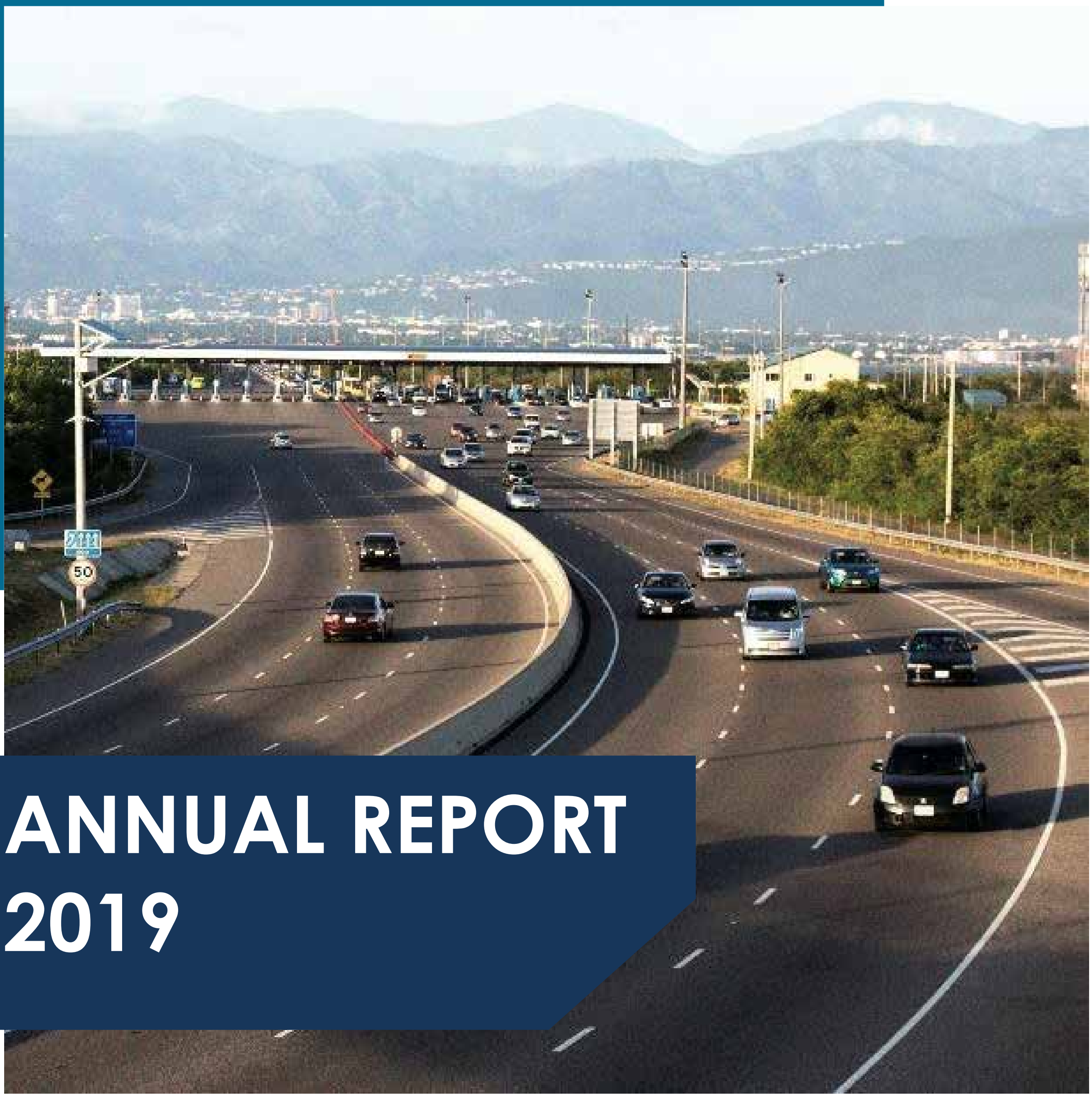

ANNUAL REPORT 2019

TRANSJAMAICAN HIGHWAY LIMITED

Email: tjhighway@h2k-tjh.com

2 Goodwood Terrace
Kingston 10
Tel: (876) 925- 6222/7441
Fax: (876) 969-3730

TRANSJAMAICAN HIGHWAY LTD

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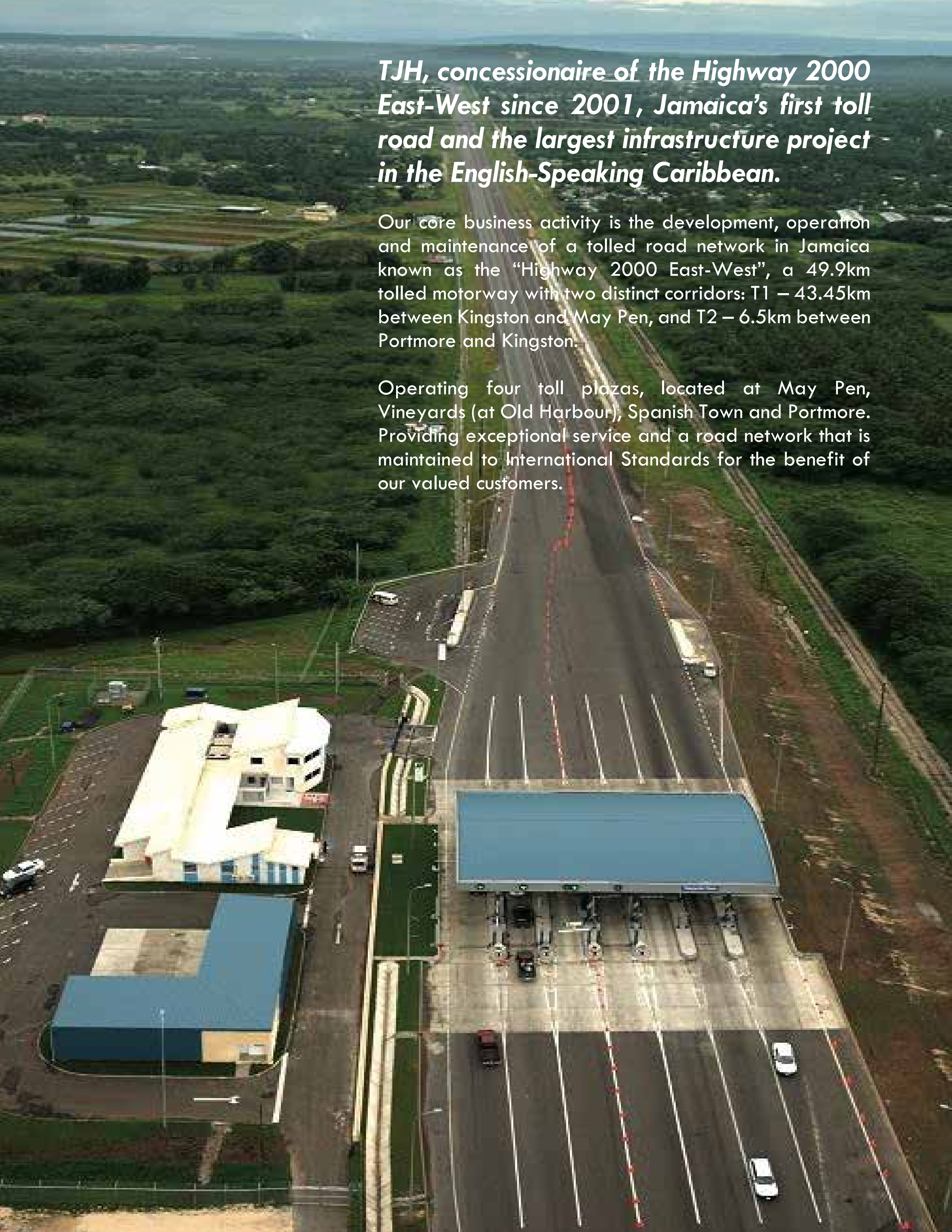
TJH, concessionaire of the Highway 2000 East-West since 2001, Jamaica's first toll road and the largest infrastructure project in the English-Speaking Caribbean.

Our core business activity is the development, operation and maintenance of a tolled road network in Jamaica known as the "Highway 2000 East-West", a 49.9km tolled motorway with two distinct corridors: T1 – 43.45km between Kingston and May Pen, and T2 – 6.5km between Portmore and Kingston.

Operating four toll plazas, located at May Pen, Vineyards (at Old Harbour), Spanish Town and Portmore. Providing exceptional service and a road network that is maintained to International Standards for the benefit of our valued customers.



MISSION AND VISION

Mission Statement

Given the experience accumulated over nearly 20 years in Jamaica, TJH's mission today is to leverage its experience gained from concession and PPP projects to design, build, operate, and maintain infrastructure solutions using global best practices that create stakeholder value by enabling sustainable economic development throughout the Caribbean.

Vision Statement

To become the most reliable provider of infrastructure solutions in the Caribbean region.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 19th Annual General Meeting of **TRANSJAMAICAN HIGHWAY LIMITED** ("the Company") will be held on Tuesday, November 24th, 2020 at The Jamaica Pegasus Hotel, 81 Knutsford Boulevard, Kingston 5, in the Parish of Saint Andrew at 10 a.m. to consider, and if thought fit, to pass the following resolutions:

Ordinary Business: Resolutions 1 – 4

1. **To receive the audited accounts for the year ended December 31, 2019**

Resolution 1 – Audited Accounts
"THAT the audited accounts for the year ended December 31, 2019 together with the reports of the Directors and Auditors thereon be and are hereby adopted."

2. **To elect directors**

(a) The Directors retiring by rotation pursuant to Article 114 of the Articles of Incorporation are John ("Mitchie") Bell and Ian Dear who being eligible for re-election offer themselves for re-election.

Resolution 2(i) – Re-election of John ("Mitchie") Bell
"THAT the retiring Director, *John ("Mitchie") Bell* be and is hereby re-elected a Director of the Company."

Resolution 2(ii) – Re-election of Ian Dear
"THAT the retiring Director, *Ian Dear* be and is hereby re-elected a Director of the Company."

(b) Messrs. Ivan Anderson and Phillip Henriques were both appointed as Directors of the Company on December 6, 2019 to fill casual vacancies pursuant to Article 120 of the Articles of Incorporation. Accordingly, their appointments expire on the date of this meeting. Mr. Anderson being eligible for election to the Board offers himself for election. Mr. Henriques, however, will not offer himself for election.

Resolution 2(iii) – Election of Ivan Anderson
"THAT Ivan Anderson be and is hereby elected a Director of the Company."

3. To fix the remuneration of the directors

Resolution 3 – Directors' Remuneration
"THAT the Board of Directors of the Company be and are hereby authorized to fix the remuneration of the individual directors."

4. **To re-appoint Auditors and fix their remuneration**

Resolution 4 – Re-appointment of Auditors
"THAT Ernst & Young, Chartered Accountants, having agreed to continue in office as Auditors of the Company, be and are hereby re-appointed Auditors of the Company to hold office until the

next Annual General meeting at a remuneration to be fixed by the Board of Directors of the Company."

Special Business- Resolution 5

5. To amend the Articles of Incorporation by special resolution

Resolution 5 – Adding Article 67A to the Articles of Incorporation
"THAT pursuant to section 10 of the Companies Act, 2004, the Articles of Incorporation of the Company be altered by adding after Article 67 the following Article to be numbered 67A, viz:

67A (1) The Company may, if so, permitted by the provisions of the Act, convene and hold a General Meeting of its members as a:

(a) hybrid meeting; or

(b) virtual meeting,

and a hybrid meeting or virtual meeting shall be identified as such in the notice convening such meeting.

(2) For the purpose hereof:

(a) a "hybrid meeting" means a meeting held at one or more physical venue or venues using any technology that gives members and Directors, as a whole (including members and Directors not physically in attendance at any of the venues) a reasonable opportunity to participate by electronic means; and

(b) a "virtual meeting" means a meeting held at no physical venue and is conducted entirely by means of technology which gives members and Directors, as a whole, a reasonable opportunity to participate by electronic means;

PROVIDED THAT an "electronic meeting" (as referred to in this Article) means either a hybrid meeting or a virtual meeting, as applicable.

(3) The notice of an electronic meeting shall not specify a venue and such a General Meeting shall be recorded as being held in Jamaica.

(4) Where an electronic meeting is proposed to be held for the purpose of enabling members to participate in such General Meeting, the Company shall procure that arrangements be made (as may be recommended by the Directors) as are:

(a) necessary to ensure the identification of persons attending and participating in the General Meeting and the security of any electronic communication;

(b) proportionate to the achievement of the objective of a General Meeting of members of the Company such that members have every opportunity as might reasonably be afforded by the Company, to participate in the electronic meeting; and

(c) necessary to provide reasonable evidence (for the benefit of the Company) of the entitlement of any person who is not a member to participate in the electronic meeting.

(5) The right of a member to attend an electronic meeting may be exercised by the member's proxy and notwithstanding anything to the contrary contained in these Articles, a proxy form may be returned to the Company or its agent by electronic means.

(6) Without prejudice to such other means of giving notice to members and Directors as may be permitted by these Articles, notice of a meeting given to a nominating member or a nominating director may be effected by

(a) sending such notice and any notice document to the electronic mail address provided to the Company by the nominating member or nominating Director;

(b) sending to the nominating member or nominating Director by electronic means nominated by the nominating member or nominating Director; or

(c) posting/uploading the notice and any notice documents in or to a drop box or other file sharing system or electronic document depository and providing the nominating member or nominating director with a passcode or other means to electronically access the notice or such notice document.

For the purpose of Articles 67A (5) and 67A (6):

(a) "nominating member means a member who has elected to receive notice and notice documents by electronic means or in an electronic form and has provided the Company with an electronic mail address or other electronic means of receiving notice and notice documents, and the term "nominating director" shall be construed in the same way; and

(b) "notice document" includes any document which the Company is obliged or wishes to provide with any notice including any document required to be laid before the Company in a general meeting, proxy form, explanatory statement, stockholders' circular and draft motions.

(7) Notice or notice document given to a nominating member or nominating Director by electronic means shall be taken to be given twenty-four (24) hours after the notice or notice document was electronically transmitted to the nominating member or nominating Director or after the nominating member or nominating Director is provided with the relevant password or electronic access to the drop box or other file sharing system or electronic document depository.

(8) A defect in any electronic notice or failure in case of the electronic delivery system shall not invalidate the notices unless the failure is such as to cause non-delivery or mis-delivery of more than 5% of the notices dispatched.

NOTE: This meeting is being held as a hybrid meeting with the benefit of a Court Order made under section 130(2) of the Companies Act, 2004 in Suit No. SU 2020 CD 00227. Please read the Meeting Supplement attached hereto for further details on how you may participate in the meeting.

Dated the 28 day of October 2020
by Order of the Board

Secretary

Notes:

(1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his/her place. Pursuant to the Court Order made under section 130(2) of the Companies Act, 2004 in Suit No. SU 2020 CD00227, such proxy should be chosen from the following list of Directors (and Company Secretary) who have indicated that they intend to attend the AGM:

(a) Ivan Anderson, Director
(b) John ("Mitchie") Bell, Director
(c) Susan Garriques, Company Secretary

or alternatively, a member may appoint a person of his/her choice who has been granted the right to attend the meeting physically through the process described in the Explanatory Circular to Stockholders.

(2) A member must complete and return his/her Form of Proxy to the Registrar of the Company, the Jamaica Central Securities Depository ("JCSD"), using one of the following methods, **not less than 48 hours before the Meeting:**

(a) by hand delivery to JCSD Trustee Services Limited at 40 Harbour Street, Kingston; or
(b) by post addressed to JCSD Trustee Services Limited at 40 Harbour Street, Kingston;
(c) by facsimile at (876) 969-3730; or
(d) by email: tjhighway@h2k-tjh.com

CHAIRMAN'S MESSAGE

Dear Shareholders,

It has been 19 years since our company, Transjamaican Highway Limited (TJH) was formed and 17 years since we commenced our operations with the opening of our first Toll plaza at our Vineyard's location back in 2003. The Company's business activity is the development, operation and maintenance of the toll road in Jamaica, known as the "Highway 2000 East-West" under a Concession Agreement, between the National Road Operating and Constructing Company Limited (NROCC), as grantor, and the Company as concessionaire.

Highway 2000 East-West is a network of Jamaican tolled roadways developed by the Company and operated and managed on behalf of the Company by Jamaican Infrastructure Operator Limited (JIO) under an Operation & Maintenance Agreement. It consists of 50 km of roadway connecting (i) the capital city of Kingston with May Pen, with a connection to Spanish Town, through the "T1 Corridor" and (ii) the capital city of Kingston with Portmore, the "T2 Corridor" (also known as the Portmore Causeway). It was the first to be built and operated in Jamaica and was transformative in shortening the commute between Kingston, May Pen and Portmore.

After the opening of the first section of the Highway 2000 East-West in 2003 (13 km in length), two new sections were completed between 2004 (Spanish Town Toll plaza) and 2006 (Portmore Toll plaza). The final 10.5 km-long opened in 2012 (May Pen Toll plaza). The French construction company Bouygues Travaux Publics Jamaican Branch constructed the motorway at a cost of US$387 million. No major construction works have been required since 2012 and no additional construction works are required under the terms of the Concession Agreement until the Hand-Back works at the end of the Concession Period (2036).

2019 brought about many changes in the corporate structure of TJH which included the change of ownership as prior to December 2019, TJH was owned jointly by Bouygues Travaux Publics, Vinci Concessions (Vinci), International Finance Corporation (IFC) and Proparco. Given the importance of this asset, the Government of Jamaica, through NROCC, a state-owned entity, purchased 100% of the ordinary shares in TJH on 23 December 2019. This acquisition created the opportunity to make an Offer for Sale of up to 80% of the Company to Jamaicans.

For the first time in Jamaica's history, the opportunity arose in March of this year, for members of the public to own a share of Jamaica's first toll road and one of the Island's most significant infrastructural developments. We are grateful to you for the overwhelming level of support shown in the take up of shares in the Offer for Sale.

While the ownership of TJH has changed hands, there has been continuity in the operations and management of the Toll Road. JIO, (a company jointly owned by Bouygues and Vinci, whose management has over 50 years of experience both internationally and regionally), has continued to operate and manage the Toll Road under an Operation & Maintenance Agreement.

Looking Ahead

TJH also had its best year in terms of traffic and revenue in 2019 (over 24 million vehicles utilized the toll road), a continuation of the performance experienced over the last 6 years (further discussed in the Management Discussion Analysis) with total volume of vehicles growing at a 4.9% Compound Annual Growth Rate (CAGR) between 2014-2019. This trend was expected to continue in 2020 as we had growth of approximately 1.5% and 2.8% for the months of January and February respectively when compared to the same period of 2019. This all changed with the arrival of the COVID-19 global pandemic in mid-March 2020.

