TRANSJAMAICAN HIGHWAY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in United States dollars)

TRANSJAMAICAN HIGHWAY LIMITED

YEAR ENDED DECEMBER 31, 2020
(Expressed in United States dollars)

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Members of Transjamaican Highway Limited

Report on the Audit of 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, 2020, the statements of comprehensive (loss)/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, 2020, 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 of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards)("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Members of Transjamaican Highway Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (continued)

Key audit matters	How our audit addressed the key audit matters
Deferred tax assets – recoverability of tax losses carried forward	
As discussed in Note 8 and Note 21, at December 31, 2020, a net deferred tax asset of $22.06 million was recorded on the statement of financial position in respect of deferred tax assets of $28.93 million and deferred tax liabilities of $6.87 million. Included in the assets is $26.35 million representing deferred taxes in respect of tax losses carried forward and available indefinitely. The Company has recognized deferred tax assets related to tax losses to the extent that the realization of the related tax benefits through future taxable profits is probable. The estimate of future taxable profits is based on the strategic financial plan which requires the management and the Board of Directors to exercise significant judgements in determining assumptions of forecasts of future taxable profits, including expectations for future revenue developments (traffic projections) as well as overall macroeconomic conditions. The recognition of deferred tax assets is therefore sensitive to changes in the strategic financial plan as well as to the assumptions made in the estimation of future taxable income.	As part of our audit procedures, we have: - obtained an understanding and evaluated the design and implementation of the Company's key controls over the recognition and measurement of deferred tax assets; - involved EY specialists to assess the reasonableness of the key economic assumptions embedded in the strategic financial plan; - compared the Company's forecasted future taxable income to externally available data and the Company's actual historical data and performance and assessed the sensitivity of the outcomes to reasonably possible changes in assumptions; and - evaluated the adequacy of the disclosures in the notes regarding the recognition of deferred tax assets based on unused tax losses.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Members of Transjamaican Highway Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (continued)

Key audit matters	How our audit addressed the key audit matters
Intangible assets relating to service concession agreements (IFRIC 12) and related impairment assessment	
Intangible assets amounted to $238.06 million as of December 31, 2020 and accounted for 74% of the total non-current assets. As discussed in Note 4, 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 reassessed in January 2020 by Steer, an external consultant from the United Kingdom and further amended at the end of the reporting period to incorporate the projected impact of the Coronavirus (COVID -19) pandemic. The projection is based on various estimates and assumptions surrounding, among other things, macroeconomic variables 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 of directors and management is to update the forecast periodically based on the actual traffic. At the end of the period, management performed an impairment assessment on the intangible assets which were within the scope of IFRIC 12. The recoverability of these assets was verified through a comparison between the carrying amount and the recoverable amount, being the higher of fair value and value in use.	As part of our audit procedures, we have: - obtained an understanding and evaluated the design and implementation of the Company's internal control over processes related to the intangible assets; - verified the reconciliation of the register to the general ledger values and the completeness and accuracy of the actual traffic data and recalculated amortization charges for the year; - placed reliance on the external consultant's traffic projection report over the concession period and therefore assessed the external consultant's qualifications (i.e. professional certification, membership in an appropriate professional body), experience and reputation in the field. We also assessed the external consultant's objectivity and with the assistance of EY specialists, evaluated the work performed (including reviewing the assumptions and inputs used in the report) in accordance with ISA 620 "Using the Work of an Expert"; - examined the method adopted by management to identify and assess possible indicators of impairment of the intangible assets with the assistance of EY specialists; - re-performed the impairment assessment and confirmed the Company's conclusion that intangible assets were not impaired; and - assessed the accuracy and completeness of the disclosures presented in financial statements.

Building a better working world

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Members of Transjamaican Highway Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (continued)

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td colspan="2">Provision for heavy repairs</td></tr>
<tr><td>As discussed in Note 4 , the provision for highway repairs relate to the estimated costs for scheduled repairs for periods ranging from seven (7) years to the end of the concession period based on projections made throughout 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 six (6) semi-annual periods and reviewed by the Company's Independent Engineer, Arup North America Limited. Actual cash outflows will depend on the timing of the maintenance programme based on annual approved budgets, the condition of the highway as determined by ongoing surveys, deterioration and the phasing of major works to meet these obligations (See Note 16).

The process of developing a provision requires management to use judgement which could inherently be subjective.</td><td>As part of our audit procedures, we have:
- obtained an understanding and evaluated the design and implementation of the Company's internal control over provision for heavy repairs processes;
- placed reliance on the independent engineer's review of the Operations and Maintenance Plan and therefore assessed the independent engineer's qualifications (i.e. professional certification, membership in an appropriate professional body), experience and reputation in the field. We also assessed the independent engineer's objectivity and evaluated the work performed (including reviewing the assumptions and inputs used in the report) in accordance with ISA 620 "Using the Work of an Expert";
- recalculated the provision using the applicable measurement inputs and assessed the planned timetable for utilizing the provisions;
- evaluated the historical accuracy of the provision assessed by management by comparing the actual utilization to the historical provisions made; and
- assessed the adequacy of the disclosure of provisions made in the financial statements.</td></tr>
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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Members of Transjamaican Highway Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Other information included in the Annual Report

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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.

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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Members of Transjamaican Highway Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

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.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Members of Transjamaican Highway Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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.

