



2020

Annual Report for National Roads Authority



For the 2020 Financial Year
(Jan 1, 2020 to Dec 31, 2020)



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 **2020** 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 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 2020 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 is a key policy instrument of this administration's goal to build modern smart infrastructure. I am therefore pleased to present this 2020 annual report which outlines the Authority's achievements during the year; and provide an account for its use of public funds.

The Government has galvanized its commitment to continued investment in improving Grand Cayman roads by earmarking some \$50M in revenue for the five year period 2015 to 2020.

Infrastructure investments which 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 moves goods and services across the Island. It facilitates our power, water and tele-communication 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. Joseph Xavier Hew, JP, MLA
Minister for Commerce, Planning & Infrastructure

Message from the Chairman

This annual report outlines the NRA's performance in 2020 in relation to the required outputs highlighted in the Ownership Agreement with Cabinet. This report is completed under my first 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.

The Board is pleased to have confirmed Mr Edward Howard as the new Managing Director of the Authority after acting in the role full-time for almost three years. Mr Howard is to be commended for having guided the NRA through all of 2019, and especially through a trying 2020 impacted by the COVID shutdown.

Despite COVID, the Board during 2020 continued to support a capital investment plan aimed at modernizing the NRA's fleet, machinery, and tools. The investment in asset replacements ensures that the NRA will be able to fulfill one of its key goals of enhancing service delivery capabilities and operational efficiency.

We firmly endorse the NRA's proactive strategy for the management of the road network. The development of a long range (25 to 30 year) road corridor map along with an evolving 3-year roads 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 2020 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.

John Edward Ebanks

Chairman, NRA Board of Directors

Message from the Managing Director

I am pleased to present the National Roads Authority (NRA) Annual Report 2020. 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.

This report highlights the NRA's accomplishments via the NRA Act (2016 Revision) as well as 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 mobility and access 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). In recent times the current recurrent revenue levels received from the Road Fund has proven to be inadequate to fund the Authority's Operations. With the NRA's road fund revenue being capped, the Authority has had to rely more heavily on the Ministry of Infrastructure to fund a large part of its routine maintenance operations. Adequate funding of the NRA Operations is paramount to ensuring its continued success.

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.

Despite the COVID 19 shutdown the NRA in 2020 continued implementation of a 3-year capital roads development programme aimed at providing short term and quick win solutions to traffic congestion experienced at peak hour. Upgrades to the Grand Harbour, and Chrissie Tomlinson roundabouts as well as, expansion of travel lanes from 4 lanes to 6 lanes along Hurley Merren Blvd in 2020, were completed as part of the overall efforts of reducing travel times and increasing lane capacity for motorists travelling to and from the eastern districts.

We intend to focus more acutely on customer satisfaction by optimizing the experience of their daily travel on the road network. As we deliver on these commitments, we will keep all vested parties engaged by increasing our communication with our stakeholders and providing more information to the motoring public on our plans, and progress towards improvement of the road network.

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



2020 Significant Events

- COVID 19 Shutdown March 2020 thru May 2020
- NRA completes major upgrades to Chrissie Tomlinson Roundabout, Rex Crighton Blvd, and part of Hurley Merren Blvd
- Major pavement rehabilitation carried out on 20+ segments of the public road network.
- Crews were kept busy as TS Delta, Hurricane ETA, and other tropical weather events grazed the Island bringing high winds and major flooding.
- Edward Howard confirmed as Managing Director.

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 2020 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.

3.2 Compliance with Strategic Goals and Objectives

During the fiscal year 2020 the NRA impacted by the events of the worldwide COVID pandemic, endured a nearly three (3) month suspension of both maintenance and new capital works between March 2020 and May 2020. Despite the shutdown, the NRA complied with the above approved strategic goals and objectives with the completion of upgrades to the Chrissie Tomlinson Roundabout in Prospect, and the start of the phase of the Airport Connector Road that provides connection between ETH and Sparky Drive. In addition to these two projects the NRA carried out hot mix resurfacing to several major road sections across the island of Grand Cayman. Total expenditure for FY2020 budget cycle (Jan 1, 2020 to Dec 1, 2020) was \$22.2M. NRA operating expenses accounted for \$10.1M whilst cost of goods sold was approximately \$12.1M.

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. NRA management began in 2019 to actively seek solutions for automating the current paper-based leave tracking system. NRA also launched a new electronic punch clock and time recording system (TRS).

On the finance side the NRA plans to upgrade or replace the current accounting software package which does not fully serve the needs of the Authority in several key areas. The current system has several shortfalls which result in unnecessary manual time-consuming production of financials and forecasts.

In 2020 the NRA utilised its asset management system (Cartegraph™) to catalog hundreds of privately built storm drains in both old and recently developed subdivisions across the island. An unusually busy hurricane season highlighted glaring gaps in the Authority's inventory, and maintenance capabilities of a growing number of storm drains that exist in these subdivisions.



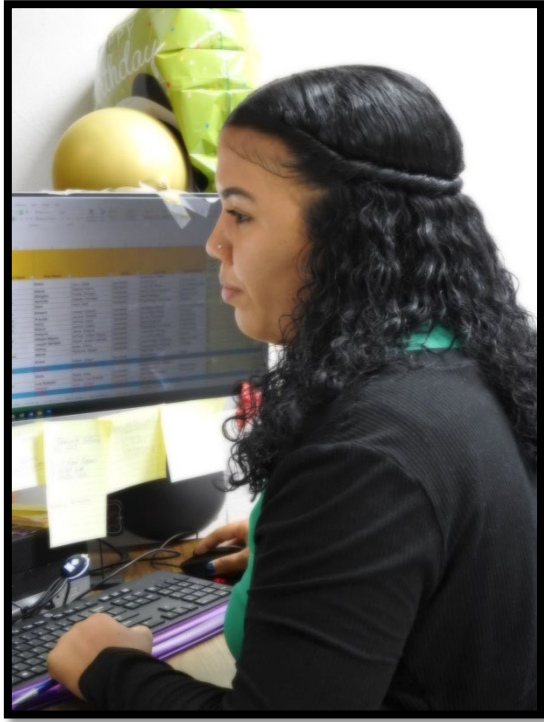
NRA crews were kept busy during the hurricane season as several named storms grazed the Cayman Islands bringing high winds and intense rainfall.

HUMAN RESOURCES

The NRA boasts an all Caymanian staff complement of 82 full time employees with between 10 to 20 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.





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 (20) years of educational experience and practical know-how in urban and regional planning, 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 sector.



Name: Shena Ebanks

Title: Chief Human Resources Officer

Qualifications: Masters 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 - University of Waterloo

Over 20 years' 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 Commerce, Planning and Infrastructure (CP&I) will purchase 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.

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 FY2020 (covering the period of January 1, 2020 to December 31, 2020) 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 two-hundred and six (206) planning applications during 2020.

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	36	6	1
	February	27	6	1
	March	14	3	1
Sub-Total		77	15	3
2	April	8	2	
	May	15	5	
	June	2	1	3
Sub-Total		25	8	3
3	July	7	5	
	August	12	5	
	September	17	5	1
Sub-Total		36	15	1
4	October	39	6	1
	November	19	4	8
	December	10	3	17
Sub-Total		68	13	26
Total		206	51	33



- iii. The following table provides a breakdown of the type of developments since July 2020.

Development Type	Plan Reviews	SWM/ Drainage Plan Reviews	Inspections
Commercial	19	2	2
Government	4	2	2
Hotel	1	2	
Industrial	9	5	2
Institutional	6	2	
Residential	67	31	20
Subdivisions/ Road Base	51	4	7
Mixed-Used Development	3	2	
Miscellaneous	46	1	
Running Total	206	51	33

- iv. Twenty-two (22) due diligence letters were written in response to enquiries 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 Serene Drive (Bodden Town) as a public road.
- b) Development of long-term transportation road corridor plans and conceptual intersection improvements. The team developed intersection design options for the East-West Arterial and Linford Pierson Highway.

3.3.4 Travel Demand Model and Traffic Operation Analysis Model

The National Roads Authority at the beginning of the fiscal year (July 2015) began the process of developing a 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.

