessee the company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to thatasset.

3. Summary of significant accounting policies (continued)

(n) Leases (continued)

Short-term leases and leases of low-value assets (continued)
Assets held under other leases were classified as operating leases and were not recognised in the company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

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:

(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.

4. Use of judgements and estimates (continued)

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

(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

(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 significant accounting policies

The company initially applied IFRS 16 *Leases* from April 1, 2019. A number of other new standards are also effective from January 1, 2019 but they do not have a material effect on the company's financial statements.

The company has applied IFRS 16 using the modified retrospective approach, under which the right of use asset is equivalent to the lease liability, thereby no adjustments were recognised in retained earnings at April 1, 2019. Accordingly, the comparative information presented for 2018/19 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

(a) Definition of a lease

Previously, the company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*. The company now assesses whether a contract is or contains a lease based on the definition of a lease under IFRS 16.

On transition to IFRS 16, the company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after April 1, 2019.

(b) As a lessee

As a lessee, the company leases assets such as property. The company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the company. Under IFRS 16, the company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet. At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property the company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

(Expressed in thousands of Jamaica dollars unless otherwise indicated)

5. Changes in significant accounting policies (continued)

(b) As a lessee (continued)

Leases classified as operating leases under IAS 17

Previously, the company classified property leases as operating leases under IAS 17. On transition, for these leases, lease liability was measured at the present value of the remaining lease payments, discounted at the company's incremental borrowing rate as at April 1, 2019. The company opted for the measurement of the right-of-use asset equal to the lease liability at transition date as permitted by IFRS 16 transition options.

Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the company's incremental borrowing rate at the date of initial application: the company applied this approach to its property leases.

The company has tested its right-of-use asset for impairment on the date of transition and has concluded that there is no indication that the right-of-use asset is impaired.

The company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the company:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;

- did not recognise right-of-use assets and liabilities for leases of low value assets; and

- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Leases classified as finance leases under IAS 17

The company did not have any leases that were classified at finance lease under IAS 17 *Leases.*

(c) Impact on financial statements

Impact on transition

On transition to IFRS 16, the company recognised right-of-use assets and lease liabilities at the same amount, thereby, no adjustment was made to the retained earnings at transition. The impact on transition is summarised below.

	April 1, 2019
	$
Right-of-use asset – office space	22,204
Lease liability	(22,204)

5. Changes in significant accounting policies (continued)

(c) Impact on financial statements (continued)

When measuring lease liability for leases that were classified as operating leases, the company discounted lease payments using its incremental borrowing rate at April 1, 2019. The weighted- average rate applied is 6%.

	$
Operating lease commitments at March 31, 2019	25,120
Discounted using the incremental borrowing rate at April 1, 2019	(2,916)
Lease liability recognised at April 1, 2019	22,204

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.

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. 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.

6. Financial risk management (continued)

(a) Credit risk (continued)

Maximum exposure to credit risk (continued)

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

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

(ii) Cash and cash equivalents, resale agreements and cumulative redeemable preference shares

The company considers that cash and cash equivalents, resale agreements and cumulative redeemable preference shares 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 fulfil its collateral obligations.

The company's credit risk for in-scope Stage 1 financial assets was classified using an internal credit risk rating at the reporting date. A rating of B1 is considered a low credit risk financial asset. The summary of inputs to ECL calculation, which also included forward-looking information [see note 3(m)] were as follows:

Financial asset	**Rating**	**12-month PD**	**LGD**
Long-term receivable	B1	3.04%	0.001%
Other receivables	B1	2.07%	15.5%
Resale agreements	B1	3.04%	15.5%
Cumulative redeemable preference shares	B1	1.97%	52.1%

(Expressed in thousands of Jamaica dollars unless otherwise indicated)

6. Financial risk management (continued)

(a) Credit risk (continued)

Maximum exposure to credit risk (continued)

During the year, there was change in the nature of the company's exposure to credit risk by acquisition of the cumulative redeemable preference shares but the manner in which it measures and manages this risk did not change.

(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.

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.