The engagment partner on the audit resulting in this independent auditor's report is Kayann Sudlow.

Ernst & Young
Chartered Accountants
Kingston, Jamaica

March 26, 2021

TRANSJAMAICAN HIGHWAY LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020
(Expressed in United States dollars)

	Notes	2020 $'000	2019 $'000
ASSETS			
Non-current assets			
Property and equipment	5	602	734
Right of use asset	6	92	184
Intangible assets	7	238,057	249,308
Deferred tax assets	8	22,056	21,443
Restricted cash	15	51,408	10,913
Total non-current assets		312,215	282,582
Current assets			
Owed by related party	9	8	-
Other receivables	10	1,183	528
Cash and bank balances	11	7,073	9,099
Total current assets		8,264	9,627
Total assets		320,479	292,209
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	12	27,000	54,000
Accumulated profit		30,040	11,251
Total shareholders' equity		57,040	65,251
Non-current liabilities			
Shareholder grant	13	-	59,194
Cumulative redeemable preference shares	14	26,020	-
Borrowings	15	213,227	-
Lease liability	6	-	96
Provisions	16	12,470	11,320
Total non-current liabilities		251,717	70,610
Current liabilities			
Shareholder grant	13	-	3,066
Cumulative redeemable preference shares	14	524	-
Lease liability	6	101	91
Borrowings	15	6,497	148,301
Provisions	16	1,212	1,277
Contract liabilities	17	794	919
Trade and other payablhes	18	2,594	2,694
Total current liabilities		11,722	156,348
Total equity and liabilities		320,479	292,209

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 March 26, 2021 and are signed on its behalf by:

.... Director – Ivan Anderson

.... Director – Alok Jain

TRANSJAMAICAN HIGHWAY LIMITED

STATEMENT OF COMPREHENSIVE (LOSS)/INCOME
YEAR ENDED DECEMBER 31, 2020
(Expressed in United States dollars)

	Notes	2020 $'000	2019 $'000
Revenue - toll rates		45,382	53,285
Other gains and losses	19	1,638	3,859
Operating expenses	20	(31,078)	(36,008)
Administrative expenses	20	(1,303)	(1,292)
Finance costs	20	(17,123)	(32,987)
Net loss before tax		(2,484)	(13,143)
Taxation	21	613	21,443
NET (LOSS) PROFIT BEING TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	22	(1,871)	8,300
Earnings per share	22	(0.0001)¢	0.0007¢

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

TRANSJAMAICAN HIGHWAY LIMITED

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2020
(Expressed in United States dollars)

	Share Capital $'000	Accumulated Profit $'000	Total $'000
Balance at January 1, 2019	54,000	2,951	56,951
Net profit being total comprehensive income for the year	-	8,300	8,300
Balance at December 31, 2019	54,000	11,251	65,251
Net loss being total comprehensive loss for the year	-	(1,871)	(1,871)
Preference share redemption (Note 12)	(27,000)	-	(27,000)
Write-back of shareholder grant (Note 13)	-	62,260	62,260
Dividends (Note 23)	-	(41,600)	(41,600)
Balance at December 31, 2020	27,000	30,040	57,040

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

TRANSJAMAICAN HIGHWAY LIMITED

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020
(Expressed in United States dollars)

	Notes	2020 $'000	2019 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit for the year		(1,871)	8,300
Adjustments for:			
Depreciation of property and equipment	5	135	186
Depreciation of right of use asset	6	92	92
Loss/(Gain) on disposal of property and equipment	19	1	(5)
Unrealized foreign exchange (gains)/losses		(911)	733
Amortization of intangible assets	7	11,251	16,867
Interest income	19	(268)	(773)
Income tax credit	21	(613)	(21,443)
Finance cost recognized in profit or loss	20	17,123	32,987
Amortization of shareholder grant	13,19	-	(3,585)
Increase in provisions	16	1,212	1,277
Operating cash flows before movements in working capital		26,151	34,636
Increase in other receivables		(655)	(98)
(Increase)/Decrease in owed by related parties		(8)	445
Provisions utilized during the year	16	(127)	(2,138)
(Decrease)/Increase in trade and other payables		(100)	1,966
Decrease in contract liabilities		(125)	(84)
Decrease in owed to related parties		-	(1,552)
Cash generated from operations		25,136	33,175
Interest paid		(13,858)	(19,531)
Loan prepayment/breakage costs paid		-	(19,220)
Lease liability payments – interest	6	(8)	(6)
Tax paid		-	(658)
Net cash provided by/(used in) operating activities		11,270	(6,240)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property and equipment		1	5
Interest received		268	773
Payments for property and equipment	5	(5)	(6)
(Increase)/Decrease in restricted cash		(40,495)	28,607
Net cash (used in)/provided by investing activities		(40,231)	29,379
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease liability payments - principal	6	(86)	(89)
Borrowings repaid		(148,231)	(164,241)
Proceeds from borrowings		216,921	147,996
Dividends paid	23	(41,600)	-
Net cash provided by/(used in) financing activities		27,004	(16,334)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,957)	6,805
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		9,099	3,027
Effect of foreign exchange rate changes		(69)	(733)
CASH AND CASH EQUIVALENTS AT END OF YEAR	11	7,073	9,099
Non cash items:			
Amortization of upfront and commitment fees		180	55
Loan fees on borrowings		8,259	2,004
Write back of shareholders grant		62,260	-

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.

