



2023

Annual Report for National Roads Authority



For the 2023 Financial Year
(Jan 1, 2023 to Dec 31, 2023)



National Roads Authority

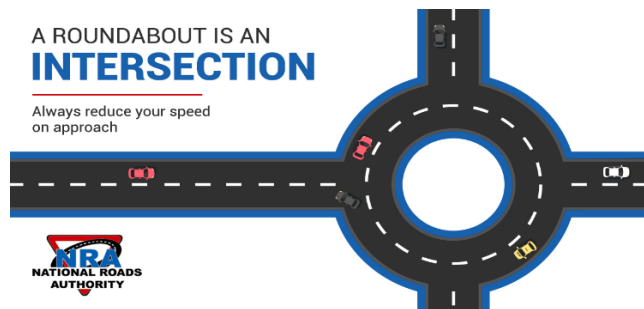
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Section 1 – Foreword

This annual report is for the National Roads Authority of the Cayman Islands ('The NRA'). The report outlines the NRA's performance during the **2023** fiscal year and compares it to the budgeted performance for the corresponding period.

The requirement for an annual report is prescribed under Section 52 of the Public Management and Finance Act (2020 Revision) (PMFA) Section 52 states:

In respect of each financial year, each statutory authority or government company shall within two months after the end of each financial year:

- a) prepare an annual report for the year, and*
- b) submit the report to the Auditor General for review.*

An **annual report** shall:

- a) state details of the entity's activities during the year
- b) summarize the extent to which the ownership performance targets under the relevant ownership agreement were achieved during the year;
- c) include the amount of the following during the year:
 - (i) Cabinet equity investments into the entity,
 - (ii) Cabinet capital withdrawals from the entity,
 - (iii) Cabinet loans to the entity, and
 - (iv) The entity's dividends or profit distributions.
- d) Include details of any Cabinet guarantees relating to the entity made during the year;

- e) Include details of any Cabinet guarantees relating to entity made during the year;
- f) Compare the actual performance shown by the financial statements with the performance proposed in the relevant ownership agreement.

Financial statements shall be prepared on a basis consistent with the forecast financial statements in the relevant ownership agreement

This annual report complies with the requirements of the PMFA and covers service delivery, financial performance, and governance.

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

The financial performance section shows the financial resources the NRA was afforded in the 2023 budget and the inputs purchased to provide services.

The financial performance is presented in the form of financial statements prepared in accordance with the Public Sector Accounting Standards (IPSAS) and the

supporting notes to those financial statements.

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



Message from the Minister

The NRA plays an integral role in this administration's goal is to build modern smart infrastructure. I am therefore pleased to present this 2023 annual report which outlines the Authority's achievements during the year; and provides an account for its use of public funds.

The Government has galvanized its commitment to continued investment in improving Grand Cayman roads, as reflected in the CIG's 2022-2024 Strategic Policy Statement.

Infrastructure investments that facilitate trade and interconnectivity are a key component of a thriving economy; indeed, the role of the road network as the backbone of commerce is more evident in the Cayman Islands than in many other countries.

Our roads connect our children to schools; workers to their jobs; and efficiently move goods and services across the Island. It facilitates our power, water, and telecommunication infrastructures while providing hundreds of jobs through its continual maintenance and expansion.

Through road infrastructure investment, opportunities are created for new communities, economic development, a more efficient workforce and a greater sense of well-being among the Islands' population. The road network is the single largest, and



most valuable man-made asset owned by the people of the Cayman Islands.

It therefore gives me great comfort to have a team of highly skilled, committed, and capable individuals at the helm managing this important asset and delivering this important work.

Through our policy framework, the Government will continue to support the creation of modern, smart infrastructure as a key to future growth and prosperity.

Yours sincerely,

Hon. Johany (Jay) Ebanks, MP

Minister for Planning, Agriculture, Housing & Infrastructure

Message from the Chairman

This annual report outlines the NRA's performance in 2023 in relation to the required outputs highlighted in the Ownership Agreement with Cabinet. This report is completed under my first full year as Chairman of the Board. The Board's main focus during the period was to ensure stability, focus, and direction as the organization delivered on its legislative mandate while supporting the Government's policy outcome goals.

I am particularly proud to have been apart of the Board that was able to kickstart preliminaries associated with the development of the environmental impact assessment (EIA) terms of reference for the expansion of the East-West Arterial corridor from Newlands to Frank Sound.

We firmly endorse the NRA's proactive strategy for the management of the road network. The development of a 3-year road development programme stipulated by the NRA Act ensures that the NRA makes sound strategic planning and investments in projects that will ensure sustainable development in these islands for decades to come.

Another area that the Board is intently focused on is the maintenance programme for the road network. As we build more roads we inevitably have more to maintain. The Board is elated that the NRA already has a fully developed pavement management system that



catalogues and forecasts future maintenance requirements both time-wise and budget-wise. The pavement management

system is most effective in helping Government to reduce future road maintenance costs by proactively forecasting repair needs and recommending repair strategies or countermeasures for key sections of the network before they reach the point of critical failure.

The Board is grateful to our private sector partners and to the management and staff of the NRA for the excellent work carried out in 2023 which made possible the achievements highlighted in this report.

We would also like to recognize the support of the Government in providing the policy framework and resources necessary to do our work. The Board remains committed to the continued development of the NRA, and reaffirm its support for the organization and its efforts to deliver the best transportation infrastructure to the people of the Cayman Islands.

A handwritten signature in black ink, consisting of a stylized 'M' followed by a long, sweeping horizontal stroke that curves upwards at the end.

Mark Parchment

Chairman, NRA Board of Directors

Message from the Managing Director

I am pleased to present the National Roads Authority (NRA) Annual Report 2023.

This report highlights the NRA's accomplishments via the NRA Act (2016 Revision) and the goals and priorities set by the Board and Cabinet via the Ownership Agreement.

Roads contribute greatly to the economic stability of the country by providing both access and mobility options. In short, roads allow the movement of people, goods and services.

NRA's continued success in this endeavor is largely dependent on the Authority being adequately funded both in the area of new capital development projects (via Cabinet) but also in the area of recurrent revenue (via the Road Fund).

The pace of land development and the growth in vehicles now has the Island at a critical decision phase; there has never been a more critical time than now for the Government to develop a sustainable long range ground transportation plan that offers multi-pronged solutions to the ground transportation needs of this country for decades to come.

Safer Roads by Design has become a major focus of the NRA. We have taken advantage of our partnership with the International Road Federation (IRF) and increased our involvements with public and private stakeholders in highlighting the Five E's of Road Safety; Engineering, Education, Enforcement, Emergency Response, and Evaluation (Monitoring). In 2023 we formed part of a National Road Safety Committee and aided in the development of the National Road Safety Strategy 2023 – 2038.



We remain intently focused on delivering roadway solutions that promote a long-term multimodal corridor strategy. As Cayman develops livability and sustainability principles become engraved with management and operation practices. The newly proposed East-West Arterial represents a prime example of our vision of multi-modal corridor strategy. This corridor incorporates an interconnected system of projects that can be implemented incrementally – project-by-project, over time, as funding is available. Collector roads and local streets serviced by the main corridor can be built by developers as new development occurs, or as part of NRA's future roads plan. The East-West Corridor is being designed to feature individual projects such as motor vehicle lanes, a segregated bus rapid transit facility, segregated micro-mobility lanes, and integrated solar array platforms. An environmental impact assessment (EIA) for this multimodal corridor got underway in 2023. This study evaluates various impacts including cultural and natural heritage, socio-economics, flora and fauna, noise impacts, etc.

I would also like to thank the Board and Minister for the continued confidence entrusted in me to lead the Authority during this fiscal year.

A handwritten signature in blue ink, appearing to read 'Edward Howard', written over a horizontal line.

Edward Howard
Managing Director

Section 2 - Nature and Scope of Activities

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

- Provision of medium to long term plans for road development referred to as a National Roads Plan to be updated every four years.
- Implementation of a management system for planning, organizing, directing and controlling routine and periodic maintenance activities performed by employees of the Authority or through independent contractors.
- Carrying out of construction improvements and maintenance works on national roads.
- Carrying out necessary engineering, traffic, and economic studies that it may consider necessary for the maintenance and improvement of public roads.
- Training, research, or testing activities concerning 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 stormwater and road-related matters and site inspections of constructed projects.

Mission of the National Roads Authority

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

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 scope of activities specified in the Ownership Agreement for the year.



2023 Significant Events

- National Road Safety Strategy (NRSS) is launched
- Phase 1 of the Jay Bodden Highway (project name: Airport Connector Road) opened
- Phase 2 of the Linford Pierson Highway Expansion opens. This includes the largest roundabout to date along with six lane expansion of LPH b/w Agnes Way and Bobby Thompson Way.
- Final Draft of a new health and safety manual along with supplemental safety workshops were completed
- New Deputy Chief Financial Officer (DCFO) hired in 4th quarter 2023

Section 3 - Strategic Goals and Objectives

3.1 Approved Strategic Goals and Objectives

The key strategic goals and objectives for The National Roads Authority for the 2023 financial year as stated in the Ownership Agreement were as follows:

1. Continue the 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.

3.2 Compliance with Strategic Goals and Objectives

The NRA complied with the above approved strategic goals and objectives as summarised below. Total revenue for FY2023 budget cycle (Jan 1, 2023 to Dec 1, 2023) was \$39.8M with NRA operating expenses accounting for \$11.5M.

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

The NRA Management team supported by the Board continue to strive for betterment in the areas of administrative, financial and management information systems.

Sound administration is important as it functions as a connecting link between the senior management and the employees. To that end the NRA continues to strive to provide adequate administrative staffing levels along with the tools and techniques required to ensure that the administrative arm of the Authority is able to carry out its role in achieving a high level of workplace productivity and efficiency.

On the finance side the NRA completed full upgrade of its electronic accounting software package which now allows the electronic processing of purchase orders and facilitates remote accounting process via an integrated web-based platform.

The NRA in 2023, made significant progress in several key areas including Human Resources, Operations and Engineering, and Finance and Administration. NRA filled a long outstanding vacancy for Deputy Chief Financial Officer in the 4th quarter and improved its health and safety focus by conducting additional safety workshops, completing the final draft of its health and safety manual, and significantly increasing the number of staffs certified in First Aid/CPR.

A communications strategy and calendar were developed towards the 3rd quarter of 2023 to 1) help customers and stakeholders understand the priorities for the strategic road network, 2) encourage safe driving and safer work zones, and 3) develop strong, trusted relationships with stakeholders and keep them informed and engaged. The communication calendar will also be developed for 2024 with quarterly updates.

Road safety was at the forefront of NRA's strategic goals. In 2023 at the behest of the National Security Council, the NRA along with a group of other government agencies launched the National Road Safety Strategy (NRSS) aimed at reducing the number of people killed and seriously injured on Cayman's roads. A key theme of this strategy is Towards Zero which is based on an underlying principle that it can never be ethically acceptable that people are killed or seriously injured when moving within the road transport system, and that road users have a right to expect that they should be safe.

The NRA Board in the 4th quarter of 2023 approved the acquisition of two additional roadside mowing tractors and new roadside litter collection equipment and machinery worth approximately \$500K, that will enhance road safety by keeping road shoulders well-manicured. The new litter collection equipment is for the establishment of a new unit within the NRA that will focus intently on keeping Cayman's roadsides clean and beautiful.



 **Announcing**
**National Road
Safety Strategy**
2023-2038

#RoadToZero
gov.ky/roadsafety



Ministry of Planning,
Agriculture, Housing
& Infrastructure
Cayman Islands Government



HUMAN RESOURCES

At December 31, 2023 NRA boasted a staff complement of 119 full time employees along with 11 temporary employees (< 1year) hired as and when needed throughout the year. Fulltime employees' average length of service at the NRA is 14 years.

Six percent of staff is educated to a graduate level, a further six percent hold undergraduate degrees, and 87% are educated to a high school diploma level. 93% of all employees have been with the authority for at least 6 years, with 65% having a tenure of 11 years or more. Average annual take home pay for NRA employees is approximately \$42,000, however, the average total annual compensation cost for each employee is approximately \$59,000. This reflects the fact that over 19% of the average employee emoluments go towards healthcare premiums.

Turnover Rates at sample ages:

Age	Males	Females
20-24	7.5%	12.5%
25-29	5.0%	12.5%
30-34	3.5%	7.5%
35-39	2.5%	4.5%
40-44	1.5%	2.5%
45-49	0.5%	0.5%
50+	0%	0%

Retirement rates:

Age	%
Below 55	0%
55-59	8%
60	15%
61-64	100%





Management Team Profile



Name: Edward Howard

Title: Managing Director

Qualifications: Bachelors in Civil Engineering - Howard University; Masters in Civil Engineering (Transportation) – University of Illinois Urbana Champaign; MBA (Corporate Finance) – University of Leicester, UK. More than twenty (25) years of educational experience and practical know-how in urban and regional planning, and transportation engineering.



Name: Olsen Bush

Title: Chief Financial Officer

Qualifications: Masters in Business Administration- International Collage of the Cayman Islands
More than 30 years of financial experience in the private and public sectors.



Name: Shena Ebanks

Title: Chief Human Resources Officer

Qualifications: Master in Human Resource Management- University College of the Cayman Islands
Over 10 years of Human Resources experience, Shena holds the dual role of Chief HR and Office Manager.



Name: Brian Chin Yee

Title: Works Manager, Engineering & Operations

Qualifications: Bachelors in Electrical Engineering B.Sc. – Florida Institute of Technology University (1993 -1997)
20 years of engineering experience.



Name: Denis Thibeault

Title: Assistant Director, Transportation & Planning

Qualifications: Bachelor of Environmental Studies in Urban & Regional Planning (Honors)- University of Waterloo
Over 33 years of experience in transportation and planning

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

Accomplishments:

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

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

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

Appropriation made by the Government for capital road improvement projects is based on service-based budgeting. The Minister of Planning, Agriculture, Housing and Infrastructure (PAH&I) will purchase the services of the Authority (called executive assets) as agreed upon in the Ownership Agreements. The service of the Authority is not only measured in terms of input cost but also in quantity, quality, timeliness and location.

Goal 3: Continue the Traffic Improvement and Roads Development Programme

The achievements in this area are highlighted in Section 3.3 which follows:

1.3 Transportation Planning Activities:

3.3.1 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) 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.

