ANNUAL REPORT
For

National Roads Authority

For the 2013/14 Financial Year

Contents   Page

Section 1 - Foreword …………………………………………	**3**
Section 2 - Nature and Scope of Activities	**5**
Section 3 - Strategic Goals and Objectives	**7**
Section 4 - Future Goals and Economic Outlook	**21**
Section 5 - Executive Assets & Output Accounts …………	**22**
Section 6 - Summarised Financial Statements	**29**
Appendix: Financial Statements for the Year Ended 30 June 2015	**31**

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 2013-14 fiscal year and compares it to the budgeted performance for the corresponding period.

The requirement for an annual report is prescribed under Section 52 of the Public Management and Finance Law (2013 Revision) (PMFL) Section 52 states:

1) *In respect of each financial year, each statutory authority and government company shall prepare an annual report.*
2) *An annual report shall report the performance of the authority and compare it with that proposed in the ownership agreement for that financial year and shall include:-*

   a) A summary of the nature and scope of the activities of the authority or company during that financial year;
   b) A summary of the extent to which the strategic goals and objectives of the authority or company described in the annual ownership agreement were achieved;
   c) A summary of the extent to which the ownership performance targets set out in the authority's or company's annual ownership agreement for that financial year have been achieved in that financial year;
   d) For the financial years:-
      i. 2004/5 to 2007/8, unaudited financial statements; or
      ii. 2008/9 and onwards, audited financial statements,

      Which shall be prepared on a basis consistent with the forecast financial statements in the authority's or company's annual ownership agreement for that financial year and contain the statements and information set out in schedule 4.

   e) The amount of any **equity investment** made by the Governor in Cabinet in the authority or company during the financial year;
   f) The amount of any **capital withdrawals** made by the Governor in Cabinet from the authority or company during the financial year;
   g) The amount of any **dividends or profit distributions** paid by the authority or company during the financial year;
   h) The amount of any **loans** to the authority or company by the Governor in Cabinet during the financial year; and
   i) Details of any **guarantees** relating to the authority or company made by the Governor in Cabinet during the financial year.

3) The financial statements referred to in subsection 2(d) shall be prepared within two months of the end of the financial year. The financial

statements referred to in subsection 2(d)(ii) shall be submitted to the Auditor General for auditing, and the Auditor General shall express and opinion within two months of receipt of the financial statements.

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

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

- Service delivery
- Financial performance
- Governance

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

The financial performance section shows the financial resources the NRA was afforded in the 2014-15 budget and the inputs purchased to provide services. The financial performance is presented in the form of financial statements prepared in accordance with the Public Sector Accounting Standards (IPSAS) and the supporting notes to those financial statements.

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

Section 2 - Nature and Scope of Activities

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

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

Mission of the National Roads Authority

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

Vision of the National Roads Authority

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

Customers and Location of Activities

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

Compliance during the Year

The NRA operated in general compliance with the Nature and Scope of Activities specified in the 2013/14 Ownership Agreement for the year.

Section 3 - Strategic Goals and Objectives

Approved Strategic Goals and Objectives

The key strategic goals and objectives for The National Roads Authority for the 2013/14 financial year as stated in the Ownership Agreement were as follows:

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

Compliance with Strategic Goals and Objectives

Revenue from Cabinet for FY2013/14 was approximately $9M (Capital plus Recurrent). For the second year in a row Government chose to reduce the NRA's funding levels for recurrent operations specifically from two main allocations NRA 6 (District Roads Programme) and NRA 9 (Routine maintenance of public roads). The table below gives a relative comparison of funding levels for fiscal years between 2010 and 2014. The drastic decrease in funding to these two streams severely retarded the NRA's day-to-day operations and led to the NRA having to utilize Capital funding from EA 36 which was approved at $5.25M.

National Roads Authority
BUDGET YEARS - Reccurrent Operations
COMPARISON of FISCAL YEARS 2010/11; 2011/12; 2012/13; 2013/14

	Outputs	2010/11	2011/12	2012/13	2013/14
Planning & Development of New Public Roads	NRA 5	$185,000	$300,000	$100,000	$400,000
Grand Cayman District Roads Programme	NRA 6	$2,200,000	$2,200,000	$1,500,000	$500,000
Policy Advice to Ministry	NRA 7	$10,500	$20,000	$10,000	$10,000
Stormwater Management & Mitigation Inundation	NRA 8	$470,000	$200,000	$100,000	$100,000
Routine Maintenance of Public Roads	NRA 9	$3,700,000	$3,500,000	$2,720,000	$1,270,000
Government Street Lighting Programme	NRA 10	$1,220,000	$1,224,000	$1,500,000	$1,500,000
Pavement Management & Other Roads Asset Mgt	NRA 11	$150,000	$150,000	$70,000	$70,000
		$7,935,500	$7,594,000	$6,000,000	$3,850,000

During the fiscal year 2013/2014 the NRA complied with the above approved strategic goals and objectives with the completion of the following projects:-

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

   Accomplishments:

   1.1 <u>Human Resources Policies and Procedures:</u>

   During the 2013/2014 fiscal year the HR section worked on two (2) policies; the retirement policy and the personnel manual.

   1.2 <u>Our People</u>

   The NRA boasts an all Caymanian staff complement of 85 employees.

   The NRA celebrates its employee's by awarding an Employee of the Month, Quarter and Year. The Employee of the Year for 2013 was Bal Watler.

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

   Accomplishments:

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

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

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

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

The NRA is seeking an amendment to the NRA Law (2006 Revision) that will allow for the primary source of funding to the Roads Authority (recurrent revenue) to be had from two revenue streams;

1. 100% of the fuel import duty charged, collected and paid under the Customs Tariff Law (2015 Revision) on gasoline and diesel used by motor vehicles.

2. 100% of the fees collected and paid under the Traffic Regulations 2012 on motor vehicle drivers licenses.

This proposed amendment will ensure a consistent revenue stream by which the Authority may fund its annual operating costs, in particular, the construction, rehabilitation, and maintenance of public access roads. Large capital road projects would in the interim continue to be funded by Cabinet as Executive Assets.

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

Accomplishments:

3.1 Transportation Planning Activities:

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

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

a. In January of 2013 representatives from the International Roads Assessment Programme with subcontractor firm SEMIC (based in Mexico) carried out an all island roads safety assessment to determine the vulnerability of the islands roads to fatalities. A rating system (1-5 stars) was assigned to various segments of the road network with recommendations made to the NRA and CIG on suggested countermeasures for improving poorly rated sections of roadway. The NRA's plan going forward is to prioritize the recommendations made, an on an annual basis, utilize funds from the recurrent budget to remediate areas identified as priority.

b. Recurrent Activities – Some of the main activities of the transportation unit for FY2013/14 were as follows:

- In addition to numerous meetings and site inspections with various land developers to advise them on roads and drainage requirements, the transportation unit prepared assessments and provided commentary to the Central Planning Authority on one-hundred-and-sixty-nine (169) planning applications;

i. A total of sixty-two (62) reviews of stormwater/drainage applications were carried out and commentary provided to the Central Planning Authority;

ii. Fifty-six (56) site inspections were performed for the Building Control Unit for the issuance of Certificates of Occupancy or road inspections for subdivisions.

iii. The following table provides a breakdown of the type of developments assessed or inspected during 2013-14 Fiscal Year;

Development Type	Plan Reviews	SWM/ Drainage Plan Reviews	Inspections
Commercial	36	19	11
Government	10	1	2
Hotel	3	2	1
Industrial	7	2	2
Institutional	12	9	3
Residential	18	12	9
Subdivisions/ Road Base	62	16	27
Miscellaneous	21	1	1
Running Total	169	62	56

iv. Fifty-four (54) due diligence letters were written in response to enquiries from attorneys and real estate agents dealing with land purchases;

- Development of Long-Term Transportation Road Corridor Plans

    i. NRA was involved in setting up the terms of references for the transportation component of the required Environmental Impact Study for the Cruise Birthing Facility for determining its impact on the existing and planned road network in and around George Town.