	2020						
	On Demand or Subject to Notice	**1 to 3 Months**	**4 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Total cash flows**	**Carrying amount**
Long-term loans	-	1,194,406	3,577,210	39,534,306	23,932,090	68,238,012	45,447,442
Other long-term loans*	44,135,416	-	-	-	15,576,149	59,711,565	59,711,564
Lease liability	-	1,570	4,710	9,819	-	16,099	14,962
Other payables	-	2,224,096	-	-	-	2,224,096	2,224,096
Total financial liabilities	44,135,416	3,420,072	3,581,920	39,544,125	39,508,239	130,189,772	107,398,064

(Expressed in thousands of Jamaica dollars unless otherwise indicated)

6. Financial risk management (continued)

(b) Liquidity risk (continued)

	2019						
	On Demand or Subject to Notice	1 to 3 Months	4 to 12 Months	1 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

* 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)

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

	2020 US$'000	2019 US$'000
Assets		
Long-term receivable	135,173	132,958
Investment security	50,603	47,746
Resale agreements	4,238	4,228
Cash and cash equivalents	1,118	19
Total financial assets	191,132	184,951
Liabilities		
Long-term loans	(625,626)	(613,811)
Other payables	(14,164)	(12,975)
Total financial liabilities	(639,790)	(626,786)
Net foreign currency liabilities	(448,658)	(441,835)

The exchange rate of the Jamaica dollar to the United States dollar was J$133.96 (2019: J$125.02) at reporting date.

Sensitivity to movement in foreign exchange rates

A 2% (2019: 4%) strengthening and a 6% (2019: 6%) weakening of the Jamaica 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 2019.

Sensitivity to movement in foreign exchange rates (continued)

	2020		2019	
	% Change in exchange rate	Effect on profit increase/ (decrease)	% Change in exchange rate	Effect on loss increase/ (decrease)
Change in rate of exchange of J$ for USD:				
Revaluation	2	(1,202,037)	4	(2,209,529)
Devaluation	6	3,606,111	6	3,313,294

6. Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Variable rate instruments expose the company to cash flow interest risk, whereas fixed interest rate instruments expose the company to fair value interest risk.

The company's interest rate risk mainly arises from its investment securities and long-term loans. This risk is managed by analysing the economic environment and, as far as practicable, obtaining fixed rate loans where interest rates are expected to rise. The company is exposed to interest rate risk to the extent that the duration of its interest-bearing liabilities is longer than the duration of interest-earning financial assets.

At the reporting date, the company's long-term loans were fixed rate instruments.

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

(d) Capital management

The company is not a regulated entity and, therefore, has no externally imposed capital requirements. However, the company seeks to maintain a minimum capital to safeguard its ability to continue as a going concern, so that it can continue to provide benefits to its stakeholders and support the development of its business. The company defines its capital base as share capital, capital and other reserves and retained earnings (or minus accumulated deficit). The Board's determination of what constitutes a sound capital position is informed by the mission of the company (see note 1) and the fact of its government ownership. The Board's policy is to maintain a balance between a sound capital position and the risks associated with borrowing to finance its activities. The policies in respect of capital management are reviewed from time to time by the Board of Directors.

The company has negative equity and obtains long-term financing from various financial institutions and the Government of Jamaica.

There were no changes to the company's approach to capital management during the year.

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.

7. Fair value estimation (continued)

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

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

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

Level 1: quoted market prices (unadjusted) in active markets for identical assets or liabilities. The company carries listed equities at fair value through profit or loss (FVTPL). The estimated fair value of the investment is based on the closing bid price of securities as quoted on the Jamaican Stock Exchange at the reporting date.

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).

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.

Prior to the purchase of the shares in TJH, and under the terms of the Loan Conversion Agreement (and specified in more detail in Schedule 18 to the Concession Agreement) toll revenues were 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;

(Expressed in thousands of Jamaica dollars unless otherwise indicated)

8. Revenue (continued)

(a) (Continued)

(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. The company's 50% share of the free cash flows was distributed to the company as a dividend on the one preference share held up to January 2020 (see note 18).

(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.

Prior to the purchase of ordinary shares in TJH, the payments under both (a) and (b) above were made contemporaneously. Pursuant to the Second Amended and Restated Concession Agreement, and the subsequent disposal of the ordinary shares in TJH [(see note 1(c) (1)], only (b) above currently applies.

For the year under review, distributions of (free cash flows or excess cash over stipulated returns) by Concessionaire No. 1, and, accordingly, revenue from toll road operation was recognised by the company, aggregating $4,706,072,000 (2019: $505,155,000).