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 was:

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”).

NROCC subsequently sold 80% of the ordinary shares to the Jamaican public through an Offer for Sale. The Company is now a public company and has been listed on the Jamaica Stock Exchange since March 24, 2020.

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 Company also has Senior Secured Debt Notes which are listed at the Singapore Exchange Securities Trading Limited.

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.

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)

Key Elements of the Concession Agreement: (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 amendments to the 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 13(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.

1 IDENTIFICATION AND PRINCIPAL ACTIVITIES (CONTINUED)

(b) The Project Arrangement (Continued)

Amendment to agreements (continued)

(iii) 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,

- eliminate references related to the ECA Financing,
- 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,
- grant the Company the exclusive option to renew the term of the Concession Agreement for an additional period of 35 years,
- 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),
- 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,
- 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,
- make certain changes to the amounts payable by NROCC to the Company as a consequence of an early termination of the Concession Agreement and
- modify the Company's share retention provisions to allow NROCC to consummate the Offer for Sale in the Initial Public Offering.

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. 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.

(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, 2020. These new standards and amendments applied for the first time in 2020. The nature and the impact of each new standard or amendment is described below.

- **Amendments to IFRS 3: Definition of a Business**
  The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Company, but may impact future periods should the Company enter into any business combinations.

- **Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform**
  The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

- **Amendments to IAS 1 and IAS 8 Definition of Material**
  The amendments provide a new definition of material that states, "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, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Company.

- **Conceptual Framework for Financial Reporting**
  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Company.

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 been early adopted by the Company***

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- ***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 recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized 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 they are not expected to have an impact on the Company's financial statements.

- **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, 2023, 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. This standard is not applicable to the Company.

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 been early adopted by the Company (continued)***

- **Amendments to IFRS 16 Covid-19 Related Rent Concessions**
  On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. This amendment is not expected to impact on the financial statements of the Company.

- **Amendments to IAS 1: *Classification of Liabilities as Current or Non-current***
  In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- **Reference to the Conceptual Framework – Amendments to IFRS 3**
  In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

  The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

  At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively. The Company has not yet assessed the impact of these amendments 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 been early adopted by the Company (continued)***

- **Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16**
  In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

  The amendments are not expected to have a material impact on the Company.

- **Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37**
  In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- **Annual Improvements 2018-2020 Cycle (issued May 2020)**
  As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to:

  - IFRS 1 *First-time Adoption of International Financial Reporting Standards.*
    The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not applicable to the financial statements of the Company.

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 been early adopted by the Company (continued)***

- **Annual Improvements 2018-2020 Cycle (issued May 2020) (continued)**

  - *IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities*
    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

  - IAS 41 *Agriculture* – Taxation in fair value measurements
    The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not applicable to the financial statements of the Company.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Current versus non-current classification (continued)

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.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Fair value measurement (continued)

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.

3.4 Leases

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 Company 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Leases (continued)

Company as a lessee (continued)

Right-of-use assets (continued)
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 recognized 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.

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 recognized as expense on a straight-line basis over the lease term.

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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Taxation (continued)

Deferred tax
Deferred tax is recognized 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 recognized for all taxable temporary differences. Deferred tax assets are generally recognized 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 utilized. Such deferred tax assets and liabilities are not recognized 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. Unrecognized deferred tax assets are re-assessed at each reporting period date and are recognized to the extent that it has become probable that future profits will allow the deferred tax asset to be recovered.

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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial assets

a) *Initial recognition and measurement*

Financial assets are classified, at initial recognition and subsequently measured at amortized 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 amortized 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. 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 recognized 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 amortized 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 amortized cost (debt instruments)*

This category is the most relevant to the Company. The Company measures financial assets at amortized 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 amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes cash and bank, restricted cash, other receivables and owed by related parties.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial assets (continued)

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 derecognized (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

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 recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes 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 recognizes 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 recognized 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 recognizes 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 rate (EIR) 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 recognized 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, contract liabilities, due to related parties, lease liability and borrowings including bank overdrafts.

b) *Subsequent measurement*
Financial liabilities are subsequently measure at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis except for short-term liabilities when the recognition of interest would be immaterial

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Financial liabilities and equity instruments (continued)

b) Subsequent measurement (continued)

Interest bearing borrowings
This is the category most relevant to the Company. After initial recognition, interest-bearing borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization 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 derecognized 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 recognized 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 recognized amounts and there is an intention to settle on a net basis, to realize 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 recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized 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.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Related party transactions and balances are recognized and disclosed in the financial statements. Transactions with related parties are accounted for in accordance with the normal policies of the Company.

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, considering 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

Toll Revenue
The Company provides a toll road via the Highway 2000 East West network. Revenue from contracts with customers is recognized 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 recognized 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.

3.19 Segment reporting

An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.

Based on the information presented to and reviewed by the CODM, the operations of the company are considered as one operating segment.