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

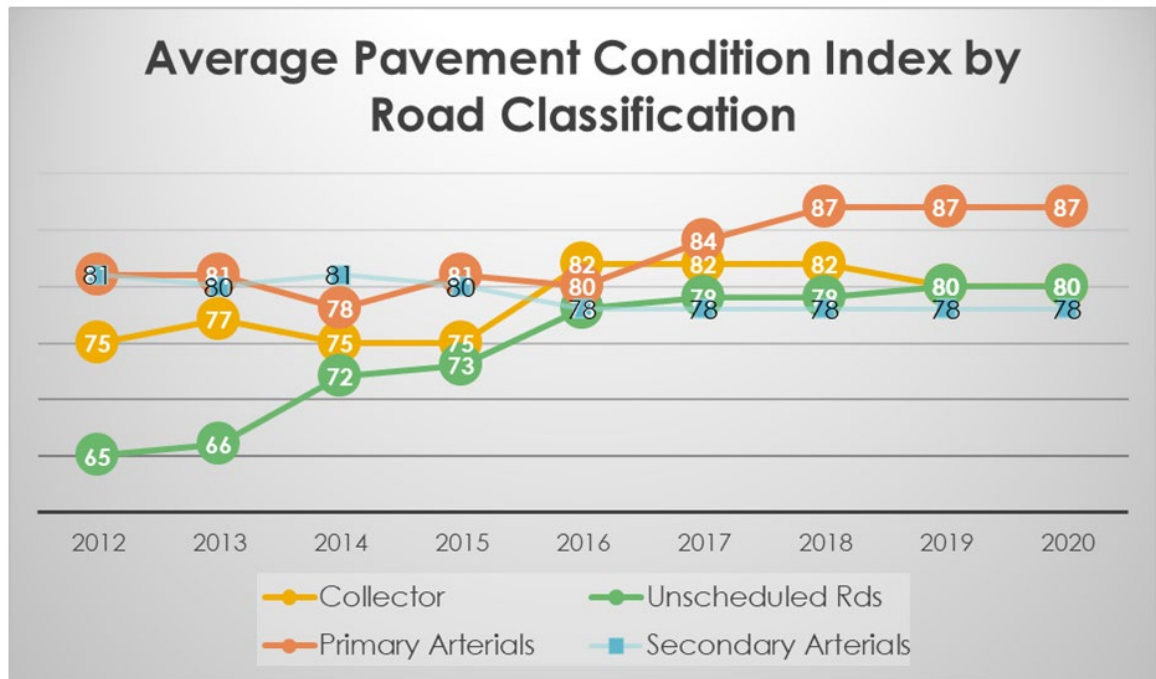
1. A 25-year road corridor plan (Section 26, Roads Act (2005)). This should be updated every five years.
2. A transportation management strategic document that highlights the NRA's short to long term focus on access management, road safety, mobility, interconnectivity, smart growth, etc.
3. NRA funding 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).



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 the majority of roadway traffic throughout the island and as such are prescribed a higher maintenance protocol.

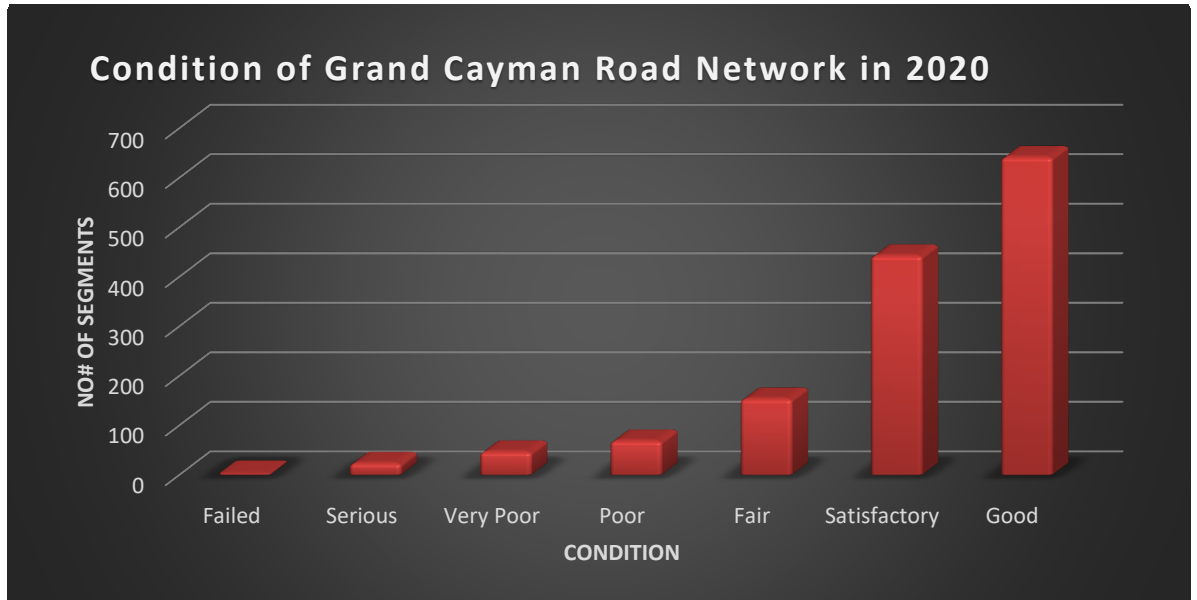


The above chart shows that at the end of FY 2020 all pavement types on Grand Cayman are in an overall 'good' to 'very good' condition. The goal for primary and secondary pavements is that of an average PCI of no less than 80.

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

- 196 lane miles of roads have hot mix asphalt surface.
- 126 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 2020

In 2020 a total of 1383 road segments in the network had condition ratings as follows:

Condition Category	Num Sections
Failed	6
Serious	48
Very Poor	60
Poor	100
Fair	153
Satisfactory	356
Good	585

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 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.

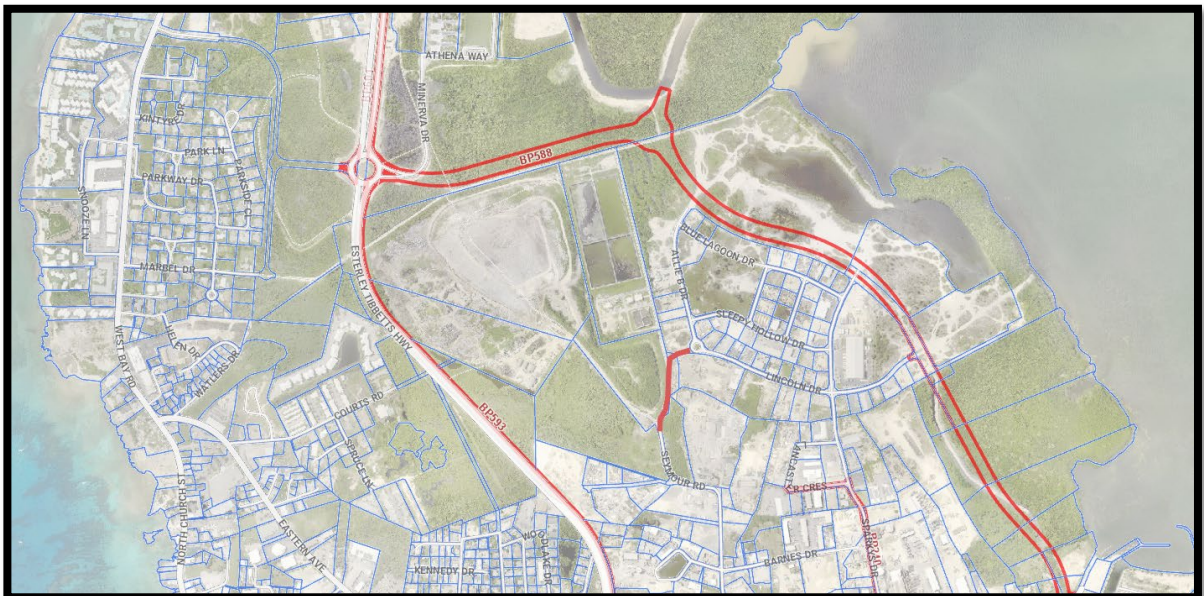


3.6 Executive Assets: Capital Works & Road Surface Upgrades

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:

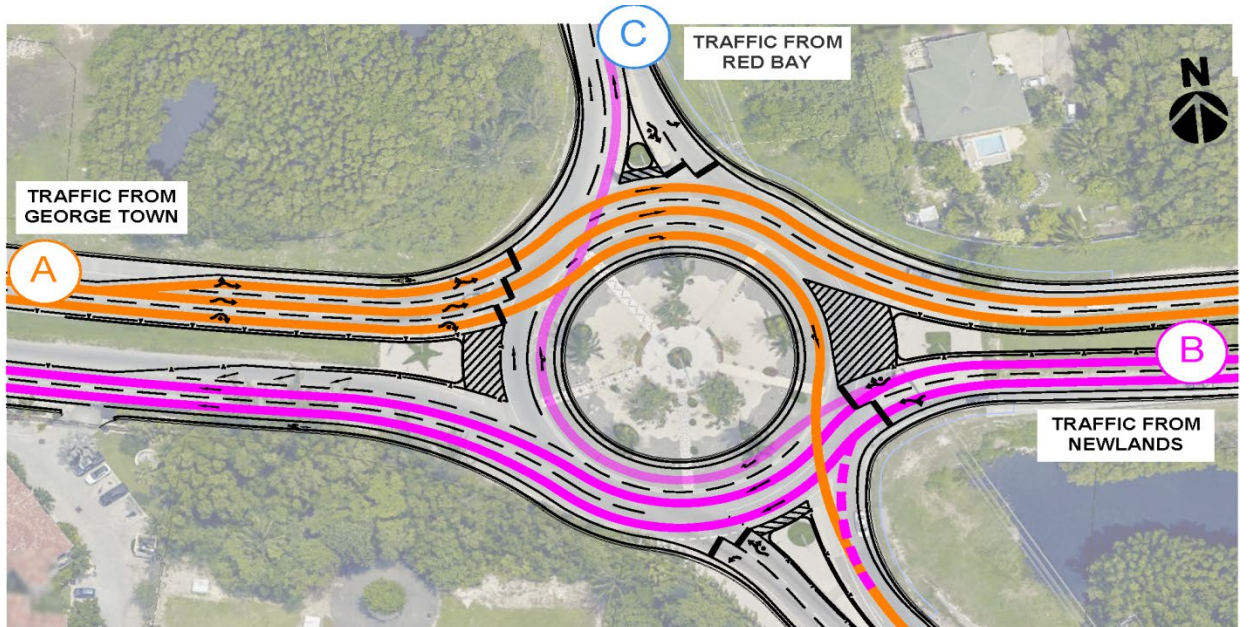
3.6.1 Airport Connector Road (ACR) (\$700K) – Preliminary Works

The ACR project refers to a planned 2.0 mile link road that extends from the Owen Roberts Long Term Carpark to the ETH Roundabout adjacent to the GT Landfill. Preliminary works such as design, geotechnical investigations and tender for construction management services were carried out in 2020.



3.6.2 Chrissie Tomlinson Roundabout Upgrades (\$1.1M)

The NRA was able to take some advantage of the mandatory stay at home restrictions by gaining special exemptions from the Government to carry out geometrical upgrades to the intersection of Hurley Merren Blvd, Shamrock Road, and Rex Crighton Blvd (aka The Chrissie Tomlinson Roundabout). Enhancements to this roundabout included a change from a dual lane roundabout to a three-lane roundabout to facilitate proposed lane widening on both Hurley Merren Blvd and Rex Crighton Blvd. The roundabout also underwent a change from the previous adverse camber profile to an inverted camber. New asphalt paving and new road markings and signage were added to complete the overall upgrades to this intersection.



3.6.3 Grand Harbour Roundabout new lane configuration (\$200K)

In early March the NRA introduced a new lane configuration for the Grand Harbour roundabout that included an expansion to three (3) travel lanes eastbound. New signs and road markings were installed along with cross hatchings to assist motorists with better lane discipline on approach to, and through the roundabout.



3.6.4 Hot Mix Asphalt Surface Upgrades (\$2.7M)

NRA completed hot mix surface upgrades to 21 major roadway segments as highlighted below:

Hot Mix Asphalt Resurfacing Projects 2020

1	Shamrock Road - Daniels Drive to Savannah Avenue (westbound lane)	\$65,020
2	Manse Road - Bodden Town Road Intersection	\$167,516
3	Bodden Town Road - Tarpon Springs to Caribbean Haven	\$497,900
4	Bodden Town Road - east bound lane by Cherry Tree Estates	\$199,200
5	Dorcy Drive - by Subway and Brand Source	\$63,738
6	Shedden Road - Eastern Avenue Intersection	\$65,471
7	Crewe Road - east bound merge lane extension by Joses Esso	\$82,401
8	Elgin Avenue - Hospital Road intersection to Picadilly Centre	\$41,356
9	Elgin Avenue - Hospital Road small roundabout	\$30,495
10	Walkers Road - four (4) way stop to Boilers Road	\$136,162
11	North Sound Road -(Traffic signal to Portland Road)	\$248,038
12	Prospect Point Road	\$226,910
13	Rex Crighton Blvd - Poindexter RAB to Tomlinson RAB	\$252,396
14	Elmslie CT	\$26,455
15	Shedden Road - RBC to Harbour Drive	\$19,464
16	Shedden Road - Funky Tangs to Dr Roys Drive	\$98,284
17	Shedden Road - small section by old Buttonwood Club	\$13,030
18	Shedden Road - Cayman Free Press Bldg to Wagner Bldg	\$130,266
19	Harbour Drive - Flagship Bldg to Margaritaville	\$76,420
20	South Church St. - Paradise Restaurant to Margaritaville	\$168,827
21	Esterley Tibbetts Highway - Ritz Carlton Culvert Bridge	\$128,421
Total		\$2,737,770



3.6.5 NRA District Roads Rehabilitation Programme

NRA completed spray 'n' chip upgrades on forty-three (43) road segments across all five districts for approximately \$800K.

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 n 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.

The COVID shutdown impacted this annual programme severely forcing the NRA to forgo nearly half of the planned district road upgrades for 2020. The West Bay constituencies in particular were left out in 2020. District roads carried out during the year breaks down roughly as follows:

East End Roads FY2020

No.	Suggested Priorities - EAST END	Electoral Boundaries	Road Class	LENGTH	PCI	Type of Work	
1	Survivors Road	EE	UPR	690	53	R&R	\$ 11,995
2	Austin Conolly Drive	EE	PUB	300	23	R&R	\$ 16,974
3	Shoulders by blow holes and clear 12 x 150ft,(complete)	EE	PUB	150		R&R	\$ 6,485

North Side Roads FY2020

No.	Suggested Priorities - NORTH SIDE	Electoral Boundaries	Road Class	LENGTH	PCI	Type of Work	
1	Off The Beaten Path Road	NS	PUB	452		R&C	\$ 22,230
2	Sailors Way	NS	UPR	200		R&C	\$ 6,340
3	FURTHER ROAD Phase 1	NS	PUB	1053		R&C	\$ 148,612

Bodden Town Roads FY2020

No.	Suggested Priorities - BODDEN TOWN	Electoral Boundaries	Road Class	LENGTH	PCI	Type of Work	
1	DEVONSHIRE DRIVE	NWS	UPR	800	37	R&R	\$ 46,309

No.	Suggested Priorities - BODDEN TOWN	Electoral Boundaries	Road Class	LENGTH	PCI	Type of Work	
1	PENNSYLVANIA AVE	SAV	PUB	1791	41	R&R	\$ 48,447
2	CHIME ST	SAV	PUB	1000	45	R&R	\$ 31,110

George Town Roads FY2020

No.	Suggested Priorities - GEORGE TOWN	Electoral Boundaries	Road Class	LENGTH (ft)	PCI	Type of Work	Cost
1	LINWOOD ST	GTC	PUB	598	57	R&R	\$ 9,768
2	HARRIS LN	GTC	UPR	300	40	R&R	\$ 6,721
3	DAMASCUS CL	GTC	UPR	260	40	R&R	\$ 12,805
4	SUSSEX DR	GTC	PUB	380	45	R&R(S&C)	\$ 2,545
5	CARNATION LANE	GTC	PUB	270	40	R&R	\$ 30,363
6	NEVARD CI	GTC	PUB	800	10	R&R	\$ 14,336

