



Financial Statements of the
National Roads Authority
For the Year Ended 30 June 2008

NATIONAL ROADS AUTHORITY

FINANCIAL STATEMENTS For the Year Ended 30 June 2008

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National Roads Authority
Financial Statements
30 June 2008

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

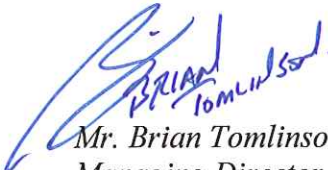
We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the Public Management and Finance Law, (2005 Revision).

To the best of my knowledge the statements are:

- (a) complete and reliable;
- (b) fairly reflect the financial position as at 30 June 2008 and performance for the financial year ended 30 June 2008; and
- (c) comply with generally accepted accounting practice


Mr. Errol Bush
Chairman
National Roads Authority

Date: 25/11/2008


Mr. Brian Tomlinson
Managing Director
National Roads Authority

Date: 25/11/08



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 2008, 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 17 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.

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2008
(Stated in Cayman Islands Dollars)

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 Services Pension Fund which is administered by the Public Service Pensions Board. The Authority however is not able to quantify the liability as at 30 June 2008 as an actuarial valuation has not been done subsequent to 30 June 2006. As a result of insufficient relevant and reliable information acceptable to and agreed by the Authority and the Pensions Board, the Authority has established a past service pension liability in the amount of \$139,000 which has been recognized in these financial statements.

Qualified Opinion

In my opinion, except for the possible effects of the past service pension liability, these financial statements present fairly, in all material respects, the financial position of the National Roads Authority as at 30 June 2008, and the results of its operations and its cash flow for the year then ended in accordance with International Financial Reporting Standards.



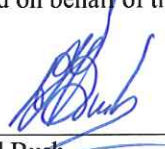
Dan Duguay, MBA, FCCA
Auditor General

Cayman Islands
25 November 2008

National Roads Authority
Balance Sheet
As At 30 June 2008
(Stated in Cayman Islands Dollars)

CURRENT ASSETS		2008	2007
	NOTES		As Restated (note 15)
Cash & Cash Equivalents	2b,3	4,946,437	\$3,841,043
Accounts Receivable & Prepayment	2e, 2f, 4	2,561,510	2,333,870
Inventory	2g	187,754	340,817
Total Current Assets		7,695,701	6,515,730
FIXED ASSETS			
Property, Plant & Equipment	2d, 5, 15	2,503,129	2,196,626
Total Assets		10,198,830	8,712,356
CURRENT LIABILITIES			
Accounts Payable and Accrued Liabilities	2h, 6	3,575,574	3,240,543
Retirement Pension Liability	10, 15	139,000	139,000
Employee Entitlements	2i, 7	176,357	299,544
Total Current Liabilities		3,890,931	3,679,087
TOTAL ASSETS LESS TOTAL LIABILITIES		\$6,307,899	\$5,033,269
NET WORTH			
Contributed Capital	8	4,402,603	3,928,103
Accumulative Surplus	15	1,905,296	1,105,166
Total Net Worth		\$6,307,899	\$5,033,269

Approved on behalf of the Board on the 25 of NOVEMBER 2008


 Mr. Errol Bush
 Chairman


 Mr. Brian Tomlinson
 Managing Director

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

National Roads Authority
Operating Statement
For the Year Ended 30 June 2008
(Stated in Cayman Islands Dollars)

