



National Road Authority

Financial Statements

June 30, 2012

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**National Roads Authority
Financial Statements
30 June 2012**

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 (2010 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 (2010 Revision)*.

As Chairman and Acting 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.

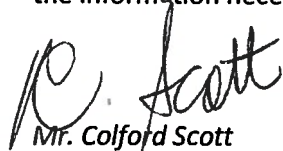
As Chairman and Acting Managing Director we are responsible for the preparation of the National Roads Authority financial statements and for the judgements made in them.

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 2012.

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 2012;
- (b) fairly reflect the financial position as at 30th June 2012 and comprehensive income for the year ended 30th June 2012;
- (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 on Auditing.



Mr. Colford Scott
Chairman
National Roads Authority



Mr. Edward Howard
Acting Managing Director
National Roads Authority

Date-

Date-

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 2012, 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 4 to 22 in accordance with the provisions of Section 60(1)(a) of the *Public Management and Finance Law (2012 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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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, the financial statements present fairly, in all material respects, the financial position of the National Roads Authority as at 30 June 2012 and the results of its comprehensive income and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Alastair Swarbrick, MA (Hons), CPFA
Auditor General

Cayman Islands
25 October 2012



National Roads Authority
Statement of Financial Position
As at 30 June 2012
(Stated in Cayman Islands Dollars)

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
ASSETS			
Current Assets			
Cash and cash equivalents	2b,3	842,029	1,868,051
Accounts receivable	2e,2f,4	3,066,347	3,468,458
Inventories	2g,5	285,248	211,996
Total Current Assets		<u>4,193,625</u>	<u>5,548,505</u>
Non Current Assets			
Property, plant and equipment	2d,6	1,630,198	1,952,782
Total Assets		<u>5,823,823</u>	<u>7,501,287</u>
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable	2h,7	892,358	1,155,989
Unearned Revenue	2j,8	375,799	1,946,096
Retirement pension liability	12	508,000	335,000
Employee entitlements	2i,9	138,124	150,491
Total Current Liabilities		<u>1,914,281</u>	<u>3,587,576</u>
Equity			
Contributed capital	10	4,541,535	4,541,535
Retained earnings		(631,993)	(627,824)
Total Equity		<u>3,909,542</u>	<u>3,913,711</u>
Total Liabilities and Equity		<u>5,823,823</u>	<u>7,501,287</u>

Approved on behalf of the Board on the 25th of OCTOBER 2012

Mr. Colford Scott
Chairman

Mr. Edward Howard
Acting Managing Director

The accompanying notes on pages 8-22 form an integral part of these financial statements.



National Roads Authority
Statement of Comprehensive Income
For the year ended 30 June 2012
(Stated in Cayman Islands Dollars)

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
SALES	13	11,266,940	11,995,308
COST OF SALES			
Labour		2,522,723	2,593,398
Materials		1,428,123	1,546,833
Subcontractors		766,086	2,143,325
Hired equipment		1,120	1,529
Total Cost of Sales		4,718,052	6,285,085
GROSS PROFIT		6,548,888	5,710,223
Other Income		1,787	(12,094)
NET SALES		6,550,675	5,698,129
OPERATING EXPENSES			
Personnel costs	11	3,344,947	3,227,573
Utilities		1,533,593	1,251,736
Motor vehicle expenses (including insurance)		693,775	651,763
Depreciation	6	471,513	487,633
Past service pension	12	173,000	77,000
Computer maintenance & fees		98,280	116,076
Professional fees		49,780	251,784
Office rental	17	42,440	55,172
Telephone		39,041	53,032
Building maintenance		36,201	64,920
Supplies & consumables		31,688	29,131
Insurance		13,354	19,497
Bad debt expense		12,040	-
Bank charges		6,551	7,082
Advertising & promotion		6,000	15,556
Travel & subsistence		2,641	4,848
Total Operating Expenses		6,554,844	6,312,803
NET (LOSS) FOR YEAR		(4,169)	(614,674)

The accompanying notes on pages 8-22 form an integral part of these financial statements



**National Roads Authority
Statement of Changes in Equity
For the Year Ended 30 June 2012
(Stated in Cayman Islands Dollars)**

	Retained Earnings	Contributed Capital	Total
Restated balance at 30 June 2010	(13,150)	4,541,535	4,528,385
Net (Loss) for 10/11	(614,674)	-	(614,674)
Restated balance at 30 June 2011	(627,824)	4,541,535	3,913,711
Net (Loss) for 11/12	(4,169)	-	(4,169)
BALANCE at 30 JUNE 2012	(631,993)	4,541,535	3,909,542

The accompanying notes on pages 8-22 form an integral part of these financial statements.



