

National Road Authority

Financial Statements

June 30, 2013

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**National Roads Authority
Financial Statements
30 June 2013**

STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

These financial statements have been prepared by the National Roads Authority in accordance with the provisions of the *Public Management and Finance Law (2012 Revision)* and referenced to Section 26(1b) of the *National Roads Authority (2006 Revision)*.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law (2012 Revision)*.

As Chairman and Acting Managing Director, we are responsible for establishing; and have established and maintain a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the National Roads Authority.

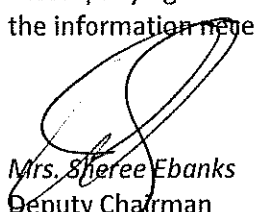
As Chairman and Acting Managing Director we are responsible for the preparation of the National Roads Authority financial statements and for the judgements made in them.

The financial statements fairly present the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity for the financial year ended 30 June 2013.

To the best of our knowledge we represent that these financial statements:

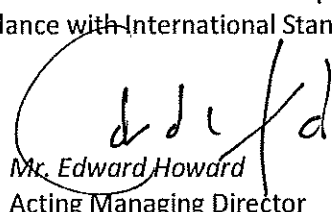
- (a) are completely and reliably reflect the financial transactions of National Roads Authority for the year ended 30 June 2013;
- (b) fairly reflect the financial position as at 30th June 2013 and comprehensive income for the year ended 30th June 2013;
- (c) comply with International Financial Reporting Standards under the responsibility of the International Accounting Standards Board.

The Office of the Auditor General conducts an independent audit and expresses an opinion on the accompanying financial statements. The Office of the Auditor General has been provided access to all the information necessary to conduct an audit in accordance with International Standards on Auditing.



Mrs. Sherree Ebanks
Deputy Chairman
National Roads Authority

Date- 29 Oct 2013



Mr. Edward Howard
Acting Managing Director
National Roads Authority

Date- 29 Oct 2013

AUDITOR GENERAL'S REPORT

To the Board of Directors of National Roads Authority

I have audited the accompanying financial statements of National Roads Authority, (the "Authority"), which comprise the statement of financial position as at 30 June 2013 and the statement of comprehensive income, statement of changes in equity and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 4 to 22 in accordance with the provisions of Section 60(1)(a) of the *Public Management and Finance Law (2012 Revision)*.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of National Roads Authority, (the "Authority") as at 30 June 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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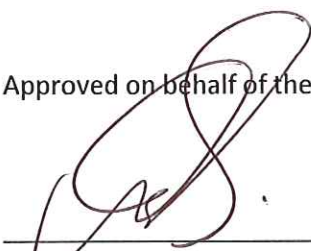
Alastair Swarbrick, MA (Hons), CPFA
Auditor General

29 October 2013
Cayman Islands

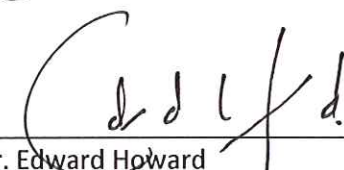
National Roads Authority
Statement of Financial Position
As at 30 June 2013
(Stated in Cayman Islands Dollars)

	Notes	2013	2012
ASSETS			
Current Assets			
Cash and cash equivalents	2b,3	2,056,197	842,029
Accounts receivable	2e,2f,4	2,814,500	3,066,347
Inventories	2g,5	158,508	285,248
Total Current Assets		5,029,205	4,193,624
Non Current Assets			
Property, plant and equipment	2d,6	1,310,204	1,630,198
Total Assets		6,339,409	5,823,823
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable	2h,7	1,050,051	892,358
Retirement pension liability	12	640,000	508,000
Employee entitlements	2i,9	105,357	138,124
Unearned Revenue	2j,8	-	375,799
Total Current Liabilities		1,795,408	1,914,281
Equity			
Contributed capital	10	4,541,535	4,541,535
Retained earnings		2,466	(631,993)
Total Equity		4,544,001	3,909,542
Total Liabilities and Equity		6,339,409	5,823,823

Approved on behalf of the Board on the 29 of October 2013



Mrs. Sheree Ebanks
Deputy Chairman



Mr. Edward Howard
Acting Managing Director

The accompanying notes on pages 8-22 form an integral part of these financial statements.



