



ANNUAL REPORT

For

National Roads Authority

For the 2012/13 Financial Year

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Section 1 - Foreword

This annual report is for the National Roads Authority of the Cayman Islands ('The NRA'). The report outlines the NRA's performance during the 2012-13 fiscal year and compares it to the budgeted performance for the corresponding period.

The requirement for an annual report is prescribed under Section 52 of the Public Management and Finance Law (PMFL) Section 52 states:

- 1) *In respect of each financial year, each statutory authority and government company shall prepare an annual report.*
- 2) *An annual report shall report the performance of the authority and compare it with that proposed in the ownership agreement for that financial year and shall include:-*
 - a) A summary of the nature and scope of the activities of the authority or company during that financial year;
 - b) A summary of the extent to which the strategic goals and objectives of the authority or company described in the annual ownership agreement were achieved;
 - c) A summary of the extent to which the ownership performance targets set out in the authority's or company's annual ownership agreement for that financial year have been achieved in that financial year;
 - d) For the financial years:-
 - i. 2004/5 to 2007/8, unaudited financial statements; or
 - ii. 2008/9 and onwards, audited financial statements,Which shall be prepared on a basis consistent with the forecast financial statements in the authority's or company's annual ownership agreement for that financial year and contain the statements and information set out in schedule 4.
 - e) The amount of any **equity investment** made by the Governor in Cabinet in the authority or company during the financial year;
 - f) The amount of any **capital withdrawals** made by the Governor in Cabinet from the authority or company during the financial year;
 - g) The amount of any **dividends or profit distributions** paid by the authority or company during the financial year;
 - h) The amount of any **loans** to the authority or company by the Governor in Cabinet during the financial year; and
 - i) Details of any **guarantees** relating to the authority or company made by the Governor in Cabinet during the financial year.
- 3) The financial statements referred to in subsection 2(d) shall be prepared within two months of the end of the financial year. The financial statements referred to in subsection 2(d)(ii) shall be submitted to the Auditor General for auditing, and the

Auditor General shall express and opinion within two months of receipt of the financial statements.

- 4) The annual report shall be presented to the Governor in Cabinet by the relevant minister or official member no later than four months after the end of the financial year.

This annual report complies with the requirements of the PMFL and covers three main areas;

- Service delivery
- Financial performance
- Governance

The service delivery section outlines the contributions made by the NRA in furtherance of the Government's policy outcome goals. It also provides commentary which explains material variances in performance when compared to budget.

The financial performance section shows the financial resources the NRA was afforded in the 2012-13 budget and the inputs purchased to provide services. The financial performance is presented in the form of financial statements prepared in accordance with the Public Sector Accounting Standards (IPSAS) and the supporting notes to those financial statements.

The report also includes a section on Governance which outlines the NRA's efforts in the areas of risk management, and compliance with various statutory requirements.

Section 2 - Nature and Scope of Activities

The NRA's primary function is the provision of a safe and efficient network of public roads. It has overall responsibility for the planning, construction, and maintenance of public roads. In addition, the NRA has a number of specific functions under the National Roads Authority Law 2004, including:

- Provision of medium to long term plans for road development referred to as a National Roads Plan to be updated every four years.
- Implementation of a management system for planning, organizing, directing and controlling routine and periodic maintenance activities performed by employees of the Authority or through independent contractors.
- Carrying out of construction improvements and maintenance works on national roads.
- Carrying out necessary engineering, traffic, and economic studies that it may consider necessary for the maintenance and improvement of public roads.
- Training, research, or testing activities in relation to any of its functions.
- Additionally, the National Roads Authority provides support services to:
 - Public Works Department to enable that Department to provide an appropriate response to Hurricanes and other national emergencies, and
 - Planning Department for the review of planning applications involving storm water and road related matters and site inspections of constructed projects.

Mission of the National Roads Authority

To provide sustainable transport and promote land development in the Cayman Islands for all stakeholders while having regard to the delivery of the National Roads Plan element of the National Development Plan 1997.

Vision of the National Roads Authority

Commitment to our mission will enhance the quality of life, promote economic prosperity, and improve access and mobility for all residents and visitors of the Cayman Islands. We will be a recognized leader in the Caribbean for providing high quality roads and transport related infrastructure.

Customers and Location of Activities

Road users are the primary customers of the National Roads Authority. Income is generated by providing engineering, construction, and maintenance services for fund-holding Government Agencies, approved private sector clients, and any other entity that

the Authority agrees to provide services to. Services are provided only in the Cayman Islands.

Compliance during the Year

The NRA operated in general compliance with the Nature and Scope of Activities specified in the 2012/13 Ownership Agreement for the year.



Section 3 - Strategic Goals and Objectives

Approved Strategic Goals and Objectives

The key strategic goals and objectives for The National Roads Authority for the 2012/13 financial year as stated in the Ownership Agreement were as follows:

1. Continue establishment of the Authority, develop and implement effective administrative, financial and information management systems,
2. Identify and seek approval for strategies for financing future road development,
3. Continue the Traffic Improvement and Roads Development Programmes.

Compliance with Strategic Goals and Objectives

Revenue from Cabinet for FY2012/13 was approximately \$9.6M (Capital plus Recurrent). This year the Government chose to reduce the NRA's funding levels for recurrent operations specifically from two main allocations NRA 6 (District Roads Programme) and NRA 9 (Routine maintenance of public roads). The table below gives a relative comparison of funding levels for fiscal years between 2010 and 2013. The decrease in funding to these two streams severely retarded the NRA's day-to-day operations leaving the NRA to suspend its routine district roads maintenance programme for the first several months of FY12/13. Due to reduced budget appropriations, uncertainty of work and available cash, the NRA did not commence regular district roads maintenance activities until February 2013.

Note: Funding for NRA 9 was later increased to \$4,350,000 via reallocation (By Cabinet) of funds from EA36 on the Capital Assets side.

National Roads Authority
BUDGET YEARS - Recurrent Operations
COMPARISON of FISCAL YEARS 2010/11; 2011/12; 2012/13;

		2010/11	2011/12	2012/13
	Outputs			
Planning & Development of New Public Roads	NRA 5	\$185,000	\$300,000	\$100,000
Grand Cayman District Roads Programme	NRA 6	\$2,200,000	\$2,200,000	\$1,500,000
Policy Advice to Ministry	NRA 7	\$10,500	\$20,000	\$10,000
Stormwater Management & Mitigation Inundation	NRA 8	\$470,000	\$200,000	\$100,000
Routine Maintenance of Public Roads	NRA 9	\$3,700,000	\$3,500,000	\$2,720,000
Government Street Lighting Programme	NRA 10	\$1,220,000	\$1,224,000	\$1,500,000
Pavement Management & Other Roads Asset Mgt	NRA 11	\$150,000	\$150,000	\$70,000
		<u>\$7,935,500</u>	<u>\$7,594,000</u>	<u>\$6,000,000</u>

During the fiscal year 2012/2013 the NRA complied with the above approved strategic goals and objectives with the completion of the following projects:-

1. Goal: Continue establishment of the Authority, develop and implement effective administrative, financial and information management systems.

Accomplishments:

1.1 Human Resources Administration:

FY 12/13 was slow administratively due to budget constraints however the HRM oversaw successful completion of performance assessments for a majority of the NRA's employees. HRM also dealt with emerging post-retirement health insurance issues concerning a few employees.