**National Roads Authority
Statement of Cash Flows
For the Year Ended 30 June 2012
(Stated in Cayman Islands Dollars)**

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
CASH FLOW FROM OPERATING ACTIVITIES			
Net (Loss) for the Year		(4,169)	(614,674)
Adjustment for non cash transactions:			
(Gain)/loss on sale or disposal of property, plant & equipment		(300)	13,728
Bad debt expense		12,040	-
Depreciation	6	471,513	487,633
		<u>479,084</u>	<u>(113,313)</u>
Net change in working capital			
Decrease /(increase) in accounts receivable		390,070	(1,416,883)
(Increase)/decrease in inventories		(73,253)	6,084
(Decrease)/increase in accounts payable and accrued liabilities		(1,673,295)	744,624
Net cash used by operating activities		<u>(877,394)</u>	<u>(779,488)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets	6	(148,928)	(461,838)
Proceeds from disposal of property, plant & equipment		300	13,900
Net cash used by investing activities		<u>(148,628)</u>	<u>(447,938)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Contributed capital from Government	10	-	-
Net cash provided by financing activities		<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents during the year		(1,026,022)	(1,227,426)
Cash and cash equivalents at the beginning of the year		<u>1,868,051</u>	<u>3,095,477</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	<u><u>\$842,029</u></u>	<u><u>\$1,868,051</u></u>

The accompanying notes on pages 8-22 form an integral part of these financial statements



**National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2012
(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 District Administration, Works, Lands and Agriculture 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 2012, the NRA had 99 employees (30 June 2011: 109 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

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 statement of comprehensive income.

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2012
(Stated in Cayman Islands Dollars)

2. Significant Accounting Policies (continued)

(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

(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.

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2012
(Stated in Cayman Islands Dollars)

2. Significant Accounting Policies (continued)

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 12).

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.

(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 12). Unearned revenue comprises amounts paid to the Authority in advance of work performed performed and amounts which the Authority has invoiced for in advance of work performed. These unearned amounts are recognized as revenue in the income statement as work is performed related to the amounts received or billed in advance. 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 payable, unearned revenue and employee entitlements.

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2012
(Stated in Cayman Islands Dollars)

2. Significant Accounting Policies (continued)

(ii) Recognition

The Authority recognises financial assets and financial liabilities on the date it becomes party to the contractual provisions of the instrument. From this date, any gains and losses arising from changes in fair value of the assets or liabilities are recognised in the 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.

(m) Classification

Certain prior year figures have been reclassified to conform to current year presentation.

(n) Changes in International Financial Reporting Standards

n.1 Amendments to published standards effective July 1, 2011

IAS 24 Related Party Transactions (Amendment)

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the entity.

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2012
(Stated in Cayman Islands Dollars)

2. Significant Accounting Policies (continued)

IAS 32 Financial Instruments: Presentation (Amendment)

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the entity because the entity does not have these type of instruments.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The entity is not subject to minimum funding requirements in Euroland, therefore the amendment of the interpretation has no effect on the financial position nor performance of the entity.

Improvements to IFRSs

IFRS 7 Financial Instruments — Disclosures:

The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The entity reflects the revised disclosure requirements in Note 16.

IAS 1 Presentation of Financial Statements:

The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements. The amendment had no effect on the performance of the entity or in the statement of changes in equity or in the notes to the financial statements.

n.2 Relevant standards and amendments issued prior to June 30, 2011, but not effective until future periods

Standards issued but not yet effective up to the date of issuance of the Authority's financial statements are listed below. This listing of standards and interpretations issued are those that the entity reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Authority intends to adopt these standards when they become effective.

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2012
(Stated in Cayman Islands Dollars)

2. Significant Accounting Policies (continued)

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has there no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 19 Employee Benefits (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The group had made a voluntary change in accounting policy to recognise actuarial gains and losses in OCI in the current period. The entity is currently assessing the full impact of the remaining amendments. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the course of 2011 or the first half of 2012. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Entity's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Entity will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2012
(Stated in Cayman Islands Dollars)

2. Significant Accounting Policies (continued)

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The entity is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

3. Cash & Cash Equivalents

	2012	2011
Bank accounts	\$842,029	\$476,807
Term deposits	-	1,391,244
Total Cash & Cash Equivalents	\$842,029	\$1,868,051

4. Accounts Receivable & Prepaid Expenses

	2012	2011
Outputs to Cabinet	\$2,977,358	\$3,228,953
Outputs to other government agencies	27,999	58,525
Accounts Receivable Others & Prepayment	58,310	176,857
Staff loans	2,680	4,123
Total Accounts Receivable & Prepaid Expenses	\$3,066,347	\$3,468,458