To better fight against the spread of this pandemic, the Jamaican government implemented health and safety measures which consequently impacted the travel habits of motorists. These measures outlined in Orders promulgated pursuant to the Disaster Risk Management Act included: Island-wide curfews, a temporary lockdown for the Parish of St. Catherine, “Work From Home” Order, closure of the country’s borders, postponement of the start of the school year and transitioning students to online distance learning.

The consequences of these measures were immediately reflected on our traffic pattern usage. In Q2 2020, we noted a 34.5% reduction in the number of transactions compared to the same quarter in the previous year (i.e. a total of -19.6% for the 1st half of 2020 compared to 2019).

Despite a significant upturn in traffic between July and September, the trend remains highly dependent on any new measures that could still be implemented by the Government of Jamaica in the coming months to combat the effects of the COVID-19 pandemic. As a result of this uncertainty and the impact on the economic activity, it has been difficult to establish new forecast for the end of this fiscal year.

During this difficult period, we have been forced to analyze the way we work and commute. We should not however forget the many development opportunities available to TJH on which we intend to execute once this health crisis is over. Whether in Jamaica, where many road projects are about to see the light of day, or elsewhere in the Caribbean, the experience acquired by the TJH team will enable us to position ourselves as a leading player in the realization of major infrastructure projects, concerned with sustainable development and serving the progress and well-being of the population.

Charles Paradis

Chairman

DIRECTOR'S REPORT

The Directors of the Company are proudly presenting their report for the year ended December 31, 2019.

Financial Results for the year	KUSD"000
Revenue	**53,285**
Retained Earnings January 1, 2019	2,951
Dividends paid	-
Net profit for the year	8,300
Retained Earnings December 31, 201	11,251
Earnings per stock unit	0.0007¢

Directors

As mentioned above, the company changed ownership on December 23, 2019 when NROCC acquired one hundred percent (100%) of the issued Ordinary Shares, the then Directors were:

Charles Paradis (Chairman)
Thierry Parizot (Managing)
Christian Gazaignes
Jean-Marc Coulon
Marcel Vial
Fadi Selwan
Adèle Ducrot
Sandrine Benmussa
Sébastien Pejoan

The Directors post December 23, 2019 where:

Phillip Henriques (Chairman)
Ivan Anderson

BOARD OF DIRECTORS

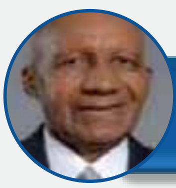
As at January 2020, the company's Board of Directors are as follows:

Charles Paradis
Chairman
Appointed February 2003 to December 6, 2019
Re-appointed January 22, 2020

Charles Paradis began his career working at the French Ministry of Defence, in the Maritime Affairs department. He joined Bouygues Travaux Publics in 1988 as head of the commercial department. After being involved in several concession projects, he took charge of the company operating the Istria motorway in Croatia in 1997.

Charles Paradis has over 20 years' experience in civil engineering and management of shareholdings with specific focus on road, tunnel and bridge projects in Hungary, Croatia, United Kingdom, South Africa, Germany, France, Jamaica and South Korea. He was made Senior Vice President, Concessions prior to his appointment as Chief Executive Officer of Bouygues Construction Concessions in February 2003. Before he retired in early 2020, he was also a member of the General Management Committee at Bouygues Construction.

Mr. Paradis is a graduate of Massachusetts Institute of Technology, the Ecole Polytechnique and the Ecole Nationale des Ponts et Chaussées. He has a Master's Degree in Sciences-Civil Engineering, option Mechanics of Fluids as well as Engineer degrees.



John ("Mitchie") Bell
Non-Executive Director
Appointed January 22, 2020

John ("Mitchie") Bell is a Director of Proven Wealth Limited, Cable & Wireless Jamaica Limited and Advantage General Insurance Limited as well as a past director of NCB Capital Markets Limited and a past Chairman of Salada Foods Jamaica Limited.

Mr. Bell is a former partner of PricewaterhouseCoopers, where he was Lead Partner of the firm's Financial Services Audit and Assurance practice for several years.

Mr. Bell was educated at The Lodge School in Barbados and later the University of the West Indies, Jamaica where he received a Bachelor of Science degree in Economics and Accounting. He is a Certified Accountant and a fellow of the Institute of Chartered Accountants of Jamaica.

Ian Dear
Non-Executive Director
Appointed January 22, 2020

Ian Dear is the founder and current Chairman and CEO of Margaritaville Caribbean Group (MCG), an industry-leading hospitality company which has two subsidiaries publicly traded on the Jamaica Stock Exchange. Under Ian's leadership the Company portfolio has expanded to include a diverse range of hospitality concepts in 53 locations throughout the Caribbean.

Ian maintains active involvement in several community service organizations and is currently Chairman of the Board of the Tourism Product Development Company Limited (TPDCo.) and board member of the Tourism Enhancement Fund (TEF).

He is also a Justice of the Peace for the parish of St. James, since originally being appointed in 1996. In addition to these current appointments, Ian has served as a member and board member for several organizations to include the Jamaica Hotel and Tourist Association, the Private Sector Organization of Jamaica, Young President's Association, the Montego Bay Chamber of Commerce, the Jamaica Cruise Council and the Attractions Association of Jamaica.

Julie Thompson-James
Non-Executive Director
Appointed January 22, 2020

Julie Thompson-James is an Attorney at Law and founder of Cube Corporate Support Limited, a corporate governance advisory firm. Julie's experience spans both the public and private sector.

In the public sector, she served as Corporate Secretary and Legal Counsel to the Financial Sector Adjustment Company Limited and member of the Commission established by the Ministry of Finance 2019 to review the Government Pension structure. Her public sector service also saw her in the role of Assistant Attorney General, Attorney General's Chambers, Litigation Division, Ministry of Justice.

Julie has held progressive roles in the private sector with Scotia Group Jamaica Limited inclusive of Vice President, Regional Head, Senior Legal Counsel & Corporate Secretary with responsibility for general legal advice, Corporate Services and Compliance and Vice President, Business Support, Caribbean Central. Julie has held several directorships including the Director of Allied Insurance Brokers Limited, Director Students Loan Bureau, a member of the Jamaica Stock Exchange Best Practices Committee and chair of the Private Sector Organization of Jamaica Corporate Governance Sub Committee.

Julie holds a Bachelor of Laws (LLB), (Hons.) from the London School of Economics, London, England; Certificate of Legal Education from the Norman Manley Law School, University of the West Indies, Kingston, Jamaica and a Bachelor of Arts degree in Economics & Business Administration (Hons.) from Howard University, Washington, D.C., U.S.A. Her legal experience spans over 20 years and includes: *Complex Commercial & Civil Litigation; Banking, Insurance and Securities law; Company Law, Corporate Governance and Shareholder engagement*.

Alok Jain
Non-Executive Director
Appointed January 22, 2020

Alok Jain is a former Partner of PricewaterhouseCoopers (PwC) where he held a number of leadership roles, most recently as leader of PwC's Advisory practice in the Caribbean.

He previously served as leader of PwC's Assurance practice in Jamaica. Alok currently serves as a Consultant at the Office of the Prime Minister. He is an Adjunct Lecturer at the Mona School of Business and Management at the University of the West Indies. He is also a director of Mayberry Investments Limited.

Alok is a Chartered Accountant, Certified Information Systems Auditor as well as a CFA Charter holder.

He has extensive experience in accounting, auditing as well as in corporate finance - privatization and public private partnerships (PPP), valuations of companies, due diligence investigations, "going public" and listing shares on the stock exchange, capital restructuring, and acquisitions and mergers.

Ivan Anderson
Non-Executive Director
Appointed December 6, 2019

Ivan Anderson, an engineer, is Managing Director of the National Road Operating and Constructing Company Limited (NROCC), which was formed to implement the Highway 2000 Toll Road project. He was previously responsible for restructuring the old Public Works Department and became the first Chief Executive Officer of the National Works Agency, which is responsible for the maintenance and rehabilitation of Jamaica's main roads. During his tenure, the NWA completed the most extensive rehabilitation program of the main Highway network including the North Coast Highway, from Negril to Montego Bay. Widening of major arterial roadways within Kingston and the rebuilding of bridges and other flood damage rehabilitation projects.

He is also the former General Manager of the Urban Development Corporation, holding responsibility for infrastructure and secondary development projects that included hospitals, housing schemes, hotels, shopping centres, schools and other facilities, across Jamaica.

Mr. Anderson holds a BSc in Engineering from the University of the West Indies, and an MBA from the University of Minnesota. He has also done Investment Appraisal and Management at Harvard University, Project Management and Urban Renewal at Rutgers University and Commonwealth Top Management at the National University of Singapore .

Philip Henriques
Non-Executive Director
Appointed December 6, 2019

Philip Henriques, Businessman, is presently Managing Director of Kingston Industrial Agencies Limited, a position he has held since 2002. He has been a director of the CHASE Fund since 2002 and assumed the chairmanship from 2007 until 2011. In 2012, he was again asked to serve as Chairman.

Philip is experienced in the areas of strategic business development, leadership and management. He is also the current Chairman of NROCC.

Phillip Henriques currently serves on the board of Kingston Ice Making Company and is Vice-Chairman of Hillel Academy High School. He has had the distinction of serving the people of Southeast St. Andrew as a representative /caretaker from 1999 to 2003 and has recently been elected as the Member of Parliament for Clarendon North West.

Mr. Henriques holds a BSc. in Business Administration and an MBA in Finance from Nova University in Florida. An avid sports enthusiast he is a member of the Kingston Cricket Club.

MANAGEMENT TEAM

The administration of TJH is made up of eight (8) employees, including three (3) senior team members, as below:

Thierry Parizot
Managing Director

Thierry Parizot has served as Managing Director of the Company since September 2018. He has worked over 31 years with Bouygues Construction, where he held several positions in the fields of management, finance, commercial and marketing, within their building and public works division.

Since 2004, Mr. Parizot has held positions of general management of project companies, including acting as Chief Executive Officer of French roadway and railway concession and PPP companies ALIS (until 2012) and OC'VIA (until 2017).

Currently, he is also serving as Chairman of the Bouygues subsidiary responsible for operating the Orange Vélodrome Stadium in Marseille, France.

Thierry Parizot holds a Bachelor's Degree in Civil Works Engineering from École Spéciale des Travaux Publics in Paris, France, and postgraduate studies in marketing at HEC in Paris.

Susan Garriques
Administrative and Financial Manager

Susan Garriques has served as Administrative and Financial Manager of the Company since 2016 and has also served as, Accounts & Payroll Manager at Bouygues Travaux Publics Jamaica, and Financial Controller during her tenure of over 17 years with the Highway 2000 East-West Group.

Ms. Garriques has over 16 years of experience in the toll road operation and management business. She has also worked in customer service at Federated Pharmaceuticals Company Limited for 8 years.

She holds a Bachelor's Degree in Accounting (Hons.) from University of Technology, Jamaica in Kingston and is a Certified Public Accountant (CPA).

Melbourne Lyn-Cook
Senior Quality & Maintenance Planning Engineer

Melbourne Lyn-Cook has served as Senior Quality and Maintenance Planning Engineer of the Company since 2013 and has held several positions during his tenure of over 10 years with the Company.

He has over 10 years of experience in the toll road operations, maintenance and management business. From 2009 to present, he acted as Manager on Call of Jamaican Infrastructure Operators during the period June 2014 to December 2015.

Mr. Lyn-Cook was also Quality Assurance Officer of Caribbean Cement Company Limited, from 2005 to 2007. Previously, he has held several leadership positions including that of On-Call Manager at the Caribbean Cement Company.

Melbourne Lyn-Cook holds a Bachelor's Degree in Chemistry and Applied Chemistry from the University of the West Indies, in Mona, Kingston, Jamaica.

Aerial View of Hunt's Bay Bridge with the abandoned Causeway Bridge in the foreground

CORPORATE GOVERNANCE

BOARD FUNCTION AND RESPONSIBILITY

The Board is comprised of seven (7) non-executive Directors who have extensive business experience which aids in providing appropriate oversight and guidance to the Management team and in representing the interest of the shareholders.

MEETINGS and COMMITTEES

Three (3) Board meetings were held in 2019 and were attended by all the then Directors. There were no sub committees prior to January 2020. Since then, the Board has constituted three (3) committees, namely the Audit & Risk Management Committee (as required pursuant to the provisions of the Main Market Rules of the JSE), a Nomination and Compensation Committee and a Governance Committee (although not strictly required by the Main Market Rules). Board and Committee meetings are held regularly with a formal schedule of matters for discussion. The Management team is responsible for providing the Board with accurate and timely information on the Company, ahead of each board and committee meetings.

REMUNERATION

Prior to year 2020, the company had no policy for Directors' Compensation as no such fees were paid. Since January 2020 the annual Director's fees are as follows (in JMD):

Description	Amount
Chairman	2,800,000
Board + Committee	2,700,000
Board Only	2,000,000

All compensation arrangements are subject to review and approval by the Nomination and Compensation Committee of the Board.

"Corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals".
Sir Adrian Cadbury

DISCLOSURE OF SHAREHOLDINGS AS AT SEPTEMBER 30, 2020

Top Ten Shareholders:

Shareholder	Shareholding	Connected Parties	Total Shareholding	Percentage
National Road Operating & Constructing Company Ltd	2,501,000,000	-	2,501,000,000	20.0064
NCB Capital Markets (Cayman) Ltd	999,979,615	-	999,979,615	7.9992
Jamaica Money Markets Brokers Ltd	763,642,219	-	763,642,219	6.1086
NCB Capital Markets (Barbados) Ltd	565,258,462	-	565,258,462	4.5217
Musson Investments Ltd	499,001,770	-	499,001,770	3.9917
ATL Group pension Fund Trustee Nominee Ltd	354,609,000	-	354,609,000	2.8366
SJIML A/C 3119	295,744,000	-	295,744,000	2.3658
Guardian Life Pooled Pension Fund	283,687,000	-	283,687,000	2.2693
NCB Insurance Co. Ltd A/C WT161	177,305,000	-	177,305,000	1.4183
NCB Insurance Co. Ltd A/C WT157	177,305,000	-	177,305,000	1.4183

Directors Shareholdings:

Board Member	Shareholding	Connected Parties	Total Shareholding	Percentage
Ivan Anderson	21,276,000	28000	21,304,000	0.17042
Alok Jain	12,990,000		12,990,000	0.10391
John "Mitchie" Bell	708,836		708,836	0.00567
Phillip Henriques	212,000		212,000	0.0017

Senior Manager Shareholdings:

Senior Manager	Shareholding	Connected Parties	Total Shareholding	Percentage
Susan Garriques	5,042,000	376,000	5,418,000	0.0433

CORPORATE DATA

DIRECTORS
Charles Paradis (Chairman)
John ("Mitchie") Bell
Ian Dear
Julie Thompson-James
Alok Jain
Ivan Anderson
Phillip Henriques

COMPANY SECRETARY
Susan Garriques

AUDITORS
Ernst & Young
Chartered Accountants
8 Olivier Road
Kingston 8

REGISTERED OFFICE
2 Goodwood Terrace
Kingston 10
Phone: (876) 925-7441/925-6222
Fax: 876) 969-3730
Email: tjhighway@h2k-tjh.com

BANKERS
Onshore: National Commercial Bank
Offshore: Bank of New York Mellon

REGISTRAR
Jamaica Central Securities Depository
40 Harbour Street
Kingston, Jamaica W.I.

MANAGEMENT DISCUSSION & ANALYSIS

2019 was another year of strong financial performance for TJH, with revenues of US$53.3 million for the year ended December 31, 2019.

KEY FACTORS AFFECTING THE COMPANY'S FINANCIAL PERFORMANCE

The following are some significant factors affecting TJH's results of operations:

- Construction works for the widening of the Nelson Mandela Highway;
- Refinancing of the Multilateral Banks;
- Subsequent capital restructuring;
- Major maintenance; and
- Containment measures related to the COVID-19 pandemic.

Construction Works for the Widening of the Nelson Mandela Highway

TJH's revenues are closely tied to traffic volume fluctuations on the Toll Road as a result of traffic diverted from and to competing roadways. Although there are limited competing routes that are equally safe and convenient, from time to time, the business experiences fluctuations in traffic volumes as a result of external factors affecting competing roadways. For the years ended December 31, 2017 and 2018, the Company experienced an increase in revenue of 14.3% and 13.7%, respectively, partly due to traffic diverted to the Toll Road as a result of construction works involving the widening of the Nelson Mandela Highway. The revenue growth rate immediately before expansion ranged from 6% to 8% between 2014 and 2016. This expansion project was part of the Jamaican Government's infrastructure program, which included the construction of a 3.5 km six-lane corridor and widening of the overpass from two lanes to three lanes, resulting in the shutdown of a section of the Nelson Mandela Highway. The Company's revenue growth trend experienced during the construction period slowed starting in March 2019 when the expansion works were nearly complete and traffic volumes diverted back to the Nelson Mandela Highway.

Refinancing of the Multilateral Banks

In February 2011, we refinanced our outstanding debt under the RBTT Loan Agreement and the NROCC Loan Agreements, with a series of transactions, which included the incurrence of U.S.$198.4 million in debt in the form of a term loan financed by the European Investment Bank ("EIB"), Inter-American Development Bank ("IDB"), International Finance Corporation ("IFC") and Proparco , pursuant to the terms of a Common Terms Agreement.

Subsequent Capital Restructuring

The fourth quarter of FY 2019 saw the beginning of a restructuring exercise that was long in the making which resulted in:

- The repayment of the Multilateral Banks (see note 15 of the 2019 Financial Statements)
- Purchase of 100% of the Company's Ordinary Shares by NROCC (see note 1 of the 2019 Financial Statements)

This exercise continued into the first quarter of year 2020 (see note 27 of the 2019 Financial Statements) and resulted in:

- Capital Restructuring
- Dividend
- Grant Write-back

- Debt Offering and Initial Public Offering of Ordinary Shares

The Company also undertook a privately placed offering of a series of 5.75% Senior Secured Notes due 2036 in the principal amount of US$225,000,000 in February 2020.

NROCC Grant

TJH entered into a loan conversion agreement with NROCC, dated as of February 18, 2011 (the "Loan Conversion Agreement"), in order to convert certain debt obligations owed by TJH to NROCC. As a part of the Loan Conversion Agreement, US$ 89.59 million of TJH's outstanding debt was converted into an amortizing grant (the "NROCC Grant"). This NROCC Grant was amortized using a projection of Toll Road traffic over the concession period, developed in consultation with the Independent Traffic Consultant. After NROCC became the sole shareholder of TJH, on January 20, 2020 an ordinary resolution was passed to allow for immediate recognition through Retained Earnings in equity of the balance of the NROCC Grant (which then stood at US$62,260,000). A dividend of US$35,000,000 was declared on our ordinary shares and paid out of Retained Earnings.

