



# **ANNUAL REPORT**

**For**

***National Roads Authority***

***For the 2006/7 Financial Year***

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## 1.0 Purpose

This annual report details the performance of the *National Roads Authority* for the fiscal year ending 30 June 2007.

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 2006/7, or as amended through the supplementary appropriation process.

This annual report details the performance of the National Roads Authority for the fiscal year ended 30 June 2008.

It includes information about the actual performance delivered during the year as compared to the planned performance documented in the Ownership Agreement for The National Roads Authority for 2007/8, 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.

## **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 2006/7 financial year are 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 and in some cases commence construction on 6 projects under the Traffic Improvement and Development Roads Programmes at an estimated expenditure of \$24.3m in Grand Cayman. Details of the projects are listed below in Section 4 under Major Capital Expenditure Projects.

### **Achievement during the Year**

*The strategic Goals and Objectives specified in the 2006/7 Approved Ownership Agreement were for the most part realised during the year.*

### 3.1 Compliance with Strategic Goals and Objectives

*3.1.1. Goal: Continue Establishment of the Authority's development and implement effective administration, financial and information management systems:*

- a) In December 2006 the Board of Directors dismissed the NRA's human resources manager on the grounds of non-performance and prolonged absence;
- b) In December 2006 a team of hot mix asphalt professionals from the United States arrived on Island to work along with the newly formed NRA paving crew. Experts from Hawbaker Paving Co. in Pennsylvania USA provided hands on training as well as several classroom sessions in various aspects of hot mix paving including HMA transport, lay-down techniques, and proper use and maintenance of paving machinery;
- c) Implementation and training on the NRA's new works infrastructure management system, Cartegraph continued with the service request and work order modules fully installed. Other modules to follow include fleet and signs asset management modules;
- d) In February 2007 Premier HR (Messrs Mario Ebanks and Greg Anderson) conducted introductory meetings and information sessions with the Board of Directors and select staff members for the purpose of carrying out a comprehensive review of NRA management and an overall review of the NRA's human resources capabilities. In May 2007 the Board of Directors reviewed and accepted Premier HR preliminary report which contained a recommendation to expand the scope of works to include a review of the NRA's human resources plan and organizational structure.

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

On December 6, 2006 NRA engineers made a formal presentation before the Legislative Assembly to discuss short and long term roads development on Grand Cayman. Of special interest was the continued development of the Island's primary arterial road network; in particular the future roads Esterley Tibbetts Highway and Linford Pierson Highway. A timeline for the development of the East/West arterial from Grand Harbour to Hirst Road was also discussed. It was also noted that the project's overall success was dependant on: 1) Widening of the two lane roadway between Grand Harbour and Silver Oaks to four lanes, 2) The extension of the Linford Pierson Highway to the schools on Walkers Road.

Arising from the meeting was also discussion on the importance of establishing funding mechanisms for the NRA that would allow for sustainable transport. 'Sustainability' in essence means that there are systems established by which Government can continue to fund the future roads projects that will be necessary to keep pace with Grand Cayman's development growth. The Minister of Works charged the Chairman of the Board and NRA with identifying and seeking Government approval of strategies for financing future road development.

### 3.1.3 Goal: Esterley Tibbetts Highway – Continuation of main arterial to Raleigh Quay (Indies Suites) [EA10]

By September 2006 much of the basework on the four lane section of the Esterley Tibbetts Highway between Hyatt and Canal Point had been completed. The NRA applied spray and chip surface on two opposing lanes while leaving other lanes unsurfaced to allow work on underground utilities to reach completion. Work was by this time also well underway on the section of roadway between the Ritz Carlton and Raleigh Quay. Ministry of Works continued to handle negotiations with Ritz developer Michael Ryan in regards to the construction of the roadway through the Ritz property. The property in question is owned by Crown and deeded to the Ritz Carlton through a peppercorn lease agreement. Central Planning Authority permission was granted to the Ritz Carlton with the stipulation that the Ritz bear the costs of constructing the section of the planned Govt road (ETH) that passes through that site.

The project highlights for the ETH extension to Raleigh Quay in FY06/7 are as follows:

- January 2007 – Spray and chip surfacing completed on most travel lanes between Ritz Carlton and Raleigh Quay;
- March 2007 – Subcontractors ARCP and LALEV construction engaged for the installation of both slip-form and pre-cast concrete curbing;
- April to June 2007 – Hot mix asphalt paving done on majority of travel lanes. Installation of over 100 drain wells also completed.



2007 aerial view of the Esterley Tibbetts Highway b/w Snug Harbour and the Ritz Carlton



At the end of June 2007 there were several outstanding items on the ETH project which were promised funding at a later date. These in short were:

- Crash walls required by Buckingham Plaza;
- Crash walls required by Southampton Villas;
- Hot mix paving required on Canal Point Road (adjacent to the Strand);
- Hot mix paving required on Governors Way;
- Soil fill and landscaping required in centre median all along ETH.

