



**Financial Statements of the
National Roads Authority
30 June 2009**

NATIONAL ROADS AUTHORITY

FINANCIAL STATEMENTS 30 June 2009

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National Roads Authority
STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS
30 June 2009

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)*.

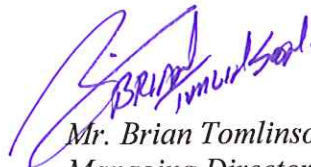
To the best of my knowledge the statements are:

- (a) complete and reliable;
- (b) fairly reflect the financial position as at 30 June 2009 and performance for the financial year ended 30 June 2009; and
- (c) comply with generally accepted accounting practice



Mr. Colford Scott
Chairman
National Roads Authority

Date: 21 December 2009.



Mr. Brian Tomlinson
Managing Director
National Roads Authority

Date: 21 December 2009.



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Auditor General's Report

To the Board of Directors of the National Road Authority of the Cayman Islands

I have audited the accompanying financial statements of the National Road Authority of the Cayman Islands, which comprise of the statement of financial position as at 30 June 2009, the statement of comprehensive income and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes in pages 4 to 17 in accordance with the provisions of Section 17(1) of the *National Road 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 presentation 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. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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.

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. Prior to 1 January 2000, the scheme underlying the Fund was a defined benefit scheme. With effect from 1 January 2000, the Fund has both a defined benefit and a defined contribution element. In March 2005, the Honourable Financial Secretary of the Cayman Islands instructed the Authority to recognize its own portion of the past service pension liability from the date of incorporation. The Authority, however, is not able to quantify the liability as at 30 June 2009 as an actuarial valuation has not been completed for this date. As a result, I was unable to determine if the amount of \$249,000 that the Authority has established as a past service pension liability in these financial statements is fairly stated.

Opinion

In my opinion, except for the possible effects of the adjustments necessary for recording the past service pension liability, these financial statements present fairly, in all material respects, the financial position of the National Road Authority of the Cayman Islands as at 30 June 2009, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



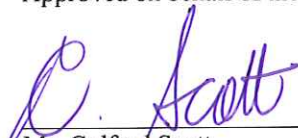
Dan Duguay, MBA, FCGA
Auditor General

Cayman Islands
21 December 2009

National Roads Authority
Statement of Financial Position
As At 30 June 2009
(in Cayman Islands dollars)

CURRENT ASSETS		2009	2008
	NOTES		
Cash and cash equivalents	2b,3	\$3,410,264	\$4,946,437
Accounts receivable and prepaid expenses	2e,2f, 4	2,019,983	2,561,510
Inventory	2g	187,402	187,754
Total current assets		\$5,617,649	\$7,695,701
 FIXED ASSETS			
Property, plant & equipment	2d, 5	\$2,582,384	\$2,503,129
 TOTAL ASSETS		\$8,200,033	\$10,198,830
 CURRENT LIABILITIES			
Accounts payable and accrued liabilities	2h, 6	2,905,574	3,575,574
Pension liability	10	249,000	139,000
Employee entitlements	2i, 7	182,550	176,357
Total Current Liabilities		\$3,337,124	\$3,890,931
 NET ASSETS		\$4,862,909	\$6,,307,899
 EQUITY		\$4,862,909	\$6,307,899

Approved on behalf of the Board on the 21st of December 2009


Mr. Colford Scott
Chairman


Mr. Brian Tomlinson
Managing Director

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

National Roads Authority
Statement of Comprehensive Income
For the Year Ended 30 June 2009
(in Cayman Islands dollars)

	<u>Notes</u>	2009	2008
SALES		\$ 20,191,229	\$ 23,932,022
COST OF SALES			
Materials		6,054,211	10,324,236
Labour		3,517,771	3,358,015
Contractors		4,708,726	3,008,862
Equipment rentals		31,447	694,988
	15	<u>\$ 14,312,155</u>	<u>\$ 17,386,101</u>
GROSS OPERATING SURPLUS		<u>\$ 5,879,074</u>	<u>\$ 6,545,921</u>
OTHER INCOME		<u>\$ 26,621</u>	<u>\$ 94,231</u>
		<u>\$ 5,905,695</u>	<u>\$ 6,640,152</u>
ADMINISTRATION EXPENSES			
Salaries and Benefits	9, 15	3,384,055	2,769,849
Motor vehicle expenses (including insurance)		1,078,399	1,130,941
Utilities		1,018,245	911,767
Depreciation	5	655,433	459,948
Professional fees		666,560	137,361
Computer maintenance and fees		131,464	116,831
Office rental		146,050	70,416
Past service pension	10	110,000	-
Supplies		76,084	57,161
Building maintenance		81,730	75,780
Telephone		92,886	42,019
Advertising and promotion		11,248	38,959
Insurance		21,416	14,172
Travel and subsistence		12,815	13,986
Bank fees		3,232	832
		<u>\$ 7,489,617</u>	<u>\$ 5,840,022</u>
NET (LOSS)/INCOME FOR YEAR		<u>\$ (1,583,922)</u>	<u>\$ 800,130</u>