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

i. Section 3 – Notification of Proposal to Take Land

a) Proposal for the opening of Farmers Road & Hemmington Road, in Cayman Brac (BP557).

b) Proposed Road Opening at intersection of Songbird Drive and Ashton Reid Drive, Cayman Brac (BP566).

ii. Section 5 – Declaration and Scheduling of Public Road

c) Definition and demarcation of the Elgin Avenue and Huldah Avenue roundabout (PCM297).

d) Definition and demarcation of the East-West Arterial Road from Shamrock Road to Poindexter Road (PCM298).

e) Definition and declaration of road opening at intersection of Songbird Drive and Ashton Reid Drive, Cayman Brac (PCM296).

f) Definition and demarcation of the East-West Arterial Road from Poindexter Road to Chime Street (PCM299).

iii. Section 14 – Discontinuance of Roads (Close and Vest)

g) Scheme to close and vest abandoned footpath which was replaced by new road scheme BP566 (BP565)

- Traffic Data Collection

A traffic data collection program was carried out at arterial and collector roadways for the areas of central and eastern George Town, the industrial park, and the districts of Bodden Town and North Side. Using its own Automatic Tube Recorders (ART), the NRA collected traffic data at 81 locations for an average period of seven (7) continuous days, between January 30th and June 30th 2014; with about half of the traffic data corresponding to the High Tourism season.

c. Pavement Management –

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

Historical Average Pavement Condition Indices by Road Classification					
	Chart	Number of	Average PCI By Year		
Road Classification	Colour	Sections	2012	2013	2014
Collector		70	75	77	75
Private		664	65	66	72
Primary		38	81	81	78
Secondary		37	81	80	81

The above table shows that at the end of FY 2013/14 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 72 for privately built subdivision roads; which is representative of 'good' condition. Primary and secondary roads have seen little overall deterioration in three years however increased annual investment in surface rehabilitation of these roads will be necessary in order to ensure that the PCI ratings are kept at or above 80.

3.2 Engineering and Operations Activities:

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

In addition to their road construction and maintenance responsibilities, they regulate the importation, transportation, and use of explosives in the

Cayman Islands on behalf of the Managing Director in accordance with the Explosives Law and Regulations.

- Executive Assets: Capital Works & Road Surface Upgrades

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

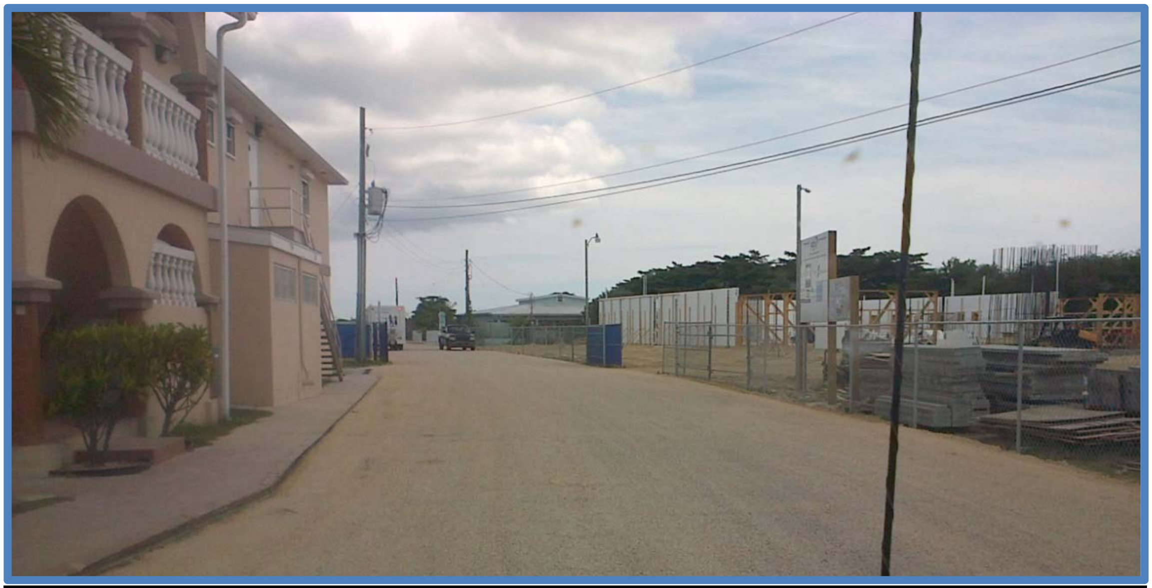
  Whilst Cabinet approved a sum of $5,250,000 for new Capital Road Works under EA 36 there were no significant Capital Road Works completed for the fiscal year ending June 30, 2014. Instead because of the shortfall in the NRA’s recurrent budget, Ministry allowed NRA to utilize approximately $4.7M of EA36 budget allocation to fund NRA recurrent operations.

  This allowed the NRA to deliver its routine maintenance operations and cover associated expenses under NRA 6 & 9.

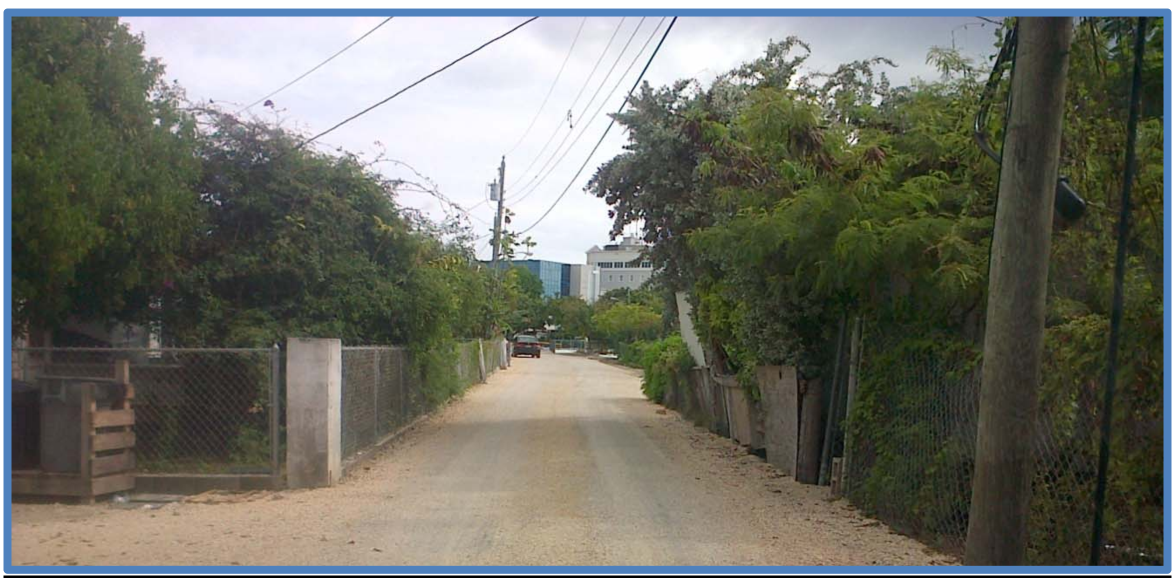
- NRA 6: District Roads Programme - The following district roads were reconstructed and/or resurfaced with surface treatments under this programme. The MicroPAVER pavement management database was used to select the roads to be worked on and what type of work would be performed. Explanations of the abbreviations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

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

No.	GEORGE TOWN	Road Class	Primary Users	Approx Repair Costs	Type of Work
1	PRINTERS WAY	Public Rd	Res	$63,000	*R&R*
2	BORDER DR	Unscheduled Public Rd.	Res	$4,000	*R&R*
3	DIAZ LN/ROCK HOLE RD	Public Rd	Res	$40,000	*R&R*
4	GLEN EDEN RD	Unscheduled Public Rd.	Res	$17,000	*R&R*
5	HARQUAIL DR	Public Rd	Res	$41,000	*R&R*
6	IGLOO CRESC	Unscheduled Public Rd.	Res	$7,000	*R&R*
7	KENNEDY DR	Unscheduled Public Rd.	Res	$24,000	*R&R*
8	KINTYRE DR	Unscheduled Public Rd.	Res	$13,000	*R&R*
9	LAKEFOREST WAY	Unscheduled Public Rd.	Res	$32,000	*R&R*
10	MARBEL DR	Unscheduled Public Rd.	Res	$30,000	*R&R*
11	OAKMILL ST	Public Rd	Res	$35,000	R&R
12	OAKDALE CL	Unscheduled Public Rd.	Res	$6,000	*R&R*
13	OAKLAND ST	Public Rd	Res	$34,000	*R&R*
14	PARK LN	Unscheduled Public Rd.	Res	$8,000	*R&R*
15	PARKLAND CL	Unscheduled Public Rd.	Res	$6,000	*R&R*
16	POINSETTIA LN	Unscheduled Public Rd.	Res	$9,000	*R&R*
17	SEAGULL ST	Unscheduled Public Rd.	Res	$6,000	*R&R*
18	SUNFIRE LN	Unscheduled Public Rd.	Res	$15,000	*R&R*
19	VIBERT BODDEN DR	Unscheduled Public Rd.	Res	$24,000	*R&R*
20	WOODPECKER CL	Unscheduled Public Rd.	Res	$22,000	*S&C*