3.3.2 Recurrent Activities – Some of the main activities of the transportation unit for FY2023 (covering the period of January 1, 2023 to December 31, 2023) were as follows:

- i. In addition to numerous meetings and correspondence 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 sixty-three (163) planning applications during 2023.

- ii. The following table provides a breakdown by quarter for the current Fiscal Year:

Quarter	Month	Plan Reviews	SWM/ Drainage Plan Reviews	Inspections
1	January	11	10	5
	February	22	6	11
	March	20	7	6
Sub-Total		53	23	22
2	April	8	4	8
	May	2	6	10
	June	6	8	6
Sub-Total		16	18	24
3	July	11	3	11
	August	25	11	6
	September	24	12	7
Sub-Total		60	26	24
4	October	10	7	7
	November	9	7	13
	December	15	11	9
Sub-Total		34	25	29
Total		163	92	99



- iii. The following table provides a breakdown of the type of developments in 2023.

Development Type	Plan Reviews	SWM/ Drainage Plan Reviews	Inspections
Commercial	21	10	12
Government	6	4	2
Hotel	1	12	-
Industrial	9	3	16
Institutional	8	-	3
Residential	57	36	46
Subdivisions/ Road Base	37	21	17
Mixed-Used Development	4	3	1
Miscellaneous	20	3	2
Running Total	163	92	99

- iv. Eleven (11) due diligence letters were written in response to inquiries from attorneys and real estate agents dealing with land purchases.

3.3.3 Road Gazette Plans (Roads Act 2005R) were either started and/or completed for the following:

- a) Declaration of intention for road widening along Fairbanks Road.
- b) Declaration of Greenwood Drive as a public road
- c) Declaration of intention for a new intersection at Greenwood Drive and the Esterley Tibbetts Highway
- d) Declaration of the closure and vesting of a public footpath between West Bay Road and Boggy Sand Road near Willie Farrington Drive
- e) Declaration of Durango Way as a public road
- f) Declaration of intention for the construction of an access road east of the East End Civic Centre
- g) Declaration of intention for extending Agnes Way as a road connection to Fairbanks Road.

3.3.4 Travel Demand Model and Traffic Operation Analysis Model

The National Roads Authority in 2015, began the process of developing a computerised traffic model for the island of Grand Cayman. Such a model is necessary to:

- Substantiate the NRA's current and long-term planning efforts made under the National Roads Plan;
- Assess the merits of future road network proposals, and,
- Assess the traffic impact of future development proposals.

During 2023, the NRA carried out further refinement and finetuning modelling efforts of the planned widening of Shamrock Road and Crewe Road to three lanes and assessed various intersection improvement configurations and operational options to the corridor from the Chrissie Tomlinson Roundabout to the CUC roundabout to manage sustainable operational strategies to accommodate anticipated traffic growth. Two draft reports were produced summarizing the results: 1) "CUC to Tomlinson Roundabout Corridor Multimodal Improvement Plan" and 2) "Technical Memorandum Quick Win Scenario Analysis".

The National Roads Plan (NRP) is a strategic plan consisting of three parts: -

1. A 25-year road corridor plan (Section 26, Roads Act (2005)). This should be updated every five years.
2. A transportation management strategic document that highlights the NRA's short to long term focus on access management, road safety, mobility, interconnectivity, smart growth, etc.
3. NRA funding mechanisms – this includes focus on the structure of NRA through a look at business process re-engineering, a road financing plan (for both maintenance and new construction); alternative revenue streams, etc.

The traffic model is a key assessment tool in the development of items 2 & 3 of the NRP. The traffic model is comprised of two distinct computerized models; the first being a travel demand model (macro level) and the second being a traffic operations model/simulation package (micro level).

Environmental Impact Assessment of the East-West Arterial

During 2023, the Environmental Impact Assessment study for the planned extension of the East-West Arterial Corridor from Woodland Drive to Frank Sound Road presented the draft Terms of References (ToR) in early February 2023 at two public meetings based on a Scoping Opinion of the planned roadway prepared by the Environmental Assessment Board (EAB) in November 2021. The public had an opportunity to provide comments on the draft ToR from January 30th until February 17th 2023; a total of 57 verbal and 95 written comments were received, compiled and assessed by the NRA's consultant and the Environmental Assessment Board (EAB).

As a result of the public comments period, the Final ToR determined that the EIA would include the evaluation of five (5) alternative alignments including two outside of the gazetted corridor of May 2005, along with their associated refinements. Additions to the study requested by the EAB included the impacts on natural resources, primarily the Central Mangrove Wetland, based on direct impacts and indirect impacts from potential development that could occur as a result of the new transportation corridor. Concurrently, the EAB advised that the new transportation corridor could be essential in providing an alternate route that would be far more resilient and reduce severe congestion, especially with the increasing threat of more severe storms and sea level rise due to climate change. EAB also determined that alternate alignments including improvements to the existing roads be included in the EIA evaluation which resulted in an expanded study area along with a more detailed analysis.

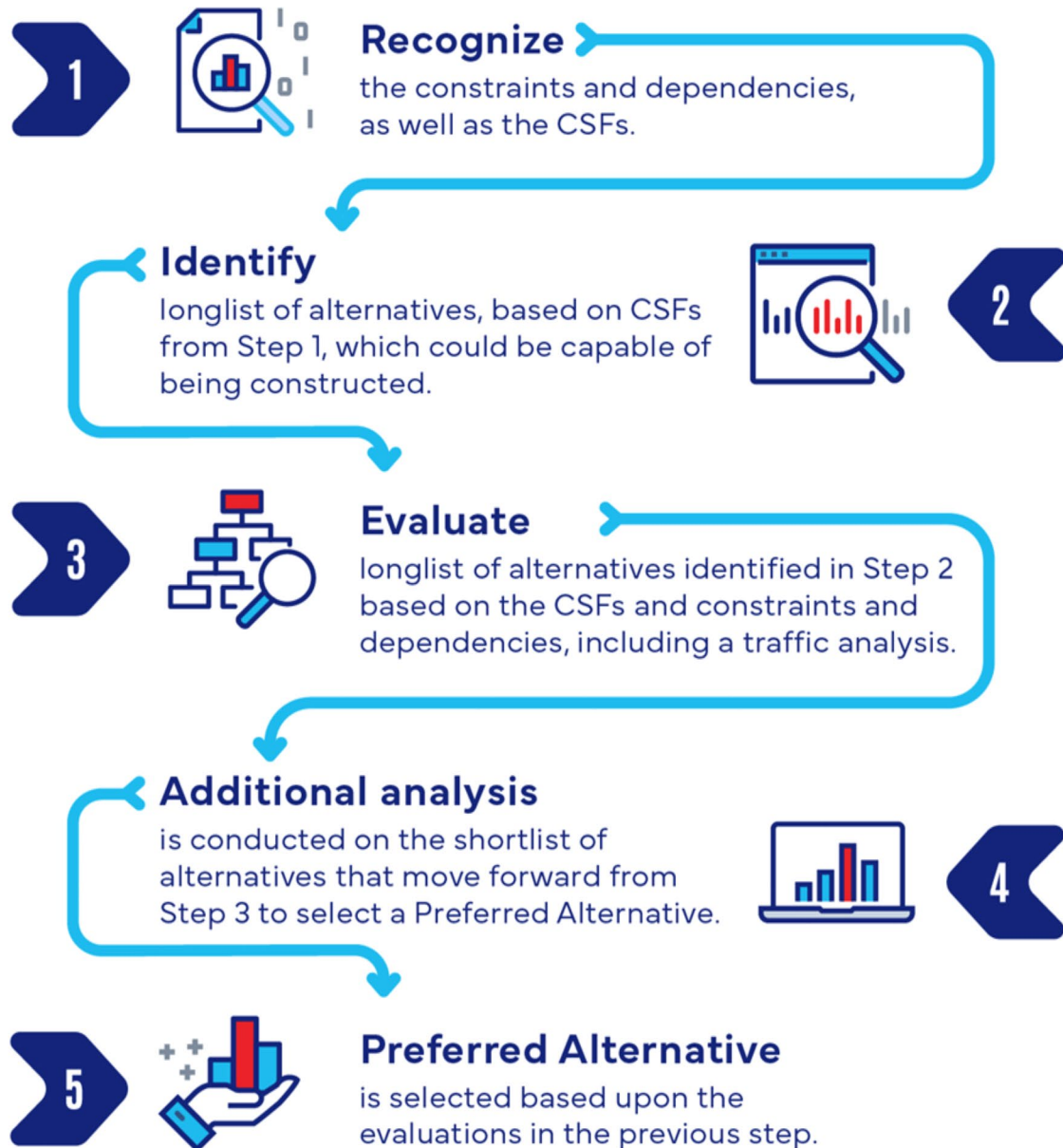
Since the study area widened and additional alternatives outside the original proposed travel corridor need to be studied as well, the Scope of Work expanded, requiring additional field work, concept designs, traffic studies, and evaluations of study parameters in order to reach the preferred alternative. The EAB also added a number of additional studies during the ToR review process including:

- Transit Evaluation,
- Cost Benefit Analysis,
- Freshwater Lens Study,
- Hydrogeological Model Impact Analysis for Existing Canals,
- Evaluation of Secondary Marine Ecology Impacts, and
- Operational Greenhouse Gas Emissions.

Finally, the EAB also added 2074 as the horizon year which results in the need to evaluate and project three (3) "alternate future" scenarios consisting of different land-use assumptions, among other things.

The final ToR were finalized on April 3rd 2023, the required scope of works for the Final ToR was approved by the Public Procurement Committee on June 5th 2023.

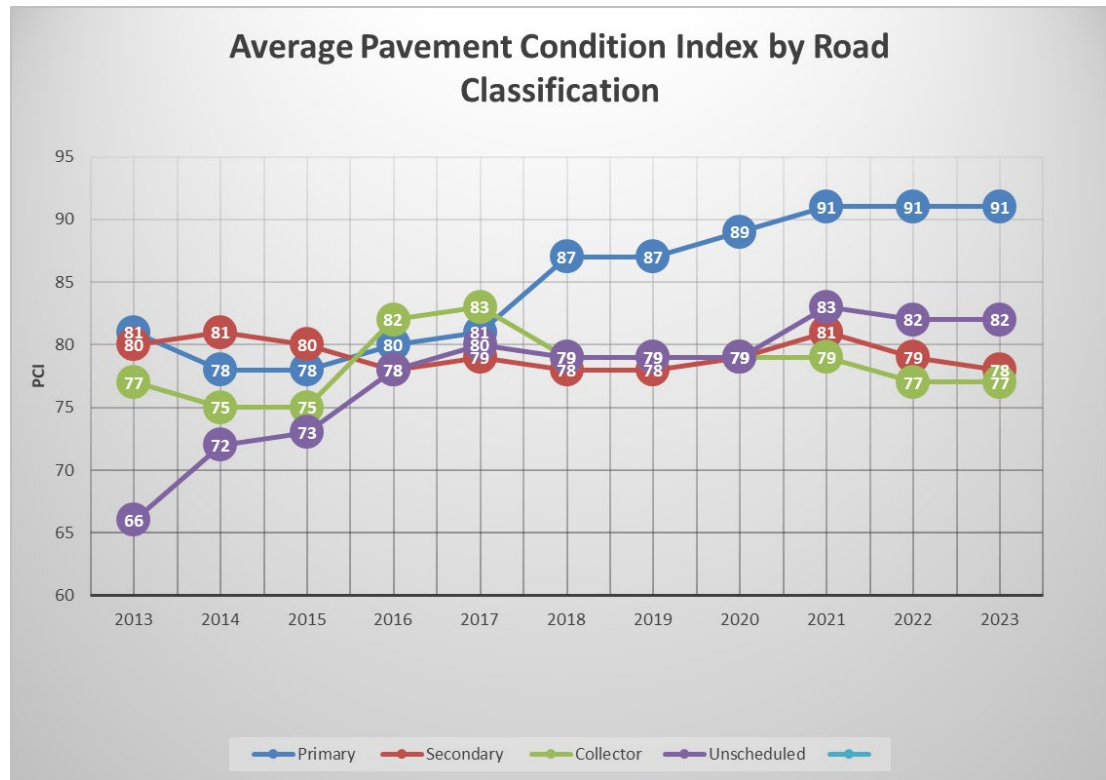
THE PROCESS



The EIA process flowchart

3.4 Pavement Management:

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

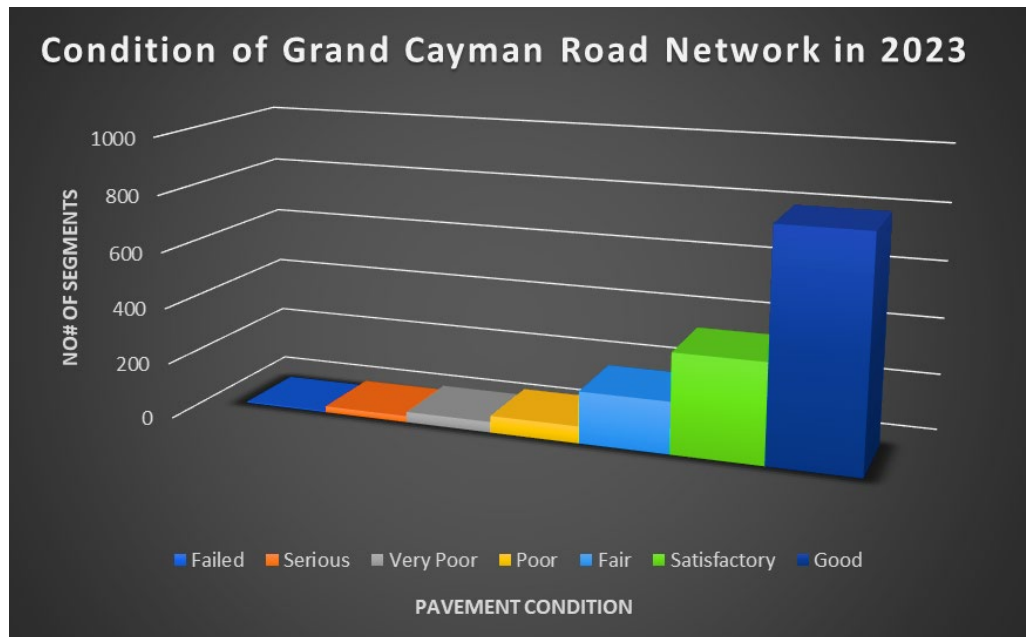


The above chart shows that at the end of FY 2023 all pavement types on Grand Cayman are in an overall 'good' to 'very good' condition. The goal for primary and secondary pavements is that of an average PCI of no less than 80.

