

Financial Statements of
National Roads Authority
For the Year Ended 30 June 2006



NATIONAL ROADS AUTHORITY

**FINANCIAL STATEMENTS
For the Year Ended 30 June 2006**

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National Roads Authority
Financial Statements
30 June 2006

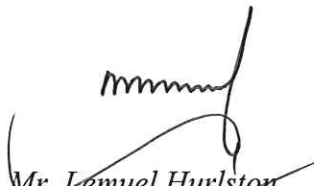
STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

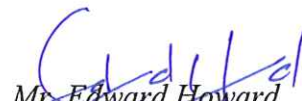
We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the Public Management and Finance Law, (2005 Revision).

To the best of my knowledge the statements are:

- (a) complete and reliable;
- (b) fairly reflect the financial position as at 30 June 2006 and performance for the financial year ended 30 June 2006; and
- (c) comply with generally accepted accounting practice


Mr. Lemuel Hurlston
Chairman
National Roads Authority

Date: *DECEMBER 7, 2006*


Mr. Edward Howard
Acting Managing Director
National Roads Authority

Date: *DECEMBER 7, 2006*



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 2006, and the related Operating Statement and Cash Flow Statement for the year ended 30 June 2006 in accordance with the provisions of Section 26 of the *National Roads Authority Law, 2004* and Section 52(3) of the *Public Management and Finance 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

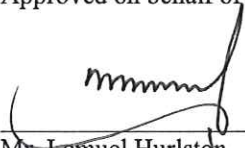
Except as discussed in the following paragraph, my examination was made in accordance with International Standards on Auditing which require that I plan and perform my audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, 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.

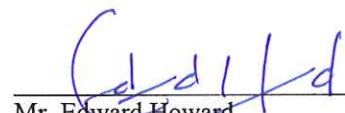
No accrual has been made for past service pension liability of employees in the Authority that participate in the defined benefit portion of the Public Service Pensions Plan. The amount at this time is not determinable as no actuarial valuation has occurred to assess the past service pension liability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

National Roads Authority
Balance Sheet
As At 30 June 2006
(Stated in Cayman Islands Dollars)

CURRENT ASSETS	NOTES	2006	2005
Cash & Cash Equivalents	3	\$1,251,328	\$2,778,146
Accounts Receivable & Prepaids	4	4,111,435	935,210
Inventory	2g)	170,810	-
Total Current Assets		5,533,573	3,713,356
FIXED ASSETS			
Property, Plant & Equipment	7	2,172,075	1,711,456
Total Assets		7,705,648	5,424,812
CURRENT LIABILITIES			
Accounts Payable and Accrued Liabilities	5	2,699,853	1,117,435
Employee Entitlements	6	169,335	207,523
Total Current Liabilities		2,869,188	1,324,958
TOTAL ASSETS LESS TOTAL LIABILITIES		\$4,836,460	\$4,099,854
NET WORTH			
Contributed Capital	8	3,928,103	2,804,075
Accumulative Surplus		908,357	1,295,779
Total Net Worth		\$4,836,460	\$4,099,854

Approved on behalf of the Board on the 7th of DECEMBER 2006


Mr. Lemuel Hurlston
Chairman


Mr. Edward Howard
Acting Managing Director

The accompanying notes form an integral part of these financial statements

National Roads Authority
Operating Statement
For the Year Ended 30 June 2006
(Stated in Cayman Islands Dollars)

INCOME	Notes	2006	2005
Sales of Services to Cabinet	2j), 11	\$15,241,216	\$10,650,943
Sales of Services to other government agencies	2j), 11	68,564	68,179
Insurance Settlement		-	46,885
Donations Received		41,694	20,362
Interest & Other		42,060	4,130
		<u>15,393,534</u>	<u>10,790,499</u>
OPERATING EXPENSES			
Road Construction		7,381,804	640,666
Personnel Costs	9	4,112,237	3,944,914
Roads Maintenance		851,906	2,290,920
Utilities		847,222	487,847
Motor Vehicle Expenses (including insurance)		735,758	597,904
Bad debts	2f), 11	416,681	71,096
Depreciation	7	311,681	83,741
Signs & Lines Maintenance		294,118	912,826
Drains/Wells Maintenance		275,653	63,899
Office Rental	11	178,648	-
Professional fees		132,520	317,575
Buildings Maintenance		71,467	1,982
Computer Maintenance & Fees		67,952	2,270
Supplies and Consumables		51,299	68,251
Telephone		21,779	280
Advertising and promotion		13,118	2,027
Travel and Subsistence		12,635	7,992
Insurance		4,277	-
Bank Charges		201	530
		<u>15,780,956</u>	<u>9,494,720</u>
NET (LOSS) INCOME FOR THE YEAR ENDED		<u>(387,422)</u>	<u>1,295,779</u>
Accumulated Surplus at beginning of year		<u>1,295,779</u>	<u>-</u>
ACCUMULATED SURPLUS AT END OF YEAR		<u>\$908,357</u>	<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 2006
(Stated in Cayman Islands Dollars)

	<u>Note</u>	<u>2006</u>	<u>2005</u>
Opening balance net worth		\$4,099,854	\$-
Net (Loss) Surplus		(387,422)	1,295,779
Property revaluations		-	-
Investment revaluations		-	-
Net revaluation during the period		-	-
Total recognized revenues and expenses		(387,422)	1,295,779
Equity investment from Cabinet	8	1,124,028	2,804,075
Capital withdrawal by Cabinet		-	-
Repayment of surplus to Cabinet		-	-
Closing balance net worth		\$4,836,460	\$4,099,854

The accompanying notes form an integral part of these financial statements

National Roads Authority
Statement of Cash Flows
For the Year Ended 30 June 2006
(Stated in Cayman Islands Dollars)