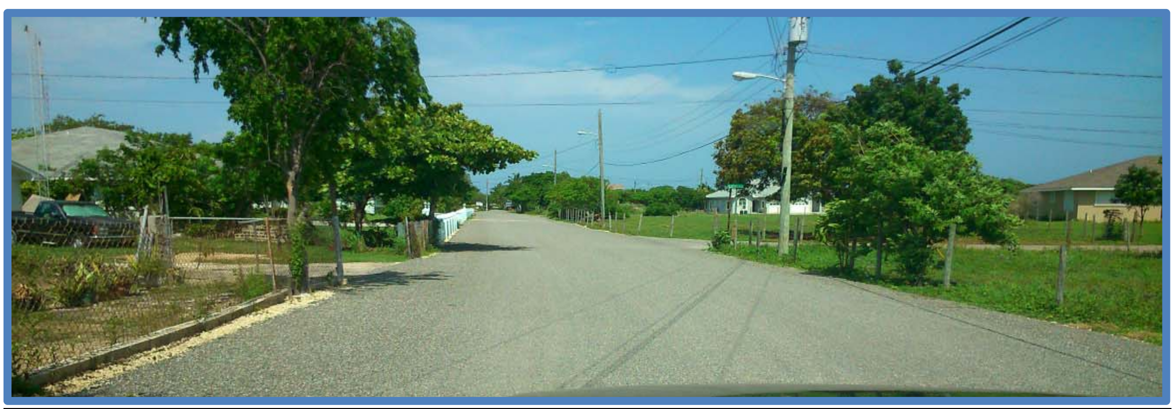
Printers Way



Diaz Lane

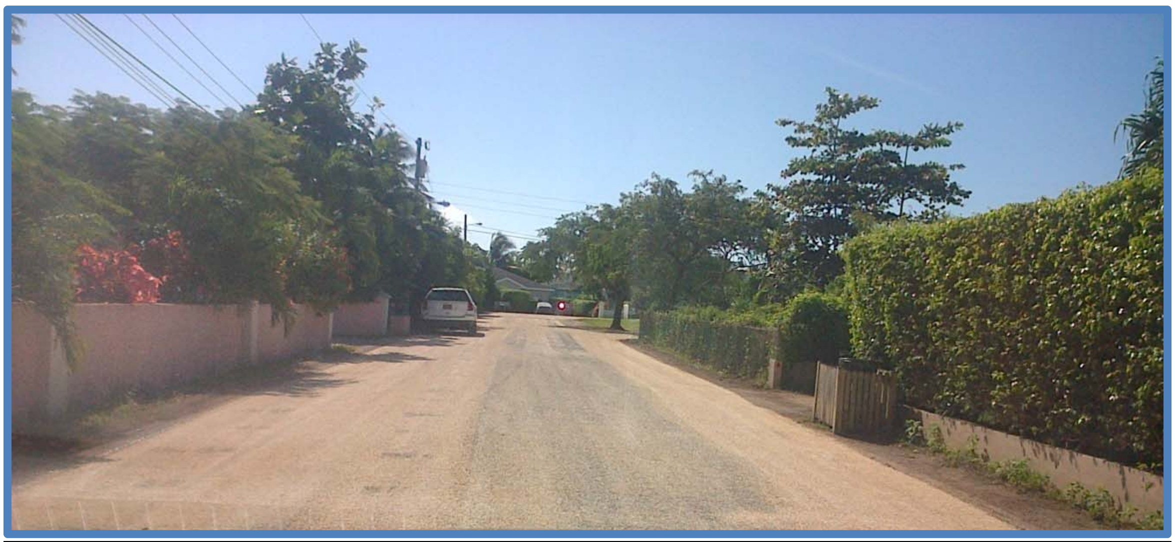
No.	WEST BAY	Road Class	Primary Users	Approx Repair Costs	Type of Work
1	FIREWOOD CL	Unscheduled Public Rd.	Res	$4,000	*R&R*
2	BARNETT CL	Unscheduled Public Rd.	Res	$19,000	*R&R*
3	BRAMBLE CL	Unscheduled Public Rd.	Res	$35,000	*R&R*
4	PEACHTREE CL	Unscheduled Public Rd.	Res	$12,000	*R&R*
5	ARMADA CL	Unscheduled Public Rd.	Res	$7,000	*R&R*
6	ANISE LN	Unscheduled Public Rd.	Res	$26,000	*R&R*
7	MARLCREST RD	Unscheduled Public Rd.	Res	$12,000	*R&R*
8	PENN LN	Unscheduled Public Rd.	Res	$13,000	*R&R*
9	CHESTNUT DR	Unscheduled Public Rd.	Res	$18,000	*R&R*
10	SUNBURST LN	Unscheduled Public Rd.	Res	$8,000	R&R
11	SEABREEZE LN	Unscheduled Public Rd.	Res	$9,000	*R&R*
12	JUBILEE LN	Unscheduled Public Rd.	Res	$6,000	*R&R*
13	GRASS PIECE LN	Unscheduled Public Rd.	Res	$8,000	*R&R*

Armada Close

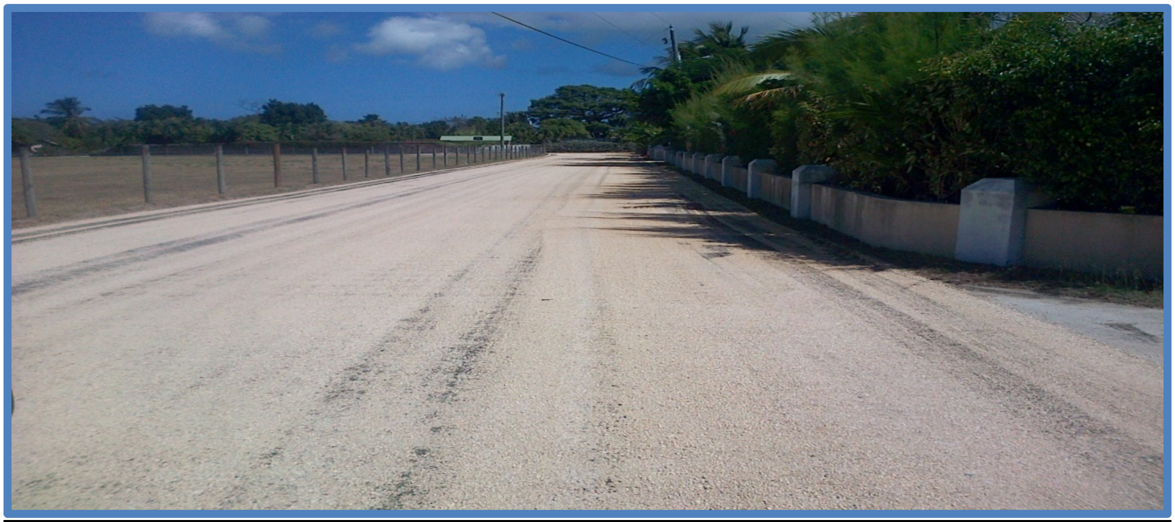


Bramble Close

No.	BODDEN TOWN	Road Class	Primary Users	Approx Repair Costs	Type of Work
1	ARROW DR	Unscheduled Public Rd.	Res	$8,000	*R&R*
2	ASTRAL WAY	Unscheduled Public Rd.	Res	$17,000	*R&R*
3	BEACH BAY RD	Unscheduled Public Rd.	Res	$33,000	*R&R*
4	BERRY DR	Unscheduled Public Rd.	Res	$81,000	*R&R*
5	BRISBANE CT	Unscheduled Public Rd.	Res	$10,000	*R&R*
6	CADET DR	Unscheduled Public Rd.	Res	$37,000	*R&R*
7	COUNTRY RD	Unscheduled Public Rd.	Res	$13,000	*R&R*
8	DOUBLE TREE LN	Unscheduled Public Rd.	Res	$24,000	*R&R*
9	FRANKLIN CL	Unscheduled Public Rd.	Res	$8,000	*R&R*
10	GUAVA DR	Unscheduled Public Rd.	Res	$10,000	R&R
11	HALLMARK CL	Unscheduled Public Rd.	Res	$5,000	*R&R*
12	HAWKING MOORE DR	Unscheduled Public Rd.	Res	$7,000	*R&R*
13	IMPULSE CL	Unscheduled Public Rd.	Res	$6,000	*R&R*
14	JACKSON CL	Unscheduled Public Rd.	Res	$5,000	*R&R*
15	KINGCHASE DR	Unscheduled Public Rd.	Res	$22,000	*R&R*
16	MACAW DR	Unscheduled Public Rd.	Res	$9,000	*R&R*
17	NATHAN MERREN DR	Unscheduled Public Rd.	Res	$14,000	*R&R*
18	PARTRIDGE CL	Unscheduled Public Rd.	Res	$4,000	*R&R*
19	PERIWINKLE DR	Unscheduled Public Rd.	Res		*R&R*
20	ROCK PALM DR	Unscheduled Public Rd.	Res	$10,000	*R&R*
21	SEA SPRAY DR	Unscheduled Public Rd.	Res	$75,000	*R&R*
22	WATER ST	Unscheduled Public Rd.	Res	$17,000	*R&R*
23	WILL T DR	Unscheduled Public Rd.	Res	$37,000	*R&R*