1.2 Human Resources Policies and Procedures:

The 2012/2013 fiscal year the HR section was involved in the implementation on three policies:

- Managing Staff Reductions Procedures
- Drug And Alcohol Misuse Policy
- Probation Policy

1.3 Our People

The NRA boasts an all Caymanian staff complement of 95 with 8 of who are female employees.

The NRA celebrates its employee's by awarding an Employee of the Month, Quarter and Year and holds frequent social events including an end of fiscal year party, Thanksgiving Pot-Luck lunch, and annual Christmas Party

2. Goal: Identify and seek approval for strategies for financing future road development.

Accomplishments:

The revenue and resources of the Authority comprise of the following:

Monies directed by Law to the Roads Fund, as well as services purchased by Cabinet for the purposes of capital roads improvements. Other revenue sources may include:

- Road user charges collected by the Authority;
- Gifts or bequests received by the Authority;
- Other monies paid and property provided to the Authority by way of grants, rent, interest and other income derived from the investment of the Authority's funds.

Appropriation made by the Government for capital road improvement projects is based on service based budgeting. The Ministry with responsibility for road works purchases the services of the Authority (called executive assets) as agreed upon in the Purchase Agreements. The service of the Authority is not only measured in terms of input cost but also in quantity, quality, timeliness and location.

Sections 18 & 19 of the NRA Law (2006 Revision) establishes a Road Fund whereby the following executive revenue shall be placed:

- a) Twenty percent of the duty charged, collected and paid under the Customs Tariff Law (2002 Revision), upon motor gasoline imported into the Islands;
- b) Sixteen and two-thirds percent of the duty charged, collected and paid under the Customs Tariff Law (2002 Revision), upon diesel oil imported into the Islands, excluding diesel oil utilized by Caribbean Utilized by Caribbean Utilities Company;
- c) One hundred percent of the fees paid to the infrastructure fund under section 38(4) of the Development and Planning Law (2005 Revision); and
- d) Eighty percent of the fees paid in respect of the registration of motor vehicles under Part II of the Traffic Law (2003 Revision)

The Road Fund however is accounted for as discretionary revenue in the financial statements of the core government in accordance with the PMFL meaning that NRA has no direct access or control of the Road Fund – Cabinet has final say as to what portion of the Fund NRA receives annually.

Based on the recent uncertainty of Government funding levels the NRA is faced with having to consider an optimum staffing level (as well as staff costs) at which it can operate effectively.

Without a dedicated funding stream for at its least annual operating budget the NRA cannot execute its responsibilities under the NRA Law effectively.

3. Goal: Continue the Traffic Improvement and Roads Development Programme.

Accomplishments:

3.1 Transportation Planning Activities:

The NRA employs a small core of transportation engineering and planning professionals who report to the Deputy Managing Director and Managing Director and advise on all matters relating to transportation planning, traffic, and roads development and funding.

One of the main tasks of the NRA's transportation unit is to assist in the development of a long term (20-25 yr) roads plan. From the long term plan, a short term plan is developed; this short term plan consists of roads and roads improvements that are deemed as critical within 3 to 5 years.

- a. Some of the main activities of the transportation unit for FY2012/13 were as follows:

1. BT Waste Management Facility TIA Review

The NRA worked in conjunction with APEC on the organization and finalization of the Traffic Impact Assessment section of the Environmental Impact Assessment for the Environmental Statement of this project by providing traffic count data and reviewing a draft TIA report.

2. Road Safety Audit RFP for Grand Cayman Roundabouts

At the request of the Ministry of Works, the NRA worked with the Asset and Quality Control Engineer with the gathering of relevant traffic volume counts, speed and geometric design data on four of the island's roundabouts (Island Heritage, Dr. Tomlinson, Auto Spa in Red Bay and CNB/Elgin Avenue) as well as trying to collect available traffic collision data from RCIPS in order to prepare an RFP to be given to at least five qualified UK consultants to bid upon.

3. Island Wide Speed Limit study for the new Traffic Law (2011 Revision) –

Working in conjunction with the Ministry of Works, Vehicle Licensing and RCIPS, this project is in its final stage, all that remains is finalizing a map with appropriate description of the coordinates where speed limits are changing. Upon completion, the map and a table of the descriptive coordinates will be forwarded to the Ministry and V&L for final review and approval. Once approved, the map will go out to the public (possibly via NRA website) for comments – this step should last about 3 to 4 weeks.

4. Traffic Calming Project with Sister Islands –

The NRA worked with DoE on a Traffic Calming proposal in an effort to help protect the indigenous rock iguana against speeding motorists. The project is to be done in stages; the first stage is signage - DoE (with NRA input) looking to obtain and secure funding for the proposed signage.

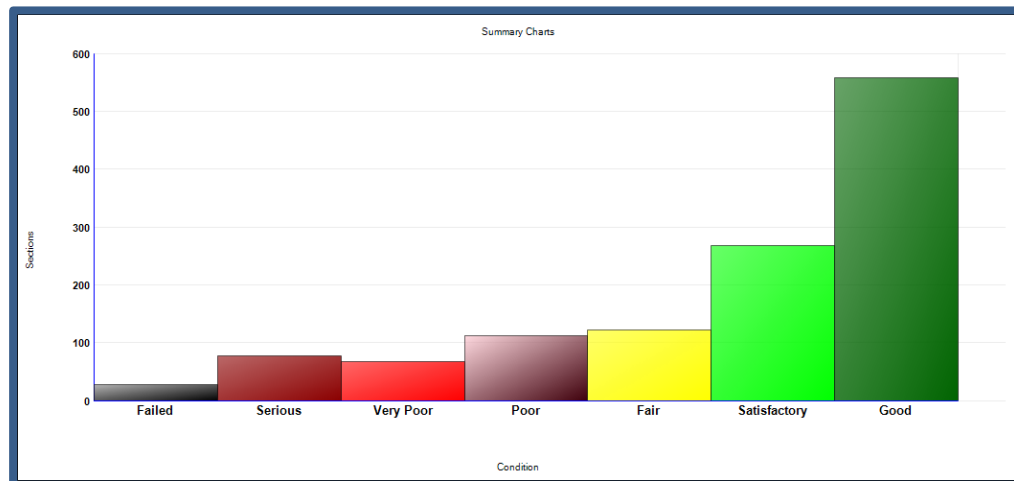
b. Pavement Management –

The aim of the NRA's pavement management programme is to monitor and to prescribe maintenance strategies to pavements of varying classifications in the Grand Cayman road network. Primary Arterials are those main roads which carry the majority of roadway traffic throughout the island and as such are prescribed a higher maintenance protocol.

Historical Average Pavement Condition Indices by Road Classification			
Road Classification	Number of Sections	Average PCI By Year	
		2012	2013
Collector	70	75	77
Private	664	65	66
Primary	38	81	81
Secondary	37	81	80

The bar chart below shows that at the end of FY 2012/13 all pavement types on Grand Cayman are in an overall 'good' condition.

The goal for primary and secondary pavements is that of an average PCI of no less than 80; this currently exists however privately built subdivision roads and collector roads lag behind the desired PCI of 80.