#### *3.1.4 Goal: Savannah Gulley Flood Mitigation Study [EA62]*

The Savannah Gulley flood mitigation project is a study of the flooding phenomenon that occurs in the Savannah area where certain tropical storm and hurricane events generate large waves that crash onto the ironshore at the Savannah Acres subdivision in Savannah; sea water makes its way through natural inlets in the ironshore and is then carried inland through a natural ravine along Sandy Ground Drive known as the 'Gulley'. The saltwater intrusion is sometimes so severe that it travels as far inland as the Savannah Meadows and Butterfly Circle communities in Newlands. The phenomenon whenever it occurs impacts hundreds of households in and around this area and severely impacts traffic flow on the main arterial Shamrock Road through this area.



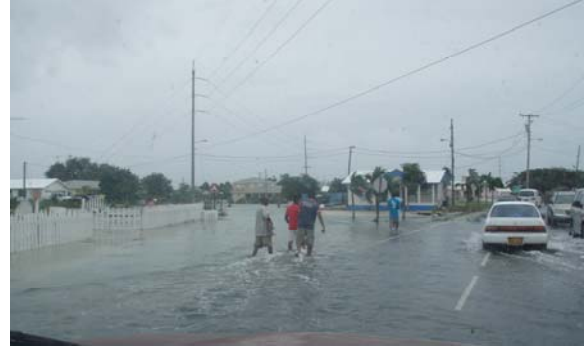
Typical wave run-up on iron-shore at Savannah Acres during storm event



U.S. based consultants, Orth-Rodgers were hired to analyze the problem and produce viable options for the mitigation of the storm induced flooding; government would decide on whether to move ahead with one or more of the feasible alternatives arising from the OR&A study.



Sea-water travels inland affecting traffic flow



Homes and area businesses adversely impacted by seawater

Project highlights for FY2006/7 were as follows:

- January 2007 – The project moved from fact-finding and public involvement phase to geotechnical and subsurface investigation phase. The Minister gave the ‘greenlight’ for the construction of a seawall on the ironshore in areas where the seawater breaches the ironshore and finds its way into the natural gulley formation. Watler and Hislop and Cayman Engineering & Survey by January 2007 had fully completed 15 boreholes trials each 4 inches in diameter at average depth of 40 ft in order to determine the composition of the rock and substrata in various locations where the seawall may be viable. A temporary track was roughed in over parts of the ironshore to allow W&H drill rigs and accompanying water trucks access to the borehole locations. – Written permission to conduct these operations was given by the owners DART Group;
- March 2007 – OR&A reported that preliminary findings from the coastal engineering analysis conducted via computer simulation by W.F. Baird & Associates in Ottawa, Canada were received. First analysis showed that gulley flooding was not specifically storm surge related but more specifically is the result of wind driven waves. Borehole data also indicated a number of subsurface cavities in the ironshore formation which meant that the design of a sea retention wall would be more complicated and costly;
- April 2007 – NRA submitted supplementary requests for additional funding for the Gulley project. NRA also commissioned two local structural engineering consultants to review the OR&A estimates and timeline for construction. A report of their individual findings was submitted to the Board of Directors and Ministry of Works;
- May 2007 – A supplementary appropriation was received on May 16, 2007 for the final design phase of the Savannah Gulley flood wall;
- June 2007 – All outstanding bills to OR&A serviced. Final Design monies committed and 30% final design plan documents were received and filed as official property of CI Govt. The construction phase of the wall however was not included in the NRA’s FY07/08 budget. Minister CW&I indicated that he would lobby Cabinet to utilize monies from the Environmental Protection Fund to finance the wall project. While it was inconceivable that the wall could be in place for the 2007 hurricane season however, it was hoped that

funding could be secured soon enough that the wall could be started at the end of the 2007 hurricane season in November or December 2007.

### *3.1.5 Goal: Road Works Grand Cayman – Hot Mix Paving Programme [EA72]*

The NRA hot mix paving programme was launched in October 2006 after the formation of the NRA's new paving crew. The first road officially paved by the new crew was Portland Road in George Town. During FY2006/07 the NRA laid approximately 32,000 tonnes of hot mix asphalt using its new road paver. In addition to paving on the two major roads Esterley Tibbetts Highway and East-West Arterial the NRA paving crew completed hot mix overlays on the following:

- Hinds Way (off Walkers Road)
- Portland Road (George Town)
- Arlene Avenue (Newlands)
- Hirst Road (ICCI to Abanks Dive Lodge)
- Capt E.L. Solomon subdivision (aka The SWAMP)
- Tropical Gardens Road
- Almond Avenue (Prospect)
- Marina Drive (Prospect)
- Rackley Blvd, Arlene Avenue, Southward Dr, Eldon St (Newlands)
- North Sound Road
- Windsor Park
- Myles Crescent (behind Funky Tangs)
- Randyke Gardens (off Linford Pierson Highway)
- Genesis Close (off Dr. Roy's Drive in Central George Town)
- Shedden Road
- Eastern Avenue

In July 2007 NRA management advised the Board of Directors of the ongoing issues with deficient hot mix from both local plants. Over a million dollars worth of new hot mix had been installed in George Town alone and the Acting Managing Director noted that while the NRA still had no formal testing facility it was evident that the mix was most often inconsistent and of poor quality as surface distresses were apparent within just a few weeks of installation on three major roadways 1) Shedden Road, 2) North Sound Road, and 3) Eastern Avenue. The Board of Directors charged management with getting both a materials testing laboratory and signs shop operational by September 2007. It was suggested that management seek to rent a warehousing facility since there was no building readily available at the PWD compound.