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 recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, 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 $105.42 million (2019: $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 recognized 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 reassessed in January 2020 and further amended at year end to incorporate the projected impact of the Coronavirus (COVID-19) pandemic by Steer, an external consultant from the United Kingdom (2019: In July 2014 the projection was assessed by Mott MacDonald, an external consultant from the United Kingdom). The projection 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 2020 (2019: 2019) onwards differed by $\pm$10% the amortization charge for the current year would have decreased/increased by approximately $1.06 million/$1.06 million (2019: $1.56 million/$1.56 million) respectively. (See Note 7)

Provision for heavy repairs
The provision for highway repairs relates to the estimated costs for scheduled repairs for periods ranging from 7 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 $0.06 million (2019: $2.14 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, 2019	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
Additions	-	4	-	1	-	5
Disposals	-	(82)	-	(20)	(35)	(137)
At December 31, 2020	196	1,561	126	99	322	2,304
Accumulated depreciation						
At January 1, 2019	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
Charge for the year (Note 20)	9	79	25	14	8	135
On disposal	-	(82)	-	(20)	(33)	(135)
At December 31, 2020	193	992	112	95	310	1,702
Carrying amount						
At December 31, 2020	3	569	14	4	12	602
At December 31, 2019	12	644	39	17	22	734

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 recognized and the movement during the year:

	2020 $'000	2019 $'000
As at January 1	184	276
Depreciation	(92)	(92)
As at December 31	92	184

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

	2020 $'000	2019 $'000
As at January 1	187	276
Accretion of interest	8	6
Payments	(94)	(95)
As at December 31	101	187
Classified as:		
Current	101	91
Non-current	-	96
	101	187

The following are the amounts recognized in profit or loss:

	2020 $'000	2019 $'000
Depreciation expense of right of use asset (Note 20)	92	92
Interest expense on lease liabilities (Note 20)	8	6
Total amount recognized in profit or loss	100	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, 2019, December 31, 2019 and December 31, 2020	159,676	92,196	135,128	387,000
Amortization				
Balance, January 1, 2019	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
Amortization for the year (Note 20)	4,639	2,506	4,106	11,251
Balance, December 31, 2020	63,262	35,158	50,523	148,943
Carrying amount:				
December 31, 2020	96,414	57,038	84,605	238,057
December 31, 2019	101,053	59,544	88,711	249,308

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 January 2020, the projections were reassessed and further amended at year end to incorporate the projected impact of Coronavirus (COVID -19) pandemic by Steer, an external consultant from the United Kingdom. (2019: 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:

	2020 %	2019 %
EFC	4.59%	5.65
FC1A	4.21%	4.87
FC1B	4.63%	8.05

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% (2019: 25%).

Deferred tax liabilities are calculated on all temporary differences under the liability method using a tax rate of 25% (2019: 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;

	2020 $'000	**2019 $'000**
Deferred tax assets	28,932	27,562
Deferred tax liabilities	(6,876)	(6,119)
Net	22,056	21,443

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

	2020 $'000	**2019 $'000**
Opening balance	21,443	-
Credit to income for the year (Note 21)	613	21,443
Closing balance	22,056	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, 2019	2	525	1,685	4,850	-	7,062
Credited 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
Credited to income for the year	-	769	271	329	1	1,370
Balance, December 31, 2020	2	832	1,741	26,355	2	28,932

(ii) **Deferred tax liabilities**

	Accelerated tax depreciation $'000	Interest receivable $'000	Unrealised foreign exchange gains $'000	Total $'000
Balance, January 1, 2019	(7,038)	(24)	-	(7,062)
Credited to income for the year	919	24	-	943
Balance, December 31, 2019	(6,119)	-	-	(6,119)
Charged to income for the year	(487)	(25)	(245)	(757)
Balance, December 31, 2020	(6,606)	(25)	(245)	(6,876)

9 RELATED PARTY BALANCES AND TRANSACTIONS

Owed by related party as at December 31, were:

	2020 $'000	2019 $'000
Owed by:		
National Road Operating & Constructing Company ("NROCC")	8	-

The above balance is unsecured, interest free and will be settled in cash. No guarantees were given or received in respect of this entity.

At December 31, 2019, the Company had a loan payable from its parent NROCC of $16.38 million (See Note 15).

Material transactions with related parties were as follows:

	2020 $'000	2019 $'000
Key management compensation	566	466
Board of directors – fees	103	-
Interest expense on short-term loans - NROCC	187	36

10 OTHER RECEIVABLES

	2020 $'000	2019 $'000
Receivables (Note 10(a))	188	362
Prepayments	995	166
	1,183	528

(a) This includes amounts due from Jamaica Infrastructure Operator Limited (JIO), Operator, amounting to $0.149 million (2019: $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:

	2020 $'000	**2019 $'000**
US$ savings accounts, interest at a rate of 0.15% (2019: 0.1%) per annum	5,319	7,663
US$ current accounts	1	18
J$ current accounts - J$253.15 million (2019: J$197.84 million), interest at a rate of 0.25% to 0.70%(2019: 0.15%) per annum	1,753	1,418
	7,073	9,099

12 SHARE CAPITAL

	2020 No. of shares '000	**2019 No. of shares '000**
Authorized		
- Ordinary shares - no par value		
Balance at January 1	27,000	27,000
Increase during the year (Note 12(a))	(*)	-
Balance at December 31	Unlimited	27,000
- Preference share - no par value, January 1 and December 31		
Balance at January 1	**	**
Redeemed during the year (Note 12(a))	(**)	-
Balance at December 31	**	**

* denotes 1 conversion to an unlimited number of shares

** denotes less than 1,000; represents 1 preference share holding at the beginning of the year and no holding at the end of the year (2019: represents 1 preference share at the beginning and end of the year)