INCOME		2008	2007 As Restated (note 15)
	<u>Notes</u>		
Sales of Services to Cabinet	2j, 11	\$23,226,620	\$28,468,439
Sales of Services to other government agencies		705,402	97,561
Sales of Services to third parties		-	150,569
Interest & Other		94,231	45,657
		<u>24,026,253</u>	<u>28,762,226</u>
OPERATING EXPENSES			
Road Construction		12,474,809	17,787,041
Personnel Costs	9	6,082,001	5,803,929
Motor Vehicle Expenses (including insurance)		1,130,941	1,079,138
Roads Maintenance		952,528	1,139,516
Utilities		911,767	856,912
Depreciation	5, 15	459,948	540,379
Drains/Wells Maintenance		339,758	382,661
Signs & Lines Maintenance		306,854	57,897
Professional fees		137,361	118,207
Computer Maintenance & Fees		116,831	89,540
Office Rental		70,416	207,000
Supplies and Consumables		57,161	56,016
Buildings Maintenance		75,780	61,387
Telephone		42,019	34,686
Advertising and promotion		38,959	5,877
Insurance		14,172	6,586
Travel and Subsistence		13,986	17,210
Bank Charges		832	420
Bad debts	2f	-	155,091
Loss on Disposal		-	26,924
	15	<u>23,226,123</u>	<u>28,426,417</u>
NET INCOME FOR THE YEAR ENDED	15	<u>800,130</u>	<u>335,809</u>
Accumulated Surplus at beginning of year	15	<u>1,105,166</u>	<u>769,357</u>
ACCUMULATED SURPLUS AT END OF YEAR	15	<u><u>\$1,905,296</u></u>	<u><u>\$1,105,166</u></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 2008
(Stated in Cayman Islands Dollars)

		2008	2007 As Restated (note 15)
Opening balance net worth	<u>Note</u>	\$5,033,269	\$4,836,460
Net Surplus	15	800,130	335,809
Pension Liability	10, 15	-	(139,000)
Investment revaluations		-	-
Net changes during the period		-	(139,000)
Total recognized revenues and expenses		800,130	196,809
Equity investment from Cabinet	8	474,500	-
Capital withdrawal by Cabinet		-	-
Repayment of surplus to Cabinet		-	-
Closing balance net worth	15	\$6,307,899	\$5,033,269

The accompanying notes form an integral part of these financial statements

National Roads Authority
Statement of Cash Flows
For the Year Ended 30 June 2008
(Stated in Cayman Islands Dollars)

		2007	2008
	<u>Notes</u>	<u>As Restated</u>	<u>(note 15)</u>
CASH FLOW FROM OPERATING ACTIVITIES			
Net Income for the year ended	15	\$800,130	\$335,809
Adjustment for non cash transactions:			
Bad debts		-	155,091
Depreciation	5, 15	459,948	540,379
		<u>1,260,078</u>	<u>1,031,279</u>
Net change in working capital			
(Increase) /Decrease in Accounts Receivable		(227,640)	1,622,474
Decrease / (Increase) in Inventory		153,063	(170,007)
Increase in Accounts Payable and Accrued Liabilities		211,844	670,899
Net Cash Provided by Operating Activities		<u>1,397,345</u>	<u>3,154,645</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets		(766,451)	(564,930)
Net Cash Used by Investing Activities		<u>(766,451)</u>	<u>(564,930)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Contributed Capital from Government	8	474,500	-
Net Cash Provided by Financing Activities		<u>474,500</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents During the Year		1,105,394	2,589,715
Cash and Cash Equivalents at the Beginning of the Year		3,841,043	1,251,328
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>\$4,946,437</u>	<u>\$3,841,043</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 2008
(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 and management of the existing road infrastructure.

As at 30 June 2008, the NRA had 130 employees (30 June 2007: 117 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	3- 25 Years

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2008
(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 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.

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 2008
(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 2008
(Stated in Cayman Islands Dollars)

3. Cash & Cash Equivalents

	2008	2007
Bank accounts	\$2,584,120	\$2,054,711
Term deposits	2,362,317	1,786,332
Total Cash & Cash Equivalents	\$4,946,437	\$3,841,043

4. Accounts Receivable & Prepayment

	2008	2007
Outputs to Cabinet	\$1,960,175	\$2,878,237
Outputs to other government agencies	267,610	71,096
Accounts Receivable Others & Prepayment	329,740	27,405
Staff loans	3,985	-
Total Gross Accounts Receivable	\$2,561,510	\$2,976,738
Less allowance for bad debts	-	(642,868)
Total Net Accounts Receivable	\$2,561,510	\$2,333,870