### *3.1.6 Goal: East End Seawalls – Lower End of The Bay & Clarinda Beach [EA76]*

#### Lower End of the Bay Seawall

The design of the Lower End of the Bay seawall calls for an approximately 1800 ft long concrete encased steel sheetpile wall to be constructed on the beach area at the entrance to East End village. Soil investigation and structural wall design was handled by APEC Consulting Engineers on behalf of NRA. Similar walls can be seen at Boggy Sand Road in West Bay and at the Royal Watler Terminal in George Town. The project is to also include new hot mix pavement, sidewalks on both sides of the carriageway and landscaping along the seaside in front of the wall. The wall is necessary for sea defence and

protection of the shoreline and roadway. The roadway in this area houses important utilities such as water and telecommunications and is the main conduit for travel to and from the East End and Gun Bay areas. Hurricane Ivan left this important shoreline severely damaged which adversely affected both travel and utilities services in this district.



Shoreline damage at Lower End of the Bay – post Ivan (2005)



June 2007 – engineers install test piles at LEB seawall site

Project highlights for the FY06/07 were as follows:

- November 2006 – Engineering Consultants, APEC presented 6 different wall design options to Hon. Minister Arden Mclean. Minister Mclean opted for the sheet pile wall design.

- February 2007 - APEC consultants deliver bill of quantities and estimate for wall construction. Sheet piles are ordered by NRA. The plan is to procure sheet piles before July 30, 2007 and store on site at East End.
- May 2007 – First shipment of steel sheetpiles arrive on island. Selective tenders sent to three local pile driving companies. Local company West Indian Marine is awarded the job of installing the steel sheet piles. The pile driving works are to take place starting in July or August 2007 (FY07/08).

### Clarinda Beach Seawall Extension

During the FY06/07 year another Ministry of Works project that included a reinforcing wall around the East End cemetery was being handled by project managers at the Public Works Department. The East End cemetery project realised a surplus of steel sheetpile pieces (many of which were deemed long enough to be used on potential other wall projects). The Minister of Works asked the NRA to develop a plan for the utilization the excess material from the cemetery job for the extension of the 400ft stone wall previously constructed by NRA at Clarinda Beach. Cayman Engineering Services Ltd was hired to investigate soil conditions at Clarinda Beach and provide a wall design using the excess sheet piles. Given that the ground conditions at Clarinda Beach were favourable a nearly eight hundred (800) ft long extension of the existing Clarinda Beach wall could be recognised using left over material from the PWD cemetery job.



Steel Sheetpiles being hammered into bedrock – Clarinda Beach East End

A departmental tender awarded the installation of the sheet piles to local contractors Watler and Hislop in June 2007. The sheet piling project was paid for using remaining funds in the EA72 vote allocation. The Minister of Works would be seeking additional funding in FY07/08 for both the completion of the Clarinda Beach seawall extension and the construction of the Lower End of the Bay seawall.



### 3.1.7 Goal: East/West Arterial - Red Bay to Hirst Road [EA77]

The E-W arterial is designed as the first of its kind six (6) lane primary arterial roadway in Cayman. The design incorporates key elements of transportation planning, corridor access management and stormwater management. Though the ultimate travel lane capacity is six (6) lanes, only two outer lanes (one in each direction) are to be built in the initial stage. Future travel lanes can be added by Government when needed by building inward towards the centre of the corridor. The land needed for the corridor all acquired at today's market prices means that Government will not have to purchase additional lands in the future in order to affect lane expansion along this corridor. The current phase of the E-W arterial extends approximately 3.2 miles from Hirst Road to Selkirk Drive in Red Bay. The project is being designed and built in segments (5 in total) with each segment being demarcated by a major intersection (roundabouts in most cases). Each segment is different and presents special design and construction challenges. In the segment between Hirst Road and Spotts Newlands for example the roadway bends and passes very close to the Frank Hall housing estate. The roadway also bisects large plots of land that traditionally acted as natural stormwater retention basins. In the segment between Hurley Merren's and Selkirk Plaza the roadway design changes to the traditional four lanes with solid median. Alignment of the road with the existing Shamrock road, and the construction over average peat depth of five (5) ft created some additional challenges.

Government is considering expanding the scope of the project to include the upgrade of the roadway between Red Bay Plaza and Silver Oaks from 2 lanes to four lanes.