National Roads Authority
Statement of Comprehensive Income
For the year ended 30 June 2013
(Stated in Cayman Islands Dollars)

	Notes	2013	2012
SALES	13	10,712,073	11,266,940
COST OF SALES			
Labour		2,138,228	2,522,723
Materials		1,489,758	1,428,123
Subcontractors		575,109	766,086
Hired equipment		1,082	1,120
Total Cost of Sales		4,204,177	4,718,052
GROSS PROFIT		6,507,896	6,548,888
Other Income		100	1,787
NET SALES		6,507,996	6,550,675
OPERATING EXPENSES			
Personnel costs	11	3,045,942	3,344,947
Utilities		1,544,973	1,533,593
Motor vehicle expenses (including insurance)		420,811	693,775
Depreciation	6	321,160	471,513
Past service pension	12	132,000	173,000
Professional fees		115,122	49,780
Computer maintenance & fees		91,846	98,280
Building maintenance		59,424	36,201
Office rental	17	55,172	42,440
Telephone		33,766	39,041
Supplies & consumables		20,843	31,688
Insurance		16,201	13,354
Advertising & promotion		13,720	6,000
Bank charges		2,557	6,551
Bad debt expense		-	12,040
Travel & subsistence		-	2,641
Total Operating Expenses		5,873,537	6,554,844
NET INCOME (LOSS) FOR YEAR		634,459	(4,169)

The accompanying notes on pages 8-22 form an integral part of these financial statements



**National Roads Authority
Statement of Changes in Equity
For the Year Ended 30 June 2013
(Stated in Cayman Islands Dollars)**

	Retained Earnings	Contributed Capital	Total
Balance at 30 June 2011	(627,824)	4,541,535	3,913,711
Net (Loss) for 11/12	(4,169)	-	(4,169)
Balance at 30 June 2012	(631,993)	4,541,535	3,909,542
Net Income for 12/13	634,459	-	634,459
BALANCE at 30 JUNE 2013	2,466	4,541,535	4,544,001

The accompanying notes on pages 8-22 form an integral part of these financial statements.

National Roads Authority
Statement of Cash Flows
For the Year Ended 30 June 2013
(Stated in Cayman Islands Dollars)

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (Loss) for the Year		634,459	(4,169)
Adjustment for non cash transactions:			
Depreciation	6	321,160	471,513
(Gain)/loss on sale of fixed assets		(100)	(300)
Bad debt expense		-	12,040
Total		<u>955,519</u>	<u>479,084</u>
Net change in working capital			
Decrease /(increase) in accounts receivable		251,846	390,070
(Increase)/decrease in inventories		126,740	(73,253)
(Decrease)/increase in accounts payable and accrued liabilities		(118,873)	(1,673,295)
Net cash used by operating activities		<u>1,215,232</u>	<u>(877,394)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets	6	(1,065)	(148,928)
Proceeds from disposal of property, plant & equipment		-	300
Net cash used by investing activities		<u>(1,065)</u>	<u>(148,627)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES			
Contributed capital from Government	10	-	-
Net cash provided by financing activities		<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents during the year		1,214,167	(1,026,022)
Cash and cash equivalents at the beginning of the year		<u>842,030</u>	<u>1,868,051</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	<u><u>2,056,197</u></u>	<u><u>\$842,029</u></u>

The accompanying notes on pages 8-22 form an integral part of these financial statements

1. Establishment and Principal Activity

The National Roads Authority ("NRA" or "Authority") is an independent Statutory Authority which was created on 1 July 2004 by the National Roads Authority Law, 2004. The Authority reports on its operations to the Ministry of District Administration, Works, Lands and Agriculture of the Cayman Islands Government.

The NRA is created to administer, manage, control, develop and maintain the Island's public roads and related facilities, such as signals, storm water facilities, roadway lighting, and roadway directional signage. The scope of activities of the NRA include providing policy advice, publication of a National Roads Plan, provision of project and construction management services for the delivery of new road-works and the maintenance and management of the existing road infrastructure.

As at 30 June 2013, the NRA had 88 employees (30 June 2012: 99 employees). The NRA is located at 342B Dorcy Drive, P.O. Box 10426, Grand Cayman KY1-1004, Cayman Islands.

