



# **ANNUAL REPORT**

**For**

***National Roads Authority***

***For the 2011/12 Financial Year***

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## **Purpose**

This annual report details the performance of the National Roads Authority for the fiscal year ended 30 June 2012.

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 2011/12, or as amended through the supplementary appropriation process.

Section 52 of the *Public Management and Finance Law (2010 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.

## **a) 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.
- Additionally, the National Roads Authority provides support services to:
  - Public Works Department to enable that Department to provide an appropriate response to Hurricanes and other national emergencies, and
  - Planning Department for the review of planning applications involving storm water and road related matters and site inspections of constructed projects.

## **Mission of the National Roads Authority**

To 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**

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

### **Compliance during the Year**

The NRA operated in general compliance with the Nature and Scope of Activities specified in the 2011/12 Ownership Agreement for the year.

### **b) Strategic Goals and Objectives**

#### **Approved Strategic Goals and Objectives**

The key strategic goals and objectives for The National Roads Authority for the 2011/12 financial year as stated in the Ownership Agreement were as follows:

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

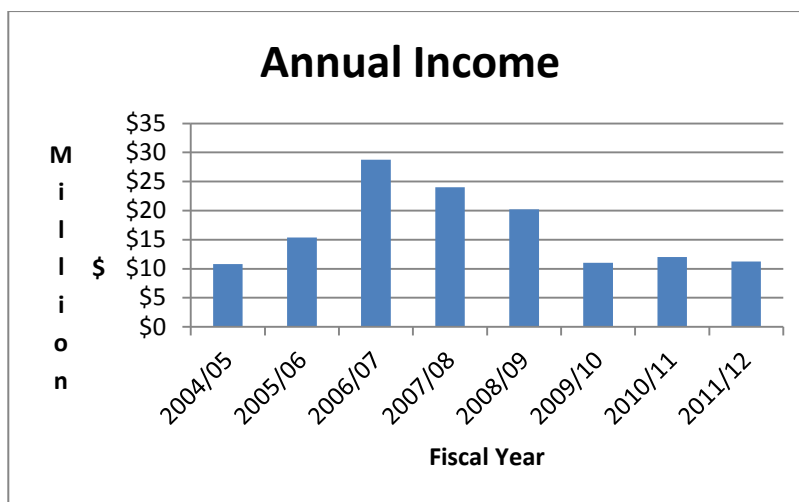
## **Compliance with Strategic Goals and Objectives**

As the world-wide recession deepened in FY 2011/12 the Government of the Cayman Islands faced many financial challenges that altered the strategic objectives of the NRA. Only one major construction project, Colliers Wilderness Road, was carried out and road construction activity was similar to the two previous fiscal years. The NRA posted a net loss of (\$4,169) in FY 2011/12 [(\$614,674) 2010/11]. Management was able to manage expenses in the current year to bring the Authority to a break even financial position for the year.

The NRA faced complications with its operations during this fiscal year due to an intended procedure change with the budget and the Road Fund. In FY 2011/12 the Government intended to direct proceedings of the Road Fund to the NRA in line with the provisions of Part IV of the National Roads Authority Law (2006 Revision). Three of NRA's key outputs to Cabinet NRA 6, 9 & 10 (District Roads, Maintenance, and Street Lighting) were to be eliminated and recognized elsewhere in the budget as 'Revenues from Third Parties' namely, monies derived from the Road Fund which at the time was estimated to be in the region of CI \$8M.

Subsequently the NRA budget was approved with the allocation of the Road Fund revenues not being appropriated as intended. This left the NRA in critical state at the start of the fiscal year having both constrained cash levels and no approved cost centre to which Cabinet could be billed for routine maintenance, district roads and street lighting. In November 2011 NRA management decided to minimize all expenditures against NRA 6, NRA 9 & NRA 10 by ceasing all work on district roads, ceasing purchases of aggregate, bitumen (liquid asphalt), and other road related building materials. NRA earnings during this period were primarily from the Cayman Brac Paving project (EA 55) and the Colliers Wilderness Road/road to Iguana Reserve (EA129).

Expenditure was eventually recognised under NRA 6, 9, 10 with final invoice totals for FY2011/12 as follows: NRA 6 - \$2,200,000; NRA 9 - \$3,500,000 and NRA 10 - \$1,462,961.



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

Accomplishments:

1.1 Human Resources Administration:

Despite budgetary constraints for the fiscal year the NRA was still able to make some positive strides in the area of Human Resources. Through mainly attrition management continued in its focus to reduce the staff complement of the NRA in order to bring down personnel costs and reduce the cost ratio between staff costs and the overall budget. As the above chart indicates annual income for the NRA has seen a steady decline since 2006/07. The NRA reduced its staff complement from 109 employees on June 30, 2011 down to 100 employees on June 30, 2012.

1.2 Human Resources Policies and Procedures:

Much of the year was spent doing 'house cleaning' exercises such as creating new, and reformatting old records in an effort to streamline HR records and reporting capabilities.

New formats and procedures were completed for attendance records, performance appraisals, and other reports.

One key area of focus for the NRA during this fiscal year involved dealing with the Portfolio of Civil Service, Pensions Board, et al concerning post retirement health benefits for NRA retirees (i.e. age 60+).

The NRA was also able to finalize all outstanding matters concerning the transfer of its group health insurance coverage from Cayman First to CINICO. Official transfer occurred in early December 2011.

Training/Familiarization workshops on the NRA's new Personnel Manual were also conducted with supervisors and foremen on important matters such as managing leave, absenteeism, disciplinary procedures, and reporting incidents and accidents.

1.3 National Energy Policy Review

Two staff members of the Planning Unit provided assistance on the initial work carried out by the Construction Buildings and Land Use (CB&LU) subcommittee of the National Energy Policy Committee (NEPC). Additionally, another staff member spearheaded the works carried out by the Fuel & Transportation (F&T) sub-committee and also assisted the NEPC Steering Committee. For FY2011-12, planning staff contributed nearly 350 hours to the deliberations of the NEPC two subcommittees

#### 1.4 For Cayman Alliance Dart/NRA Agreement

In July 2011 the Ministry DAWLA invited the NRA Managing Director to a presentation by the DART group of companies where it was revealed that the Government and DART had been negotiating on a set of economic stimulus projects. One of such projects involved the development of the NRA's planned extension of the Esterley Tibbetts Highway (ETH) from Raleigh Quay to Batabano Road in West Bay. One major stipulation included the closure of a section of West Bay Road between Governors Way and Yacht Drive.