9. Nature of expenses

(a) Administrative and general expenses

	2020	2019
Advertising and public relations	7	656
Auditors' remuneration	4,017	3,921
Depreciation (note 16)	62,491	61,444
Depreciation on right-of-use asset	5,638	-
Donations and subscriptions	195	204
Legal and other professional fees	71,467	16,087
Letter of credit fees	-	2,857
Repairs and maintenance	2,723	2,068
Staff costs (note 10)	94,854	87,508
Rent	-	6,280
Local travel	2,539	1,721
Utilities	600	600
General Consumption Tax	11,889	10,756
Transaction costs (IPO) [note 9(b)]	977,047	-
Other operating expenses	6,278	5,119
	1,239,745	199,221

(Expressed in thousands of Jamaica dollars unless otherwise indicated)

9. Nature of expenses (continued)

(b) Transaction costs (IPO)

	2020	2019
Advertising and marketing	36,823	-
Legal and professional fees	289,876	-
Broker fees	650,348	-
	977,047	-

10. Staff costs

	2020	2019
Salaries and wages	86,112	78,980
Statutory payroll contributions	5,040	4,980
Other	3,702	3,548
Total (note 9)	94,854	87,508

11. Other income

	2020	2019
Fair value gains on investment securities (i)	1,457,920	-
Technical fees income	27,735	-
Technical fees written back (ii)	-	112,758
Gain on disposal of equities (iii)	6,293,420	-
Miscellaneous	546	-
Sale of tender documents	6	112
Gain on disposal of property and equipment	1,280	66
	7,780,907	112,936

(i) This represents unrealised fair value gains on revaluation of the 2,501,000,000 ordinary shares held in TJH. The company's remaining interest of 20% shareholding of TJH does not constitute an investment in associate as the company does not exhibit significant influence in a way of participating in the financial and operating policy decisions of TJH. All rights and powers in TJH are only confined to the Second Amended and Restated Concession Agreement.

(ii) During 2019, 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.

(iii) This represents gain on disposal of 10 billion shares in TJH, through the initial public offering [see note 1(c)(i)].

(Expressed in thousands of Jamaica dollars unless otherwise indicated)

12. Finance income

	2020	2019
Net foreign exchange gains on financial investments:		
Unrealised gains on translation of foreign currency balances	1,268,598	-
Realised gains on settlement of foreign currency balances	137,900	-
Interest income:		
Short-term deposits	16,668	7,547
Long-term receivables	316,654	328,224
Cumulative redeemable preference shares	56,827	-
	1,796,647	335,771

13. Finance costs

	2020	2019
Net foreign exchange losses on financial investments:		
Unrealised losses on translation of foreign currency balances	-	168,789
Realised losses on settlement of foreign currency balances	-	10,851
Net foreign exchange losses on financial liabilities:		
Unrealised losses on translation of foreign currency balances	3,263,535	71,204
Interest on loans	4,974,189	4,624,931
Amortisation of transaction costs	262,222	262,222
Interest expense on lease liability	1,038	-
	8,500,984	5,137,997

14. 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.

15. Long-term receivable

	2020 US$'000	2019 US$'000	2020 J$'000	2019 J$'000
Due from Jamaica North South Highway Company Limited:				
Purchase price [a(i)]	120,000	120,000	15,903,300	14,828,820
Interest receivable [a(ii)]	25,831	22,221	3,423,349	2,745,972
Effect of discounting of cash flows [a(iii)]	(10,203)	(9,263)	(1,352,155)	(1,144,708)
	135,628	132,958	17,974,494	16,430,084

15. Long-term receivable (continued)

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. There were no impairment losses incurred for the reporting period.