2. Significant Accounting Policies

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Committee (IASC), and interpretations issued by the Standing Interpretations Committee of the IASC. The significant accounting policies adopted by the NRA in these financial statements are as follows:

The financial statements of the NRA are presented in Cayman Island dollars and are prepared on the accrual basis under the historical cost convention.

(b) Cash & cash equivalents

This comprises cash at bank and short term investments with maturity at inception of three months or less.

(c) Foreign currency translation

All assets and liabilities denominated in foreign currency are translated to Cayman Islands Dollars at exchange rates in effect at the balance sheet date. Revenue and expense transactions denominated in foreign currency are translated to Cayman Islands Dollars at exchange rates ruling at the date of those transactions. Gains and losses arising on translation are included in the statement of comprehensive income.

**National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2013
(Stated in Cayman Islands Dollars)**

2. Significant Accounting Policies (continued)

(d) Fixed Assets/depreciation

Fixed assets include motor vehicles, heavy equipment, dump trucks, furniture and fixtures and computer hardware and software are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis at annual rates estimated to write off the carrying value of each asset over the period of its expected useful life.

Annual rates are as follows:

Vehicles and Heavy Equipments	4 - 12 Years
Furniture and Fixtures	3 - 15 Years
Computer Hardware and Software	3 - 6 Years
Other Plant and Equipment	3 - 25 Years

(e) Receivables

Receivables are stated at original invoice amounts less provision for doubtful debts.

(f) Allowance for bad debts

The allowance for bad debts is established through a provision for bad debts charged to expenses. Accounts receivable are written off against the allowance when management believes that the collectability of the amount is unlikely. The allowance is an amount that management believes will be adequate to cover any bad debts, based on an evaluation of collectability and prior bad debts experience.

(g) Inventory

Inventory is valued at the lower of net realizable value or cost, on an average basis.

(h) Accounts Payable

Accounts payable are recorded at the amount owing after allowing for credit notes and other adjustments.

(i) Employee entitlements

Pension Plans The Authority makes pension contributions for its eligible employees to the Public Service Pensions Fund, which is administered by the Public Service Pensions Board. The Fund has both a defined benefit and a defined contribution element.

Under defined contribution plans, the Authority pays fixed contributions and has no obligation to pay further contributions if the fund does not have sufficient assets to pay employee benefits relating to employee service in the current and prior periods. The Authority recognises contributions to a defined contribution plan when an employee has rendered services in exchange for those contributions.

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2013
(Stated in Cayman Islands Dollars)

2. Significant Accounting Policies (continued)

A defined benefit plan is one that defines an amount of benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The asset or liability in respect of defined benefit plans is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of plan assets, adjusted for unrecognised actuarial gains/losses and past service cost. Where a pension asset arises, the amount recognised is limited to the net total of any cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reduction in future contributions to the plan. The pension costs are assessed using the Projected Unit Credit Method. Under this method the cost of providing pensions is charged in the Income Statement so as to spread the regular cost over the service lives of employees in accordance with advice of the actuary, (who is due to carry out a full valuation of the plans every year). The pension obligation is measured at the present value of the estimated future cash outflows using discount estimated rates based on market yields on high quality corporate bonds at the time of the accounting date which have terms to maturity approximating the terms of the related liability.

Obligations for contributions to defined contribution and defined benefits pension plans are recognized as an expense in the income statement as incurred. (See also Note 12).

Amounts incurred but not paid at the end of the reporting period are accrued. Annual leave due, but not taken, is recognized as a liability.

(j) Revenue recognition

Revenue from sale of services to Cabinet and other government agencies is recognised when it is earned (see also Related Party Note 13). Unearned revenue comprises amounts paid to the Authority in advance of work performed and amounts which the Authority has invoiced for in advance of work performed. These unearned amounts are recognized as revenue in the income statement as work is performed related to the amounts received or billed in advance. Investment revenue is recognised in the period in which it is earned. Donations are recognised at fair value at the time of receipt.

(k) Expense recognition

Expenses are recognised when incurred.

(l) Financial Instruments

(i) Classification

A financial asset is classified as any asset that is cash, a contractual right to receive cash or another financial asset, exchange financial instruments under conditions that are potentially favourable or an equity instrument of another enterprise. Financial assets comprise of cash and cash equivalents and accounts receivable. A financial liability is any liability that is a contractual obligation to deliver cash or another financial instrument or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. Financial liabilities comprise of accounts payable, unearned revenue and employee entitlements.