Major Maintenance

As part of the Company's obligations under the Operation & Maintenance Agreement, we provide major maintenance repairs based on specific projections and assumptions developed under a maintenance program reviewed by the Independent Engineer. Major maintenance includes corrective and rehabilitative works, including renewal of Toll Road pavements, Toll Road equipment, ancillary structures and network control equipment. Actual cash outflows may vary from year-to-year due to repair obligations under the O&M Agreement based on the length of operation of the Toll Road.

Pavement Repairs

Pavement monitoring surveys were carried out during the year 2019 as per our maintenance schedule by reputable local and international pavement experts. The overall results showed the pavement surface is rated from fair to very good condition. From these inspections, we identified 154,000m² of raveling which was corrected using 25mm asphalt overlay. Additionally, 10,000 linear metres of pavement cracking was corrected using bituminous crack sealer or cement mortar along the T1 and T2 legs of the highway. The requisite lane marking (26,500 liner metres) for all areas was also completed. The next scheduled pavement inspections are due in 2021.

Toll Equipment

Over the period, we placed orders with our main supplier GEA for the upgrading of toll equipment at Portmore and Vineyards. These include toll servers and software as well as other hardware used in the toll operations. Installation and upgrading will be carried out in 2021.

Solar Lights

Repairs were carried out on 157 of the 220 solar lights as per schedule. These lights were originally installed in 2012 and the batteries had reached their end of life cycle. The lights are fully autonomous and do not depend on power from the national power grid.

Highway Equipment

Fencing: Approximately 9.5km of fencing was replaced in 2019. 478m of fencing was stolen over the period and occurred primarily along the T1 leg of the highway. This is a marked decrease in comparison to the previous years where 841m of fencing was stolen in 2018 and 2,333m in 2017.

Signage: Highway signs are repaired based on annual inspections carried out in November of each year. Over the period, we replaced over 130 highway signs, which included directional signs and traffic regulatory signs.

Barriers: All areas of damaged barriers caused by accidents were repaired in accordance with the contractual timeframe outlined by the Concession Agreement.

Main Structures: The detailed inspections of all main structures were scheduled to be conducted at the end of 2019 as per our contractual 5-year schedule. The surveys commenced in early March 2020 but were suspended at 60% completion in mid-March due to the COVID-19 pandemic. Surveys will be continued as soon as the survey teams are permitted to travel from Canada. From the survey, the repainting of the Hunts Bay Bridge was competed and the repainting of the canopy structure at Portmore Toll Plaza is scheduled for completion by the end of 2020.

Income Taxes

The Company recognizes liabilities for anticipated tax audit variations based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current or deferred tax provisions in the period in which such determination is made. As at December 31, 2019, the Company had US$104.1 million of tax losses carried forward, compared to US$85 million as at December 31, 2018.

The company is expected to generate sufficient future taxable profits to utilize the accumulated tax losses. On this basis, the Company has determined that it can recognize a deferred tax asset on the full amount of tax losses carried forward (In FY2019 Deferred tax assets were recognized in respect of tax losses to the extent of existing deferred tax liabilities). For more information on income taxes, see note 21 of the 2019 Audited Financial Statements.

Containment Measures Related to the COVID-19 Pandemic

As of March 13, 2020, the Government of Jamaica ordered all schools closed as part of its efforts toward the containment of the spread of COVID-19. This had an immediate knock on effect of a reduction in traffic on the East-West highway. Subsequently, increased measures to contain the virus were taken, regarding the implementation of island-wide curfews and imposition of quarantine for the parish of St. Catherine. This resulted in reduction of 52% in traffic in April when compared with April 2019. As the number of new cases in the island slowed, and the quarantine was lifted on May 1, TJH recorded an improvement in the traffic reduction to 34% in May 2020, and then further improvement to 17% in June 2020. This was followed by single digit reduction in July and August 2020, both reporting 9% and 7% respectively when compared to the previous year.

The month of September 2020 saw an increase in the number of COVID-19 cases and the announcement that Jamaica was now experiencing the community spread phase of the virus. Along with this announcement came a tightening of the measures put in place by the GOJ to include earlier curfew hours, which contributed to the 14% decrease in traffic compared to prior year. Given this situation we have not revised our financial projections for the rest of this year because of the unpredictability of the measures that may be taken relating to COVID-19.

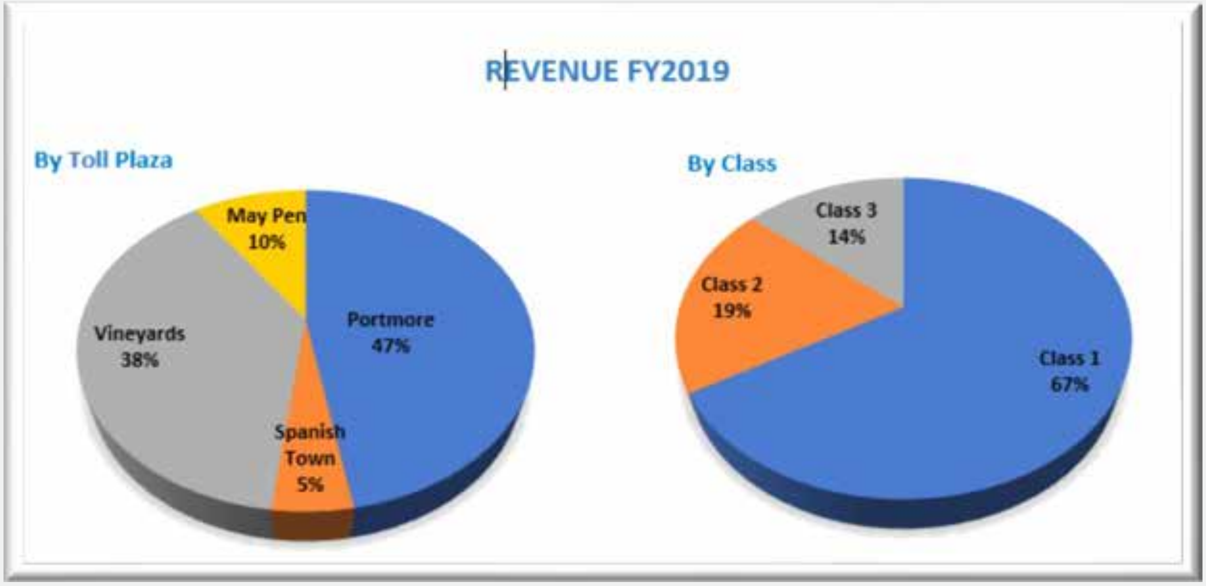
STATEMENT OF COMPREHENSIVE INCOME

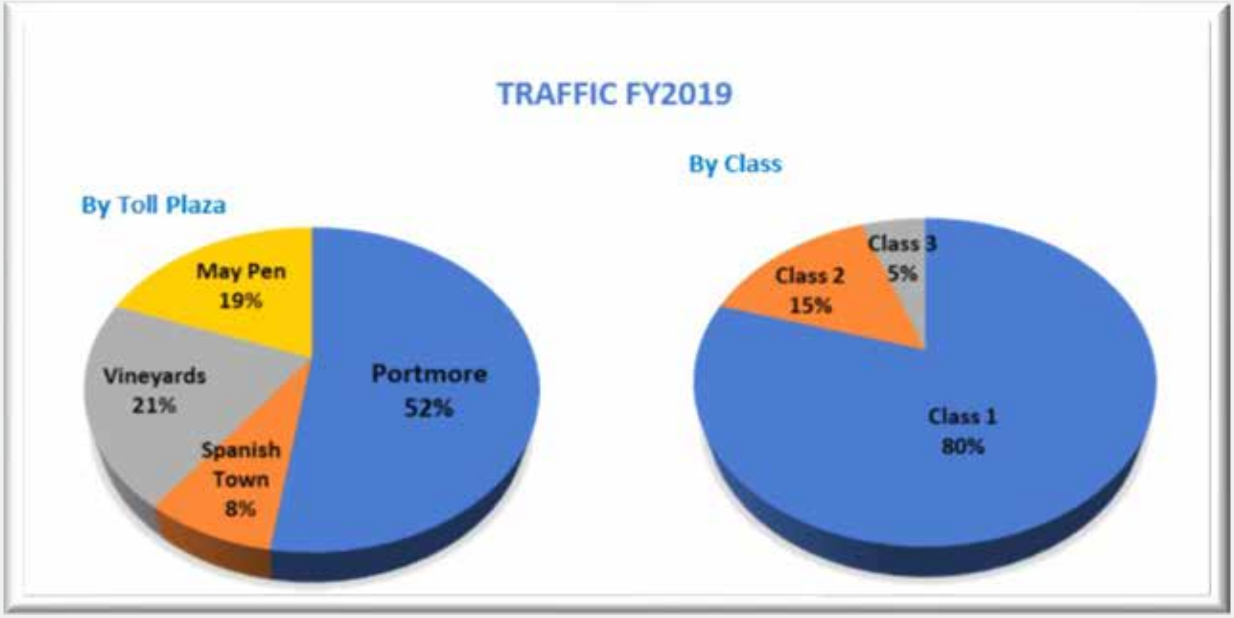
REVENUE

Revenue from ordinary operations relates to operation and maintenance of the Toll Road and is recognized in accordance with IFRS 15. The Company has a strong historical financial performance, with robust revenues of U.S.$53.3 million for the year ended December 31, 2019, representing a CAGR of 8.9% between 2015 and 2019. The Mandela roadworks were substantially completed in March 2019. When completed, the significant increase during the period of the roadworks was "normalized", and an increase of 1.6% was recorded in 2019, over 2018.

Toll Revenue (US$ million)

In 2019, the overall number of transactions was 24.2 million (66,223 transactions /day), up 1.1% from 2018. The breakdown of traffic and revenues by class and by toll plaza is as follows:





OTHER GAINS AND LOSSES

Other revenue (approximately$3m- $4m per year) is comprised primarily of the gains produced by financial market operations and financial income on investment instruments, the valuation of equity instruments, revenue from secondary developments, and income from the amortization of the NROCC Grant. FY 2019 saw a 12% decrease compared to FY 2018 and mainly resulted from:

- A change strategy in treasury management relating to the investment of funds held in the restricted bank accounts due to the capital restructuring mentioned above.

- Slight increase in the amortization of the NROCC Grant which fluctuates based on traffic performance. This represents the largest portion of other income. This revenue stream will no longer be applicable going forward due to the immediate recognition in equity of the NROCC Grant, which occurred in 1st quarter 2020.

OPERATING EXPENSES

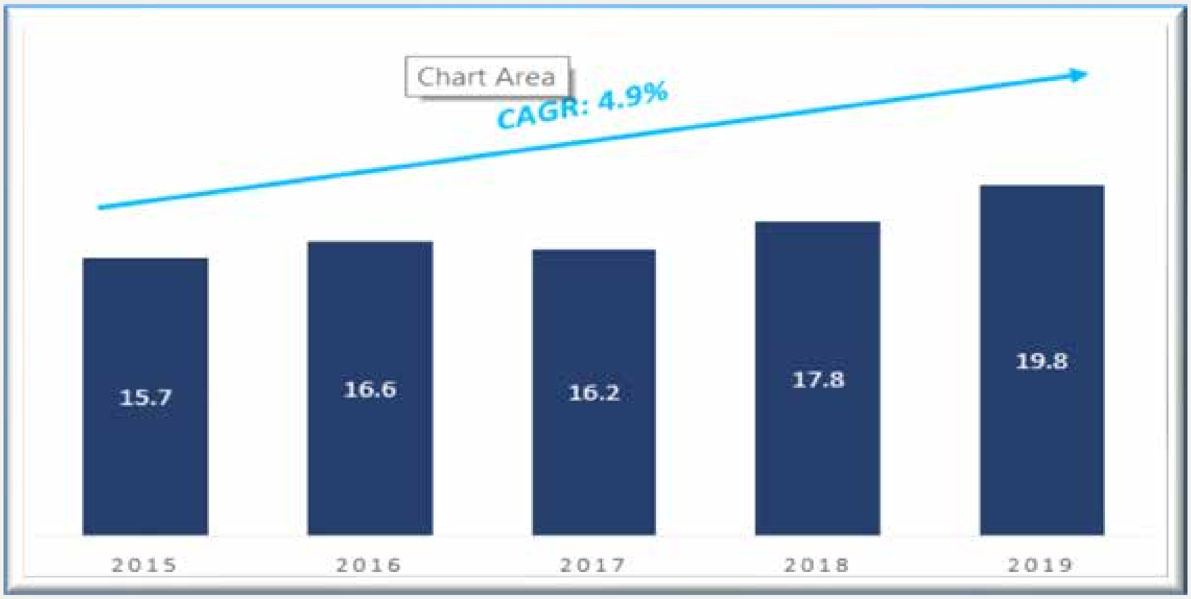
Operating expenses consist of the costs of operation and maintenance of the Toll Road. In 2019, the costs primarily included the Operator's (JIO) costs (both fixed and variable), repairs and maintenance, insurance and other expenses (including bank charges, utilities etc.).

The key increase in operating costs over the prior year period mainly related to:

- Operator fees which increased in part due to growth in revenue as well changes in CPI and exchange rates.
- Legal and professional fees also increased due to works done in relation to the sale of the ordinary shares, repayment of the 4 multilateral banks and the acquiring of the bridge loans mentioned above.

The table below shows the increase in Operational Cost over the last 5 years (excluding amortization of intangibles).

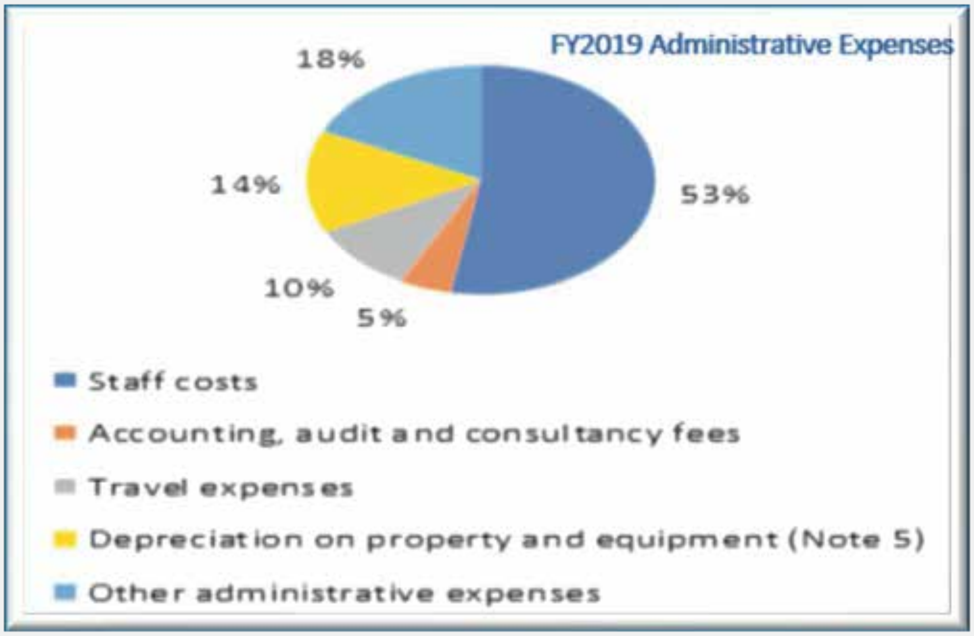
OpEx (US$ million) (excluding amortization of intangibles)



Increase in costs for amortization of intangible assets which varies based on the projection of traffic during the concession period. The Company's projected amortization expense is based on various estimates and assumptions surrounding, among other things, growth in gross domestic product, inflation and the Toll Road traffic demand. These estimates and assumptions were reviewed in July 2014 by Mott MacDonald, an independent traffic consultant with expertise in these matters. The company has since commissioned a revised traffic study which will be used for year 2020 onwards.

ADMINISTRATIVE EXPENSES

Administrative expenses were 5% below that of the prior year and are comprised mainly of staff costs depreciation of property, plant and equipment, taxes and levies and other miscellaneous expenses.



FINANCE COSTS

In 2019, finance costs increased significantly because of breakage costs and penalties in relation to the repayment of the existing financing of US$21million, which was funded from reserves associated with this financing. Subsequently in 1st quarter 2020, these funds were replenished from new financing raised on the international capital markets.

LOSS FOR THE PERIOD

The factors described above have contributed to TJH's overall financial performance. This has been offset by increases in traffic and ultimately revenues arising from the construction works on the Mandela Highway from 2016 onwards.

TAXATION

As described earlier, TJH was able to recognize a deferred tax asset of US$21.4 million which allowed for total comprehensive income for the year being US$8.3 million compared to US$6.3 million for the previous year. No deferred tax was recognized for the same period in 2018, the Company instead accrued taxes of US$658 thousand.

STATEMENT OF FINANCIAL POSITION

ASSETS

The Company's primary asset relates to the intangible assets which represents the Company's rights under the Concession Agreement and are reported at cost less accumulated amortization and accumulated impairment losses. Historical cost includes costs of design, site installation, earthworks and construction of bridges, structures and pavements. Amortization is charged so as to write off these costs over the concession period based on external projections of traffic on the highway.

LIABILITIES

These are primarily comprised of:

- **Borrowings:** Representing funds borrowed to the construction of the Highway. It is to be noted that the financing from the Multilateral banks which was in place since 2011 was refinanced on 23 December 2019 by the NCB Syndicated Bridge Loan Facility and the NROCC Bridge Loan. In the first quarter of 2020 the NCB Syndicated Bridge Loan Facility and the NROCC Bridge Loan were refinanced with a long term facility, the 2036 Notes in the amount of US$225,000,000, issued under Rule 144A, Regulation S of the US Securities Act.
- **NROCC Grant:** Represents NROCC's loan contribution to the project which was amortized based on expected traffic flows. This Grant was recognized in equity in the 1st quarter of 2020, allowing NROCC to monetize part of its early contribution to the project by way of a onetime dividend of US$35 million.
- **Derivative instrument:** Represents the fair value of the interest rate swap which was implemented by TJH with IFC as a part of the 2011 Financing mentioned above. This facility was repaid on 23 December 2019. No further obligation exists in this regard.
- **Provisions for renewals:** The provision for Toll Road repairs represents estimated costs for scheduled repairs ranging from ten (10) years to the end of the concession period based on certain projections made over the course of the concession period. This provision is based on the same estimates and assumptions included in the Company's biannual operations and maintenance plan (the "O&M Plan") reviewed by the Independent Engineer.

Equity

The share capital remained constant at US$54 million at the end of year 2019, however the Company's USD-denominated Preference Share has since been redeemed by the proceeds (US$27,000,000) of a new issue of 8% JMD Cumulative Redeemable Preference Shares, as part of the capital restructuring, in 1st quarter 2020. The preference shares are now reclassified under IFRS as debt and not equity as was the case with the USD Preference Share.

