

Financial Statements of the
National Roads Authority
For the Year Ended 30 June 2005

NATIONAL ROADS AUTHORITY

**FINANCIAL STATEMENTS
For the Year Ended 30 June 2005**

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**National Roads Authority
Financial Statements
June 30, 2005**

STATEMENT OF RESPONSIBILITY FOR 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, (2005 Revision). The financial statements comply with generally accepted accounting practice as defined in International Public Sector Accounting Standards and International Financial Reporting Standards

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, (2005 Revision).

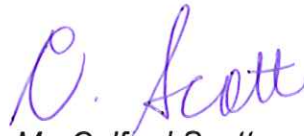
To the best of my knowledge the statements are:

- (a) complete and reliable;
- (b) fairly reflect the financial position as at June 30, 2005 and performance for the financial year ended June 30, 2005; and
- (c) comply with generally accepted accounting practice



Mr. Lemuel Hurlston
Chairman
National Roads Authority

Date: 30 AUG 06



Mr. Colford Scott
Managing Director
National Roads Authority

Date: 30 Aug 06



National Roads Authority

CERTIFICATE OF THE AUDITOR GENERAL

To the Board of Directors of the National Roads Authority And the Financial Secretary of the Cayman Islands

I have audited the accompanying Balance Sheet of the National Roads Authority of the Cayman Islands (the "Authority") as of 30 June 2005, and the related statements of Net Income and Accumulated Surplus and Cash Flow for the year ended 30 June 2005 in accordance with the provisions of Section 26 of the *National Roads Authority Law, 2004* and Section 52(3) of the *Public Finance and Audit Law (2005 Revision)*.

Respective Responsibilities of Management and the Auditor General

These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on the financial statements based on my audit.

Basis of Opinion

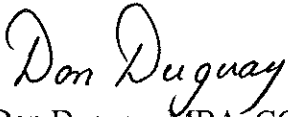
Except as discussed in the following paragraphs, my examination was made in accordance with International Standards on Auditing which require that I plan and perform my audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

No accrual has been made for past service pension liability of employees in the Authority that participate in the defined benefit portion of the Public Service Pensions Plan. The amount at this time is not determinable as no actuarial valuation has occurred to assess the past service pension liability of the Authority for its employees.

The Authority did not conduct a physical inventory count as at 30 June 2005. We were unable to satisfy ourselves in regards to the existence and value of inventory, if any, by means of other auditing procedures.

Opinion

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the past service pension liability and the physical inventory quantities, these financial statements present fairly, in all material respects, the financial position of the Authority as at 30 June 2005, and the results of its operations and its cash flow for the twelve month period then ended in accordance with International Financial Reporting Standards.



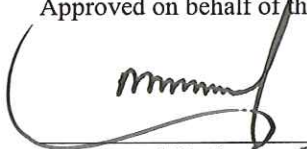
Dan Duguay, MBA, CGA
Auditor General

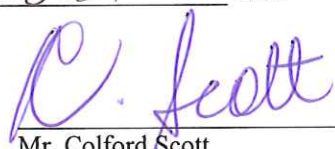
Cayman Islands
30 August 2006

National Roads Authority
Balance Sheet
As At 30 June 2005
(Stated in Cayman Islands Dollars)

CURRENT ASSETS	NOTES	2005
Cash & Cash Equivalents	3	\$2,778,146
Accounts Receivable	4	935,210
Total Current Assets		3,713,356
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	5	1,117,435
Employee Entitlements	6	207,523
Total Current Liabilities		1,324,958
NET CURRENT ASSETS		2,388,398
FIXED ASSETS		
Vehicles and Heavy Equipments		1,663,089
Furniture and Fixtures		13,977
Computer Hardware and Software		12,490
Other Plant and Equipment		21,900
Total Fixed Assets	7	1,711,456
TOTAL NET ASSETS		\$4,099,854
NET WORTH		
Contributed Capital	8	2,804,075
Accumulative Surplus		1,295,779
Total Net Worth		\$4,099,854

Approved on behalf of the Board on the 17th of AUGUST 2006


 Mr. Lemuel Hurlston
 Chairman


 Mr. Colford Scott
 Managing Director

The accompanying notes form an integral part of these financial statements

National Roads Authority
Statement of Net Income and Accumulated Surplus
For the Year Ended 30 June 2005
(Stated in Cayman Islands Dollars)