Since 2012 the NRA has concentrated on local privately built subdivision roads in an effort to raise the pavement condition index (PCI) from an unsatisfactory level of 65 to above 75 which is representative of 'good' condition. In essence, concentrated efforts on subdivision roads has been effective in raising the average PCI level of these roads from fair to good. The term local private road, however, is a bit misleading as under the Roads Act these roads (with the exception of a few) do not involve restriction of access to the public as a right.

PCI by Surface Type

- 483 lane miles of roads have hot mix asphalt surface.
- 190 lane miles of roads have spray and chip surface.
- < 2 miles of roads are unsurfaced.



Overall condition rating of the Grand Cayman Road Network in 2023

In 2023 a total of 1465 road segments in the network had condition ratings as follows:

Condition Category	No# of Sections
Failed	4
Serious	22
Very Poor	38
Poor	60
Fair	184
Satisfactory	353
Good	804

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 of the Government who over the years has cleaned, repaired, installed streetlights, speed humps, and other street furniture without regard to their status. The challenge going forward is to keep the average PCI of private (unscheduled) roads at satisfactory and good levels.

3.5 Engineering and Operations Activities:

A works manager, two engineers, two superintendents, and a fleet manager 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 \$2.6 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 Act and Regulations.

PROJECT: EAST-WEST ARTERIAL - HIRST TO CHIME							
WEEKLY SITE CONSTRUCTION STATUS							
Project Manager	M. Scotland/ P. Berry/ B. Chin Yee	Prepared By:	during the meeting	Issue No.:	20		
Design Lead	B. Bustillo	Date:	31/07/2024	Issued Date:	31/07/2024		
Site Supervisor	Chris Rivers						

A Design Drawing will more informative than a satellite image.



PLANNED/COMPLETED WORKS								
No.	Description	Date Started	Date Completed	Duration	NRA Resources	Materials	Equipment	Comments
1	To block the crossing Spotts Breeze							Barriers to be brought on site - to be confirmed.
2								

NEXT WEEK WORKS								
No.	Description	Date Started	Date Completed	Duration	NRA Resources	Materials	Equipment	Comments
	Street Lighting							Brian to confirm schedule - still to be confirmed; CUC confirmed that the materials are in stock
	Conduit/ ducting contractor							contract signed - ready to start
	Drains - location of drain wells to be confirmed							Drain wells location to be determined based on the location of the street lighting.
	CUC provided the plans for location of street lighting							KJ to confirm the accuracy
	Material quantities to be determined based on needs							Based on the drains/streetlighting/ducts/

ISSUES					
No.	Issue	Description	Priority	Action	Comments
	North property to be protected RAB	to put barriers and some privacy to be provided during the construction works.			Done
	Culvert works to be completed	understand the installed levels	High Priority	IC/EF/KJ	Records of installation? - are needed for the SWM scheme
	Water valves to be reinstated				to discuss with WaC on 03/05/2024
	RAB design to be finalised and to include the connection to the EWA Phase 1		High Priority	EI/GB	Next week - included into the EWA Phase 1 design package
	Swailes Maintenance issue	The existing Swailes are not cleared and have no capacity remaining to serve any SWM purpose - a schedule for the maintenance regime and long term approach to be defined	High Priority	IC/DT/EH	to create a map of all the existing swales, on the island.

3.6 Executive Assets: Capital Works & Road Surface Upgrades

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

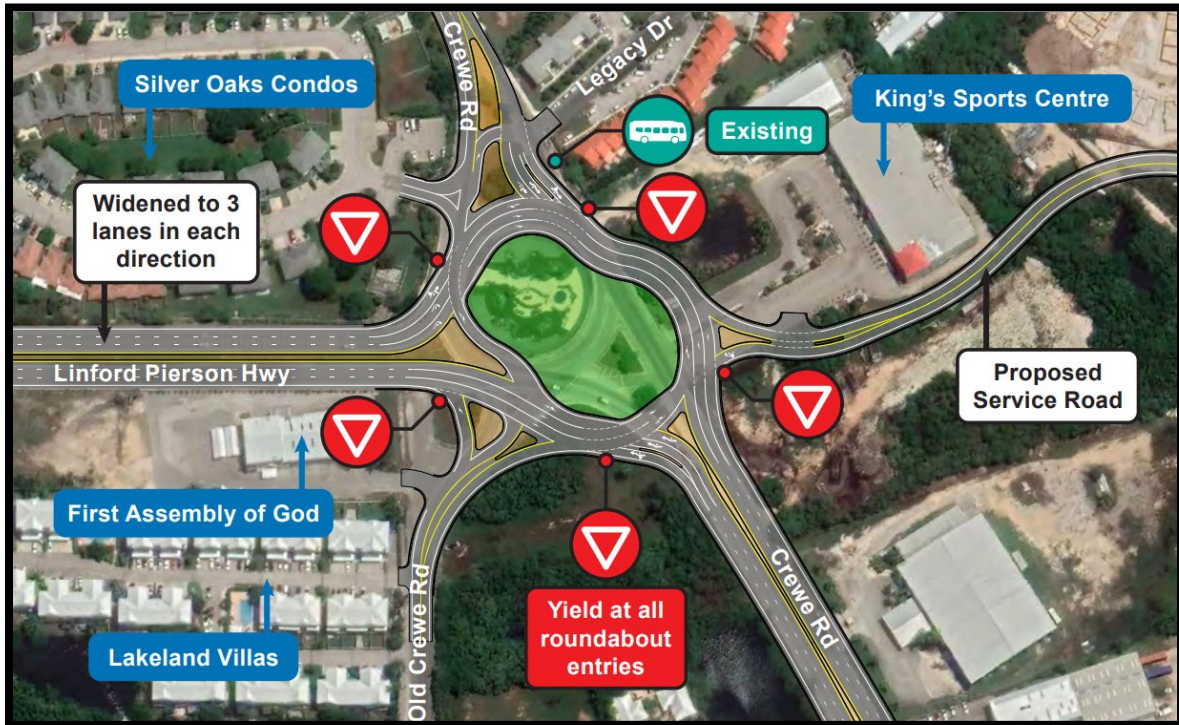
3.6.1 Airport Connector Road (ACR) – Section1

Section 1 of the ACR was formally opened in December 2023 and named the Jay Bodden Highway. Two lanes of a maximum four lane highway were paved with room available for future lane expansions as traffic demand warrants.



3.6.2 CUC Roundabout/Crewe Road & Shamrock Road Widening

Progress on this important eastbound lane expansion project was slowed by delays encountered by electrical and telecom providers in relocation of their utility services. The main work completed in 2023 included the relocation of water meters, installation of drain wells, and the securing of utility way leaves for new utility poles.



3.6.3 Linford Pierson Highway Widening

A major section of the Linford Pierson Highway lane expansion was opened in December 2023. The small roundabout at Bobby Thompson Way was officially closed and the new larger roundabout opened to traffic. Remaining works for 2024 on this project will include installation of median lighting, telecom duct banks, and safety guardrails.



3.6.4 Hot Mix Asphalt Surface Upgrades on Main Roads (\$1.54M)

NRA completed hot mix surface upgrades to 9 major roadway segments as highlighted below:

Hot Mix Asphalt Surfacing on Main Roads 2023		
1	North Church Street Overlay	\$83,354
2	LPH Lane Expansion	\$210,704
3	Smith Road (by CI Prep School)	\$40,196
4	Poindexter Roundabout	\$46,760
5	Godfrey Nixon Way Ext	\$468,000
6	Rex Crighton Blvd lane expansion	\$112,731
7	Portland Road	\$291,079
8	Old Man Bay Road (by Seaside Park)	\$190,906
9	Access Road to Fairbanks Prison	\$95,572
		\$1,539,302



NRA District Roads Rehabilitation Programme

NRA completed spray 'n' chip upgrades on eighty-five (85) road segments across all five districts for approximately \$1.5M.

Spray n Chip is used extensively by road agencies worldwide as:

1. A semi-permanent surface for minor roads, and
2. A preventative maintenance (surface treatment) for existing paved roads.

Typically, roads having low daily traffic volumes (less than 5,000 ADT) will be prime candidates for spray n chip. Some jurisdictions however have experimented with spray n chip (aka Chip Seal) on roads with daily volumes of up to 20,000 ADT.

The most significant benefit of spray n chip is that is between 20% to 25% of the cost of hot mix asphalt so governments are able to get more roads done utilizing spray n chip methods. If done correctly and/or if good quality gravel ('chips') can be sourced then spray n chip roads can last between 5 to 7 years.

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

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



The NRA's policy is to apply spray-and-chip surfacing to local access/subdivision roads with low traffic and posted speeds of no more than 25 mph. Spray n Chip application may be applied to primary arterial roads but only as a temporary measure during major construction.

East End Roads FY2023

No.	Completed Projects - EAST END	Constituency	Road Class	Type of Work	Cost
1	QUEENS HIGHWAY SHOULDERS	EE	PUB	<i>rock fill</i>	\$155,604
2	HIGHROCK DR	EE	PUB	<i>S&C</i>	\$100,605

North Side Roads FY2023

No.	Completed Projects - NORTH SIDE	Constituency	Road Class	Type of Work	Cost
1	DYSA LN	NS	PUB	<i>patching</i>	\$2,898
2	SEXTANT RD	NS	PUB	<i>HMA</i>	\$72,197
3	SAILORS WAY	NS	PUB	<i>HMA</i>	\$174,208
4	SEA STAR CL	NS	PUB	<i>HMA</i>	\$46,972
5	BOUNTY CL	NS	PUB	<i>HMA</i>	\$67,632
6	GALLEON CL	NS	PUB	<i>HMA</i>	\$44,725
7	WHITTAKERS WAY	NS	PUB	<i>HMA</i>	\$137,968
8	FRANK SOUND COG SHELTER PARKING	NS	PUB	<i>S&C</i>	\$49,167
9	MAINSAIL ST	NS	PUB	<i>HMA</i>	\$14,984
10	MASTIC RD	NS	PUB	<i>R&R</i>	\$46,985

Bodden Town Roads FY2023

No.	Completed Projects - SAVANNAH	Constituency	Road Class	Type of Work	Cost
1	AGRICOLA DR	SAV	PUB	<i>Speed Table</i>	\$12,595
2	DOUBLETREE LN	SAV	PUB		\$9,819

No.	Completed Projects - NEWLANDS	Constituency	Road Class	Type of Work	Cost
1	TENFOOT CL	NWS	PUB	<i>S&C</i>	\$4,743
2	FAYE ST	NWS	PUB	<i>HMA</i>	\$39,194
3	DEBBIE ST	NWS	PUB	<i>HMA</i>	\$53,115

No.	Completed Projects - BODDEN TOWN WEST	Constituency	Road Class	Type of Work	Cost
1	HUDSON DR	BTW	PUB	<i>HMA</i>	\$41,681
2	ANTIGUA DR	BTW	PUB	<i>HMA</i>	\$21,853
3	SHAMROCK RD SHOULDERS	BTW	PUB	<i>S&C</i>	\$25,375

George Town Roads FY2023

No.	Completed Projects - GEORGE TOWN CENTRAL	Constituency	Road Class	Type of Work	Cost
1	LINWOOD ST	GTC	PUB	<i>HMA</i>	\$13,870
2	TROPICANA CRESC	GTC	PUB	<i>HMA</i>	\$19,725

No.	Completed Projects - GEORGE TOWN WEST	Constituency	Road Class	Type of Work	Cost
1	DORSET LN	GTW	PUB	<i>HMA</i>	\$33,111

No.	Completed Projects - GEORGE TOWN EAST	Constituency	Road Class	Type of Work	Cost
1	CRUSADER WAY	GTE	PUB	S&C	\$19,737
2	GLENMONT CL	GTE	PUB	S&C	\$8,874

No.	Completed Projects - GEORGE TOWN NORTH	Constituency	Road Class	Type of Work	Cost
1	HELEN DR	GTN	PUB	S&C	\$33,849

No.	Completed Projects - PROSPECT	Constituency	Road Class	Type of Work	Cost
1	SIBERIA AVE	Prospect	PUB	HMA	\$81,682

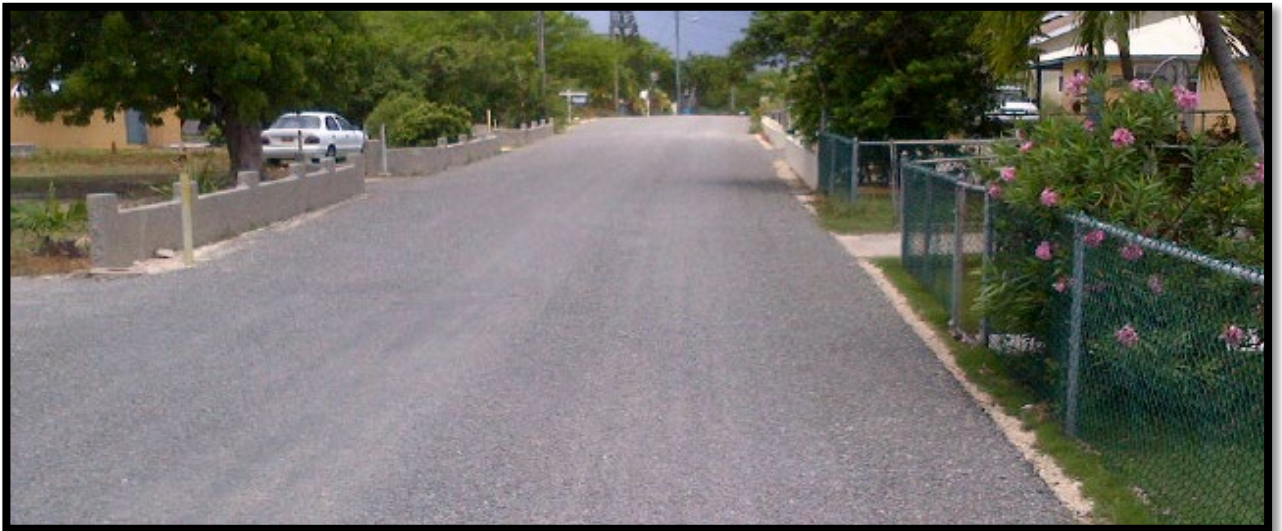
WEST BAY ROADS 2023

No.	Completed Projects - WEST BAY CENTRAL	Constituency	Road Class	Type of Work	Cost
1	BONNEVILLE DR	WBC	PUB	S&C	\$24,270

No.	Completed Projects - WEST BAY NORTH	Constituency	Road Class	Type of Work	Cost
1	LISSA LN	WBN	PUB	S&C	\$83,860

No.	Completed Projects - WEST BAY WEST	Constituency	Road Class	Type of Work	Cost
1	DILL LN	WBW	PUB	S&C	\$26,826

No.	Completed Projects - WEST BAY SOUTH	Constituency	Road Class	Type of Work	Cost
1	ELIZABETH ST	WBS	PUB	S&C	\$5,884
2	SUNBURST LN	WBS	PUB	S&C	\$3,247



Section 4 – Future Goals and Economic Outlook

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

Through the development of a corporate strategic plan, the NRA can be able to identify the roads infrastructure needs that are most important to these islands. A strategic plan would also allow us to look ahead and make provisions for the necessary investments that will ensure adequate and steady source of funding and other resources necessary to achieve a sustainable road network. The local and tourism economy remain vibrant and the nation's roadways play an important part in maintaining safe and efficient movement of people, goods and services.