The accompanying notes form an integral part of these financial statements

National Roads Authority
Statement of Changes in Equity
For the year ended 30 June 2009
(in Cayman Islands dollars)

	Retained Earnings	Contributed Capital	Total
BALANCE AT 1 JULY 2008	\$1,905,296	\$4,402,603	\$6,307,899
Net /(Deficit)/Surplus	(1,583,922)		(1,583,922)
Equity investment from Cabinet		138,932	138,932
BALANCE AT 30 JUNE 2009	\$ 321,374	\$4,541,535	\$4,862,909

The accompanying notes form an integral part of these financial statements

National Roads Authority
Notes to the Financial Statements
30 June 2009

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 was 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 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 2009, the NRA had 132 employees (2008: 130 employees). The NRA is located at 342B Dorcy Drive, P.O. Box 10426, Grand Cayman KY1-1004, Cayman Islands.

2. Significant Accounting Policies

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:

(a) Basis of preparation

- i. The financial statements of the NRA are presented in Cayman Island's dollars and are prepared on the accrual basis under the historical cost convention.
- ii. IAS 1 (Revised), presentation of Financial Statements and IAS 1 (Amendment), Presentation of Financial Statements (effective for periods beginning on or after 1 January 2009). IAS 1 now requires recognised income and expenses to be presented in a single statement (a statement of comprehensive income) separately from owner changes in equity. The Balance sheet will be referred to as the 'statement of financial position' and the cash flow statement is referred to as the 'statement of Cash flow'. NRA made a decision to implement early adoption of the changes to IAS 1 (Revised) in these financial statements.

(b) Cash & cash equivalents

These comprise cash in bank and short term investments with an original maturity 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 statement of financial position date. Revenue and expense transactions denominated in foreign currency are translated to Cayman Islands dollars at exchange rates ruling at the date of those transactions. Gains and losses arising on translation are included in the Statement of comprehensive income.

(d) Fixed assets/depreciation

Fixed assets including motor vehicles, heavy equipment, dump trucks, furniture and fixtures and computer hardware and software are stated at historical cost less accumulated depreciation and impairment losses.

Depreciation is calculated on a straight-line basis at annual rates estimated to allocate the value of each asset over the period of its expected useful life.

National Roads Authority
Notes to the Financial Statements
30 June 2009

2. Significant Accounting Policies (continued)

Annual depreciation rates are as follows:

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

(e) Receivables

Receivables are stated at original invoice amounts less provision for impairment

(f) Allowance for bad debts

The allowance for bad debts is estimate of what management believes will be adequate to cover any future 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. Cost is determine on an average cost 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 advise 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
30 June 2009

2. Significant Accounting Policies (continued)

(j) Revenue recognition

Revenue sales is recognised when services are rendered by the authority. (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 goods are received and/or services are rendered.

(l) Use of estimates

The preparation of Financial Statements, in conformity with International Financial Reporting Standards, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities and disclose contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(m) 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 comprehensive income.