(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.e., June 21, 2032):

  (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)

16. Property and equipment

	Lands see note (i)	Roads see note (ii)	Leasehold Improvements	Office Furniture, Fixtures and Equipment	Computer Equipment	Motor Vehicles	Total
Cost:							
March 31, 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
Additions	104,505	-	-	94	526	5,410	110,535
Disposals	-	-	-	-	-	(6,888)	(6,888)
March 31, 2020	3,733,367	2,018,579	1,259	8,516	13,019	14,932	5,789,672
Depreciation:							
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
Charge for the year	-	58,278	24	494	1,101	2,594	62,491
Eliminated on disposal	-	-	-	-	-	(6,888)	(6,888)
March 31, 2020	-	900,365	1,259	7,062	12,059	4,315	925,060
Net book value:							
March 31, 2020	3,733,367	1,118,214	-	1,454	960	10,617	4,864,612
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

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 $1,543,674,000 (2019: $1,439,233,000) 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)

17. Right of use asset

	Office space
Balance at April 1, 2019	20,204
Depreciation charge for the year	(5,638)
Balance at March 31, 2020	14,566

18. Investment security

	2020	2019
Equity investment at FVOCI – Preference share:		
At cost [US$Nil (2019: US$26,257,000)]	-	3,273,053
Net fair value gain	-	2,715,024
Carrying value [US$Nil (2019: US$47,746,000)	-	5,988,077

Up to January 2020, the company held one preference share in TJH. This preference share was redeemed for 2.7 billion 8% JMD cumulative redeemable preference shares [see note 1(c)(i)]. The rights and restrictions that were attached to the preference share included 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.

(Expressed in thousands of Jamaica dollars unless otherwise indicated)

18. Cumulative redeemable preference shares

	2020	2019
8% JMD Cumulative redeemable preference shares	3,814,417	-

During the reporting period, the one preference share in TJH was redeemed (see note 18). Pursuant to a resolution, TJH issued 2.7 billion 8% preference shares denominated and paid in Jamaica dollars. The carrying amount includes interest receivable of $56,827,000 (note 12) up to the reporting date.

The rights and restrictions attaching to the 8% JMD cumulative redeemable preference shares include the following:

(a) Entitlement, *pari passu*, with any further preference shares created to rank *pari passu* therewith to a fixed cumulative preferential dividend at the rate of 8% per annum. Such Preference Dividend is to be payable in arrears in Jamaican currency by quarterly installments within fourteen (14) days after each Dividend Date in respect of the preceding Dividend Period ending on such Dividend Date.

(b) Each Preference Dividend to the extent that it is not paid within the time stated in paragraph (a) above (whether or not it is declared or required to be paid on that date), will accumulate and remain payable in full.

(c) The Dividend Payment to be paid in respect of any Dividend Period shall be calculated based on the number of days in such Dividend Period and a year of 365 day.

(d) The Preference Dividend shall be a Restricted Payment and shall be payable out of the Distribution Account (assuming that the funds in the Distribution Account are distributable to shareholder under law) in priority to any dividend on the ordinary shares or stock units of TJH but after any Up-side Payment due to NROCC under the Concession Agreement (see note 8).

(e) The right to receive notice of, to be present and speak at, and to vote, either in person or by proxy, at any general meeting of TJH or by way of written resolution if:

  (i) any resolution is proposed for the winding-up of TJH, in which case a holder of any Preference Share may only then vote at such general meeting on the election of a chairman and any motion for adjournment and the resolution for winding-up; or

  (ii) the proposition to be submitted to the meeting abrogates or varies any of the material rights and privileges attaching to the Preference Shares.

(Expressed in thousands of Jamaica dollars unless otherwise indicated)

20. Quoted equities

Quoted equities at FVTPL:

	2020		2019	
	Number of shares	Valuation of shares	Number of shares	Valuation of shares
Transjamaican Highway Ltd. [see note 1(c)(i)]	2,501,000,000	3,376,350	-	-

21. Other receivables

	2020	2019
Receivable from Ministry of Economic Growth and Job Creation:		
Road rehabilitation work (a)	50,072	50,072
Project expenses (b)	127,892	33,196
	177,964	83,268
Interest receivable	1,373	3,021
Other	8,434	4,350
	187,771	90,639
Less allowance for impairment	(50,072)	(50,072)
	137,699	40,567

(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.

22. Resale agreements

The fair value of the securities underlying the resale agreements at the reporting date was $566,682,000 (2019: $612,948,000).

There was no impairment recognised as the calculated ECL was not material [see note 6(a)(ii)].

23. Share capital

	2020	2019
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.

(Expressed in thousands of Jamaica dollars unless otherwise indicated)

24. 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.

25. 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.