East/West arterial by Crighton Cemetery Prospect



East/West Arterial in vicinity of Prospect Primary

Project highlights for the FY06/07 year were as follows:

- November 2006 - BP 493 formally published in the gazette on November 14<sup>th</sup> 2006.
- December 2006 - NRA stockpiled about half of the estimated crusher run needed for the project. Temporary stockpile at Govt site next to Prospect Primary School off Poindexter Road. U.S. engineering firm Orth-Rodgers & Associates retained as design engineers on the project. A formal presentation of the E-W project was made before the Legislative Assembly on Dec 6, 2006. Finance Committee approved an additional 5.0 million for the East-West project bringing the total allocation to 7.0M

- January 2007 – Construction was underway between Poindexter and Shamrock Road by Mahogany Way. Ground conditions proved favourable in that area with no major mud holes or swamp pockets. Delivery of shot rock remained slow but steady.
- Feb 2007 – NRA subcontracts additional machinery to tackle a surprise massive rock ridge behind the Crighton's residence.
- March 2007 – Steady progress continued on the clearing of the entire route. NRA crews have entire route cleared between Red Bay and Hirst Road at Savannah by the end of March 2007.
- May 2007 – A second supplementary appropriation of \$5.0M is granted on May 16, 2007 bringing the total allocation for FY06/07 to \$12.0M. The Minister of Works advised that \$2.0M was allocated in the FY07/08 budget to cover paving and other finishing works. Supplementary appropriation would likely also be sought in FY07/08 to carryout the expansion of roadway between Selkirk Drive and Silver Oaks.

### **3.2 Transportation Planning Activities FY2006/7**

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 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 FY2006/7 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 three hundred and seventy three (373) planning applications;
- b) A total of one hundred and ninety seven (197) reviews of stormwater/drainage applications were carried out and commentary provided to the Central Planning Authority;
- c) Road Gazette Plans (Roads Law 2005R) were either started and/or completed for:
  - i. East/West Arterial (Red Bay to Hirst Road);
  - ii. Linford Pierson Hwy Extension (Bobby Thompson Way to Walkers Road);
  - iii. Shedden Road – additional land for right turn lane at Old Block Factory;
  - iv. East/West Arterial (widening of road by Lions Centre);
  - v. Road to the Salinas in East End;



- vi. Garvin Road (West Bay);
- vii. Farrell Road & Trevor Close (Newlands)
- viii. John Mclean Drive westward extension to Frank Sound Road;
- ix. Winters Land Farm Road (East End).

### 3.2.2 Traffic Calming Programme:

The NRA continued the implementation of speed humps in neighbourhoods throughout Grand Cayman in the following areas:

Location	Date	Amount
Snug Harbour	Sep-06	16
Selkirk Drive	Sep-06	4
Bonneville Estates - WB	Sep-06	9
Arrow Street	6-Oct	4
Northward (Fig Tree (4) and Crysdel (1) )	Oct-06	5
Denham Thompson, Echo Street, Sandlewood	May-06	9
Lottery Road/Daniels Drive	January-07	5
The Swamp (re-done)	January-07	9
Websters Drive	June-07	7

### 3.2.3 Road Safety Programme

- a) Streetskills continued on a monthly basis with such topics as bike safety, speeding, drunk driving, cell phone usage, etc. Special projects for the year included Bike Light Giveaway; Car Show Booth (January 2007), and Jet-Around-Cayman booth (June 2007);
- b) In June 2007 the NRA joined a select panel including members from RCIPS, Ministry of Works and Department of Vehicle and Drivers Licensing (DVDL) to begin a comprehensive review of the Traffic Law and the CI Road Code.
- c) A comprehensive Roundabout Brochure was developed with Government Information Services (GIS) and finalized in June 2007. This brochure is an expansion of the 2006 Roundabout Brochure.

#### 3.2.4 Public Relations with Government Information Services

Twenty press releases were prepared and circulated within various local media. Some of the more significant press release topics included:

- a) A new roundabout brochure – update of the 2006 brochure;
- b) Announcement of the finalization of the Elgin Avenue Roundabout;
- c) Announcement of the appointment of the Acting Managing Director and Acting Deputy Director in November 2006;
- d) Announcement of the completion of the North Sound Road widening including a new intersection layout at Portland Road and North Sound Way;
- e) Various announcements related to hot mix overlays in the George Town and CBD areas;
- f) Official launch of NRA website in March 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 2006/7 financial year are as follows.