5. Fixed Assets

Cost	Vehicles and Heavy Equipments	Furniture and Fixtures and Office Equipment	IT Equipment	Other Plant and Equipment	Total
	\$	\$	\$	\$	\$
Opening Balance	2,503,901	27,990	149,867	431,740	3,113,498
Additions	470,544	15,170	18,921	261,816	766,451
Balance at 30 June 2008	2,974,445	43,160	168,788	693,556	3,879,949
Accumulated Depreciation					
Opening Balance	768,540	5,296	73,542	69,494	916,872
Depreciation Expense	342,511	3,855	47,236	66,346	459,948
Balance at 30 June 2008	1,111,051	9,151	120,778	135,840	1,376,820
Net Book Value At 30 June 2008	\$1,863,394	\$34,009	\$48,010	\$557,716	\$2,503,129
Net Book Value At 30 June 2007	\$1,735,361	\$22,694	\$76,325	\$362,246	\$2,196,626

As further detailed in Note 15 below- Depreciation for the year ended 30 June 2007 have been restated.

6. Accounts Payable and Accrued Liabilities

	2008	2007
Trade Creditors	\$3,533,574	\$3,202,543
Accruals	42,000	38,000
Total Accounts Payable and Accrued Liabilities	\$3,575,574	\$3,240,543

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2008
(Stated in Cayman Islands Dollars)

7. Employee Entitlements

	2008	2007
Accrued Vacation Leave	<u>\$176,357</u>	<u>\$299,544</u>

8. Contributed Capital

During the year the Authority has \$474,500 equity injection during the year (2007: \$nil).

9. Personnel Costs

	2008	2007
Salaries and wages	\$5,003,264	\$4,358,379
Employer & Employee pension expenses	441,965	388,910
Health Insurance	587,798	476,646
Severance pay	-	310,990
Vacation due	(123,187)	130,209
Other personnel costs	172,161	138,795
Total Personnel Costs	<u>\$6,082,001</u>	<u>\$5,803,929</u>

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 2007-08 (2006-07: 12%).

The Plans are funded at rates of: -

		2008	2007
Defined Contribution Plans	- Employer	6%	6%
	- Employee	6%	6%
Defined Benefit Plans	- Employer	6%	6%
	- Employee	6%	6%

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.

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2008
(Stated in Cayman Islands Dollars)

10. Pensions (continued)

The total amount recognised as a pension expense in personnel costs for the year ending 30 June 2008 was \$441,965 (30 June 2007: \$388,910). 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 2008 and 2007.

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 is expected to recognize the unfunded past service liability as a liability on its financial statements once the actuarial valuation is completed and the actual liability since 1990 (date of establishment) is determined.

The most recent actuarial valuations for IAS 19 reporting was conducted as at 30 June 2006 (dated 14 March 2008), 30 June 2005 (dated 9 November 2007) and 1 July 2004 (dated 31 July 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.

The actuarial position is as follows:

	As at 30 June 2006 \$	As at 30 June 2005 \$	As at 1 July 2004 \$
Fair Value of Plan Assets	368,000	187,000	-
Net Present Value of Funded Obligation, beginning of year	539,000	315,000	-
Defined Benefit Liability	(171,000)	(128,000)	-
Unrecognised Past Service Cost	-	-	-
Unrecognised Actuarial Net Losses	32,000	32,000	-
Net Liability in Balance Sheet, end of year	(139,000)	(96,000)	-

No valuations were done as at 30 June 2007 and 30 June 2008 and thus the amount recognized as a Past Service Pension Liability on the Balance Sheet is \$139,000, which reflects the actuarial position as at 30 June 2006.