2013 Roadway Segments Condition Index – Grand Cayman (all roads)

3.2 Engineering and Operations Activities:

Three engineers, two superintendents, and a fleet controller make up the management staff of the Engineering and Operations unit. They are responsible for engineering design; project budgeting, resource reporting, project costing, fleet operations, and completion of all road construction projects and maintenance undertaken by the NRA. They utilize an equipment fleet worth approximately \$1.4 million. Capabilities include sign making and pavement markings, traffic signal maintenance, survey crews with GPS and total station equipment, and computer aided design and drafting (CADD).

In addition to their road construction and maintenance responsibilities, they regulate the importation, transportation, and use of explosives in the Cayman Islands on behalf of the Managing Director in accordance with the Explosives Law and Regulations.

- Executive Assets: Capital Works & Road Surface Upgrades

New Capital Works and rehabilitation of roads surfaces on major arterials are systematically funded via Cabinet as “Executive Assets”. This year’s list of EAs funded via Cabinet included:

EA 36 \$1,370,000 Miscellaneous Road Surface Upgrades

Although it was a slow year at the NRA by normal standards with no new Capital Roads projects being realized. NRA crews were able to completed a few small paving projects under EA 36.

These resurfacing projects included:

- i. Small Section of roadway east of the Roundabout by Hurleys at Grand Harbour
- ii. Small section of failed pavement on Smith Road
- iii. Small section of failed pavement by Coral Bay Village @ Spotts
- iv. Few small sections of failed pavement on Linford Pierson Hwy.

EA 66 Cayman Brac Paving (approx \$300K invoiced)

The NRA invoiced the Ministry of DAWGA for NRA labour and equipment associated with the paving works ongoing in Cayman Brac to the amount of approximately \$300K. NRA also trained BRAC PWD personnel in necessary paving operations so as to reduce the NRA labour force on the BRAC. At the end of the fiscal year there was still no firm commitment from the Minister on a timeline of return of NRA paving equipment to Grand Cayman.

Esterley Tibbetts Hwy –Raleigh Quay to Batabano Rd

Whilst Executive Asset Funding was relatively small this year the NRA’s total earnings for FY12/13 were bolstered by work carried out on the

privately funded Esterley Tibbetts Highway (ETH) extension to Batabano Road in West Bay.

The two (2) mile four (4) lane extension of ETH to Batabano (valued at approx. \$38M) is financed by Dart Realty Cayman Limited (DRCL) with construction by Dart's own construction company DECCO Ltd. NRA was able to earn some revenue independent of Cabinet through the provision of project management services, quality control/assurance, as well as labour and equipment services relating to guardrail, roadway markings and signage.



Aerial view of West Bay Road diversion onto ETH at the Public Beach



Area Map of ETH extension Batabano Rd to Governors Harbour

- NRA 6: District Roads Programme - The following district roads were reconstructed and/or resurfaced with surface treatments under this programme. The MicroPAVER pavement management database was used to select the roads to be worked on and what type of work would be performed. Explanations of the abbreviations are given below:

Abbreviations: R&R = Rip and Relay (Reconstruct the Road Base)
 Reconst = Reconstruction
 SC = Spray and Chip (Surface Treatment)
 2nd App = Second Application of Spray and Chip
 (Surface Treatment)

No.	GEORGE TOWN	Road Class	Primary Users	Approx Repair Costs	Type of Work
1	JULY ST	Public Rd	Res	\$30,000	2nd app
2	OAK LN & OAKMILL ST	Public Rd	Res	\$30,000	Reconstruct
3	ROCK HOLE RD	Public Rd	Res	\$15,000	2nd app
4	TREETOP DR	Unscheduled Public Rd.	Res	\$3,000	2nd app
5	WINDERMERE ST	Unscheduled Public Rd.	Res	\$8,000	2nd app
6	CANDLENUT CL	Unscheduled Public Rd.	Res	\$6,000	2nd app
7	CASPER WALK	Unscheduled Public Rd.	Res	\$7,000	2nd app