The NRA Board of Directors remains committed to the continued development of the NRA and to its efforts to deliver the best roads and road related infrastructure to the people of the Cayman Islands.

Key strategies for ensuring a stronger and better NRA for the foreseeable future include:

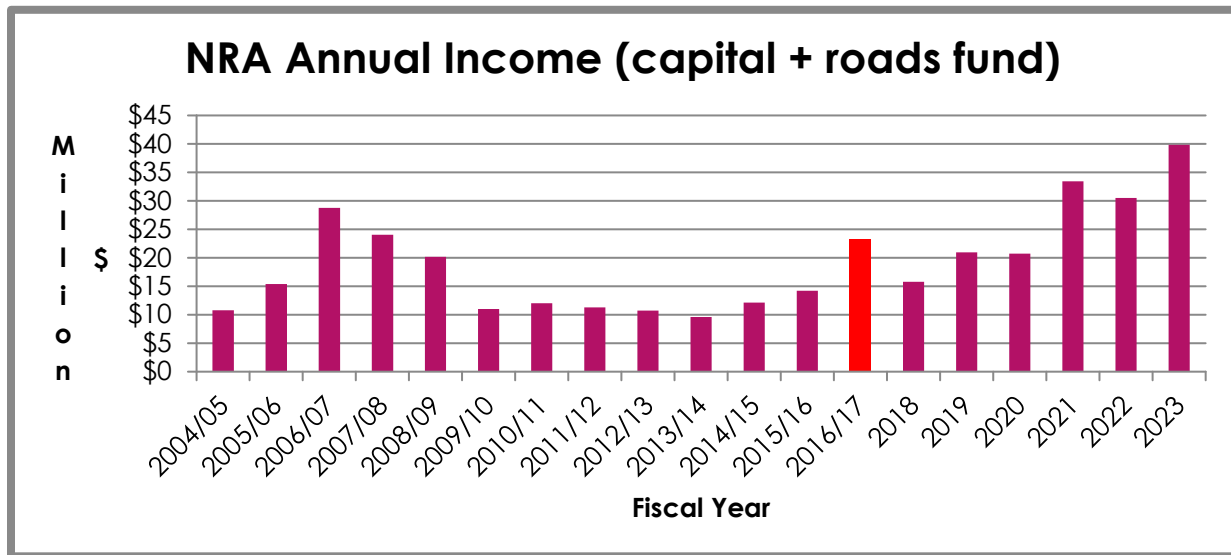
- Necessary amendments to the NRA Act and Roads Act;
- Adaptation of the organizational structure to meet future demands;
- Development of effective administrative, financial and management systems
- Attraction of young professional and technical employees that will

pursue career development with the NRA;

- Removal of the cap restriction on the NRA's Road Fund Revenue to allow for a measured increase in the Authority's operations budget.
- The Road Fund and other road user fees and/or charges to be further established as the dedicated funding stream for recurrent road maintenance activities;
- Commitment from Cabinet for continued investment in necessary capital road improvements (particularly roads in and around the Central Business District and roads providing mainline access between the CBD and eastern districts).



Through the development of its long-range corridors plan and the strategies above NRA will be poised to deliver sustainable, reliable, safe and efficient roads for future generations of Caymanians.



In 2015 an amendment to the NRA Act placed a \$10M cap restriction on the recurrent funding for the NRA. That limit was raised to \$14M at the end of 2022 however with rising costs this \$14M annual allotment still presents fiscal challenges for the NRA.

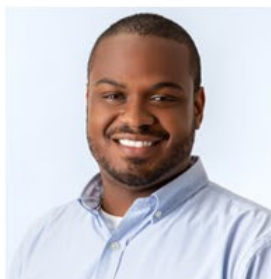
Restriction of NRA Operations Budget:

1. Limits the potential of the NRA to address its increasing maintenance budget;
2. Results in an increase of unfunded maintenance projects (backlog);
3. Prevents the NRA from addressing staffing shortfalls;
4. Limits NRA's ability to adequately address long-term liability needs such as Post-Retirement Healthcare for its employees.

The NRA as the statutory authority responsible for the maintenance of roads has a mandate to ensure that it delivers to the public on behalf of the Government, safe and well-maintained roadways.

The cap on the NRA's recurrent revenue has meant that certain key operations and maintenance activities cannot be achieved. The Ministry of Planning, Agriculture, Housing, Infrastructure and Transport Development has in the interim been able to offset the problem temporarily by funding mostly all of the District Roads rehabilitation projects and the hot mix asphalt programme. The cap however will continue to pose a serious threat to the NRA as personnel, materials, and overhead costs continue to rise significantly.

National Roads Authority Board of Directors, 2023



Section 5 – Executive Assets & Output Accounts

A summary of the Executive Asset and Output accounts as recorded at the fiscal year ending December 31st, 2023 were as shown below:

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2023 12MONTH BUDGET JAN23-DEC23

	Services to be provided from NRA Road Fund	Budget Jan-Dec 23 \$	First Supplemental \$	Current Budget \$	Amount Invoiced B/F \$	Amount Invoiced This Month \$	Total Invoiced To Date C/F \$	Funds Available \$	Percentage Utilised To Date
Planning & Development of New Public Roads	NRA 5	600,000	(350,000)	250,000	209,675	-	209,675	40,325	84%
Grand Cayman District Roads Programme	NRA 6	-		-	-	-	-	-	
Policy Advice on Road Related Matters	NRA 7	-		-	-	-	-	-	
Storm Water Drain Wells	NRA 8	1,500,000	450,000	1,950,000	2,006,993	119,051.73	2,126,044	(176,044)	109%
Routine Maintenance of Public Roads	NRA 9	8,220,000	250,000	8,470,000	8,168,678	194,167.22	8,362,845	107,155	99%
Government Street Lighting Programme	NRA 10	1,800,000	(350,000)	1,450,000	1,250,357	109,661.42	1,360,019	89,981	94%
Pavement Management & Other Roads Asset Mangt. Programme	NRA 11	30,000		30,000	92,201	-	92,201	(62,201)	307%
Road Safety & Roadside Guard Rail Installation Programme	NRA 12	-		-	-	-	-	-	
Explosive & Blasting Management	NRA 13	50,000		50,000	39,100	10,116.21	49,216	784	98%
Arterial Road Surface Rehabilitation	NRA 14	-		-	-	-	-	-	
Provisions for Other Costs	NRA 15	1,800,000		1,800,000	1,650,000	150,000.00	1,800,000	-	100%
		<u>14,000,000</u>	<u>-</u>	<u>14,000,000</u>	<u>13,417,003</u>	<u>582,997</u>	<u>14,000,000</u>	<u>0.07</u>	

Section 6 - Summarised Financial Statements

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

A summary of those is as follows.

Operating Statement	2023 Actual \$
Revenue	39,820,238
Operating Expenses	11,547,289
Net Surplus (Deficit)	3,702,436

Balance Sheet	2023 Actual \$
Total Assets	27,943,816
Total Liabilities	29,943,376
Total Net Worth	(1,999,560)

Statement of Cash Flows	2023 Actual \$
Net cash flows from operating activities	5,433,784
Net cash flows from investing activities	(586,086)
Net cash flows from financing activities	—

Equity Investments

Transaction	2023 Actual \$
EI 8: Equity Investments into National Roads Authority	Nil

Capital Withdrawals

Transaction	2023 Actual \$
Capital Withdrawals from National Roads Authority.	Nil

Dividends or Profit Distributions

Transaction	2023 Actual \$
Dividend or Profit Distributions to be made by National Roads Authority.	Nil

Loans

Transaction	2023 Actual \$
Government Loans to be made to National Roads Authority.	Nil

Guarantees

Transaction	2023 Actual \$
Government Guarantees to be issued in relation to National Roads Authority.	Nil

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 Act (2005 Revision).

Related Party Payments (Non-Remuneration) made to Key Management Personnel	Nil
Remuneration Payments made to Board of Directors was \$19K being \$150.00 per Board Meeting	\$1.073M
No of Key Management Personnel (9 Directors + 7 key managers)	16
No of Senior Management	2

Key management includes all of the key managers plus voting members of the Board of Directors.

Senior management personnel in 2023 included: Managing Director (1), Deputy Managing Director (vacant), and Chief Financial Officer (1).

Capital Maintenance

Human Capital Measures	2023 Actual \$
Total full-time equivalent staff	119 Fulltime: 108 Temporary: 11
Staff turnover (%)	-
Average length of service (Number)	
Senior management	14.33(2)
Professional staff	14.71(29)
Administrative staff	13.22(50)
Significant changes to personnel management system	-

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

Risk Management:

Key risks	Change in status from previous year	Actions to manage risk	Financial value of risk
Work related injuries to persons	No change	Introduction, training and implementation of safety standards for heavy equipment machinery and workforce personnel.	Undefined: depends on extent of injury
Accidents related to the operation of vehicles and heavy equipment	No change	Implement driver-training courses. HOD to exercise appropriate disciplinary action for each offence or repeating offender, such as loss of authority to drive or financial contribution by driver. Appropriate training in operation of vehicle to reduce operational misuse of the vehicle.	Undefined: depends on extent of damage



National Roads Authority

Financial Statements

December 31, 2023

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**National Roads Authority
Financial Statements
31 December 2023**

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 Act (2020 Revision)* and referenced to Section 26 (1b) of the *National Roads Authority Act (2016 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 Act (2020 Revision)*.

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

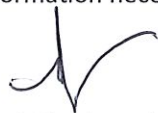
As Chairman and Managing Director we are responsible for the preparation of the National Roads Authority financial statements and for the judgements made in them.

The financial statements fairly present the statement of financial position, statement of financial performance, statement of cash flows and statement of changes in net worth for the year ended 31 December 2023.

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

- (a) completely and reliably reflect the financial transactions of National Roads Authority for the year ended 31 December 2023;
- (b) fairly reflect the financial position as at 31 December 2023 and performance for the year ended 31 December 2023; and
- (c) comply with International Public Sector Accounting Standards as set out by the International Public Sector Accounting Standards Board. Where guidance is not available, the financial statements comply with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board or accounting practice that is generally accepted in the United Kingdom as appropriate for reporting in the public sector.

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.



Mark Parchment
Chairman
National Roads Authority

Date- 11 April 2024



Edward Howard
Managing Director
National Roads Authority

Date- 11th April 2024

AUDITOR GENERAL'S REPORT

To the Board of Directors of the National Roads Authority

Opinion

I have audited the financial statements of the National Roads Authority (the "Authority"), which comprise the statement of financial position as at 31 December 2023 and the statement of financial performance, statement of changes in net worth and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 8 to 39.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2023 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Authority in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, together with the ethical requirements that are relevant to my audit of the financial statements in the Cayman Islands, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting 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.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

AUDITOR GENERAL'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I have undertaken the audit in accordance with the provisions of section 60(1)(a) of the Public Management and Finance Act (2020 revision). I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.


Sue Winspear, CPFA
Auditor General

11 April 2024
Cayman Islands

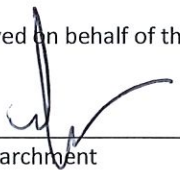


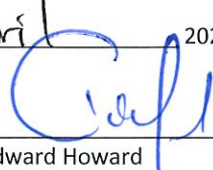
National Roads Authority
Statement of Financial Position
As at 31 December 2023
(Stated in Cayman Islands Dollars)

	Note	2023 \$	2022 \$
ASSETS			
Current Assets			
Cash and cash equivalents	3	15,051,783	10,204,085
Accounts receivable and prepayments	4	9,214,350	7,146,909
Inventories	5	45,956	34,837
Total Current Assets		24,312,089	17,385,831
Non-Current Assets			
Property, plant and equipment	6	3,631,727	3,697,138
Total Assets		27,943,816	21,082,969
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	7	2,718,287	1,869,103
Employee entitlements	8	68,089	63,862
Total Current Liabilities		2,786,376	1,932,965
Non-Current Liability			
Pension liability	11	246,000	892,000
Post-retirement health liability	12	26,911,000	24,178,000
Total Non-Current Liabilities		27,157,000	25,070,000
Total Liabilities		29,943,376	27,002,965
Net Assets		(1,999,560)	(5,919,996)
Net Worth			
Contributed capital	9	4,653,535	4,653,535
Accumulated deficits		(6,653,095)	(10,573,531)
Total Net Worth		(1,999,560)	(5,919,996)

The accompanying notes starting on page 8 form an integral part of these financial statements.