(iii) Measurement

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

(iv) Derecognition

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

(v) Credit Risk

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

(vi) Interest Rate Risk

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

National Roads Authority
Notes to the Financial Statements
30 June 2009

3. Cash & Cash Equivalents

	2009	2008
Bank accounts	\$2,022,726	\$2,584,120
Term deposits	1,387,538	2,362,317
Total Cash & Cash Equivalents	<u>\$3,410,264</u>	<u>\$4,946,437</u>

4. Accounts Receivable & Prepaid Expenses

	2009	2008
Sales to Cabinet	\$1,813,457	\$1,960,175
Sales to other government entities	143,199	267,610
Others	58,977	329,740
Staff loans	4,350	3,985
Total Accounts Receivable & Prepaid expenses	<u>\$2,019,983</u>	<u>\$2,561,510</u>

5. Fixed Assets

	Vehicles and Heavy Equipments \$	Furniture and Fixtures and Office Equipment \$	IT Equipment \$	Other Plant and Equipment \$	Leasehold Improvement \$	Total \$
Cost						
Opening Balance	2,974,445	43,160	168,788	693,556	-	3,879,949
Additions	57,207	94,112	106,279	289,422	187,769	734,788
Disposals	(21,600)	-	-	-	-	(21,600)
Balance at 30 June 2009	<u>3,010,052</u>	<u>137,272</u>	<u>275,067</u>	<u>982,978</u>	<u>187,769</u>	<u>4,593,137</u>
Accumulated Depreciation						
Opening Balance	1,111,051	9,151	120,778	135,840	-	1,376,820
Depreciation expenses	339,254	54,306	64,867	103,122	93,884	655,433
Disposals	(21,500)	-	-	-	-	(21,500)
Balance at 30 June 2009	<u>1,428,805</u>	<u>63,457</u>	<u>185,645</u>	<u>238,962</u>	<u>93,884</u>	<u>2,010,753</u>
Net Book Value At 30 June 2009	<u>\$1,581,247</u>	<u>\$73,815</u>	<u>\$89,422</u>	<u>\$744,015</u>	<u>\$93,884</u>	<u>\$2,582,384</u>
Net Book Value At 30 June 2008	<u>\$1,863,394</u>	<u>\$34,009</u>	<u>\$48,010</u>	<u>\$557,716</u>	<u>\$-</u>	<u>\$2,503,129</u>

6. Accounts Payable and Accrued Liabilities

	2009	2008
Trade creditors	\$2,864,504	\$3,533,574
Accrued liabilities	41,070	42,000
Total Accounts Payable and Accrued Liabilities	<u>\$2,905,574</u>	<u>\$3,575,574</u>

National Roads Authority
Notes to the Financial Statements
30 June 2009

7. Employee Entitlements

	2009	2008
Accrued Vacation Leave	\$182,550	\$176,357

8. Contributed Capital

During the year the Authority received equity injection of \$138,932 (2008: \$474,500).

9. Salaries and Benefits

	2009	2008 (Restated)
Salaries and wages	\$2,091,372	\$1,947,724
Pension expenses	208,726	285,352
Health Insurance	888,832	587,798
Vacation due	6,192	(123,187)
Other personnel costs	188,934	172,161
Total Salaries and benefits	\$3,384,056	\$2,869,848

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 plan. Prior to 1 January 2000 the scheme underlying the Fund was a defined benefits scheme. 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 2008-09 (2007-08: 12%).

The Plans are funded at rates of: -

		2009	2008
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.

The total amount recognised as a pension expense in personnel costs for the year ending 30 June 2009 was \$540,739 (30 June 2008: \$441,965). 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 2009.

National Roads Authority
Notes to the Financial Statements
30 June 2009

10. Pensions (continued)

The Authority recognises 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 was conducted as at 30 June 2008 (dated July 17, 2009) and 30 June 2007 (dated November 21, 2008 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 for the following year ends are as follows:

	2008 \$000	2007 \$000	2006 \$000	2005 \$000
Fair value of plan assets	585	458	268	187
Net present value of funded obligation, beginning of year	542	460	539	315
Defined benefit liability	43	(2)	(171)	(128)
Unrecognised actuarial net losses	(292)	(237)	32	32
Net liability, end of year	(249)	(239)	(139)	(96)

Past service pension liability valuations for the periods ending 30 June 2007 and 30 June 2008, in the amounts of \$10,000 and \$100,000 respectively, were made available to the Authority during the current period. The Authority recognized the adjustments in the current period. No valuations were done as at 30 June 2009 and thus the amount recognized as a past service pension liability on the statement of financial position is \$249,000, which reflects the actuarial position as at 30 June 2008.

