



ANNUAL REPORT

For

National Roads Authority

For the 2005/6 Financial Year

Contents	Page
1.0 Purpose	2
2.0 Nature and Scope of Activities	3
3.0 Strategic Goals and Objectives	4
3.1 Compliance with Strategic Goals and Objectives	5
3.2 Transportation Planning Activities FY2005/6	11
4.0 Ownership Performance Targets	15
5.0 Summarized Financial Statements	17
6.0 Other Financial Information	18
 Appendix: Financial Statements	

1.0 Purpose

This annual report details the performance of the *National Roads Authority* for the fiscal year ending 30 June 2006.

It includes information about the actual performance delivered during the year as compared to the planned performance documented in the Ownership Agreement for National Roads Authority for 2005/6, or as amended through the supplementary appropriation process.

Section 52 of the *Public Management and Finance Law (2005 Revision)* specifies the content of statutory authority annual reports. This report was prepared in general accordance with those requirements which include:

- a) A summary of the **nature and scope of the activities** of the authority during that financial year;
- b) A summary of the extent to which the **strategic goals and objectives** of the authority 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 annual ownership agreement for that financial year have been achieved in that financial year;
- d) **Audited financial statements** of the authority for the financial year;
- e) The amount of any **equity investment** made by the Governor in Cabinet in the authority during the financial year;
- f) The amount of any **capital withdrawals** made by the Governor in Cabinet from the authority during the financial year;
- g) The amount of any **dividends or profit distributions** paid by the authority during the financial year;
- h) The amount of any **loans** to the authority by the Governor in Cabinet during the financial year; and
- i) Details of any **guarantees** relating to the authority made by the Governor in Cabinet during the financial year.

As such, this report is structured according to these categories.

2.0 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. (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.

Mission of the National Roads Authority

To contribute to sustainable transport and land development in the Cayman Islands by building and maintaining a safe and efficient network of national roads, in partnership with Cabinet and the Private sector, having regard to national and economic growth strategies.

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

The customers of the National Roads Authority are 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

Scope of Activities

The scope of activities of the National Roads Authority include providing policy advice, publication of a long term roads plan, provision of project and construction management services for the delivery of new road-works and the maintenance management of the existing road infrastructure for fund-holding Client Agencies.

Additionally, the National Roads Authority provides support services to:

- 1) Public Works Department to enable that Department to provide an appropriate response to Hurricanes and other national emergencies, and
- 2) Planning Department for the review of planning applications involving road related matters and the site inspection of road related constructed applications.

Customers and Location of Activities

The customers of the National Roads Authority are fund-holding Government Agencies, approved private sector clients and any other entities for which the Authority provides services. Services are provided only in the Cayman Islands.

3.0 Strategic Goals and Objectives

Approved Strategic Goals and Objectives

The key strategic goals and objectives (from an ownership perspective) for The National Roads Authority for the 2005/6 financial year were as follows:

- a) Continue establishment of the Authority, develop and implement effective administrative, financial and information management systems,
- b) Identify and seek approval for strategies for financing future road development,
- c) A Capital injection of \$1,320,000 was approved as follows:

- i. To purchase Vehicles (\$320K) and Paving Equipment (\$500K)

[The purpose was to enable NRA to transport and lay down hot mix asphalt and thus better able to control the quality of paving. Presently this service is being contracted to private companies and NRA is not satisfied with neither the quality of the work or the often unreliable scheduling of jobs by these companies].

- ii. To procure Information Technology Software & Hardware (\$300K).

[This was to allow for the procurement of new computer software used in road design and management and infrastructure tracking].

- iii. Repairs to the compound (\$200K).

[This was to restore/refurbish Ivan damaged buildings; primarily those which the NRA used as its soils testing laboratory and signs making and storage shop].

- d) Continue and in some cases commence new construction on 10 projects under the Traffic Improvement and Development Roads Programmes at an estimated expenditure of \$15M in Grand Cayman. Details of the projects are listed below in Section 4 under Major Capital Expenditure Projects.

3.1 Compliance with Strategic Goals and Objectives

3.1.1 Goal: Continue establishment of the Authority development and implement effective administrative, financial and information management systems:

- a) The Authority continued to enhance its administrative capabilities with the hiring of its first human resources manager, Mrs. Jennie Haylock on July 11, 2005;
- b) Financial accountant, Mrs. Letitia Lambert was hired in August 2005 to assist the AD-Finance and to act as direct supervisor of the two accounts clerks who were a part of the PWD-Roads division staff transferred to the NRA in July 2004;

- c) The Executive Secretary (Ms. Michelle Rochester) of the NRA Board of Directors tendered her resignation effective July 31, 2005 and a new Executive Secretary (Lois Hall-Vaughn) was appointed in November 2005;
- d) Minister of Works confirmed to the NRA plans for the Government to purchase paving equipment that would allow NRA to transport and install hot mix asphalt pavement rather than have major road construction projects continue to be delayed because of scheduling issues with the local HMA plants. In November 2005 NRA hired paving supervisor William Boden to assist with the assembly of a new paving crew and to provide guidance on the procurement of paving related equipment;
- e) In February 2006 NRA management met with representatives of Cartegraph Systems of Dubuque, Iowa to gather information and set the terms of reference for the implementation of a new works and infrastructure management system which consists of a suite of different software modules that can be tailored to suit the needs of the NRA. The main advantage of the Cartegraph system is its ability to bring all the data and multi-functions of the NRA under one automated system eliminating the need for duplicate data entry and reporting. Key functions of the Cartegraph system include;
 - Tracking and reporting on service requests, work orders and projects;
 - Cost reporting on individual and team activities and productivity;
 - Maintain assets databases for signs, drains, street lighting, vehicle/fleet, etc.
- f) The engineering design capabilities of the NRA were further enhanced with the implementation of civil engineering road design software called Eagle Point ®. This specialised engineering software gives surveyors and engineers highly automated road design capabilities such as site planning; terrain modelling; road design and cross-sectioning; profiling and vertical alignment.