CASPER WALK – by Cayman Cancer Society, GT



TREETOP DRIVE

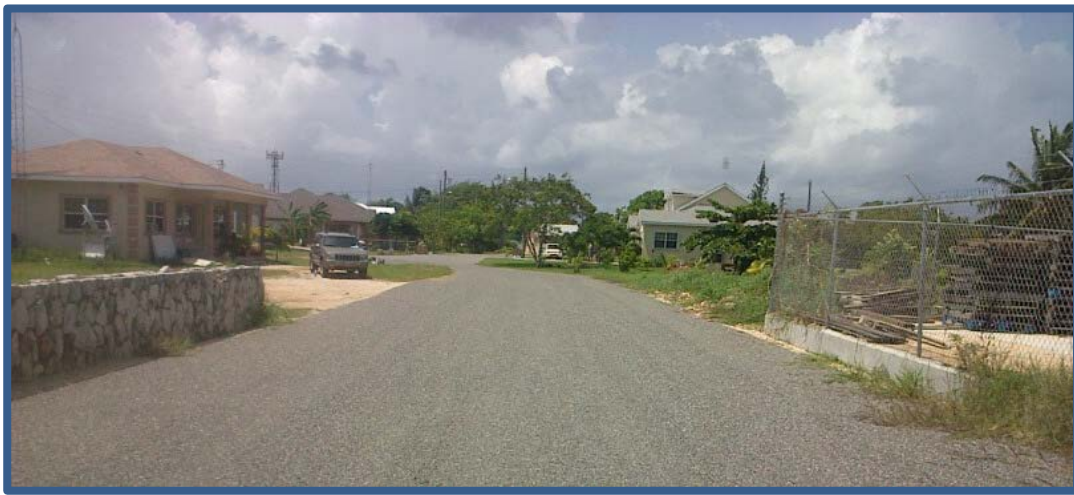


ROCK HOLE RD

No.	WEST BAY	Road Class	Primary Users	Approx Repair Costs	Type of Work
1	ROSETT CL	Unscheduled Public Rd.	Res	\$36,000	2nd App
2	SIMION CRES	Unscheduled Public Rd.	Res	\$40,000	Reconstruct
3	PLUTO LN	Unscheduled Public Rd.	Res	\$3,000	2nd App
4	MORGANS LN	Unscheduled Public Rd.	Res	\$1,000	2nd App
5	PEANUT LN	Unscheduled Public Rd.	Res	\$3,000	2nd App
6	UP THE HILL RD	Public Rd	Res	\$6,000	2nd App
7	ERENETTE LN	Unscheduled Public Rd.	Res	\$4,000	2nd App
8	SWALLOW RD	Unscheduled Public Rd.	Res	\$3,000	2nd App
9	Bro ARAUNAH LN	Unscheduled Public Rd.	Res	\$8,000	Reconstruct
10	CINDER LN	Unscheduled Public Rd.	Res	\$7,000	2nd App
11	Crystal Valley Cres	Unscheduled Public Rd.	Res	\$18,000	2nd App
12	JADE DR	Unscheduled Public Rd.	Res	\$17,000	2nd App
13	SWEETGUM LN	Unscheduled Public Rd.	Res	\$4,000	2nd App
14	PEACOCK CL	Unscheduled Public Rd.	Res	\$25,000	Reconstruct
15	FLAG LN	Unscheduled Public Rd.	Res	\$10,000	Reconstruct
16	GORSE LN	Unscheduled Public Rd.	Res	\$13,000	2nd App
17	SPANISH LN	Unscheduled Public Rd.	Res	\$64,000	Reconstruct
18	ACKEE ST	Unscheduled Public Rd.	Res	\$9,000	2nd App
19	BOXELDER ST	Unscheduled Public Rd.	Res	\$2,000	2nd App
20	ORETT CL	Unscheduled Public Rd.	Res	\$7,000	2nd App
21	COMET CL	Unscheduled Public Rd.	Res	\$2,000	2nd App
22	VULGUNNERS RD	Unscheduled Public Rd.	Res	\$16,000	Reconstruct
23	CAPT CADIAN DR	Unscheduled Public Rd.	Res	\$3,000	2nd App
24	NETTIE RIVERS LN	Unscheduled Public Rd.	Res	\$12,000	2nd App
25	BOWMAN CL	Unscheduled Public Rd.	Res	\$3,000	2nd App
26	JOSEPHS DR	Unscheduled Public Rd.	Res	\$9,000	2nd App
27	SARAH CLOSE	Unscheduled Public Rd.	Res	\$8,000	Reconstruct
28	MISS DAISY LN	Unscheduled Public Rd.	Res	\$9,000	2nd App
29	AGUA LN	Unscheduled Public Rd.	Res	\$5,000	2nd App
30	DELTA CL	Unscheduled Public Rd.	Res	\$4,000	Reconstruct
31	FLORENCE LN	Unscheduled Public Rd.	Res	\$8,000	2nd App
32	EBANKS RD	Unscheduled Public Rd.	Res	\$7,000	Reconstruct
33	WILD WOODS LN	Unscheduled Public Rd.	Res	\$2,000	2nd App
34	TURTLE CRES	Unscheduled Public Rd.	Res	\$12,000	Reconstruct
35	ALOE LN	Unscheduled Public Rd.	Res	\$11,000	2nd App
36	MARY MOLLIE HYDES RD	Unscheduled Public Rd.	Res	\$15,000	Reconstruct
37	CAPT BLODSIT RD	Unscheduled Public Rd.	Res	\$1,000	2nd App
38	CANOE LN	Unscheduled Public Rd.	Res	\$2,000	2nd App
39	LUCY WELDS CL	Unscheduled Public Rd.	Res	\$500	Patch Only
40	FARRINGTON LN	Unscheduled Public Rd.	Res	\$11,000	Reconstruct
41	ELI BUSH LN	Unscheduled Public Rd.	Res	\$3,000	2nd App
42	SCHOONER LN	Unscheduled Public Rd.	Res	\$16,000	2nd App
43	BUSHS ST	Unscheduled Public Rd.	Res	\$8,000	2nd App



Josephs Drive



Juniper Ln



Miss Daisy Ln

No.	BODDEN TOWN	Road Class	Primary Users	Approx Repair Costs	Type of Work
1	ASTRAL WAY	Unscheduled Public Rd.	Res	\$17,000	2nd APP
2	ATWOOD CL	Unscheduled Public Rd.	Res	\$9,000	2nd APP
3	BERRY DR	Unscheduled Public Rd.	Res	\$81,000	Reconstruct
4	BONNET CL	Unscheduled Public Rd.	Res	\$14,000	Reconstruct
5	BRISBANE ST	Unscheduled Public Rd.	Res	\$10,000	R&R
6	COLLEGE CL	Unscheduled Public Rd.	Res	\$13,000	R&R
7	HUDSON DR	Unscheduled Public Rd.	Res	\$18,000	R&R
8	IMPULSE CL	Unscheduled Public Rd.	Res	\$6,000	R&R
9	NATHAN MERREN DR	Unscheduled Public Rd.	Res	\$14,000	R&R
10	PERIWINKLE DR	Unscheduled Public Rd.	Res	\$40,000	Reconstruct
11	SEASPRAY DR	Unscheduled Public Rd.	Res	\$75,000	Reconstruct

No.	NORTH SIDE	Road Class	Primary Users	Approx Repair Costs	Type of Work
1	BRIDGEPORT ST	Unscheduled Public Rd.	Res	\$28,000	Reconstruct
2	CHISHOLM DR	Unscheduled Public Rd.	Res	\$13,000	Reconstruct
3	NICEVILLE LN	Unscheduled Public Rd.	Res	\$11,000	Reconstruct
4	HALLEY ST	Unscheduled Public Rd.	Res	\$25,000	2nd App

No.	EAST END	Road Class	Primary Users	Approx Repair Costs	Type of Work
1	CEDAR LN	Unscheduled Public Rd.	Res		2nd App
2	INDIANA LN	Unscheduled Public Rd.	Res		Reconstruct
3	JAVA LN	Unscheduled Public Rd.	Res		2nd App
4	SEAMAN LN	Unscheduled Public Rd.	Res	\$5,000	Reconstruct

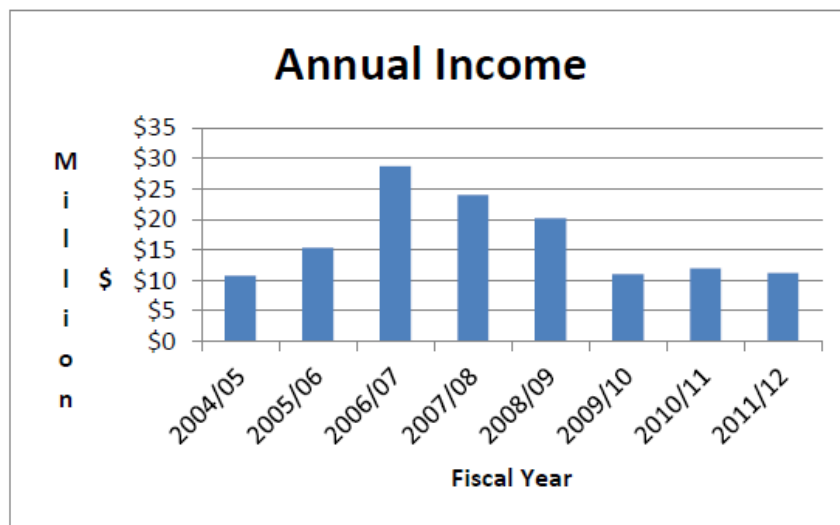
- **NRA 8: Storm Water Management and Drainage Well Drilling Programme -**