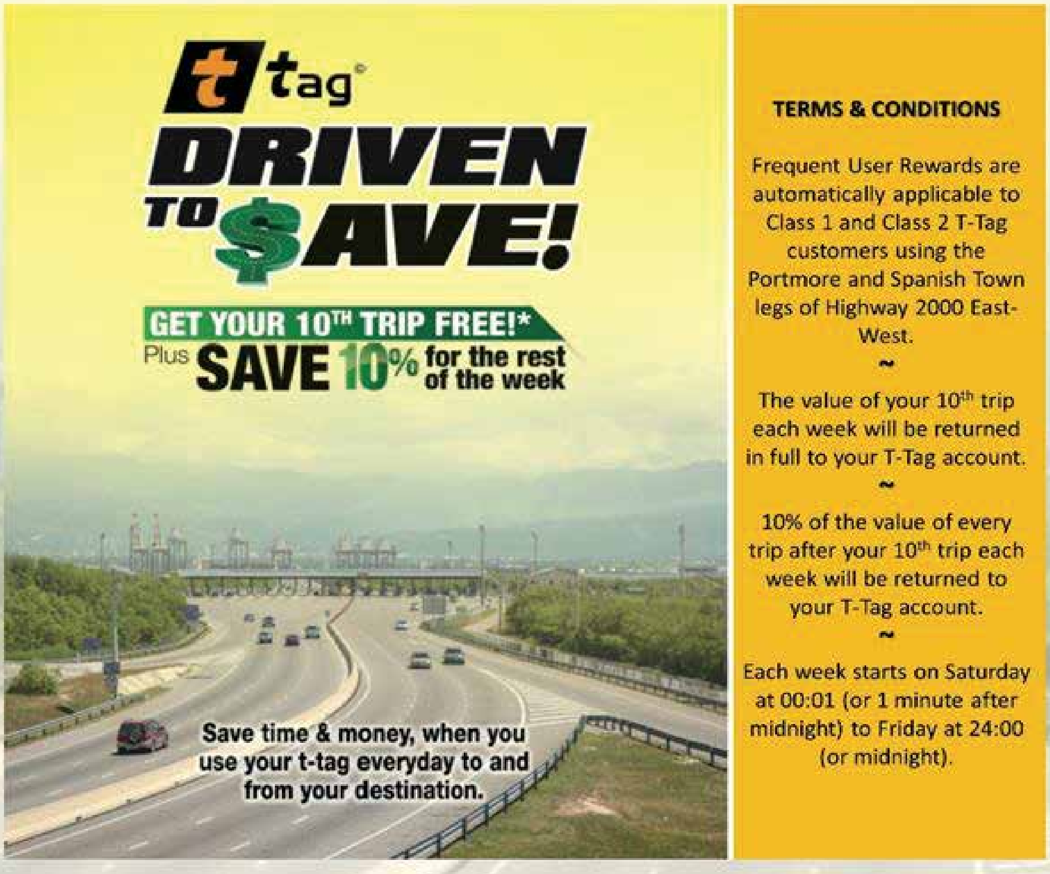
Shareholder's equity fluctuations are due to fluctuations in the accumulated profit over the years. Between FY18 and FY19, the net effect of refinancing the existing loans, related to the breakage costs and the recognition of the deferred tax asset had the net positive effect of US$2.05 million on net profits for FY19.

MARKETING ACTIVITIES

As we continue to deliver value to our customers, by enhancing customers experiences both on our roads and at our toll plazas, in 2019, marketing activities were primarily focused on stimulating usage of the T-Tag, sensitizing motorists to the importance of safe road practices, and building goodwill with customers. Activities included:

- ✓ Frequent User Rewards Ad Campaign: Radio Ads, SMS blasts, Flyers, Website Articles
- ✓ T-Tag Benefits Ad Campaign: TV Ads during exclusive local broadcast of FIFA Women's World Cup, ISSA/GraceKennedy's Boys & Girls Athletic Championships, Radio Ads, Flyers, SMS blasts, Website Articles.
- ✓ A special promotion in which a '10% Online Bonus' was given to customers who reloaded their T-Tag accounts online during the following 3 periods for the year: Easter Weekend in April 2019, the first week of school in September 2019, and leading up to the Christmas holidays in December 2019.

- ✓ Biennial Customer Satisfaction Survey which gained feedback from customers on the various aspects of our services.
- ✓ The local staging of Vinci's International Safety Week, in which various stakeholders of Highway 2000 East-West were invited to participate in a series of workshops which reminded participants of safety requirements and best practices when operating in or on the Highway and its environs.
- ✓ Participation in annual *Road Safety Expo* organized by Grennell's Driving School.
- ✓ Promotion of the mobile app "T-Tag to Go" which provides customers with another convenient way to reload T-Tag accounts.
- ✓ Distribution of 2020 Highway 2000 East-West Calendars to associates and customers, which included advertisements for the T-Tag to Go! Mobile App and Frequent User Rewards.
- ✓ Website articles published throughout the year on the Operator's website, communicating our philanthropic activities, to promote special customer offerings and highway benefits, and to encourage continuous Road Safety practices. Some of these included:
  - Highway 2000 East-West recognizes outstanding service of Jamaica Fire Brigade
  - Safety Tips for dealing with Smoke Hazards
  - JIO endorses Fifth staging of United Nations Global Road Safety Week (May 12-16)
- ✓ Upgrade of our Sales Offices to include repainting and installation of Glass-like Notice Boards at all toll plazas, TV Screens at Portmore & Vineyards toll plazas to enhance customer experience.
- ✓ KIOSK Installation at the Portmore toll plaza to reduce the wait-time particularly during peak periods.
- ✓ Opening of the TOTAL Service Station (November 2019) at the Old Harbour off-Ramp where motorists can stop along the highway to re-fill their gas tanks and shop at the convenience store.



CORPORATE SOCIAL RESPONSIBILITY

At Transjamaican Highway Limited, we are committed to nation building, social development and educational enhancement. To this end, through our corporate social responsibility initiatives, we have partnered with stakeholders and citizens throughout the communities located along the highway to assist in various ways.

The Biodiversity project is a collaboration with the Natural History Museum, the Institute of Jamaica and the Operator of the highway, whereby a Biodiversity Centre was established at the Chandler's Pen Primary and Junior High School in 2011. The Biodiversity Centre promotes the knowledge and protection of Jamaica's rich and varied biodiversity offering, by strategically starting with the sensitization and education of our children. Through our continued support, the Centre is able to reach hundreds of children each year.

The Biodiversity Awareness Program is a collaboration with the Natural History Museum and the Institute of Jamaica, which has seen the implementation of vegetable gardens in schools located along the Highway 2000 East-West corridor. These schools include Independence City Primary, Freetown Primary, Moore's Infant and Primary and Rosewell Primary. The IOJ Education team, makes regular visits to these schools, providing educational materials and guidance as aspects of the school gardens are incorporated into the environmental, science and 4H clubs. The students have fun while learning to take care of the environment for sustainable development.

Students of the Independence City Primary School volunteers to create a compost heap for their garden. Their presentation focused on Composting.

Cleaner is Greener - Biodiversity Expo 2019

On June 28, 2019 the "Cleaner is Greener: Making Your Garden Work for You" Biodiversity Expo was held at the Freetown Primary School with the main sponsors of the event being Highway 2000 East-West. This was an end of year activity under the Biodiversity Awareness Programme and included an intra-competition amongst the schools.

Students with items made from recycled materials on display

On Saturday, September 21, 2019, TJH participated in the annual International Coastal Clean-up Day, by joining with other stakeholders and volunteers to clean The New Causeway Fishing Village, located off the Dyke Road in Portmore, St. Catherine under the theme "Big Up Wi Beach JA", a new public education campaign from JET which promotes better stewardship of Jamaican beaches.

TJH was also a proud sponsor of prizes awarded at "*The 20th Staging of The Institute of Jamaica's Earth Day 2019 Competition*". Earth Day is celebrated on April 22 each year to promote the preservation of the Earth's natural resources. The competition was open to all children and youth between ages 12 – 19 years attending primary and secondary schools; youth attached to community-based organizations, churches and youth clubs.

Mrs. Susan Garriques-Brown accepts the Sponsor's token during the Earth Day 2019 Awards held on April 30, 2019

AUDITED FINANCIAL STATEMENTS

TRANSJAMAICAN HIGHWAY LIMITED

For the Year Ended December 31, 2019
(Expressed in United States dollars)

TRANSJAMAICAN HIGHWAY LIMITED

YEAR ENDED DECEMBER 31, 2019
(Expressed in United States dollars)

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Members of Transjamaican Highway Limited

Report on the Financial Statements

Opinion
We have audited the financial statements of Transjamaican Highway Limited ("the company") which comprise the statement of financial position as at December 31, 2019, the statements of 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 December 31, 2019, and of its 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Board of Directors 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.

The Board of Directors is responsible for overseeing the company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Members of Transjamaican Highway Limited (Continued)

Report on the Financial Statements (Continued)

Auditor's 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 auditor's 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.

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 auditor's 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 auditor's 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 presents a true and fair view.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Members of Transjamaican Highway Limited (Continued)

Report on the Financial Statements (Continued)

We communicate with the Board of Directors 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.

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.

Ernst & Young

Chartered Accountants
Kingston, Jamaica

May 11, 2020

TRANSJAMAICAN HIGHWAY LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019
(Expressed in United States dollars)

	Notes	2019 $'000	2018 $'000
ASSETS			
Non-current assets			
Property and equipment	5	734	914
Right of use asset	6	184	-
Intangible assets	7	249,308	266,175
Deferred tax assets	8	21,443	-
Restricted cash	15	10,913	39,520
Total non-current assets		282,582	306,609
Current assets			
Owed by related parties	9	-	445
Other receivables	10	528	430
Cash and bank balances	11	9,099	3,027
Total current assets		9,627	3,902
Total assets		292,209	310,511
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	12	54,000	54,000
Accumulated profit		11,251	2,951
Total shareholders' equity		65,251	56,951
Non-current liabilities			
Derivative financial instrument	13	-	3,977
Shareholder grant	14	59,194	62,836
Borrowings	15	-	154,596
Lease liability	6	96	-
Provisions	16	11,320	11,858
Total non-current liabilities		70,610	233,267
Current liabilities			
Shareholder grant	14	3,066	3,009
Lease liability	6	91	-
Provisions	16	1,277	1,600
Income tax payable		-	658
Owed to related parties	9	-	1,552
Borrowings	15	148,301	11,743
Contract liabilities	17	919	1,003
Trade and other payables	18	2,694	728
Total current liabilities		156,348	20,293
Total equity and liabilities		292,209	310,511

The accompanying notes form an integral part of the Financial Statements.

The Financial Statements were approved and authorized for issue by the Board of Directors on May 11, 2020 and are signed on its behalf by:

Director – Ivan Anderson

Director – Phillip Henriques

TRANSJAMAICAN HIGHWAY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2019
(Expressed in United States dollars)

	Notes	2019 $'000	2018 $'000
Revenue - toll rates		53,285	52,430
Other gains and losses	19	3,859	4,122
Operating expenses	20	(36,008)	(33,049)
Administrative expenses	20	(1,292)	(1,130)
Finance costs	20	(32,987)	(15,365)
Net (loss) profit before tax		(13,143)	7,008
Taxation	21	21,443	(658)
NET PROFIT BEING TOTAL COMPREHENSIVE INCOME FOR THE YEAR	22	8,300	6,350

The accompanying notes form an integral part of the Financial Statements.

TRANSJAMAICAN HIGHWAY LIMITED

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2019
(Expressed in United States dollars)

	Share Capital $'000	Accumulated Profit $'000	Total $'000
Balance at January 1, 2018	54,000	4,559	58,559
Net profit for the year being total comprehensive income	-	6,350	6,350
Dividends (Note 23)	-	(7,958)	(7,958)
Balance at December 31, 2018	54,000	2,951	56,951
Net profit for the year being total comprehensive income	-	8,300	8,300
Balance at December 31, 2019	54,000	11,251	65,251

The accompanying notes form an integral part of the Financial Statements.

TRANSJAMAICAN HIGHWAY LIMITED

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019
(Expressed in United States dollars)

	Notes	2019 $'000	2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		8,300	6,350
Adjustments for:			
Depreciation of property and equipment	5	186	203
Depreciation - Right of use asset	6	92	-
Gain on disposal of property and equipment	19	(5)	(6)
Unrealized foreign exchange losses	19	733	355
Amortization of intangible assets	7	16,867	16,217
Interest income	19	(773)	(752)
Income tax (credit) charge	21	(21,443)	658
Finance cost recognized in profit or loss	20	32,987	15,365
Amortization of shareholder grant	14,19	(3,585)	(3,577)
Increase in provisions	16	1,277	1,690
Operating cash flows before movements in working capital		34,636	36,503
Increase in other receivables		(98)	(41)
Decrease in owed by related parties		445	326
Provisions utilized during the year	16	(2,138)	(1,229)
Increase/(Decrease) in trade and other payables		1,966	421
(Decrease)/Increase in contract liabilities		(84)	175
Decrease in owed to related parties		(1,552)	(523)
Cash generated from operations		33,175	35,632
Interest paid		(19,586)	(16,923)
Loan prepayment/breakage costs paid		(19,220)	-
Lease liability payments – interest		(6)	-
Tax paid		(658)	(69)
Net cash (used in) provided by operating activities		(6,295)	18,640
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property and equipment		5	28
Interest received		773	752
Payments for property and equipment	5	(6)	(10)
Decrease in restricted cash		28,607	2,607
Net cash provided by investing activities		29,379	3,377
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease liability payments - principal	6	(89)	-
Borrowings repaid		(164,241)	(13,522)
Proceeds from borrowings		148,051	-
Dividends paid		-	(7,958)
Net cash used in financing activities		(16,279)	(21,480)
NET INCREASE IN CASH AND CASH EQUIVALENTS		6,805	537
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		3,027	2,845
Effect of foreign exchange rate changes		(733)	(355)
CASH AND CASH EQUIVALENTS AT END OF YEAR	11	9,099	3,027
Non cash items:			
Amortization of upfront and commitment fees		1,978	176
Loan fees on borrowings		1,949	-

The accompanying notes form an integral part of the Financial Statements.

(Expressed in United States dollars)

1 IDENTIFICATION AND PRINCIPAL ACTIVITIES

(a) Transjamaican Highway Limited (the company) is a limited liability company incorporated and domiciled in Jamaica. Its business activity is the development, operation and maintenance of a tolled roadway known as "Highway 2000 East-West" under a Concession Agreement with the National Road Operating & Constructing Company ("NROCC") (the Grantor) made on November 21, 2001 (Amended and Restated January 28, 2011). The concession is for a period of 35 years. (Refer also to Note 27, Subsequent Events).

The company contracted with Bouygues Travaux Publics (Jamaica Branch), (the Contractor), to construct the highway and Jamaican Infrastructure Operator Limited, (the Operator) to maintain and operate the toll road.

The shareholders of the company up to December 23, 2019 were:

Bouygues Travaux Publics:	49%
Vinci Concessions	25%
International Finance Corporation	17%
Societe de promotion et de Participation pour la Cooperation Economique S.A.	9%

As of December 23, 2019, the shareholder of the company is:

NROCC	100%

On December 23, 2019, NROCC acquired 100% of the company's ordinary shares held by the former shareholders pursuant to a purchase and sale agreement among NROCC as buyer, Bouygues Travaux Publics, VINCI Concessions, Proparco and IFC as sellers, and the company, dated as of December 6, 2019 (the "Purchase and Sale Agreement").

The above companies with the exception of International Finance Corporation are incorporated in France. International Finance Corporation is incorporated in the United States of America. NROCC is incorporated and domiciled in Jamaica.

The registered office of the company is located at 2 Goodwood Terrace, Kingston 10.

(b) The Project Arrangement

Description of project

The Highway 2000 Project (the "Project") comprises a 35-year concession for the design, finance, construction, operation and maintenance of a tolled motorway.

The Project implementation is in two steps.

1 IDENTIFICATION AND PRINCIPAL ACTIVITIES (CONTINUED)

(b) The Project Arrangement (Continued)

Description of project (continued)

The first step ("Phase 1A") is split into 3 sub-phases which comprise 39.6 km from Kingston to Sandy Bay including:

(i) the dualization of the Old Harbour Bypass (11km) for which financial close was achieved on February 22, 2002, (also called Early Financial Close 1 (EFC 1)). This section was opened in September 2003.
(ii) the construction of a dual carriageway (22km) linking the Mandela Highway to the Old Harbour Bypass and termed Early Financial Close 2 (EFC 2) (which together constitute the Early Construction Works). The carriageway was opened in December 2004.
(iii) The construction of a new Portmore Causeway (6.4km) (2 x 3 lanes) and the upgrading of the Dyke Road (handed over to the National Works Agency). The two roads link the capital city, Kingston with south-western suburbs. This segment is termed Financial Closing 1A (FC1A) and was opened in July 2006.

The second step ("Phase 1B") links Sandy Bay to May Pen and consists of a 2x2 lane carriageway for a length of 10.5km. This carriageway was opened in August 2012.

The Concession Agreement

NROCC and the company entered into the Concession Agreement on November 21, 2001 (Revised January 28, 2011). The Concession Agreement grants the Concession for Phase 1 of the Project to the company and establishes the terms for the design, construction, operation, maintenance and financing of Phase 1. It has a term of 35 years. The Concession Agreement grants the company the ability to charge toll road users and a right of first refusal to undertake Phase 2B of the Project, which would extend the toll road between Williamsfield and Montego Bay with the exception of the Montego Bay bypass. The company has not since undertaken Phase 2B. The Concession Agreement is governed by the Laws of Jamaica.

Pursuant to a Jamaican cabinet decision dated November 25, 2019, NROCC granted the company and the Operator a right of first refusal to own, operate and maintain the Phase 1C portion of the Toll Road (a 28.0-km-long road between the cities of May Pen and Williamsfield which will include a new link from the Highway 2000 East-West to the town of Porus located in the parish of Manchester). The decision also granted the company an exclusive option to extend the existing term of the Concession Agreement for an additional 35 years, the price of which will be determined at that time. Each of these Jamaican Cabinet approvals has been incorporated as part of the amended Concession Agreement (see Note 27, Subsequent Events).

Key Elements of the Concession Agreement:

The Guarantee
In consideration of the company's entering into the Concession Agreement with the Grantor, the Government of Jamaica has irrevocably and unconditionally guaranteed to the company, the due and punctual observance and performance of the payment obligations of the Grantor contained in the Concession Agreement and enforcement costs in relation to preservation of its rights by the company or an assignee of the company. If the Government of Jamaica should hereafter grant to any third-party security for its external indebtedness the Government of Jamaica as Guarantor is obliged to provide to the company equivalent security for the performance of its obligations.

