



Financial Statements of the
National Roads Authority
For the Year Ended 30 June 2007

NATIONAL ROADS AUTHORITY

FINANCIAL STATEMENTS For the Year Ended 30 June 2007

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**National Roads Authority
Financial Statements
30 June 2007**

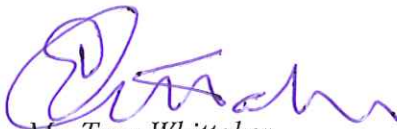
STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS

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 2007 and performance for the financial year ended 30 June 2007; and
- (c) comply with generally accepted accounting practice



*Mr. Troy Whittaker
Deputy Chairman
National Roads Authority*

Date: January 15, 2008



*Mr. Edward Howard
Deputy Managing Director
National Roads Authority*

Date: January 15, 2008



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 financial statements of the National Roads Authority (the "Authority"), which comprise the balance sheet as at 30 June 2007, the operating statement, statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 4 to 15 in accordance with the provisions of Section 26 of the *National Roads Authority Law (2006 Revision)* and Section 60(a) of the *Public Management and Finance Law (2005 Revision)*.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair representation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 upon 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 we have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Qualified Opinion

As disclosed in Note 10 of the financial statements, pension contributions for eligible employees of the Authority are paid to the Public Service Pensions Fund which is administered by the Public Service Pensions Board. The latest actuarial valuation of the defined benefit plan as required under IAS 19 was calculated as of 01 July 2004 which resulted in a Net Retirement Asset of \$0. No further actuarial assessment has been performed to date by the Pensions Board to determine the value of the retirement plan as at 30 June 2007. The Authority is therefore not able to quantify the amount for this financial year due to insufficient relevant and reliable information from the Pensions Board. Therefore, no accrual has been made for the past service pension liability of employees in the Authority who participate in the defined benefit portion of the Public Services Pension Plan as the amount at this time is not determinable.

The Authority did not conduct a proper physical inventory taking as at 30 June 2007. We were therefore unable to satisfy ourselves in regards to the existence and value of inventory, if any, by means of other auditing procedures.

Qualified 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 National Roads Authority as at 30 June 2007, and the results of its operations and its cash flow for the year then ended in accordance with International Financial Reporting Standards.



Dan Duguay, MBA, FCGA
Auditor General

Cayman Islands
15 January 2008

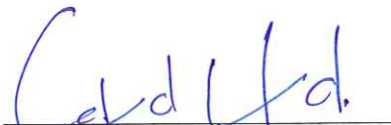
National Roads Authority
Balance Sheet
As At 30 June 2007
(Stated in Cayman Islands Dollars)

CURRENT ASSETS	NOTES	2007	2006
Cash & Cash Equivalents	3	\$3,841,043	\$1,251,328
Accounts Receivable & Prepaids	4	2,333,870	4,111,435
Inventory	2g)	340,817	170,810
Total Current Assets		6,515,730	5,533,573
 FIXED ASSETS			
Property, Plant & Equipment	7	2,374,057	2,172,075
 Total Assets		8,889,787	7,705,648
 CURRENT LIABILITIES			
Accounts Payable and Accrued Liabilities	5	3,240,543	2,699,853
Employee Entitlements	6	299,544	169,335
Total Current Liabilities		3,540,087	2,869,188
 TOTAL ASSETS LESS TOTAL LIABILITIES		\$5,349,700	\$4,836,460
 NET WORTH			
Contributed Capital	8	3,928,103	3,928,103
Accumulative Surplus		1,421,597	908,357
Total Net Worth		\$5,349,700	\$4,836,460

Approved on behalf of the Board on the 15th of January 2008



Mr. Troy Whittaker
Deputy Chairman



Mr. Edward Howard
Deputy Managing Director

The accompanying notes form an integral part of these financial statements

National Roads Authority
Operating Statement
For the Year Ended 30 June 2007
(Stated in Cayman Islands Dollars)