Arrow Drive



Cadet Drive

No.	NORTH SIDE	Road Class	Primary Users	Approx Repair Costs	Type of Work
1	OTTOS AVE	Unscheduled Public Rd.	Res	$8,000	*R&R*
2	MELVILLES LN	Unscheduled Public Rd.	Res	$12,000	*R&R*
3	ROSSINI ST	Unscheduled Public Rd.	Res		*R&R*
4	HALKEITH DR	Unscheduled Public Rd.	Res		*R&R*

Rossini Street

Halkeith Dr

No.	EAST END	Road Class	Primary Users	Approx Repair Costs	Type of Work
1	CEDAR LN	Unscheduled Public Rd.	Res	$11,000	*S&C*
2	KNOT ST	Unscheduled Public Rd.	Res	$5,000	*S&C*
3	ANGEL CL	Unscheduled Public Rd.	Res	$4,500	*S&C*

Cedar Lane

Angel Cl

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

No.	NRA 8: Storm Water Drains				
	LOCATION	**DISTRICT**	**New Drain**	**Redrill**	**Approx Cost**
1	#27 Thatch Tree	BT	1		$3,300
2	#103 Eifel Dr	BT	1		$3,300
3	#42 Twig Dr	BT	1		$3,300
4	#13 Cool Springs	BT	1		$3,300
5	#54 Nashe Street	BT		1	$1,500
6	#169 Sitwell Rd	BT		2	$3,000
7	#12 Hardy St	BT		1	$1,500
8	#39 Hardy St	BT		1	$1,500
9	Wilde Street & Belford Dr intersection	BT		1	$1,500
10	#85 Pennsylvania Ave	BT	1		$3,300
11	#413 Crewe Rd	GT		1	$1,500
12	#37 Saturn CL	GT	1		$3,300
13	Shadow LN	GT		1	$1,500
14	#384 Thomas Russel Way	GT		1	$1,500
15	Sound Way by AL Thompson Hardware	GT		1	$1,500
16	#84 Phelan CL	GT		1	$1,500
17	#91 Phelan CL	GT		1	$1,500
18	July St	GT	1		$3,300
19	#87 Sandalwood Cresc	GT		1	$1,500
20	#96 Sandalwood Cresc	GT		1	$1,500
21	Shamrock Dr & Chrisse Tomlinson Rbt	GT	1		$3,300
22	#126 Moxam Rd	GT	1		$3,300
23	#156 Logwood Way	GT		1	$1,500
24	#22 Mahogany Way	GT	1		$3,300
25	#22 Mahogany Way	GT	1		$3,300
26	ETH opposite Cayman Water Co	WB		2	$3,000
27	WBR by Governors House	WB		2	$3,000
28	Mount Pleasant Rd/Leona Ln	WB		1	$1,500
29	Mount Pleasant Rd by Pleasant View Apts	WB	1		$3,300

Section 4 – Future Goals and Economic Outlook

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

There continues to be a lot of buzz about the need for the civil service and SAGC's to downsize. After a drastic cut to its annual budget by Ministry the NRA submitted a plan that included several alternatives for 'right-sizing' the NRA. The plan included strategies for revenue streams which would provide dedicated funding for the NRA's recurrent operations at minimum. The NRA received only an acknowledgement of the document but no further dialogue was had with the NRA Board or management on the subject.

The NRA was instead met with yet another cut in the recurrent budget for FY 13/14. It appears as if the Ministry/Cabinet has been systematically reducing the funding levels to the NRA since 2010/11 forcing it to adapt; that adaptation however, as witnessed in FY12/13 forces the NRA to offer severely reduced levels of services to road users.

National Roads Authority
BUDGET YEARS - Reccurrent Operations
COMPARISON of FISCAL YEARS 2010/11; 2011/12; 2012/13; 2013/14

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Pavement Management & Other Roads Asset Mgt	NRA 11	$150,000	$150,000	$70,000	$70,000
		$7,935,500	$7,594,000	$6,000,000	$3,850,000

In both FY12/13 and FY13/14 the NRA had to rely on monies from the capital side (Executive Assets) in order to finance its recurrent operations, in particular services offered under budget allocations NRA 6 & NRA 9.

Whilst the NRA Board of Directors remains committed to the continued development of the NRA and to its efforts to deliver the best roads and roads related infrastructure to the people of the Cayman Islands it cannot do so effectively without a dedicated and stable funding stream for recurrent road maintenance activities; this has to be the priority of both NRA Board and Ministry going forward.

Section 5 – Executive Assets & Output Accounts

A summary of the Executive Asset and Output accounts as recorded at the fiscal year ending June 30, 2014 were as shown below:

The approved budget for the NRA for FY2013/14 totalled $9.1 million.

This was broken down into the following appropriations as follows:

	Outputs	$
Planning & Development of New Public Roads	NRA 5	400,000.00
Grand Cayman District Roads Programme	NRA 6	500,000.00
Policy Advice on Road Related Matters	NRA 7	10,000.00
Storm Water Mgt. & Mitigation of Tidal Inundation	NRA 8	100,000.00
Routine Maintenance of Public Roads	NRA 9	1,270,000.00
Government Street Lighting Programme	NRA 10	1,500,000.00
Pavement Mgt. & Other Roads Asset Mgt. Prog.	NRA 11	70,000.00
		3,850,000.00
	EA's	$
Miscellaneous Road Surface Upgrades	EA36	5,250,000.00
		5,250,000.00
Grand Total		9,100,000.00

NATIONAL ROADS AUTHORITY										
FUNDS AVAILABLE		**NRA Revenues as per NRA <u>Actual</u> Works**								
FOR THE TWELVE MONTHS ENDED 30 JUNE 2014										
						Total				
		Budget	Current	Amount	Amount	Invoiced	Funds		Percentage	Percentage
		Approved	Budget	Invoiced	Invoiced	To Date	Available		Utilised	Available
		2013/2014		B/F	This Month	C/F			To Date	
	Output	$	$	$	$	$	$			
Planning & Development of New Public Roads	NRA 5	400,000	400,000	354,765	45,235	400,000	-		100%	0%
Grand Cayman District Roads Programme	NRA 6	500,000	500,000	1,676,478	249,421	1,925,900	(1,425,900)		385%	-285%
Policy Advice on Road Related Matters	NRA 7	10,000	10,000	10,000	-	10,000	-		100%	0%
Storm Water Management & Mitigation of Tidal Inundatior	NRA 8	100,000	100,000	19,758	54,361	74,118	25,882		74%	26%
Routine Maintenance of Public Roads	NRA 9	1,270,000	1,270,000	4,102,433	314,543	4,416,976	(3,146,976)		348%	-248%
Government Street Lighting Programme	NRA 10	1,500,000	1,500,000	1,444,878	128,645	1,573,523	(73,523)		105%	-5%
Pavement Management & Other Roads Asset Mangt. Progra	NRA 11	70,000	70,000	58,000	12,000	70,000	-		100%	0%
		3,850,000	3,850,000	7,666,312	804,205	8,470,517	(4,620,517)			
		Budget	Current	Amount	Amount	Invoiced	Funds			
		Approved	Budget	Invoiced	Invoiced	To Date	Available			
		2012/2013		B/F	This Month	C/F				
		$	$	$	$	$	$			
	EA's									
Miscellaneous Road Surface Upgrades	EA36	5,250,000	5,250,000	445,006	232,119	677,125	4,572,875		13%	87%
Bodden Town Cemetery Phase I	EA136	39,321	39,321	35,714	-	35,714	3,606		91%	9%
		5,289,321	5,289,321	480,720	232,119	712,839	4,572,875			
Budgeted Funding approved by Ministry		**9,100,000**								
Asphalt Paving in Cayman Brac - (Minsitry DAT&T) 42062	**EA55**	177,660	177,660	165,632	12,027	177,660	-		100%	0%
						9,147,641				
			Current Month Total		**1,036,324**					
			Funds Available				(47,641)			

Notes:

Works continued within NRA 6 and 9 budget allocations right through the last quarter of FY13/14 with approval from The Ministry to recover overspends in NRA 6 & 9 from the Executive Assets allocation EA36. These works surpassed the respective $500k and $1.27m scope of the original appropriations designated by the Ministry due to the impracticality of the amounts (see Budget Summary above). As shown directly above in the current month invoicing schedule, the NRA was severely underfunded in NRA 6 and 9 Outputs for 2013-14. Accordingly, it was necessary to have EA36 meet the overruns for FY 13/14. This uncertainty of funding similarly inhibited a more aggressive approach to works under NRA6 in the start of the year, constraining planning by management and thus productivity by the NRA.