DRCL advised the NRA that they had commissioned a traffic impact assessment (TIA) to determine the likely impacts of the extended highway on traffic patterns in the area as well as the impacts of the closure of a section of the West Bay Road. The TIA was completed by a U.S. firm in July 2011 with further updates completed in September 2011 after consultation with the NRA.



Initial Clearing of the ETH extension Jan. 2012 (Raleigh Quay & Governors Harbour in foreground)

On 22 August 2011 the NRA attended a follow up meeting at Caymana Bay chaired by the Premier, and attended by the Deputy Premier and other elected officials and representatives from Dart Realty (Cayman) Ltd. A time line was established for gazetting the ETH under the Roads Law (2005 Revision) and for executing the contractual agreement between Government, the NRA and DRCL.

The ETH was formally gazetted under sections 3 and 6 of the Roads Law (2005 Revision) as boundary plan 534 on 9<sup>th</sup> September, 2011.

Several months of negotiations ensued before the agreement was officially signed by the Deputy Chairman of the NRA's Board of Directors on December 15, 2011.





Official signing of the Dart/NRA agreement on December 15, 2011

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

Accomplishments:

### 2.1 Public Private Partnerships

As the Government searches for creative solutions to fill the transportation infrastructure gap the subject of PPPs has garnered serious interest and spawned the start of research into the key issues surrounding the successful implementation of such a project in the Cayman environment. Undoubtedly PPP's will pose significant impacts on the structure and operating practices of the NRA. In short a major PPP startup in the Cayman Islands could negate the need for the NRA as a roads construction outfit, relegating its functions to primarily maintenance and regulatory oversight. This is however not necessarily a bad thing as there could be opportunities for staff of the NRA to be employed by the private financier and/or private contractor involved in the PPP arrangement. There is also further opportunity for the NRA to reform as a fully regulatory body by outsourcing its core maintenance responsibilities to private sector companies. The regulatory functions of the NRA would include, but not be limited to, oversight, guidance and advice to Government on planning, design, quality control and land acquisition issues.

The biggest hurdle of roads PPP in this current economic environment is how to achieve a contractual arrangement between Government and the private sector financier that meets with the requirements of the Framework for Fiscal

Responsibility (FFR). Three major determinants of the viability of roads PPP in Cayman include:

1. Value for Money (VfM);
2. Allocation of Risks, and
3. Accounting Treatment

Irrespective of the form of PPP (DBFO, availability payment, shadow toll, divestiture, concession, etc) traffic demand forecasting plays a critical role in the success of the arrangement. In fact traffic forecasting is considered the greatest risk affecting roads PPP arrangements as it can make or break the proposal. This means that for road PPP arrangements to be successful in Cayman the NRA must have fairly reliable traffic data history and be able to provide reliable and accurate traffic forecasting as this data is one of the main determinants as to whether a road PPP project will be profitable.

A PPP road project in the Cayman Islands would most likely entail a contractual arrangement of between 25-50 years with a contract worth of approximately \$100M. This essentially could include full buildout of all the current and long range proposals in the George Town area (Airport Connector, Linford Pierson/Bobby Thompson, and Iron Wood Forest Road) or it could include the extension of the E-W arterial from Hirst Road to Frank Sound or further to the Shetty Hospital in East End. If a PPP of this nature occurs then this arguably minimizes or negates NRA as a roads construction outfit. Most routine maintenance (if not all) could be outsourced, and the NRA could continue to function as a small regulatory authority.

Goal: Continue the Traffic Improvement and Roads Development Programme.

Accomplishments:

### 3.1 Transportation Planning Activities:

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

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

- a. Recurrent Activities – Highlights of the transportation unit for FY2011/12 were as follows:

- i. 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 one hundred and eighty-one (181) planning applications;
- ii. A total of sixty-five (65) reviews of stormwater/drainage applications were carried out and commentary provided to the Central Planning Authority;
- iii. Sixty-two (62) site inspections were performed for the Building Control Unit for the issuance of Certificates of Occupancy or project completions;

The following table summarized the type of developments which were reviewed and/or inspected during FY2011/12:

<b>Development Type</b>	<b>Plan Reviews</b>	<b>SWM/ Drainage Plan Reviews</b>	<b>Inspections</b>
<b>Commercial</b>	45	15	8
<b>Government</b>	9	4	n/a
<b>Industrial</b>	5	3	1
<b>Institutional</b>	6	5	8
<b>Residential</b>	32	16	17
<b>Subdivisions</b>	65	21	28
<b>Miscellaneous</b>	19	1	n/a
<b>Grant Total</b>	<b>181</b>	<b>65</b>	<b>62</b>

- iv. Forty-five (45) due diligence letters were written in response to enquiries from attorneys and real estate agents dealing with land purchases;
- v. Eight (8) complaints of destroyed or missing boundary markers as a result of road works were investigated; five (5) of these requests resulted in having boundary markers re-instated.
- vi. Eighteen (18) investigations for encroachments (as defined by Section 16 of the Roads Law) were carried; a total of twelve (12) abatement notices were issued.

b. Road Gazette Plans (Roads Law 2005R) were either started and/or completed for:

i. Section 3 – Notification of Proposal to Take Land

- Extension of the Esterley Tibbetts Highway from Raleigh Quay to Batabano Road (BP534);
- Acquisition of private roadway Canal Point Road – from West Bay Road to the Esterley Tibbetts Highway (BP536);
- Road widening and acquisition of private road Pines Drive and part of Anthony Drive (BP467) as an after-the-fact gazette for works carried in the early 2000's;
- Manse Road re-alignment in the immediate vicinity of Block 38D Parcel 83 (BP541) and close and vest of previous alignment (BP542) –no land acquisition was required for road re-alignment but rather land swap between road definition and 38D83 took place.;
- Acquisition of land for widening part of Finch Drive (BP537) in the immediate vicinity of Block 4B Parcel 50 to ensure road continuity due to residential development on subject parcel;
- Relocation of terminal for Prospect Drive (BP545) and close and vest (BP546) in the vicinity of Harbour House Marina;

ii. Section 5 – Declaration and Scheduling of Public Roads

- Definition and demarcation of the Esterley Tibbetts Highway from the Hyatt development site to Lime Tree Bay Avenue (PCM273), including Canal Point Road;
- Road definition and demarcation of Pines Drive and part of Anthony Drive (PCM200);
- Road definition and demarcation of Ann Tatum Drive (Cayman Brac) from Creek Road to top of the Bluff (PCM279);
- Road definition and demarcation of re-alignment of Manse Road in vicinity of 38D83 (PCM283);
- Road definition and demarcation of Finch Drive in the vicinity of 4B50 (PCM276);
- Road definition and demarcation of widening work at the intersection of Owen Roberts Drive and Dorcy Drive (PCM280);