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

Following the recovery operations from Hurricane Ivan the NRA's transportation planning unit renewed its efforts in developing a long term transportation plan. One major component of the long term plan is of course the development of a future corridor map along with a schedule of future roads.

The future corridor plan approved by Cabinet one year prior (May 2005) is legally established under Section 26 of the Roads Law (2005R) and deemed to be an amendment to the Development Plan as defined under the Development and Planning Law. The future roads identified under the Section 26 road gazette are to be assigned priorities based on cost, traffic and land use needs. The development of a cost schedule for future road improvements is vital to both establishing priorities and determining strategies for sustainable transport in Grand Cayman.

3.1.3 Goal: Capital Injection for purchase of Paving Equipment

The first pieces of paving equipment arrived in May 2006; these included one small new Ingersoll-Rand double drum roller, and one new large Ingersoll-Rand double drum roller. Three (3) new Sterling dump trucks were received in July 2006. Delivery of a new BlawKnox PF161 road paver was delayed but expected to arrive on island in August 2006.

3.1.4 Goal: Repairs to the Compound

Plans to upgrade the parking lot and refurbish Ivan damaged laboratory buildings was not realised in this financial year. The NRA Board of Directors determined that the office arrangements and the ancillary laboratory buildings were insufficient to handle the anticipated growth in staff and services of the Authority.

3.1.5 Goal: Elgin Avenue Roundabout [EA14]

The longstanding single lane roundabout commonly referred to as the Thomas Russell roundabout was given a complete overhaul which included a dramatic increase in diameter and the upgrade from single lane to dual lane carrying capacity. The area was also raised and outfitted with additional drainage wells in order to mitigate flooding issues of the past. Base work on the new roundabout was completed in January 2006 along with the curbing of new splitter islands and the installation of new lighting by Caribbean Utilities Company (CUC). Hot mix paving followed shortly in late February and early March 2006.



Aerial view of new roundabout on Elgin Avenue

3.1.6 Goal: ETH & LPH Connector Highway [EA11]

A much needed improvement was the upgrade of the current two lane road system that stretches from AL Thompson's Hardware across the Cayman Free Press building and Jacques Scott, and over to the Cricket Oval and Credit Union Offices. This stretch of roadway provides a crucial connection between the Esterley Tibbetts Highway (running north-south) and the Linford Pierson Highway (running east-west). Much of the base works and concrete curbsworks for this project were completed prior to June 30, 2006. However, delays are expected with the paving of the southbound lanes as there are land claim disputes with the owners of Industrial Services & Equipment (ISE). A large septic tank and front side stairway landing at ISE impedes the progress of work crews. Likewise work by CMEC on the underground installation of CUC's electrical ducts is experiencing delays due to difficult ground conditions near Portland Road. The finished product will consist of four travel lanes (2 each way) and a centre right turn lane.



Aerial view of new ETH & LPH connector

3.1.7 Goal: Esterley Tibbetts Highway Extension – Hyatt to Canal Point [EA10]

Phase III of the Esterley Tibbetts Highway extension included an approximately 1.0 mile four lane divided highway that extended north from the new roundabout adjacent to the Hyatt Hotel/Galleria Plaza location to Raleigh Quay at Governors Harbour Development.

Work on the project began formally on January 4, 2006 with soil testing pits being dug at various locations along the route. NRA crews also cleared certain areas of land along the route where access could be gained via existing feeders off West Bay Road. Simultaneously NRA, Lands and Survey and the Ministry of Works began discussions with both Mr. Michael Ryan of the Ritz Carlton Development and the Governors Harbour Homeowners Association about future plans to extend the highway from Canal Point to Governors Harbour. This project has been arguably one of the most challenging for NRA/PWD-Roads historically as issues with the scant delivery of road base material coupled with poor performance from subcontractors, and difficult soil conditions resulted in huge delays.

Engineers discovered pockets of deep swamp behind the Strand Complex at Canal Point. U.K. based engineering consultants Ove Arup & Partners assisted the NRA in determining cost-effective solutions for stabilizing the soil in this area as the swamp was too deep for traditional de-mucking and rock backfill methods.



Demucking on section of ETH by Buckingham Place Feb06



Installation of road base material on ETH

3.1.8 Goal: Kirk Motors/Dorcy Drive Small Roundabout [EA35]

At the Chairman's request the three legged intersection by Mango Tree Restaurant and Kirk Motors/NAPA was upgraded from the awkward and much maligned 'malfunction junction' to a small dual approach lane roundabout/ The new roundabout showed a dramatic improvement in traffic flow and reduction in vehicle accidents at this location. Kudos was given to NRA by many of the motoring public on the road improvements.

3.1.9 Goal: Anton Bodden Road Rehabilitation [EA12]

The Bodden Town relief road formally named Anton Bodden Road was given a new ‘spray and chip’ surface over most of its length (~ 5,000 ft). The road had proven to be a crucial alternate route for delivery of goods, people and services after hurricane Ivan after a major section of the Bodden Town coastal road remained impassable for several days. In addition to the new spray and chip surface it was decided to also apply HMA surfacing over a short section between the BT Health Clinic and the entrance to Belford Estates; that section of road consists of a sharp bend near the Civic Centre and is also prone to potholes caused by frequent flooding.