National Roads Authority
Balance Sheet
as at June 30th 2014

	2013/2014	2012/13
		(As restated)
ASSETS		
Current Assets		
Cash and cash eqivalents	3,188,347	2,056,197
Accounts recievable and prepayments	1,640,048	2,814,500
Inventories	158,529	158,508
Total Current Assets	**4,986,924**	**5,029,205**
Non-Current Assets		
Property, plant and equipment	1,164,418	1,310,204
Total Assets	**6,151,342**	**6,339,409**
LIABILITIES AND EQUITIES		
Current Liabilities		
Accounts Payable	650,349	1,050,051
Retirement pension laibility	1,256,000	1,372,000
Employment entitlements	128,937	105,357
Total Current Liabilities	**2,035,286**	**2,527,408**
Equity		
Contributed Capital	4,541,535	4,541,535
Retained Earnings	-425,479	-729,534
Total Equity	**4,116,056**	**3,812,001**

National Roads Authority				
Operating Statement				
30-Jun-14				
		2013/2014		**2012/2013**
				(As restated)
SALES				
	Sales of services to Cabinet	9,183,356		9,030,789
	Sales of services to other government agencies	282,176		263,147
	Sales of services to third parties	110,533		1,418,237
Total		**9,576,065**		**10,712,073**
COST OF SALES				
	Labor	1,953,762		2,138,228
	Materials	838,734		1,489,758
	Subcontractors	767,112		575,109
	Hired Equipment	18,654		1,082
Total Cost of Sales		**3,578,262**		**4,204,177**
GROSS INCOME		**5,997,803**		**6,507,896**
Other income		0		100
		5,997,803		**6,507,996**
OPERATING EXPENSES				
	Personnel Costs	3,008,900		3,045,942
	Utilities	1,641,061		1,544,973
	Motor Vehicles Expenses (including insurance)	510,608		420,811
	Depreciation	278,411		321,160
	Computer maintenance and fees	100,951		91,846
	Professional Fees	75,053		115,122
	Building maintenance	68,972		59,424
	Office rental	50,928		55,172
	Telephone	32,595		33,766
	Supplies and consumables	21,335		20,843
	Insurance	16,077		16,201
	Bank Charges	4,977		2,557
	Advertising and promotion	-120		13,720
	Past service pension	186,000		513,000
Total Operating Expenses		**5,995,748**		**6,254,537**
Income (Loss) before other Comprehensive Income		**2,055**		**253,459**
Other Comprehensive Income				
	Remeasurements of employment benefits obligations	302,000		-351,000
COMPREHENSIVE INCOME FOR THE YEAR		**304,055**		**-97,541**

	2013/14	2012/13
CASH FLOWS FROM OPERATING ACTIVITIES		
Comprehensive Income (Loss)	**304,055**	-97,541
Adjustment for non-cash transactions:		
Depreciation	278,411	321,160
Doubtful Debts	0	-100
Total	582,466	223,519
Net change in working capital		
Decrease/(increase) in accounts receivable	1,174,452	251,846
and prepayments		
(Increase)/decrease in inventories	-21	126,740
Increase/(Decrease) in accounts payable		
and accrued liabilities	-492,122	613,127
Net cash flows generated from operating activities	**1,264,775**	**1,215,232**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-132,625	-1,065
Net cash flows used from investing activities	**-132,625**	**-1,065**
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributed Capital from Government	0	0
Net cash flows from financing activities	0	0
Net increase in cash and cash equivalents during the year	1,132,150	1,214,167
Cash and cash equivalents at the beginning of the year	2,056,197	842,030
CASH AND CASH EQUIVALENTS AT END OF YEAR	**3,188,347**	**2,056,197**

	2013/14 Actual $
Cash and cash equivalents	3,188,347
Marketable securities and deposits	
Accounts receivable	1,640,048
Inventories	158,529
Other current assets	
Total Current Assets	4,986,924
Non-Current Assets	
Loans	-
Other investments	-
Net Worth of SA/GCs (Org 41-54 only)	-
Net Worth of Mins/Portfolios& Exec Orgs	-
Property, plant and equipment	1,164,418
Total Assets	6,151,342

Total Liabilities:

	2013/14 Actual $
Accounts Payable and Accrued Liabilities	650,349
Unearned Revenue	
Retirement Pension Liability	1,256,000
Employee Entitlements	128,937
Total Current Liabilities	2,035,286

Capital Maintenance

Human Capital Measures	**2013/14 Actual**
Total full time equivalent staff	85
Staff turnover (%)	4%
Average length of service (Number) Senior management Professional staff Administrative staff	
Significant changes to personnel management system	

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

Physical Capital Measures	**2013/14 Actual $**
Value of total assets	
Asset replacements: total assets	Nil
Book value of depreciated assets: initial cost of those assets	
Depreciation: Cash flow on asset purchases	
Changes to asset management policies	None

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

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	**2013/14 Actual $**
Revenue	9,576,065
Operating Expenses	5,995,748
Net Surplus(Deficit)	3,580,317

Balance Sheet	**2013/14 Actual $**
Assets	6,151,342
Liabilities	2,035,286
Net Worth	4,116,056

Statement of Cash Flows	**2013/14 Actual $**
Net cash flows from operating activities	1,264,775
Net cash flows from investing activities	(132,625)
Net cash flows from financing activities	0

a) Equity Investments

Transaction	**2013/14 Actual $**
EI 8: Equity Investments into National Roads Authority	Nil

b) Capital Withdrawals

Transaction	**2013/14 Actual $**
Capital Withdrawals from National Roads Authority.	Nil

c) Dividends or Profit Distributions

Transaction	2013/14 Actual $
Dividend or Profit Distributions to be made by National Roads Authority.	Nil

d) Loans

Transaction	2013/14 Actual $
Government Loans to be made to National Roads Authority.	Nil

e) Guarantees

Transaction	2013/14 Actual $
Government Guarantees to be issued in relation to National Roads Authority.	Nil

f) Other Financial Information

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

Transaction	2013/14 Actual $
Related Party Payments (Non Remuneration) made to Key Management Personnel	Nil
Remuneration Payments made to Key & Senior Management Personnel	$605,486
No of Key Management Personnel	9
No of Senior Management	6

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

Senior management posts include: Managing Director, Deputy Managing Director, and Chief Financial Officer.

Appendix: Audited Financial Statements for the Year Ended 30 June 2014

National Road Authority

Audited Financial Statements

June 30, 2014

Table of Contents

Statement of Responsibility for Financial Statements 1
Auditor General's Report 2
Statement of Financial Position 4
Statement of Comprehensive Income 5
Statement of Changes in Equity 6
Statement of Cash Flows 7
Notes to the Financial Statements 8

National Roads Authority
Financial Statements
30 June 2014

STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

These financial statements have been prepared by the National Roads Authority in accordance with the provisions of the *Public Management and Finance Law (2013 Revision)* and referenced to Section 26(1b) of the *National Roads Authority (2006 Revision)*.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law (2013 Revision).*

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

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

The financial statements fairly present the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity for the financial year ended 30 June 2014.

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

(a) are completely and reliably reflect the financial transactions of National Roads Authority for the year ended 30 June 2014;

(b) fairly reflect the financial position as at 30 June 2014 and comprehensive income for the year ended 30 June 2014; and

(c) comply with International Financial Reporting Standards under the responsibility of the International Accounting Standards Board.

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

Mr. Donovan Ebanks
Chairman
National Roads Authority

Date- 30.10.14

Mr. Paul Parchment
Managing Director
National Roads Authority

Date- 30.10.14

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CAYMAN ISLANDS

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AUDITOR GENERAL'S REPORT

To the Board of Directors of National Roads Authority

I have audited the accompanying financial statements of National Roads Authority, (the "Authority"), which comprise the statement of financial position as at 30 June 2014 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 4 to 24 in accordance with the provisions of Section 60(1)(a) of the *Public Management and Finance Law (2013 Revision)*.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of National Roads Authority, (the "Authority") as at 30 June 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Alastair Swarbrick, MA (Hons), CPFA
Auditor General

30 October 2014
Cayman Islands

NATIONAL ROADS AUTHORITY

National Roads Authority
Statement of Financial Position
As at 30 June 2014
(Stated in Cayman Islands Dollars)

	Note	2013/14	2012/13 (As restated)
ASSETS			
Current Assets			
Cash and cash equivalents	3	$3,188,347	$2,056,197
Accounts receivable and prepayments	4	1,640,048	2,814,500
Inventories	5	158,529	158,508
Total Current Assets		**4,986,924**	**5,029,205**
Non-Current Assets			
Property, plant and equipment	6	1,164,418	1,310,204
Total Assets		**6,151,342**	**6,339,409**
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable	7	650,349	1,050,051
Retirement pension liability	11	1,256,000	1,372,000
Employee entitlements	8	128,937	105,357
Total Current Liabilities		**2,035,286**	**2,527,408**
Equity			
Contributed capital	9	4,541,535	4,541,535
Retained earnings		(425,479)	(729,534)
Total Equity		**4,116,056**	**3,812,001**
Total Liabilities and Equity		**$6,151,342**	**$6,339,409**

The accompanying notes on pages 8-24 form an integral part of these financial statements.