### Financial Performance

Financial Performance Measure	2006/7 Actual \$	2006/7 Budget \$	Annual Variance \$
Revenue from Cabinet	28,468,439	29,311,000	842,561
Revenue from ministries, portfolios, statutory authorities and government companies	97,561	0	97,651
Revenue from other persons or organisations	196,226	0	196,226
Surplus/deficit from outputs	-	-	-
Other expenses	-	-	-
Net Surplus/Deficit	513,240	0	513,240
Total Assets	8,889,787	3,137,977	5,751,810
Total Liabilities	3,540,087	-	3,540,087
Net Worth	5,349,700	3,137,977	2,211,723
Cash flows from operating activities	3,154,645	279,308	2,875,337
Cash flows from investing activities	(564,930)	-	(564,930)
Cash flows from financing activities	-	-	-
Change in cash balances	2,589,715	279,308	2,310,407

Financial Performance Ratio	2006/7 Actual	2006/7 Budget	Annual Variance
Current Assets: Current Liabilities	1.84	0	1.84
Total Assets: Total Liabilities	1.66	0	1.66

#### Notes:

Revenue from Cabinet is comprised of the total value of major capital expenditure projects termed Executive Assets (EA's) plus total value of outputs listed in the Purchase Agreement between NRA and Cabinet. (\$24,311,000 EA's + \$5,000,000 from Purchase Agreement)

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

### Maintenance of Capability

Human Capital Measures	2006/7 Actual	2006/7 Budget	Annual Variance
Total full time equivalent staff	117	120	3
Staff turnover (%)	-	-	

Major Capital Expenditure Projects	2006/7 Actual \$	2006/7 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>	6,000,000	6,000,000	0
EA 62: Storm Water Project (Savannah Gulley Study)	614,000	614,000	0
EA 72: Road Works – Grand Cayman	4,368,265	4,677,000	308,735
EA 76: East End Sea Wall	947,618	1,000,000	52,382
EA 77: East/West Arterial – Grand Cayman	11,866,322	12,020,000	153,678
Total Value of EA Programme: 2006/2007	23,796,205	24,311,000	514,795

## 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.

<b>Operating Statement</b>	<b>2006/7 Actual \$</b>	<b>2006/7 Budget \$</b>	<b>Annual Variance \$</b>
Revenue	28,762,226	29,311,000	548,774
Operating Expenses	28,248,986	29,311,000	1,062,014
<i>Net Surplus/Deficit</i>	<i>513,240</i>	<i>0</i>	<i>513,240</i>

<b>Balance Sheet</b>	<b>2006/7 Actual \$</b>	<b>2006/7 Budget \$</b>	<b>Annual Variance \$</b>
Assets	8,889,787	3,137,977	5,751,810
Liabilities	3,540,087	0	3,540,087
<i>Net Worth</i>	<i>5,349,700</i>	<i>3,137,977</i>	<i>2,211,723</i>

<b>Statement of Cash Flows</b>	<b>2006/7 Actual \$</b>	<b>2006/7 Budget \$</b>	<b>Annual Variance \$</b>
Net cash flows from operating activities	3,154,645	279,308	2,875,337
Net cash flows from investing activities	(564,930)	0	564,930
Net cash flows from financing activities	0	0	0

## 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	2006/7 Actual \$	2006/7 Budget \$	Annual Variance \$
Equity Investments into the National Roads Authority	0	0	0
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	490,629	587,637	97,008
Remuneration payments made to Senior Management	467,079	554,537	87,458

	Number for 2006/7
No of Key Management Personnel [Board members=10 + CS,EH] & PO, MB,PP,DT]	16
No of Senior Management [CS,MB,EH,PO,PP,DT]	7



## Appendix: Audited Financial Statements for the Year Ended 30 June 2007

**National Roads Authority**  
**Financial Statements**  
**30 June 2007**

**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 2007 and performance for the financial year ended 30 June 2007; and
- (c) comply with generally accepted accounting practice



*Mr. Troy Whittaker*  
*Deputy Chairman*  
*National Roads Authority*

Date: January 15, 2008



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

Date: January 15, 2008



## **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 financial statements of the National Roads Authority (the "Authority"), which comprise the balance sheet as at 30 June 2007, the operating statement, statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 4 to 15 in accordance with the provisions of Section 26 of the *National Roads Authority Law (2006 Revision)* and Section 60(a) of the *Public Management and Finance Law (2005 Revision)*.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair representation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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


#### **Basis for Qualified Opinion**

As disclosed in Note 10 of the financial statements, pension contributions for eligible employees of the Authority are paid to the Public Service Pensions Fund which is administered by the Public Service Pensions Board. The latest actuarial valuation of the defined benefit plan as required under IAS 19 was calculated as of 01 July 2004 which resulted in a Net Retirement Asset of \$0. No further actuarial assessment has been performed to date by the Pensions Board to determine the value of the retirement plan as at 30 June 2007. The Authority is therefore not able to quantify the amount for this financial year due to insufficient relevant and reliable information from the Pensions Board. Therefore, no accrual has been made for the past service pension liability of employees in the Authority who participate in the defined benefit portion of the Public Services Pension Plan as the amount at this time is not determinable.

The Authority did not conduct a proper physical inventory taking as at 30 June 2007. We were therefore unable to satisfy ourselves in regards to the existence and value of inventory, if any, by means of other auditing procedures.

#### **Qualified 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 and the physical inventory quantities, these financial statements present fairly, in all material respects, the financial position of the National Roads Authority as at 30 June 2007, and the results of its operations and its cash flow for the year then ended in accordance with International Financial Reporting Standards.