1 IDENTIFICATION AND PRINCIPAL ACTIVITIES (CONTINUED)

(b) The Project Arrangement (Continued)

Assignment and Security
The company has been given the right to assign its rights under the Concession Agreement to Lenders and to create other forms of security over it or over any property provided those rights shall cease upon termination of the concession agreement after 35 years.

Variations
NROCC has the power to propose variations to the core design, construction, operation and maintenance requirements by notice to the company, at which time the company has the ability to state its opinion as to whether the adjustment is necessary, the estimated cost which will be met by the Grantor, the steps to implement the proposed variation and its objection, if any.

Termination Clauses
The company may terminate all or part of the Concession Agreement, if NROCC is in breach of its obligations, if the Government of Jamaica expropriates or takes similar action in relation to the Highway 2000 Project, if NROCC is no longer able to act as Grantor and if a change in law were to make it illegal or impossible for the company to perform substantially all of its obligations under the Concession Agreement.

NROCC may terminate all or part of the Concession Agreement by giving no less than 12 months and no more than 18 months' notice to the company, if the company does not satisfy the conditions subsequent regarding Financial Close for Phase 1A or Phase 1B, if an insolvency event occurs, if the company commits a corrupt activity or if certain types of breaches of the Concession Agreement occur.

Either party may terminate the Concession agreement in the event of Force Majeure Occurrences.

Grantor Responsibility Termination
If a Grantor Responsibility Termination occurs prior to early financial close, on or after financial close, the Grantor shall pay the company, a capital sum equal to the aggregate of the company's debt, its shareholder contribution and an equity compensation amount calculated to yield the shareholders an internal rate of return of 16%.

Compensation Amounts
The Grantor, NROCC, is required to pay compensation amounts to the company upon the occurrence of certain events that lead to an increase in the design, construction, operation or maintenance costs or to a loss of revenue for the company. These events include: a breach by the Grantor of its obligations under the Concession Agreement, breach of the NROCC Direct Agreement, the occurrence of a Qualifying Force Majeure Event, a prolonged Force Majeure Event, a Grantor Variation or a qualifying change of law, or a competing road to reflect reduction in traffic levels arising from the carrying out of works by or on behalf of the Government of Jamaica.

Capped Toll Levels
The Concession Agreement allows for an escalation of toll rates up to a maximum authorised limit. The allowed escalation is a function of the proportion of debt outstanding, inflation rates and exchange rates such that toll rates will be allowed to increase proportionately with depreciations in the Jamaican dollar and increases in inflation. If the Toll Regulator of the Government of Jamaica were to require the company to set a toll below the Capped Toll level then the Grantor is required to provide compensation.

1 IDENTIFICATION AND PRINCIPAL ACTIVITIES (CONTINUED)

(b) The Project Arrangement (Continued)

Operation and Maintenance (O&M) Agreement
The company pays the Operator a fee composed as follows:

(i) a lump sum fee per Section for pre-operating expenses (prior to the opening of each section).
(ii) a fixed monthly lump sum fee per Section corresponding to the fixed costs of the Operational and Maintenance Works.
(iii) a monthly variable fee per section corresponding to 3% of the toll revenues as evidenced in the company's records.

On December 9, 2019, the O&M Agreement was amended and restated to, among other things, (i) extend its term until December 20, 2024 and (ii) modify the calculation of the fees payable to the Operator. The O&M Agreement has a term of five years from December 9, 2019. Upon its expiration, the company plans to renew the O&M Agreement with the Operator or otherwise contract another highly experienced and reputable international toll road operator. The fees payable to the Operator under the O&M Agreement include (i) a pre-operating lump-sum fee (the "Pre-Operating Fee"), (ii) a monthly fixed operational fee (the "Monthly Fixed Fee") and (iii) a monthly variable fee (the "Monthly Variable Fee") corresponding to 3.0% of the theoretical toll revenues, which are calculated by multiplying the number of vehicles that physically passed through each Toll Plaza (including any vehicles exempt from tolls under the O&M Agreement) by the applicable toll rate for each such vehicle in any given month.

Amendment to agreements
The following are the significant amending agreements:

(i) Improvements to Marcus Garvey Drive

The company agreed to carry out rehabilitation works at Marcus Garvey Drive in order to facilitate the traffic flow on the Portmore Causeway during peak hours.

The cost of improvement works to Marcus Garvey Drive was initially advanced by the Grantor. The company was to include this cost as part of the borrowed funds contemplated for the Financial Close 1B (i.e., the date on which financing on terms reflected in the Financial Model becomes unconditional and is made available to the company for the Phase 1B construction works). The total cost of the works carried out amounted to $9.029 million and pursuant to the Loan Conversion Agreement between the company and NROCC, the parties agreed that this sum would from part of the converted amount (Note 14(ii)).

(ii) Equity Participation in Phase 1B

The Grantor (NROCC) agreed that then existing shareholders of the company had no obligation to invest equity in Phase IB.

Consequent on the change in ownership of the company on December 23, 2019. Amendments are being contemplated to the Concession Agreement. At December 31, 2019, these amendments were not yet finalised.

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(a) Statement of compliance

The company's financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), and the requirements of the Jamaican Companies Act.

(b) Basis of preparation

The financial statements have been prepared on the historical cost basis, except for certain derivative financial instruments carried at fair value. Historical cost is generally based on fair value of the consideration given in exchange for assets.

These financial statements are expressed in United States of America dollars, which is the company's functional currency.

The company presents its statement of financial position in a current versus non-current classifications. The presentation in the notes is broadly in the order of the items in the statement of financial position and the statement of comprehensive income. Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expenses are not offset in the statement of comprehensive income unless required or permitted by an accounting standard or interpretation, as specifically disclosed in the accounting policies of the company.

(c) Judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(d) Adoption of new and revised International Financial Reporting Standards

(i) ***Standards, interpretations and amendments to existing standards effective during the year***

The company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2019. The company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although these new standards and amendments applied for the first time in 2019, the nature and the impact of each new standard or amendment is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the company. These are also described in more detail below.

- ***IFRS 16 Leases***

  IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position.

  Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. The company is not a lessor.

  The company adopted IFRS 16 using the modified retrospective method of adoption, with the date of initial application of January 1, 2019. The company elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at January 1, 2019. Instead, the company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

  The effect of adoption of IFRS 16 as at January 1, 2019 is as follows:

	$'000
Asset	
Right-of-use asset	276
Liability	
Lease liability	276

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(d) Adoption of new and revised International Financial Reporting Standards (continued)

(i) *Standards, interpretations and amendments to existing standards effective during the year (continued)*

- ***IFRS 16 Leases (continued)***

The company has lease rental contracts for office space. Before the adoption of IFRS 16, the company classified each of its leases (as lessee) at the inception date as an operating lease. Refer to Note 3.4 for the accounting policy prior to January 1, 2019.

Upon adoption of IFRS 16, the company applied a single recognition and measurement approach for all leases where the company is the lessee except for short-term leases and leases of low-value assets. Refer to Note 3.4 for the accounting policy beginning January 1, 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the company.

Leases previously accounted for as operating leases
The company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the company's incremental borrowing rate at the date of initial application.

The company also applied the available practical expedients, as applicable, wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Based on the above, as at January 1, 2019:
- Right-of-use assets of $0.276 million were recognised and presented separately in the statement of financial position.
- Lease liabilities of $0.276 million were recognised and presented separately in the statement of financial position.
- These adjustments had no effect on retained earnings.

(Expressed in United States dollars)

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(d) Adoption of new and revised International Financial Reporting Standards (continued)

(i) ***Standards, interpretations and amendments to existing standards effective during the year (continued)***

- ***IFRS 16 Leases (continued)***

The lease liability as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

Operating lease commitments as at December 31, 2018	$298,000
Weighted average rate as at January 1, 2019	4%
Discounted operating lease commitments and Lease liability as at January 1, 2019	$276,000

- ***Amendments to IAS 19: Plan Amendment, Curtailment or Settlement***

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no impact on the financial statements of the company as it did not have any plan amendments, curtailments, or settlements during the period.

- ***Amendments to IAS 28: Long-term interests in associates and joint ventures***

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments had no impact on the financial statements of the company as the company does not have long-term interests in associates and joint ventures.

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(d) Adoption of new and revised International Financial Reporting Standards (continued)

(i) ***Standards, interpretations and amendments to existing standards effective during the year (continued)***

- **Amendments to IFRS 9 - *Prepayment Features with Negative Compensation***
  Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

  These amendments had no impact on the financial statements of the company.

- **IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments***
  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  The company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

  Upon adoption of the Interpretation, the company considered whether it has any uncertain tax positions, but has determined, based on its level of tax compliance that it is probable that its tax treatments will be accepted by the taxation authorities.

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(d) Adoption of new and revised International Financial Reporting Standards (continued)

(i) ***Standards, interpretations and amendments to existing standards effective during the year (continued)***

- ***Annual Improvements 2015-2017 Cycle (issued in December 2017)***

  These improvements include:

  - IFRS 3 Business Combinations
    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

    The amendments had no impact on the company's financial statements.

  - IFRS 11 Joint Arrangements
    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

    The amendments had no impact on the company's financial statements.

  - IAS 12 Income Taxes
    The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

    An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

    These amendments had no impact on the company's financial statements as the current practice is in line with these amendments.

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(d) Adoption of new and revised International Financial Reporting Standards (continued)

(i) ***Standards, interpretations and amendments to existing standards effective during the year (continued)***

- ***Annual Improvements 2015-2017 Cycle (issued in December 2017) (continued)***

    - IAS 23 Borrowing Costs
      The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

      An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the company's financial statements.

(ii) ***Standards, interpretations and amendments to existing standards that are not yet effective and have not yet been early adopted by the company***

- **IAS 1 and IAS 8: *Definition of Material - Amendments to IAS 1 and IAS 8***
  The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, '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 amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments are effective for annual periods beginning on or after January 1, 2020 and are not expected to have any impact on the financial statements of the company.

- **Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
  The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The company will apply these amendments when they become effective but will not have an impact on the company's financial statements.

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(d) Adoption of new and revised International Financial Reporting Standards (continued)

(ii) ***Standards, interpretations and amendments to existing standards that are not yet effective and have not yet been early adopted by the company (continued)***

- ***IFRS 17 Insurance Contracts***
  In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  IFRS 17 is effective for reporting periods beginning on or after January 1, 2022, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The directors and management have not yet assessed the impact of the application of this standard on the company's financial statements.

- ***The Conceptual Framework for Financial Reporting***
  This Framework is effective immediately for the IASB and the IFRS Interpretations Committee. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after January 1, 2020.

  The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards.

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(d) Adoption of new and revised International Financial Reporting Standards (continued)

(ii) ***Standards, interpretations and amendments to existing standards that are not yet effective and have not yet been early adopted by the company (continued)***

- ***The Conceptual Framework for Financial Reporting (continued)***
  The Conceptual Framework includes some new concepts. provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

  - Chapter 1 - The objective of financial reporting
  - Chapter 2 - Qualitative characteristics of useful financial information
  - Chapter 3 - Financial statements and the reporting entity
  - Chapter 4 - The elements of financial statements
  - Chapter 5 - Recognition and derecognition
  - Chapter 6 - Measurement
  - Chapter 7 - Presentation and disclosure
  - Chapter 8 - Concepts of capital and capital maintenance

  The changes to the *Conceptual Framework* may affect the application of IFRS in situations where no standard applies to a particular transaction or event.

  The directors and management have not yet assessed the impact of the application of this Framework on the company's financial statements.

- ***Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7***
  The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR).

  The amendments to IFRS 9
  The amendments include a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or hedging instrument.

  Application of the reliefs is mandatory. The first three reliefs provide for:

  - The assessment of whether a forecast transaction (or component thereof) is highly probable
  - Assessment when to reclassify the amount in the cash flow hedge reserve to profit and loss
  - The assessment of the economic relationship between the hedged item and the hedging instrument

  For each of these reliefs, it is assumed that the benchmark on which the hedged cash flows are based (whether or not contractually specified) and/or, for relief three, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform.

2 **STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)**

(d) Adoption of new and revised International Financial Reporting Standards (continued)

(ii) ***Standards, interpretations and amendments to existing standards that are not yet effective and have not yet been early adopted by the company (continued)***

- ***Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7 (continued)***

The amendments to IFRS 9 (continued)
The fourth relief provides that, for a benchmark component of interest rate risk that is affected by IBOR reform, the requirement that the risk component is separately identifiable need be met only at the inception of the hedging relationship. Where hedging instruments and hedged items may be added to or removed from an open portfolio in a continuous hedging strategy, the separately identifiable requirement need only be met when hedging items are initially designated within the hedging relationship.

To the extent that a hedging instrument is altered so that its cash flows are based on an RFR, but the hedged item is still based on IBOR (or vice versa), there is no relief from measuring and recording any ineffectiveness that arises due to differences in their changes in fair value.

The reliefs continue indefinitely in the absence of any of the events described in the amendments. When an entity designates a group of items as the hedged item, the requirements for when the reliefs cease are applied separately to each individual item within the designated group.

The amendments also introduce specific disclosure requirements for hedging relationships to which the reliefs are applied.

The amendments to IAS 39
The corresponding amendments are consistent with those for IFRS 9, but with the following differences:

- For the prospective assessment of hedge effectiveness, it is assumed that the benchmark on which the hedge cash flows are based (whether or not it is contractually specified) and/or the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform.

- For the retrospective assessment of hedge effectiveness, to allow the hedge to pass the hedge to pass the assessment even if the actual results of the hedge are temporarily outside the 80%-125% range, during the period of uncertainty arising from IBOR reform.

- For a hedge of a benchmark portion (rather than a risk component under IFRS 9) of interest rate that is affected by IBOR reform, the requirement that the portion is separately identifiable need be met only at the inception of the hedge.

The amendments must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight. Early application is permitted and must be disclosed. These amendments are effective for annual periods beginning on or after January 1, 2020. The directors and management have not yet assessed the impact of these amendments.

3 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Current versus non-current classification

The company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3.2 Fair value measurement

Fair values of financial instruments measured at amortized cost are disclosed in Note 24.

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 participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Fair value measurement (continued)

The company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3.3 Property and equipment

All property and equipment held for use in the production or supply of goods or services, or for administrative purposes, are recorded at historical cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is recognized so as to write off the cost of assets using the straight line method over a period being the shorter of their estimated useful lives and the remaining concession period. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Property and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the company's accounting policy. Such items are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Leases

Policy effective January 1, 2019
The company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee
The company applies a single recognition and measurement approach for all leases, except for short term leases and leases of low value assets. The company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Ccmpany recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying assets is available for use). The right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of the initial lease liabilities recognized, initial direct costs incurred, and lease payments made on or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Building - 3 yrs.

If ownership of the leased asset transfers to the company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies at 3.6 “Impairment of non-financial assets”.

Lease liabilities
At the commencement date of the lease, the company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentive receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the company and payments of penalties for terminating the lease, if the lease term reflects the company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Leases (continue)

Company as a lessee (continued)

Short term leases and leases of low-value assets
The company applies the short term lease recognition exemption to its short term leases (that is, those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered low value. Lease payments on short-term leases an lases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Policy prior to January 1, 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Company as a lessee
Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals, if any, arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.5 Intangible assets

Intangible assets acquired separately represent the company's rights under the concession agreement and are reported at cost less accumulated amortization and accumulated impairment losses. Historical cost includes costs of design, site installation, earthworks and construction of bridges, structures and pavements. Amortization is charged so as to write off these costs over the concession period based on external projections of traffic on the highway. The charge for the year is based on the proportion of traffic for that year to the total traffic projected for the concession period. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3.6 Impairment of non-financial assets

At the end of each reporting period, the company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment of non-financial assets (continued)

Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of the fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3.7 Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current tax
The company was not liable to income tax under the Concession Agreement for a period of twelve (12) years from November 2001 ending November 20, 2013 (Note 21).

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted, or subsequently enacted at the end of the reporting period.

Deferred tax
Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Unrecognised deferred tax assets are re-assessed at each reporting period date and are recognised to the extent that it has become probable that future profits will allow the deferred tax asset to be recovered.

3 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.7 **Taxation (continued)**

Deferred tax (continued)
Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The company offsets deferred tax assets and deferred tax assets and deferred tax liabilities if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

Current and deferred tax for the year
Deferred tax is recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

3.8 **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.

Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities (other than financial assets and liabilities at fair value through profit or loss), as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

3.9 **Financial assets**

a) *Initial recognition and measurement*
Financial assets are classified, at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient, the company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is performed at an instrument level.

3 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.9 **Financial assets (continued)**

a) *Initial recognition and measurement (continued)*
The company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

b) *Subsequent measurement*
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

c) *Financial assets at amortised cost (debt instruments)*
This category is the most relevant to the company. The company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The company's financial assets at amortised cost includes cash and bank, restricted cash, trade receivables and due from related parties.

d) *Derecognition*
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the company's statement of financial position) 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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial assets (continued)

d) Derecognition (continued)

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

e) Impairment of financial assets

The company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the company applies a simplified approach in calculating ECLs. Therefore, the company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Financial liabilities and equity instruments

Classification as debt or equity
Debt and equity instruments issued by the company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement, and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recognized at the proceeds received, net of direct issue costs.

No gain or loss is recognized in profit or loss in the purchase, sale, issue or cancellation of the company's own equity instruments.

Financial liabilities
Financial liabilities are classified as other financial liabilities.

Effective interest method
The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

a) *Initial recognition and measurement*
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The company's financial liabilities include trade and other payables, due to related parties, lease liability and borrowings including bank overdrafts and derivative financial instruments.

b) *Subsequent measurement*
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Financial liabilities and equity instruments (continued)

b) *Subsequent measurement (continued)*
Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings
This is the category most relevant to the company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

c) *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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

d) *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 an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.11 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the company performs under the contract.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Related party

A party is related to the company if:

(i) directly, or indirectly through one or more intermediaries, the party:
- controls, is controlled by, or is under common control with, the company (this includes parent, subsidiaries and fellow subsidiaries);
- has an interest in the entity that gives it significant influence over the company; or
- has joint control over the company;

(ii) the party is an associate of the company;
(iii) the party is a joint venture in which the company is a venturer;
(iv) the party is a member of the key management personnel of the company or its parent;
(v) the party is a close member of the family of any individual referred to in (i) or (iv);
(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
(vii) the party is a post-employment benefit plan for the benefit of employees of the company, or of any entity that is a related party of the company.

Related party transactions and balances are recognized and disclosed in the financial statements.

3.13 Grants

Grants are not recognized until there is reasonable assurance that the company will comply with the conditions attaching to them and that the grants will be received.

Grants are recognized in profit or loss on a systematic basis over the periods in which the company recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the company should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the company with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant measured as the difference between proceeds received and the fair value of the loan based on prevailing market rates.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.15 Revenue recognition

<u>Toll Revenue</u>
The company provides a toll road via the Highway 2000 East West network. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for the usage of the toll road. The contract with the customer is established with the company once the customer enters the highway and the contract ends upon the customer’s exit of the highway. The performance obligation is satisfied at the point of time with an immediate right to payment. The transaction price is determined by the stand-alone selling price exchange by the customer by the class vehicle utilizing the toll road. There is no cost, implicit or otherwise, recognized for obtaining and fulfilling a contract with a customer.