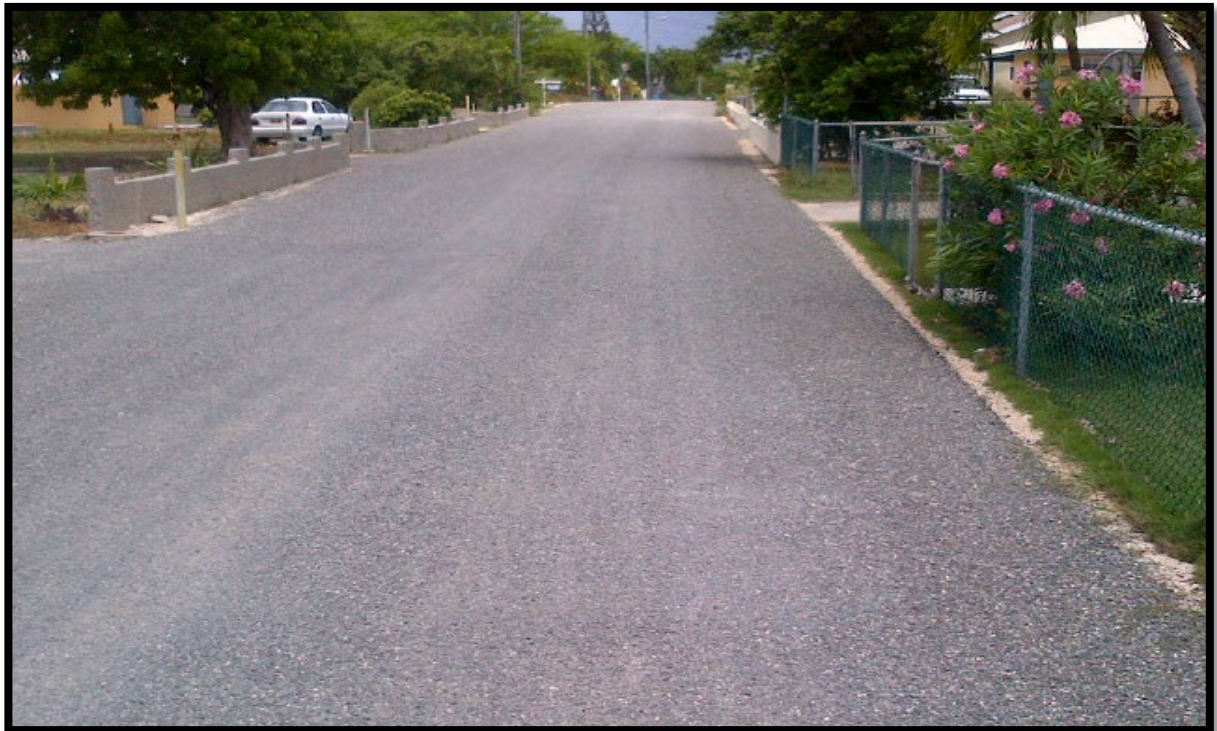
No.	Suggested Priorities - GEORGE TOWN	Electoral Boundaries	Road Class	LENGTH (ft)	PCI	Type of Work	Cost
1	TEMPLETON ST	GTW	PUB	900	70	R&R	\$ 32,227
2	KETURAH ST	GTW	PUB	2100	62	S&C	\$ 32,293
3	PARSONS CIR	GTW	PUB	1200	69	S&C	\$ 11,303
4	HOPE DR	GTW	PUB	820	63	S&C	\$ 4,804
5	LEAFYLN	GTW	PUB	300	59	S&C	\$ 1,105
6	PHELAN CL	GTW	PUB	1000	48	R&R	\$ 8,380
7	TEMPEST WAY	GTW	PUB	550	66	S&C	\$ 7,877

No.	Suggested Priorities - GEORGE TOWN	Electoral Boundaries	Road Class	LENGTH (ft)	PCI	Type of Work	Cost
1	ELLA RAY GDNS	GTE	PUB	700	49	R&R	\$ 3,404
2	HARMONY LN	GTE	UPR	568	51	R&R	\$ 9,056
3	DESMOND DR	GTE	PUB	535	57	S&C	\$ 3,520
4	FAIRVIEW RD	GTE	UPR	1395	60	S&C	\$ 8,202
5	HAVEN CL	GTE	PUB	217	67	R&R	\$ 3,874
6	MELODY LN	GTE	PUB	751	70	S&C	\$ 13,350
7	ANNE BONNY CRES	GTE	PUB	1519	58	S&C	\$ 14,724
8	MARIGOLD CL	GTE	PUB	272	61	S&C	\$ 2,522

No.	Suggested Priorities - GEORGE TOWN	Electoral Boundaries	Road Class	LENGTH (ft)	PCI	Type of Work	Cost
1	MAYFAIR CL	GTS	UPR	187	63	S&C	\$ 12,608

No.	Suggested Priorities - GEORGE TOWN	Electoral Boundaries	Road Class	LENGTH (ft)	PCI	Type of Work	Cost
1	SPRUCE LN	GTN	UPR	722	25	R&R	\$ 24,437
2	LUNA LN	GTN	PUB	148	33	R&R	\$853
3	SATURN CL	GTN	UPR	443	40	R&R	\$ 10,069
4	ARTHURS WAY	GTN	PUB	379	42	R&R	\$827
5	PARKSIDE CL	GTN	PUB	1296	44	R&R	\$ 33,325
6	SPRING LN	GTN	PUB	180	45	R&R (S&C)	\$863
7	WHITEHALL GDNS	GTN	PUB	240	48	R&R	\$ 13,630
8	SHERWOOD DR	GTN	UPR	1158	59	S&C	\$ 23,145
9	COURTS RD	GTN	PUB	1581	61	S&C	\$ 102,520
10	EUPHRATES CL	GTN	PUB	128	63	S&C	\$ 5,320
11	SCHOOL RD	GTN	PUB	1162	63	S&C	\$ 3,840

No.	Suggested Priorities - PROSPECT	Electoral Boundaries	Road Class	LENGTH (ft)	PCI	Type of Work	Cost
1	Bird House CL	Prospect	PUB	300		R&R	\$ 7,590



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:

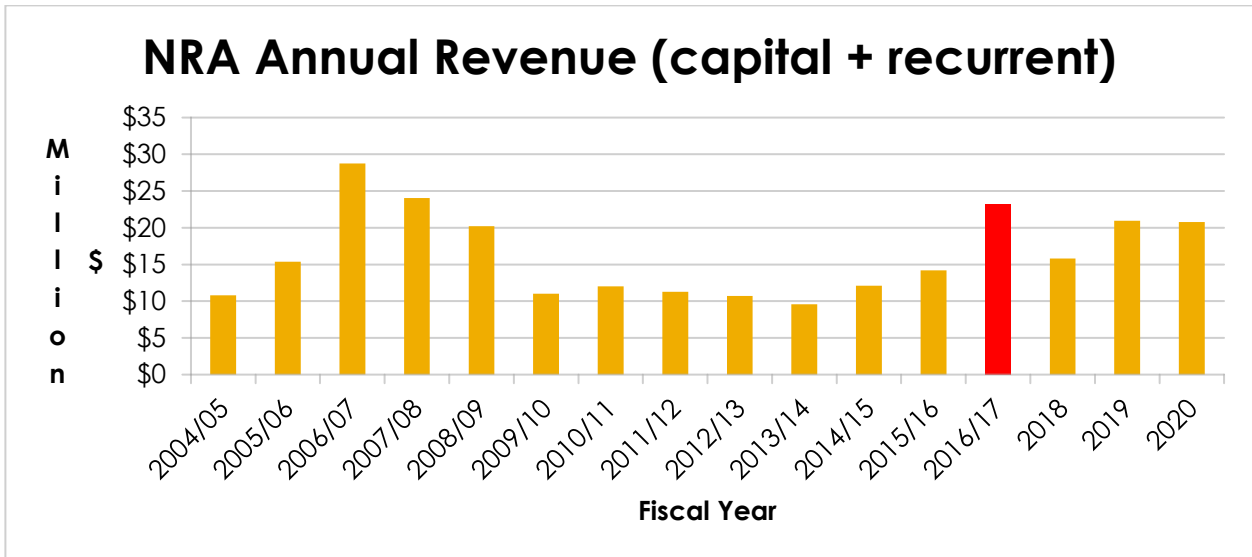
- Necessary amendments to the NRA Act and Roads Act;
- Adaptation of the organizational structure to meet future demands;
- Development of effective administrative, financial and management systems
- Attraction of young professional and technical employees that will

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. Such restriction;

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. Restricts NRA's ability to adequately address long term liability needs such Post-Retirement Healthcare for its employee.

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, roadways that are safe and well maintained.

The cap on the NRA's recurrent revenue has meant that certain key operations and maintenance activities cannot be achieved. The Ministry of Commerce, Planning and Infrastructure 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.

The summary break down of recurrent revenue shortfalls is as follows:

1. Executive and mid-level personnel vacancies (~\$1.0M) – Seven key high level vacancies total approximately 800K per annum in personnel costs.
2. Temporary Hires – The NRA has employed over the last three years, an average of twenty temporary employees (i.e. less than 12 months employment) in order to supplement the workforce as and when needed. The goal however going forward is to be able to retain at least 80% of these workers as full-time staff and employ a

much lower rate of employees on <12 month contracts. The added cost of doing so is approximately **\$500K**.