3.1.10 Goal: Hirst Road/Shamrock Road Merge Lane [EA15]

The second phase of intersection changes made at Hirst Road and Pedro Castle Road consisted of an extension westward of the merge lane across Savannah Primary School and ending just short of the DaCosta residence.

3.1.11 Goal: Seawall @ Clarinda Beach East End (Phase1) [EA31]

In July 2005 NRA began construction of a sea defence wall in the vicinity of Clarinda Beach East End. The wall measuring approximately four hundred (400) ft in length was designed as a standard ‘gravity wall’ consisting of an extra wide subsurface footing anchored at approximately twelve (12) ft below road level and having a solid-pour centre with chiselled stone finish for aesthetics. NRA crews built the majority of the superstructure and a small works contract was awarded to local stone masons Facey Construction for the installation of a decorative stone finish. As of July 2006 the wall was near 100% completion.



October 2005 – NRA crew working on 400ft long sea wall at Clarinda Beach

3.1.12 Goal: Hot Mix Asphalt Overlays – Eastern Districts [EA32]

The following eastern district roadways received hot mix overlay:

- Austin Conolly Drive – Repair and HMA Overlay of Ivan damaged roadways in the vicinity of Colliers Pond (approx ¼ mile);
- Sea View Road – Repair and Resurface of Ivan damaged roadways in the vicinity of Half Moon Bay East End (approx ½ mile);
- John Mclean Drive – Resurface of entire length of John Mclean Drive (approx 1.0 mile);
- Bodden Town Road – Resurface of roadway between Midland Acres and Breakers Church (approx 1.0 mile);
- Sea View Road – Repair and resurface of Ivan damaged roadways in the vicinity of Iron Shore Point in East End (approx ½ mile).

3.1.13 Goal: Marina Drive Road Reconstruction [EA33]

The NRA sought to improve the roadway and poor drainage conditions in the Prospect area starting with the reconstruction of part of the main collector Marina Drive. Increased development in the Prospect area was recognised as having contributed to intense flooding of the roads in Prospect. Flooding on Marina Drive was found to be most severe over the first ¼ mile off the main arterial Shamrock Road. A total of \$265,000 was allocated for the project during FY05/06 however miscommunication between management and the Ministry of Works resulted in a drastic change in the scope of works. The NRA regraded a major part of Marina Drive and Almond Avenue, and installed fifteen new drain wells. Supplementary funding was not sought for the project and subsequently the NRA incurred a bad debt of \$356,093 under this allocation.

3.1.14 Goal: Seymour Road Reconstruction [EA34]

Seymour Road (road to the GT Landfill) lay in very poor condition for many years. Funds were allocated for the project to allow minor widening of the roadway and creation of a uniform road shoulder for pedestrians. The road base was reconstructed in some sections and a new coarse mix asphalt surface installed over approximately 2,600 ft (1/2 mile) of roadway extending from the main entrance at North Sound Road to the Flowers corporate offices. Six new drain wells were added along the route to improve drainage.

3.1.15 Goal: Stormwater Management – Savannah Gully Flood Mitigation Study [EA62]

As a result of substantial flood damages in the Savannah Gully area caused by the passing of Hurricane Wilma in October 2005, the Ministry of Works charged staff of the NRA with the mandate of determining the feasibility of an engineering-based solution for minimizing the impacts of such disaster events. In March 2006, the engineering firm of Orth-Rodgers & Associates (ORA) was retained with the project scope of designing a seawater flood mitigation and coastal defence system in the Savannah Acres area.

The first component of the study consisted of a 'Project Development and Visioning Process'. As part of the visioning exercise, major activities entailed the following:

- Gathering of available data from Lands and Survey, MRCU, Water Authority, et al pertaining to flooding, hydrology, geotechnical characteristics, and topography;
- Conducting visioning meetings (two public meetings on the 30th and 31st of May 2006) and obtained anecdotal data from affected property owners;
- Creation of a synthesis map detailing hurricane related flood areas. This was developed largely based on public input;
- Development of a problem statement and measures of effectiveness;
- Creation of an engineering toolbox and identification of potential solutions for addressing the flooding problem;
- Design and publication of brochures, maps and pamphlets;
- Findings of the study were presented at one public meeting. Briefing meetings were held with the Honorable Minister of Works and the Cabinet. Two television interviews and two radio interviews were also carried out.



Seawater infiltrates ironshore at Savannah Acres then flows downhill into parts of the Savannah/Newlands community.

3.2 Transportation Planning Activities FY2005/6

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) national roads plan. From the long term plan a short term operational plan is developed; this short term plan consists of roads and roads improvements that are deemed as critical within 3 to 5 years.

3.2.1 Recurrent Activities – Some of the main activities of the transportation unit for FY2005/6 were as follows:

- a) In addition to numerous meetings and site inspections with various land developers (to advise them on roads and drainage requirements), the transportation unit prepared assessments and provided commentary to the Central Planning Authority on a total of 361 planning applications;
- b) A total of ninety-three (93) reviews of stormwater/drainage applications were carried out and commentary provided to the Central Planning Authority;
- c) Road gazette plans (Roads Law 2005R – Section3) were completed for:
 - i. Seymour Road & North Sound Road Intersection;
 - ii. West Bay Road – Additional Left Turn Lane for small roundabout by Galleria Plaza;
 - iii. Esterley Tibbetts Highway – Four Lane expansion from Lime Tree Bay to Raleigh Quay;
- d) Development of a conceptual plan for a new connector road to run from Owen Roberts Airport directly to just north of the landfill on Esterley Tibbetts Highway;
- e) Development of an access management plan for the Esterley Tibbetts Highway extension between Galleria Plaza and Lime Tree Bay.