Approved on behalf of the Board on the 11th of April 2024


Mark Parchment
Chairman


Edward Howard
Managing Director

National Roads Authority
Statement of Financial Performance
For the year ended 31 December 2023
(Stated in Cayman Islands Dollars)

	Note	2023 \$	2022 \$
REVENUE	13	39,820,238	30,492,593
COST OF GOODS SOLD			
Subcontractors		13,686,852	9,329,888
Materials		6,682,546	5,390,136
Labour		4,198,552	3,191,401
Hired equipment		2,563	33,994
Total Cost of Goods Sold		24,570,513	17,945,419
NET REVENUE		15,249,725	12,547,174
OPERATING EXPENSES			
Personnel costs	10	5,413,761	4,965,722
Post-retirement health liability	12	2,170,000	2,117,000
Utilities (Streetlights)		1,392,610	1,300,029
Motor vehicle expenses (including insurance)		1,079,204	951,808
Depreciation	6	651,497	600,131
Computer maintenance and fees		188,521	179,926
Past service pension	11	135,000	160,000
Advertising and promotion		134,048	91,330
Bad debt expense		-	109,600
Professional fees		100,901	200,408
Building maintenance		99,330	104,188
Supplies and consumables		56,226	61,667
Telephone		50,965	61,268
Electricity and water		44,736	38,964
Insurance		15,356	14,955
Bank charges		13,344	12,041
Office rental		1,790	984
Total Operating Expenses		11,547,289	10,970,021
Net Surplus		3,702,436	1,577,153

The accompanying notes starting on page 8 form an integral part of these financial statements.

National Roads Authority
Statement of Changes in Net Worth
For the year ended 31 December 2023
(Stated in Cayman Islands Dollars)

	Note	Accumulated Surplus (Deficits) \$	Contributed Capital \$	Total \$
Balance at 31 December 2021		(19,087,684)	4,653,535	(14,434,149)
Capital contribution		-	-	-
2022 surplus		1,577,153	-	1,577,153
Remeasurement of employment benefit obligation	11	869,000	-	869,000
Remeasurement of post-retirement health obligation	12	6,068,000	-	6,068,000
Balance at 31 December 2022		(10,573,531)	4,653,535	(5,919,996)
Capital contribution		-	-	-
2023 surplus		3,702,436	-	3,702,436
Remeasurement of employment benefit obligation	11	781,000	-	781,000
Remeasurement of post-retirement health obligation	12	(563,000)	-	(563,000)
Balance at 31 December 2023		(6,653,095)	4,653,535	(1,999,560)

The accompanying notes starting on page 8 form an integral part of these financial statements.

National Roads Authority
Statement of Cash Flows
For the year ended 31 December 2023
(Stated in Cayman Islands Dollars)

	Note	2023 \$	2022 \$
		<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus		3,702,436	1,577,153
Adjustment for non-cash transactions:			
Depreciation	6	651,497	600,131
Post-retirement health liability – Defined benefit cost		2,479,000	2,387,000
Past service pension – Defined benefit cost		261,000	340,000
Past service pension – Net transfer in(business combination/divestitures)		-	-
Bad debts		-	-
Gain on disposal of property, plant and equipment		-	(28,921)
Total		<u>7,093,933</u>	<u>4,875,363</u>
Net change in working capital			
Decrease in accounts receivable and prepayments		(2,067,441)	(3,035,867)
Increase/(decrease) in inventories		(11,119)	99,786
Increase/(decrease) in accounts payable and accrued liabilities		853,411	(357,290)
Post-retirement health liability – Employer contributions		(309,000)	(270,000)
Past service pension – Employer contributions		(126,000)	(180,000)
Net cash generated from operating activities		<u>5,433,784</u>	<u>1,131,992</u>
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	(586,086)	(1,317,106)
Proceeds on sale of property, plant and equipment		-	40,675
Net cash flows used in investing activities		<u>(586,086)</u>	<u>(1,276,431)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Equity Investment		-	-
Net cash flows from financing activities		<u>-</u>	<u>-</u>
Net increase/ (decrease) in cash and cash equivalents		4,847,698	(144,439)
Cash and cash equivalents at the beginning of the year		10,204,085	10,348,524
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	<u><u>15,051,783</u></u>	<u><u>10,204,085</u></u>

The accompanying notes starting on page 8 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 Act, 2004. The Authority reports on its operations to the Ministry of Planning, Agriculture, Housing, Infrastructure, Transport and Development of the Cayman Islands Government.

The Authority was 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 Authority 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.

Section 19 of the *NRA Act 2006 Revision* was repealed effective 1 July, 2014 to make provision for the Authority to be funded from the Roads Fund. The substitution to the section of the Act makes way for the Cabinet to authorize the transfer of revenue, not exceeding \$14 million, to the Authority, via the Road Fund, for the purpose of funding the Authority’s annual operating costs, in particular, the construction, upgrading, rehabilitation and maintenance of public roads.

As at 31 December 2023, the Authority had 119 employees (31 December 2022: 105 employees). The Authority 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 Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants and its International Accounting Standards Board using the accrual basis of accounting. Where additional guidance is required, International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board are used.

Certain new accounting standards have been published that are not mandatory for the 31 December 2023 reporting period and have not been early adopted by the Authority. The Authority’s assessment of the impact of these new standards is set out below:

Adoption of IPSAS 41 Financial Instruments

The Authority has adopted IPSAS 41: Financial Instruments as of the transition date of 1 January 2023, replacing IPSAS 29: Financial Instruments: Recognition and Measurement.

In accordance with the transitional provisions in IPSAS 41, comparative information for 31 December 2022 period has not been restated. Adjustments arising from adopting IPSAS 41 are recognized in opening equity at 1 January 2023 (the date of initial application).

National Roads Authority
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2. Significant Accounting Policies (*continued*)

The accounting policies for the year ended 31 December 2023 have been updated to comply with IPSAS 41. The main changes to the Authority's accounting policies are:

- Trade and other receivables – This policy has been updated to reflect that the impairment of receivables are now determined by applying an expected credit loss model.
- Financial instruments and risk management – The policy has been updated to reflect:
 - The new measurement classification categories; and
 - A new impairment model for financial assets based on expected credit losses, which is forward-looking and may result in earlier recognition of impairment losses.

IPSAS 41 also significantly amended the disclosures of financial instruments of IPSAS 30. This has resulted in new or amended disclosures, mostly in relation to the financial instrument categories and to credit risk.

The table below outlines the classification of the financial assets and liabilities under IPSAS 41 and IPSA 29 on the date of initial application of IPSAS 41.

Measurement classification		
Financial assets	IPSAS 29	IPSAS 41
Cash and cash equivalents	Loans & Receivables	Amortised cost
Term Deposits	Loans & Receivables	Amortised cost
Trade and other receivables	Loans & Receivables	Amortised cost
Financial Liabilities	IPSAS 29	IPSAS 41
Accounts Payable	Amortised Cost	Amortised Cost

IPSAS 41 has had an immaterial impact on the Authority's measurement and recognition of financial instruments, as financial assets that were recognised as loans and receivables are now recognised as amortised cost.

IPSAS 42, Social Benefits was issued in December 2018 and shall be applied for financial statements covering periods beginning on or after 1 January 2023. IPSAS 42 defines social benefits and determines when expenses and liabilities for social benefits are recognised and how they are measured. IPSAS 42 does not have an impact on the Authority's financial for the year ended 31 December 2023.

New and revised accounting standards issued that are not yet effective for the financial year beginning 1 January 2023 and not early adopted.

Certain new accounting standards have been published that are not mandatory for the year ended 31 December 2023 and have been early adopted by the Authority. The Authority's assessments of the impact of these new standards are set out below.

IPSAS 43, Leases was issued in January 2023 and shall be applied for financial statements covering periods beginning on or after 1 January 2025. IPSAS 43 sets out recognition, measurement,

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2. Significant Accounting Policies (*continued*)

presentation and disclosure requirements for leases. IPSAS 43 introduces a right of use model that replaces the risk and reward incidental to ownership model in IPSAS 13. It is anticipated that IPSAS 43 will not have a significant impact on the Authority's financial statements. This will be assessed more fully closer to the effective date of adoption.

IPSAS 44, Non-current assets held for sale issued in January 2023 and shall be applied for financial statements covering periods beginning on or after 1 January 2025. IPSAS 44 defines non-current assets held for sale and determines the accounting, presentation and disclosure of discontinued operations. It is anticipated that IPSAS 44 will not have an impact on the Authority's financial statements, but will be assessed more fully closer to the effective date of adoption.

IPSAS 45, Property, plant, and equipment replaces IPSAS 17, Property, plant, and equipment, by adding current operational value as a measurement basis in the updated current value model for assets within its scope, identifying the characteristics of heritage and infrastructure assets, and adding new guidance on how these important types of public sector assets should be recognised and measured. This standard was issued in May 2023 and comes into effect on January 1, 2025, with earlier application permitted. It is anticipated that IPSAS 45 will not have a significant impact on the Authority's financial statements. This will be assessed more fully closer to the effective date of adoption.

IPSAS 46, Measurement provides new guidance in a single standard addressing how commonly used measurement bases should be applied in practice. It brings in generic guidance on fair value for the first time and introduces current operational value, a public sector-specific current value measurement basis addressing constituents' views that an alternative current value measurement basis to fair value is needed for certain public sector assets. This standard was issued in May 2023 and comes into effect on January 1, 2025, with earlier application permitted. It is anticipated that IPSAS 46 will not have a significant impact on the Authority's financial statements. This will be assessed more fully closer to the effective date of adoption.

IPSAS 47, Revenue is a single source for revenue accounting guidance in the public sector, presenting two accounting models based on a building arrangement. It provides focused guidance to help public bodies apply the principles to account for public sector revenue transactions. This standard was issued in May 2023 and comes into effect on January 1, 2026, with earlier application permitted. It is anticipated that IPSAS 47 will not have a significant impact on the Authority's financial statements. This will be assessed more fully closer to the effective date of adoption.

IPSAS 48, - Transfer Expenses. IPSAS 48 provides accounting guidance for transfer expenses, which account for significant portion of expenditures for many public sector entities. This new Standard fills a significant gap in the IPSASB's literature and guides to help authorities account for the public sector transfer expense transactions. This standard was issued in May 2023 and comes into effect on January 1, 2026, with earlier application permitted. It is anticipated that IPSAS 47 will not have a significant impact on the Authority's financial statements. This will be assessed more fully closer to the effective date of adoption.

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2. Significant Accounting Policies (*continued*)

IPSAS 49, Retirement benefit plans prescribes the accounting and reporting requirements for public sector retirement benefits plans, which provide retirement benefits to public sector employees and other eligible participants. This enhances accountability to participants of the plan and other users. This standard was issued in November 2023 and comes into effect on January 1, 2026, with earlier application permitted. It is anticipated that IPSAS 47 will not have a significant impact on the Authority's financial statements. This will be assessed more fully closer to the effective date of adoption.

The financial statements have been prepared on a going concern basis and the accounting policies set out below have been applied consistently to all periods presented. The financial statements of the Authority are presented in Cayman Island dollars and are prepared on the accrual basis under the historical cost convention.

Corresponding amounts

The corresponding amounts are the audited amounts for the year ended 31 December 2023. When presentation or classification of items in the financial statements is amended or accounting policies are changed, corresponding figures are restated to ensure consistency with the current year unless it is impracticable to do so.

The significant accounting policies adopted by the Authority in these financial statements are as follows:

(a) Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash in-transit. Cash and cash equivalents at 31 December 2023 are subject to any expected credit loss requirements of IPSAS 41.

(b) Foreign currency translation

All assets and liabilities denominated in foreign currency are translated to Cayman Islands Dollars at exchange rates in effect at the financial position 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 financial performance.

(c) Property, plant and equipment/depreciation

Property, plant and equipment include motor vehicles, heavy equipment, dump trucks, furniture and fixtures, 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.

National Roads Authority
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2. Significant Accounting Policies (*continued*)

Annual rates are as follows:

Vehicles and Heavy Equipment	4 - 12 Years
Furniture and Fixtures	3 - 15 Years
Computer Hardware and Software	3 - 6 Years
Other Plant and Equipment	3 - 20 Years

(d) Accounts payable and accrued liabilities

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

(e) 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 financial position 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 statement of financial performance 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.

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2. Significant Accounting Policies (continued)

Obligations for contributions to defined contribution and defined benefits pension plans are recognized as an expense in the statement of financial performance as incurred. (See also Note 11).

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.

(f) Revenue recognition

Revenue from sale of services to other government agencies is recognised when it is earned. 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 statement of financial performance 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.

(g) Expense recognition

Expenses are recognised when incurred.

(h) Financial instruments

Financial assets and financial liabilities are recognised in the Authority's statement of financial position when the Authority becomes a party to the contractual provisions of the instrument.

Initial Recognition

Financial assets and liabilities are initially measured at fair value. On initial recognition, transaction costs directly attributable to the acquisition or issue of financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate.

Subsequent measurement and classification

IPSAS 41 requires financial assets to be subsequently measured at fair value through surplus or deficit (FVTSD), amortised cost, or fair value through other comprehensive revenue and expense (FVTOCRE). Additionally, IPSAS 41 requires financial liabilities to be measured at either amortised cost or FVTSD. This classification is based on the business model for managing financial instruments, and whether the payments are for solely payments of principal or interest on the principal amount outstanding. The Authority assessed the business model for holding financial assets at the date of initial application. It determined that all of these are held to collect contractual cash flows that are solely payments of principal and interest. Therefore, financial assets are subsequently measured at amortised cost. Financial liabilities are subsequently measured at amortised cost.

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2. Significant Accounting Policies (continued)

Cash and cash equivalents, short-term investments, trade receivables and payables are recorded at amortised cost using the effective interest method less any impairment.

Impairment

Derecognition

Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Authority has transferred substantially all risks and rewards of ownership. A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled, or expires.

3. Cash and Cash Equivalents

Cash and cash equivalents bank accounts in the name of National Roads Authority maintained at RBC Royal Bank (Cayman) Ltd. Cash and cash equivalents at 31 December 2023 are subject to the expected credit loss requirements of IPSAS 41. No allowance has been recognised as the estimated allowance is negligible due to the high credit quality of the counterparty banks. The Authority's unrestricted cash balances were, as presented below.

	2023	2022
	\$	\$
Bank account	4,005,244	1,103,425
Short term deposits	11,046,539	9,100,660
Total Cash and Cash Equivalents	<u>15,051,783</u>	<u>10,204,085</u>

The Board of Directors resolved to fund the post-retirement health liability with annual contributions as advised during 2016 by the Actuaries with an annual minimal amount of \$1,500,000. During 2023 Management approved a contribution of \$1,800,000. The Authority holds the funds approved by the Board in a term deposit account held with RBC Royal Bank (Cayman Islands). The funds held in the term deposit account do not qualify as a "Plan Asset" as defined by IPSAS 39, Employee Benefits, and therefore have not been offset against the year-end post-retirement health liability of \$26,911,000. Ongoing steps are being pursued by the Authority to place these funds in a qualifying financial vehicle to allow the funds to meet the requirements of IPSAS 39, Employee Benefits.