3. District Road Maintenance NRA 6 (\$1.5M) - The ideal revenue increase for NRA 6 is 2.5M (i.e. a 4.1M annual budget prescribed by Micropaver™ minus current \$1.6M). However, adding \$1.5M to the current \$1.6M yields \$3.1M per annum which would also be very effective in reducing the maintenance backlog. Logical use of the \$3.1M would also involve HMA surfacing of key district roads to prolong service life.
4. Post-Retirement Health Liability (\$1.8M) - The NRA is required to maintain a fund for safeguarding monies for the provision of health insurance for 50+ employees who were civil servants that were impacted by the transfer from PWD to NRA. An actuarial analysis recommends that the NRA reserve an annual amount of \$1.8M for a fund to meet the health insurance needs of these employees upon retirement.

The total recurrent revenue shortfall for the NRA is around \$4.8M which means that ideally the NRA needs to have its annual recurrent revenue at a minimum of \$14M with revenue sources to the Road Fund also structured in a way that allows the Authority to adjust to future growth needs. It is imagined however that if the Ministry of Infrastructure assumes long term responsibility for some of the core operations expenses such as 1) The District Roads Maintenance, 2) New Drain-wells, and 3) The Government Street Lighting Programme, the Authority could operate effectively on a recurrent budget of approximately \$12M in 2021 with provisions for cost of living adjustments going forward.



National Roads Authority Board of Directors, 2020

Section 5 – Executive Assets & Output Accounts

A summary of the Executive Asset and Output accounts as recorded at the fiscal year ending December 31st, 2020 were as shown below:

NATIONAL ROADS AUTHORITY

FUNDS AVAILABLE

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2020

12MONTH BUDGET JAN20-DEC20

	Services to be provided from NRA Road Fund	Current	Amount	Amount	Total	Funds
		Budget	Invoiced	Invoiced	Invoiced	Available
		\$	B/F \$	This Month \$	To Date C/F \$	\$
Planning & Development of New Public Roads	NRA 5	125,000	59,484	21,489	80,972	44,028
Grand Cayman District Roads Programme	NRA 6	-	-	-	-	-
Policy Advice on Road Related Matters	NRA 7	-	-	-	-	-
Storm Water Drain Wells	NRA 8	700,000	716,535	19,125	735,660	(35,660)
Routine Maintenance of Public Roads	NRA 9	6,335,000	5,878,830	545,830	6,424,660	(89,660)
Government Street Lighting Programme	NRA 10	1,000,000	855,389	76,837	932,226	67,774
Pavement Management & Other Roads Asset Mangt. Programmes	NRA 11	25,000	16,280	-	16,280	8,720
Road Safety & Roadside Guard Rail Installation Programme	NRA 12	-	-	-	-	-
Explosive & Blasting Management	NRA 13	15,000	10,202	-	10,202	4,798
Arterial Road Surface Rehabilitation	NRA 14	-	-	-	-	-
Provisions for Other Costs	NRA 15	1,800,000	1,650,000	150,000	1,800,000	-
		10,000,000	9,186,720	813,280	10,000,000	(0)
		Current Budget	Amount Invoiced B/F	Amount Invoiced This Month	Invoiced To Date C/F	Available
	EA's	\$	\$	\$	\$	\$
Miscellaneous Road Surface Upgrades	EA36	-	-	-	-	-
Various District Roads hot mix overlay		3,000,000	-	-	-	-
EA36GUARDRAIL				-	-	-
EA36CAPITAL DRAINS PROJECT			510,314	68,890	579,204	
EA36 MISC.EXEC.ASSET ROADWORKS			2,846,531	298,132	3,144,662	(723,866)
NICE Project				79,976	79,976	
EA150 Assist DVDL proc.poles/mount hardware EVR system	EA150	100,000	46,394	8,627	55,021	44,979
EA148 Major Road Works - expansion Projects	EA148	10,000,000				
EA148B600			410,247	101,029	511,276	
EA148GT01 SHAMROCK/HIRST RD					-	
EA148GT02 NORTH CHURCH ST					-	
EA148GT05 CNB RAB to Mango Tree connector (EA142GT05 Explorer)					-	
EA148GT04-Linford Pearson Highway widening (EA142GT04 Explorer)			85,370	5,740	91,110	
EA148GT05 SELKIRK DRIVE/ABBEY WAY					-	
EA148 VAR DISTRICT PROJECTS			4,928,944	143,647	5,072,591	
EA148GT041 Island Heritage RAB					-	3,510,429
EA148GT25 Airport Connector Road			695,510	119,084	814,594	
EA147BT03-Ministry Minor Works (Bodden Town)			17,676	-	17,676	17,676
		13,100,000	9,540,986	825,124	10,366,109	2,849,219

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	2020 Actual \$
Revenue	20,757,037
Operating Expenses	22,229,639
Net Surplus(Deficit)	(1,472,602)

Balance Sheet	2020 Actual \$
Total Assets	15,593,583
Total Liabilities	35,769,616
Total Net Worth	(20,176,033)

Statement of Cash Flows	2020 Actual \$
Net cash flows from operating activities	3,029,973
Net cash flows from investing activities	(573,917)
Net cash flows from financing activities	–

Equity Investments

Transaction	2020 Actual \$
EI 8: Equity Investments into National Roads Authority	Nil

Capital Withdrawals

Transaction	2020 Actual \$
Capital Withdrawals from National Roads Authority.	Nil

Dividends or Profit Distributions

Transaction	2020 Actual \$
Dividend or Profit Distributions to be made by National Roads Authority.	Nil

Loans

Transaction	2020 Actual \$
Government Loans to be made to National Roads Authority.	Nil

Guarantees

Transaction	2020 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 and other Key Management Personnel	\$921K
No of Key Management Personnel	7
No of Senior Management	3

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.

Capital Maintenance

Human Capital Measures	2020 Actual \$
Total full time equivalent staff	82
Staff turnover (%)	-
Average length of service (Number)	
Senior management	14.33(3)
Professional staff	14.71(29)
Administrative staff	13.22(50)
Significant changes to personnel management system	None

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

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

Audited Financial Statements

December 31, 2020

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**National Roads Authority
Financial Statements
31 December 2020**

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 law, and properly record the financial transactions of the National Roads Authority.


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

The financial statements fairly present the statement of financial position, statement of financial performance, statement of changes in net worth and statement of cash flows for the year ended 31 December 2020.

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 2020;
- (b) fairly reflect the financial position as at 31 December 2020 and performance for the year ended 31 December 2020; and
- (c) comply with International Public Sector Accounting Standards as set out by the International Public Sector Accounting Standards Board. Where additional guidance is required, International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board are used.

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.



John Edwards Ebanks
Chairman
National Roads Authority



Edward Howard
Managing Director
National Roads Authority

April 30, 2021

April 30, 2021

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 2020 and the statement of financial performance, statement of changes in net worth and statement of cash flows for the year ended 31 December 2020, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 8 to 34.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2020 and its financial performance and its cash flows for the year ended 31 December 2020 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.

Emphasis of Matter

As outlined in note 14 of the financial statements, The Public Authorities Act (2020 Revision), Section 47 - Terms and conditions and remuneration of staff came into effect on 1 June 2019 and required all Statutory Authorities and Government Companies to comply with its requirements to standardise salaries and benefits. At the date of this report, the process to complete this standardisation has not been completed. My opinion is not modified in respect of this matter.

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

Management is responsible for the preparation 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 and fair presentation 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

30 April 2021
Cayman Islands

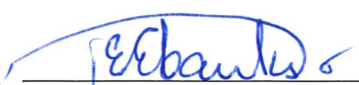


National Roads Authority
Statement of Financial Position
As at 31 December 2020
(Stated in Cayman Islands Dollars)

	Note	2020 \$	2019 \$
ASSETS			
Current Assets			
Cash and cash equivalents	3	9,433,504	6,977,448
Accounts receivable and prepayments	4	3,472,589	2,896,147
Inventories	5	37,541	53,852
Total Current Assets		12,943,634	9,927,447
Non-Current Assets			
Property, plant and equipment	6	2,649,949	2,521,025
Total Assets		15,593,583	12,448,472
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	7	3,045,780	1,645,406
Employee entitlements	8	62,836	93,497
Total Current Liabilities		3,108,616	1,738,903
Non-Current Liability			
Pension liability	11	2,889,000	1,041,000
Post-retirement health liability	12	29,772,000	24,884,000
Total Non-Current Liabilities		32,661,000	25,925,000
Total Liabilities		35,769,616	27,663,903
Net Assets		(20,176,033)	(15,215,431)
Net Worth			
Contributed capital	9	4,653,535	4,653,535
Accumulated Deficits		(24,829,568)	(19,868,966)
Total Net Worth		(20,176,033)	(15,215,431)

The accompanying notes on pages 8 - 34 form an integral part of these financial statements.