12 SHARE CAPITAL (CONTINUED)

	No. of shares '000	2020 $'000	No. of shares '000	2019 $'000
Stated Capital:				
Issued and fully paid				
Balance at January 1	27,000	54,000	27,000	54,000
Restructuring of ordinary shares during the year (Note 12(a))	12,474,000	-	-	-
Redemption of preference share (Note 12(a))	(**)	(27,000)	(**)	(**)
Balance at December 31	12,501,000	27,000	27,000	54,000
Issued and fully paid capital comprises:				
- Ordinary shares	12,501,000	27,000	27,000	27,000
- Preference share (Note 12(a))	(**)	-	(**)	27,000
	12,501,000	27,000	27,000	54,000

(a) 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. Pursuant to this resolution, the share capital will be restructured by: (i) dividing the 27.00 million existing ordinary shares to create 12.50 billion ordinary shares and (ii) dividing the one (1) existing preferred share to create 2.70 billion preferred shares. In addition, the shareholders approved an increase of the authorized share capital from 27.00 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 above, on January 20, 2020, the board of directors passed a resolution to redeem the original preference share and issue 2.70 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 (see Note 15(c)) 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 (Note 14).

Up to December 31, 2019, 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.

The following rights were attached to the preference share:

- Subject to the availability of cash, the holder was 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 was to be paid contemporaneously with the remaining 50% distribution;

12 SHARE CAPITAL (CONTINUED)

(a) (continued)

- The holder was not entitled to be paid any preference dividend unless the dividend was tax deductible for the Company for income tax purposes and was not subject to the deduction of withholding tax (provided that if withholding tax is applicable, the Company would make the payment to the holder less withholding tax deducted);
- The preference share was non-voting. The holder was not entitled to attend annual general meetings or vote on the Company's resolutions. The holder could attend board meetings but must recuse itself when excluded matters were being discussed. The holder was 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 had oversight on the annual budget approvals in terms substantially similar to the lenders of the Company;
- The preference share should not be redeemable at any time during the concession period without the prior written consent of the holder;
- The preference share should only be transferable to an acceptable transferee and subject to prior written approval of the Company and the lenders;
- The preference share could 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 was not entitled to any participation on the assets of the Company other than distributions the holder was entitled to as outlined above.

13 SHAREHOLDER GRANT

	2020 **$'000**	**2019** **$'000**
Balance at beginning of year	62,260	65,845
Write back to accumulated profit	(62,260)	-
Amortized to income during the year (Note 19)	-	(3,585)
Balance at the end of the year	-	62,260
Denoted as:		
Current	-	3,066
Non-current	-	59,194
	-	62,260

13 **SHAREHOLDER GRANT (CONTINUED)**

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.

(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-back of the amortizing grant to accumulated profit.

14 CUMULATIVE REDEEMABLE PREFERENCE SHARES

	No of shares ‘000	**No of shares ‘000**
Restructured during the year and Balance at end of year	2,700,000	-

	2020 $’000	**2019 $’000**
Restructured preference share (Note 14(a))	26,020	-
Interest accrued	524	-
	26,544	-
Classified as:		
Current	524	-
Non-current	26,020	-
	26,544	-

On January 22, 2020, an extraordinary shareholders’ meeting passed a resolution to restructure the authorized share capital pursuant to Section 65(1)(d) of the Companies Act, 2004, in anticipation of NROCC completing an initial public offering on the main market of the Jamaica Stock Exchange.

Pursuant to this resolution, the Company redeemed the Original Preference Share and issued 2.70 billion 8.0% Cumulative Redeemable Preference Shares (denominated and paid in Jamaican dollars) which mature in 8 years, provided that these preference shares shall be subordinated to the Debt Notes (Note 15(a)) in all respects, including without limitation, as to any right of payment (other than dividends paid).

In July 2020, NROCC made an offer by private placement to sell 100% of the preference shares. The preference shares were subsequently listed on the Jamaica Stock Exchange on September 30, 2020.

The following is a summary of the principal rights, privileges and other applicable terms attaching or relating to the cumulative redeemable preference shares:

a) As to income

- 8% per annum fixed cumulative dividend payable quarterly in arrears within fourteen (14) days after each dividend payment date to the extent of the preference shares distributable amount standing to the credit of the JMD distribution account. The dividend accrual dates are March 30, June 30, September 30 and December 31 but to accord priority to the Debt Notes, so long as such Notes are outstanding, the dividend payment date shall instead be four (4) business days after each quarterly interest payment dates under the Debt Notes. The dividends will accrue to the holders of the preference shares until the redemption of the said shares as set out in the Schedule at Note 14(d) below.

14 CUMULATIVE REDEEMABLE PREFERENCE SHARES (CONTINUED)

b) As to capital

On a winding up or other return of capital, the holders of the preference shares will be entitled, in priority to, and before any provision for, or any repayment to the holder of any other class of shares in the capital of the Company which does not rank pari passu with the preference shares, to receive in full the capital paid upon the shares and any arrears of dividend (whether declared or not) calculated down to the date immediately preceding the payment date.

c) As to voting

- The shares do not carry voting rights except upon a resolution proposed:
  - to wind up the Company; or
  - to modify or abrogate any of the rights or privileges attaching to the shares

  The holder of shares may vote not only on the resolution to wind up the Company but also upon motions to appoint the chairman of the meeting and to adjourn the meeting.