(i) *Variable consideration*
If the consideration in a contract includes a variable amount, the company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts that are purchased through T-Tag accounts provide customers with volume rebates if certain criteria are met. These volume rebates may give rise to a variable consideration.

(ii) *Significant financing component*
Generally, the company receives short-term advances from its customers. Using the practical expedient in IFRS 15, the company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Revenue recognition (continued)

Interest income
Interest income is recognized when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.16 Foreign currencies

Transactions in currencies other than the United States of America Dollars, the company's functional currency, are recognized at the rates of exchange prevailing on the dates of the transactions. The United States of America dollar is deemed the functional currency as the toll rates charged by the company are linked to the value of the United States dollar and the majority of borrowings and other expenditure are denominated in this currency. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The gain or loss arising in translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value (in other comprehensive income). Other exchange differences are recognized in profit or loss for the period in which they arise.

3.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3.18 Employee benefits

(a) Individual Retirement Scheme (IRS)

Since January 2012, the company makes contributions to an Individual Retirement Scheme (IRS) on behalf of employees (Note 25). The regular contributions constitute costs for the year in which they are due and are included in staff costs. The company has no legal or constructive obligation to pay further pension benefits.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Employee benefits (continued)

(b) Leave entitlements

Employee entitlements to annual leave are recognized when they accrue to the employees. A provision is made for the estimated liability for annual leave for services rendered by the employee up to the end of the reporting period.

(c) Termination benefits

The company recognizes termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

Management is of the opinion that apart from those involving estimations (see below), the following are the critical judgements made in the process of applying the company's accounting policies:

Recoverability of deferred tax assets
Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning activities. As indicated in Note 21, the company has unused tax losses of $104.01 million. Based on the forecasted projections, management believes its probable that taxable profits will be available against which these tax losses can be utilized and has recognised a deferred tax asset in respect of these losses.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements in applying the company's accounting policies (continued)

Determining the lease term of contracts with renewal and termination options – company as a lessee
The company determines the lease term as the non-cancellable term of the lease, together with any period covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The company has lease contracts that include termination options. The company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Key sources of estimation uncertainty

The key assumptions concerning the future that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Amortization expense
Amortization is charged so as to write off the cost of intangible assets over the period of concession using a projection of traffic on the highway over this period. This projection was revised in July 2014 by Mott MacDonald, an external consultant from the United Kingdom and is based on various estimates and assumptions surrounding, among other things, growth in gross domestic product, inflation and toll road traffic demand. These assumptions can vary in practice and the actual outcome depends on such factors as population growth and the development of other sections of the highway. The policy of the Board and management is to update the forecast periodically based on the actual traffic.

Management has estimated that had the projected traffic from 2019 onwards differed by $\pm$10% the amortization charge for the current year would have decreased/increased by approximately $1.56 million/$1.56 million (2018: $1.57 million/$1.57 million) respectively. (See Note 7)

Provision for heavy repairs
The provision for highway repairs relate to the estimated costs for scheduled repairs for periods ranging from 6 years to the end of the concession period based on projections made on the duration of the concession. The provision is based on the same estimates and assumptions included in the company's Operations and Maintenance Plan, done biannually for the next 6 semi-annual periods and reviewed by the company's Independent Engineer, ARUP. Actual cash outflows will depend on the timing of the maintenance programme based on annual approved budgets, the condition of road as determined by ongoing surveys, deterioration and the phasing of major works to meet these obligations (See Note 16).

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

Income taxes
Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current or deferred tax provisions in the period in which such determination is made. A change of +/- 10% in the final tax outcome of these estimates would have the effect of approximately $2.14 million (2018: $0.07 million) increase/decrease in the current and deferred tax provisions. (See Notes 8 and 21).

Leases - estimating the incremental borrowing rate
If the company cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as stand-alone credit rating).

5 PROPERTY AND EQUIPMENT

	Tolling Equipment $'000	Furniture & Fixtures $'000	Motor Vehicles $'000	Computers $'000	Office Equipment $'000	Total $'000
Cost						
At January 1, 2018	196	1,639	168	220	366	2589
Additions	-	-	-	-	10	10
Disposals	-	-	(42)	-	-	(42)
At December 31, 2018	196	1,639	126	220	376	2,557
Additions	-	1	-	5	-	6
Disposals	-	(1)	-	(107)	(19)	(127)
At December 31, 2019	196	1,639	126	118	357	2,436
Accumulated depreciation						
At January 1, 2018	166	745	51	175	323	1,460
Charge for the year (Note 20)	9	127	31	17	19	203
On disposal	-	-	(20)	-	-	(20)
At December 31, 2018	175	872	62	192	342	1,643
Charge for the year (Note 20)	9	124	25	16	12	186
On disposal	-	(1)	-	(107)	(19)	(127)
At December 31, 2019	184	995	87	101	335	1,702
Carrying amount						
At December 31, 2019	12	644	39	17	22	734
At December 31, 2018	21	767	64	28	34	914

5 **PROPERTY AND EQUIPMENT (CONTINUED)**

The following useful lives are used in the calculation of depreciation:

Tolling equipment	5 - 10	years
Furniture and fixtures	3 - 10	"
Motor vehicles	5	"
Computer equipment	3 - 7	"
Office equipment	3 - 10	"

These assets are pledged as security in respect of the company's borrowings (Note 15).

6. **LEASES**

Set out below are the carrying amount of right of use assets recognised and the movement during the year:

	$'000
As at January 1, 2019 upon application of IFRS 16	276
Depreciation	(92)
As at December 31, 2019	184

Set out below are the carrying amount of lease liabilities and the movement during the period:

	$'000
As at January 1, 2019 upon application of IFRS 16	276
Accretion of interest	6
Payments	(95)
As at December 31, 2019	187
Classified as:	
Current	91
Non-current	96
	187

The following are the amounts recognised in profit or loss:

	2019 **$'000**
Depreciation expense of right of use asset	92
Interest expense on lease liabilities	6
Total amount recognised in profit or loss	98

7 INTANGIBLE ASSETS

	EFC asset in concession $'000	**FC1A asset in concession $'000**	**FC1B asset in concession $'000**	**Total $'000**
Cost				
Balance, January 1, 2018, December 31, 2018 and December 31, 2019	159,676	92,196	135,128	387,000
Amortization				
Balance, January 1, 2018	46,949	26,416	31,243	104,608
Amortization for the year (Note 20)	5,618	3,188	7,411	16,217
Balance, December 31, 2018	52,567	29,604	38,654	120,825
Amortization for the year (Note 20)	6,056	3,048	7,763	16,867
Balance, December 31, 2019	58,623	32,652	46,417	137,692
Carrying amount:				
December 31, 2019	101,053	59,544	88,711	249,308
December 31, 2018	107,109	62,592	96,474	266,175

The amortization expense has been included in operating expenses in the statement of comprehensive income.

The amortization of intangible assets is based on projected usage of the highway during the concession period. In July 2014, the projections of traffic were reassessed by Mott McDonald, an external consultant from the United Kingdom.

The annual rate applied to the carrying amount as at the start of the year is as follows:

	2019 %	**2018 %**
EFC	5.65	4.98
FC1A	4.87	4.85
FC1B	8.05	7.13

These assets are pledged as security in respect of the company's borrowings (Note 15).

8 DEFERRED TAX ASSETS (LIABILITIES)

The company was taxed for income tax purposes at a nil rate up to November 20, 2013 after which it is taxed at rates applicable to unregulated entities (Note 21(d)) being 25% (2018: 25%).

Deferred tax liabilities are calculated on all temporary differences under the liability method using a tax rate of 25% (2018: 25%), the rate at which these assets/liabilities are likely to be realized.

(a) The following is the analysis of deferred tax balances for financial reporting purposes;

	2019 **$'000**	**2018** **$'000**
Deferred tax assets	27,562	7,062
Deferred tax liabilities	(6,119)	(7,062)
Net	21,443	-

(b) The movement for the reporting period in the company's net deferred tax position was as follows:

	2019 **$'000**	**2018** **$'000**
Credit to income for the year (Note 21)	21,443	-
Closing balance	21,443	-

8 DEFERRED TAX ASSETS (LIABILITIES)

(c) The following are the main deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period:

(i) **Deferred tax assets**

	Accrued vacation $'000	Interest payable $'000	Provision for heavy repairs $'000	Tax losses $'000	Lease liability net of right-of use assets $'000	Total $'000
Balance, January 1, 2018	2	545	1,571	5,780	-	7,898
Credited (Charged) to income for the year	-	(20)	114	(930)	-	(836)
Balance, December 31, 2018	2	525	1,685	4,850	-	7,062
Credited (Charged) to income for the year	-	(462)	(215)	21,176	1	20,500
Balance, December 31, 2019	2	63	1,470	26,026	1	27,562

(ii) **Deferred tax liabilities**

	Accelerated tax depreciation $'000	Interest receivable $'000	Total $'000
Balance, January 1, 2018	(7,898)	-	(7,898)
Credited (Charged) to income for the year	860	(24)	836
Balance, December 31, 2018	(7,038)	(24)	(7,062)
Credited to income for the year	919	24	943
Balance, December 31, 2019	(6,119)	-	(6,119)

9 RELATED PARTY BALANCES AND TRANSACTIONS

During the year, NROCC acquired all of the company's ordinary shares held by the former shareholders pursuant to a purchase and sale agreement among NROCC as buyer, Bouygues Travaux Publics, VINCI Concessions, Proparco and IFC as sellers and the company, dated as of December 6, 2019 (the "Purchase and Sale Agreement"). Accordingly, the entities below are no longer considered related parties.

Owed by (to) related parties as at December 31, were:

	2019 **$'000**	**2018** **$'000**
Owed by:		
Jamaican Infrastructure Operator Limited	-	434
Bouygues Travaux Publics – Paris Branch	-	11
	-	445
Owed to:		
Jamaican Infrastructure Operator Limited	-	(1,204)
Vinci Concessions	-	(105)
Bouygues Travaux Publics – Paris	-	(243)
	-	(1,552)

The above balances were unsecured and were interest free and were settled in cash. No guarantees were given or received in respect of those entities.

At year end, the company had a loan payable from its parent NROCC of $16.4 million (See Note 15). At December 31, 2018, the company had long-term liabilities to related parties International Finance Corporation Limited and Societe de promotion et de Participation pour la Corporation Economique S.A. (See Note 15).

Material transactions with related parties were as follows:

	2019 **$'000**	**2018** **$'000**
Key management compensation	228	211
Project management fees	-	363
Toll road operating fees	-	12,801
Interest expense on long-term loans	-	8,026

The amounts previously owed by NROCC included the cost of works carried out under the Mount Rosser Bypass Variation Order funded by NROCC. During 2011, pursuant to the Loan Conversion Agreement with NROCC, one Preference Share was issued to NROCC (See Note 12). The amount due from NROCC was written off during the year. At December 31, 2018, the amount due from NROCC of $0.221 million, which was past due at the reporting date, was fully provided for.

10 OTHER RECEIVABLES

	2019 $'000	2018 $'000
Receivables (Note 10(a))	362	38
Prepayments	166	393
	528	430

(a) This includes amounts due from Jamaica Infrastructure Operator Limited (JIO), Operator, amounting to $0.329 million.

11 CASH AND BANK BALANCES

Cash and cash equivalents at the end of the financial year as shown in the cash flow statement can be reconciled to the related items in the statement of financial position as follows:

	2019 $'000	2018 $'000
US$ savings accounts, interest at a rate of 0.1% (2018: 0.1%) per annum	7,663	1,600
US$ current accounts	18	13
J$ current accounts - J$197.84 million (2018: J$181.69 million), interest at a rate of 0.15% (2018: 0.35%)	1,418	1,414
	9,099	3,027

12 SHARE CAPITAL

	2019 No. of shares '000	2018 No. of shares '000
Authorized and issued		
- Ordinary shares - no par value, January 1 and December 31	27,000	27,000
- Preference share - no par value, January 1 and December 31	*	*
Authorized and Issued shares December 31	27,000	27,000

* denotes less than 1,000; represents 1 preference share

12 SHARE CAPITAL (CONTINUED)

Stated Capital:

	2019 $'000	2018 $'000
Issued and fully paid, January 1 and December 31	54,000	54,000
Issued and fully paid capital comprises:		
- Ordinary shares	27,000	27,000
- Preference share	27,000	27,000
	54,000	54,000

One preference share of no par value was issued pursuant and subject to a Loan Conversion Agreement entered into with National Road Operating and Constructing Company (NROCC) upon Financial Close 1B of the Highway 2000 Toll Road Project in 2011 (Note 14(v)).

The following rights are attached to the preference share:

- Subject to the availability of cash, the holder is entitled to dividends in an amount equal to 50% of the distributions declared and paid by the company during the period commencing on financial close IB and ending upon termination of the Concession agreement. The dividend is to be paid contemporaneously with the remaining 50% distribution;
- The holder is not entitled to be paid any preference dividend unless the dividend is tax deductible for the company for income tax purposes and are not subject to the deduction of withholding tax (provided that if withholding tax is applicable, the company will make the payment to the holder less withholding tax deducted);
- The preference share is non-voting. The holder is not entitled to attend annual general meetings or vote on the company's resolutions. The holder can attend board meetings but must recuse itself when excluded matters are being discussed. The holder is entitled to (i) receive the annual budget in respect of the next financial year and (ii) reasonable justification for expenditures that exceed 110% of the annual budgeted amounts. The holder also has oversight on the annual budget approvals in terms substantially similar to the lenders of the company;
- The preference share shall not be redeemable at any time during the concession period without the prior written consent of the holder;
- The preference share shall only be transferable to an acceptable transferee and subject to prior written approval of the company and the lenders;
- The preference share may be redeemed by the company by the payment of the sum of USD$1 to the holder at any time after the end of the concession agreement subject to the payment of any accrued preference dividend;
- On wind up of the company, the holder is not entitled to any participation on the assets of the company other than distributions the holder is entitled to as outlined above.

13 DERIVATIVE FINANCIAL INSTRUMENT

On February 18, 2011 (trade date), the company entered into an interest rate swap agreement with the IFC with an effective date of February 15, 2013 to manage its exposure to interest rate risk by way of an interest rate swap. The initial notional amount of the swap was $45.536 million whereby the company paid a fixed rate of interest of 4.707% and received interest at a variable rate equal to the three months USD LIBOR. The change in the fair value of the swap was recognised in finance costs. The settlement date for interest payments was set every three months, being also the due date for IFC loan interest payments. The net interest due from or payable to the IFC at each interest settlement date was recognised in statement of comprehensive income immediately.

On December 23, 2019, this instrument was paid out in full with a portion of the proceeds from the Debt Bridge Facility and the NROCC Promissory Note (See Note 15). At December 31, 2018, the fair value of the swap was $3.977 million.

14 SHAREHOLDER GRANT

	2019	**2018**
	$'000	**$'000**
Balance at beginning of year	65,845	69,422
Amortized to income during the year (Note 19)	(3,585)	(3,577)
Balance at the end of the year	62,260	65,845
Denoted as:		
Current	3,066	3,009
Non-current	59,194	62,836
	62,260	65,845

On February 18, 2011, the company entered into a Loan Conversion Agreement with National Road Operating and Constructing Company (NROCC) whereby, NROCC as a lender had made loans to the company pursuant to the Grantor Procured Debt (GDP) Loan Agreement on November 21, 2001 and a Subordinated Loan Agreement dated February 22, 2002, and the parties agreed to the following:

(i) To convert the aggregate principal amount of $92 million less the foreign exchange gain which as at financial close 1B had accrued to $10.41 million.

(ii) That the sum of $9.03 million being cost paid by NROCC in respect of improvement works to Marcus Garvey Drive form a part of the converted amount.

(iii) As part of its commitments toward the execution of Phase 1B, NROCC agreed to (i) contribute $13.5 million to the financing of Phase 1B, which consisted of the Phase 1B Early Works Contract Price and the Subsequent Contribution and (ii) provide contingent support required under the NROCC Funding Agreement.

The contribution forms a part of the converted amount.

14 SHAREHOLDER GRANT (CONTINUED)

(iv) That the interest accrued and unpaid on the abovementioned loans totaling $60.46 million (other than capitalized interest of $12.47 million which accrued during the construction periods of Phase 1A) up to the date of Financial Close 1B be forgiven. $47.99 million was written off to income in 2011.

(v) $27 million forming part of the converted amount be converted into one preference share (issued: See Note 10). US$89.59 million, being the remainder of the converted amount, be converted to an "Amortizing Grant".

The Amortizing Grant means the amount (comprising part of the converted amounts) which resulted when $27 million was subtracted from the aggregate of the Converted Amounts, which amount as from that date would not constitute a debt or other liability owing by the company to NROCC and would be non-refundable; provided that any amounts thereafter contributed by NROCC as part of its contingent support obligations under the NROCC Funding Agreement would be treated in the same manner and would be added to and form part of the Amortizing Grant.

Consequent on NROCC becoming the sole shareholder of the company, the Board of directors on January 20, 2020 passed a resolution to effect an immediate write-off of the amortizing grant to accumulated profit as at December 31, 2019. (See Note 27, Subsequent Events).

15 BORROWINGS

	Current		Non-current		Total	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Secured – at amortized cost						
Societe de promotion et de Participation pour la Cooperation Economique S.A. (Note 15(a))	-	1,868	-	29,714	-	31,582
Inter-American Development Bank (Note 15(b))	-	2,655	-	42,224	-	44,879
European Investment Bank (Note 15(c))	-	2,655	-	42,224	-	44,879
International Finance Corporation (Note 15(d))	-	2,655	-	42,224	-	44,879
National Commercial Bank Jamaica Limited (Note 15(g))	131,673	-	-	-	131,673	-
NROCC (Note 15(h)	16,378	-	-	-	16,378	-
Accrued interest	250	2,098	-	-	250	2,098
Unamortized borrowing cost	-	(188)	-	(1,790)	-	(1,978)
Total liabilities	148,301	11,743	-	154,596	148,301	166,339

The loans obtained from the IDB, IFC and Proparco were disbursed for the purpose of financing part of the construction, procurement and engineering costs of Phase 1B of the Toll Road and to refinance part of the costs of the construction, procurement and engineering costs of Phase 1A of the Toll Road.

The purpose of the EIB's loan was only to finance the Design and Construction of 10.5 km of tolled multi-lane (2x2) limited access carriageway between Sandy Bay and May Pen as Phase 1B. Financing for this Phase was also provided by the other lenders as noted in the previous paragraph.