3.2.2 Traffic Calming Program

Initially launched in 2003 the traffic calming program aims to reduce the negative impacts brought on by the intrusion of speeding vehicles and cut-through traffic on local residential streets. The NRA continued the implementation of speed humps as the more favoured method of traffic calming. A total of thirty six (36) neighbourhood requests were received in FY05/06. Nine (9) total areas were assessed and outfitted with new speed humps. Remaining areas were either refused or put on a list waiting future funding. Areas outfitted with speed humps include:

Speed Humps

Location	Date	Number
Windsor Park	Sep-05	12
Seymour Road	Sep-05	3
Fiddlers Way	Oct-05	2
Welcome Way	Oct-05	1
Belford Estates	Oct-05	3
John McClean Drive	Feb-06	9
Midland Acres - Longfellow Circle/Chaucer Drive	Feb-06	6
Will T Drive	Feb-06	3
Duxie's Lane	Mar-06	2

3.2.3 Road Safety

- a) In May 2006 the “Streetskills” campaign was developed in collaboration with Royal Cayman Islands Police Service, Cayman Islands Roads Safety Advisory Committee and the NRA. Streetskills is a multi-media campaign that targets different aspects of safe driving on a monthly basis. Members of the committee meet on a regular basis to discuss monthly public information themes (including speeding, drunk driving, seat belt use, bicycle safety etc) as well as attend forums in which to get the word out to the public (the campaign’s target audience is young drivers).
- b) NRA in conjunction with the RCIPS introduced the first set of school zones on the island. After exhaustive research and consultation two new 15 MPH School Zones were installed at Red Bay Primary and Savannah Primary. The Government’s legal drafting department are to amend the Traffic Law to include rules and provisions for fines for anyone found in violation of the school zone restrictions.
- c) A Dual Lane Roundabout brochure was developed in early 2006 in conjunction with Government Information Services (GIS) as part of the NRA’s Streetskills campaign. Over ten thousand (10,000) copies of the brochure were delivered to selected car rental agencies, insurance companies, supermarkets, postal stations, etc. Feedback was very positive and the NRA is in the midst of working on a more detailed brochure about dual-lane roundabouts. A commercial was also put together through the cooperation of GIS on the proper use of dual lane roundabouts in early 2006 using the Silver Oaks Roundabout as an example. The commercial airs frequently on local channel CITN and on movie theatre screens at the local Cineplex.

3.2.4 Public Relations with Government Information Services

Approximately twenty-one Press Releases were prepared and circulated within the media. Some of the more significant press release topics included:

- a) New Pedestrian countdown signals on the Waterfront;
- b) Introduction of a new lane system at the Galleria Roundabout;

- c) Introduction of 15 MPH school zones;
- d) New small roundabout by NAPA and Mango Tree.

3.2.4 NRA Website

In March 2006 a contract was signed with local company Adwerks to design and help maintain a website for the National Roads Authority. The website is now live at www.caymanroads.com. The website is maintained and updated internally with press releases, photos and project updates.

3.2.5 Roadside Amenity Agreements

In FY05/06 after large fanfare over the success of the landscaping at the Butterfield Bank roundabout others in the business community expressed keen interest in becoming sponsors for similar roads and intersections. NRA began discussions with the Minister of Works regarding what are known elsewhere as Adopt-A-Highway campaigns. By July 2006 the Ministry of Works were able to secure commitments from three companies for the adoption of three other prominent roundabouts on island:

- a) Elgin Roundabout – Cayman National Bank;
- b) “Hyatt” Roundabout – Century 21;
- c) Grand Harbour Roundabout – ARCP;

Amenity Contracts/Agreements are to be executed for the landscaping and maintenance of said landscaping over a renewable period of five (5) years. The landscaping is not expected to be installed until middle to late 2007.

4.0 Ownership Performance Targets

The ownership performance targets achieved (as specified in schedule 5 to the Public Management and Finance Law (2005 Revision) for *National Roads Authority* for the 2005/6 financial year are as follows.

Financial Performance

Financial Performance Measure	2005/6 Actual \$	2005/6 Budget \$	Annual Variance \$
Revenue from Cabinet	15,241,216	20,526,068	5,284,852
Revenue from ministries, portfolios, statutory authorities and government companies	68,564	0	68,564
Revenue from other persons or organisations	83,754	0	83,754
Surplus/deficit from outputs	-	-	-
Other expenses	-	-	-
Net Surplus/Deficit	(387,422)	0	(387,422)
Total Assets	7,705,648	2,528,053	5,177,595
Total Liabilities	2,869,188	0	2,869,188
Net Worth	4,836,460	2,528,053	2,308,407
Cash flows from operating activities	(1,878,546)	140,052	(1,738,494)
Cash flows from investing activities	(772,300)	1,320,000	547,700
Cash flows from financing activities	1,124,028	1,320,000	(195,972)
Change in cash balances	(1,526,818)	140,052	(1,386,766)

Financial Performance Ratio	2005/6 Actual	2005/6 Budget	Annual Variance
Current Assets: Current Liabilities	1.93	0	1.93
Total Assets: Total Liabilities	1.59	0	1.59

Notes:

Revenue from Cabinet = Total value of major capital projects (Executive Assets) plus total value of outputs prescribed in the Purchase Agreement between NRA and Cabinet. (\$15,451,000 EA's + 5,075,068 from Purchase Agreement)

The nearly \$5.3M variance in revenue from Cabinet is due largely in part to late supplementary funding allocated for capital roads projects. The Esterley Tibbetts Highway (ETH) project for example received a late supplementary of \$7.4M in May 2006 of which approximately \$3.8M was unable to be spent prior to the end of the financial year, June 30, 2006. The total variance on capital works projects for FY 2005/6 is approximately \$4.6M.