- Road definition and demarcation of relocation of Prospect Drive terminal (PCM284);
  - Road definition for the widening of Seymour Road and part of North Sound Road (PCM232);
  - Road definition for widening purposes along Rum Point Drive (PCM272);
  - Definition and demarcation of an access road off of Anton Bodden Road (PCM270);
  - Survey work and identification of road definition for the East-West Arterial corridor of the remaining two sections of the project; 1) from the Poindexter Road roundabout to Chime Street and 2) Chime Street to Hirst Road;
  - Survey work and identification of road definition for the Crewe Road widening project from the Grand Harbour roundabout to Linford Pierson Highway;
  - Survey work and identification of road definition of the Esterley Tibbetts Highway from Lime Tree Bay Avenue to Raleigh Quay;
  - Survey work and identification of road definition for the Hell Road widening project from Town Hall Road to Watercourse Road.
- c. Traffic Calming Programme – Due to budgetary constraints, no funding was made available for the NRA's installation programme of speed humps in neighbourhoods.
- d. Road Safety Programme - The National Road Safety Strategy was launched in January 2011, members include NRA, RCIPS, Cayman Islands Road Safety (CIRSAC), DVLS and PWD. The goal of the strategy is to bring together a multi-agency approach to combat all aspects of road safety – Education (Streetskills), Enforcement and Engineering. At the moment the committee is concentrating on the education side of the campaign through Streetskills which was re-launched in April 2011- Streetskill is the public education focus of the new multi-agency Cayman Islands National Road Safety Strategy. The overarching strategy paper is also being developed, with RCIPS taking the leading role.
- e. Traffic Advisory Panel (TAP) now the Traffic Management Panel (TMP)  
Under Section 107 of The Traffic Law (2011), the former Traffic Advisory Panel was changed to the Traffic Management Panel (TMP) The legislation formally reads as follows: "There is by this provision

established, for the purpose of advising the Governor in Cabinet on road traffic matters, the Traffic Management Panel (formerly the Traffic Advisory Panel under the Traffic Law (2003 Revision), which shall have the powers and discharge duties conferred or imposed on it by or under this or any other Law.” The Panel consists of five (5) members, a) Director of Licensing or designate; b) the Commissioner or designate c) the Managing Director of the National Roads Authority or designate d) the Chief Officer of the Ministry responsible for roads or designate and e) a sister islands representative.

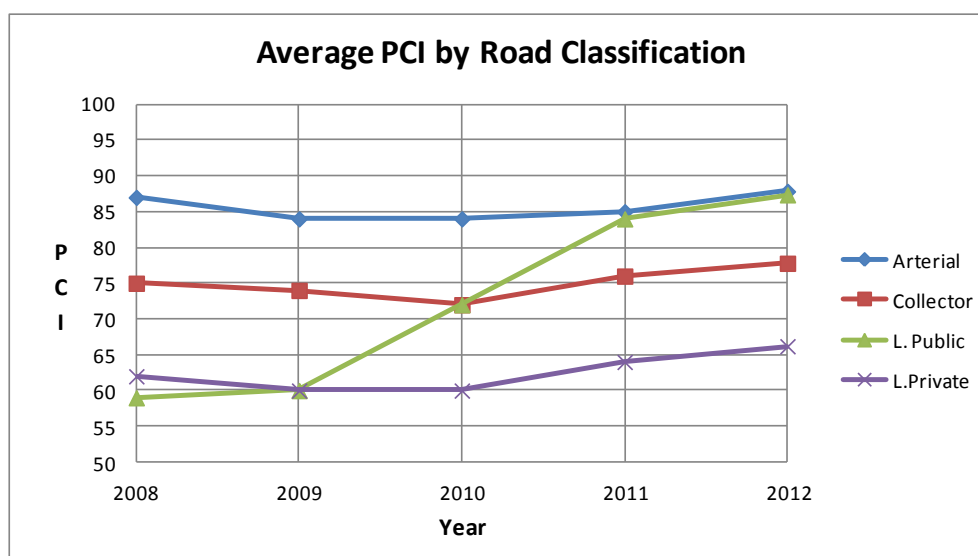
The Panel is responsible for advising the Governor in Cabinet on road traffic matters, such as:

- Parking at Yellow Lines (sec 108),
- Taxi Ranks (sec 109),
- Establishment of Pedestrian Crossings (sec 110),
- Various regulations such as speed limit establishments may also be undertaken by the TMP (sec 111) and,
- Subject to the above sections of the TMP may designate the placement of traffic signs on or near any road (sec 114).

One major change is that the TMP is now responsible for various regulations such as the establishment of speed limits on all three islands. The TMP will shortly begin a review of all speed limits on Grand Cayman. Some areas will likely be recommended for a decrease in the posted speed limit whilst other areas may be recommended for an increase. The recommendations and findings of the TMP will likely undergo a public consultation process before being submitted for consideration by Cabinet.

f. Pavement Management –

Historical Average Pavement Condition Indices by Road Classification							
Road Classification	Chart Colour	Number of Sections	Average PCI by Year				
			2008	2009	2010	2011	2012
Arterial		126	87	84	84	85	88
Collector		70	75	74	72	76	78
Local Public		562	59	60	72	84	87
Local Private		676	62	60	60	64	66



The above chart shows that the District Road Programme, which focuses on local public roads, has been effective in raising the average PCI level by 28 points or 45% in four years.

The chart also highlights only minimal improvement in the condition of local private roads. The term local private road is a bit misleading as under the Roads Law these roads (with the exception of a few) do not involve restriction of access to the public as a right. The majority of subdivision roads built by private developers in Cayman offer unrestricted public access however the official ownership of the developed roadway is often not 'transferred' to the Crown; the NRA prefers to classify these not as private roads but as 'unscheduled public roads'. It is important to add this brief explanation because the distinction between public roads and private roads have been blurred by actions the Government has taken over the years to clean and repair roads, install streetlights, speed humps, and other street furniture without regard to their status. The challenge going forward is to raise the average PCI of private



(unscheduled) roads to fair and good levels. This is complicated by the fact that annual income (money for roads) from Cabinet continues to decline.

### 3.2 Engineering and Operations Activities:

Three engineers, two superintendents, and a fleet controller make up the management staff of the Engineering and Operations unit. They are responsible for engineering design; project budgeting, resource reporting, project costing, fleet operations, and completion of all road construction projects and maintenance undertaken by the NRA. They utilize an equipment fleet worth over \$2 million. Capabilities include sign making and pavement markings, traffic signal maintenance, survey crews with GPS and total station equipment, and computer aided design and drafting (CADD).