26. Long-term loans and advances

		2020	2019
(a)	Real Return Convertible Bonds (face value J$3,552,000,000, due February 6, 2032)	15,576,149	14,798,249
(b)	PetroCaribe Development Fund US$50,459,321 (2019 - US$53,115,106)	6,831,728	6,717,287
(c)	Ministry of Finance and the Public Service		
	Advances - (i) Interest paid on behalf of company [note 30(b)]	43,729,243	38,724,610
	- (ii) Portmore Causeway [note 30(b)] US$3,000,000 (2019: US$3,000,000)	406,172	379,400
(d)	Long-term bond (face value US$294,180,000, due 2024)	38,615,714	35,730,346
		105,159,006	96,349,892
	Current portion of Petro Caribe Development Fund US$2,655,785 (2019 - US$5,311,570)	(359,569)	(671,736)
		104,799,437	95,678,156

(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.

(Expressed in thousands of Jamaica dollars unless otherwise indicated)

26. Long-term loans and advances (continued)

(a) (Continued)

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 TJH. However, during the year, the one preference share was redeemed (note 18).

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:

		2020	2019
Face value of bonds, being proceeds of issue		3,552,000	3,552,000
Inflation compensation	- at beginning of year	11,274,247	10,947,626
	- amount for year	775,724	326,621
	- at end of year	12,049,971	11,274,247
		15,601,971	14,826,247
Less: Unamortised transaction costs		(25,822)	(27,998)
		15,576,149	14,798,249

(b) This represents the balance on a loan facility totalling US$70,600,000 negotiated with the PetroCaribe Development Fund (the 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.

By way of a Cabinet Decision No.6/18 dated February 2018, Cabinet approved the integration of the operations of the Fund into the Central Government (under the Ministry of Finance and the Public Service) consistent with the Government of Jamaica's reform of the public sector and public financial management. The integration was scheduled to take effect on April 1, 2019. However, this took effect on September 27, 2019.

	2020 US$	2019 US$
Loan amount outstanding at beginning of period	53,115,106	58,426,676
Principal paid during the year	(2,655,785)	(5,311,570)
Loan amount outstanding at end of period	50,459,321	53,115,106
Less: Current portion of long-term loan	(2,655,785)	(5,311,570)
Non-current portion of long-term loan	47,803,536	47,803,536

26. Long-term loans and advances (continued)

(b) (Continued)

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.

Comparatively, the company repaid a half of the principal payment during the current reporting period having acted on instructions given by the Ministry of Finance and the Public Service. This did not trigger any events of default or breaches to the terms and conditions of the loan.

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

27. Lease liability

The company leases office space. The lease typically runs for a period of three (3) years, with an option to renew after that date. Lease payments are renegotiated every 3 years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. Previously, these leases were classified as operating leases under IAS 17.

The company has elected not to recognise right-of-use assets and lease liabilities for leases that are short-term and/or leases of low-value items.

(Expressed in thousands of Jamaica dollars unless otherwise indicated)

27. Lease liability

a) Lease liability

	2020
Maturity analysis - contractual undiscounted cash flows:	
Less than 1 year	6,280
2-3 years	9,819
Total undiscounted lease liability at March 31, 2020	16,099
Less: discount	(1,137)
Total lease liability	14,962

Lease liability included in the
Statement of financial position at March 31, 2020:

	2020
Current portion of lease liability	5,566
Non-current	9,396
	14,962

b) Amount recognised in profit or loss

	2020
Interest on lease liability	1,038
Depreciation of right -of-use assets	5,638

c) Amount recognised in the statement of cash flows

	2020
Total cash outflow for leases	(6,280)

28. Other payables

	2020	**2019**
Accrued expenses	21,886	27,255
Professional fees	29,394	3,998
Interest payable	1,975,280	1,698,106
Other	197,536	33,605
	2,224,096	1,762,964

29. Distribution to shareholder

Pursuant to a Cabinet approval dated August 7, 2019, the company made a distribution of approximately $7.8 billion to its shareholder, the Accountant General Department. Among other things, The Cabinet approval made reference to Cabinet Decision No 25/19 dated July 29, 2019 which gave approval for the use of the funds raised from the purchase and subsequent sale of TJH transaction to be mandatorily returned to the Consolidated Fund.

30. 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.