No.	NRA 8: Storm Water Drains				
	LOCATION	DISTRICT	New Drain	Redrill	Approx Cost
1	1960 Rum Point Dr	NS			\$3,300
2	Flute Ln	WB	1		\$3,300
3	Beta Cl	WB	1		\$3,300
4	201 Mount Pleasant Rd	WB		1	\$1,500
5	Scholars Rd	WB	1		\$3,300
6	Thistle Ln	WB	1		\$3,300
7	81 College Cl	BT	1		\$3,300
8	45 Midland Dr	BT		1	\$1,500
9	Fleet Ave	BT	1		\$3,300
10	StoneWall Dr	GT	1		\$3,300
11	76 Templeton Dr	GT	1		\$3,300
12	b/w 216 & 221 Mahogany Way	GT	1		\$3,300
13	37 Fairview	GT	1		\$3,300
14	58 Fairview	GT	1		\$3,300
15	Fairlawn Rd (Ms. Claire)	GT	1		\$3,300
16	369 Walkers Road	GT	1		\$3,300
17	60 Bel Air Dr	GT	1		\$3,300
18	58 Orange Dr	GT	1		\$3,300
19	94 Breezy Way	GT	1		\$3,300
20	33 Marina Dr	GT	1		\$3,300
21	89 Holly Dr	GT	1		\$3,300
22	17 Barnes Dr	GT		1	\$1,500
23	40 Seymour Dr	GT		1	\$1,500
24	Dorcy Dr by Hews Janitorial	GT		1	\$1,500
25	261 Palm Dale Ave	GT		1	\$1,500
26	Lawrence Blvd & ETH Jct	GT		1	\$1,500
27	ETH opp. Snug Harbour entrance	GT		2	\$3,000
28	138 Orange Dr	GT		1	\$3,300
29	220 Prospect Dr	GT		1	\$1,500
30	440 Poindexter Rd	GT	1		\$3,300
31	3 Tropicana Cresc	GT		1	\$1,500
32	10 Aspen Ln	GT		1	\$1,500
33	26 Windsor Park Rd	GT	1		\$3,300
34	47 Windsor Park Rd	GT	1		\$3,300
35	School House Rd by Barber Shop	GT		1	\$1,500

Section 4 – Future Goals and Economic Outlook

The future goals of the NRA are not just concerned with continued compliance with the requirements of the PMFL but also with developing strategies for organizational growth going forward.

Recently however the future of NRA is uncertain with Government and other interests placing a lens on the civil service and SAGC's. In 2012/13 local media frequently reported on the growing size of the civil service (SAGC's included) calling it unsustainable. Media reports focused intently on key conclusions from the 'Miller Report' of 2010 which resolved that the Government's fiscal difficulties relate almost exclusively to the rapid and uncontrolled growth of its expenditure; not due to lack of resources. The Miller report highlighted the fact that CIG expenses contribute to just over half of that expense.



The graph above shows the levels of income to the NRA since its inception in 2004. After growth spurt between 2006 & 2008 the NRA ramped down its operations and reduced its workforce by 29 employees to better align with reduced income expectations. The Ministry of Works has officially advised the NRA of impending austerity measures for all of Government amidst the global economic slowdown. NRA has likewise seen systematic reductions in funding from Cabinet since 2010/11 with FY2012/13 funding of \$9.6M being the lowest ever since the inception of the NRA.

The NRA's mandate as managers of the public road network is assured however what is required is a 'right sizing' of the Authority and a strategic plan for future growth and more stable and sustainable funding solutions for the NRA.

Section 5 – Executive Assets & Output Accounts

A summary of the Executive Asset and Output accounts as recorded at the fiscal year ending June 30, 2013 were as shown below:

The approved budget for the NRA for FY2012/13 totalled \$9.6 million. As reported in Section 3 of this report Ministry of Works underfunded the NRA in outputs NRA 6 & 9. This led however to Cabinet having to grant approval by virtue of Section 11(5) of the Public Management and Finance Law to have funds from EA 36 reallocated to NRA 9 in order to improve the NRA's financial position in terms of its operating budget.

This was broken down into the following appropriations as follows:

	Outputs	\$
Planning & Development of New Public Roads	NRA 5	100,000.00
Grand Cayman District Roads Programme	NRA 6	1,500,000.00
Policy Advice on Road Related Matters	NRA 7	10,000.00
Storm Water Mgt. & Mitigation of Tidal Inundation	NRA 8	100,000.00
Routine Maintenance of Public Roads	NRA 9	4,350,000.00
Government Street Lighting Programme	NRA 10	1,500,000.00
Pavement Mgt. & Other Roads Asset Mgt. Prog.	NRA 11	70,000.00
		<u>6,000,000.00</u>
	EA's	\$
Miscellaneous Road Surface Upgrades	EA36	1,370,000.00
Asphalt Paving in Cayman Brac (Estimate)	EA55	600,000.00
		<u>3,600,000.00</u>
Grand Total		<u><u>9,600,000.00</u></u>

Notes:

The original budget amount for NRA 9 reported in Section 3 of this report was readjusted to \$4,350,000. Cabinet on June 13th 2013 granted approval by virtue of section 11(5) of the Public Management and Finance Law, the proposed reallocation, which adjusted NRA9 total funding to the amount of \$4.35M. The result of this reallocation was EA36 (Misc Road Surface Upgrades) at \$1,370,000 and EA55 (Brac Paving) at \$600,000.

The NRA's total income for the year was bolstered to approximately \$10.7M through the engagement of project management services and labour and equipment services on some aspects of the Esterley Tibbetts Highway project financed by Dart Realty Cayman Ltd (DRCL).

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		Budget Approved 2012/2013	Current Budget	Amount Involved B/F	Involved To Date C/F	Funds Available
	Outputs	\$	\$	\$	\$	\$
Planning & Development of New Public Roads	NRA 5	100,000.00	100,000.00	100,000.00	100,000.00	-
Grand Cayman District Roads Programme	NRA 6	1,500,000.00	1,500,000.00	904,374.99	1,270,705.17	229,294.83
Policy Advice on Road Related Matters	NRA 7	10,000.00	10,000.00	10,000.00	10,000.00	-
Storm Water Management & Mitigation of Tidal Inundation	NRA 8	100,000.00	100,000.00	100,000.00	100,000.00	-
Routine Maintenance of Public Roads	NRA 9	4,350,000.00	4,350,000.00	4,020,479.97	4,345,955.01	4,044.99
Government Street Lighting Programme	NRA 10	1,500,000.00	1,500,000.00	1,356,417.92	1,480,844.47	19,155.53
Pavement Management & Other Roads Asset Mangt. Program NRA 11		70,000.00	70,000.00	70,000.00	70,000.00	-
		7,630,000.00	7,630,000.00	6,561,272.88	7,377,504.65	252,495.35
	EAs					
Miscellaneous Road Surface Upgrades	36	1,370,000.00	1,370,000.00	1,111,148.71	1,356,797.81	13,202.19
Asphalt Paving in Cayman Brac	55	600,000.00	600,000.00	278,074.21	296,486.88	303,513.12
Roads - George Town	126	-	-	-	-	-
		1,970,000.00	1,970,000.00	1,389,222.92	1,653,284.69	316,715.31

NATIONAL ROADS AUTHORITY
BALANCE SHEET
As At 30 June 2013

STATEMENT I

	As At 30 June 2013	Year Ended June 30, 2012
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	2,056,197	842,029
Inventory	158,508	285,248
Accounts receivable	2,814,500	3,066,347
Total Current Assets	<u>5,029,205</u>	<u>4,193,624</u>
CURRENT LIABILITIES		
Accounts payable	1,050,051	892,358
Revenue Deposits	0	375,799
Pension Liability	640,000	508,000
Employee entitlements	105,357	138,124
Total Current Liabilities	<u>1,795,408</u>	<u>1,914,281</u>
NET CURRENT ASSETS	<u>3,233,797</u>	<u>2,279,344</u>
FIXED ASSETS		
Property, plant and equipment	1,310,203	1,630,198
Total Fixed Assets	<u>1,310,203</u>	<u>1,630,198</u>
TOTAL NET ASSETS	<u><u>4,544,001</u></u>	<u><u>3,909,542</u></u>
NET WORTH		
Accumulated surpluses	2,466	(631,993)
Contributed capital	4,541,535	4,541,535
TOTAL NET WORTH	<u><u>4,544,001</u></u>	<u><u>3,909,542</u></u>