INCOME	Notes	2007	2006
Sales of Services to Cabinet	2j), 11	\$28,468,439	\$15,241,216
Sales of Services to other government agencies	2j), 11	97,561	68,564
Sales of Services to third parties		150,569	-
Donations Received		-	41,694
Interest & Other		45,657	42,060
		<u>28,762,226</u>	<u>15,393,534</u>
OPERATING EXPENSES			
Road Construction		17,787,041	7,381,804
Personnel Costs	9	5,803,929	4,112,237
Roads Maintenance		1,139,516	851,906
Motor Vehicle Expenses (including insurance)		1,079,138	735,758
Utilities		856,912	847,222
Drains/Wells Maintenance		382,661	275,653
Depreciation	7	362,948	311,681
Office Rental	11	207,000	178,648
Bad debts	2f)	155,091	416,681
Professional fees		118,207	132,520
Computer Maintenance & Fees		89,540	67,952
Buildings Maintenance		61,387	71,467
Signs & Lines Maintenance		57,897	294,118
Supplies and Consumables		56,016	51,299
Telephone		34,686	21,779
Loss on Disposal		26,924	-
Travel and Subsistence		17,210	12,635
Insurance		6,586	4,277
Advertising and promotion		5,877	13,118
Bank Charges		420	201
		<u>28,248,986</u>	<u>15,780,956</u>
NET INCOME/(LOSS) FOR THE YEAR ENDED		<u>513,240</u>	<u>(387,422)</u>
Accumulated Surplus at beginning of year		908,357	1,295,779
ACCUMULATED SURPLUS AT END OF YEAR		<u>\$1,421,597</u>	<u>\$908,357</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 2007
(Stated in Cayman Islands Dollars)

	<u>Note</u>	<u>2007</u>	<u>2006</u>
Opening balance net worth		\$4,836,460	\$4,099,854
Net Surplus/(Loss)		513,240	(387,422)
Property revaluations		-	-
Investment revaluations		-	-
Net revaluation during the period		-	-
Total recognized revenues and expenses		513,240	(387,422)
Equity investment from Cabinet	8	-	1,124,028
Capital withdrawal by Cabinet		-	-
Repayment of surplus to Cabinet		-	-
Closing balance net worth		<u>\$5,349,700</u>	<u>\$4,836,460</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 2007
(Stated in Cayman Islands Dollars)

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
CASH FLOW FROM OPERATING ACTIVITIES			
Net Income/(Loss) for the year ended		\$513,240	\$(387,422)
Adjustment for non cash transactions:			
Bad debts		155,091	416,681
Depreciation	7	362,948	311,681
		<u>1,031,279</u>	<u>340,940</u>
Net change in working capital			
Decrease /(Increase) in Accounts Receivable		1,622,474	(3,592,906)
Increase in Inventory		(170,007)	(170,810)
Increase in Accounts Payable and Accrued Liabilities		670,899	1,544,230
Net Cash Provided by Operating Activities		<u>3,154,645</u>	<u>(1,878,546)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets		(564,930)	(772,300)
Net Cash Used by Investing Activities		<u>(564,930)</u>	<u>(772,300)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Contributed Capital from Government	8	-	1,124,028
Net Cash Provided by Financing Activities		<u>-</u>	<u>1,124,028</u>
Net Increase/(Decrease) in Cash and Cash Equivalents During the Year		2,589,715	(1,526,818)
Cash and Cash Equivalents at the Beginning of the Year		<u>1,251,328</u>	<u>2,778,146</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>\$3,841,043</u></u>	<u><u>\$1,251,328</u></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 2007
(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 2007, the NRA had 117 employees (30 June 2006: 110 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 2007
(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

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.

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 10).

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.

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2007
(Stated in Cayman Islands Dollars)

2. Significant Accounting Policies (continued)

(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.

(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.

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2007
(Stated in Cayman Islands Dollars)

3. Cash & Cash Equivalents

	2007	2006
Bank accounts	\$2,054,711	\$108,658
Term deposits	1,786,332	1,142,670
Total Cash & Cash Equivalents	\$3,841,043	\$1,251,328

4. Accounts Receivable & Prepaids

	2007	2006
Outputs to Cabinet	\$2,878,237	\$4,436,160
Outputs to other government agencies	71,096	71,096
Accounts Receivable Others & Prepaids	27,405	78,393
Staff loans	-	13,563
Total Gross Accounts Receivable	2,976,738	4,599,212
Less allowance for bad debts	(642,868)	(487,777)
Total Net Accounts Receivable	\$2,333,870	\$4,111,435