4. Accounts Receivable and Prepayments

Trade receivables are amounts due from customers for items sold or services performed in the ordinary course of business. Trade receivables and other receivables comprise of balances due from other Government entities, including Outputs Receivables and balances due from third parties. The simplified approach to providing for expected credit losses, as prescribed by IPSAS 41, is applied to trade and other receivables. The simplified approach involves making a provision equal to lifetime expected credit losses.

National Roads Authority
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4. Accounts Receivable and Prepayments (continued)

	2023	2022
	\$	\$
Receivables from Core Government	8,922,133	6,353,459
Receivables from other government agencies	17,559	271,688
Other accounts receivable and prepayments	274,658	521,762
Staff loans	-	-
Total Accounts Receivable	9,214,350	7,146,909

Prepayments amount to \$270,833 (2022: \$516,420) net of \$3,835 (2022: \$5,252) other receivables.

In measuring ECLs for third-party receivables, the estimated loss allowance for individually significant or other specific trade and other receivable balances are determined on an individual basis. Thereafter, the remaining third-party trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. The expected credit Loss rate/s for third-party receivables are based on the Authority's historical credit loss over the prior two years. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Authority's customers. Given the short period of credit risk exposure, the impact of macroeconomic factors is not considered significant.

The Authority performed an individual/specific ECL assessment on any related party debtors with qualitative or quantitate factors indicating doubts around collectability. Given the low risk of default on the remaining related party receivables held by the Authority, the impact of the expected credit losses on these have been estimated to be negligible. These have a low risk of default due to the Cayman Islands Government's high credit rating, absence of historical losses on amounts due. The Authority believes that the amounts outstanding on related party receivables are recoverable.

The Authority's policy is to recognise ECL of 100% for receivables over 180 days past due because historical experience has indicated that these receivables are generally not recoverable. Receivables are written off and or fully provided for when there is no reasonable expectation of recovery.

The \$73,523 provision relates to StreetLight raised under the previous Ministry of District Administration, Works, Lands, and Agriculture in 2014. The invoice amount was \$128,645, but of that amount, only \$55,122 was received in July 2014, leaving a balance of \$73,523 uncollected.

National Roads Authority
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4. Accounts Receivable and Prepayments (continued)

There have been no changes during the reporting in the estimation techniques or significant assumptions used in measuring the loss allowance.

The movement in the allowance for credit losses is as follows:

	2023	2022
Allowance for credit losses as at 1 January 2023 calculated under IPSAS 29	73,523	73,523
IPSAS 41 expected credit loss adjustment - through opening accumulated surplus/deficit	-	-
Opening allowance for credit losses as at 1 January 2023	73,523	73,523
Revision in loss allowance made during the year	-	-
Receivables written off during the year	-	-
Balance at 31 December	73,523	73,523

As at 31 December 2023, the aging analysis of trade receivables and other receivables are as follows:

2022	Description	2023
	Current	
5,500,288	Past due 1-30 days	3,500,154
1,084,594	Past due 31-60 days	3,443,870
26,584	Past due 61-90 days	1,995,186
91,804	Past due 90 and above	77,358
6,703,270	Total	9,016,568

5. Inventories

	2023	2022
	\$	\$
Finished Goods - AE60	33,668	11,235
Finished Goods - 3/8 Washed Chips	5,643	7,729
Finished Goods - Cayman Rock	652	6,474
Finished Goods - Crusher Run	4,834	5,596
Finished Goods - Concrete Stone	949	3,631
Finished Goods - Sand	210	172
Total Inventories	45,956	34,837

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6. Property, Plant and Equipment

	Vehicles & Heavy Equipment	Furniture & Fixtures & Office Equipment	IT Equipment	Other Plant & Equipment	Leasehold Improvement	Total
Cost	\$	\$	\$	\$	\$	\$
Opening 2022	4,100,280	268,736	292,639	3,465,946	273,837	8,401,438
Additions 2022	358,033	-	54,138	904,936	-	1,317,107
Disposals 2022	(181,252)	-	-	(68,904)	-	(250,156)
As at 2022	4,277,061	268,736	346,777	4,301,978	273,837	9,468,389
Additions 2023	249,705	9,014	11,273	316,094	-	586,086
Disposals 2023	-	-	-	-	-	-
As at 2023	4,526,766	277,750	358,050	4,618,072	273,837	10,054,475
Accumulated Depreciation						
Opening 2022	2,588,773	197,706	243,187	2,106,018	273,837	5,409,521
Depreciation 2022	239,764	14,819	26,847	318,701	-	600,131
Depreciation on Disposal 2022	(181,251)	-	-	(57,150)	-	(238,401)
As at 2022	2,647,286	212,525	270,034	2,367,569	273,837	5,771,251
Depreciation 2023	267,077	16,075	25,780	342,565	-	651,497
Depreciation on Disposal 2023	-	-	-	-	-	-
As at 2023	2,914,363	228,600	295,814	2,710,134	273,837	6,422,748
Net Book Value - 2022	1,629,775	56,211	76,743	1,934,409	-	3,697,138
Net Book Value - 2023	1,612,403	49,150	62,236	1,907,938	-	3,631,727

Other Plant & Equipment includes all other equipment not categorized as Vehicles & Heavy Equipment and utilized in maintenance of road works by the Authority such as Graders, Loaders, Road Sweepers, Bush Cutting Tractors in addition to smaller equipment utilized for works such as line painting.

7. Accounts Payable and Accrued Liabilities

	2023	2022
	\$	\$
Trade creditors	2,718,287	1,869,103
Wages payable	-	-
Total Accounts Payable and Accrued Liabilities	2,718,287	1,869,103

National Roads Authority
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8. Employee Entitlements

The leave entitlements are calculated based on current salary paid to those employees who are eligible for this benefit. During the year, accrued vacation leave amounted to \$68,089 (2022: \$63,862).

9. Contributed Capital

During the year, the Authority received no equity injections (2022: NIL).

10. Personnel Costs

	2023	2022
	\$	\$
Salaries and wages	2,523,782	2,280,239
Health insurance	2,287,644	2,072,084
Employer and employee pension expenses	315,473	324,810
Severance payments	4,664	103,256
Training	195,232	96,608
Uniforms	45,802	41,267
Vacation due	4,227	(5,224)
Other personnel costs	36,937	52,682
Total Personnel Costs	5,413,761	4,965,722

11. Pension Liability

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.

Benefit obligations are estimated using the Projected Unit Credit method. Under this method, each participant's benefits under the plan are attributed to years of service, taking into

consideration future salary increases and the plan's benefit allocation formula. Thus, the estimated total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service.

The Fund has been valued by the Actuary (Mercer) 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 Authority paid both the employee and employers contributions. The actual amount of pension expense relating to the defined benefits for staff also includes the effect of the changes in the actuarial determined liability.

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11. Pension Liability (continued)

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

The amounts recognized in the statement of financial position is as follows:

	2023	2022
	\$000	\$000
Defined benefit obligation	6,149	5,790
Fair value of plan assets	5,903	4,898
Funded status	246	892
Net liability	246	892

The change in defined benefit obligation is as follows:

	2023	2022
	\$000	\$000
Defined benefit obligation at beginning of the year	5,790	7,506
Service cost	219	300
Interest expense	310	199
Cash flows	(83)	(145)
Remeasurements	(87)	(2,070)
Defined benefit obligation at end of year	6,149	5,790

The change in fair value of plan assets is as follows:

	2023	2022
	\$000	\$000
Fair value of plan assets at beginning of the year	4,898	5,905
Interest Income	268	159
Cash flows – employer and participant contributions	196	278
Benefit payments from plan assets/Transfer other Employers	(153)	(243)
Other Significant events-Business combinations/divestitures/transfers	-	-
Remeasurements	694	(1,201)
Fair value of plan assets at end of year	5,903	4,898

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11. Pension Liability (continued)

The net defined benefit liability (asset) reconciliation:

	2023 \$000	2022 \$000
Net defined benefit liability at beginning of the year	892	1,601
Defined benefit cost included in the Profit & Loss	261	340
Total remeasurements included in the Statement of Changes in Net Worth	(781)	(869)
Other Significant events-Business combinations/divestitures/transfers	-	-
Cash flows	(126)	(180)
Net defined benefit liability as of end of year	<u>246</u>	<u>892</u>

The components of defined benefit cost are as follows:

	2023 \$000	2022 \$000
Service cost	219	300
Net interest cost		
Interest expense on DBO	310	199
Interest (income) on plan assets	(268)	(159)
Total net interest cost	42	40
Defined benefit cost included in Profit & Loss (P&L)	261	340
Effect of changes in demographic assumptions	-	-
Effect of changes in financial assumptions	(203)	(2,445)
Effect of experience adjustments	116	375
(Return) on plan assets (excluding interest income)	694	1,201
(Return) on reimbursement rights (excluding interest income)	-	-
Changes in asset ceiling/onerous liability (excluding interest income)	-	-
Total remeasurements included in the Statement of Changes in Net Worth (SCNW)	(781)	(869)
Total defined benefit cost recognized in the P&L and SCNW	<u>(520)</u>	<u>(529)</u>

The sensitivity analysis on defined benefit obligation is shown below:

	2023	2022
1. Discount rate		
a. Discount rate – 25 basis points	6,438	6,069
b. Discount rate + 25 basis points	5,878	5,528
2. Inflation rate		
a. Inflation rate – 25 basis points	5,866	5,530
b. Inflation rate + 25 basis points	6,450	6,067
3. Mortality		
a. Mortality - 10% of current rates	6,268	5,899
b. Mortality + 10% of current rates	6,040	5,689

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11. Pension Liability (continued)

The expected cash flow for the following year is as follows:

	Amount (\$000)	
	2023	2022
Expected employer contributions	149	149

The significant actuarial assumptions are presented below:

Weighted-average assumptions to determine defined benefit obligations

	2023	2022
1. Effective discount rate for defined benefit obligation	5.15%	5.40%
2. Rate of salary increase 4.0% 2024 and 3.70% thereafter	5.00%	3.70%
3. Rate of price inflation 2.50% 2024, 2.4% 2025 and 2.0% thereafter	4.00%	2.00%
4. Rate of pension increase 2.50% 2024, 2.4% 2025 and 2.0% thereafter	4.00%	2.00%
5. Post-retirement mortality table	100% RP-2014 generationally Projected using Scale MP-2021	100% RP-2014 generationally Projected using Scale MP-2021
6. Cost Method	Projected Unit Credit	Projected Unit Credit
7. Asset valuation method	Market Value	Market Value

Weighted-average assumptions to determine defined benefit cost

	2023	2022
1. Effective rate for net interest cost	5.35%	2.65%
2. Effective discount rate for service cost	5.35%	2.95%
3. Effective rate for interest on service cost	5.40%	2.85%
4. Rate of salary increase	5.00%	2.50%
5. Rate of price inflation	4.00%	2.00%
6. Rate of pension increases	4.00%	2.00%
7. Post-retirement mortality table	RP-2014 projected using scale MP-2021	RP-2014 projected using scale MP-2021

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11. Pension liability (continued)

Plan Assets

The Defined Benefit assets as well as Defined Contribution assets of the Plan are held as part of the Public Service Pensions Fund (“the Fund”) and managed by the PSPB. The assets of two other pension plans are pooled together to constitute the Fund. The assets are notionally allocated to each of the three participating pension plans through an internal accounting mechanism that tracks, for each accounting period, actual cash flows and allocates investment income and expenses in proportion to the opening value of assets allocated. Based on the data provided, the gross rate of return earned by the Fund for the fiscal 2023 was 19.57% and 17.60% for fiscal 2022. Similar internal accounting is used for developing each participating entity’s share of the asset portfolio of the Fund.

The valuations are based on the asset values as at 31 December 2023 as well as asset value as at 31 December 2022 provided by PSPB, along with cash flow and other supplemental asset information. The assets are held in trust by CIBC Mellon.

The Fund currently has investment policy with a target asset mix of 80% equities and 20% bonds. As at 31 December 2023 and 31 December 2022, the Fund was invested as follows:

Plan Assets by Asset Category	2023		2022	
	(\$000)	Percentage	(\$000)	Percentage
Global equities securities	934,942	81%	767,353	81%
Debt securities	209,351	18%	175,678	18%
Cash	4,447	1%	7,991	1%
Total	1,148,740	100%	951,022	100%

For fiscal 2023, the Defined Contribution portion of the Fund totaled to \$611,711,500 and \$572,783,600 as at 31 December 2022 as provided by PSPB. The share of the Fund that has been notionally allocated to Authority with regards to its participation in the Defined Benefit Part of the Plan is \$5,903,400 as at 31 December 2023 (2022: \$4,897,600).

The Actuarial Assumptions

The actuarial assumptions have been approved by the Financial Secretary, the main sponsor of the Plan. The principal financial and demographic assumptions used at 31 December 2023 and 31 December 2022 are shown in the table below. The assumptions as at the reporting date are used to determine the present value of the benefit obligation at that date and the pension expense for the period.