INCOME	Notes	2005
Sales of Services to Cabinet	2i), 13	\$10,650,943
Sales of Services to other government agencies	2i), 13	68,179
Insurance Settlement	12	46,885
Donations Received		20,362
Other		4,130
		<u>10,790,499</u>
OPERATING EXPENSES		
Repairs and Maintenance Services	10, 12	4,406,994
Personnel Costs	9	3,929,075
Utilities		488,127
Professional fees		331,049
Supplies and Consumables		111,131
Depreciation	7	83,741
Bad debts	2f), 4, 13	71,096
Insurance		43,819
Dues and Licenses		17,346
Travel and Subsistence		7,992
Miscellaneous Expenses		2,323
Advertising and promotion		2,027
		<u>9,494,720</u>
NET INCOME FOR THE YEAR ENDED		<u>1,295,779</u>
Accumulated Surplus at beginning of year		<u>-</u>
ACCUMULATED SURPLUS AT END OF YEAR		<u>\$1,295,779</u>

The accompanying notes form an integral part of these financial statements

National Roads Authority
Statement of Changes in Net Worth
For the Year Ended 30 June 2005
(Stated in Cayman Islands Dollars)

	<u>Note</u>	<u>2005</u>
Opening balance net worth		
Net Surplus		\$1,295,779
Property revaluations		-
Investment revaluations		-
Net revaluation during the period		-
Total recognized revenues and expenses		<u>1,295,779</u>
Equity investment from Cabinet	8	2,804,075
Capital withdrawal by Cabinet		-
Repayment of surplus to Cabinet		-
Closing balance net worth		<u><u>\$4,099,854</u></u>

The accompanying notes form an integral part of these financial statements

National Roads Authority
Statement of Cash Flows
For the Year Ended 30 June 2005
(Stated in Cayman Islands Dollars)

CASH FLOW FROM OPERATING ACTIVITIES	<u>Notes</u>	<u>2005</u>
Net Income for the year ended		\$1,295,779
Adjustment for non cash transactions:		
Bad debts	13	71,096
Depreciation	7	83,741
		<u>1,450,616</u>
Net change in working capital		
Increase in Accounts Receivable		(1,006,306)
Increase in Accounts Payable and Accrued Liabilities		<u>1,324,958</u>
Net Cash Provided by Operating Activities		<u>1,769,268</u>
 CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	7, 8	<u>(1,795,197)</u>
Net Cash Used by Investing Activities		<u>(1,795,197)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Contributed Capital from Government	8	<u>2,804,075</u>
Net Cash Provided by Financing Activities		<u>2,804,075</u>
Net Increase in Cash and Cash Equivalents During the Year		2,778,146
Cash and Cash Equivalents at the Beginning of the Year		<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>\$2,778,146</u>

The accompanying notes form an integral part of these financial statements

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2005
(Stated in Cayman Islands Dollars)

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. This is the first reporting period and year of operations of the Authority and therefore there are no amounts for comparative purposes. The Authority reports on its operations to the Ministry of Health Services, Agriculture, Aviation and Works 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 management of the existing road infrastructure.

As at 30 June 2005, the NRA had 101 employees. The NRA is located at 370 North Sound Road, P.O. Box 10426 APO, Grand Cayman, Cayman Islands; this is within the Public Works Compound.

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 Net Income and Accumulated Surplus.

(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	4 Years

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2005
(Stated in Cayman Islands Dollars)

2. Significant Accounting Policies (continued)

(e) Receivables

Receivables are advances that are recorded at the amounts expected to be ultimately collected in cash.

(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) Accounts Payable

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

(h) Employee entitlements

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.

The Authority participates in the Public Service Pension Plan, a defined benefit and contribution pension fund, in accordance with the Public Service Pension Law. Contributions are charged to expenses as they are incurred based on set contribution rates. The Authority makes monthly contributions at a rate of 12%, whereby the employer pays both the employer and employee contributions. Currently, the Authority does not recognize the past service pension liability because it is not known due to no actuarial valuation being performed.

(i) 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). Investment revenue is recognised in the period in which it is earned. Donations are recognised at fair value at the time of receipt.

(j) Expense recognition

Expenses are recognised when incurred.

(k) 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 payables and employee entitlements.