  On a show of hand every holder of shares will have one vote but on a poll each holder shall have one (1) vote for each share held. The holder of shares may vote in person or by proxy.

d) As to redemption

- *Scheduled Mandatory Redemption*
  On the 8th anniversary of the issue date, the Shares will be redeemed in full. If redemption is then not permissible in full, it shall take place to the extent permitted pro rata across all holdings of the shares and the unredeemed Shares shall be redeemed as soon as the Company is lawfully able to do so.

- *Redemption triggered by Mandatory Redemption Event*
  If a Mandatory Redemption Event occurs, then the Company will be mandatorily obliged to redeem all the Shares as if the scheduled mandatory redemption date had arrived. A mandatory redemption date is: (i) occurrence of an act of bankruptcy with respect to Company; and (ii) the commencement of enforcement proceedings against the Company by a senior secured creditor .

- *Optional Redemption*
  At any time from the 6th anniversary of the issue date, the Company may, upon giving not less than 30 days' written notice, effect a partial redemption of the shares as shown in the table below:

Partial Redemption Date	**Max. number of Preference Share which may be redeemed**
6th Anniversary of the Issue Date	20% of the Preference Shares in issue
7th Anniversary of the Issue Date	20% of the Preference Shares in issue
8th Anniversary of the Issue Date	20% of the Preference Shares in issue
9th Anniversary of the Issue Date	20% of the Preference Shares in issue

If on any partial redemption date, the Company does not redeem the full number of shares which it is permitted to redeem under the table above then the shares which could have been but were not redeemed according to the table may be carried forward to the next partial redemption date and added to the number of shares which are redeemable under the table as at that date. This will occur cumulatively year after year until the 10th anniversary of the issue date.

14 CUMULATIVE REDEEMABLE PREFERENCE SHARES (CONTINUED)

e) As to redemption (continued)

- *Optional Redemption (continued)*

  On redemption of any shares all accrued dividend must be paid along in addition to the capital redemption sum.

  Partial redemption shall be for a minimum of 50,000 preference shares in integral multiples of 1,000.

f) As to information rights

- A holder of preference shares is entitled to receive from the Company
  - within 60 days after the first three (3) financial quarters a set of the Company's in-house unaudited financial statements; and
  - within 120 days after the close of its financial year of set of its annual audited financial statements together with the auditor's report.

15 BORROWINGS

	Current		Non-current		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Secured – at amortized cost						
National Commercial Bank Jamaica Limited (Note 15(a))	-	133,622	-	-	-	133,622
NROCC (Note 15(b))	-	16,378	-	-	-	16,378
Long term financing – Debt Notes (Note 15(c))	4,077	-	220,923	-	225,000	-
Accrued interest	2,803	250		-	2,803	250
Unamortized borrowing cost (Note 15(d))	(383)	(1,949)	(7,696)	-	(8,079)	(1,949)
Total liabilities	6,497	148,301	213,227	-	219,724	148,301

(a) National Commercial Bank Jamaica Limited (NCBJL)

The bridge loan facility was for $133.62 million by agreement dated December 6, 2019 for the purpose of paying fees and expenses related to this bridge loan facility and to refinance existing debts and related breakage costs. This loan was repaid in Jamaican Dollars (converted at the Fixing Rate from US$) from the proceeds of long-term financing which was finalized in February 2020 (See Note 15(c)) below.

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

15 **BORROWINGS (CONTINUED)**

(a) National Commercial Bank Jamaica Limited (NCBJL) (continued)

The security for the loan was 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 $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.

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

The Promissory Note was issued by NROCC for $16.378 million 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 was repaid from the proceeds of long-term financing which is finalized in February 2020 (See Note 15(c)) below. The interest charge was 6% per annum and was payable in quarterly installments. The loan's maturity date was set to occur on December 23, 2020.

(c) Long term financing – Debt Notes

On February 18, 2020, the Company issued $225 million Senior Secured Debt Notes which are listed at the Singapore Exchange Securities Trading Limited. These Notes were held in escrow until March 10, 2020 following the success of an Offer for Sale to sell 10 billion of the Company's ordinary shares by NROCC, the Company's then sole shareholder.

The Notes pay interest on a quarterly basis at a rate of 5.75% per annum and mature in October 2036. A portion of the proceeds of the Notes were applied to the following:

- to repay in full the Debt Bridge Facility (Note 15(a) above);
- to repay in full the NROCC Promissory Note (Note 15(b) above);
- to fund in the Debt Service Reserve Account, Major Maintenance Reserve Account and the O&M Reserve Account, which amounted to US$12.20 million, US$5.32 million and US$5.10 million respectively. The reserve account balance also includes US$28.79 million which is held locally in the USD Distribution account;
- to pay US$35.00 million as a dividend to NROCC;
- to pay fees and expenses incurred in connection with the offering of the Notes; and general corporate purposes.

The security for the loan is as follows:

- Assignment of rights under the Concession Agreement;
- Assignment of certain insurance policies;
- Charge over all deposit accounts, securities accounts or other accounts held at any financial institution outside of Jamaica, including the Secured Offshore Accounts;
- Charge granted under a debenture over all the assets of the Company (both present and future); and
- Charge and control rights over the Debt Service Accrual and Reserve, Major Maintenance Reserve, Operation and Maintenance Reserve Accounts to be maintained during the life of the facility.

