



National Road Authority

Financial Statements

June 30, 2010

NATIONAL ROADS AUTHORITY

FINANCIAL STATEMENTS

JUNE 30, 2010

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**National Roads Authority
Financial Statements
30 June 2010**

STATEMENT OF RESPONSIBILITY FOR THE 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)* and referenced to Section 26(1b) of the *National Roads Authority (2006 Revision)*.

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)*.

As Chairman and Managing Director, we are responsible for establishing; and have established and maintain a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the National Roads Authority.

As Chairman and Managing Director we are responsible for the preparation of the National Roads Authority financial statements and for the judgements made in them.

The financial statements fairly present the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity for the financial year ended 30 June 2010.

To the best of our knowledge we represent that these financial statements:

- (a) are completely and reliably reflect the financial transactions of National Roads Authority for the year ended 30 June 2010;
- (b) fairly reflect the financial position as at 30th June 2010 and comprehensive income for the year ended 30th June 2010;
- (c) comply with International Financial Reporting Standards under the responsibility of the International Accounting Standards Board.

The Office of the Auditor General conducts an independent audit and expresses an opinion on the accompanying financial statements. The Office of the Auditor General has been provided access to all the information necessary to conduct an audit in accordance with International Standards of Auditing.

A handwritten signature in blue ink, appearing to read 'C. Scott'.

Mr. Colford Scott
Chairman
National Roads Authority

A handwritten signature in blue ink, appearing to read 'Brian Tomlinson'.

Mr. Brian Tomlinson
Managing Director
National Roads Authority

Date: 12 October 2010

Date: 12 October 2010



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Auditor General's Report

To the Board of Directors of the National Roads Authority

I have audited the accompanying financial statements of the National Roads Authority (the "Authority"), which comprise of the statement of financial position as at 30 June 2010, the statement of changes in equity, 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 as set out on pages 3 to 16 in accordance with the provisions of Section 52(3) of the *Public Management and Finance Law (2005 Revision)*.

Management's Responsibilities 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 my 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the National Roads Authority as at 30 June 2010 and the results of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in blue ink, appearing to read 'A Swarbrick'.

Alastair Swarbrick, MA (Hons), CPFA
Auditor General

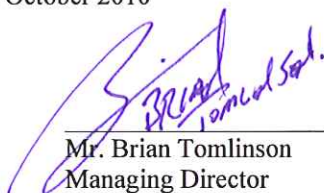
Cayman Islands
12 October 2010

National Roads Authority
Statement of Financial Position
As At 30 June 2010
(Stated in Cayman Islands Dollars)

CURRENT ASSETS	Note	2010	2009
Cash & Cash Equivalents	2b,3	\$3,095,477	\$3,410,264
Accounts Receivable	2e, 2f, 4	2,051,575	2,019,983
Inventory	2g	218,080	187,402
Total Current Assets		\$5,365,132	\$5,617,649
FIXED ASSETS			
Property, Plant & Equipment	2d, 5	\$2,006,205	\$2,582,384
Total Assets		\$7,371,337	\$8,200,033
CURRENT LIABILITIES			
Accounts Payable and Accrued Liabilities	2h, 6	2,762,475	2,905,574
Retirement Pension Liability	10	258,000	249,000
Employee Entitlements	2i, 7	137,658	182,550
Total Current Liabilities		\$3,158,133	\$3,337,124
TOTAL ASSETS LESS TOTAL LIABILITIES		\$4,213,204	\$4,862,909
EQUITY			
Retained earnings		(328,331)	321,374
Contributed Capital		4,541,535	4,541,535
Total Equity		\$4,213,204	\$4,862,909

Approved on behalf of the Board on the 12th of October 2010


Mr. Colford Scott
Chairman


Mr. Brian Tomlinson
Managing Director

The accompanying notes on pages 7 to 16 form an integral part of these financial statements.