National Roads Authority
Operating Statement
30 June 2013

STATEMENT II

	CURRENT MONTH \$	CURRENT FISCAL YTD \$	BUDGET FISCAL YTD \$	VARIANCE TO BUDGET \$
Income				
Sales of Services Interdepartmental	83,490	1,194,669	75,000	1,119,669
Road Development Services	-	187,367	100,000	87,367
Road Construction	264,062	2,128,299	3,375,799	(1,247,500)
Trench Reinstatement Services	1,400	2,625	-	2,625
Roads Maintenance Services	816,232	7,099,114	5,800,000	1,299,114
Storm Water Management	-	100,000	100,000	(0)
Interest Revenue	-	100	17	83
Total Revenue	1,165,183	10,712,173	9,450,816	1,261,357
Cost of Sales				
Labour	157,934	2,138,228	2,427,309	289,080
Hired Equipment	800	1,082	-	(1,082)
Materials	101,302	1,489,759	280,396	(1,209,362)
Subcontractors	172,504	575,109	1,061,158	486,049
	432,540	4,204,178	3,768,863	(435,315)
Gross Profit	732,643	6,507,995	5,681,953	826,042
General & Admin. Exp.				
Staff Costs	217,401	3,177,942	3,261,299	83,356
Expenses and Supplies	4,268	20,843	26,688	5,845
Motor Vehicles Expenses	70,197	420,811	66,775	(354,036)
Travel & Subsistence	-	-	-	-
Street Lighting	125,899	1,479,246	1,500,000	20,754
Utilities	9,230	65,727	57,543	(8,184)
Telephone	3,051	33,766	39,041	5,275
Advertising	6,600	13,720	-	(13,720)
Professional Fees	17,505	115,122	49,780	(65,342)
Office Rental	4,244	55,172	52,440	(2,732)
Computer maintenance & fees	14,787	91,845	98,280	6,435
Repairs & Maintenance	13,087	59,424	36,201	(23,223)
Depreciation - Vehicles	27,340	161,556	303,900	142,344
Depreciation - Furniture & Fittings	132	1,585	1,877	292
Depreciation - Computer Hardware	217	1,992	1,203	(789)
Depreciation - Computer Software	596	7,155	12,768	5,613
Depreciation - Office Equipment	81	352	351	(1)
Depreciation - Other Equipment	(73,238)	132,768	151,413	18,645
Depreciation - Leasehold Improvements	1,313	15,753	2,500	(13,253)
Bad debt expense	-	-	-	-
Insurance - Property & Liability	5,898	16,201	13,354	(2,847)
Bank Charges and Interest	(1,808)	2,557	6,551	3,994
Total Expenses	446,802	5,873,537	5,681,964	(191,573)
Net Profit	285,842	634,459	(10)	634,469

NATIONAL ROADS AUTHORITY
CASH FLOW STATEMENT
FOR THE TWELVE MONTHS ENDED 30 JUNE 2013

STATEMENT III

	FOR THE TWELVE MONTHS ENDED 30 JUNE 2013 \$	Year Ended June 30, 2012 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit/(Loss) for the period	571,639	22,881
Adjustment for non cash transactions:		
Bad debt expense	-	-
Gain/Loss on sale of fixed assets	(100)	12,042
Depreciation	398,047	(300)
	<u>969,586</u>	<u>34,623</u>
Net change in working capital		
Decrease/(Increase) in Receivable	251,847	390,070
Decrease/(Increase) in Inventory	122,743	(100,303)
Increase/(Decrease) in Accounts Payable	(128,942)	(1,673,295)
Net Cash Used by Operating Activities	<u>1,215,234</u>	<u>(1,348,905)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(1,065)	(148,927)
Proceeds from disposal of property, plant & equipment	-	300
Net cash flows from investing activities	<u>(1,065)</u>	<u>(148,627)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Equity investment	-	-
Net cash flows from financing activities	<u>-</u>	<u>-</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	1,214,169	(1,026,021)
Cash and cash equivalents at beginning of period	842,030	1,868,051
Cash and cash equivalents at end of period	<u>2,056,199</u>	<u>842,030</u>

Section 6 - Summarised Financial Statements

A full set of audited financial statements for The National Roads Authority is provided in the Appendix to this Annual Report.

A summary of those is as follows.

Operating Statement	2012/13 Actual \$
Revenue	10,712,073
Operating Expenses	5,873,537
Net Surplus(Deficit)	634,459

Balance Sheet	2012/13 Actual \$
Assets	6,339,409
Liabilities	1,795,408
Net Worth	4,544,001

Statement of Cash Flows	2012/13 Actual \$
Net cash flows from operating activities	1,215,232
Net cash flows from investing activities	(1,065)
Net cash flows from financing activities	-

b) Equity Investments

Transaction	2012/13 Actual \$
EI 8: Equity Investments into National Roads Authority	Nil

c) Capital Withdrawals

Transaction	2012/13 Actual \$
Capital Withdrawals from National Roads Authority.	Nil

d) Dividends or Profit Distributions

Transaction	2012/13 Actual \$
Dividend or Profit Distributions to be made by National Roads Authority.	Nil

e) Loans

Transaction	2012/13 Actual \$
Government Loans to be made to National Roads Authority.	Nil

f) Guarantees

Transaction	2012/13 Actual \$
Government Guarantees to be issued in relation to National Roads Authority.	Nil

g) Other Financial Information

Detailed below is information about specific financial transaction required to be included in the Ownership Agreement by the Public Management and Finance Law (2005 Revision).

Transaction	2012/13 Actual \$
Related Party Payments (Non Remuneration) made to Key Management Personnel	Nil
Remuneration Payments made to Key & Senior Management Personnel	522,464
No of Key Management Personnel	9
No of Senior Management	5

Key management includes all of the senior management plus the Board of Directors.
Senior management posts include: Managing Director, Deputy Managing Director, and Chief Financial Officer.



National Road Authority

Audited Financial Statements

June 30, 2013

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Statement of Responsibility for Financial Statements	1
Auditor General's Report	2
Statement of Financial Position	4
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Statement of Changes in Equity	6
Statement of Cash Flows.....	7
Notes to the Financial Statements.....	8

**National Roads Authority
Financial Statements
30 June 2013**

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 (2012 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 (2012 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.

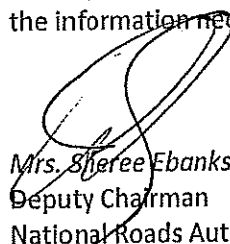
As Chairman and Acting Managing Director we are responsible for the preparation of the National Roads Authority financial statements and for the judgements made in them.

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 2013.

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

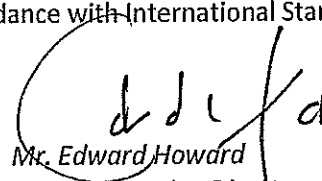
- (a) are completely and reliably reflect the financial transactions of National Roads Authority for the year ended 30 June 2013;
- (b) fairly reflect the financial position as at 30th June 2013 and comprehensive income for the year ended 30th June 2013;
- (c) comply with International Financial Reporting 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.