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2013
(Stated in Cayman Islands Dollars)

2. Significant Accounting Policies (continued)

(ii) Recognition

The Authority recognises financial assets and financial liabilities on the date it becomes party to the contractual provisions of the instrument. From this date, any gains and losses arising from changes in fair value of the assets or liabilities are recognised in the statement of comprehensive income.

(iii) Measurement

Financial instruments are measured initially at cost which is the fair value of the consideration given or received. Subsequent to initial recognition all financial assets are recorded at historical cost, which is considered to approximate fair value due to the short-term or immediate nature of these instruments.

(iv) Derecognition

A financial asset is derecognised when the Authority realises the rights to the benefits specified in the contract or loses control over any right that comprise that asset. A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled, or expires.

(v) Credit Risk

Cash and short term investments are held with substantial financial institutions. Receivables are short term and settled after the year-end.

(vi) Interest Rate Risk

The Authority's income and operating cash flows are substantially independent of changes in market interest rates.

(m) Classification

Certain prior year figures have been reclassified to conform to current year presentation.

(n) Changes in International Financial Reporting Standards

Several new standards and amendments effective January 2013. However, they do not impact the annual financial statements of the Authority. The nature and impact of each new standard/amendment is described below:

IAS 1 Clarification of the requirement for comparative information (Amendment)

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

**National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2013
(Stated in Cayman Islands Dollars)**

2. Significant Accounting Policies (continued)

(n) Changes in International Financial Reporting Standards (continued)

An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. This standard does not have an impact on the Authority's financial statements.

IAS 32 Tax effects of distributions to holders of equity instruments (Amendment)

The amendment to IAS 32 *Financial Instruments: Presentation* clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the financial statements for the Authority, as there is no tax consequences attached to cash or non-cash distribution.

IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 *Operating Segments*. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. This standard does not have an impact on the Authority's financial statements.

IAS 19 Employee Benefits (Revised 2011) (IAS 19R)

IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures.

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2013
(Stated in Cayman Islands Dollars)

2. Significant Accounting Policies (continued)

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities Amendments to IFRS 7

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Authority is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Authority.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the financial statements of the Authority.

3. Cash & Cash Equivalents

	2013	2012
Bank accounts	\$2,056,197	\$842,029
Term deposits	-	-
Total Cash & Cash Equivalents	\$2,056,197	\$842,029

4. Accounts Receivable & Prepaid Expenses

	2013	2012
Outputs to Cabinet	2,569,475	\$2,977,358
Outputs to other government agencies	24,828	27,999
Accounts Receivable Others & Prepayment	213,162	58,310
Staff loans	7,036	2,680
Total Accounts Receivable & Prepaid Expenses	2,814,500	\$3,066,347

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2013
(Stated in Cayman Islands Dollars)

5. Inventories

	2013	2012
Finished Goods - Cayman Rock	141,787	153,924
Finished Goods - AE60	12,087	68,850
Finished Goods - Crusher Run	2,000	47,625
Finished Goods - 3/8 Wahed Chips	2,175	12,729
Finished Goods - Concrete Stone	-	1,814
Finished Goods – Sand	459	306
Total	158,508	285,248

6. Fixed Assets

	Vehicles & Heavy Equipment	Furniture & Fixtures & Office Equipment	IT Equipment	Other Plant & Equipment	Leasehold Improvement	Total
Cost						
Opening Balance	2,990,237	137,272	312,762	1,526,236	219,275	5,185,782
Additions	-	-	1,165			1,165
Total	2,990,237	137,272	313,927	1,526,236	219,275	5,186,947
Accumulated Depreciation						
Opening Balance	2,326,527	126,191	291,319	623,878	187,669	3,555,584
Charge for the year	161,556	1,936	9,147	132,768	15,752	321,159
Total	2,488,083	128,127	300,466	756,646	203,421	3,876,743
Net Book Value - June 2013	502,154	9,145	13,461	769,590	15,854	1,310,204
Net Book Value - June 2012	\$663,710	\$11,081	\$21,443	\$902,358	\$31,606	\$1,630,198

7. Accounts Payable and Accrued Liabilities

	2013	2012
Trade Creditors	\$999,472	\$819,218
Accruals	50,579	73,140
Total Accounts Payable and Accrued Liabilities	\$1,050,051	\$892,358

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2013
(Stated in Cayman Islands Dollars)

8. Unearned Revenue

Unearned revenue are amounts paid to the Authority or billed by the Authority under an appropriation from Cabinet for work yet to be performed. Amounts billed but not received at year end related to the Conch Point Road Resurfacing and Frank Sound/Clifton Hunter Road widening projects. The total amount billed related to these projects at year end was nil (2012: \$375,799). The amounts received as revenue deposits will be recognized as revenue by the Authority as projects are performed. The Authority does not perform works on the projects for which amounts have been billed but not yet received. Once funds are received, work commences and revenue is recognized as work is performed.