National Roads Authority
Statement of Comprehensive Income
For the Year Ended 30 June 2010
(Stated in Cayman Islands Dollars)

	<u>Note</u>	2010	2009
SALES	11	\$ 10,998,047	\$ 20,191,229
COST OF SALES			
Materials		1,466,825	6,054,211
Labour		2,998,953	3,517,771
Subcontractors		990,031	4,708,726
Equipment Rentals		27,476	31,447
Total		5,483,285	14,312,155
GROSS PROFIT		5,514,762	5,879,074
OTHER INCOME		4,662	26,621
Net Sales		5,519,424	5,905,695
OPERATING EXPENSES			
Personnel Costs	9	3,226,113	3,384,055
Utilities		1,021,761	1,018,245
Motor Vehicle Expenses (including insurance)		674,418	1,078,399
Depreciation	5	645,839	655,433
Professional Fees		183,518	666,560
Office Rental		148,390	146,050
Computer Maintenance & Fees		118,040	131,464
Telephone		57,299	92,886
Building Maintenance		35,893	81,730
Supplies & Consumables		25,674	76,084
Insurance		17,081	21,416
Past Service Pension	10	9,000	110,000
Bank Charges		3,901	3,232
Advertising & Promotion		2,202	11,248
Travel & Subsistence		-	12,815
Total		6,169,129	7,489,617
NET LOSS FOR YEAR		\$ (649,705)	\$ (1,473,922)

The accompanying notes on pages 7 to 16 form an integral part of these financial statements.

**National Roads Authority
Statement of Changes in Equity
For the Year Ended 30 June 2010
(Stated in Cayman Islands Dollars)**

	<u>Accumulated Surplus</u>	<u>Contributed Capital</u>	<u>Total</u>
Balance at 1 July 2008	\$ 1,905,296	\$ 4,402,603	\$ 6,307,899
Net income (loss) for 08/09	(1,473,922)	-	(1,473,922)
Equity Investment	-	138,932	138,932
Prior Period Adjustment	(110,000)	-	(110,000)
Balance at 30 June 2009	321,374	4,541,535	4,862,909
Net income (loss) for 09/10	(649,705)	-	(649,705)
Balance at 30 June 2010	<u>\$ (328,331)</u>	<u>\$ 4,541,535</u>	<u>\$ 4,213,204</u>

The accompanying notes on pages 7 to 16 form an integral part of these financial statements.

**National Roads Authority
Statement of Cash Flows
For the Year Ended 30 June 2010
(Stated in Cayman Islands Dollars)**

	<u>Note</u>	2010	2009
CASH FLOW FROM OPERATING ACTIVITIES			
Net Loss		(\$649,705)	(\$1,473,923)
Adjustment for non cash transactions:			
Gain on sale or disposal of property, plant & equipment		-	(1,400)
Depreciation	5	645,839	655,433
Total		(3,866)	(819,890)
Net change in working capital			
(Increase)/Decrease in Accounts Receivable		(31,592)	541,527
(Increase)/Decrease in Inventory		(30,678)	352
Decrease in Accounts Payable and Accrued Liabilities		(178,991)	(663,806)
Net Cash Used by Operating Activities		<u>(245,127)</u>	<u>(941,817)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets	5	(69,660)	(734,788)
Proceeds from disposal of property, plant & equipment		-	1,500
Net Cash Used by Investing Activities		<u>(69,660)</u>	<u>(733,288)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Contributed Capital from Government	8	-	138,932
Net Cash Provided by Financing Activities		<u>-</u>	<u>138,932</u>
Net Decrease in Cash and Cash Equivalents During the Year		(314,787)	(1,536,173)
Cash and Cash Equivalents at the Beginning of the Year		3,410,264	4,946,437
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	<u>\$3,095,477</u>	<u>\$3,410,264</u>

The accompanying notes on pages 7 to 16 form an integral part of these financial statements.

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2010
(Stated in Cayman Islands Dollars)

1. Establishment and Principal Activity

The National Roads Authority ("NRA" or "Authority") is an independent Statutory Authority created on 1 July 2004 by the National Roads Authority Law, 2004. The Authority reports on its operations to the Ministry of District Administration, Works, Lands and Agriculture of the Cayman Islands Government.

The NRA administers, manages, controls, develops and maintains 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 2010, the NRA had 110 employees (30 June 2009: 132 employees). The NRA is located at 342B Dorcy Drive, P.O. Box 10426, Grand Cayman KY1-1004, Cayman Islands.

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

Cash and short term investments have 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 statement of financial position date. Revenue and expense transactions denominated in foreign currency are translated to Cayman Islands Dollars at exchange rates 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 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 2010
(Stated in Cayman Islands Dollars)

2. Significant Accounting Policies (continued)

(e) Receivables

Receivables are stated at original invoice amounts less provision for doubtful debts.