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

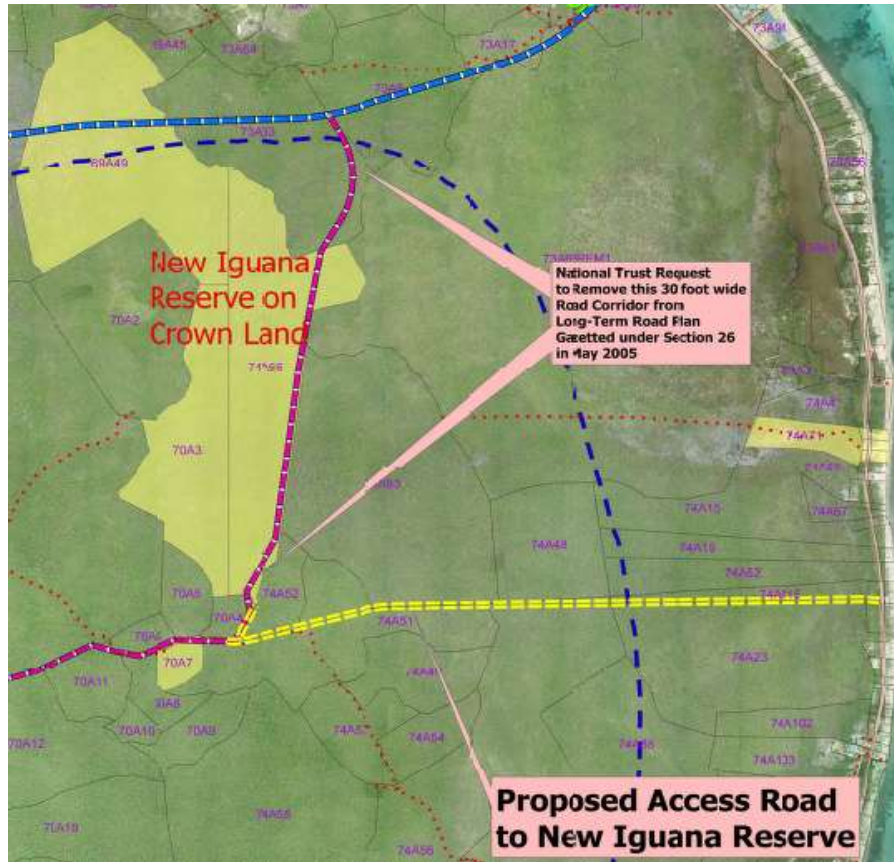
- a. Blasting and Explosives Issues - An effort to revise the current law and regulations governing explosives is being examined. Pending approval from the Ministry of Works and the NRA Board of Directors management will proceed with developing a general framework and outline budget for the Explosives Law & Regulations Review.
- b. Wilderness Road – Road to Iguana Reserve [EA 129]

Wilderness Road is an approximately 1.2 mile long two lane local access built to provide access to the Governments proposed Iguana Reserve at Colliers East End.

In February 2012 the NRA had completed clearing and rock hammering of the entire roadway length and was about halfway complete on base (crusher run) construction.

The road was completed in mid-March 2012 with spray n chip surfacing at an approximate cost of \$900K.





Location of Wilderness Road (in yellow)



Iguana Reserve Station 32+00 looking Up Station: Crusher Run Complete from station 26+00 – 65+00

- c. EA 36: Miscellaneous Road Surface Upgrades – Due to the utilization of the NRA's HMA equipment and crew on Cayman Brac since July 2009, it was necessary to contract with the two private sector contractors for the completion of these works. The following table summarizes the FY 2011/12 HMA paving programme for Grand Cayman:

Location	Type of Work	Approximate Expenditures FY 11/12
<b>West Bay</b>		
Water Course Road	Hot Mix Overlay	\$ 336K
Conch Point Road	Hot Mix Overlay	\$ 266K
<b>Northside</b>		
Rum Point Drive (part)	Reconstruction	\$ 261K
Frank Sound Road – Lane upgrade in front of new Clifton Hunter High School	Reconstruction & HMA overlay	\$ 250K
<b>Cayman Brac Paving Programme</b>		
	HMA Overlay	\$ 1.2M
<b>Approximate Total Budget EA36 FY10/11</b>		<b>2,313,000</b> <b>2,336,000</b>

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

Abbreviations: RR = Rip and Relay (Reconstruct the Road Base)  
 Reconst = Reconstruction  
 SC = Spray and Chip (Surface Treatment)  
 2<sup>nd</sup> App = Second Application of Spray and Chip (Surface Treatment)

Name	District	Repair Type	Approximate Cost \$KYD
<b>Bodden Town</b>			
Beach Bay Road	BT	2 <sup>nd</sup> Application	\$101,000
Merrimac Crescent	BT	2 <sup>nd</sup> Application	\$9,000
Water Street	BT	Reconstruction	\$100,000
<b>George Town</b>			
Alto Way	GT	2 <sup>nd</sup> Application	\$9,000
Devon Street	GT	2 <sup>nd</sup> Application	\$19,000
Brinkley Drive	GT	2 <sup>nd</sup> Application	\$3,000
Dizzy Lane	GT	2 <sup>nd</sup> Application	\$2,000
Grescott Lane	GT	2 <sup>nd</sup> Application	\$13,000
Hope Drive	GT	2 <sup>nd</sup> Application	\$13,000
Jennifer Drive	GT	2 <sup>nd</sup> Application	\$72,000
Maclendon Drive	GT	2 <sup>nd</sup> Application	\$48,000
Party Road	GT	2 <sup>nd</sup> Application	\$30,000
Poindexter Road	GT	2 <sup>nd</sup> Application	\$28,000
Templeton Street	GT	2 <sup>nd</sup> Application	\$4,000
<b>West Bay</b>			
Ernest Jackson Drive	WB	2 <sup>nd</sup> Application	\$19,000
Elizabeth Street	WB	Reconstruction	\$36,000
Anglin Road	WB	Reconstruction	\$21,000
Boatswain Bay Road	WB	Reconstruction	\$130,000
Canary Lane	WB	Reconstruction	\$21,000
Capt. Charlie Road	WB	Reconstruction	\$6,000
Invicta Drive	WB	Reconstruction	\$77,000
Zacharias Road	WB	Reconstruction	\$5,000
Lee Smith Drive	WB	Reconstruction	\$9,000
Peninsula Avenue	WB	Reconstruction	\$167,000
Chevy Street	WB	Reconstruction	\$50,000
Ponciana Lane	WB	2 <sup>nd</sup> Application	\$21,000
Adelia Close	WB	Reconstruction	\$8,000
Fruitland Way	WB	Reconstruction	\$22,000
<b>East End</b>			
John Mclean Drive - West	EE	2 <sup>nd</sup> Application	\$18,000