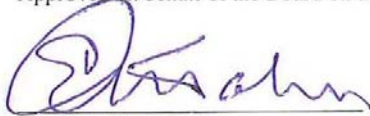
Dan Duguay, MBA, FCGA  
Auditor General

Cayman Islands  
15 January 2008

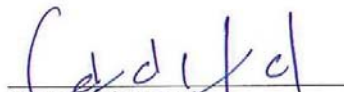
**National Roads Authority**  
**Balance Sheet**  
As At 30 June 2007  
(Stated in Cayman Islands Dollars)

	NOTES	2007	2006
<b>CURRENT ASSETS</b>			
Cash & Cash Equivalents	3	\$3,841,043	\$1,251,328
Accounts Receivable & Prepaids	4	2,333,870	4,111,435
Inventory	2g)	340,817	170,810
<b>Total Current Assets</b>		<b>6,515,730</b>	<b>5,533,573</b>
<b>FIXED ASSETS</b>			
Property, Plant & Equipment	7	2,374,057	2,172,075
<b>Total Assets</b>		<b>8,889,787</b>	<b>7,705,648</b>
<b>CURRENT LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	5	3,240,543	2,699,853
Employee Entitlements	6	299,544	169,335
<b>Total Current Liabilities</b>		<b>3,540,087</b>	<b>2,869,188</b>
<b>TOTAL ASSETS LESS TOTAL LIABILITIES</b>		<b>\$5,349,700</b>	<b>\$4,836,460</b>
<b>NET WORTH</b>			
Contributed Capital	8	3,928,103	3,928,103
Accumulative Surplus		1,421,597	908,357
<b>Total Net Worth</b>		<b>\$5,349,700</b>	<b>\$4,836,460</b>

Approved on behalf of the Board on the 15th of January 2008



Mr. Troy Whittaker  
Deputy Chairman



Mr. Edward Howard  
Deputy Managing Director

The accompanying notes form an integral part of these financial statements



**National Roads Authority**  
**Operating Statement**  
For the Year Ended 30 June 2007  
(Stated in Cayman Islands Dollars)

INCOME	Notes	2007	2006
Sales of Services to Cabinet	2j), 11	\$28,468,439	\$15,241,216
Sales of Services to other government agencies	2j), 11	97,561	68,564
Sales of Services to third parties		150,569	-
Donations Received		-	41,694
Interest & Other		45,657	42,060
		<u>28,762,226</u>	<u>15,393,534</u>
<b>OPERATING EXPENSES</b>			
Road Construction		17,787,041	7,381,804
Personnel Costs	9	5,803,929	4,112,237
Roads Maintenance		1,139,516	851,906
Motor Vehicle Expenses (including insurance)		1,079,138	735,758
Utilities		856,912	847,222
Drains/Wells Maintenance		382,661	275,653
Depreciation	7	362,948	311,681
Office Rental	11	207,000	178,648
Bad debts	2f)	155,091	416,681
Professional fees		118,207	132,520
Computer Maintenance & Fees		89,540	67,952
Buildings Maintenance		61,387	71,467
Signs & Lines Maintenance		57,897	294,118
Supplies and Consumables		56,016	51,299
Telephone		34,686	21,779
Loss on Disposal		26,924	-
Travel and Subsistence		17,210	12,635
Insurance		6,586	4,277
Advertising and promotion		5,877	13,118
Bank Charges		420	201
		<u>28,248,986</u>	<u>15,780,956</u>
<b>NET INCOME/(LOSS) FOR THE YEAR ENDED</b>		<u>513,240</u>	<u>(387,422)</u>
Accumulated Surplus at beginning of year		908,357	1,295,779
<b>ACCUMULATED SURPLUS AT END OF YEAR</b>		<u>\$1,421,597</u>	<u>\$908,357</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 2007  
(Stated in Cayman Islands Dollars)

	<u>Note</u>	<u>2007</u>	<u>2006</u>
Opening balance net worth		\$4,836,460	\$4,099,854
Net Surplus/(Loss)		513,240	(387,422)
Property revaluations		-	-
Investment revaluations		-	-
Net revaluation during the period		-	-
Total recognized revenues and expenses		513,240	(387,422)
Equity investment from Cabinet	8	-	1,124,028
Capital withdrawal by Cabinet		-	-
Repayment of surplus to Cabinet		-	-
Closing balance net worth		<u>\$5,349,700</u>	<u>\$4,836,460</u>

The accompanying notes form an integral part of these financial statements

**National Roads Authority**  
**Statement of Cash Flows**  
**For the Year Ended 30 June 2007**  
**(Stated in Cayman Islands Dollars)**