Given that most of the NRA's focus during the fiscal year was devoted to Capital projects the NRA did not fulfil 100% of its obligations under the District Roads Programme. As a result the NRA invoiced for approximately \$700K less than the amount budgeted in the FY 2006/7 Purchase Agreement between NRA and Cabinet.

The variance in total assets is largely attributable to the increase in cash and cash equivalents.

Maintenance of Capability

Human Capital Measures	2005/6 Actual	2005/6 Budget	Annual Variance
Total full time equivalent staff	110	99	11
Staff turnover (%)	-	-	

Major Capital Expenditure Projects	2005/6 Actual \$	2005/6 Budget \$	Annual Variance \$
EA 10: New Road: Esterley Tibbetts Highway: Ph 3: <i>Continue extension of highway to Indies Suites [cost excludes Ritz Carlton overpass]</i>	6,617,157	10,400,000	3,782,843
EA 11: New Road: Connector Highway <i>Construct connector highway between Esterley Tibbetts and Linford Pearson Hwy's</i>	432,646	500,000	67,354
EA 12: New Road: Anton Bodden Road <i>Construct Bodden Town Relief Road</i>	236,961	230,000	(6,961)
EA 14: Roundabout Reconstruction: Elgin Avenue <i>Reconstruct roundabout Elgin Ave/Thomas Russell way</i>	537,657	700,000	162,343
EA 15: Road reconstruction: Hirst Rd <i>Hirst / Shamrock Rd: Centre turn lane and merge extension</i>	57,932	300,000	242,068
EA 31 : Reconstruction – Sea Wall	425,790	480,000	54,210
EA 32 : Reconstruction – Hot Mix Eastern Districts	1,221,815	1,418,000	196,185
EA 33 : Road reconstruction: Marina Drive	621,093	265,000	(356,093)
EA 34: Road reconstruction: Seymour Road	245,000	245,000	0
EA 35: Traffic Calming Projects	41,564	75,000	33,436
EA 36: Hot mix overlay: Midland Acres to Breakers	249,882	275,000	25,118
EA 36: Hot mix overlay: The Edge	0	13,000	13,000
EA 36: Hot mix overlay: Anton Bodden Road	85,789	75,000	(10,789)
EA 36: Hot mix overlay: Chester Watler	0	25,000	25,000
EA 61: National Road Plan	2,294	250,000	247,706
EA 62 : Storm Water Project	71,753	100,000	28,247
EA 63 : Central Business District Project	53,481	100,000	46,519
Total Value of EA Programme: 2005/2006	10,900,816	\$15,451,000	4,550,184

EI 8: NRA: <i>Equity injection to fund vehicles, equipment, repairs to compound & information technology hardware & software.</i>	989,028	\$1,320,000	330,972
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Explanation of Variances

- EA 10 – Esterley Tibbetts Highway – A late supplementary resulted in \$3,782,843 not being spent prior to June 30, 2006;
- EA 15 – Hirst Road - \$242,068 not spent. Project was delayed due to land claim disputes;
- EA 61 – National Roads Plan - \$250K was earmarked for the completion and publication of a National Roads Plan document along with long term corridor maps however approx \$248K was unspent as staff efforts were more focused on planning, design and construct activities relative to capital road works like the ETH;
- EI 8 – Equity Injection – The majority of computer software and new vehicles was acquired as planned however plans to upgrade the PWD parking lot and refurbish hurricane damaged buildings was not realised in this financial year.

5.0 Summarised Financial Statements

A full set of financial statements for *National Roads Authority* is provided in the Appendix to this report.

A summary of those is as follows:

Operating Statement	2005/6 Actual \$	2005/6 Budget \$	Annual Variance \$
Revenue	15,393,534	20,526,068	5,132,534
Operating Expenses	15,780,956	20,526,068	4,745,112
<i>Net Surplus/Deficit</i>	<i>(387,422)</i>	<i>0</i>	<i>(387,422)</i>

Balance Sheet	2005/6 Actual \$	2005/6 Budget \$	Annual Variance \$
Assets	7,705,648	2,528,053	5,177,595
Liabilities	2,869,188	-	2,869,188
<i>Net Worth</i>	<i>4,836,460</i>	<i>2,528,053</i>	<i>2,308,407</i>

Statement of Cash Flows	2005/6 Actual \$	2005/6 Budget \$	Annual Variance \$
Net cash flows from operating activities	(1,878,546)	140,052	(1,738,494)
Net cash flows from investing activities	(772,300)	(1,320,000)	547,700
Net cash flows from financing activities	1,124,028	1,320,000	(195,972)

6.0 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	2005/6 Actual \$	2005/6 Budget \$	Annual Variance \$
Equity Investments into the National Roads Authority	1,124,028	1,320,000	195,972
Capital withdrawals from National Roads Authority	0	0	0
Dividend or Profit Distributions to be made to the National Roads Authority	0	0	0
Government loans to be made to the National Roads Authority	0	0	0
Government Guarantees to be issued in relation to the National Roads Authority	0	0	0
Related Party Payments (non remuneration) made to Key Management Personnel	0	0	0
Remuneration payments made to Key Management Personnel	458,373	481,337	22,964
Remuneration payments made to Senior Management	446,823	469,337	22,514