Name	District	Repair Type	Approximate Cost \$KYD
<b>Northside</b>			
Friendly Lane	NS	2 <sup>nd</sup> Application	\$2,000

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

Well Location	District	Type of Work	No# of Wells	Approximate Cost \$KYD
Will T Road/Puffin Lose Junction	BT	Redrill 8" dia	1	\$1,200
Carrington Lane	BT	New 8" dia	2	\$8,000
Tuckerman Lane	BT	Redrill 8" dia	1	\$1,200
#79 Trinity Way	BT	Redrill 8" dia	1	\$1,200
Southward & Windward Drive junction	BT	New 8" dia & addtl catchment	1	\$5,500
#59 Windfern Close	GT	New 8" dia	1	\$4,000
#1883 West Bay Road	GT	Redrill 8" dia	1	\$1,200
Aqua Close	GT	Redrill 8" dia	1	\$1,200
#90 Boreal Street	GT	New 8" dia	1	\$4,000
#46 Boreal Street	GT	New 8" dia	1	\$4,000
Lariat Road	NS	New 8" dia	2	\$8,000
Hutland Road/Uncle Berts junction	NS	New 8" dia	1	\$4,000

### c) Ownership Performance Targets

The ownership performance targets achieved (as specified in the *Fifth Schedule to the Public Management and Finance Law (2010 Revision)* for the National Roads Authority for the 2011/12 financial year were as follows.

#### Financial Performance

Financial Performance Measure	2011/12 Actual \$	2011/12 Budget \$	Annual Variance \$
Revenue from Cabinet	11,049,750	12,794,000	(1,744,250)
Revenue from ministries, portfolios, statutory authorities and government companies	146,348	75,000	71,348
Revenue from other persons or organisations	70,842	Nil	70,842
Surplus/deficit from outputs	6,550,675	6,587,496	(36,821)
Other expenses	6,554,844	6,583,569	(28,725)
Net Surplus/Deficit	(4,169)	3,927	(8,096)
Total Assets	5,823,823	6,321,359	(497,536)
Total Liabilities	1,914,281	1,866,314	47,967
Net Worth	3,909,542	4,455,045	(545,503)
Cash flows from operating activities	(877,394)	(951,739)	74,345
Cash flows from investing activities	(148,628)	Nil	(148,628)
Cash flows from financing activities	Nil	Nil	Nil
Change in cash balances	(1,026,022)	(951,739)	(74,283)
Current Assets: Current Liabilities	2.19	2.7	(0.51)
Total Assets: Total Liabilities	3.04	3.3	(0.26)

#### Explanation of Variances

Revenue from Cabinet: The \$1,744,250 negative variation in revenue from cabinet consists of a reduction of \$1 million related to NRA6, 9 and 10 Outputs vs. the original budgeted figure and \$664,000 reduction of EA36 Hot Mix Asphalt Paving which was transferred to EA55 Cayman Brac Paving which is administered by the Ministry of District Administration. The remainder of the decrease is due to appropriations not spent during the year.

Revenue from ministries, portfolios, statutory authorities and government companies: Increased activity by the Water Authority – Cayman resulting in pavement repair work makes up the majority of this \$71,348 variation.

Revenue from other persons or organisations: There was no individually significant customer comprising the revenues from other organisations.

A summary of the Executive Asset and Output accounts for FY 2011/12 are tabulated below:

Executive Asset	No.	Approved Budget \$	§11.5 \$	Final Budget \$	Total Invoiced \$
Miscellaneous Road Surface Upgrades	36	3,000,000	(664,000)	2,336,000	1,095,946
Asphalt paving Cayman Brac	55	Unknown	Unknown	Unknown	912,127
Belford Drainage Project	116	400,000	Nil	400,000	400,000
Roads – Georgetown	126	250,000	Nil	250,000	41,247
Radar Site	127	50,000	Nil	50,000	35,800
Colliers Wilderness Road	129	900,000	Nil	900,000	900,000
		4,600,000	(664,000)	3,936,000	3,385,120
Variance = 550,880					

Output	No.	Approved Budget	§11.5 \$	Final Budget \$	Total Invoiced \$
Planning & Development of New Public Roads	NRA 5	300,000	Nil	300,000	300,000
Grand Cayman District Roads Programme	NRA 6	Nil	2,200,000	2,200,000	2,200,000
Policy Advice on Road Related Matters	NRA 7	20,000	Nil	20,000	20,000
Storm Water Management & Mitigation of Tidal Inundation	NRA 8	200,000	Nil	200,000	200,000
Maintenance of Public Roads	NRA 9	Nil	3,500,000	3,500,000	3,500,000
Government Street Lighting Programme	NRA 10	Nil	1,224,000	1,224,000	1,462,961
Asset Management Programmes	NRA 11	74,000	76,000	150,000	146,388
		594,000	7,000,000	7,594,000	7,829,349
		Variance = (235,349)			

Total Assets: The variance in total assets was primarily attributed to the decrease in cash and cash equivalents due to giving back a deposit of nearly \$1 million to the Ministry of District Administration for work on the Linford Pierson extension which is not going forward. This decrease is offset by the purchase of equipment. It is broken down as follows:

	<b>2011/12 Actual \$</b>	<b>2011/12 Budget \$</b>	<b>Annual Variance \$</b>
Cash and cash equivalents	842,029	1,801,753	(959,724)
Marketable securities and deposits			
Accounts receivable	3,066,347	3,075,525	(9,178)
Inventories	285,248	308,028	(22,780)
Other current assets			
Total Current Assets	4,193,625	5,185,306	(991,681)
Non-Current Assets			
Loans			
Other investments			
Net Worth of SA/GCs ( Org 41-54 only)			
Net Worth of Mins/Portfolios& Exec Orgs			
Property, plant and equipment	1,630,198	1,136,053	494,145
Total Assets	5,823,823	6,321,359	(497,536)

Total Liabilities: The variance in total liabilities was primarily attributed to the increase in accounts payable due to amounts owed to Caribbean Utilities Corporation offset by the decrease in revenue deposits due to paying back the deposit to the Ministry of District Administration for the Linford Pierson project not moving forward. It is broken down as follows:

	<b>2011/12 Actual \$</b>	<b>2011/12 Budget \$</b>	<b>Annual Variance \$</b>
Accounts Payable and Accrued Liabilities	892,358	518,916	373,442
Unearned Revenue	375,799	951,739	(575,940)
Retirement Pension Liability	508,000	258,000	250,000
Employee Entitlements	138,124	137,659	465
Total Current Liabilities	1,914,281	1,866,315	49,967



### Capital Maintenance

Human Capital Measures	2011/12 Actual	2011/12 Budget \$	Annual Variance \$
Total full time equivalent staff	99	109	(10)
Staff turnover (%)	9%	0%	
Average length of service senior management (Note 1)	11.4	11.6	
Significant changes to personnel management system	None		

Note 1: Length of service is calculated based on time of employment with NRA and formerly with PWD.