(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 2010
(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 2010
(Stated in Cayman Islands Dollars)

3. Cash & Cash Equivalents

	2010	2009
Bank accounts	\$1,705,866	\$2,022,726
Term deposits	1,389,611	1,387,538
Total Cash & Cash Equivalents	\$3,095,477	\$3,410,264

The interest rate of the term deposit is 0.125% per annum and a maturity date of July 14, 2010.

4. Accounts Receivable & Prepaid Expenses

	2010	2009
Receivable from Core Government	\$1,892,318	\$1,813,457
Receivable from other government agencies	52,329	143,199
Accounts Receivable and Prepayments	106,828	58,977
Staff loans	100	4,350
Total Accounts Receivable & Prepaid Expenses	\$2,051,575	\$2,019,983

5. Fixed Assets

Cost	Vehicles & Heavy Equipment	Furniture & Fixtures & Office Equipment	IT Equipment	Other Plant & Equipment	Leasehold Improvements	Total
	\$	\$	\$	\$	\$	\$
Opening Balance	3,010,052	137,272	275,067	982,978	187,769	4,593,137
Additions	38,467		12,500	18,693		69,660
Balance at 30 June 2010	3,048,519	137,272	287,567	1,001,671	187,769	4,662,797
Accumulated Depreciation						
Opening Balance	1,428,805	63,457	185,645	238,962	93,884	2,010,753
Charge for the year	333,788	53,939	47,158	117,170	93,785	645,839
Balance at 30 June 2010	1,762,593	117,396	232,803	356,132	187,669	2,656,592
Net Book Value At 30 June 2010	\$1,285,926	\$19,876	\$54,764	\$645,539	\$100	\$2,006,205
Net Book Value At 30 June 2009	\$1,581,247	\$73,815	\$89,422	\$744,015	\$93,884	\$2,582,384

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2010
(Stated in Cayman Islands Dollars)

6. Accounts Payable and Accrued Liabilities

	2010	2009
Trade Creditors	\$2,709,955	\$2,864,504
Accruals	52,520	41,070
Total Accounts Payable and Accrued Liabilities	\$2,762,475	\$2,905,574

7. Employee Entitlements

	2010	2009
Accrued Vacation Leave	\$137,658	\$182,550

8. Contributed Capital

During the year the Authority received no equity injection. (2009: \$138,932).

9. Salaries and Benefits

	2010	2009
Salaries and wages	\$1,825,250	\$2,097,564
Employer & Employee pension expenses	245,893	208,726
Health Insurance	986,898	888,832
Other personnel costs	168,072	188,934
Total Salaries and Benefits	\$3,226,113	\$3,384,056

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 2009-10 (2008-09: 12%).

The Plans are funded at rates of: -

		2010	2009
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 2010
(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 2010 was \$530,969 (30 June 2009: \$540,739). 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 year ended 30 June 2010.

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 recognizes the unfunded past service liability as a liability in its financial statements.

The most recent actuarial valuations for IAS 19 reporting was conducted as at 30 June 2009 (dated July 30, 2010), 30 June 2008 (dated July 17, 2009), 30 June 2007 (dated November 21, 2008), 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-Jun-09 \$000	As at 30-Jun-08 \$000	As at 30-Jun-07 \$000	As at 30-Jun-06 \$000
Fair Value of Plan Assets	677	585	458	268
Net Present Value of Funded Obligation, beginning of year	1,293	542	460	539
Defined Benefit Liability	(616)	43	(2)	(171)
Unrecognised Past Service Cost	-	-	-	-
Unrecognised Actuarial Net Loss/(Gain)	358	(292)	(237)	32
Net Liability in Balance Sheet, end of year	(258)	(249)	(239)	(139)

No valuations were done as at 30 June 2010 and thus the amount recognized as a Past Service Pension Liability on the Balance Sheet is \$258,000, which reflects the actuarial position as at 30 June 2009.