15 **BORROWINGS (CONTINUED)**

(a) *Societe de promotion et de Participation pour la Cooperation Economique S.A. (Proparco) Loan*

The loan facility with Proparco, whose registered office at 151 Rue Saint-Honore, 75001, Paris, France, was for thirty-seven million six hundred and ninety-eight thousand eight hundred and fifty Dollars ($37,698,850) – the "Proparco Loan Commitment" by agreement dated February 18, 2011. The loan was disbursed in two tranches:

(i) Tranche A-1: The initial eighty-five per cent (85%) of the aggregate principal amount of the Proparco Loan committed. This was disbursed during 2011.
(ii) Tranche A-2: The final fifteen per cent (15%) of the Proparco Loan committed after the disbursement in full of Tranche A-1. This tranche was disbursed in full during 2012.

The initial interest charge was 3 Month LIBOR plus 5% with interest payable in quarterly installments in arrears. The rate for any interest period was:

For that portion of the principal amount of the loan constituting all or a portion of Tranche A-1:

(i) prior to the Fixed Interest Rate Effective Date, the rate per annum of the sum of:

- the LIBOR Rate on the Interest Rate Determination Date for that interest period; plus
- the Proparco Cost of Funds; plus
- the Applicable Margin; and

(ii) on and after the Fixed Interest Rate Effective Date, the rate per annum of the sum of:

- Tranche A-1 Fixed Interest Rate; plus
- Proparco Cost of Funds; plus
- the Applicable Margin; and

For that portion of the principal amount of the Loan constituting all or a portion of Tranche A-2, the rate per annum of the sum of:

- the LIBOR Rate on the Interest Rate Determination Date for that Interest Period; plus
- the Proparco Cost of Funds; plus
- the Applicable Margin

Proparco Cost of Funds means the margin above LIBOR paid by Proparco to obtain funds from its source of funding which was equal to the sum of:

- 0.19% per annum;
- the Basis Cap Rate (means the rate which is equal to fifteen (15) basis points corresponding to the margin (if positive) applied for the exchange of flat EURIBOR against LIBOR with a maturity closest to that of the relevant Proparco Loan); and
- the Basis Cap Lock Cost (means the rate which is equal to ten (10) basis points).

"Fixed Interest Rate Effective Date" was February 15, 2013. LIBOR at December 31, 2018 was 2.62%. Repayment of the loan commenced on August 15, 2013 with an initial payment, a secondary payment on August 15, 2014 and semi-annual payments thereafter on February 15 and August 15 of each year with a maturity date of February 15, 2029.

15 **BORROWINGS (CONTINUED)**

(b) *Inter-American Development Bank (IDB) Loan*

The loan facility with IDB, an international organization established by Agreement Establishing the Inter-American Development Bank whose office is located at 1300 New York Avenue, NW Washington, DC 20433, was for of fifty-three million five hundred and seventy-two thousand and fifty dollars ($53,572,050) – “IDB Loan Commitment” by agreement dated February 18, 2011. The loan was disbursed as follows:

(i) Tranche A-1: The initial eighty-five per cent (85%) of the aggregate principal amount of the IDB Loan disbursed. This was disbursed in 2011.

(ii) Tranche A-2: The final fifteen per cent (15%) of the IDB Loan disbursed after the disbursement in full of Tranche A-1. This was disbursed in full during 2012.

The initial interest charge was 3 Month LIBOR plus 5% with interest payable in quarterly installments in arrears. The rate for any Interest Period was:

For that portion of the principal amount of the IDB Loan constituting all or a portion of Tranche A-1 the rate per annum was the sum of:

- Prior to the Fixed Interest Rate Effective Date - the LIBOR Rate on the Interest Rate Determination Date for that Interest Period; plus the Applicable Margin; and
- on and after the Fixed Interest Rate Effective Date - the Tranche A-1 Fixed Interest Rate plus the Applicable Margin; and

For that portion of the principal amount of the IDB Loan constituting all or a portion of Tranche A-2, the rate per annum was the sum of:

- the LIBOR Rate on the Interest Rate Determination Date for that Interest Period; plus the Applicable Margin.

"Tranche A-1 Fixed Interest Rate" means four and five hundred twenty-four thousandths of one percent (4.524%) per annum.

“Fixed Interest Rate Effective Date" was February 15, 2013. LIBOR at December 31, 2018 was 2.62%. Repayment of the loan commenced on August 15, 2013 with an initial payment, a secondary payment on August 15, 2014 and semi-annual payments thereafter on February 15 and August 15 of each year with a maturity date of February 15, 2029.

15 **BORROWINGS (CONTINUED)**

(c) *European Investment Bank (EIB) loan*

The loan facility with EIB, whose registered office at 100 boulevard Konrad Adenauer, L-2950 Luxembourg, was for fifty-three million five hundred and seventy-two thousand and fifty dollars ($53,572,050). Final disbursement of the loan was in 2012.

The loan was disbursed on the following basis:

(i) $45,536,243 for disbursements as Fixed Rate Tranches; and,
(ii) $8,035,807 for disbursement as Floating Rate Tranches.

The initial interest charge was 3 Month LIBOR plus 5% with interest payable in quarterly installments in arrears. Floating rate was at LIBOR plus the margin. Fixed rate was at 4.624% per annum plus the Margin. Interest on the fixed rate tranches was applied initially on a floating rate basis and subsequent to the “Interest Rate Conversion Date” on a fixed rate basis.

“Interest Rate Conversion Date" was February 15, 2013. LIBOR at December 31, 2018 was 2.62%. Repayment of the loan commenced on August 15, 2013 with an initial payment, a secondary payment on August 15, 2014 and semi-annual payments thereafter, on February and August 15 of each year with a maturity date of February 15, 2029.

(d) *International Finance Corporation (IFC) Loan*

The loan facility with IFC, an international organization established by the Articles of Agreement among its member countries, whose office is located at 2121 Pennsylvania Avenue, NW Washington, DC 20433, was for fifty-three million five hundred and seventy-two thousand and fifty dollars ($53,572,050) – the IFC Loan Commitment by agreement dated February 18, 2011. Final disbursement of the loan was in 2012.

The initial interest charge was 3 Month LIBOR plus 5% with interest payable in quarterly installments in arrears. The rate for any Interest Period was the sum of:

- the Relevant Spread; and
- LIBOR on the Interest Determination Date for that Interest Period for 3 months rounded upward to the nearest three decimal places.

LIBOR at December 31, 2018 was 2.62%. Repayment of the loan commenced on August 15, 2013 with an initial payment, a secondary payment on August 15, 2014 and semi-annual payments thereafter on February 15 and August 15 of each year with a maturity date of February 15, 2029.

15 **BORROWINGS (CONTINUED)**

(e) The "Applicable Margin" for the Proparco and IDB loans, "Margin" for the EIB loan and in the case of the IFC loan the "Relevant Spread" means:

- 5% per annum from the Effective date up to but excluding February 15, 2018;
- 5.50% per annum from February 15, 2018 up to but excluding February 15, 2021;
- 6% from February 15, 2021 up to but excluding February 15, 2024; and'
- 7% from February 15, 2024 up to and including the Maturity Date.

In the case of the EIB loan the Margin includes rather than excludes each February 15 end date above.

(f) The security for all loans at (a) to (d) were as follows:

(i) Lien created by Debenture Charge between the company and RBC Trust (Trinidad & Tobago) Limited (Onshore Collateral Trustee) together with the lenders, dated February 18, 2011 stamped to cover $199.153 million over the company's properties, assets and rights. The carrying amount of these properties at the December 31, 2018 was $266.18 million for intangible assets and $0.91 million for property and equipment.

(ii) Lien created by Debenture Charge between the company and Deutsche Bank Trust (Offshore Collateral Trustee) together with the lenders dated February 18, 2011 stamped to cover $199.153 million over the company's properties, assets and rights. The carrying amount of these properties at December 31, 2018 was as noted in (i) above.

(iii) Lien over all deposits accounts, securities accounts or other accounts held at any financial institution outside of Jamaica, including the Secured Offshore Accounts. The balance in these accounts at December 31, 2018 included in restricted cash was $2.04 million. There are no other accounts held outside of Jamaica at December 31, 2018.

(iv) Assignment of Debt Service Reserve, Major Maintenance Reserve, Debt Service Accounts and Cash Sweep Payment Account to be maintained during the Operation period. The carrying amounts of the reserves included in restricted cash amounting to $37.38 million at December 31, 2018 were $25.70 million, $4.88 million, $4.14 million, $ 2.66 million respectively.

At December 31, 2018, restricted cash included deposits amounting to approximately $29.79 million at an interest rate of 2.57% per annum which matured in February 2019. Interest receivables on restricted cash was $0.1 million.

(v) Assignment of first fixed charge over fixed and floating assets of the company in favour of the Onshore Collateral Trustee as continuing security for the due and prompt payment and discharge of the debt obligations.

(vi) Assignment of lien over all shares held by Bouygues Travaux Publics S.A and Vinci Conessions in Transjamaican Highway Limited.

(g) On December 23, 2019 the loans at (a) to (d) above were settled in full by way of the utilization of the company's cash reserves as well as the debt bridge facility with National Commercial Bank Jamaica Limited (Note 15(h)) and a promissory note from NROCC (Note 15(i)).

15 BORROWINGS (CONTINUED)

(h) National Commercial Bank Jamaica Limited (NCBJL)

The bridge loan facility is for One Hundred and Thirty-Three Million, Six Hundred and Twenty-Two Thousand Dollars United States Dollars (US$133,622,000) by agreement dated December 6, 2019 for the purpose of paying fees and expenses related to this bridge loan facility and to refinance existing debts and related breakage costs. This loan is intended to be repaid in Jamaican Dollars (converted at the Fixing Rate from US$) from the proceeds of long-term financing which is currently being arranged (See Subsequent Events – Note 27).

The interest charge is 5.75% per annum with an additional 2% during the continuance of an event of default. The rate for any interest period is accrued from day to day and is calculated on the basis of the actual number of days elapsed and an actual 360-day year and is payable in quarterly installments. The loan's maturity date is set to occur twelve (12) months after December 23, 2019.

The security for the loan is as follows:

- Lien over the debt service reserve account in the amount of $4.90 million at an interest rate of 0.15% per annum.
- Lien over the major maintenance reserve account in the amount of $6.01 million at an interest rate of 0.10% per annum.
- Charge over all deposit accounts, securities or other account held at any financial institution
- Debenture stamped to cover the Jamaican dollar equivalents of US$133.62 million over the company's freehold and leasehold properties, assets and rights
- Assignment of rights available to the company in the Concession Agreement with NROCC.

(i) National Road Operating & Construction Company (NROCC)

The Promissory Note was issued by NROCC for Sixteen Million, Three Hundred and seventy-Eight Thousand (US$16,378,000) issued on December 23, 2019 for the purpose of paying fees and expenses related to this promissory note and to refinance existing debts and related breakage costs. This facility is intended to be repaid from the proceeds of long-term financing which is currently being arranged (See Subsequent Events – Note 27).

The interest charge is 6% per annum and is payable in quarterly installment. The loan matures on December 23, 2020.

16 PROVISIONS

	Provisions for highway repairs	
	2019	2018
	$'000	$'000
Balance at January 1	13,458	12,997
Additional provisions recognized (Note 22)	1,277	1,690
Utilized during the year	(2,138)	(1,229)
Balance at December 31	12,597	13,458
Denoted as:		
Current	1,277	1,600
Non-current	11,320	11,858
	12,597	13,458

The provisions for highway repairs relate to estimated costs for scheduled repairs at various periods during the life of the concession agreement. These periods range from 6 years to the end of the concession period. The provision is based on the same estimates and assumptions included in the company's Operations and Maintenance Plan, done biannually for the next 6 semi-annual periods and reviewed by the company's Independent Engineer, ARUP. The underlying assumptions for the provision include the US and JM CPI, exchange rate variation, forecasted traffic and lenders' interest rate.

17 CONTRACT LIABILITIES

	2019	2018
	$'000	$'000
Balance, beginning of the year	1,003	828
Incurred during the year	1,650	1,448
Included in income during the year	(1,734)	(1,273)
Balance, end of the year	919	1,003

This represents the advance payment for toll tags.

18 TRADE AND OTHER PAYABLES

	2019	2018
	$'000	$'000
Trade and other payables comprise:		
Trade payables (Note 18(a))	2,088	316
Accrued expenses	606	412
	2,694	728

Payables and accruals principally comprise amounts outstanding for trade purchases and other ongoing costs. The company has financial risk management policies in place to ensure that all payables are paid when they fall due.

(a) Included in these balances are amounts due to Jamaica Infrastructure Operators (JIO), Operator, amounting to $1.315 million (2018: $Nil).

19 OTHER GAINS AND LOSSES

	2019 $'000	2018 $'000
Gain on disposal of property and equipment	5	6
Net loss on foreign exchange	(636)	(355)
Interest income – bank deposits at amortized cost	773	752
Amortization of grant (Note 14)	3,585	3,577
Other operating gains	132	142
	3,859	4,122

20 EXPENSES

	2019 $'000	2018 $'000
Operating expenses		
Insurance	626	668
Marketing and advertising	11	5
Utilities	13	14
Legal and professional fees	617	46
Repairs and maintenance	2,971	2,663
Operator fixed fees	12,755	11,210
Operator variable fees	1,608	1,590
Bank charges	160	157
Amortization on intangible assets (Note 7)	16,867	16,217
Other operating expenses	380	479
	36,008	33,049
Administrative expenses		
Staff costs (Note 22)	682	543
Staff welfare	11	32
Office rental	-	48
Accounting, audit and consultancy fees	62	45
Repairs and maintenance	19	13
Subscriptions and donations	19	67
Accommodation	24	31
Utilities	27	29
Travel expenses	129	66
Depreciation on property and equipment (Note 5)	186	203
Depreciation of right of use asset (Note 6)	92	-
Other administrative expenses	41	53
	1,292	1,130
Finance costs		
Interest on long-term loans	17,738	16,923
Interest on right of use asset (Note 6)	6	-
Fair value gain on interest rate swap	(3,977)	(1,558)
Loan prepayment/breakage costs	19,220	-
	32,987	15,365

21 **TAXATION**

(a) The tax charge for the year represents:

	2019 $'000	2018 $'000
Income tax charge	-	658
Deferred tax credit (Note 8)	(21,443)	-
	(21,443)	658

(b) Subject to agreement of the Commissioner General, Tax Administration Jamaica, at the reporting date the company had tax losses of approximately $104.10 million (2018: $85.09 million) available for set-off against future taxable profits. Prior year tax losses that may be deducted in any tax year are capped at 50% of the aggregate taxable income for that year after taking into consideration the appropriate tax deductions and exemptions. At December 31, 2019, a deferred tax asset was recognized in respect of these tax losses. As at December 31, 2018 a deferred tax asset was recognized in respect of tax losses amounting to $19.40 million. No deferred tax asset was recognized in respect of the remaining tax losses $65.69 million due to the unpredictability of future taxable profits, as at December 31, 2018.

(c) The tax adjustment for the year can be reconciled to the profit per the statement of comprehensive income as follows:

	2019 $'000	2018 $'000
(Loss)/Profit before tax	(13,143)	7,008
Tax at domestic income tax rate of 25% (2018: 25%)	(3,286)	1,752
Tax effect of expenses that are not deductible for tax purposes	191	149
Tax effect of non-taxable income/gain	(1,892)	(1,608)
Effect of unrecognized tax losses	-	217
Effect of tax losses recognised	(21,176)	-
Other	4,720	148
Total tax (credit) charge for the year	(21,443)	658

(d) Approval was granted to the company under the provision of Section 86 of the Income Tax Act, for income tax applicable to the operations, to be at a nil rate for a period of twelve years from November 21, 2001, the effective date of the Concession Agreement. This expired on November 20, 2013 after which income tax is charged at the rate applicable to unregulated entities.

21 **TAXATION (CONTINUED)**

(e) The Government of Jamaica through the Minister of Finance & Planning has agreed to certain tax concessions in respect of the Project as follows:

(a) *General Consumption Tax*

The General Consumption Tax (GCT) Act was amended to allow the following taxable supplies to the company to be treated as zero-rated for the duration of the contract period or as specified otherwise:

(i) GCT applicable on invoices of the contractor to the company, and the Operator to the company for a duration of fifteen (15) years with respect to the project, from the effective date of the Concession Agreement. This expired on November 21, 2016, however, the company has been granted the right to continuation of the zero-rated process based on the zero-rated nature of its revenue.

(ii) GCT applicable on any goods and equipment purchased or imported for the purposes of the Project for a duration of fifteen (15) years from the effective date of the Concession Agreement. This expired on November 21, 2016, however, the company has been granted the right to continuation of the zero-rated process based on the zero-rated nature of its revenue.

(b) *Tax Exemptions and Provisions*

(i) *Customs Duties Exemptions*

Customs duties are remitted in respect of material and equipment, excluding motorcars, purchased or imported by the company for a period of fifteen (15) years from the effective date of the Concession Agreement. This expired on November 21, 2016, and no extension was granted.

(ii) Corporate tax

The income tax rate applicable for the company was 0% for the first twelve years, which expired November 20, 2013 (tax losses can be carried forward until they have been fully absorbed).

(iii) Stamp duties

Stamp duties have been waived for the company in respect of certain specified documents as prescribed in the various agreements.

(iv) Withholding taxes

(a) Withholding tax or other taxes incurred under the Jamaican Law on interest payments and other payments made for the loans contracted by the company with foreign or multilateral institutions under the Financing Agreements have been waived for the duration of the concession.
(b) Withholding tax on payments to non-residents for technical and managerial services, equipment and plant hiring and commercial and industrial information in respect of the company have been waived for the duration of the concession.

(v) Payroll related taxes

The company is liable for payroll related taxes (Note 22).

22 NET PROFIT

The following are included in the determination of net profit:

	2019 **$'000**	**2018** **$'000**
Income		
Interest income – at amortized cost (Note 19)	773	752
Expenses		
Directors' - emoluments	256	120
Audit fees	35	36
Depreciation and amortization (Note 20)	17,145	16,420
Provision for heavy repairs (Note 16)	1,277	1,690
Staff costs	682	543
Finance cost (Note 20)	32,987	15,365

	2019 **$'000**	**2018** **$'000**
Staff costs included in administrative expenses comprise:		
Salaries and wages	623	467
Statutory deductions	33	50
Pension contributions	26	26
	682	543

23 DIVIDENDS

During the year ended December 31, 2018, the company declared a dividend payment of $3.98 million to its ordinary shareholders. The dividend per share was calculated as $0.15. The company at that time also made a dividend payment of $3.98 million to its preference shareholder.

Subsequent to year end on January 20, 2020, the company declared a dividend of $35 million ($1.30 per share) to its ordinary shareholder (Note 27).