Value of Total assets: The variance in total assets was primarily attributed to the increase in accounts receivables and a decrease in cash and cash equivalents as explained under the heading Financial Performance.

Physical Capital Measures	2011/12 Actual \$	2011/12 Budget \$	Annual Variance \$
Value of total assets	5,823,823	6,321,359	(497,536)
Asset replacements: total assets	0.02	Nil	0.02
Book value of depreciated assets: initial cost of those assets	0.31	0.42	(0.11)
Depreciation: Cash flow on asset purchases	3.16	Nil	1.06
Changes to asset management policies	None	None	

Major Capital Expenditure Projects	2011/12 Actual \$	2011/12 Budget \$	Annual Variance \$
EA 36: Miscellaneous Road Surface Upgrades	1,095,946	2,336,000	(1,240,054)
EA 55: Asphalt Paving Cayman Brac	912,127	Unknown	912,127
EA 116: Storm Drain Wells	400,000	400,000	Nil
EA 126: Georgetown Roads	41,247	250,000	(208,753)
EA 129: Blue Iguana Reserve Road	900,000	900,000	Nil

### Explanation of Major Variances

EA36: Miscellaneous Road Surface Upgrades – This budget was originally \$3 million but was reduced by \$664,000. Further the NRA was not instructed to carry out work for the remaining amount of the appropriation due to the downturn in government finances during the year.

EA 55: Asphalt Paving Cayman Brac – This budget was unknown as the budget is managed by the District of District Administration. During the year NRA expenses related to this appropriation totaled over \$912,000. The work pertains to the NRA paving crew and paving equipment work on Cayman Brac.

EA 126: Georgetown Roads- \$250,000 was appropriated but due to the continued downturn of the economy these funds were not used and projects were not completed which were scheduled. The NRA invoiced approximately \$41K which was for the installation of a new lighted pedestrian crossing by the Strand Complex on West Bay Road.

EA 129: Blue Iguana Reserve Road - \$900,000 was appropriated for the Reserve Road. This project commenced at the very end of 2010/11 and the remainder of the work was performed during fiscal 2011/12.

### **Risk Management**

<b>Key risks</b>	<b>Status of Risk</b>	<b>Actions taken during 2011/12 to Manage risk</b>	<b>Financial Value of risk</b>
Work related injuries to persons	Reduced – ongoing	Training and implementation of safety standards for heavy equipment machinery and workforce personnel.	Unquantifiable
Safety of drivers of vehicles and heavy equipment	Reduced – ongoing	Driver-training courses attended by operators in operation of vehicle to reduce operational misuse of the vehicle.	Unquantifiable

### **d) Summarised Financial Statements**

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

A summary of those is as follows.

<b>Operating Statement</b>	<b>2011/12 Actual \$</b>	<b>2011/12 Budget \$</b>	<b>Annual Variance \$</b>
Revenue	11,266,940	11,844,000	(577,060)
Operating Expenses	11,272,896	11,840,073	(567,177)
Net Surplus(Deficit)	(4,169)	3,927	(8,096)

<b>Balance Sheet</b>	<b>2011/12 Actual \$</b>	<b>2011/12 Budget \$</b>	<b>Annual Variance \$</b>
Assets	5,823,823	6,321,359	(497,536)
Liabilities	1,914,281	1,866,315	47,966
Net Worth	3,909,542	2,630,045	1,279,497

<b>Statement of Cash Flows</b>	<b>2011/12 Actual \$</b>	<b>2011/12 Budget \$</b>	<b>Annual Variance \$</b>
Net cash flows from operating activities	(877,394)	(951,739)	74,345
Net cash flows from investing activities	(148,628)	Nil	(148,628)
Net cash flows from financing activities	Nil	Nil	Nil

**e) Equity Investments**

<b>Transaction</b>	<b>2011/12 Actual \$</b>	<b>2011/12 Budget \$</b>	<b>Annual Variance \$</b>
EI 8: Equity Investments into National Roads Authority	Nil	Nil	Nil

**f) Capital Withdrawals**

<b>Transaction</b>	<b>2011/12 Actual \$</b>	<b>2011/12 Budget \$</b>	<b>Annual Variance \$</b>
Capital Withdrawals from National Roads Authority.	Nil	Nil	Nil

**g) Dividends or Profit Distributions**

<b>Transaction</b>	<b>2011/12 Actual \$</b>	<b>2011/12 Budget \$</b>	<b>Annual Variance \$</b>
Dividend or Profit Distributions to be made by National Roads Authority.	Nil	Nil	Nil

**h) Loans**

<b>Transaction</b>	<b>2011/12 Actual \$</b>	<b>2011/12 Budget \$</b>	<b>Annual Variance \$</b>
Government Loans to be made to National Roads Authority.	Nil	Nil	Nil

**i) Guarantees**

<b>Transaction</b>	<b>2011/12 Actual \$</b>	<b>2011/12 Budget \$</b>	<b>Annual Variance \$</b>
Government Guarantees to be issued in relation to National Roads Authority.	Nil	Nil	Nil

**j) 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).

<b>Transaction</b>	<b>2010/11 Actual \$</b>	<b>2010/11 Budget \$</b>	<b>Annual Variance \$</b>
Related Party Payments (Non Remuneration) made to Key Management Personnel	Nil	Nil	Nil
Remuneration Payments made to Key Management Personnel	719,210	600,440	
Remuneration Payments made to Senior Management	717,043	522,840	
No of Key Management Personnel	15	19	(4)
No of Senior Management	6	7	(1)

Key management includes all of the senior management plus the Board of Directors.

Senior management posts include: Managing Director, Deputy Managing Director, Deputy Managing Director Designate, Assistant Director for Transportation and Planning, the Special Projects Manager and Chief Financial Officer.

## **Appendix: Financial Statements for the Year Ended 30 June 2012**



**National Road Authority**

**Financial Statements**

**June 30, 2012**



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

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**NATIONAL ROADS AUTHORITY**

**FINANCIAL STATEMENTS**

**JUNE 30, 2012**

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

**STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

These financial statements have been prepared by the National Roads Authority in accordance with the provisions of the *Public Management and Finance Law (2010 Revision)* and referenced to Section 26(1b) of the *National Roads Authority (2006 Revision)*.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law (2010 Revision)*.