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net Income/(Loss) for the year ended		\$513,240	\$(387,422)
Adjustment for non cash transactions:			
Bad debts		155,091	416,681
Depreciation	7	362,948	311,681
		<u>1,031,279</u>	<u>340,940</u>
Net change in working capital			
Decrease /(Increase) in Accounts Receivable		1,622,474	(3,592,906)
Increase in Inventory		(170,007)	(170,810)
Increase in Accounts Payable and Accrued Liabilities		670,899	1,544,230
<b>Net Cash Provided by Operating Activities</b>		<u>3,154,645</u>	<u>(1,878,546)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Fixed Assets		(564,930)	(772,300)
<b>Net Cash Used by Investing Activities</b>		<u>(564,930)</u>	<u>(772,300)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Contributed Capital from Government	8	-	1,124,028
<b>Net Cash Provided by Financing Activities</b>		<u>-</u>	<u>1,124,028</u>
Net Increase/(Decrease) in Cash and Cash Equivalents During the Year		2,589,715	(1,526,818)
Cash and Cash Equivalents at the Beginning of the Year		<u>1,251,328</u>	<u>2,778,146</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<u>\$3,841,043</u>	<u>\$1,251,328</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 2007  
(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 2007, the NRA had 117 employees (30 June 2006: 110 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 2007**  
**(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*

Pension Plans The Authority makes pension contributions for its eligible employees to the Public Service Pensions Fund, which is administered by the Public Service Pensions Board. The Fund has both a defined benefit and a defined contribution element.

Under defined contribution plans, the Authority pays fixed contributions and has no obligation to pay further contributions if the fund does not have sufficient assets to pay employee benefits relating to employee service in the current and prior periods. The Authority recognises contributions to a defined contribution plan when an employee has rendered services in exchange for those contributions.

A defined benefit plan is one that defines an amount of benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The asset or liability in respect of defined benefit plans is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of plan assets, adjusted for unrecognised actuarial gains/losses and past service cost. Where a pension asset arises, the amount recognised is limited to the net total of any cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reduction in future contributions to the plan. The pension costs are assessed using the Projected Unit Credit Method. Under this method the cost of providing pensions is charged in the Income Statement so as to spread the regular cost over the service lives of employees in accordance with advice of the actuary, (who is due to carry out a full valuation of the plans every year). The pension obligation is measured at the present value of the estimated future cash outflows using discount estimated rates based on market yields on high quality corporate bonds at the time of the accounting date which have terms to maturity approximating the terms of the related liability.

Obligations for contributions to defined contribution and defined benefits pension plans are recognized as an expense in the income statement as incurred. (See also Note 10).

Amounts incurred but not paid at the end of the reporting period are accrued. Annual leave due, but not taken, is recognized as a liability.



**National Roads Authority**  
**Notes to the Financial Statements**  
For the Year Ended 30 June 2007  
(Stated in Cayman Islands Dollars)

2. Significant Accounting Policies (continued)

(j) *Revenue recognition*

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

(k) *Expense recognition*

Expenses are recognised when incurred.

(l) *Financial Instruments*

(i) *Classification*

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

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

(ii) *Recognition*

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

(iii) *Measurement*

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

(iv) *Derecognition*

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

(v) *Credit Risk*

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

(vi) *Interest Rate Risk*

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

**National Roads Authority**  
**Notes to the Financial Statements**  
For the Year Ended 30 June 2007  
(Stated in Cayman Islands Dollars)

**3. Cash & Cash Equivalents**

	2007	2006
Bank accounts	\$2,054,711	\$108,658
Term deposits	1,786,332	1,142,670
<b>Total Cash &amp; Cash Equivalents</b>	<b>\$3,841,043</b>	<b>\$1,251,328</b>

**4. Accounts Receivable & Prepaids**

	2007	2006
Outputs to Cabinet	\$2,878,237	\$4,436,160
Outputs to other government agencies	71,096	71,096
Accounts Receivable Others & Prepaids	27,405	78,393
Staff loans	-	13,563
<b>Total Gross Accounts Receivable</b>	<b>2,976,738</b>	<b>4,599,212</b>
Less allowance for bad debts	(642,868)	(487,777)
<b>Total Net Accounts Receivable</b>	<b>\$2,333,870</b>	<b>\$4,111,435</b>

**5. Accounts Payable and Accrued Liabilities**

	2007	2006
Trade Creditors	\$3,202,543	\$2,648,517
Accruals	38,000	51,336
<b>Total Accounts Payable and Accrued Liabilities</b>	<b>\$3,240,543</b>	<b>\$2,699,853</b>

**6. Employee Entitlements**

	2007	2006
Accrued Vacation Leave	\$299,544	\$169,335



**National Roads Authority**  
**Notes to the Financial Statements**  
For the Year Ended 30 June 2007  
(Stated in Cayman Islands Dollars)