National Roads Authority
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11. Pension Liability (continued)

Turnover Rates at sample ages:

Age	Males	Females
20	7.5%	12.5%
25	5.0%	12.5%
30	3.5%	7.5%
35	2.5%	4.5%
40	1.5%	2.5%
45	0.5%	5.0%
50	0.0%	0.0%

Retirement Rates:

Age	%
Below 55	0%
55-59	8%
60-64	15%
65	100%

Measurement Date	2023	2022
Discount rate		
-BOY benefit obligation disclosure	5.40%	2.90%
-EOY benefit obligation disclosure	5.15%	5.40%
-Following year current service cost	5.10%	5.35%
-Rate used to determine interest on defined benefit obligation and plan assets for following year expenses	5.10%	5.35%
-Rate used to determine interest on current service cost for following year expenses	5.15%	5.40%
-Increases in pensionable earnings	5.00%	
4.00% 2024, 3.7% thereafter		
-Rate of Pension Increases	4.00%	
2.50% 2024, 2.40% 2025 and 2.00% thereafter		

National Roads Authority
Notes to the financial statements
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11. Pension Liability (continued)

Measurement Date	2023	2022
Mortality		
BOY disclosure and current year expense	100% of the rates of RP-2014 Mortality Table, generationally projected using Scale MP-2021	100% of the rates of RP-2014 Mortality Table, generationally projected using Scale MP-2021
EOY disclosure and following year expense	100% of the rates of RP-2014 Mortality Table, generationally projected using Scale MP-2021	100% of the rates of RP-2014 Mortality Table, generationally projected using Scale MP-2021
Disability	None	None
Turnover Rates	See turnover rates in table above	See turnover rates in table above
Retirement	See retirement rates in table above	See retirement rates in table above
Assumed life expectations on retirement	Retiring today (member age 57) 28.78 Retiring in 25 years (at age 57): 30.92	Retiring today (member age 57) 28.69 Retiring in 25 years (at age 57): 30.84
Liability Cost Method	Projected unit credit method	Projected unit credit method
Asset Value Method	Market Value of Assets	Market Value of Assets
Commutation of pension	All members commute 25% at retirement	All members commute 25% at retirement

There have been no changes in actuarial assumptions since the prior valuation other than the changes to the principal assumptions shown in the table above.

National Roads Authority
Notes to the financial statements
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12. Post-Retirement Health Liability

The Authority provides health care benefits to staff members that transferred from Public Works Department in accordance to the NRA Act. The benefit is in the form of continuation of their health insurance coverage on the medical plan in force for active employees. The premiums for this health insurance coverage are paid for by the Authority for all eligible retirees until the end of their lives. This coverage falls within the definition of a defined benefit by the IPSAS and as such represents a future liability of the Authority. The Authority is required to use the actuarial valuation method to determine the present value of its health insurance benefit obligations for its former workers as well as future retirees and the related current service costs. IPSAS 39 directs that funded or unfunded post-employment benefits must be recognized in the statement of financial position (in the case of net defined liability or asset) and the statement of financial performance (for the annual expense).

These actuarial valuations use several financial and demographic assumptions to determine the liability and current expense of the benefits which will be honoured on behalf of the retirees. Financial assumptions include, the discount rate, estimated future costs of the medical premiums, and the claims rate for the medical plans. Demographic assumptions include estimated mortality and benefits levels.

The Authority commissioned Mercer actuaries of Canada to provide this service and the results of their assessment are included hereunder. The Authority has a present value net defined benefit obligation of \$26,911,000 at the end of the financial year 31 December 2023 (2022: \$24,178,00). The details of the valuation and the assumptions used are reproduced hereunder in accordance with IPSAS 39.

The Board of Directors resolved to fund the post-retirement health liability with annual contributions as advised during 2016 by the Actuaries with an annual minimal amount of \$1,500,000. NRA holds the funds approved by the Board in a term deposit account held with RBC Royal Bank (Cayman Islands). The funds held in the term deposit account do not qualify as a "Plan Asset" as defined by IPSAS 39, Employee Benefits, and therefore have not been offset against the year-end post-retirement health liability of \$26,911,000. Ongoing steps are being pursued by the Authority to place these funds in a qualifying financial vehicle to allow the funds to meet the requirements of IPSAS 39, Employee Benefits.

National Roads Authority
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12. Post-Retirement Health Liability (continued)

Plan Name Financial year ending on:	National Roads Authority	
	31 Dec 2023 \$	31 Dec 2022 \$
A. Change in defined benefit obligation		
1. Defined benefit obligation at end of prior year	24,178,000	28,129,000
2. Service cost		
a. Current service cost	1,194,000	1,594,000
b. Past service cost	-	-
c. (Gain) / loss on settlements	-	-
3. Interest expense	1,285,000	793,000
4. Cash flows		
a. Benefit payments from plan assets	-	-
d. Benefit payments from employer	(309,000)	(270,000)
5. Other significant events		
6. Remeasurements		
a. Effect of changes in demographic assumptions	(519,000)	6,139,000
b. Effect of changes in financial assumptions	1,116,000	(12,841,000)
c. Effect of experience adjustments	(34,000)	634,000
7. Effect of changes in Foreign exchange rates	-	-
8. Defined benefit obligation at the end of year	<u>26,911,000</u>	<u>24,178,000</u>
B. Change in fair value of plan assets		
1. Fair value of plan assets at end of prior year	-	-
2. Interest income	-	-
3. Cash flows		
a. Total employer contributions		
i. Employer contributions	-	-
ii. Employer direct benefit payments	309,000	270,000
iii. Employer direct settlement payments	-	-
b. Participant contributions	-	-
c. Benefit payments from plan assets	-	-
d. Benefit payments from employers	(390,000)	(270,000)
e. Settlement payments from plan assets	-	-
f. Settlement payments from employer	-	-
g. Administrative expenses paid from plan assets	-	-
h. Taxes paid from plan assets	-	-
i. Insurance premiums for risk benefits	-	-
4. Other significant events	-	-
a. Increase / (decrease) due to effect of any business combinations/ divestures or transfers	-	-
b. Increase / (decrease) due to plan combinations	-	-
5. Remeasurements	-	-
a. Return on plan assets (excluding interest income)	-	-
6. Effect of change in foreign exchange rates	-	-
7. Fair Value of plan assets at end of year	<u>-</u>	<u>-</u>

National Roads Authority
Notes to the financial statements
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12. Post-Retirement Health Liability (continued)

Financial year ending on:	31 Dec 2023	31 Dec 2022
	\$	\$
C. Amounts recognized in the statement of financial position		
1. Defined benefit obligation	26,911,000	24,178,000
2. Fair value of plan assets	-	-
3. Funded status	26,911,000	24,178,000
4. Effect of asset ceiling/onerous liability	-	-
5. Net defined benefit liability/(asset)	26,911,000	24,178,000
D. Components of defined benefit cost		
1. Service cost	1,194,000	1,594,000
a. Current service cost	-	-
b. Reimbursement service cost	-	-
c. Past service cost	-	-
d. (Gain) / loss on settlements	-	-
e. Total service cost	1,194,000	1,594,000
2. Net interest cost		
a. Interest expense on Defined Benefit Obligation (DBO)	1,285,000	793,000
b. Interest /(income) on plan assets	-	-
c. Total net interest cost	1,285,000	793,000
3. Remeasurements of Other Long Term Benefits	-	-
4. Administrative expenses and/or taxes (not reserved within DBO)	-	-
5. Defined benefit cost included in Profit and Loss (P&L)	2,479,000	2,387,000
6. Remeasurements (recognized in the Statement of Changes in Net Worth (SCNW))		
a. Effect of changes in demographic assumptions	(519,000)	6,139,000
b. Effect of changes in financial assumptions	1,116,000	(12,841,000)
c. Effect of experience adjustments	(34,000)	634,000
d. Total remeasurement included in the Statement of Changes in Net Worth	563,000	(6,068,000)
7. Total defined benefit cost recognized in the P&L and SCNW	3,042,000	(3,681,000)
E. Net defined benefit liability/(asset) reconciliation		
1. Net defined benefit liability/(asset)	24,178,000	28,129,000
2. Defined benefit cost included in P&L	2,479,000	2,387,000
3. Total remeasurement included in OCI	563,000	(6,068,000)
4. Other significant events		
a. Net transfer in/(out) (including the effect of any business combinations/divestitures)	-	-
b. Amounts recognized due to plan combinations	-	-
5. Cash Flows		
a. Employer contributions	-	-
b. Employer direct benefit payments	(309,000)	(270,000)
c. Employer direct settlements payments	-	-
6. Credit to reimbursements	-	-
7. Effect of changes in Foreign exchange rates	-	-
8. Net defined benefit liability/(asset) as of end of year	26,911,000	24,178,000

National Roads Authority
Notes to the financial statements
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12. Post-Retirement Health Liability (continued)

F. Define benefit obligation

1. Defined benefit obligation by participant status		
a. Actives	15,818,000	14,084,000
b. Vested deferred	-	-
c. Retirees	11,093,000	10,094,000
d. Total	26,911,000	24,178,000

Financial year ending on	31 Dec 2023	31 Dec 2022
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G. Significant actuarial assumptions

Weighted-average assumptions to determine defined benefit obligations

Discount rate	5.15%	5.35%
Health care cost trend rates		
Immediate trend rate	5.19%	5.28%
Ultimate trend rate	4.00%	4.00%
Year rate reaches ultimate trend rate	2045	2045
Post- retirement mortality assumption	RP-2014 Projected w/MP-2021	RP-2014 Projected w/MP-2021

Weighted-average assumptions to determine defined benefit cost

Effective discount rate for defined benefit obligation	5.35%	2.95%
Effective rate for net interest cost	5.35%	2.83%
Effective discount rate for service cost	5.25%	2.95%
Effective rate for interest on service cost	5.30%	2.98%
Health care cost trend rates	-	-
Immediate trend rate	5.28%	5.33%
Ultimate trend rate	4.00%	4.00%
Year rate reaches ultimate trend rate	2045	2045
Post- retirement mortality assumption	RP-2014Projected w/MP 2021	RP-2014 Projected w/MP 2021

H. Sensitivity analysis

Present value of defined benefit obligations

Effective Discount rate - 25 basis points	1,544,000	1,387,000
Effective Discount rate + 25 basis points	(1,436,000)	(1,289,000)
Health care cost trend rates – 100 basis points	(4,991,000)	(4,621,000)
Health care cost trend rates + 100 basis points	6,527,000	6,073,000
Post- retirement mortality assumption + 10%	(1,130,000)	(999,000)

I. Expected cash flows for following year

a. Expected employer contributions	330,000	306,000
b. Expected contributions to reimbursement rights		
c. Expected total benefit payments		
Year 1	330,000	306,000
Year 2	367,000	337,000
Year 3	409,000	375,000
Year 4	456,000	418,000
Year 5	508,000	466,000
Next 5 years	3,697,000	3,357,000

National Roads Authority
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12. Post-Retirement Health Liability (continued)

The Actuarial Assumptions

The actuarial assumptions as at the reporting date are used to determine the present value of the defined benefit obligation (DBO) at that date and the defined benefit cost for the following year. We have used actuarial assumptions selected by the Authority, which are consistent with the assumptions used to determine the results for the Cayman Islands Government's ("CIG") Post Retirement Healthcare Program. The principal financial and demographic assumptions used at 31 December 2023 and 31 December 2022 are shown in the table below:

Economic Assumptions	Postretirement Healthcare	Basis of Development – Accounting Specific Assumptions
Discount rate benefit obligation(p.a) - 31 December 2022 - 31 December 2023	5.35% per annum 5.15% per annum	IAS 19 para. 83 determined by reference to market yields on high quality corporate bonds (consistent with the term of the benefit obligations) at the fiscal year end date. Mercer US Above Mean Yield Curve (referencing US corporate bond yields) used to determine discount rates due to strong economic and currency links between the US and Cayman Islands.
Discount rate next year service costs(p.a) - 31 December 2022 - 31 December 2023	5.25% per annum 5.10% per annum	
Administrative expenses	Included in projected premiums	
Rate of Medical Inflation (p.a)	4.00%	
		Based on short-term and long-term medical inflation expectations for the Cayman Islands and overseas care.

Demographic Assumptions	Postretirement Healthcare	Basis of Development – Accounting Specific Assumptions
Current mortality rates	RP-2014 Mortality Table scaled back to 2006 using MP-2014	Recent mortality studies in the U.S. and Canada shows that people are living longer. New mortality tables have been issued by U.S. and Canada. The mortality table has been updated to better reflect actual mortality improvement rates experienced in the US over the last 20 years.
Mortality improvements 31 December 2023	Scale MP-2021	Broad consensus amongst longevity experts that mortality improvement will continue in the future. Scale MP-2014 was released October 2014. In the U.S, the latest future mortality improvement scale issued by the Society of Actuaries is Scale MP-2021.
Turnover rates	Age & gender based rates – see below	
Disability rates	None	
Retirement Age as per Public Service Pension Plan	Age & gender based rates – see below	
Material assumption	80% married, wife 3 years younger	
Current healthcare claims cost assumption	Based on CIG 2023 premium rates Health \$14,080 per participant Dental \$160 per participant	The National Roads Authority provides 100% coverage for employees, spouses and dependants and also retires and retires spouses' premiums.
Healthcare coverage – future pensioners	Male 27% single, 73% family Female 50% single, 50% family	Based on CIG experience
Healthcare utilization changes due to age	Current Mercer standard healthcare aging assumptions for medical and dental	Based on updated analysis of healthcare utilization for Mercer clients in US

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12. Post-Retirement Health Liability (continued)

Turnover Rates

Age	Males	Females
20-24	7.5%	12.5%
25-29	5.0%	12.5%
30-34	3.5%	7.5%
35-39	2.5%	4.5%
40-44	1.5%	2.5%
45-49	0.5%	0.5%
50 +	0.0%	0.0%

Retirement Rates:

Age	%
Below 55	0%
55-59	8%
60	15%
61-64	100%

The actuarial valuation results showed that a liability of \$24,178,000 existed at 31 December 2022, represented by accumulated liability of \$24,178,000 as at 31 December 2022 and service costs and adjustments totaling \$2,733,000 for the year ended 31 December 2023, resulting in a closing liability of \$26,911,000 at 31 December 2023.

13. Related Party Transactions

The Authority provided services to road users on behalf of the Government relating to the development and maintenance of the public roads within the Cayman Islands funded through the Roads Fund which amounts to \$10 million under the Ownership Agreement (2022: \$10 million). During the year 2022, an additional \$4 million funding was approved through the Roads Fund effective January 1, 2022 and going forward annually. This amount for the period 2022 was subsequently received in January 2023. The additional awarded \$4m for the period 2023 was also received during the current period 2023. The Authority also delivered Capital Expenditure Projects of \$24.8 million (2022: \$16.1 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.

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13. Related Party Transactions (continued)

Sales to unrelated third parties of \$157,780 (2022: \$58,916) include services for drain wells and curbs, installation of signs, paving and trench reinstatement services.