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

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

The financial statements fairly present the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity for the financial year ended 30 June 2012.

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

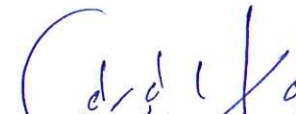
- (a) are completely and reliably reflect the financial transactions of National Roads Authority for the year ended 30 June 2012;
- (b) fairly reflect the financial position as at 30th June 2012 and comprehensive income for the year ended 30th June 2012;
- (c) comply with International Financial Reporting Standards under the responsibility of the International Accounting Standards Board.

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



Mr. Colford Scott  
Chairman  
National Roads Authority

Date-



Mr. Edward Howard  
Acting Managing Director  
National Roads Authority

Date-



## **Auditor General's Report**

### **To the Board of Directors of the National Roads Authority**

I have audited the accompanying financial statements of the National Roads Authority (the "Authority"), which comprise of the statement of financial position as at 30 June 2012, the statement of changes in equity, the statement of comprehensive income and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 4 to 22 in accordance with the provisions of Section 60(1)(a) of the *Public Management and Finance Law (2012 Revision)*.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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



## Opinion

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

A handwritten signature in blue ink, appearing to read 'A Swarbrick', with a stylized flourish at the end.

Alastair Swarbrick, MA (Hons), CPFA  
Auditor General

Cayman Islands  
25 October 2012



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

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

Approved on behalf of the Board on the 25<sup>th</sup> of OCTOBER 2012

Mr. Colford Scott  
Chairman

Mr. Edward Howard  
Acting Managing Director

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



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

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

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



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

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

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



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

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

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



**1. Establishment and Principal Activity**

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

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

As at 30 June 2012, the NRA had 99 employees (30 June 2011: 109 employees). The NRA is located at 342B Dorcy Drive, P.O. Box 10426, Grand Cayman KY1-1004, Cayman Islands.

**2. Significant Accounting Policies**

*(a) Basis of preparation*

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

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

*(b) Cash & cash equivalents*

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

*(c) Foreign currency translation*

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

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

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**2. Significant Accounting Policies (continued)**

*(d) Fixed Assets/depreciation*

Fixed assets include motor vehicles, heavy equipment, dump trucks, furniture and fixtures and computer hardware and software are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis at annual rates estimated to write off the carrying value of each asset over the period of its expected useful life.

Annual rates are as follows:

Vehicles and Heavy Equipments	4 - 12 Years
Furniture and Fixtures	3 - 15 Years
Computer Hardware and Software	3 - 6 Years
Other Plant and Equipment	3 - 25 Years

*(e) Receivables*

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

*(f) Allowance for bad debts*

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

*(g) Inventory*

Inventory is valued at the lower of net realizable value or cost, on an average basis.

*(h) Accounts Payable*

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

*(i) Employee entitlements*

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

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

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

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**2. Significant Accounting Policies (continued)**

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

Obligations for contributions to defined contribution and defined benefits pension plans are recognized as an expense in the income statement as incurred. (See also Note 12).

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

*(j) Revenue recognition*

Revenue from sale of services to Cabinet and other government agencies is recognised when it is earned (see also Related Party Note 12). Unearned revenue comprises amounts paid to the Authority in advance of work performed and amounts which the Authority has invoiced for in advance of work performed. These unearned amounts are recognized as revenue in the income statement as work is performed related to the amounts received or billed in advance. Investment revenue is recognised in the period in which it is earned. Donations are recognised at fair value at the time of receipt.

*(k) Expense recognition*

Expenses are recognised when incurred.

*(l) Financial Instruments*

*(i) Classification*

A financial asset is classified as any asset that is cash, a contractual right to receive cash or another financial asset, exchange financial instruments under conditions that are potentially favourable or an equity instrument of another enterprise. Financial assets comprise of cash and cash equivalents and accounts receivable. A financial liability is any liability that is a contractual obligation to deliver cash or another financial instrument or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. Financial liabilities comprise of accounts payable, unearned revenue and employee entitlements.



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

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**2. Significant Accounting Policies (continued)**

*(ii) Recognition*

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

*(iii) Measurement*

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

*(iv) Derecognition*

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

*(v) Credit Risk*

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

*(vi) Interest Rate Risk*

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

*(m) Classification*

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

*(n) Changes in International Financial Reporting Standards*

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

**IAS 24 Related Party Transactions (Amendment)**

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

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**2. Significant Accounting Policies (continued)**

***IAS 32 Financial Instruments: Presentation (Amendment)***

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

***IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)***

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

**Improvements to IFRSs**

***IFRS 7 Financial Instruments — Disclosures:***

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

***IAS 1 Presentation of Financial Statements:***

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

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

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

**2. Significant Accounting Policies (continued)**

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

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

***IAS 19 Employee Benefits (Amendment)***

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

***IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements***

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

***IFRS 9 Financial Instruments: Classification and Measurement***

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

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**2. Significant Accounting Policies (continued)**

**IFRS 13 Fair Value Measurement**

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

**3. Cash & Cash Equivalents**

	<b>2012</b>	<b>2011</b>
Bank accounts	\$842,029	\$476,807
Term deposits	-	1,391,244
<b>Total Cash &amp; Cash Equivalents</b>	<b>\$842,029</b>	<b>\$1,868,051</b>

**4. Accounts Receivable & Prepaid Expenses**

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

**5. Inventories**

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

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**6. Fixed Assets**

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

**7. Accounts Payable and Accrued Liabilities**

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

**8. Unearned Revenue**

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

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

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**9. Employee Entitlements**

	<b>2012</b>	<b>2011</b>
Accrued Vacation Leave	\$138,124	\$150,491

**10. Contributed Capital**

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

**11. Salaries and Benefits**

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

**12. Pensions**

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

Using the projected unit credit method of measuring costs and obligations, the actuarial assessment for the Authority assessed the minimum normal annual contribution to be 12 % in for the year fiscal year 2010-11 (2009-10: 12%).

The Plans are funded at rates of: -

		<b>2012</b>	<b>2011</b>
Defined Contribution Plans	- Employer	6.192%	6.192%
	- Employee	6.192%	6.192%
Defined Benefit Plans	- Employer	6.192%	6.192%
	- Employee	6.192%	6.192%

The pension plan has been accounted for under paragraphs 44-46 of International Accounting Standard 19 as if it were a defined contribution plan, as sufficient information is not available on the Fund to fully use defined benefit accounting. The Fund has been valued by the Actuary to the Pensions Board. The defined contribution part of the Fund is not subject to the special actuarial valuations due to the nature of the benefits provided therein.