Approved on behalf of the Board on the 30 of April 2021.


John Edwards Ebanks
Chairman


Edward Howard
Managing Director



National Roads Authority
Statement of Financial Performance
For the year ended 31 December 2020
(Stated in Cayman Islands Dollars)

	Note	2020 \$	2019 \$
REVENUE	13	20,757,037	20,953,909
COST OF GOODS SOLD			
Subcontractors		7,225,695	6,384,831
Materials		2,035,663	1,970,681
Labour		2,826,774	2,603,843
Hired equipment		39,514	5,487
Total Cost of Goods Sold		12,127,646	10,964,842
NET REVENUE		8,629,391	9,989,067
OPERATING EXPENSES			
Personnel costs	10	4,095,928	3,869,709
Post- retirement health liability	12	2,666,000	1,679,000
Utilities		985,640	1,148,044
Motor vehicle expenses (including insurance)		658,377	726,737
Depreciation	6	463,293	498,984
Past service pension	11	582,000	205,829
Computer maintenance and fees		163,289	167,407
Professional fees		130,971	101,490
Building maintenance		84,735	142,110
Telephone		45,387	47,670
Supplies and consumables		77,876	34,885
Advertising and promotion		40,556	16,900
Bank charges		8,656	8,186
Doubtful debt expense	4	73,523	-
Insurance		10,527	5,933
Office rental		15,235	1,432
Total Operating Expenses		10,101,993	8,654,316
(DEFICIT)/ SURPLUS		(1,472,602)	1,334,751

The accompanying notes on pages 8 - 34 form an integral part of these financial statements.



National Roads Authority
Statement of Changes in Net Worth
For the year ended 31 December 2020
(Stated in Cayman Islands Dollars)

	Note	Accumulated Surplus/ (Deficit) \$	Contributed Capital \$	Total \$
Balance at 31 December 2018		(13,561,717)	4,653,535	(8,908,182)
2019 surplus		1,334,751	-	1,334,751
Remeasurement of employment benefit obligation	11	18,000	-	18,000
Remeasurement of post-retirement health obligation	12	(7,660,000)	-	(7,660,000)
Balance at 31 December 2019		(19,868,966)	4,653,535	(15,215,431)
2020 deficit		(1,472,602)	-	(1,472,602)
Remeasurement of employment benefit obligation	11	(1,266,000)	-	(1,266,000)
Remeasurement of post-retirement health obligation	12	(2,222,000)	-	(2,222,000)
Balance at 31 December 2020		(24,829,568)	4,653,535	(20,176,033)

The accompanying notes on pages 8 - 34 form an integral part of these financial statements.

National Roads Authority
Statement of Cash Flows
For the year ended 31 December 2020
(Stated in Cayman Islands Dollars)

	Note	2020 \$	2019 \$
CASH FLOWS USED IN OPERATING ACTIVITIES			
(Deficit)/ Surplus		(1,472,602)	1,334,751
Adjustment for non-cash transactions:			
Depreciation	6	463,293	498,984
Post-retirement health liability – Defined benefit cost		2,823,000	1,795,000
Past service pension – Defined benefit cost		348,000	288,000
Past service pension – Net transfer in (business combination/divestitures)		324,000	-
Doubtful debt expense	4	73,523	-
Gain on disposal of property, plant and equipment		(18,300)	(25,000)
Total		2,540,914	3,891,735
Net change in working capital			
Increase in accounts receivable and prepayments		(649,965)	(696,093)
Decrease in inventories		16,311	41,309
Increase in accounts payable and accrued liabilities		1,369,713	421,690
Post-retirement health liability – Employer contributions		(157,000)	(116,000)
Past service pension – Employer contributions		(90,000)	(141,000)
Net cash flows from operating activities		3,029,973	3,401,641
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	(592,217)	(361,790)
Proceeds on sale of property, plant and equipment		18,300	25,000
Net cash flows used in investing activities		(573,917)	(336,790)
CASH FLOWS FROM FINANCING ACTIVITIES			
Equity investment		-	-
Net cash flows from financing activities		-	-
Net increase in cash and cash equivalents during the year		2,456,056	3,064,851
Cash and cash equivalents at the beginning of the year		6,977,448	3,912,597
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	9,433,504	6,977,448

The accompanying notes on pages 8 - 34 form an integral part of these financial statements.



National Roads Authority
Notes to the financial statements
For the year ended 31 December 2020
(Stated in Cayman Islands Dollars)

1. Establishment and Principal Activity

The National Roads Authority (“NRA” or “Authority”) is an independent Statutory Authority which was created on 1 July 2004 by the National Roads Authority Act, 2004. The Authority reports on its operations to the Ministry of Commerce, Planning & Infrastructure (“MCPI”) of the Cayman Islands Government.

The NRA was created to administer, manage, control, develop and maintain the Cayman 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.

Section 19 of the *National Roads Authority Act (2006 Revision)* was repealed effective on 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 ten million dollars, 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 2020, the NRA had 82 employees (31 December 2019: 90 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 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 2020 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:

IPSAS 41, Financial Instruments was issued in August 2018 and shall be applied for financial statements covering periods beginning on or after 1 January 2023. IPSAS 41 establishes new requirements for classifying, recognizing and measuring financial instruments to replace those in IPSAS 29, Financial Instruments: Recognition and Measurement. It is anticipated that IPSAS 41 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.

2. Significant Accounting Policies (continued)

(a) Basis of preparation (continued)

Corresponding amounts

The corresponding amounts are the audited amounts for the year ended 31 December 2019. When presentation or classification of items in the financial statements is amended or accounting policies are changed, comparative figures are restated to ensure consistency with the current year unless it is impracticable to do so.

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

(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 financial performance.

(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 - 20 Years

(e) Accounts 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.

National Roads Authority
Notes to the financial statements (continued)
For the year ended 31 December 2020
(Stated in Cayman Islands Dollars)

2. Significant Accounting Policies (continued)

(g) Accounts payable and accrued liabilities

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

(h) 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.

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.

National Roads Authority
Notes to the financial statements (continued)
For the year ended 31 December 2020
(Stated in Cayman Islands Dollars)

2. Significant Accounting Policies (continued)

(i) 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.

(j) Expense and costs of goods sold recognition

Expenses and costs of goods sold are recognised when incurred.

(k) 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.

(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 financial performance.

(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.

National Roads Authority
Notes to the financial statements (continued)
For the year ended 31 December 2020
(Stated in Cayman Islands Dollars)

2. Significant Accounting Policies (continued)

(k) Financial Instruments (continued)

(vi) Interest Rate Risk

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

3. Cash and Cash Equivalents

	2020	2019
	\$	\$
Bank account	3,949,383	3,298,474
Short term deposits	5,484,121	3,678,974
Total Cash and Cash Equivalents	<u>9,433,504</u>	<u>6,977,448</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 2020, Management approved additional contributions of \$1,800,000. 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 \$29,772,000. Ongoing steps are being pursued by the NRA 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

	2020	2019
	\$	\$
Receivables from Core Government	3,174,798	2,516,981
Receivables from other government agencies	6,577	6,893
Other accounts receivable and prepayments	290,764	370,142
Staff loans	450	2,131
Total Accounts Receivable	<u>3,472,589</u>	<u>2,896,147</u>

Receivables from core government are net of provisions for doubtful debts of \$73,523 (2019: nil) relating to street lighting costs from June 2014 not recovered from MCPI.