5. Inventories

	2012	2011
Finished Goods - Cayman Rock	153,924	167,600
Finished Goods - AE60	68,850	25,983
Finished Goods - Crusher Run	47,625	4,797
Finished Goods - 3/8 Wahed Chips	12,729	8,214
Finished Goods - Concrete Stone	1,814	5,163
Finished Goods - Sand	306	239
Total	285,248	211,996

**National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2012
(Stated in Cayman Islands Dollars)**

6. Fixed Assets

Cost	Vehicles & Heavy Equipment	Furniture & Fixtures & Office Equipment	IT Equipment	Other Plant & Equipment	Leasehold Improvement	Total
Opening Balance	\$2,990,237	\$137,272	\$305,772	\$1,415,803	\$187,769	\$5,036,853
Additions	-	-	6,990	110,433	31,506	148,929
Total	2,990,237	137,272	312,762	1,526,236	219,275	5,185,782
Balance at 30 June 2012	2,990,237	137,272	312,762	1,526,236	219,275	5,185,782
Accumulated Depreciation						
Opening Balance	2,022,790	124,043	277,043	472,526	187,669	3,084,071
Charge for the year	303,737	2,148	14,276	151,352	-	471,513
Total	2,326,527	126,191	291,319	623,878	187,669	3,555,584
Balance at 30 June 2012	2,326,527	126,191	291,319	623,878	187,669	3,555,584
Net Book Value at June 2012	\$663,710	\$11,081	\$21,443	\$902,358	\$31,606	\$1,630,198
Net Book Value at June 2011	\$967,447	\$13,229	\$28,729	\$943,277	\$100	\$1,952,782

7. Accounts Payable and Accrued Liabilities

	2012	2011
Trade Creditors	\$819,218	\$1,103,823
Accruals	73,140	52,166
Total Accounts Payable and Accrued Liabilities	\$892,358	\$1,155,989

8. Unearned Revenue

Unearned revenue are amounts paid to the Authority or billed by the Authority under an appropriation from Cabinet for work yet to be performed. Amounts billed but not received at year end related to the Conch Point Road Resurfacing and Frank Sound/Clifton Hunter Road widening projects. The total amount billed related to these projects at year end was \$375,799 (2011: 1,946,096). The amounts received as revenue deposits will be recognized as revenue by the Authority as projects are performed. The Authority does not perform works on the projects for which amounts have been billed but not yet received. Once funds are received, work commences and revenue is recognized as work is performed.

	2012	2011
Linford Pierson Project	-	\$948,230
Iguana Preserve Road Project	-	897,946
Belford Estates Drainage Project	-	99,920
Conch Point Road Project	\$281,960	-
Frank Sound Road Project	93,839	-
Total	\$375,799	\$1,946,096

**National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2012
(Stated in Cayman Islands Dollars)**

9. Employee Entitlements

	2012	2011
Accrued Vacation Leave	\$138,124	\$150,491

10. Contributed Capital

During the year the Authority received no equity injection. (2011: nil).

11. Salaries and Benefits

	2012	2011
Salaries and wages	\$1,926,247	\$1,790,906
Employer & Employee pension expenses	261,273	224,465
Health Insurance	1,115,080	1,031,048
Vacation due	(12,367)	12,833
Other personnel costs	54,714	168,321
Total Salaries and Benefits	\$3,344,947	\$3,227,573

12. 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 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 2010-11 (2009-10: 12%).

The Plans are funded at rates of: -

		2012	2011
Defined Contribution Plans	- Employer	6.192%	6.192%
	- Employee	6.192%	6.192%
Defined Benefit Plans	- Employer	6.192%	6.192%
	- Employee	6.192%	6.192%

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 2012
(Stated in Cayman Islands Dollars)

12. Pensions (continued)

The total amount recognised as a pension expense in personnel costs for the year ending 30 June 2012 was \$537,038 (30 June 2011: \$479,108). 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 2012.

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 2011 (dated 23 July 2012), 30 June 2010 (dated July 26, 2011), 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-11 \$000	As at 30-Jun-10 \$000	As at 30-Jun-09 \$000	As at 30-Jun-08 \$000
Fair Value of Plan Assets	1,507	1,062	677	585
Net Present Value of Funded Obligation, beginning of year	2,255	1,812	1,293	542
Defined Benefit Liability	(748)	(750)	(616)	43
Unrecognised Past Service Cost	-	-	-	-
Unrecognised Actuarial Net Loss/(Gain)	240	415	358	(292)
Net Liability in Balance Sheet, end of year	<u>(508)</u>	<u>(335)</u>	<u>(258)</u>	<u>(249)</u>

No valuations were done as at 30 June 2012 and thus the amount recognized as a Past Service Pension Liability on the Balance Sheet is \$508,000, which reflects the actuarial position as at 30 June 2011.