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

30. Related party balances and transactions (continued)

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

	2020	2019
Payable to related parties:		
Development Bank of Jamaica Limited		
- Interest payable	177,430	177,430
PetroCaribe Development Fund		
- Long-term loan [note 26(b)]	6,831,728	6,717,287
Ministry of Finance and the Public Service		
- Long-term loan [note 26(c)]	43,729,243	38,724,610
- Short-term loan [note 26(c)]	406,173	379,400
Receivables from related parties:		
Ministry of Economic Growth and Job Creation	127,892	33,196
Due from Director	1,522	-
Interest income - cumulative preference shares	56,827	-

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

	2020	2019
Development Bank of Jamaica Limited		
Expenses:		
Professional fees	4,800	4,800
Lease payments (cash outflows)	6,280	6,280
PetroCaribe Development Fund		
Interest expense [note 26(b)]	348,167	363,980
Ministry of Economic Growth and Job Creation		
Technical fees	27,735	32,569

(e) Key management personnel compensation:

	2020	2019
Salaries and other short-term employee benefits [including salaries of directors who are executives (see below)]	50,663	36,955
Statutory payroll contributions	2,550	2,370
	53,213	39,325
Directors' emoluments:		
Fees	1,341	1,228
Management remuneration	17,112	24,992
	18,453	26,220

31. 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 $300,000 (2019: $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 $688,038,729 (2019: $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 was referred to the court for a case management conference. However, no date has been set for the conference.

(d) On March 22, 2013, a claim for compensation under clause 25.8 of Amended and Reinstated Concession Agreement in respect of Highway 2000 Project was submitted by TJH. In accordance with the clause, TJH claimed 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 arose if existing competing roads were enhanced. The management of the company considered that the North South Link Highway was not an enhancement to existing competing roads and as such did not see a basis for compensation payments to TJH.

31. Contingent liabilities

d) (Continued)

Arising from the purchase of shares in TJH during the reporting period [see note 1(c)(i)], the claim was dissolved per Clause 25.8 (b)(ix) of the Second Amended and Restated Concession Agreement.

32. Impact of COVID 19

The World Health Organization declared the novel Coronavirus (COVID-19) outbreak a pandemic on March 11, 2020 and the Government of Jamaica (GOJ) declared the island a disaster area on March 13, 2020. The pandemic and the measures to control its human impact have resulted in disruptions to economic activity and business operations. The impact to the company was as follows:

- Traffic volumes for March 2020 decreased by 19.3% over last year for the East-West leg
- Overall decline in the business of approximately 20 % from January to June 2020, when compared to the same period in the prior year
- Limited access to labour during the period April to May 2020 for some employees who resided in St. Catherine which underwent lockdown for a period.

Some mitigating measures implemented by the entity include:

- In line with government measures, persons were allowed to physically return to work from June 1, 2020 and the full complement of staff returned to work with the appropriate measures undertaken
- All existing loans are guaranteed and serviced by the GOJ
- The GOJ has indicated that it will continue to service NROCC debts and obligations as they fall due
- There have been no changes in NROCC's operational budget.

The range of possible scenarios resulting from COVID-19 will depend on the length of time that the COVID-19 impacts continue. In the worst-case scenario and if there is a worsening of the pandemic (greater than 6 months) management estimates that this will result in:

- significant reductions in traffic volumes
- budget cuts by the government
- staff cuts as funds are re-directed to dealing with the pandemic
- indefinitely postponing the works including the construction of the Montego Bay Perimeter road. As the Grantor, the company could also be faced with Forced Majeure claims from the Concessionaire on both highways.

32. Impact of COVID 19 (continued)

If the adverse impacts above occur, the company would consider measures including, but not limited to, having staff continue to work from home, review existing salaries, discontinue discretionary employee benefits and programmes, renegotiate rental contracts and other contracts/agreements.

On the other hand, in the best-case scenario and the pandemic is reasonably controlled and businesses and motorists return to their normal operations, management expects traffic volumes to, at minimum, return to last year levels given the growth trend that was seen pre-COVID-19.

Overall, management estimates that as government continues to ease the restrictions and lift the travel bans, the business is expected to return to some stability. Existing contracts being supervised for the GOJ have also not yet been impacted by any of the budget reductions. Management continues to monitor the situation and its position on its business continuity plan undertaken within the context of government guidelines and requirements.