Mrs. Sheree Ebanks
Deputy Chairman
National Roads Authority

Date- 29 Oct 2013



Mr. Edward Howard
Acting Managing Director
National Roads Authority

Date- 29 Oct 2013

AUDITOR GENERAL'S REPORT

To the Board of Directors of National Roads Authority

I have audited the accompanying financial statements of National Roads Authority, (the "Authority"), which comprise the statement of financial position as at 30 June 2013 and the statement of comprehensive income, statement of changes in equity and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory information, 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 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, 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 on 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 National Roads Authority, (the "Authority") as at 30 June 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in black ink, appearing to read 'AS', followed by a long, horizontal, wavy line.

Alastair Swarbrick, MA (Hons), CPFA
Auditor General

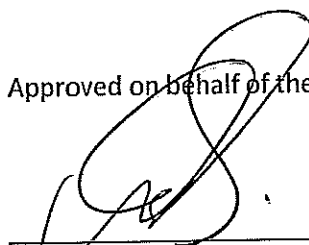
29 October 2013
Cayman Islands



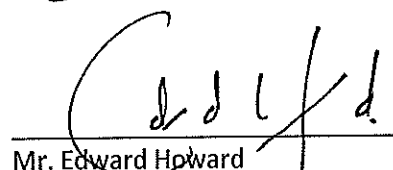
National Roads Authority
Statement of Financial Position
As at 30 June 2013
(Stated in Cayman Islands Dollars)

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
ASSETS			
Current Assets			
Cash and cash equivalents	2b,3	2,056,197	842,029
Accounts receivable	2e,2f,4	2,814,500	3,066,347
Inventories	2g,5	158,508	285,248
Total Current Assets		5,029,205	4,193,624
Non Current Assets			
Property, plant and equipment	2d,6	1,310,204	1,630,198
Total Assets		6,339,409	5,823,823
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable	2h,7	1,050,051	892,358
Retirement pension liability	12	640,000	508,000
Employee entitlements	2i,9	105,357	138,124
Unearned Revenue	2j,8	-	375,799
Total Current Liabilities		1,795,408	1,914,281
Equity			
Contributed capital	10	4,541,535	4,541,535
Retained earnings		2,466	(631,993)
Total Equity		4,544,001	3,909,542
Total Liabilities and Equity		6,339,409	5,823,823

Approved on behalf of the Board on the 29 of October 2013



Mrs. Sheree Ebanks
Deputy 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 2013
(Stated in Cayman Islands Dollars)

	Notes	2013	2012
SALES	13	10,712,073	11,266,940
COST OF SALES			
Labour		2,138,228	2,522,723
Materials		1,489,758	1,428,123
Subcontractors		575,109	766,086
Hired equipment		1,082	1,120
Total Cost of Sales		4,204,177	4,718,052
GROSS PROFIT		6,507,896	6,548,888
Other Income		100	1,787
NET SALES		6,507,996	6,550,675
OPERATING EXPENSES			
Personnel costs	11	3,045,942	3,344,947
Utilities		1,544,973	1,533,593
Motor vehicle expenses (including insurance)		420,811	693,775
Depreciation	6	321,160	471,513
Past service pension	12	132,000	173,000
Professional fees		115,122	49,780
Computer maintenance & fees		91,846	98,280
Building maintenance		59,424	36,201
Office rental	17	55,172	42,440
Telephone		33,766	39,041
Supplies & consumables		20,843	31,688
Insurance		16,201	13,354
Advertising & promotion		13,720	6,000
Bank charges		2,557	6,551
Bad debt expense		-	12,040
Travel & subsistence		-	2,641
Total Operating Expenses		5,873,537	6,554,844
NET INCOME (LOSS) FOR YEAR		634,459	(4,169)

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 2013
(Stated in Cayman Islands Dollars)**

	Retained Earnings	Contributed Capital	Total
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
Net Income for 12/13	634,459	-	634,459
BALANCE at 30 JUNE 2013	2,466	4,541,535	4,544,001

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 2013
(Stated in Cayman Islands Dollars)

	Notes	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (Loss) for the Year		634,459	(4,169)
Adjustment for non cash transactions:			
Depreciation	6	321,160	471,513
(Gain)/loss on sale of fixed assets		(100)	(300)
Bad debt expense		-	12,040
Total		<u>955,519</u>	<u>479,084</u>
Net change in working capital			
Decrease /(increase) in accounts receivable		251,846	390,070
(Increase)/decrease in inventories		126,740	(73,253)
(Decrease)/increase in accounts payable and accrued liabilities		(118,873)	(1,673,295)
Net cash used by operating activities		<u>1,215,232</u>	<u>(877,394)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets	6	(1,065)	(148,928)
Proceeds from disposal of property, plant & equipment		-	300
Net cash used by investing activities		<u>(1,065)</u>	<u>(148,627)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES			
Contributed capital from Government	10	-	-
Net cash provided by financing activities		<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents during the year		1,214,167	(1,026,022)
Cash and cash equivalents at the beginning of the year		<u>842,030</u>	<u>1,868,051</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	<u>2,056,197</u>	<u>\$842,029</u>

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

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 2013, the NRA had 88 employees (30 June 2012: 99 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 2013
(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 2013
(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 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 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 13). Unearned revenue comprises amounts paid to the Authority in advance of work 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 2013
(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

Several new standards and amendments effective January 2013. However, they do not impact the annual financial statements of the Authority. The nature and impact of each new standard/amendment is described below:

IAS 1 Clarification of the requirement for comparative information (Amendment)

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

**National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2013
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2. Significant Accounting Policies (continued)

(n) Changes in International Financial Reporting Standards (continued)

An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. This standard does not have an impact on the Authority's financial statements.

IAS 32 Tax effects of distributions to holders of equity instruments (Amendment)

The amendment to IAS 32 *Financial Instruments: Presentation* clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the financial statements for the Authority, as there is no tax consequences attached to cash or non-cash distribution.

IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 *Operating Segments*. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. This standard does not have an impact on the Authority's financial statements.

IAS 19 Employee Benefits (Revised 2011) (IAS 19R)

IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures.

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2. Significant Accounting Policies (continued)

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities Amendments to IFRS 7

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Authority is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Authority.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the financial statements of the Authority.