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12. Pensions (continued)

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

	30-June 2011 \$000	30-June 2010 \$000	30-June 2009 \$000	30-June 2008 \$000
Defined Benefit Obligation, beginning of year	1,812	1,293	542	460
Current Service Cost	218	186	89	115
Interest Cost	98	74	37	29
Plan Participant Contributions	84	134	80	98
Net Actuarial (Gain)/Loss on obligations	43	125	545	(149)
Transfers between other participating Entities	-	-	-	(11)
Defined Benefit Obligation, end of year	<u>2,255</u>	<u>1,812</u>	<u>1,293</u>	<u>542</u>

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

	30-June 2011 \$000	30-June 2010 \$000	30-June 2009 \$000	30-June 2008 \$000
At the beginning of year	1,062	677	585	458
Employer & Participant Contributions	180	290	174	194
Expected Return on Assets net of Expense	67	45	46	38
Actuarial Gain/(Loss) on plan assets	198	50	(102)	(94)
Transfers between other participating Entities	-	-	-	(11)
Other: Impact of restatement of beginning of year assets	-	-	(26)	-
At the end of year	<u>1,507</u>	<u>1,062</u>	<u>677</u>	<u>585</u>

Reconciliation showing movement of past service liability during the period:

	\$000
Balance as at 30 June 2010	335
Plus: Reconciliation of PSL 2011	<u>173</u>
Balance as at 30 June 2012	<u>508</u>

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 \$173,000 to the Past Service Pension Liability. This amount was recognized as liability in the Balance Sheet & Retained Earnings as at 30 June 2012.

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12. Pensions (continued)

Actuarial Determination of Pension Expense as at:

	30-Jun-12	30-Jun-11	30-Jun-10	30-Jun-09
	\$000	\$000	\$000	\$000
Current Service Cost, net of employee contributions	211	209	186	89
Interest Cost	122	98	74	37
Expected Return on Assets	(93)	(67)	(45)	(46)
Recognition of Net Loss	5	20	18	-
Pension Expense	<u>245</u>	<u>260</u>	<u>233</u>	<u>80</u>

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

	30-Jun-11	30-Jun-10	30-Jun-09	30-Jun-08
Global Equities	60.62%	54.50%	44.10%	46.50%
Bonds	32.04%	37.30%	49.00%	43.00%
Other - Long-term Deposit/Cash	4.04%	5.10%	3.90%	6.00%
Property	3.30%	3.10%	3.00%	4.50%

The share of assets allocated to the Authority's participation in the defined benefit part of the Plan was CI\$1,506,722 (30 June 2011 \$1,062,025) 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-11	30-Jun-10	30-Jun-09	30-Jun-08
Discount Rate	5.50%	5.50%	5.75%	6.75%
Expected long-term rate of return (net of Expense)	6.00%	6.00%	6.00%	7.00%
Salary Increase	3.50%	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)	12.01	12.48	13.14	14.09

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12. Pensions (continued)

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

13. 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 \$7.8 million under the Purchase Agreement (2011: \$7.9 million). During this year the Authority also delivered Capital Expenditure Projects of \$3.4 million (2011: \$3.7 million) to the Government for the construction of roads under the Ownership 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. Sales to third parties include services for drain wells and curbs, installation of signs, paving and trench reinstatement services.

	2012	2011
Sales of Services to Cabinet	\$10,940,790	\$11,665,918
Sales of Services to other government agencies	293,794	323,011
Sales of Services to third parties	32,357	6,379
Total	\$11,266,940	\$11,995,308

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 2012, the Authority owes PWD the amount of \$54,799 (2011: \$25,806) 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 \$719,210 (2011: \$672,541). There were 15 personnel categorized in 2012 broken down as 6 key management personnel and 9 Directors (2011: 7 key management personnel and 12 Directors). During the year, the Authority purchased waste management services from an entity owned and operated by a member of its Board of Directors. The total dollar value of these transactions totalled \$4,750 (2011: \$3,000)

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14. 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.

15. 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 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 2012 was \$2k (2011: \$2k)

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 2012, 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 (2011: 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.

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Notes to the Financial Statements
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15. Financial Risk Management (continued)

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 2012 and 2011, all of the financial liabilities were due within one month of the balance sheet dates.

16. Financial Instruments- fair values

As at 30 June 2012 and 2011, 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.

17. Operating Lease

The Authority entered into a five year lease with Heritage Holdings on September 1, 2009 for storage and laboratory. The annual lease payments for the period amount to \$42,440 (2011: \$55,172). The lease payments are subject to an annual increase of 3%. The total payments for the five year lease including the annual 3% increase is \$262,484. The tenant has the option to renew the lease for a 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.