	2013	2012
Conch Point Road Project	-	\$281,960
Frank Sound Road Project	-	93,839
Total	\$ -	\$375,799

9. Employee Entitlements

	2013	2012
Accrued Vacation Leave	\$105,357	\$138,124

10. Contributed Capital

During the year the Authority received no equity injection. (2012: nil).

11. Salaries and Benefits

	2013	2012
Salaries and wages	\$1,781,703	\$1,926,247
Employer & Employee pension expenses	245,047	261,273
Health Insurance	1,004,002	1,115,080
Vacation due	(32,767)	(12,367)
Other personnel costs	47,957	54,714
Total Salaries and Benefits	\$3,045,942	\$3,344,947

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2013
(Stated in Cayman Islands Dollars)

12. Pensions

Pension contributions for eligible employees of the Authority are paid to the Public Service Pensions Fund (the "Fund"). The Fund is administered by the Public Service Pensions Board ("the Pensions Board") and is operated as a multi-employer plan. Prior to 1 January 2000 the scheme underlying the Fund was a defined benefit scheme. With effect from 1 January 2000 the Fund had both a defined benefit and a defined contribution element, with participants joining after 1 January 2000 becoming members of the defined contribution element only.

Using the projected unit credit method of measuring costs and obligations, the actuarial assessment for the Authority assessed the minimum normal annual contribution to be 12 % in for the year fiscal year 2011-12 (2010-11: 12%).

The Plans are funded at rates of: -

		2013	2012
Defined Contribution Plans	- Employer	6.192%	6.192%
	- Employee	6.192%	6.192%
Defined Benefit Plans	- Employer	6.192%	6.192%
	- Employee	6.192%	6.192%

The pension plan has been accounted for under paragraphs 44-46 of International Accounting Standard 19 as if it were a defined contribution plan, as sufficient information is not available on the Fund to fully use defined benefit accounting. The Fund has been valued by the Actuary to the Pensions Board. The defined contribution part of the Fund is not subject to the special actuarial valuations due to the nature of the benefits provided therein.

The total amount recognised as a pension expense in personnel costs for the year ending 30 June 2013 was \$506,321 (30 June 2012: \$537,038). The Authority paid both the employee and employers contributions. The actual amount of pension expense relating to the defined benefits for staff should also include the effect of the changes in the actuarial determined liability. However, since such information is not yet available from the actuary of the PSPB, management is unable to determine the impact on the recorded expense for the year ended 30 June 2013.

In March 2005, the Financial Secretary of the Government of the Cayman Islands informed the Authority that the decision to keep the unfunded past service liability a central liability of the Government has now been reversed and the Authority recognizes the unfunded past service liability as a liability in its financial statements.

The most recent actuarial valuations for IAS 19 reporting was conducted as at 30 June 2012 (dated 23 August 2013), 30 June 2011 (dated July 23, 2012), 30 June 2010 (dated July 26, 2011), 30 June 2009 (dated July 30, 2010), 30 June 2008 (dated July 30, 2009), 30 June 2007 (dated November 21 2008), 30 June 2006 (dated 14 March 2008) and 30 June 2005 (dated 9 November 2007) which identified the Authority's unfunded past service pension liability as at that date and the profit and loss charges associated with the plan participation for the financial year then ended.