	2005/6 Actual	2005/6 Budget
No of Key Management Personnel	16	16
No of Senior Management	6	6

Appendix: Audited Financial Statements for the Year Ended 30 June 2006



**National Roads Authority
Financial Statements
30 June 2006**

STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS

These financial statements have been prepared by the National Roads Authority in accordance with the provisions of the Public Management and Finance Law, (2005 Revision). The financial statements comply with generally accepted accounting practice as defined in International Public Sector Accounting Standards and International Financial Reporting Standards

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

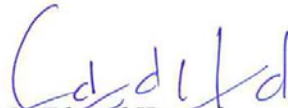
To the best of my knowledge the statements are:

- (a) complete and reliable;
- (b) fairly reflect the financial position as at 30 June 2006 and performance for the financial year ended 30 June 2006; and
- (c) comply with generally accepted accounting practice



*Mr. Lemuel Hurlston
Chairman
National Roads Authority*

Date: *DECEMBER 7, 2006*



*Mr. Edward Howard
Acting Managing Director
National Roads Authority*

Date: *DECEMBER 7, 2006*



National Roads Authority

CERTIFICATE OF THE AUDITOR GENERAL

To the Board of Directors of the National Roads Authority And the Financial Secretary of the Cayman Islands

I have audited the accompanying Balance Sheet of the National Roads Authority of the Cayman Islands (the "Authority") as of 30 June 2006, and the related Operating Statement and Cash Flow Statement for the year ended 30 June 2006 in accordance with the provisions of Section 26 of the *National Roads Authority Law, 2004* and Section 52(3) of the *Public Management and Finance Law (2005 Revision)*.

Respective Responsibilities of Management and the Auditor General

These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on the financial statements based on my audit.

Basis of Opinion

Except as discussed in the following paragraph, my examination was made in accordance with International Standards on Auditing which require that I plan and perform my audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

No accrual has been made for past service pension liability of employees in the Authority that participate in the defined benefit portion of the Public Service Pensions Plan. The amount at this time is not determinable as no actuarial valuation has occurred to assess the past service pension liability of the Authority for its employees.

Opinion

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the past service pension liability, these financial statements present fairly, in all material respects, the financial position of the Authority as at 30 June 2006, and the results of its operations and its cash flow for the twelve month period then ended in accordance with International Financial Reporting Standards.

Don Duguay

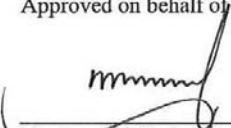
Dan Duguay, MBA, CGA
Auditor General

Cayman Islands
7 December 2006

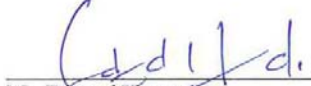
National Roads Authority
Balance Sheet
As At 30 June 2006
(Stated in Cayman Islands Dollars)

CURRENT ASSETS	NOTES	2006	2005
Cash & Cash Equivalents	3	\$1,251,328	\$2,778,146
Accounts Receivable & Prepays	4	4,111,435	935,210
Inventory	2g)	170,810	-
Total Current Assets		5,533,573	3,713,356
FIXED ASSETS			
Property, Plant & Equipment	7	2,172,075	1,711,456
Total Assets		7,705,648	5,424,812
CURRENT LIABILITIES			
Accounts Payable and Accrued Liabilities	5	2,699,853	1,117,435
Employee Entitlements	6	169,335	207,523
Total Current Liabilities		2,869,188	1,324,958
TOTAL ASSETS LESS TOTAL LIABILITIES		\$4,836,460	\$4,099,854
NET WORTH			
Contributed Capital	8	3,928,103	2,804,075
Accumulative Surplus		908,357	1,295,779
Total Net Worth		\$4,836,460	\$4,099,854

Approved on behalf of the Board on the 7th of DECEMBER 2006



 Mr. Lemuel Hurlston
 Chairman



 Mr. Edward Howard
 Acting Managing Director

The accompanying notes form an integral part of these financial statements

National Roads Authority
Operating Statement
For the Year Ended 30 June 2006
(Stated in Cayman Islands Dollars)

INCOME	Notes	2006	2005
Sales of Services to Cabinet	2j), 11	\$15,241,216	\$10,650,943
Sales of Services to other government agencies	2j), 11	68,564	68,179
Insurance Settlement		-	46,885
Donations Received		41,694	20,362
Interest & Other		42,060	4,130
		<u>15,393,534</u>	<u>10,790,499</u>
OPERATING EXPENSES			
Road Construction		7,381,804	640,666
Personnel Costs	9	4,112,237	3,944,914
Roads Maintenance		851,906	2,290,920
Utilities		847,222	487,847
Motor Vehicle Expenses (including insurance)		735,758	597,904
Bad debts	2f), 11	416,681	71,096
Depreciation	7	311,681	83,741
Signs & Lines Maintenance		294,118	912,826
Drains/Wells Maintenance		275,653	63,899
Office Rental	11	178,648	-
Professional fees		132,520	317,575
Buildings Maintenance		71,467	1,982
Computer Maintenance & Fees		67,952	2,270
Supplies and Consumables		51,299	68,251
Telephone		21,779	280
Advertising and promotion		13,118	2,027
Travel and Subsistence		12,635	7,992
Insurance		4,277	-
Bank Charges		201	530
		<u>15,780,956</u>	<u>9,494,720</u>
NET (LOSS) INCOME FOR THE YEAR ENDED		<u>(387,422)</u>	<u>1,295,779</u>
Accumulated Surplus at beginning of year		<u>1,295,779</u>	-
ACCUMULATED SURPLUS AT END OF YEAR		<u>\$908,357</u>	<u>\$1,295,779</u>