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**12. Pensions (continued)**

The total amount recognised as a pension expense in personnel costs for the year ending 30 June 2012 was \$537,038 (30 June 2011: \$479,108). The Authority paid both the employee and employers contributions. The actual amount of pension expense relating to the defined benefits for staff should also include the effect of the changes in the actuarial determined liability. However, since such information is not yet available from the actuary of the PSPB, management is unable to determine the impact on the recorded expense for the year ended 30 June 2012.

In March 2005, the Financial Secretary of the Government of the Cayman Islands informed the Authority that the decision to keep the unfunded past service liability a central liability of the Government has now been reversed and the Authority recognizes the unfunded past service liability as a liability in its financial statements.

The most recent actuarial valuations for IAS 19 reporting was conducted as at 30 June 2011 (dated 23 July 2012), 30 June 2010 (dated July 26, 2011), 30 June 2009 (dated July 30, 2010), 30 June 2008 (dated July 17, 2009), 30 June 2007 (dated November 21, 2008), 30 June 2006 (dated 14 March 2008), 30 June 2005 (dated 9 November 2007) and 1 July 2004 (dated 31 July 2007) which identified the Authority's unfunded past service pension liability as at that date and the profit and loss charges associated with the plan participation for the financial year then ended.

The actuarial position is as follows:

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

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

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**12. Pensions (continued)**

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

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

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

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

Reconciliation showing movement of past service liability during the period:

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

As a result of the past service liability not being fully recognized in the past year due to delays in the actuarial valuations, there was an increase of \$173,000 to the Past Service Pension Liability. This amount was recognized as liability in the Balance Sheet & Retained Earnings as at 30 June 2012.



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**12. Pensions (continued)**

Actuarial Determination of Pension Expense as at:

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

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

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

The share of assets allocated to the Authority's participation in the defined benefit part of the Plan was CI\$1,506,722 (30 June 2011 \$1,062,025) since the Authority only commenced participation on July 1, 2004.

The principal Actuarial Assumptions at the date of valuation:

A. Cost Method - Projected Unit Credit

B. Economic Assumptions used to determine the net Benefit Obligations as at:

	30-Jun-11	30-Jun-10	30-Jun-09	30-Jun-08
Discount Rate	5.50%	5.50%	5.75%	6.75%
Expected long-term rate of return (net of Expense)	6.00%	6.00%	6.00%	7.00%
Salary Increase	3.50%	4.00%	4.00%	4.00%
Future Pension Increases	2.50%	2.50%	2.50%	2.50%
Inflation Rate	2.50%	2.50%	2.50%	2.50%
Expected remaining working lives (years)	12.01	12.48	13.14	14.09

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**12. Pensions (continued)**

C. Other Assumptions –

1. Mortality – Standard U.S. mortality rates
2. Retirement Age – completion of age 57 and 10 years of service

D. Asset Valuation –Fair (Market) Value

**13. Related Party Transactions**

The Authority provided outputs to the Government relating to the development and maintenance of the public roads within the Cayman Islands which amounts to \$7.8 million under the Purchase Agreement (2011: \$7.9 million). During this year the Authority also delivered Capital Expenditure Projects of \$3.4 million (2011: \$3.7 million) to the Government for the construction of roads under the Ownership Agreement. The Authority also engages the services of other government departments of the Cayman Islands Government. Such services are provided at current prevailing market prices on an arm's length basis. Sales to third parties include services for drain wells and curbs, installation of signs, paving and trench reinstatement services.

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

Upon creation of the Authority on 1 July 2004, no movable properties were vested to the Authority. Henceforth, the Public Works Department (PWD) allowed the Authority to use its vehicles and heavy equipment for road construction and maintenance free of charge. As at 30 June 2012, the Authority owes PWD the amount of \$54,799 (2011: \$25,806) for support services extended to the latter such as office and workshop accommodation, tenant's requirements, utilities, accounting services, service parking and compound security.

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

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**14. Contingencies**

Under section 28(1) of the NRA Law an annual payment to the core government may be due. At the date of these financial statements there has been no request made.

**15. Financial Risk Management**

The Authority is exposed to a variety of financial risks including interest rate risk, credit risk and liquidity risk. The Authority's risk management policies are designed to identify and manage these risks, to set appropriate risk limits and controls, and to monitor the risks and adhere to limits by means of up to date and reliable information systems. These risks are managed within the parameters established by the Financial Regulations.

Interest Rate Risk

The Authority is subject to interest rate risk on the cash placed with a local bank which attracts interest. No interest payments are charged to customers on late payments on accounts receivable. The Authority is not exposed to significant interest rate risk as the cash and cash equivalents are placed on call and available on demand. The total interest earned during the year ended 30 June 2012 was \$2k (2011: \$2k)

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Authority. Financial assets which potentially expose the Authority to credit risk comprise cash and cash equivalents and accounts receivable.

The Authority is exposed to potential loss that would be incurred if the counterparty to the bank balances fails to discharge its obligation to repay. All bank balances are with one financial institution located in the Cayman Islands which management considers to be financially secure and well managed.

The Authority is also exposed to a significant concentration of credit risk in relation to accounts receivables, majority of which are due from other Government entities. No credit limits have been established. As at 30 June 2012, no provision for doubtful debts has been made as none of these assets are impaired and management consider these debts to be recoverable in full (2011: Nil).

The carrying amount of financial assets recorded in the financial statements represents the Authority's maximum exposure to credit risk. No collateral is required from the Authority's debtors.

Liquidity Risk

Liquidity risk is the risk that the Authority is unable to meet its payment obligations associated with its financial liabilities when they fall due.

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**15. Financial Risk Management (continued)**

The ability of the Authority to meet its debts and obligations is dependent upon its ability to collect the debts outstanding to the Authority in a timely basis. As at 30 June 2012 and 2011, all of the financial liabilities were due within one month of the balance sheet dates.

**16. Financial Instruments- fair values**

As at 30 June 2012 and 2011, the carrying amount of cash deposits, accounts receivable, accounts payables and employee entitlements approximate their fair value due to their short-term maturities.

Fair values are made at specific points in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions, economic conditions and other factors could cause significant changes in fair value estimates.

**17. Operating Lease**

The Authority entered into a five year lease with Heritage Holdings on September 1, 2009 for storage and laboratory. The annual lease payments for the period amount to \$42,440 (2011: \$55,172). The lease payments are subject to an annual increase of 3%. The total payments for the five year lease including the annual 3% increase is \$262,484. The tenant has the option to renew the lease for a further term of one (1) year or more at the expiration of the term and shall give notice in writing to that effect not less than three months before expiration of the term.