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2013
(Stated in Cayman Islands Dollars)

12. Pensions (continued)

The actuarial position is as follows:

	As at 30-Jun-12 \$000	As at 30-Jun-11 \$000	As at 30-Jun-10 \$000	As at 30-Jun-09 \$000
Fair Value of Plan Assets	1,727	1,507	1,062	677
Net Present Value of Funded Obligation, beginning of year	2,569	2,255	1,812	1,293
Defined Benefit Liability	(842)	(748)	(750)	(616)
Unrecognised Past Service Cost	-	-	-	-
Unrecognised Actuarial Net Loss/(Gain)	202	240	415	358
Net Liability in Balance Sheet, end of year	(640)	(508)	(335)	(258)

No valuations were done as at 30 June 2013 and thus the amount recognized as a Past Service Pension Liability on the Balance Sheet is \$640,000, which reflects the actuarial position as at 30 June 2012.

The movement in the present value of the funded obligation was as follows:

	30-June 2012 \$000	30-June 2011 \$000	30-June 2010 \$000	30-June 2009 \$000
Defined Benefit Obligation, beginning of year	2,255	1,812	1,293	542
Current Service Cost	211	218	186	89
Interest Cost	122	98	74	37
Plan Participant Contributions	84	84	134	80
Net Actuarial (Gain)/Loss on obligations	(49)	43	125	545
Transfers between other participating Entities	(54)	-	-	-
Defined Benefit Obligation, end of year	2,569	2,255	1,812	1,293

The movement in the fair value of the plan assets during the year was as follows:

	30-June 2012 \$000	30-June 2011 \$000	30-June 2010 \$000	30-June 2009 \$000
At the beginning of year	1,507	1,062	677	585
Employer & Participant Contributions	193	180	290	174
Expected Return on Assets net of Expense	93	67	45	46
Actuarial Gain/(Loss) on plan assets	(12)	198	50	(102)
Transfers between other participating Entities	(54)	-	-	-
Other: Impact of restatement of beginning of year assets	-	-	-	(26)
At the end of year	1,727	1,507	1,062	677

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12. Pensions (continued)

Reconciliation showing movement of past service liability during the period:

	\$000
Balance as at 30 June 2011	508
Plus: Reconciliation of PSL 2011	132
Balance as at 30 June 2012	<u>640</u>

As a result of the past service liability not being fully recognized in the past year due to delays in the actuarial valuations, there was an increase of \$132,000 to the Past Service Pension Liability. This amount was recognized as liability in the Balance Sheet & Retained Earnings as at 30 June 2013.

Actuarial Determination of Pension Expense as at:

	30-Jun-12 \$000	30-Jun-11 \$000	30-Jun-10 \$000	30-Jun-09 \$000
Current Service Cost, net of employee contributions	225	211	209	86
Interest Cost	134	122	98	74
Expected Return on Assets	(125)	(93)	(67)	(45)
Recognition of Net Loss	14	5	20	18
Pension Expense	<u>248</u>	<u>245</u>	<u>260</u>	<u>233</u>

The Distribution of the Plan Assets based on the share of the total Fund allocated to the Authority was as follows:

	30-Jun-12	30-Jun-11	30-Jun-10	30-Jun-09
Global Equities	64.00%	60.62%	54.50%	44.10%
Bonds	32.00%	32.04%	37.30%	49.00%
Other - Long-term Deposit/Cash	1.00%	4.04%	5.10%	3.90%
Property	3.00%	3.30%	3.10%	3.00%

The share of assets allocated to the Authority's participation in the defined benefit part of the Plan was CI\$1,727,432 (30 June 2012 \$1,506,722) since the Authority only commenced participation on July 1, 2004.

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12. Pensions (continued)

The principal Actuarial Assumptions at the date of valuation:

A. Cost Method - Projected Unit Credit

B. Economic Assumptions used to determine the net Benefit Obligations as at:

	30-Jun-12	30-Jun-11	30-Jun-10	30-Jun-09
Discount Rate	5.25%	5.50%	5.50%	5.75%
Expected long-term rate of return (net of Expense)	7.00%	6.00%	6.00%	6.00%
Salary Increase	3.50%	3.50%	4.00%	4.00%
Future Pension Increases	2.50%	2.50%	2.50%	2.50%
Inflation Rate	2.50%	2.50%	2.50%	2.50%
Expected remaining working lives (years)	11.51	12.01	13.14	14.09

C. Other Assumptions –

1. Mortality – Standard U.S. mortality rates
2. Retirement Age – completion of age 57 and 10 years of service

D. Asset Valuation –Fair (Market) Value

13. Related Party Transactions

The Authority provided outputs to the Government relating to the development and maintenance of the public roads within the Cayman Islands which amounts to \$6 million under the Purchase Agreement (2012: \$7.8 million). During this year the Authority also delivered Capital Expenditure Projects of \$4.5 million (2012: \$3.4 million) to the Government for the construction of roads under the Ownership Agreement. The Authority also engages the services of other government departments of the Cayman Islands Government. Such services are provided at current prevailing market prices on an arm's length basis. Sales to third parties include services for drain wells and curbs, installation of signs, paving and trench reinstatement services.