The accompanying notes form an integral part of these financial statements

National Roads Authority
Statement of Changes in Net Worth
For the Year Ended 30 June 2006
(Stated in Cayman Islands Dollars)

	<u>Note</u>	<u>2006</u>	<u>2005</u>
Opening balance net worth		\$4,099,854	\$-
Net (Loss) Surplus		(387,422)	1,295,779
Property revaluations		-	-
Investment revaluations		-	-
Net revaluation during the period		-	-
Total recognized revenues and expenses		(387,422)	1,295,779
Equity investment from Cabinet	8	1,124,028	2,804,075
Capital withdrawal by Cabinet		-	-
Repayment of surplus to Cabinet		-	-
Closing balance net worth		\$4,836,460	\$4,099,854

The accompanying notes form an integral part of these financial statements

National Roads Authority
Statement of Cash Flows
For the Year Ended 30 June 2006
(Stated in Cayman Islands Dollars)

	<u>Notes</u>	<u>2006</u>	<u>2005</u>
CASH FLOW FROM OPERATING ACTIVITIES			
Net Income (Loss) for the year ended		\$(387,422)	\$1,295,779
Adjustment for non cash transactions:			
Bad debts	11	416,681	71,096
Depreciation	7	311,681	83,741
		<u>340,940</u>	<u>1,450,616</u>
Net change in working capital			
Increase in Accounts Receivable		(3,592,906)	(1,006,306)
Increase in Inventory		(170,810)	-
Increase in Accounts Payable and Accrued Liabilities		<u>1,544,230</u>	<u>1,324,958</u>
Net Cash Provided by Operating Activities		<u>(1,878,546)</u>	<u>1,769,268</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets	7, 8	<u>(772,300)</u>	<u>(1,795,197)</u>
Net Cash Used by Investing Activities		<u>(772,300)</u>	<u>(1,795,197)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Contributed Capital from Government	8	<u>1,124,028</u>	<u>2,804,075</u>
Net Cash Provided by Financing Activities		<u>1,124,028</u>	<u>2,804,075</u>
Net Increase in Cash and Cash Equivalents During the Year		(1,526,818)	2,778,146
Cash and Cash Equivalents at the Beginning of the Year		<u>2,778,146</u>	-
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>\$1,251,328</u>	<u>\$2,778,146</u>

The accompanying notes form an integral part of these financial statements

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2006
(Stated in Cayman Islands Dollars)

1. Establishment and Principal Activity

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

The NRA is created to administer, manage, control, develop and maintain the Island's public roads and related facilities, such as signals, storm water facilities, roadway lighting, and roadway directional signage. The scope of activities of the NRA include providing policy advice, publication of a National Roads Plan, provision of project and construction management services for the delivery of new road-works and the maintenance management of the existing road infrastructure.

As at 30 June 2006, the NRA had 110 employees (30 June 2005: 101 employees). The NRA is located at 370 North Sound Road, P.O. Box 10426 APO, Grand Cayman, Cayman Islands; this is within the Public Works Compound.

2. Significant Accounting Policies

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Committee (IASC), and interpretations issued by the Standing Interpretations Committee of the IASC. The significant accounting policies adopted by the NRA in these financial statements are as follows:

The financial statements of the NRA are presented in Cayman Island dollars and are prepared on the accrual basis under the historical cost convention.

(b) Cash & cash equivalents

This comprises cash at bank and short term investments with maturity at inception of three months or less.

(c) Foreign currency translation

All assets and liabilities denominated in foreign currency are translated to Cayman Islands Dollars at exchange rates in effect at the balance sheet date. Revenue and expense transactions denominated in foreign currency are translated to Cayman Islands Dollars at exchange rates ruling at the date of those transactions. Gains and losses arising on translation are included in the Operating Statement.

(d) Fixed Assets/depreciation

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

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

Annual rates are as follows:

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

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2006
(Stated in Cayman Islands Dollars)

2. Significant Accounting Policies (continued)

(e) Receivables

Receivables are advances that are recorded at the amounts expected to be ultimately collected in cash.

(f) Allowance for bad debts

The allowance for bad debts is established through a provision for bad debts charged to expenses. Accounts receivable are written off against the allowance when management believes that the collectability of the amount is unlikely. The allowance is an amount that management believes will be adequate to cover any bad debts, based on an evaluation of collectability and prior bad debts experience.

(g) Inventory

Inventory is valued at the lower of net realizable value or cost, on a last-in first-out basis.

(h) Accounts Payable

Accounts payable are recorded at the amount owing after allowing for credit notes and other adjustments.

(i) Employee entitlements

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.

The Authority participates in the Public Service Pension Plan, a defined benefit and contribution pension fund, in accordance with the Public Service Pension Law. Contributions are charged to expenses as they are incurred based on set contribution rates. The Authority makes monthly contributions at a rate of 12%, whereby the employer pays both the employer and employee contributions. Currently, the Authority does not recognize the past service pension liability because it is not known due to no actuarial valuation being performed.

(j) Revenue recognition

Revenue from sale of services to Cabinet and other government agencies is recognised when it is earned (see also Related Party Note 11). Investment revenue is recognised in the period in which it is earned. Donations are recognised at fair value at the time of receipt.