**7. Fixed Assets**

	Vehicles and Heavy Equipments	Furniture and Fixtures and Office Equipment	IT Equipment	Other Plant and Equipment	Total
Cost	\$	\$	\$	\$	\$
Opening Balance	2,332,532	23,310	98,749	112,906	2,567,497
Additions	271,851	4,681	51,118	318,833	646,483
Disposals	(100,481)	-	-	-	(100,481)
Balance at 30 June 2007	2,503,902	27,991	149,867	431,739	3,113,499
<b>Accumulated Depreciation</b>					
Opening Balance	347,261	2,464	19,319	26,378	395,422
Charge for Year	282,178	1,990	38,878	39,902	362,948
Disposals	(18,928)	-	-	-	(18,928)
Balance at 30 June 2007	610,511	4,454	58,197	66,280	739,442
<b>Net Book Value At 30 June 2007</b>	<b>\$1,893,391</b>	<b>\$23,537</b>	<b>\$91,670</b>	<b>\$365,459</b>	<b>\$2,374,057</b>
<b>Net Book Value At 30 June 2006</b>	<b>\$1,985,271</b>	<b>\$20,846</b>	<b>\$79,430</b>	<b>\$86,528</b>	<b>\$2,172,075</b>

**8. Contributed Capital**

During the year the Authority has not received any equity injection (2006: \$1,124,028).

**9. Personnel Costs**

	2007	2006
Salaries and wages	\$4,358,379	\$3,131,408
Employer & Employee pension expenses	388,910	324,459
Health Insurance	476,646	387,377
Severance pay *	310,990	-
Vacation due	130,209	169,335
Other personnel costs	138,795	99,658
<b>Total Personnel Costs</b>	<b>\$5,803,929</b>	<b>\$4,112,237</b>

\* During the year the Managing Director was offered and he accepted early retirement. He was paid a sum equivalent to two and half year's salary and was allowed to keep the Ford F250 that was assigned to him, which had a depreciated value of \$18,490 (the fair value was not determined) and has been included as part of the severance pay.

**National Roads Authority**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2007**  
**(Stated in Cayman Islands Dollars)**

**10. Pensions**

Pension contributions for eligible employees of the Authority are paid to the Public Service Pensions Fund (the "Fund"). The Fund is administered by the Public Service Pensions Board ("the Pensions Board") and is operated as a multi-employer. Prior to 1 January 2000 the scheme underlying the Fund was a defined benefit scheme. With effect from 1 January 2000 the Fund had both a defined benefit and a defined contribution element, with participants joining after 1 January 2000 becoming members of the defined contribution element only.

Using the projected unit credit method of measuring costs and obligations, the actuarial assessment for the Authority assessed the minimum normal annual contribution to be 12 % in for the year fiscal year 2006-07 (2005-06: 12%).

The Plans are funded at rates of: -

		2007	2006
Defined Contribution Plans	- Employer	6%	6%
	- Employee	6%	6%
Defined Benefit Plans	- Employer	6%	6%
	- Employee	6%	6%

The assessment on the Authority's position in the Fund based on the 1 January 2005 Actuarial Valuation Report (dated March 2007) indicated that contribution rates should be 14.24% for the defined benefit scheme and 13% defined contribution scheme.

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 2007 was \$388,910 (30 June 2006: \$324,459). The Authority paid both the employee and employers contributions. The actual amount of pension expense relating to the defined benefits for staff should also include the effect of the changes in the actuarial determined liability. However, since such information is not yet available from the actuary of the PSPB, management is unable to determine the impact on the recorded expense for the years ended 30 June 2007, 2006 and 2005.

The schemes are valued by independent Actuaries. The latest actuarial valuation (of the defined benefit plan) was done as at 1 July 2004.

	1 July 2004
Net Present Value of Funded Obligation	\$ 0
Fair Value of Plan Assets	0
	0
Unrecognised Past Service Cost	0
Unrecognised Actuarial Gains/(Losses)	0
	0
Net Assets in Balance Sheet	\$ 0

**National Roads Authority**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2007**  
**(Stated in Cayman Islands Dollars)**

**10. Pensions (continued)**

The share of assets allocated to the Authority's participation in the defined benefit part of the Plan is C\$ 0, since the Authority only commenced participation on July 1, 2004.

**The principal Actuarial Assumptions at the date of valuation**

- A. Cost Method - Projected Unit Credit
- B. Economic Assumptions –
  - 1. Discount Rate – 6.50%
  - 2. Expected long-term rate of return (net of Expense) – 7.00%
  - 3. Salary Increase – 4.00%
  - 4. Future Pension Increases – 2.50%
  - 5. Expected remaining working lives (years) – 15.14
  - 6. Underlying inflation rate – 2.5%
- C. Other Assumptions –
  - 1. Mortality – Standard U.S. mortality rates
  - 2. Retirement Age – completion of age 57 and 10 years of service
- D. Asset Valuation – Fair (Market) Value

**11. Related Party Transactions**

The Authority provided outputs to the Government relating to the development and maintenance of the public roads within the Cayman Islands with amounts to \$5 million 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 \$23,472,568 (2006: \$10,791,270) to the Government for the construction of roads under Ownership Agreement.

Upon creation of the Authority on 1 July 2004, no movable properties were vested to the Authority even up to 30 June 2007. Henceforth, the Ministry of Health Services, Agriculture, Aviation and Works allowed the Authority to use its vehicles and heavy equipments for road construction and maintenance free of charge.

As at 30 June 2007, the Authority owes Public Works Department the amount of \$370,011 (2006: \$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.

**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.