5. Inventories

	2020	2019
	\$	\$
Finished Goods - Cayman Rock	-	2,801
Finished Goods - AE60	14,929	10,086
Finished Goods - Crusher Run	12,420	24,280
Finished Goods - 3/8 Washed Chips	2,761	5,070
Finished Goods – Sand	1,292	1,219
Finished Goods – Concrete Stone	6,139	10,396
Total Inventories	<u>37,541</u>	<u>53,852</u>

National Roads Authority
Notes to the financial statements (continued)
For the year ended 31 December 2020
(Stated in Cayman Islands Dollars)

6. Property, Plant and Equipment

	Vehicles & Heavy Equipment	Furniture & Fixtures & Office Equipment	IT Equipment	Other Plant & Equipment	Leasehold Improvement	Total
Cost	\$	\$	\$	\$	\$	\$
Opening 2019	3,703,862	180,971	314,604	2,805,167	273,837	7,278,441
Additions 2019	157,776	86,223	38,669	79,121	-	361,789
Asset write-backs	-	-	-	13,858	-	13,858
Asset write-offs	(192,982)	-	(72,742)	-	-	(265,724)
Disposals 2019	(37,760)	-	-	-	-	(37,760)
As at 2019	3,630,896	267,194	280,531	2,898,146	273,837	7,350,604
Additions 2020	351,741	1,542	9,029	229,905	-	592,217
Disposals 2020	(182,004)	-	-	(34,560)	-	(216,564)
As at 2020	3,800,633	268,736	289,560	3,093,491	273,837	7,726,257
Accumulated Depreciation						
Opening 2019	2,559,002	156,894	250,941	1,379,547	273,837	4,620,221
Depreciation 2019	230,592	5,202	18,154	245,036	-	498,984
Write-backs	-	-	-	13,858	-	13,858
Write-offs	(192,982)	-	(72,742)	-	-	(265,724)
Depreciation on Disposal 2019	(37,760)	-	-	-	-	(37,760)
As at 2019	2,558,852	162,096	196,353	1,638,441	273,837	4,829,579
Depreciation 2020	167,300	17,969	23,524	254,500	-	463,293
Depreciation on Disposal 2020	(182,004)	-	-	(34,560)	-	(216,564)
As at 2020	2,544,148	180,065	219,877	1,858,381	273,837	5,076,308
Net Book Value - 2019	1,072,044	105,098	84,178	1,259,705	-	2,521,025
Net Book Value - 2020	1,256,485	88,671	69,683	1,235,110	-	2,649,949

During 2019, management performed a reconciliation between the asset register maintained by the Finance Department and that maintained by the Fleet Manager. The reconciliation resulted in the asset write-backs and write-offs reflected in the movement schedule. The net book value of the assets written off and the assets written back is \$0 (Nil).

National Roads Authority
Notes to the financial statements (continued)
For the year ended 31 December 2020
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7. Accounts Payable and Accrued Liabilities

	2020	2019
	\$	\$
Trade creditors	2,843,253	1,584,924
Accruals	139,325	10,634
Wages payable	63,202	49,848
Total Accounts Payable and Accrued Liabilities	3,045,780	1,645,406

Trade creditors include \$75,814 (2019: \$168,935) relating to retentions on road construction contracts. The retentions are generally payable to sub-contractors 6 months after road construction works are completed to the Authority's satisfaction and defects in materials and workmanship, if any, have been corrected.

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 \$62,836 (2019: \$93,497).

9. Contributed Capital

During the year, the Authority received no equity injections (2019: Nil).

10. Personnel Costs

	2020	2019
	\$	\$
Salaries and wages	2,081,370	2,001,223
Health insurance	1,607,309	1,454,889
Employer and employee pension expenses	288,195	218,809
Vacation due	(30,660)	28,893
Other personnel costs	149,714	165,895
Total Personnel Costs	4,095,928	3,869,709

11. Pensions

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

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.

National Roads Authority
Notes to the financial statements (continued)
For the year ended 31 December 2020
(Stated in Cayman Islands Dollars)

11. Pensions (continued)

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.

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:

	2020	2019
	\$000	\$000
Defined benefit obligation	8,313	5,903
Fair value of plan assets	5,424	4,862
Funded status	2,889	1,041
Net liability	2,889	1,041

The change in defined benefit obligation is as follows:

	2020	2019
	\$000	\$000
Defined benefit obligation at end of prior year	5,903	4,759
Service Cost	318	253
Interest expense	186	200
Cash flows	75	(144)
Remeasurements	1,831	835
Defined benefit obligation at end of year	8,313	5,903

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

	2020	2019
	\$000	\$000
Fair value of plan assets at end of prior year	4,862	3,847
Interest Income	156	165
Cash flows – employer and participant contributions	165	(3)
Other Significant events - Business combinations/divestitures/transfers	(324)	-
Remeasurements	565	853
Fair value of plan assets at end of year	5,424	4,862

National Roads Authority
Notes to the financial statements (continued)
For the year ended 31 December 2020
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11. Pensions (continued)

The net defined benefit liability (asset) reconciliation:

	2020	2019
	\$000	\$000
Net defined benefit liability as of beginning of year	1,041	912
Defined benefit cost included in the Profit & Loss	348	288
Total remeasurements included in the Statement of Changes in Net Worth (SCNW)	1,266	(18)
Other Significant events - Business combinations/divestitures/transfers	324	-
Cash flows	(90)	(141)
Net defined benefit liability as of end of year	<u>2,889</u>	<u>1,041</u>

The components of defined benefit cost are as follows:

	2020	2019
	\$000	\$000
Service Cost	318	253
Net interest cost		
Interest expense on DBO	186	200
Interest (income) on plan assets	(156)	(165)
Total net interest cost	30	35
Defined benefit cost included in Profit & Loss (P&L)	348	288
Effect of changes in demographic assumptions	(234)	(26)
Effect of changes in financial assumptions	1,562	1,279
Effect of experience adjustments	503	(418)
(Return) on plan assets (excluding interest income)	(565)	(853)
(Return) on reimbursement rights (excluding interest income)	-	-
Changes in asset ceiling/onerous liability (excluding interest income)	-	-
Total remeasurements included in the SCNW	1,266	(18)
Total defined benefit cost recognized in the P&L and SCNW	<u>1,614</u>	<u>270</u>

The sensitivity analysis on defined benefit obligation is shown below:

	2020	2019
	\$000	\$000
<i>Present value of defined benefit obligation</i>		
Effective discount rate – 25 basis points	8,830	6,252
Effective discount rate + 25 basis points	7,835	5,579
Price inflation rate – 25 basis points	7,849	5,589
Price inflation rate + 25 basis points	8,812	6,240
Mortality assumption - 10%	8,554	6,053
Mortality assumption + 10%	8,095	5,765
<i>Weighted average duration of defined benefit obligation (in years)</i>		
Effective discount rates – 25 basis points	24.13	22.98
Effective discount rates + 25 basis points	23.69	22.58

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

	Amount (\$000)	
Expected employer contributions	132	92

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

The significant actuarial assumptions are presented below:

Weighted-average assumptions to determine defined benefit obligations

	2020	2019
1. Effective discount rate for defined benefit obligation	2.60%	3.50%
2. Rate of salary increase	2.50%	2.50%
3. Rate of price inflation	2.00%	2.00%
4. Rate of pension increases	2.00%	2.00%
5. Post-retirement mortality table	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally Projected using Scale MP-2020	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally Projected using Scale MP-2019
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

	2020	2019
1. Effective rate for net interest cost	3.15%	4.20%
2. Effective discount rate for service cost	3.60%	4.55%
3. Effective rate for interest on service cost	3.40%	4.40%
4. Rate of salary increase	2.50%	2.50%
5. Rate of price inflation	2.00%	2.00%
6. Rate of pension increases	2.00%	2.00%
7. Post-retirement mortality table	RP-2014 scaled back to 2006 using scale MP-2014 then generational projected from 2006 using Scale MP-2019	RP-2014 scaled back to 2006 using scale MP-2014 then generational projected from 2006 using Scale MP-2018

National Roads Authority
Notes to the financial statements (continued)
For the year ended 31 December 2020
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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 based on the rate of return earned by the Fund. Based on the data provided, the gross rate of return earned by the Fund over the 12-month period, 1 January 2020 to 31 December 2020, was 15.61% per annum (2019: 26.66%). 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 2020 as well as asset value as at 31 December 2019 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 2020 and 31 December 2019, the Fund was invested as follows:

Plan Assets by Asset Category	2020		2019	
	(\$000)	Percentage	(\$000)	Percentage
Global equities securities	816,513	82%	680,288	79%
Debt securities	177,719	18%	167,692	20%
Cash	3,398	0%	10,444	1%
Total	997,630	100%	858,424	100%

For fiscal 2020, the Defined Contribution portion of the Fund totaled to \$423,060,600 and \$400,941,600 as at 31 December 2019 as provided by PSPB.

The share of the Fund that has been notionally allocated to NRA with regards to its participation in the Defined Benefit Part of the Plan is \$5,424,000 as at 31 December 2020 (2019: \$4,862,000).