24 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	2019 $'000	2018 $'000
Financial assets		
Loans and receivables		
Financial assets at amortised cost		
Cash and bank balances	9,099	3,027
Restricted cash	10,913	39,520
Owed by related parties	-	445
Other receivables	362	38
	20,374	43,030
Financial liabilities		
Derivative financial instrument (Interest rate swap) at fair value through profit and loss	-	3,977
Other financial liabilities at amortized cost		
Lease liability	187	-
Borrowings	148,301	166,339
Owed to related parties	-	1,552
Trade payables	2,088	316
Contract liabilities	919	1,003
	151,495	169,210
	151,495	173,187

Financial risk management policies and objectives

The financial risk management seeks to minimize potential adverse effects of financial performance of the company and covers specific areas, such as market risk (including currency risk, interest rate risk, and other price risk), credit risk and liquidity risk.

The activities of the company consist of the design, construction, financing and operation of tolled motorways in Jamaica.

The financial liabilities of the company mainly consist of borrowings. The repayment period is determined in the financial documentation.

24 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)**

Financial risk management policies and objectives (continued)

The financial risk of the company is mainly in respect of its ability to meet its commitments to its lenders. Any changes to these commitments have to be approved by the Board of Directors.

There has been no change to the company's exposure to these financial risks or the manner in which it manages and measures the risk during the year.

Exposures are measured using sensitivity analyses indicated below.

(a) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. Market risk with respect to foreign currencies and interest rates are disclosed in Note (24(a)(i)) and Note (24(a)(ii)) below.

The derivative financial instrument was used to reduce exposure to fluctuations in interest rates (Note 13).

(i) Foreign exchange risk management

The company undertakes certain transactions denominated in currencies other than the United States dollar resulting in exposures to exchange rate fluctuations.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management consistently monitors the company's exposure in this regard.

24 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

Financial risk management policies and objectives (continued)

(a) Market risk (continued)

(i) Foreign exchange risk management

The carrying amounts of foreign currency denominated monetary assets and monetary liabilities arising in the ordinary course of business at the reporting date are as follows:

	Liabilities		Assets		Net (Assets) Liabilities	
	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000
Jamaican dollars	204	253	1,419	1,612	(1,215)	(1,359)
Euros (€)	453	453	-	-	453	453

<u>Foreign currency sensitivity</u>
The following table details the sensitivity to a 6% increase and 4% decrease (2018: 4% increase and 2% decrease) in the United States dollar against the Jamaican dollar and a 5% increase and decrease against the Euro. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 6% increase and 4% decrease (2018: 4% increase and 2% decrease) in United States dollar against the Jamaican dollar and a 5% increase and decrease in the Euro (2018: 5% increase and decrease).

If the United States dollar strengthens by 6% or weakens by 4% (2018: strengthens by 4% or weakens by 2%) against the Jamaican dollar or strengthens or weakens by 5% (2018: strengthens or weakens by 5%) against the Euro, net profit will increase or decrease by:

					Effect on Net (Loss)/Profit (increase/(decrease))			
	Jamaican dollar		Euro (€)		Jamaican Dollar		Euro (€)	
	2019	2018	2019	2018	2019	2018	2019	2018
	%	%	%	%	$'000	$'000	$'000	$'000
Revaluation	+6	+4	+5	+5	(73)	(54)	23	23
Devaluation	-4	-2	-5	-5	49	27	(23)	(23)

The movements in sensitivity are mainly attributable to the exposure outstanding on bank balances, receivables and payables in the respective foreign currency at year end in the company.

(ii) Interest rate risk management

Interest rate risk is the potential that the value of a financial instrument will fluctuate due to changes in market interest rates. Financial instruments subject to fixed interest rates are exposed to fair value interest rate risk while those subject to floating interest rates are exposed to cash flow risk. The borrowings are subject to fixed interest rates (2018: both fixed and variable interest rates).

24 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)**

Financial risk management policies and objectives (continued)

(a) Market risk (continued)

(ii) Interest rate risk management (continued)

The company's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section at Note 24(c) below.

The company manages its interest rate risk by monitoring the movements in the market interest rates closely. As part of its financing arrangements, the agreements with lenders provided for conversion of certain loan tranches from variable to fixed rates including in one instant an interest rate swap for variable to fixed rates during the 2013 financial year so as to partly manage this risk.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for financial instruments at the end of the reporting period.

The analysis has been prepared on the assumption that the variable rate assets and liabilities at the end of the reporting period have been outstanding for the whole year.

In respect of Jamaican dollar balances (net financial liabilities), if interest rates had been 100 basis points higher or 100 basis points lower (2018: 100 basis points higher or 100 basis points lower) and all other variables were held constant, the company's:

- Net profit (2018: net profit) for the year would increase by $0.01 million or decrease by $0.01 million (2018: increase by $0.01 million or decrease by $0.01 million).

In respect of United States dollar balances (net financial liabilities), if interest rates had been 100 basis points higher or 100 basis points lower (2018: 100 basis points higher or 100 basis points lower) and all other variables were held constant, the company's:

- Net profit (2018: net profit) for the year would increase by $0.08 million or decrease by $0.08 million (2018: increase by $0.02 million or decrease by $0.02 million). This is mainly attributable to the company's exposure to variable interest rates on its bank balances.

This is mainly attributable to the company's exposure to variable interest rates on its bank balances.

The company's sensitivity to variable interest rates has increased during the year due to increased holdings of variable rate interest bearing financial assets.

24 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

Financial risk management policies and objectives (continued)

(b) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company.

Financial assets that potentially subject the company to concentration of credit risk consist principally of cash and cash equivalents, other receivables and amounts owed by related parties. The maximum exposure to credit risk is the amount of approximately $20.37 million (2018: $43.03 million) disclosed under 'categories of financial instruments' above and the cholds no collateral in this regard. The directors believe that the credit risks associated with these financial instruments are minimal.

<u>Cash and bank deposits</u>
The credit risk on liquid funds is limited because the counterparties are major banks with high credit ratings. The carrying amount of cash and bank balances totalling $20.01 million (2018: $42.55 million) at the reporting date represents the company's maximum exposure to this class of financial assets.

<u>Amounts due from related parties</u>
The directors believe that the credit risks associated with this financial instrument are minimal. There is no significant increase in credit risk associated with related parties and therefore the probability of default is considered insignificant. The carrying amount of $Nil (2018: $0.45 million) at the reporting date represents the company's maximum exposure to this class of financial assets.

(c) Liquidity risk management

Liquidity risk, also referred to as funding risk, is the risk that the company will encounter difficulty in meeting commitments associated with financial instruments. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, and the availability of funding through an adequate amount of committed facilities. Due to the nature of the underlying business, the management of the company maintains an adequate amount of its financial assets in liquid form to meet contractual obligations and other recurring payments.

24 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

Financial risk management policies and objectives (continued)

(c) Liquidity risk management

Liquidity and interest risk analyses in respect of non-derivative financial liabilities
Non-derivative financial liabilities

The following tables detail the company's remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the company can be required to pay.

	Weighted Average Effective Interest Rate %	**On Demand or Within 1 Year $'000**	**1 – 5 Years $'000**	**5+ Years $'000**	**Total $'000**
2019					
Non-interest bearing	Nil	3,007	-	-	3,007
Fixed interest rate instruments:					
- borrowings	4% - 6.00%	158,666	-	-	158,666
- lease liability	4%	99	99	-	198
		161,772	99	-	161,871

	Weighted Average Effective Interest Rate %	**On Demand or Within 1 Year $'000**	**1 – 5 Years $'000**	**5+ Years $'000**	**Total $'000**
2018					
Non-interest bearing	Nil	2,871	-	-	2,871
Variable interest rate Instruments	Libor + 5.5 (8.12)	1,585	6,339	36,834	44,758
Fixed interest rate instruments	9.63	26,085	100,668	97,698	224,451
		30,541	107,007	134,532	272,080

24 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

Financial risk management policies and objectives (continued)

(d) Fair value of financial assets and financial liabilities

The following provides an analysis of financial instruments held as at the reporting date, subsequent to initial recognition that are measured or disclosed at fair value. Financial instruments are grouped into Levels 1 to 3 based on the degree to which the fair value is observable as described in Note 3.2.

- There are no financial instruments measured at fair value classified as Level 1 and Level 3 at the end of the reporting period.
- The fair value of fixed interest rate borrowings disclosed in the financial statements are classified as Level 2.

The following methods and assumptions have been used in determining the fair values of financial assets and financial liabilities:

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analyses or other valuation models.

- The carrying amounts of cash and bank balances, receivables and payables and other assets and liabilities maturing within twelve months are assumed to approximate their fair values because of the short-term maturity of these instruments.
- The carrying amounts of variable rate borrowings are assumed to approximate their fair values as the interest rates approximate current market interest rates.
- The carrying amount of fixed rate borrowings are assumed to approximate their fair value because of the short-term maturity (2018: The fair value of fixed rate borrowings are calculated using discounted cash flow technique using as discount rate LIBOR plus lenders margin applicable to the borrowings outstanding at the end of the reporting period.)
- The fair value of interest rate swaps, resulting in derivative financial liabilities, is calculated as the present value of the estimated future cash flows.

24 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

Financial risk management policies and objectives (continued)

(d) Fair value of financial assets and financial liabilities (continued)

Quantitative disclosures fair value measurement hierarchy for assets and liabilities.

As at December 31, 2019:

	Date of valuation	Quoted prices in active markets (Level 1) $'000	Significant Observable inputs (Level 2) $'000	Significant Unobservable inputs (Level 3) $'000	Total $'000
Liabilities for which fair values are disclosed					
Short term borrowings	December 31, 2019	-	148,301	-	148,301

As at December 31, 2018:

	Date of valuation	Quoted prices in active markets (Level 1) $'000	Significant observable inputs (Level 2) $'000	Significant Unobservable inputs (Level 3) $'000	Total $'000
Liabilities measured at fair value:					
Derivative contract - Interest rate swap	December 31, 2018	-	3,977	-	3,977
Liabilities for which fair values are disclosed					
Long term borrowings	December 31, 2018	-	196,622	-	196,622
		-	200,599	-	200,599

There have been no transfers between Level 1 and Level 2 during the financial year.

24 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

Capital management

The company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of equity.

The capital structure of the company consists of net debt (borrowings as disclosed in Note 15, offset by cash and cash equivalents) and equity of the company (comprising issued capital and retained earnings).

The capital structure strategy of the company was defined when Phase 1A financial closing was reached in February 2004. There was no change in the overall strategy of the company during the year.

The company's Board of Directors reviews the capital structure on an annual basis. As a part of this review, the Board of Directors considers the cost of capital and the risks associated with each class of capital.

25 INDIVIDUAL RETIREMENT SCHEME

An Individual Retirement Scheme (IRS) has been in operation since January 1, 2012 due to the discontinuation of the defined contribution plan that was previously in place. During the course of 2013, the employees' accumulated contributions from the previous plan were paid over by Guardian Life Limited to the newly established IRS accounts of each of the members at the point of winding up. The surplus however, was not distributed and has since been approved for distribution to the remaining members (pending the submission of a progress report by Guardian Life Limited).

The company has opted to continue its contribution of 10% of basic salaries on behalf of the employees while the employees contribute up to 10% of their pensionable salaries.

Retirement benefits payable will be based on the contributions made to scheme together with investment earnings thereon. The total expense recognized in the profit or loss in respect of the plan is $26,131 (2018: $26,453).

26 CONTINGENCIES

In the normal course of business, situations could arise where the company may be the defendant in certain litigation matters, claims and other legal proceedings. In such instances provisions will be established for such matters where it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the obligation can be made.

The company would remain contingently liable in respect of other litigation matters which are considered to be possible but not probable and thus would not make provision in these financial statements.

27 SUBSEQUENT EVENTS

Amendment to Concession Agreement

On January 20, 2020, the Board of Directors, approved an amendment to the Concession Agreement. The Concession Agreement was amended and restated to, among other things, (i) eliminate references related to the ECA Financing, (ii) allow the company to incur indebtedness under Debt Notes and assign the company's rights under the Concession Agreement as Collateral in favor of the Noteholders, (iii) grant the company the exclusive option to renew the term of the Concession Agreement for an additional period of 35 years, (iv) grant the company the right of first refusal to own, operate and maintain Phase 1C of the Toll Road (A 28.0 Km long road between the cities of May Pen and Williamsfield which will include a new link from Highway 2000 East-West to the town of Porus in the parish of Manchester), (v) include the widening of the Nelson Mandela Highway and the construction of the North South Highway as part of the list of projects that do not entitle the company to receive a competing roads compensation payment from NROCC, (vi) specify that periodic maintenance works on the transport corridor served by the Toll Road (even if such maintenance is intended to increase the road's speed limit) will not entitle the company to receive compensation payments from NROCC unless such road is widened to increase the number of traffic lanes, (vii) make certain changes to the amounts payable by NROCC to the company as a consequence of an early termination of the Concession Agreement and (viii) modify the company's share retention provisions to allow NROCC to consummate the Offer for Sale in the Initial Public Offering. (See Debt Offering and Initial Public Offering of Ordinary Shares below).

Restructuring of Capital Structure

On January 22, 2020, an extraordinary shareholders' meeting passed a resolution to restructure the company's authorized share capital pursuant to Section 65(1)(d) of the Companies Act, 2004, in anticipation of NROCC consummating the Offer for Sale in the Initial Public Offering. (See Debt Offering and Initial Public Offering of Ordinary Shares below). Pursuant to this resolution, the share capital will be restructured by: (i) dividing each of the 27.0 million existing ordinary shares to create 12.5 billion ordinary shares and (ii) dividing the one (1) existing preferred share to create 2.7 billion preferred shares. In addition, the shareholders approved an increase of the authorized share capital from 27.0 million ordinary shares to unlimited ordinary shares and approved the conversion from a private company to a public limited liability company.

To effect the change in the preference share structure described in (ii) above, on January 20, 2020, the board of directors passed a resolution to redeem the original preference share and issue 2.7 billion 8.0% cumulative redeemable preference shares that will mature in 8 years, provided that the 8.0% Preference Shares shall be subordinated to the Debt Notes in all respects, including without limitation, as to any right of payment (other than dividends paid). The 8.0% Preference Shares will be denominated and paid in Jamaican dollars.

Dividend and Write-back

On January 20, 2020, the company declared a dividend to its sole shareholder, NROCC, for an amount of $35.0 million. The company expects to pay this dividend with a portion of the proceeds of the Debt Notes. (See Debt Offering and Initial Public Offering of Ordinary Shares below). The Board of Directors also passed a resolution on January 20, 2020 to effect an immediate write-off of the amortizing grant to retained earnings, which will permit the company to issue a dividend.

27 **SUBSEQUENT EVENTS (CONTINUED)**

Debt Offering and Initial Public Offering of Ordinary Shares
The company engaged in the process of arranging a long term facility to repay the short term syndicated loan facility from a local financial institution and unsecured promissory note from NROCC that was secured in December 2019 to repay the existing lenders the outstanding principal, accrued interest and breakage fees that included the extinguishment of swap arrangements and prepayment penalties.

Further, during February 2020, 8,000,000,000 Ordinary Shares at US$0.01 or J$1.41 per ordinary share (with the right to 'upsize' the offer by an additional 2,000,0000 ordinary shares in the event of oversubscription) were offered to the market through an initial public offering which closed during March 2020. Consequent on this initial Public Offering, the ordinary shares of the company were listed on the main market of the Jamaica Stock Exchange on March 24, 2020.

Coronavirus (COVID 19)

On January 30, 2020, the World Health Organization declared the outbreak of a novel strain of Coronavirus (COVID 19) constituted a 'Public Health Emergency of International Concern'. This global outbreak, and the response of governments worldwide to it, has disrupted supply chains and activities across a range of industries. The extent of the impact of COVID 19 on the company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the company's customers, employees and vendors/suppliers, all of which are uncertain.

The related financial impact and duration of this matter cannot be reasonably estimated at this time.

FORM OF PROXY

I/We……

Of……

Being a member(s) of TRANSJAMAICAN HIGHWAY LIMITED hereby appoint

……

or failing him or her…………………………………………………………………………………………

of……

as my/our proxy to vote on my/our behalf at the 19th Annual General Meeting of the above-named Company to be held at The Jamaica Pegasus Hotel, 81 Knutsford Boulevard, Kingston 5 on Tuesday, November 24, 2020 at 10:00 a.m. and at any adjournment thereof.

I/We direct my/our proxy to vote on the under-mentioned resolutions as indicated below. In the absence of such direction, the proxy may vote as he/she sees fit.

	For	Against
Ordinary Business		
RESOLUTION 1 - To receive the audited accounts for the year ended December 31, 2019.	☐	☐
RESOLUTION 2(i) – To re-elect John ("Mitchie") Bell to the Board of Directors.	☐	☐
RESOLUTION 2(ii) – To re-elect Ian Dear to the Board of Directors.	☐	☐
RESOLUTION 2(iii) – To elect Ivan Anderson to the Board of Directors.	☐	☐
RESOLUTION 3 – To fix the remuneration of the Directors.	☐	☐
RESOLUTION 4 – To re-appoint the Auditors and to fix their remuneration.	☐	☐
Special Business		
RESOLUTION 5 – To amend the Articles of Incorporation by Special Resolution.	☐	☐

Signed:___________________________ Signed:_________________________________

Dated this day of , 2020.

Notes

(1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his place. Such proxy should be chosen from the following list of Directors (and Company Secretary) who have indicated that they intend to attend the AGM:

(a) Ivan Anderson, Director
(b) John ("Mitchie") Bell, Director
(c) Susan Garriques, Company Secretary

or alternatively, a member may appoint a person of his/her choice who has been granted right to attend the meeting physically through the process described in the Explanatory Circular to Stockholders.

(2) If the appointer is a corporation, this form must be signed under its common seal or under the hand of some officer or attorney duly authorized in writing.

(3) Any alteration made in this Form of Proxy should be initialed by the person who signs it.

(4) A member must complete and return his/her From of Proxy to the Registrar of the Company, the Jamaica Central Securities Depository ("JCSD"), using one of the following methods, **not less than 48 hours before the Meeting**:

(a) by hand delivery to JCSD Trustee Services Limited at 40 Harbour Street, Kingston; or
(b) by post addressed to JCSD Trustee Services Limited at 40 Harbour Street, Kingston.
(c) by facsimile at (876) 969-3730; or
(d) by email: tjhighway@h2k-tjh.com

(5) In the case of joint holders, the vote of the senior joint holder who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders(s), and for this purpose seniority will be determined by the order in which the names appear in the books of the Company.

(6) If the proxy form is returned without any indication as to how the proxy must vote, he may exercise his discretion as to how he votes or whether he abstains from voting.

(7) The proxy form is subject to stamp duty of J$100.00. The stamp duty may be denoted by **adhesive stamps. The Company reserves the right to stamp unstamped proxy forms.**

(8) **The person to whom this Proxy is given need not be a holder of shares in the Company but must attend the Meeting in person to represent you.**