(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 Net Income & Accumulated Surplus.

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2005
(Stated in Cayman Islands Dollars)

2. Significant Accounting Policies (continued)

(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.

3. Cash & Cash Equivalents

Bank accounts	\$1,275,006
Term deposits	1,503,140
Total Cash & Cash Equivalents	<u>\$2,778,146</u>

4. Accounts Receivable

Outputs to Cabinet	\$794,413
Outputs to other government agencies	139,253
Staff loans (see Note 12)	72,640
Total Gross Accounts Receivable	<u>1,006,306</u>
Less allowance for bad debts (see Note 13)	(71,096)
Total Net Accounts Receivable	<u>\$935,210</u>

5. Accounts Payable and Accrued Liabilities

Trade Creditors	\$1,082,435
Accruals	35,000
Total Accounts Payable and Accrued Liabilities	<u>\$1,117,435</u>

6. Employee Entitlements

Accrued Vacation Leave	<u>\$207,523</u>
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National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2005
(Stated in Cayman Islands Dollars)

7. Fixed Assets

Cost	Vehicles and Heavy Equipments	Furniture and Fixtures	IT Equipment	Other Plant and Equipment	Total
	\$	\$	\$	\$	\$
Opening Balance	-	-	-	-	-
Additions	1,743,911	14,183	13,743	23,360	1,795,197
Disposals	-	-	-	-	-
Balance at 30 June 2005	1,743,911	14,183	13,743	23,360	1,795,197
Accumulated Depreciation					
Opening Balance	-	-	-	-	-
Charge for Year	80,822	206	1,253	1,460	83,741
Disposals	-	-	-	-	-
Balance at 30 June 2005	80,822	206	1,253	1,460	83,741
Net Book Value At 30 June 2005	\$1,663,089	\$13,977	\$12,490	\$21,900	\$1,711,456

8. Contributed Capital

During the year the Authority received an equity injection amounting to \$2,804,075 which was used to purchase Vehicles and Heavy Equipments and Furniture and Fixtures amounting to \$1,795,197 as well as for working capital in the amount of \$750,000.

9. Personnel Costs

Salaries and wages	\$3,078,237
Employer & Employee pension expenses	293,264
Health Insurance	307,473
Vacation due	207,523
Other personnel costs	42,578
Total Personnel Costs	\$3,929,075

10. Repairs and Maintenance Services

Roads & Facilities	\$3,045,153
Vehicles & Equipment	449,015
Traffic Signs & Lines	912,826
Total Repairs and Maintenance Services	\$4,406,994

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2005
(Stated in Cayman Islands Dollars)

11. Pensions

The pension contributions of employees of the Authority are paid directly to the Public Service Pensions Fund (the "Fund"). The Fund is administered by the Public Service Pensions Board and is operated as a multi-employer non-contributory Fund, whereby the employer pays both the employer and employee contributions.

During the current period the Authority paid both the employee and employers contributions of \$293,264 to the Public Service Pension Fund which is a related party. This amount is included in personnel costs.

12. Hurricane Ivan

The Cayman Islands and the National Roads Authority suffered damage as a result of a strong category 4 hurricane that passed over Grand Cayman on the 11th and 12th of September 2004. A portion of the \$4.4 million of repairs and maintenance services in the Statement of Net Income is the cost incurred by the Authority in repairing the public roads and its facilities and equipment damaged by the hurricane.

The Board of Directors approved loan assistance to employees for those whose properties were damaged by hurricane Ivan for a maximum amount of \$100,000 wherein each person could avail a maximum loan of \$4,000. As at 30 June 2005, the staff loans receivable amounts to \$72,640.

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. 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.

Upon creation of the Authority on 1 July 2004, no movable properties were vested to the Authority even up to 30 June 2005. Henceforth, the Public Works Department (PWD) allowed the Authority to use its vehicles and heavy equipments for road construction and maintenance free of charge and also the use of office space is free of charge.

The Authority paid some operating expenses of PWD which were incurred by PWD prior to July 1, 2004 amounting to \$71,096. This was recognized as an account receivable. However, an allowance for bad debts was provided for this same amount due to its uncollectability from the Ministry of Health Services, Agriculture, Aviation and Works.

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 the Financial Secretary has not indicated whether an annual payment will be requested by core government or not.

15. Financial Instruments

Fair values. 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.