(k) Expense recognition

Expenses are recognised when incurred.

(l) Financial Instruments

(i) Classification

A financial asset is classified as any asset that is cash, a contractual right to receive cash or another financial asset, exchange financial instruments under conditions that are potentially favourable or an equity instrument of another enterprise. Financial assets comprise of cash and cash equivalents and accounts receivable.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial instrument or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. Financial liabilities comprise of accounts payables and employee entitlements.

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2006
(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 Operating Statement.

(iii) Measurement

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

(iv) Derecognition

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

(v) Credit Risk

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

(vi) Interest Rate Risk

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

3. Cash & Cash Equivalents

	<u>2006</u>	<u>2005</u>
Bank accounts	\$108,658	\$1,275,006
Term deposits	1,142,670	1,503,140
Total Cash & Cash Equivalents	<u>\$1,251,328</u>	<u>\$2,778,146</u>

4. Accounts Receivable & Prepaids

	<u>2006</u>	<u>2005</u>
Outputs to Cabinet	\$4,436,160	\$794,413
Outputs to other government agencies	71,096	139,253
Staff loans	13,563	72,640
Accounts Receivable Others & Prepaids	78,393	-
Total Gross Accounts Receivable	4,599,212	1,006,306
Less allowance for bad debts (see Note 11)	(487,777)	(71,096)
Total Net Accounts Receivable	<u>\$4,111,435</u>	<u>\$935,210</u>

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2006
(Stated in Cayman Islands Dollars)

5. **Accounts Payable and Accrued Liabilities**

	2006	2005
Trade Creditors	\$2,648,517	\$1,082,435
Accruals	51,336	35,000
Total Accounts Payable and Accrued Liabilities	\$2,699,853	\$1,117,435

6. **Employee Entitlements**

	2006	2005
Accrued Vacation Leave	\$169,335	\$207,523

7. **Fixed Assets**

Cost	Vehicles and Heavy Equipments	Furniture and Fixtures	IT Equipment	Other Plant and Equipment	Total
	\$	\$	\$	\$	\$
Opening Balance	1,743,911	14,183	13,743	23,360	1,795,197
Additions	588,621	9,127	85,006	89,546	772,300
Disposals	-	-	-	-	-
Balance at 30 June 2006	2,332,532	23,310	98,749	112,906	2,567,497
Accumulated Depreciation					
Opening Balance	80,822	206	1,253	1,460	83,741
Charge for Year	266,439	2,258	18,066	24,918	311,681
Disposals	-	-	-	-	-
Balance at 30 June 2006	347,261	2,464	19,319	26,378	395,422
Net Book Value At 30 June 2006	\$1,985,271	\$20,846	\$79,430	\$86,528	\$2,172,075
Net Book Value At 30 June 2005	\$1,663,089	\$13,977	\$12,490	\$21,900	\$1,711,456

8. **Contributed Capital**

During the year the Authority received an equity injection amounting to \$1,124,028 (2005: \$2,804,075) which was used to purchase Vehicles and Heavy Equipments and Furniture and Fixtures amounting to \$772,300 as well as for working capital.

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2006
(Stated in Cayman Islands Dollars)

9. Personnel Costs

	2006	2005
Salaries and wages	\$3,131,408	\$3,078,237
Employer & Employee pension expenses	324,459	293,264
Health Insurance	387,377	307,473
Vacation due	169,335	207,523
Other personnel costs	99,658	58,417
Total Personnel Costs	\$4,112,237	\$3,944,914

10. Pensions

The pension contributions of employees of the Authority are paid directly to the Public Service Pensions Fund (the "Fund"). The Fund is administered by the Public Service Pensions Board and is operated as a multi-employer non-contributory Fund, whereby the employer pays both the employer and employee contributions.

During the current period the Authority paid both the employee and employers contributions of \$324,459 (2005: \$293,264) to the Public Service Pension Fund which is a related party. This amount is included in personnel costs.

11. Related Party Transactions

The Authority provided outputs to the Government relating to the development and maintenance of the public roads within the Cayman Islands with amounts to \$4,449,946 under the Purchase Agreement. The Authority also engages the services of other government departments of the Cayman Islands Government. Such services are provided at current prevailing market prices on an arm's length basis.

During this year the Authority also delivered Capital Expenditure Projects of \$10,791,270 to the Government for the construction of roads under Ownership Agreement.

There were two Capital Expenditure Projects (Marina Drive & Seymore Drive) where the Authority expended over its budget amounting to \$416,681. An allowance for bad debts was provided for this same amount due to its uncollectability from the Ministry of Communication, Works and Infrastructure.

Upon creation of the Authority on 1 July 2004, no movable properties were vested to the Authority even up to 30 June 2006. Henceforth, the Public Works Department (PWD) allowed the Authority to use its vehicles and heavy equipments for road construction and maintenance free of charge. For the current year, the PWD has billed the Authority for the amount of \$178,648 for support services extended to the latter such as office and workshop accommodation, tenant's requirements, utilities, accounting services, service parking and compound security.

12. Contingencies

Under section 28(1) of the NRA Law an annual payment to the core government may be due. At the date of these financial statements the Financial Secretary has not indicated whether an annual payment will be requested by core government or not.

National Roads Authority
Notes to the Financial Statements
For the Year Ended 30 June 2006
(Stated in Cayman Islands Dollars)

13. Financial Instruments

Fair values. 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.

14. Reclassification

The presentation or classification of expenses in the Operating Statement has been amended and comparative amounts are reclassified for proper analyses of accounts.