Approved on behalf of the Board on the 30th of OCTOBER 2014

Mr. Donovan Ebanks
Chairman

Mr. Paul Parchment
Managing Director

National Roads Authority
Statement of Comprehensive Income
For the year ended 30 June 2014
(Stated in Cayman Islands Dollars)

	Note	2013/14	2012/13 (As restated)
SALES	12	$9,576,065	$10,712,073
COST OF SALES			
Labour		1,953,762	2,138,228
Materials		838,734	1,489,758
Subcontractors		767,112	575,109
Hired equipment		18,654	1,082
Total Cost of Sales		3,578,262	4,204,177
GROSS INCOME		5,997,803	6,507,896
Other income		-	100
NET SALES		5,997,803	6,507,996
OPERATING EXPENSES			
Personnel costs	10	3,008,900	3,045,942
Utilities		1,641,061	1,544,973
Motor vehicle expenses (including insurance)		510,608	420,811
Depreciation	6	278,411	321,160
Computer maintenance and fees		100,951	91,846
Professional fees		75,053	115,122
Building maintenance		68,972	59,424
Office rental	16	50,928	55,172
Telephone		32,595	33,766
Supplies and consumables		21,335	20,843
Insurance		16,077	16,201
Bank charges		4,977	2,557
Advertising and promotion		(120)	13,720
Past service pension	11	186,000	513,000
Total Operating Expenses		5,995,748	6,254,537
Income (Loss) before Other Comprehensive Income		2,055	253,459
Other Comprehensive Income			
Remeasurements of employment benefits obligations	11	302,000	(351,000)
COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		$304,055	$($97,541)

The accompanying notes on pages 8-24 form an integral part of these financial statements

NATIONAL ROADS AUTHORITY

National Roads Authority
Statement of Changes in Equity
For the Year Ended 30 June 2014
(Stated in Cayman Islands Dollars)

	Note	Retained Earnings (As restated)	Contributed Capital	Total
Balance at 30 June 2012		**($631,993)**	**$4,541,535**	**$3,909,542**
Income before other comprehensive income 12/13, as restated		253,459		253,459
Other comprehensive income - Remeasurement of employment benefit obligation, as restated	11	(351,000)	-	(351,000)
Balance at 30 June 2013, as restated		**(729,534)**	**4,541,535**	**3,812,001**
Income before other comprehensive income 13/14		2,055	-	2,055
Other comprehensive income - Remeasurement of employment benefit obligation	11	302,000	-	302,000
BALANCE at 30 JUNE 2014		**($425,479)**	**$4,541,535**	**$4,116,056**

The accompanying notes on pages 8-24 form an integral part of these financial statements.

National Roads Authority
Statement of Cash Flows
For the Year Ended 30 June 2014
(Stated in Cayman Islands Dollars)

	Note	2013/14	2012/13 (As restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Comprehensive Income (Loss)		**$304,055**	**$(97,541)**
Adjustment for non-cash transactions:			
Depreciation	6	278,411	321,160
Gain on sale of fixed assets		-	(100)
Total		582,466	223,519
Net change in working capital			
Decrease /(increase) in accounts receivable		1,174,452	251,846
(Increase)/decrease in inventories		(21)	126,740
(Decrease)in accounts payable and accrued liabilities		(492,122)	613,127
Net cash flows generated from operating activities		**1,264,775**	**1,215,232**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets	6	(132,625)	(1,065)
Net cash flows used from investing activities		**(132,625)**	**(1,065)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Contributed capital from Government	10	-	-
Net cash flows from financing activities		-	-
Net increase in cash and cash equivalents during the year		1,132,150	1,214,167
Cash and cash equivalents at the beginning of the year		2,056,197	842,030
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	**$3,188,347**	**$2,056,197**

The accompanying notes on pages 8-24 form an integral part of these financial statements

1. Establishment and Principal Activity

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

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

As at 30 June 2014, the NRA had 85 employees (30 June 2013: 88 employees). The NRA is located at 342B Dorcy Drive, P.O. Box 10426, Grand Cayman KY1-1004, Cayman Islands.

2. Significant Accounting Policies

(a) *Basis of preparation*

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

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

(b) *Cash and cash equivalents*

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

(c) *Foreign currency translation*

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

2. Significant Accounting Policies (continued)

(d) Property, plant and equipment/depreciation

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

Annual rates are as follows:

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

(e) Receivables

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

(f) Allowance for bad debts

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

(g) Inventory

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

(h) Accounts Payable

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

(i) Employee entitlements

Pension Plans

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

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

2. Significant Accounting Policies (continued)

A defined benefit plan is one that defines an amount of benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The asset or liability in respect of defined benefit plans is the difference between the present value of the defined benefit obligation at the 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 comprehensive income so as to spread the regular cost over the service lives of employees in accordance with advise of the actuary, (who is due to carry out a full valuation of the plans every year). The pension obligation is measured at the present value of the estimated future cash outflows using discount estimated rates based on market yields on high quality corporate bonds at the time of the accounting date which have terms to maturity approximating the terms of the related liability.

Obligations for contributions to defined contribution and defined benefits pension plans are recognized as an expense in the statement of comprehensive income 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.

(j) Revenue recognition

Revenue from sale of services to Cabinet and other government agencies is recognised when it is earned (see also Related Party Note 13). Unearned revenue comprises amounts paid to the Authority in advance of work performed and amounts which the Authority has invoiced for in advance of work performed. These unearned amounts are recognized as revenue in the statement of comprehensive income as work is performed related to the amounts received or billed in advance. Investment revenue is recognised in the period in which it is earned. Donations are recognised at fair value at the time of receipt.

(k) Expense recognition

Expenses are recognised when incurred.

(l) Financial Instruments

(i) Classification

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

2. Significant Accounting Policies (continued)

(ii) Recognition

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

(iii) Measurement

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

(iv) Derecognition

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

(v) Credit Risk

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

(vi) Interest Rate Risk

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

(m) Classification

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

(n) Changes in International Financial Reporting Standards

Below are several new standards and amendments that have been issued but are not yet effective. They do not impact the annual financial statements of the Authority. The nature and impact of each new standard/amendment is described below:

(i) IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32 (Effective for annual periods beginning on or after 1 January 2014)

The amendments to IAS 32 clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems), which apply gross settlement mechanisms that are not simultaneous. The amendments clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself.

2. Significant Accounting Policies (continued)

The amendments also clarify that rights of set-off must not be contingent on a future event. The IAS 32 offsetting criteria require the reporting entity to intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The amendments clarify that only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, meet the net settlement criterion.

(ii) IFRS 10, IFRS 12 and IAS 27 Investment Entities (Amendments) (Effective for annual periods beginning on or after 1 January 2014)

The investment entities amendments apply to investments in subsidiaries, joint ventures and associates held by a reporting entity that meets the definition of an investment entity. The key amendments include: • 'Investment entity' is defined • An investment entity must meet three elements of the definition and consider four typical characteristics, in order to qualify as an investment entity • An entity must consider all facts and circumstances, including its purpose and design, in making its assessment • An investment entity accounts for its investments in subsidiaries, associates and joint ventures at fair value through profit or loss in accordance with IFRS 9 (or IAS 39, as applicable), except for investments in subsidiaries, associates and joint ventures that provide services that relate only to the investment entity, which must be consolidated (investments in subsidiaries) or accounted for using the equity method (investments in associates or joint ventures) • An investment entity must measure its investment in another controlled investment entity at fair value • A non-investment entity parent of an investment entity is not permitted to retain the fair value accounting that the investment entity subsidiary applies to its controlled investees • For venture capital organisations, mutual funds, unit trusts and others that do not qualify as investment entities, the existing option in IAS 28, to measure investments in associates and joint ventures at fair value through profit or loss, is retained.