National Roads Authority
Notes to the Financial Statements
30 June 2009

10. Pensions (continued)

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

	30 June 2008 \$000	30 June 2007 \$000	30 June 2006 \$000	30 June 2005 \$000
Defined benefit obligation, beginning of year	460	539	315	-
Current service cost	115	205	215	143
Interest cost	29	34	16	(1)
Plan participant contributions	98	92	82	85
Net actuarial (gain)/loss on obligations	(149)	(266)	(59)	88
Transfers between other participating entities	(11)	(144)	(30)	-
Defined benefit obligation, end of year	542	460	539	315

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

	30 June 2008 \$000	30 June 2007 \$000	30 June 2006 \$000	30 June 2005 \$000
At the beginning of year	458	368	187	-
Employer and participant contributions	194	198	190	184
Expected return on assets net of expense	38	33	19	11
Actuarial gain/(loss) on plan assets	(94)	21	2	(8)
Transfers between other participating Entities	(11)	(144)	(30)	-
Other: Impact of restatement of beginning of year assets	-	(18)	-	-
At the end of year	585	458	368	187

National Roads Authority
Notes to the Financial Statements
30 June 2009

10. Pensions (continued)

Reconciliation showing movement of past service liability(PSL) during the period:

	\$000
Balance as at 30 June 2006	139
Plus: Reconciliation of PSL 2007	100
Plus: Reconciliation of PSL 2008	10
Balance as at 30 June 2009	<u>249</u>

Actuarial determination of pension expense as at:

	30 June 2009 \$000	30 June 2008 \$000	30 June 2007 \$000	30 June 2006 \$000
Current service cost, net of employee contributions	89	115	205	215
Interest cost	37	29	34	16
Expected return on assets	(46)	(38)	(33)	(19)
Recognition of net loss	-	-	-	3
Pension Expense	<u>80</u>	<u>106</u>	<u>206</u>	<u>215</u>

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

	30 June 2008	30 June 2007	30 June 2006	30 June 2005
Global Equities	46.50%	59.20%	58.70%	47.80%
Bonds	43.00%	33.90%	37.00%	37.90%
Other - Long-term Deposit/Cash	6.00%	6.90%	4.30%	14.30%
Property	4.50%	0.00%	0.00%	0.00%

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:

National Roads Authority
Notes to the Financial Statements
30 June 2009

10. Pensions (continued)

	30 June 2008	30 June 2007	30 June 2006	30 June 2005
Discount Rate	6.75%	6.25%	6.25%	5.25%
Expected long-term rate of return (net of Expense)	7.00%	7.00%	7.00%	7.00%
Salary Increase	4.00%	4.00%	4.00%	4.00%
Future Pension Increases	2.50%	2.50%	2.50%	2.50%
Inflation Rate	2.50%	2.50%	2.50%	2.50%
Expected remaining working lives (years)	14.09	14.09	14.14	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 \$8.8 million under the Purchase Agreement (2008: \$5m). 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.

	2009	2008
Sales of Services to Cabinet	\$19,086,117	\$23,226,620
Sales of Services to other government agencies	149,464	705,402
Sales of Services to third parties	955,648	-
	<u>\$ 20,191,229</u>	<u>\$ 23,932,022</u>

During this year the Authority also delivered Capital Expenditure Projects of \$10,118,517 (2008: \$18,261,620) to the Government for the construction of roads under the Ownership Agreement.

Upon creation of the Authority on 1 July 2004, no movable properties were vested to the Authority even up to 30 June 2009. Henceforth, the Public Works Department (PWD) allowed the Authority to use its vehicles and heavy equipment for road construction and maintenance free of charge. As at 30 June 2009, the Authority owes PWD the amount of \$341,030 (2008: \$368,869) for support services extended to the latter such as office and workshop accommodation, tenant's requirements, utilities, accounting services, service parking and compound security.

The remuneration of directors and other members of key management personnel during the year was \$776,792 (2008: \$551,331).

12. Contingencies

Under section 28(1) of the *NRA Law* an annual payment to the core government may be due.

National Roads Authority
Notes to the Financial Statements
30 June 2009

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 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 for 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 2009 was \$25k (2008: \$74k)

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 2009, no provision for doubtful debts has been made as none of these assets are impaired and management consider these amounts owing to be recoverable in full (2008: Nil).

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

Liquidity Risk

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

The ability of the Authority to meet its debts and obligations is dependent upon its ability to collect the debts outstanding to the Authority in a timely basis. As at 30 June 2009 and 2008, all of the financial liabilities were due within one month of the balance sheet dates.

14. Financial Instruments - Fair Values

As at 30 June 2009 and 2008, 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 determined 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. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.