15 **BORROWINGS (CONTINUED)**

(d) Unamortised borrowing cost

	2020 $'000	2019 $'000
Balance, beginning of the year	1,949	1,978
Incurred during the year	8,259	2,004
Amortised during the year	(180)	(55)
Written off during the year on early settlement of loans	(1,949)	(1,978)
Balance, end of the year	8,079	1,949

(e) Changes in borrowings arising from financing activities

	2020 $'000	2019 $'000
Balance, January 1	148,301	166,339
New borrowings (net of unamortised borrowing costs)	216,921	147,996
Repayment of borrowing	(148,231)	(164,241)
Amortised borrowing costs	180	55
Change in interest payable	2,553	(1,848)
Balance, December 31	219,724	(148,301)

16 **PROVISIONS**

	Provisions for highway repairs	
	2020 $'000	**2019 $'000**
Balance at January 1	12,597	13,458
Additional provisions recognized (Note 22)	1,212	1,277
Utilized during the year	(127)	(2,138)
Balance at December 31	13,682	12,597
Denoted as:		
Current	1,212	1,277
Non-current	12,470	11,320
	13,682	12,597

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 7 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 North America Limited. The underlying assumptions for the provision include the US and JM CPI, exchange rate variation, forecasted traffic and lenders' interest rate.

17 CONTRACT LIABILITIES

	2020 **$'000**	**2019** **$'000**
Balance, beginning of the year	919	1,003
Incurred during the year	1,566	1,650
Included in income during the year	(1,691)	(1,734)
Balance, end of the year	794	919

This represents the advance payment for toll tags.

18 TRADE AND OTHER PAYABLES

	2020 **$'000**	**2019** **$'000**
Trade and other payables comprise:		
Trade payables (Note 18(a))	2,316	2,088
Accrued expenses	278	606
	2,594	2,694

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 $1.474 million (2019: $1.315 million).

19 OTHER GAINS AND LOSSES

	2020 **$'000**	**2019** **$'000**
(Loss)/Gain on disposal of property and equipment	(1)	5
Net gain/(loss) on foreign exchange	911	(636)
Interest income – bank deposits at amortized cost (Note 22)	268	773
Amortization of grant (Note 13)	-	3,585
Other operating gains	460	132
	1,638	3,859

20 EXPENSES

	2020 $'000	2019 $'000
Operating expenses		
Insurance	1,255	626
Marketing and advertising	17	11
Utilities	12	13
Legal and professional fees	68	1,481
Repairs and maintenance	2,502	2,107
Operator fixed fees	14,356	12,755
Operator variable fees	1,366	1,608
Bank charges	184	160
Amortization of intangible assets (Note 7)	11,251	16,867
Other operating expenses	67	380
	31,078	36,008
Administrative expenses		
Staff costs (Note 22)	784	682
Staff welfare	12	11
Office rental	1	-
Accounting, audit and consultancy fees	42	62
Repairs and maintenance	25	19
Subscriptions and donations	8	19
Accommodation	3	24
Utilities	27	27
Travel expenses	110	129
Depreciation on property and equipment (Note 5)	135	186
Depreciation of right of use asset (Note 6)	92	92
Other administrative expenses	64	41
	1,303	1,292
Finance costs		
Interest on long-term loans	15,115	17,738
Interest on cumulative redeemable preference shares	2,000	-
Interest on lease liability (Note 6)	8	6
Fair value gain on interest rate swap	-	(3,977)
Loan prepayment/breakage costs	-	19,220
	17,123	32,987

21 TAXATION

(a) The tax charge for the year represents:

	2020 $'000	2019 $'000
Deferred tax credit (Note 8)	(613)	(21,443)

21 TAXATION

(b) Subject to agreement of the Commissioner General, Tax Administration Jamaica, at the reporting date the Company had tax losses of approximately $105.42 million (2019: $104.10 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, 2020 and 2019, a deferred tax asset was recognized in respect of these tax losses.

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

	2020 $'000	2019 $'000
Loss before tax	(2,484)	(13,143)
Tax at domestic income tax rate of 25% (2019: 25%)	(621)	(3,286)
Tax effect of expenses that are not deductible for tax purposes	27	191
Tax effect of non-taxable income/gain	-	(1,892)
Tax effect of prior year tax losses now recognised	-	(16,422)
Other	(19)	(34)
Total tax credit for the year	(613)	(21,443)

(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.

(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.

21 TAXATION (CONTINUED)

(e) (continued)

(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.

22 NET (LOSS)/PROFIT

(a) The following are included in the determination of net profit:

	2020	**2019**
	$'000	**$'000**
Income		
Interest income – at amortized cost (Note 19)	268	773
Expenses		
Directors' emoluments:		
- Management remuneration	-	256
- Fees	103	-
Audit fees	33	35
Depreciation and amortization (Note 20)	11,478	17,145
Provision for heavy repairs (Note 16)	1,212	1,277
Staff costs	784	682
Finance cost (Note 20)	17,123	32,987

22 NET (LOSS)/PROFIT (CONTINUED)

(a) (continued)

	2020 $'000	**2019 $'000**
Staff costs included in administrative expenses comprise:		
Salaries and wages	726	623
Statutory deductions	33	33
Pension contributions	25	26
	784	682

(b) Earnings per share

The earnings per share is based on the loss after taxation of $1.87 million (2019: profit after taxation of $8.30 million) and the number of shares in issue during the period of 12,501,000,000 (2019: 12,501,000,000).