(iii) IAS 39 Novation of Derivatives and Continuation of Hedge Accounting — Amendments to IAS 39 (Effective for annual periods beginning on or after 1 January 2014)

The amendments provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument. The amendments cover novations: • That arise as a consequence of laws or regulations, or the introduction of laws or regulations • Where the parties to the hedging instrument agree that one or more clearing counterparties replace the original counterparty to become the new counterparty to each of the parties • That did not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. All of the above criteria must be met to continue hedge accounting under this exception. The amendments cover novations to central counterparties, as well as to intermediaries such as clearing members, or clients of the latter that are themselves intermediaries.

2. Significant Accounting Policies (continued)

For novations that do not meet the criteria for the exception, entities have to assess the changes to the hedging instrument against the derecognition criteria for financial instruments and the general conditions for continuation of hedge accounting.

(iv) IAS 36 Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 (Effective for annual periods beginning on or after 1 January 2014)

The amendments clarify the disclosure requirements in respect of fair value less costs of disposal. When IAS 36 Impairment of Assets was originally changed as a consequence of IFRS 13, the IASB intended to require disclosure of information about the recoverable amount of impaired assets if that amount was based on fair value less costs to sell. An unintended consequence of the issuance of IFRS 13 was that an entity would be required to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. This requirement has been deleted by the amendments to IAS 36.

In addition, the IASB added two disclosure requirements: • Additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal. • Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendments harmonise disclosure requirements between value in use and fair value less costs of disposal.

(v) IFRIC 21 Levies(Effective for annual periods beginning on or after 1 January 2014)

IFRIC 21 is applicable to all levies other than outflows that are within the scope of other standards (e.g., IAS 12) and fines or other penalties for breaches of legislation. Levies are defined in the interpretation as outflows of resources embodying economic benefits imposed by government on entities in accordance with legislation. The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability is recognised before the specified minimum threshold is reached. The interpretation does not address the accounting for the debit side of the transaction that arises from recognising a liability to pay a levy. Entities look to other standards to decide whether the recognition of a liability to pay a levy would give rise to an asset or an expense under the relevant standards.

2. Significant Accounting Policies (continued)

(vi) IAS 19 Defined Benefit Plans: Employee Contributions — Amendments to IAS 19 (Effective for annual periods beginning on or after 1 July 2014)

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. IAS 19 requires such contributions that are linked to service to be attributed to periods of service as a negative benefit. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. Examples of such contributions include those that are a fixed percentage of the employee's salary, a fixed amount of contributions throughout the service period, or contributions that depend on the employee's age.

3. Cash and Cash Equivalents

	2013/14	2012/13
Bank accounts	$3,188,347	$2,056,197
Term deposits	-	-
Total Cash & Cash Equivalents	**$3,188,347**	**$2,056,197**

4. Accounts Receivable and Prepayments

	2013/14	2012/13
Outputs to Cabinet	$1,550,656	$2,569,475
Outputs to other government agencies	7,586	24,828
Accounts Receivable Others and Prepayment	76,536	213,162
Staff loans	5,270	7,036
Total Accounts Receivable and Prepayments	**$1,640,048**	**$2,814,500**

5. Inventories

	2013/14	2012/13
Finished Goods - Cayman Rock	$128,537	$141,787
Finished Goods - AE60	17,690	12,087
Finished Goods - Crusher Run	3,621	2,000
Finished Goods - 3/8 Washed Chips	8,637	2,175
Finished Goods – Sand	44	459
Total	**$158,529**	**$158,508**

6. Fixed Assets

	Vehicles & Heavy Equipment	Furniture & Fixtures & Office Equipment	IT Equipment	Other Plant & Equipment	Leasehold Improvement	Total
Cost						
Opening 2011/12	$2,990,237	$137,272	$312,762	$1,526,236	$219,275	$5,185,782
Additions 2012/13	-	-	1,165	-	-	1,165
As at 2012/13	2,990,237	137,272	313,927	1,526,236	219,275	5,186,947
Additions 2013/14	(100)		8,164	7,176	117,385	132,625
As at 2013/14	$2,990,137	$137,272	$322,091	$1,533,412	$336,660	$5,319,572
Accumulated Depreciation						
Opening 2011/12	$2,326,527	$126,191	$291,319	$623,878	$187,669	$3,555,584
Depreciation 2012/13	161,556	1,936	9,147	132,768	15,752	321,159
As at 2012/13	2,488,083	128,127	300,466	756,646	203,421	3,876,743
Depreciation 2013/14	137,745	4,076	5,841	114,897	15,852	278,411
As at 2013/14	$2,625,828	$132,203	$306,307	$871,543	$219,273	$4,155,154
Net Book Value - 2014	**$364,309**	**$5,069**	**$15,784**	**$661,869**	**$117,388**	**$1,164,418**
Net Book Value - 2013	**$502,154**	**$9,145**	**$13,461**	**$769,590**	**$15,854**	**$1,310,204**

7. Accounts Payable and Accrued Liabilities

	2013/14	2012/13
Trade creditors	$563,949	$999,472
Accruals	86,400	50,579
Total Accounts Payable and Accrued Liabilities	**$650,349**	**$1,050,051**

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 $128,937 (2012/13: $105,357)

9. Contributed Capital

During the year the Authority received no equity injection. (2013: nil).

10. Salaries and Benefits

	2013/14	2012/13
Salaries and wages	$1,759,764	$1,781,703
Health Insurance	918,516	1,004,002
Employer and Employee pension expenses	245,047	245,047
Vacation due	23,580	(32,767)
Other personnel costs	61,993	47,957
Total Salaries and Benefits	**$3,008,900**	**$3,045,942**

11. Pensions

IAS 19R became effective January 1, 2013. For NRA adoption of IAS 19R is effective for fiscal year ending June 30, 2014. Upon transitioning to IAS 19R, there is an adjustment to the statement of financial position of $732,000. All unamortized gains and losses and past service costs under IAS 19 will be immediately recognized as a one-off transition adjustment to equity. Administration costs that are not investment related will be recognized in profit or loss as an operating charge under IAS 19R. This differs from the current approach under IAS 19, where all administration costs are allowed for within the expected rate of return of assets. Under IAS 19R, the expected return on assets is no longer used in the determination of the defined benefit cost, but it continues to be used in the determination of the asset limit under IFRIC 14. The expected return on assets assumption continues to be management best estimate.

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.

11. Pensions (continued)

In March 2005, the Financial Secretary of the Government of the Cayman Islands informed the Authority that the decision to keep the unfunded past service liability a central liability of the Government has now been reversed and the Authority recognizes the unfunded past service liability as a liability in its financial statements. The most recent actuarial valuations for IAS 19 reporting were conducted as at 30 June 2014 and 2013 (October 2014). The last accounting valuation of the NRA was prepared with an effective date of June 30, 2012 by the former actuary of the plan, Glactuary Inc. The information contained in those reports in the preparation of the information was relied upon by the new actuary. In particular, the closing asset values and accrued benefit obligation as at June 30, 2012; the funded position of the plan as at June 30, 2012; the benefit cost for the period July 1, 2012 to June 30, 2013 and the benefit cost for the period July 1, 2013 to June 30, 2014.

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

	2013/14 $000	2012/13 $000
Defined benefit obligation	3,984	3,512
Fair value of plan assets	2,728	2,140
Funded status	1,256	1,372
Effect of asset ceiling/onerous liability	-	-
Net liability (asset)	1,256	1,372

The change in defined benefit obligation is as follows:

	2013/14 $000	2012/13 $000
Defined benefit obligation at end of prior year	3,512	2,569
Service Cost	221	225
Interest expense	183	134
Cash flows	87	87
Other significant events	-	-
Remeasurements	(19)	497
Effect of changes in foreign exchange rates	-	-
Defined benefit obligation at end of year	3,984	3,512

2013 Retrospective Application

	For the year ended 30 June 2013		
Statement of comprehensive income:	As previously reported	Adjustment required	As Restated
Past service pension expense	132,000	381,000	513,000
Total Operating expenses	5,873,537	381,000	6,254,537
Income before other comprehensive loss	634,459	(381,000)	253,459
Other comprehensive loss:			
Re-measurement of defined benefit pension	-	(351,000)	(351,000)
Total Comprehensive Loss for the Year	634,459	(732,000)	97,541

11. Pensions (continued)

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

	2013/14 $000	2012/13 $000
Fair value of plan assets at end of prior year	2,140	1,727
Interest Income	117	93
Cash flows – employer and participant contributions	188	174
Other significant events	-	-
Remeasurements	283	146
Effect of changes in foreign exchange rates	-	-
Fair value of plan assets at end of year	2,728	2,140

The net defined benefit liability (asset) reconciliation:

	2013/14 $000	2012/13 $000
Net defined benefit liability as of beginning of year	1,372	842
Defined benefit cost included in P&L	287	280
Total remeasurements included in OCI	(302)	351
Other significant events	-	-
Cash flows	(101)	(101)
Credit to reimbursements	-	-
Effect of changes in foreign exchange rates	-	-
Net defined benefit liability as of end of year	1,256	1,372

The components of defined benefit cost is as follows:

	2013/14 $000	2012/13 $000
Service Cost	221	225
Net interest cost		
Interest expense on DBO	183	134
Interest (income) on plan assets	(117)	(93)
Total net interest cost	66	41
Remeasurements of Other Long Term Benefits	-	-
Administrative expenses and taxes	-	14
Defined benefit cost included in P & L	287	280
Remeasurements (recognized in other comprehensive income)		
Effect of changes in demographic assumptions	-	225
Effect of changes in financial assumptions	595	41
Effect of experience adjustments	(614)	231
(Return) on plan assets (excluding interest income)	(283)	(146)
(Return) on reimbursement rights (excluding interest income)	-	-
Changes in asset ceiling/onerous liability (excluding interest income)	-	-
Total remeasurements included in OCI	(302)	351
Total defined benefit cost recognized in P&L and OCI	(15)	631

11. Pensions (continued)

The sensitivity analysis on defined benefit obligation is shown below:

	2013/14	2012/13
1. Discount rate		
a. Discount rate – 25 basis points	4,217	-
b. Discount rate + 25 basis points	3,767	-
2. Inflation rate		
a. Inflation rate – 25 basis points	3,774	-
b. Inflation rate + 25 basis points	4,209	-
3. Mortality		
a. Mortality - 10% of current rates	4,053	-
b. Mortality + 10% of current rates	3,918	-

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

	Amount ($000)
Expected employer contributions	101

The significant actuarial assumptions are presented below:

Weighted-average assumptions to determine defined benefit obligations

	2013/14	2012/13
1. Discount rate	4.50%	5.20%
2. Rate of salary increase	3.50%	3.50%
3. Rate of price inflation	2.50%	2.50%
4. Rate of pension increases	2.50%	2.50%
5. Post-retirement mortality table	UP-94 projected on a generational basis using Scale BB	UP-94 projected on a generational basis using Scale BB
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

	2013/14	2012/13
1. Discount rate	5.20%	5.20%
2. Rate of salary increase	3.50%	3.50%
3. Rate of price inflation	2.50%	2.50%
4. Rate of pension increases	2.50%	2.50%
5. Post-retirement mortality table		

11. Pensions (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 2013/14 was 16.1% and 12.3% for fiscal 2012/13. 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 draft financial statements as at June 30, 2013 as well as asset value as at June 30, 2014 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 June 30, 2014, the Fund was invested as follows:

	2013/14		2012/13	
Plan Assets by Asset Category	**($000)**	**Percentage**	**($000)**	**Percentage**
Global equities securities	381,162	79%	272,074	66%
Debt securities	95,602	20%	112,387	27%
Real estate / Infrastructure	-	-	12,430	3%
Cash	6,871	1%	17,840	4%
Total	483,635	100%	414,731	100%

For fiscal 2013/14, the Defined Contribution portion of the Fund totaled to $195,701,000 and $161,985,000 as at June 30, 2013 as provided by PSPB. The share of the Fund that been notionally allocated to NRA with regards to its participation in the Defined Benefit Part of the Plan is $2.14 million as at June 30, 2014 (2013 - $2.728 million).

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 June 30, 2014 and June 30, 2013 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 following year.

Measurement Date	**2013/14**	**2012/13**
Discount rate		
- BOY disclosure and current year expense	5.20% per year	5.25% per year
- EOY disclosure and following year expense	4.50% per year	5.20% per year
Increases in pensionable earnings	3.50% per year	3.50% per year
Rate of Pension Increases	2.50% per year	2.50% per year
Rate of Indexation	2.50% per year	2.50% per year

11. Pensions (continued)

Measurement Date	2013/14	2012/13
Expected long-term rate of return on assets (net of expenses) for purposes of IFRIC only	7.00% per year	7.00% per year
Mortality		
- BOY disclosure and current year expense	UP-94 generationally projected using Scale BB	UP-94 projected to 2011 using Scale AA
- EOY disclosure and following year expense	UP-94 generationally projected using Scale BB	UP-94 generationally projected using Scale BB
Disability	None	None
Turnover Rates	Same as 2013	Age and gender based rates. See table below.
Retirement	Same as 2013	Age 57 & 10 years of service
Assumed life expectations on retirement	Retiring today (member age 57) 29.93 Retiring in 25 years (at age 32): 32.43	Retiring today (member age 57) 29.82 Retiring in 25 years (at age 32): 32.43
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

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%

11. Pensions (continued)

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. The mortality assumption was updated to make allowance for future mortality improvements. In the addition, the mortality improvement scale has been updated from Scale AA to Scale BB. These are the same assumptions as approved by the PSPB for use in the January 1, 2014 funding valuation of the Plan.

The discount rate as at June 30, 2014 and June 30, 2013 were determined in accordance with IAS 19. In accordance with IAS 19R paragraph 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. The Mercer US Above Mean Yield Curve (referencing US corporate bond yields) was used to determine discount rates due to strong economic and currency links between the US and the Cayman Islands.

12. Related Party Transactions

The Authority provided outputs to the Government relating to the development and maintenance of the public roads within the Cayman Islands which amounts to $3.85 million under the Purchase Agreement (2013: $6 million). During this year the Authority also delivered Capital Expenditure Projects of $5.25 million (2013: $4.5 million) to the Government for the construction of roads under the Ownership Agreement. The Authority also engages the services of other government departments of the Cayman Islands Government. Such services are provided at current prevailing market prices on an arm's length basis. Sales to third parties include services for drain wells and curbs, installation of signs, paving and trench reinstatement services.

	2013/14	2012/13
Sales of services to Cabinet	$9,183,356	$9,030,789
Sales of services to other government agencies	282,176	263,147
Sales of services to third parties	110,533	1,418,237
Total	**$9,576,065**	**$10,712,173**

Upon creation of the Authority on 1 July 2004, no movable properties were vested to the Authority. Henceforth, the Public Works Department (PWD) allowed the Authority to use its vehicles and heavy equipment for road construction and maintenance free of charge. As at 30 June 2014, the Authority owes PWD the amount of $15,303 (2013: $20,961) for support services extended to the latter such as office and workshop accommodation, tenant's requirements, utilities, accounting services, service parking and compound security.

The remuneration of directors and other members of key management personnel during the year was $605,486 (2013: $595,803). There were 15 personnel categorized in 2014 broken down as 6 key management personnel and 9 Directors (2013: 6 key management personnel and 9 Directors).

13. Contingencies

a. The NRA is being assisted by their legal adviser in regards to a claim by an individual against the entity. Both parties have agreed in principle to pursue a mediated settlement. At the time of these financial statements, a mediator has been selected and both parties are presently setting the dates for preliminary meetings. It is anticipated that the agreement to mediate will be executed in short order. Management is unable to determine the outcome of this event and provide a reasonable estimate in the financial statements as preliminary meetings of both parties are still to be conducted.

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

14. Financial Risk Management

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

Interest Rate Risk
The Authority is subject to interest rate risk on the cash placed with a local bank which attracts interest. No interest payments are charged to customers on late payments on accounts receivable. The Authority is not exposed to significant interest rate risk as the cash and cash equivalents are placed on call and available on demand. The total interest earned during the year ended 30 June 2014 was nil (2013: nil).

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

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

The Authority is also exposed to a significant concentration of credit risk in relation to accounts receivables, majority of which are due from other Government entities. No credit limits have been established. As at 30 June 2014, no provision for doubtful debts has been made as none of these assets are impaired and management considers these debts to be recoverable in full (2013: Nil).

14. Financial Risk Management (continued)

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

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

The ability of the Authority to meet its debts and obligations is dependent upon its ability to collect the debts outstanding to the Authority in a timely basis. As at 30 June 2014 and 2013, all of the financial liabilities were due within one month of the financial position dates.

15. Financial Instruments- fair values

As at 30 June 2014 and 2013, the carrying amount of cash deposits, accounts receivable, accounts payables and employee entitlements approximate their fair value due to their short-term maturities.

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

16. Operating Lease

The Authority entered into a five year lease with Heritage Holdings on September 1, 2009 for storage and laboratory. The annual lease payments for the period amount to $50,928 (2013: $55,172). The lease payments are subject to an annual increase of 3%. The total payments for the five year lease including the annual 3% increase is $255,944. The tenant has the option to renew the lease for a further term of one (1) year or more at the expiration of the term and shall give notice in writing to that effect not less than three months before expiration of the term.