	2023	2022
	\$	\$
Sales of services to Cabinet	24,841,064	16,112,196
Roads Fund	14,000,000	14,000,000
Sales of services to other government agencies	821,394	321,481
Sales to third parties	157,780	58,916
Total	39,820,238	30,492,593

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 31 December 2023, the Authority owes PWD the amount of \$14k (2022: \$14k) for support services extended by the latter such as office and workshop accommodation, tenant's requirements, utilities, accounting services, service parking and compound security.

During the year, the Authority purchased goods and services worth \$278k (2022: \$485k) from companies partially owned or controlled by one of its Board members. These purchases were materials for Ministerial road works as per a supplier framework agreement (as provided for in the Procurement Regulations 2018 Section 9) between the Authority and local major material suppliers for acquisition of materials.

The remuneration of directors and other members of key management personnel during the year was \$1.073m. This consists of \$19k for the Board of Directors, being \$150 per member per meeting with two meetings per month on average (2022: \$1.042m consists of \$25k for the Board of Directors being \$150 per member per meeting with two meetings per month on average). There were 16 personnel categorised in 2023 broken down as 7 key management personnel and 9 Directors (2022: 7 key management personnel and 9 Directors). Only one member of key management personnel (the Managing Director) sits on the board.

14. Contingencies

i) Sections 36(1), 39(2) and 39(3) of the PAA:

The Authority is required to comply with The Public Authorities Act, (2020 Revision), (the "PAA"). Section 36(1) of the PAA requires public authorities to pay an annual capital charge for the use of equity invested by the Government in the authority. The capital charge is set by the Minister of Finance after consultation with the public authority's board. There is no capital charge payable for 2023 (2022: \$0) because the rate for the 2023 financial year was set at 0%. Going forward, the Authority may be required to pay a capital charge in accordance with the PAA.

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14. Contingencies (continued)

The PAA Section 39(2) requires that where a public authority has surplus cash reserves for a period of more than ninety days, the surplus shall be paid to core government unless otherwise directed by Cabinet, after written consultation with the Board. The PAA Section 39(3) requires that a public authority pay dividends in accordance with the formulae established by the Minister of Finance and Economic Development (the “Ministry”) after written consultation with the Board, unless otherwise directed by Cabinet.

For the 2023 financial year, the Authority’s total liabilities exceeded its total assets and as such it has been exempted from the requirement to pay dividends based on section 19(e) of the “Policy for the payment of annual dividends by statutory authorities and government companies (SAGCs)” approved by Cabinet on 8 January 2019.

The Authority is also exempted from the requirement to pay surplus cash reserves to core government for the 2023 financial year based on an exemption granted by the Cayman Islands’ Cabinet of Ministers in a meeting held on 5 March 2024.

ii) Section 28(1) of the National Roads Authority Act (2016 Revision):

Under section 28(1) of the National Roads Authority Act (2016 Revision), an annual payment to the core government may be due. At the date of these financial statements there has been no request made.

iii) Litigations, claims and assessments

At the date of the audit opinion, the Authority had no ongoing or threatened litigation.

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 exposed to interest rate risk on its short term. The total interest earned during the year ended 31 December 2023 was \$145,880 (2022: \$9,654).

Credit Risk

The Authority is a party to financial instrument arrangements as part of its everyday operations. These financial instruments include cash & cash equivalents, short-term deposits, trade receivables, and accounts payable. The Authority seeks to minimise exposure from financial instruments and does not enter into speculative financial instrument transactions.

National Roads Authority
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15. Financial Risk Management (continued)

Credit risk is the risk that the counter party to a transaction with the Authority will fail to discharge its obligations, causing the Authority to incur a financial loss. Financial assets that potentially subject the Authority to credit risk consist of Cash and Cash Equivalents, trade receivables and other receivables.

The average credit period on sales is 30 days. The Authority manages its Credit risk by transacting only with credit worthy counterparties. Generally, the Authority does not require collateral. Ongoing credit risk is managed through review of ageing analysis, together with credit limits per customer. Maximum exposures to credit risk as at year end are the carrying value of financial assets in the statement of financial position.

Expected Credit Losses

Expected Credit Losses are calculated on a lifetime basis for Trade Receivables. Please see trade receivables note for more information on credit risk disclosures for ECL on Trade Receivables. The credit risk on cash and cash equivalents and short-term investments is limited.

The Authority's main bank is Royal Bank of the Caribbean (RBC) which has a S&P Global Ratings of AA.

Concentrations of credit risk

The Authority does not have any significant credit risk exposure. The credit risk on cash and cash equivalents. The Authority's main bank is RBC Royal Bank (Cayman) Ltd which has a S&P Global Rating of AA-.

Liquidity Risk

Liquidity risk is the risk that the Authority is unable to meet its payment obligations associated with its financial liabilities when they fall due. The ability of the Authority to meet its debts and obligations is dependent upon its ability to collect the debts outstanding to the Authority in a timely basis. As at 31 December 2023 and 31 Dec 2022, all of the financial liabilities were due within one month of the financial position dates.

16. Financial Instruments- fair values

As at 31 December 2023 and 31 December 2022, the carrying amount of cash and cash equivalents, accounts receivable, accounts payables and employee entitlements approximate their fair value due to their short-term maturities. Fair values are made at specific points in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions, economic conditions and other factors could cause significant changes in fair value estimates.

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17. Commitments

Commitments by the Authority relate to the environmental impact assessment works related to the East West Arterial Road. These services were currently \$3.2m as at 31 December 2023 of which \$1.3m have been settled at the date of these Financial Statements. In addition, \$1.9m of this contractual agreement is anticipated to be discharged within 2024.

18. Events Occurring After the Reporting Date (31st December 2023)

Management is not aware of any events after the reporting date which will have an impact on the financial statements at 31st December 2023.

National Roads Authority
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19. Explanations of major variances against budget

Statement of Financial Position

	2023	2023	2023	Variance
	Actual	Original	Final Budget	Original
	\$	\$	\$	vs Actual
ASSETS				
Current Assets				
Cash and cash equivalents	15,051,783	14,703,172	14,703,172	348,611
Accounts receivable and prepayments	9,214,350	1,705,558	1,705,558	7,508,792
Inventory	45,956	39,899	39,899	6,057
Total Current Assets	24,312,089	16,448,629	16,448,629	7,863,460
Non-Current Assets				
Property, plant and equipment	3,594,206	1,824,778	1,824,778	1,769,428
Intangible assets	37,521	10,446	10,446	27,075
Total Assets	27,943,816	18,283,853	18,283,853	9,659,963
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable	2,718,287	2,416,975	2,416,975	(301,312)
Employee entitlements	68,089	127,836	127,836	59,747
Total Current Liabilities	2,786,376	2,544,811	2,544,811	(241,565)
Non-Current Liabilities				
Pension liability	246,000	3,334,000	3,334,000	3,088,000
Post-retirement health liability	26,911,000	38,973,000	38,973,000	12,062,000
Total Non-Current Liabilities	27,157,000	42,307,000	42,307,000	15,150,000
Total Liabilities	29,943,376	44,851,811	44,851,811	14,908,435
Net Assets	(1,999,560)	(26,567,958)	(26,567,958)	24,568,398
EQUITY				
Contributed capital	4,653,535	4,653,535	4,653,535	-
Retained earnings	(6,653,095)	(31,221,494)	(31,221,494)	24,568,399
TOTAL EQUITY	(1,999,560)	(26,567,959)	(26,567,959)	24,568,399

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19. Explanations of major variances against budget (continued)

Statement of Financial Position

Cash and cash equivalents

Cash and cash equivalents realized a positive shift of \$349k which was driven by the additional revenue realized with the Ministry of Planning Agriculture, Housing, Infrastructure, Transport and Development (MPAHITD)'s non budgeted works.

Accounts receivable and prepayments

The \$7.5 million variance in the actual Accounts Receivable when compared to the budget primarily relates to non-budgeted billings to the MPAHITD as a result of MPAHITD's directives to complete Executive Assets (EA) works beyond the scope of the Authority's 12 month fiscal budget. These receivables have been fully paid by the MPAHITD at the date of the signing of these financials.

Property, plant and equipment

Property Plant and Equipment reflects \$1.8m over budget with equipment acquisitions during 2023 by \$586k (2022: \$1.3m) being additional purchases approved by Management/Board of Directors post budget driven by demands related additional Executive Asset works and meeting expanding needs of the Authority.

Accounts payable and accrued liabilities

Accounts payable were \$301k over budgeted figures primarily due to balances of payments on goods and services delivered near year end directly related to late works performed on behalf of MPAHITD. These payments to primary vendors were settled in entirety at the date the signing of these financials.

Pension liability

Pension liability reflects a positive shift of \$3.09m at the end of the current period (net of 2022 positive movement \$2.44m). This Actual balance has been provided by the Authority's Actuary current valuation report inverse of prior years trend.

Post-retirement health liability

Post-retirement health liability reflects a positive shift of \$12.06m at the end of 2023 net of \$11.7m realized at end of 2022. This shift from anticipated balances are primarily driven by OCI changes of \$6.07m during 2022 (\$4.5m 2021).

National Roads Authority
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19. Explanations of major variances against budget (continued)

Statement of Financial Performance

	2023	2023	2023	Variance
	Actual	Original Budget	Final Budget	Budget
	\$	\$	\$	vs Actual
	\$	\$	\$	\$
REVENUE	39,820,238	10,308,400	10,308,400	29,511,838
COST OF GOODS SOLD				
Subcontractors	13,686,852	205,714	205,714	(13,481,138)
Materials	6,682,546	205,714	205,714	(6,476,832)
Labour	4,198,552	2,660,411	2,660,411	(1,538,141)
Hired equipment	2,563	6,050	6,050	3,487
Total Cost of Goods Sold	24,570,513	3,077,889	3,077,889	(21,492,624)
NET REVENUE	15,249,725	7,230,511	7,230,511	8,019,214
OPERATING EXPENSES				
Personnel costs	5,413,761	4,280,254	4,280,254	(1,133,507)
Post retirement health liability	2,170,000	3,067,000	3,067,000	897,000
Utilities (Streetlights)	1,392,610	1,100,000	1,100,000	(292,610)
Motor vehicle expenses (including insurance)	1,079,204	608,275	608,275	(470,929)
Depreciation	651,497	439,677	439,677	(211,820)
Computer maintenance and fees	188,521	155,000	155,000	(33,521)
Advertising and promotion	134,048	27,500	27,500	(106,548)
Past service pension	135,000	261,000	261,000	126,000
Professional fees	100,902	65,000	65,000	(35,901)
Building maintenance	99,330	105,950	105,950	6,620
Supplies and consumables	56,226	72,000	72,000	15,774
Telephone	50,965	52,008	52,008	1,043
Electricity and water	44,736	35,304	35,304	(9,432)
Insurance	15,356	15,343	15,343	(13)
Bank charges	13,344	13,200	13,200	(144)
Bad debt expense	-	-	-	-
Office rental	1,790	-	-	(1,790)
Total Operating Expenses	11,547,289	10,297,511	10,297,511	(1,249,778)
Surplus/ (Deficit)	3,702,436	(3,067,000)	(3,067,000)	6,769,436

National Roads Authority
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19. Explanations of major variances against budget (continued)

Several categories were presented in summary within the Ownership Agreement whilst being presented in detailed form by the Authority in their Financial Statements and throughout the course of the year. The ownership agreement figures shown below represent the budget actually approved by the Parliament, compared with the detailed Financial Statement figures. Note however the total Revenue and Expenses remained the same in both formats.

Reconciliation of Ownership Agreement and the Statement of Financial Performance

	2023 Approved Budget \$	Financial Statements 2023 \$
REVENUE	10,308,400	10,308,400
COST OF GOODS SOLD		
Labour	-	2,660,411
Materials	-	205,714
Subcontractors	-	205,714
Hired equipment	-	6,050
Total Cost of Goods Sold	-	3,077,889
NET REVENUE	10,308,400	7,230,511
OPERATING EXPENSES		
Personnel costs	6,967,570	4,280,254
Post retirement health liability	3,067,000	3,067,000
Utilities (Streetlights \$1.1m)	-	1,100,000
Electricity and water	-	35,304
Motor vehicle expenses (including insurance)	-	608,275
Depreciation	484,523	439,677
Past service pension	234,095	261,000
Computer maintenance and fees	-	155,000
Professional fees	-	65,000
Building maintenance	-	105,950
Telephone	-	52,008
Advertising and promotion	-	27,500
Bank charges	-	13,200
Insurance	-	15,343
Office rental	-	-
Supplies and consumables	2,622,212	72,000
Total Operating Expenses	13,375,400	10,297,511
SURPLUS/ (DEFICIT)	(3,067,000)	(3,067,000)

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19. Explanations of major variances against budget (continued)

Statement of Financial Performance

Revenue

Revenue saw a positive variance of \$29m when compared to budget, primarily driven by executive asset works which were completed on the directive of the MPAHITD. These projects were within the remit of the Ministry and not included in the Authority's initial budgeted works. In addition, works on behalf other Ministries experienced an upward shift of approximately \$521k.

Cost of Sales

The \$21.5 million budget variance in cost of sales is driven by costs incurred in completing the additional works as detailed in the revenue note above.

Personnel costs

The \$1.1m budget variance in personnel costs for the period was driven by various factors inclusive of increased health insurance cost by \$335k resulting from a shift in insurers (CINICO) billing mechanism, increase of staff training for the period by \$165k, upscaling to standard core Government remuneration scale by approximately \$200k. During the period, honorarium was awarded to all employees totaling \$180k. Additional works on the Capital projects also impacted the increase in this area inclusive of overtime by \$190k.

Operating expenses

Utilities (Streetlights) costs reflects an increment from budget of \$292k driven by additional streetlights added to the road infrastructure along with adjustments to CUC monthly unit costs increases.

Budgeted Post-retirement healthcare costs and past service defined benefit pension costs were based on Actuarial estimates of cost to be charged to the statement of financial performance with adjustments based on receiving 2023 Actuarial reports hence the reduced costs of \$897k and decrease of \$126k respectively.

Motor vehicles expenses increased over budget by \$470k due to additional fuel and maintenance expenses related to additional works performed over and above the budget (as highlighted in the revenue section above).

Advertising and promotions realised a \$106k increase driven mainly by an aggressive approach by management and BOD in addressing road safety concerns.

Depreciation expense increase of \$212k was directly due to BOD and management approved acquisitions not budgeted however deemed essential particularly with added demands related to Ministry required works and life expiration of fleet being replaced.