	<u>Notes</u>	<u>2006</u>	<u>2005</u>
CASH FLOW FROM OPERATING ACTIVITIES			
Net Income (Loss) for the year ended		\$(387,422)	\$1,295,779
Adjustment for non cash transactions:			
Bad debts	11	416,681	71,096
Depreciation	7	311,681	83,741
		<u>340,940</u>	<u>1,450,616</u>
Net change in working capital			
Increase in Accounts Receivable		(3,592,906)	(1,006,306)
Increase in Inventory		(170,810)	-
Increase in Accounts Payable and Accrued Liabilities		<u>1,544,230</u>	<u>1,324,958</u>
Net Cash Provided by Operating Activities		<u>(1,878,546)</u>	<u>1,769,268</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets	7, 8	<u>(772,300)</u>	<u>(1,795,197)</u>
Net Cash Used by Investing Activities		<u>(772,300)</u>	<u>(1,795,197)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Contributed Capital from Government	8	<u>1,124,028</u>	<u>2,804,075</u>
Net Cash Provided by Financing Activities		<u>1,124,028</u>	<u>2,804,075</u>
Net Increase in Cash and Cash Equivalents During the Year		(1,526,818)	2,778,146
Cash and Cash Equivalents at the Beginning of the Year		<u>2,778,146</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>\$1,251,328</u>	<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 2006
(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. The Authority reports on its operations to the Ministry of Communication, Works and Infrastructure 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 2006, the NRA had 110 employees (30 June 2005: 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 Operating Statement.

(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 2006
(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) Inventory

Inventory is valued at the lower of net realizable value or cost, on a last-in first-out basis.

(h) Accounts Payable

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

(i) 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.

(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 11). 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 payables and employee entitlements.

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2006
(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 Operating Statement.

(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

	2006	2005
Bank accounts	\$108,658	\$1,275,006
Term deposits	1,142,670	1,503,140
Total Cash & Cash Equivalents	\$1,251,328	\$2,778,146

4. Accounts Receivable & Prepaids

	2006	2005
Outputs to Cabinet	\$4,436,160	\$794,413
Outputs to other government agencies	71,096	139,253
Staff loans	13,563	72,640
Accounts Receivable Others & Prepaids	78,393	-
Total Gross Accounts Receivable	4,599,212	1,006,306
Less allowance for bad debts (see Note 11)	(487,777)	(71,096)
Total Net Accounts Receivable	\$4,111,435	\$935,210

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2006
(Stated in Cayman Islands Dollars)

5. Accounts Payable and Accrued Liabilities

	2006	2005
Trade Creditors	\$2,648,517	\$1,082,435
Accruals	51,336	35,000
Total Accounts Payable and Accrued Liabilities	\$2,699,853	\$1,117,435

6. Employee Entitlements

	2006	2005
Accrued Vacation Leave	\$169,335	\$207,523

7. Fixed Assets

Cost	Vehicles and Heavy Equipments	Furniture and Fixtures	IT Equipment	Other Plant and Equipment	Total
	\$	\$	\$	\$	\$
Opening Balance	1,743,911	14,183	13,743	23,360	1,795,197
Additions	588,621	9,127	85,006	89,546	772,300
Disposals	-	-	-	-	-
Balance at 30 June 2006	2,332,532	23,310	98,749	112,906	2,567,497
Accumulated Depreciation					
Opening Balance	80,822	206	1,253	1,460	83,741
Charge for Year	266,439	2,258	18,066	24,918	311,681
Disposals	-	-	-	-	-
Balance at 30 June 2006	347,261	2,464	19,319	26,378	395,422
Net Book Value At 30 June 2006	\$1,985,271	\$20,846	\$79,430	\$86,528	\$2,172,075
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 \$1,124,028 (2005: \$2,804,075) which was used to purchase Vehicles and Heavy Equipments and Furniture and Fixtures amounting to \$772,300 as well as for working capital.

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2006
(Stated in Cayman Islands Dollars)

9. Personnel Costs

	2006	2005
Salaries and wages	\$3,131,408	\$3,078,237
Employer & Employee pension expenses	324,459	293,264
Health Insurance	387,377	307,473
Vacation due	169,335	207,523
Other personnel costs	99,658	58,417
Total Personnel Costs	\$4,112,237	\$3,944,914

10. 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 \$324,459 (2005: \$293,264) to the Public Service Pension Fund which is a related party. This amount is included in personnel costs.

11. Related Party Transactions

The Authority provided outputs to the Government relating to the development and maintenance of the public roads within the Cayman Islands with amounts to \$4,449,946 under the Purchase 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.

During this year the Authority also delivered Capital Expenditure Projects of \$10,791,270 to the Government for the construction of roads under Ownership Agreement.

There were two Capital Expenditure Projects (Marina Drive & Seymore Drive) where the Authority expended over its budget amounting to \$416,681. An allowance for bad debts was provided for this same amount due to its uncollectability from the Ministry of Communication, Works and Infrastructure.

Upon creation of the Authority on 1 July 2004, no movable properties were vested to the Authority even up to 30 June 2006. Henceforth, the Public Works Department (PWD) allowed the Authority to use its vehicles and heavy equipments for road construction and maintenance free of charge. For the current year, the PWD has billed the Authority for the amount of \$178,648 for support services extended to the latter such as office and workshop accommodation, tenant's requirements, utilities, accounting services, service parking and compound security.

12. 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.

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2006
(Stated in Cayman Islands Dollars)

13. 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.

14. Reclassification

The presentation or classification of expenses in the Operating Statement has been amended and comparative amounts are reclassified for proper analyses of accounts.