5. Accounts Payable and Accrued Liabilities

	2007	2006
Trade Creditors	\$3,202,543	\$2,648,517
Accruals	38,000	51,336
Total Accounts Payable and Accrued Liabilities	\$3,240,543	\$2,699,853

6. Employee Entitlements

	2007	2006
Accrued Vacation Leave	\$299,544	\$169,335

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2007
(Stated in Cayman Islands Dollars)

7. Fixed Assets

	Vehicles and Heavy Equipments	Furniture and Fixtures and Office Equipment	IT Equipment	Other Plant and Equipment	Total
Cost	\$	\$	\$	\$	\$
Opening Balance	2,332,532	23,310	98,749	112,906	2,567,497
Additions	271,851	4,681	51,118	318,833	646,483
Disposals	(100,481)	-	-	-	(100,481)
Balance at 30 June 2007	2,503,902	27,991	149,867	431,739	3,113,499
Accumulated Depreciation					
Opening Balance	347,261	2,464	19,319	26,378	395,422
Charge for Year	282,178	1,990	38,878	39,902	362,948
Disposals	(18,928)	-	-	-	(18,928)
Balance at 30 June 2007	610,511	4,454	58,197	66,280	739,442
Net Book Value At 30 June 2007	\$1,893,391	\$23,537	\$91,670	\$365,459	\$2,374,057
Net Book Value At 30 June 2006	\$1,985,271	\$20,846	\$79,430	\$86,528	\$2,172,075

8. Contributed Capital

During the year the Authority has not received any equity injection (2006: \$1,124,028).

9. Personnel Costs

	2007	2006
Salaries and wages	\$4,358,379	\$3,131,408
Employer & Employee pension expenses	388,910	324,459
Health Insurance	476,646	387,377
Severance pay *	310,990	-
Vacation due	130,209	169,335
Other personnel costs	138,795	99,658
Total Personnel Costs	\$5,803,929	\$4,112,237

* During the year the Managing Director was offered and he accepted early retirement. He was paid a sum equivalent to two and half year's salary and was allowed to keep the Ford F250 that was assigned to him, which had a depreciated value of \$18,490 (the fair value was not determined) and has been included as part of the severance pay.

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2007
(Stated in Cayman Islands Dollars)

10. 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. 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 2006-07 (2005-06: 12%).

The Plans are funded at rates of: -

		2007	2006
Defined Contribution Plans	- Employer	6%	6%
	- Employee	6%	6%
Defined Benefit Plans	- Employer	6%	6%
	- Employee	6%	6%

The assessment on the Authority's position in the Fund based on the 1 January 2005 Actuarial Valuation Report (dated March 2007) indicated that contribution rates should be 14.24% for the defined benefit scheme and 13% defined contribution scheme.

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 2007 was \$388,910 (30 June 2006: \$324,459). 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 years ended 30 June 2007, 2006 and 2005.

The schemes are valued by independent Actuaries. The latest actuarial valuation (of the defined benefit plan) was done as at 1 July 2004.

	1 July 2004
Net Present Value of Funded Obligation	\$ 0
Fair Value of Plan Assets	0
	0
Unrecognised Past Service Cost	0
Unrecognised Actuarial Gains/(Losses)	0
	0
Net Assets in Balance Sheet	\$ 0

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2007
(Stated in Cayman Islands Dollars)

10. Pensions (continued)

The share of assets allocated to the Authority's participation in the defined benefit part of the Plan is C\$ 0, since the Authority only commenced participation on July 1, 2004.

The principal Actuarial Assumptions at the date of valuation

A. Cost Method - Projected Unit Credit

B. Economic Assumptions –

1. Discount Rate – 6.50%
2. Expected long-term rate of return (net of Expense) – 7.00%
3. Salary Increase – 4.00%
4. Future Pension Increases – 2.50%
5. Expected remaining working lives (years) – 15.14
6. Underlying inflation rate – 2.5%

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

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 \$5 million 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 \$23,472,568 (2006: \$10,791,270) to the Government for the construction of roads under Ownership Agreement.

Upon creation of the Authority on 1 July 2004, no movable properties were vested to the Authority even up to 30 June 2007. Henceforth, the Ministry of Health Services, Agriculture, Aviation and Works allowed the Authority to use its vehicles and heavy equipments for road construction and maintenance free of charge.

As at 30 June 2007, the Authority owes Public Works Department the amount of \$370,011 (2006: \$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.

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.