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

	30 June 2006 \$000	30 June 2005 \$000
Defined Benefit Obligation, beginning of year	315	-
Current Service Cost	215	143
Interest Cost	16	(1)
Plan Participant Contributions	82	85
Net Actuarial (Gain)/Loss on obligations	(59)	88
Transfers between other participating Entities	(30)	-
Defined Benefit Obligation, end of year	539	315

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2008
(Stated in Cayman Islands Dollars)

10. Pensions (continued)

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

	30 June 2006	30 June 2005
	\$000	\$000
At the beginning of year	187	-
Employer & Participant Contributions	190	184
Expected Return on Assets net of Expense	19	11
Actuarial Gain/(Loss) on plan assets	2	(8)
Transfers between other participating Entities	(30)	-
At the end of year	368	187

Reconciliation showing movement of past service liability during the period:

	\$
Balance as at 30 June 2004	nil
Plus: Reconciliation of PSL 2005	96,000
Plus: Reconciliation of PSL 2006	43,000
Balance as at 30 June 2006	139,000

As a result of the past service liability not being fully recognized in the past years due to delays in the actuarial valuations, there was an increase of \$139,000 to the Past Service Pension Liability. This amount was recognized as liability in the Balance Sheet & Retained Earnings as at 30 June 2007.

Actuarial Determination of Pension Expense as at:

	30 June 2007	30 June 2006
	\$000	\$000
Current Service Cost, net of employee contributions	205	215
Interest Cost	34	16
Expected Return on Assets	(33)	(19)
Recognition of Net Loss	-	3
Pension Expense	206	215

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

	30 June 2006	30 June 2005
Global Equities	58.7%	47.8%
US Equities	0.0%	0.0%
Bonds	37.0%	37.9%
Other	3.7%	3.8%
Cash	0.6%	4.6%
Cash Term Deposits	0.0%	5.9%

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2008
(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 was CI\$ 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 used to determine the net Benefit Obligations as at:

	30 June 2006	30 June 2005	1 July 2004
Discount Rate	6.25%	5.25%	6.50%
Expected long-term rate of return (net of Expense)	7.00%	7.00%	7.00%
Salary Increase	4.00%	4.00%	4.00%
Future Pension Increases	2.50%	2.50%	2.50%
Inflation Rate	2.50%	2.50%	2.50%
Expected remaining working lives (years)	14.14	15.14	15.14

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 which 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 \$18,261,620 (2007: \$23,472,568) 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 2008. Henceforth, the Public Works Department (PWD) allowed the Authority to use its vehicles and heavy equipments for road construction and maintenance free of charge. As at 30 June 2008, the Authority owes PWD the amount of \$368,869 (2007: \$370,011) 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 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

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2008
(Stated in Cayman Islands Dollars)

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 2008 was \$74k (2007: \$43k)

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.

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 2008, 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 (2007: \$643k).

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 2008 and 2007, all of the financial liabilities were due within one month of the balance sheet dates.

14. Financial Instruments- fair values

As at 30 June 2008 and 2007, 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.

15. Restatements of Financial Statements for Financial Year ending June 30, 2007.

- i. Restatement required after a detailed analysis was performed on the June 30, 2007 financials and identified that a portion of fixed asset depreciation was incorrectly recorded in the June 30, 2008 financial year that was to be recorded for June 30, 2007. The portion of depreciation has been correctly allocated, hence restatement. The effect of this adjustment is to decrease the net income by

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\$177,431 in the Operating Statement for the year ended 30 June 2007, and to reduce Property, Plant & Equipment and the Net worth in the Balance Sheet by the same amount as at 30 June 2007.

- ii. Actuarial valuation for 2006 was done and resulted in a pension liability of \$139,000. The Financial statement as at the 30th June 2007 was adjusted to reflect this liability in the Balance sheet and Net Worth, hence the restatement. The effect of this adjustment is to increase pension liability and reduce the Net Worth in the Balance Sheet by the same amount as at 30 June 2007.

After final adjustments to the period, the previously stated net income and accumulated surplus of CI\$513,240 and CI\$908,357 respectively was reduced to CI\$335,809 and CI\$769,357 in the June 30, 2007 financial year.