23 DIVIDENDS

On January 20, 2020, the Company declared a dividend of $35 million ($1.30 per share) to its sole ordinary shareholder. This was paid in March 2020 as scheduled.

The Board of Directors at a meeting held on September 30, 2020, proposed an interim dividend of $6.6 million ($0.53 per 1,000 share). This was paid on December 15, 2020.

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.

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

Categories of financial instruments

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

	2020 $'000	2019 $'000
Financial assets		
Financial assets at amortized cost		
Cash and bank balances	7,073	9,099
Restricted cash	51,408	10,913
Owed by related parties	8	-
Other receivables	188	362
	58,677	20,374
Financial liabilities		
Financial liabilities at amortized cost		
Lease liability	101	187
Cumulative redeemable preference shares	26,544	-
Borrowings	219,724	148,301
Trade payables	2,316	2,088
Contract liabilities	794	919
	249,479	151,495

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 and cumulative redeemable preference shares.

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.

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

Financial risk management policies and objectives (continued)

(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.

(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.

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)	
	2020	2019	2020	2019	2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000
Jamaican dollars	(27,499)	(204)	1,612	1,419	(25,887)	1,215
Euros (€)	(32)	(453)	-	-	(32)	(453)

<u>*Foreign currency sensitivity*</u>
The following table details the sensitivity to a 6% increase and 2% decrease (2019: 6% increase and 4% 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 2% decrease (2019: 6% increase and 4% decrease) in United States dollar against the Jamaican dollar and a 5% increase and decrease in the Euro (2019: 5% increase and decrease).

If the United States dollar strengthens by 6% or weakens by 2% (2019: strengthens by 6% or weakens by 4%) against the Jamaican dollar or strengthens or weakens by 5% (2019: strengthens or weakens by 5%) against the Euro, net (loss)/profit will:

					Effect on Net (Loss)/Profit (increase/(decrease))			
	Jamaican dollar		Euro (€)		Jamaican Dollar		Euro (€)	
	2020	2019	2020	2019	2020	2019	2020	2019
	%	%	%	%	$'000	$'000	$'000	$'000
Revaluation	+6	+6	+5	+5	1,553	(73)	2	23
Devaluation	-2	-4	-5	-5	(518)	49	(2)	(23)

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 (continued)

Foreign currency sensitivity (continued)

The movements in sensitivity are mainly attributable to the exposure outstanding on bank balances, receivables, payables and cumulative redeemable preference shares 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.

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.

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 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 (2019: 100 basis points higher or 100 basis points lower) and all other variables were held constant, the Company's:

- Net loss (2019: Net profit) for the year would decrease by $0.02 million or increase by $0.02 million (2019: 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 (2019: 100 basis points higher or 100 basis points lower) and all other variables were held constant, the Company's:

- Net loss (2019: Net profit) for the year would decrease by $0.05 million or increase by $0.05 million (2019: increase by $0.08 million or decrease by $0.08 million).

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 decreased during the year due to decreased 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 $58.68 million (2019: $20.37 million) disclosed under 'categories of financial instruments' above and the Company holds 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 $58.48 million (2019: $20.01 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 $0.008 million (2019: $Nil) 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 (continued)

Liquidity and interest risk analyses in respect of non-derivative financial liabilities (continued)

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**
2020					
Non-interest bearing	Nil	3,110	-	-	3,110
Fixed interest rate instruments:					
- Cumulative redeemable preference shares	8%	2,032	10,651	27,192	39,875
- borrowings	5.75%	16,963	80,159	257,570	354,692
- lease liability	5.75%	106	-	-	106
		22,211	90,810	284,762	397,783

	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%	158,666	-	-	158,666
- lease liability	4%	99	99	-	198
		161,772	99	-	161,871

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 fair values of fixed rate borrowings are calculated using discounted cash flow techniques using a discount rate applicable to the borrowings outstanding at the end of the reporting period.

  A comparison of the Company's fixed rate borrowings at carrying amount and fair value is as follows:

	2020	
	Carrying amount	**Fair Value**
	2020	**2020**
	$'000	**$'000**
Fixed rate borrowings:		
- Borrowings	219,724	231,604
- Cumulative redeemable preference shares	26,544	30,102
- Lease liability	101	101
	246,369	261,807

As at December 31, 2019, the carrying amount of fixed rate borrowings are assumed to approximate their fair value because of the short-term maturity.

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, 2020:

	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					
Borrowings	December 31, 2020	-	261,807	-	261,807

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					
Borrowings	December 31, 2019	-	148,301	-	148,301

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 $25,459 (2019: $26,131).

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 CORONAVIRUS (COVID-19) UPDATE

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 economic activities across a wide range of industries.

The Company was not immune to the effects of COVID-19 and the following impact and responses were noted:

- decline of 14.8% in traffic numbers from 24.2 million in 2019 to 20.6 million in 2020;
- postponement of annual tariff increase from July 2020 to September 2020;
- execution of 75% of the planned annual heavy maintenance repairs schedule.

The duration and extent of the COVID-19 pandemic and related financial, social and public health impacts of the pandemic remain uncertain. As such, the actual economic events and conditions in the future may be materially different from those estimated by the Company at the reporting date. No matters have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Company. The Company will continue to closely monitor the situation in order to plan its response, if necessary.