3. Cash & Cash Equivalents

	2013	2012
Bank accounts	\$2,056,197	\$842,029
Term deposits	-	-
Total Cash & Cash Equivalents	\$2,056,197	\$842,029

4. Accounts Receivable & Prepaid Expenses

	2013	2012
Outputs to Cabinet	2,569,475	\$2,977,358
Outputs to other government agencies	24,828	27,999
Accounts Receivable Others & Prepayment	213,162	58,310
Staff loans	7,036	2,680
Total Accounts Receivable & Prepaid Expenses	2,814,500	\$3,066,347

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5. Inventories

	2013	2012
Finished Goods - Cayman Rock	141,787	153,924
Finished Goods - AE60	12,087	68,850
Finished Goods - Crusher Run	2,000	47,625
Finished Goods - 3/8 Wahed Chips	2,175	12,729
Finished Goods - Concrete Stone	-	1,814
Finished Goods – Sand	459	306
Total	158,508	285,248

6. Fixed Assets

	Vehicles & Heavy Equipment	Furniture & Fixtures & Office Equipment	IT Equipment	Other Plant & Equipment	Leasehold Improvement	Total
Cost						
Opening Balance	2,990,237	137,272	312,762	1,526,236	219,275	5,185,782
Additions	-	-	1,165			1,165
Total	2,990,237	137,272	313,927	1,526,236	219,275	5,186,947
Accumulated Depreciation						
Opening Balance	2,326,527	126,191	291,319	623,878	187,669	3,555,584
Charge for the year	161,556	1,936	9,147	132,768	15,752	321,159
Total	2,488,083	128,127	300,466	756,646	203,421	3,876,743
Net Book Value - June 2013	502,154	9,145	13,461	769,590	15,854	1,310,204
Net Book Value - June 2012	\$663,710	\$11,081	\$21,443	\$902,358	\$31,606	\$1,630,198

7. Accounts Payable and Accrued Liabilities

	2013	2012
Trade Creditors	\$999,472	\$819,218
Accruals	50,579	73,140
Total Accounts Payable and Accrued Liabilities	\$1,050,051	\$892,358

National Roads Authority
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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 nil (2012: \$375,799). 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.

	2013	2012
Conch Point Road Project	-	\$281,960
Frank Sound Road Project	-	93,839
Total	\$ -	\$375,799

9. Employee Entitlements

	2013	2012
Accrued Vacation Leave	\$105,357	\$138,124

10. Contributed Capital

During the year the Authority received no equity injection. (2012: nil).

11. Salaries and Benefits

	2013	2012
Salaries and wages	\$1,781,703	\$1,926,247
Employer & Employee pension expenses	245,047	261,273
Health Insurance	1,004,002	1,115,080
Vacation due	(32,767)	(12,367)
Other personnel costs	47,957	54,714
Total Salaries and Benefits	\$3,045,942	\$3,344,947

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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 2011-12 (2010-11: 12%).

The Plans are funded at rates of: -

		2013	2012
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.

The total amount recognised as a pension expense in personnel costs for the year ending 30 June 2013 was \$506,321 (30 June 2012: \$537,038). 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 2013.

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 2012 (dated 23 August 2013), 30 June 2011 (dated July 23, 2012), 30 June 2010 (dated July 26, 2011), 30 June 2009 (dated July 30, 2010), 30 June 2008 (dated July 30, 2009), 30 June 2007 (dated November 21 2008), 30 June 2006 (dated 14 March 2008) and 30 June 2005 (dated 9 November 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.

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12. Pensions (continued)

The actuarial position is as follows

	As at 30-Jun-12 \$000	As at 30-Jun-11 \$000	As at 30-Jun-10 \$000	As at 30-Jun-09 \$000
Fair Value of Plan Assets	1,727	1,507	1,062	677
Net Present Value of Funded Obligation, beginning of year	2,569	2,255	1,812	1,293
Defined Benefit Liability	(842)	(748)	(750)	(616)
Unrecognised Past Service Cost	-	-	-	-
Unrecognised Actuarial Net Loss/(Gain)	202	240	415	358
Net Liability in Balance Sheet, end of year	(640)	(508)	(335)	(258)

No valuations were done as at 30 June 2013 and thus the amount recognized as a Past Service Pension Liability on the Balance Sheet is \$640,000, which reflects the actuarial position as at 30 June 2012.

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

	30-June 2012 \$000	30-June 2011 \$000	30-June 2010 \$000	30-June 2009 \$000
Defined Benefit Obligation, beginning of year	2,255	1,812	1,293	542
Current Service Cost	211	218	186	89
Interest Cost	122	98	74	37
Plan Participant Contributions	84	84	134	80
Net Actuarial (Gain)/Loss on obligations	(49)	43	125	545
Transfers between other participating Entities	(54)	-	-	-
Defined Benefit Obligation, end of year	2,569	2,255	1,812	1,293

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

	30-June 2012 \$000	30-June 2011 \$000	30-June 2010 \$000	30-June 2009 \$000
At the beginning of year	1,507	1,062	677	585
Employer & Participant Contributions	193	180	290	174
Expected Return on Assets net of Expense	93	67	45	46
Actuarial Gain/(Loss) on plan assets	(12)	198	50	(102)
Transfers between other participating Entities	(54)	-	-	-
Other: Impact of restatement of beginning of year assets	-	-	-	(26)
At the end of year	1,727	1,507	1,062	677

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12. Pensions (continued)

Reconciliation showing movement of past service liability during the period:

	\$000
Balance as at 30 June 2011	508
Plus: Reconciliation of PSL 2011	132
Balance as at 30 June 2012	640

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 \$132,000 to the Past Service Pension Liability. This amount was recognized as liability in the Balance Sheet & Retained Earnings as at 30 June 2013.

Actuarial Determination of Pension Expense as at:

	30-Jun-12 \$000	30-Jun-11 \$000	30-Jun-10 \$000	30-Jun-09 \$000
Current Service Cost, net of employee contributions	225	211	209	86
Interest Cost	134	122	98	74
Expected Return on Assets	(125)	(93)	(67)	(45)
Recognition of Net Loss	14	5	20	18
Pension Expense	248	245	260	233

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

	30-Jun-12	30-Jun-11	30-Jun-10	30-Jun-09
Global Equities	64.00%	60.62%	54.50%	44.10%
Bonds	32.00%	32.04%	37.30%	49.00%
Other - Long-term Deposit/Cash	1.00%	4.04%	5.10%	3.90%
Property	3.00%	3.30%	3.10%	3.00%

The share of assets allocated to the Authority's participation in the defined benefit part of the Plan was CI\$1,727,432 (30 June 2012 \$1,506,722) since the Authority only commenced participation on July 1, 2004.

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12. Pensions (continued)

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-12	30-Jun-11	30-Jun-10	30-Jun-09
Discount Rate	5.25%	5.50%	5.50%	5.75%
Expected long-term rate of return (net of Expense)	7.00%	6.00%	6.00%	6.00%
Salary Increase	3.50%	3.50%	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)	11.51	12.01	13.14	14.09

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 \$6 million under the Purchase Agreement (2012: \$7.8 million). During this year the Authority also delivered Capital Expenditure Projects of \$4.5 million (2012: \$3.4 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.

	2013	2012
Sales of Services to Cabinet	\$9,030,789	\$10,940,790
Sales of Services to other government agencies	263,147	293,794
Sales of Services to third parties	1,418,237	32,357
Total	<u>\$10,712,173</u>	<u>\$11,266,940</u>

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13. Related Party Transactions (continued)

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 2013, the Authority owes PWD the amount of \$20,961 (2012: \$54,799) 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 \$522,464 (2012: \$719,210). There were 14 personnel categorized in 2013 broken down as 5 key management personnel and 9 Directors (2012: 6 key management personnel and 9 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 \$2,100 (2012: \$4,750)

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 2013 was nil (2012: \$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.

15. Financial Risk Management (continued)

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 2013, 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 (2012: 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 2013 and 2012, all of the financial liabilities were due within one month of the balance sheet dates.

16. Financial Instruments- fair values

As at 30 June 2013 and 2012, 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.

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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 \$55,172 (2012: \$42,440). 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 \$255,944. 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.