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2010
(Stated in Cayman Islands Dollars)

10. Pensions (continued)

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

	30-June 2009 \$000	30-June 2008 \$000	30-June 2007 \$000	30-Jun 2006 \$000
Defined Benefit Obligation, beginning of year	542	460	539	315
Current Service Cost	89	115	205	215
Interest Cost	37	29	34	16
Plan Participant Contributions	80	98	92	82
Net Actuarial (Gain)/Loss on obligations	545	(149)	(266)	(59)
Transfers between other participating Entities	-	(11)	(144)	(30)
Defined Benefit Obligation, end of year	1,293	542	460	539

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

	30-June 2009 \$000	30-June 2008 \$000	30-June 2007 \$000	30-June 2006 \$000
At the beginning of year	585	458	368	187
Employer & Participant Contributions	174	194	198	190
Expected Return on Assets net of Expense	46	38	33	19
Actuarial Gain/(Loss) on plan assets	(102)	(94)	21	2
Transfers between other participating Entities	-	(11)	(144)	(30)
Other: Impact of restatement of beginning of year assets	(26)	-	(18)	-
At the end of year	677	585	458	368

Reconciliation showing movement of past service liability during the period:

	\$000
Balance as at 30 June 2008	249
Plus: Reconciliation of PSL 2009	9
Balance as at 30 June 2010	258

As a result of the past service liability not being fully recognized in the past year due to delays in the actuarial valuations, there was an increase of \$9,000 to the Past Service Pension Liability. This amount was recognized as liability in the Balance Sheet & Retained Earnings as at 30 June 2009.

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2010
(Stated in Cayman Islands Dollars)

Actuarial Determination of Pension Expense as at:

	30-Jun-10 \$000	30-Jun-09 \$000	30-Jun-08 \$000	30-Jun-07 \$000
Current Service Cost, net of employee contributions	186	89	115	205
Interest Cost	74	37	29	34
Expected Return on Assets	(45)	(46)	(38)	(33)
Recognition of Net Loss	18	-	-	-
Pension Expense	233	80	106	206

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

	30-Jun-09	30-Jun-08	30-Jun-07	30-Jun-06
Global Equities	44.10%	46.50%	59.20%	58.70%
US Equities	0.00%	0.00%	0.00%	0.00%
Bonds	49.00%	43.00%	33.90%	37.00%
Other - Long-term Deposit/Cash	3.90%	6.00%	6.90%	4.30%
Property	3.00%	4.50%	0.00%	0.00%

The share of assets allocated to the Authority's participation in the defined benefit part of the Plan was C\$ 676,694 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-Jun-09	30-Jun-08	30-Jun-07	30-Jun-06
Discount Rate	5.75%	6.75%	6.25%	6.25%
Expected long-term rate of return (net of Expense)	6.00%	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)	13.14	14.09	14.09	14.14

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

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2010
(Stated in Cayman Islands Dollars)

11. Related Party Transactions

The Authority provided services to the Government for the development and maintenance of the public roads within the Cayman Islands which amounted to \$7.9 million under the Purchase Agreement (2009:\$9.3m). During the year the Authority also delivered Capital Expenditure Projects of \$2 million (2009:\$9.7m) to the Government for the construction of roads under the Ownership Agreement. The Authority also provided services to other government departments of the Cayman Islands Government. Such services are provided at current prevailing market prices on an arm's length basis. Sales to third parties include services for drain well and curbs, installation of signs, paving and trench reinstatement services.

	2010	2009
Sales to Cabinet	\$9,856,382	\$19,086,117
Sales to other government agencies	375,282	149,464
Sales to third parties	766,383	955,648
	<u>\$10,998,047</u>	<u>\$20,191,229</u>

Upon creation of the Authority on 1 July 2004, no movable properties were vested to the Authority. 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 2010, the Authority owes PWD the amount of \$340,986 (2009: \$341,030) 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 \$ 672,541 (2009:\$776,792). There were 19 personnel categorized in 2010 broken down as 7 key management personnel and 12 Directors (2009: 7 key management personnel and 10 Directors).

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 there has been no request made.

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.

National Roads Authority
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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 2010 was \$2k (2009: \$25k)

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 2010, 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 (2009: 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 2010 and 2009, all of the financial liabilities were due within one month of the balance sheet dates.

14. Financial Instruments- fair values

As at 30 June 2010 and 2009, 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. Operating Lease

The Authority entered into a five year lease with Heritage Holdings Limited on September 1, 2009 for storage and laboratory. The annual lease payments for the period amount to \$50,340 (2009:\$48,000). The lease payments are subject to an annual increase of 3%. The total payments for the five year lease including the annual 3% interest is \$275,608. The tenant has the option to renew the lease for further term of one (1) year or more at the expiration of the term and shall give notice in writing to that effect not less than three months before expiration of the term.