	2013	2012
Sales of Services to Cabinet	\$9,030,789	\$10,940,790
Sales of Services to other government agencies	263,147	293,794
Sales of Services to third parties	1,418,237	32,357
Total	<u>\$10,712,173</u>	<u>\$11,266,940</u>

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13. Related Party Transactions (continued)

Upon creation of the Authority on 1 July 2004, no movable properties were vested to the Authority. Henceforth, the Public Works Department (PWD) allowed the Authority to use its vehicles and heavy equipment for road construction and maintenance free of charge. As at 30 June 2013, the Authority owes PWD the amount of \$20,961 (2012: \$54,799) for support services extended to the latter such as office and workshop accommodation, tenant's requirements, utilities, accounting services, service parking and compound security.

The remuneration of directors and other members of key management personnel during the year was \$522,464 (2012: \$719,210). There were 14 personnel categorized in 2013 broken down as 5 key management personnel and 9 Directors (2012: 6 key management personnel and 9 Directors). During the year, the Authority purchased waste management services from an entity owned and operated by a member of its Board of Directors. The total dollar value of these transactions totalled \$2,100 (2012: \$4,750)

14. Contingencies

Under section 28(1) of the NRA Law an annual payment to the core government may be due. At the date of these financial statements there has been no request made.

15. Financial Risk Management

The Authority is exposed to a variety of financial risks including interest rate risk, credit risk and liquidity risk. The Authority's risk management policies are designed to identify and manage these risks, to set appropriate risk limits and controls, and to monitor the risks and adhere to limits by means of up to date and reliable information systems. These risks are managed within the parameters established by the Financial Regulations.

Interest Rate Risk

The Authority is subject to interest rate risk on the cash placed with a local bank which attracts interest. No interest payments are charged to customers on late payments on accounts receivable. The Authority is not exposed to significant interest rate risk as the cash and cash equivalents are placed on call and available on demand. The total interest earned during the year ended 30 June 2013 was nil (2012: \$2k)

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Authority. Financial assets which potentially expose the Authority to credit risk comprise cash and cash equivalents and accounts receivable.

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15. Financial Risk Management (continued)

The Authority is exposed to potential loss that would be incurred if the counterparty to the bank balances fails to discharge its obligation to repay. All bank balances are with one financial institution located in the Cayman Islands which management considers to be financially secure and well managed.

The Authority is also exposed to a significant concentration of credit risk in relation to accounts receivables, majority of which are due from other Government entities. No credit limits have been established. As at 30 June 2013, no provision for doubtful debts has been made as none of these assets are impaired and management consider these debts to be recoverable in full (2012: Nil).

The carrying amount of financial assets recorded in the financial statements represents the Authority's maximum exposure to credit risk. No collateral is required from the Authority's debtors.

Liquidity Risk

Liquidity risk is the risk that the Authority is unable to meet its payment obligations associated with its financial liabilities when they fall due.

The ability of the Authority to meet its debts and obligations is dependent upon its ability to collect the debts outstanding to the Authority in a timely basis. As at 30 June 2013 and 2012, all of the financial liabilities were due within one month of the balance sheet dates.

16. Financial Instruments- fair values

As at 30 June 2013 and 2012, the carrying amount of cash deposits, accounts receivable, accounts payables and employee entitlements approximate their fair value due to their short-term maturities.

Fair values are made at specific points in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions, economic conditions and other factors could cause significant changes in fair value estimates.

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17. Operating Lease

The Authority entered into a five year lease with Heritage Holdings on September 1, 2009 for storage and laboratory. The annual lease payments for the period amount to \$55,172 (2012: \$42,440). The lease payments are subject to an annual increase of 3%. The total payments for the five year lease including the annual 3% increase is \$255,944. The tenant has the option to renew the lease for a further term of one (1) year or more at the expiration of the term and shall give notice in writing to that effect not less than three months before expiration of the term.