The Actuarial Assumptions

The actuarial assumptions have been approved by the Financial Secretary, the main sponsor of the Plan. Consideration has been given to the impact of COVID-19 on the actuarial assumptions, however at this time, there remains a great deal of uncertainty and as a result, Mercer did not feel it necessary to make any changes to the assumptions as a direct result of the pandemic. The principal financial and demographic assumptions used at 31 December 2020 and 31 December 2019 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
Notes to the financial statements (continued)
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11. Pensions (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	2020	2019
Discount rate		
- BOY benefit obligation disclosure	3.50%	4.50%
- BOY benefit obligation disclosure	2.60%	3.50%
- Following year current service cost	2.70%	3.60%
- Rate used to determine interest on defined benefit obligation and plan assets for following year expenses	2.20%	3.15%
- Rate used to determine interest on current service cost for following year expenses	2.50%	3.40%
Increases in pensionable earnings	2.50%	2.50%
Rate of Pension Increases	2.00%	2.00%

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

	2020	2019
Mortality		
BOY disclosure and current year expense	RP-2014 scaled back to 2006 using Scale MP-2014, then generationally projected from 2006 using Scale MP-2019.	RP-2014 scaled back to 2006 using Scale MP-2014, then generationally projected using Scale MP-2018.
EOY disclosure and following year expense	RP-2014 scaled back to 2006 using Scale MP-2014, then generationally projected from 2006 using Scale MP-2020	RP-2014 scaled back to 2006 using Scale MP-2014, then generationally projected using Scale MP-2019
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) 28.45 Retiring in 25 years (at age 57): 30.61	Retiring today (member age 57) 28.66 Retiring in 25 years (at age 57): 30.93
Liability Cost Method	Projected unit credit method	Projected unit credit method
Measurement Date	2020	2019
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 (continued)
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12. Defined benefit liability: Post-retirement health liability

The National Roads Authority provides health care benefits to staff members that transferred from Public Works Department in accordance to the National Roads Authority Act, 2004. 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 National Roads Authority for all eligible retirees until the end of their lives. This coverage falls within the definition of a defined benefit by the International Public Sector Accounting Standards and as such represents a future liability of the National Roads Authority. The National Roads 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. International Public Sector Accounting Standards 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 National Roads Authority has a present value net defined benefit obligation of \$29,772,000 at the end of the financial year 31 December 2020 (2019: \$24,884,000). 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 \$29,772,000. Ongoing steps are being pursued by the NRA 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
Notes to the financial statements (continued)
For the year ended 31 December 2020
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12. Defined benefit liability: Post-retirement health liability (continued)

Plan Name Financial year ending on:	National Roads Authority	
	31 Dec 2020 \$	31 Dec 2019 \$
A. Change in defined benefit obligation		
1. Defined benefit obligation at end of prior year	24,884,000	15,545,000
2. Service cost		
a. Current service cost	1,993,000	1,121,000
b. Past service cost	-	-
c. (Gain) / loss on settlements	-	-
3. Interest expense	830,000	674,000
4. Cash flows		
a. Benefit payments from plan assets	-	-
d. Benefit payments from employer	(157,000)	(116,000)
5. Other significant events		
6. Remeasurements		
a. Effect of changes in demographic assumptions	(4,817,000)	1,597,000
b. Effect of changes in financial assumptions	5,892,000	5,030,000
c. Effect of experience adjustments	1,147,000	1,033,000
7. Effect of changes in Foreign exchange rates	-	-
8. Defined benefit obligation at the end of year	<u>29,772,000</u>	<u>24,884,000</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	157,000	116,000
iii. Employer direct settlement payments	-	-
b. Participant contributions	-	-
c. Benefit payments from plan assets	-	-
d. Benefit payments from employers	(157,000)	(116,000)
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>
C. Amounts recognized in the statement of financial position		
1. Defined benefit obligation	29,772,000	24,884,000
2. Fair value of plan assets	<u>-</u>	<u>-</u>
3. Funded status	29,772,000	24,884,000
4. Effect of asset ceiling/onerous liability	-	-
5. Net defined benefit liability/(asset)	<u>29,772,000</u>	<u>24,884,000</u>

National Roads Authority
Notes to the financial statements (continued)
For the year ended 31 December 2020
(Stated in Cayman Islands Dollars)

12. Defined benefit liability: Post-retirement health liability (continued)

Financial year ending on:	31 Dec 2020	31 Dec 2019
	\$	\$
D. Components of defined benefit cost		
1. Service cost	1,993,000	1,121,000
a. Current service cost	-	-
b. Reimbursement service cost	-	-
c. Past service cost	-	-
d. (Gain) / loss on settlements	-	-
e. Total service cost	1,993,000	1,121,000
2. Net interest cost		
a. Interest expense on Defined Benefit Obligation (DBO)	830,000	674,000
b. Interest /(income) on plan assets	-	-
c. Total net interest cost	830,000	674,000
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)	2,823,000	1,795,000
6. Remeasurements (recognized in the Statement of Changes in Net Worth)		
a. Effect of changes in demographic assumptions	(4,817,000)	1,597,000
b. Effect of changes in financial assumptions	5,892,000	5,030,000
c. Effect of experience adjustments	1,147,000	1,033,000
d. Total remeasurement included in the Statement of Changes in Net Worth	2,222,000	7,660,000
7. Total defined benefit cost recognized in the P&L and SCNW	5,045,000	9,455,000
E. Net defined benefit liability/(asset) reconciliation		
1. Net defined benefit liability/(asset)	24,884,000	15,545,000
2. Defined benefit cost included in P&L	2,823,000	1,795,000
3. Total remeasurement included in OCI	2,222,000	7,660,000
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	(157,000)	(116,000)
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	29,772,000	24,884,000
F. Define benefit obligation		
1. Defined benefit obligation by participant status		
a. Actives	22,279,000	19,045,000
b. Vested deferred	-	-
c. Retirees	7,493,000	5,839,000
d. Total	29,772,000	24,884,000

National Roads Authority
Notes to the financial statements (continued)
For the year ended 31 December 2020
(Stated in Cayman Islands Dollars)

12. Defined benefit liability: Post-retirement health liability (continued)

Financial year ending on	31 Dec 2020	31 Dec 2019
G. Significant actuarial assumptions		
<i>Weighted-average assumptions to determine defined benefit obligations</i>		
Discount rate	2.70%	3.60%
Health care cost trend rates		
Immediate trend rate	5.00%	5.00%
Ultimate trend rate	5.00%	5.00%
Year rate reaches ultimate trend rate	N/A	N/A
Post- retirement mortality assumption	RP-2014 Projected w/MP-2020	RP-2014 Projected w/MP-2019
 <i>Weighted-average assumptions to determine defined benefit cost</i>		
Effective discount rate for defined benefit obligation		
Effective rate for net interest cost	3.60%	4.55%
Effective discount rate for service cost	3.35%	4.35%
Effective rate for interest on service cost	3.70%	4.60%
Health care cost trend rates		
Immediate trend rate	5.00%	5.00%
Ultimate trend rate	5.00%	5.00%
Year rate reaches ultimate trend rate	N/A	N/A
Post- retirement mortality assumption	RP-2014 Projected w/MP 2019	RP-2014 Projected w/MP 2018
 H. Sensitivity analysis		
<i>Present value of defined benefit obligations</i>		
Effective Discount rate - 25 basis points	2,022,000	1,593,000
Effective Discount rate + 25 basis points	(1,863,000)	(1,471,000)
Health care cost trend rates – 100 basis points	(6,450,000)	(5,145,000)
Health care cost trend rates + 100 basis points	8,694,000	6,886,000
Mortality assumption + 1 year life expectancy	(1,468,000)	(1,141,000)
 I. Expected cash flows for following year		
a. Expected employer contributions	197,000	185,000
b. Expected contributions to reimbursement rights	-	-
c. Expected total benefit payments		
Year 1	197,000	185,000
Year 2	2223,000	236,000
Year 3	250,000	279,000
Year 4	279,000	306,000
Year 5	313,000	334,000
Next 5 years	2,329,000	2,504,000

National Roads Authority
Notes to the financial statements (continued)
For the year ended 31 December 2020
(Stated in Cayman Islands Dollars)

12. Defined benefit liability: 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 NRA, 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 2020 and 31 December 2019 are shown in the table below:

Economic Assumptions	Postretirement Healthcare	Basis of Development – Accounting Specific Assumptions
Discount rate benefit obligation(p.a)		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.
- 31 December 2019	3.60% per annum	
- 31 December 2020	2.70% per annum	
Discount rate next year service costs(p.a)		
- 31 December 2019	3.70% per annum	
- 31 December 2020	2.75% per annum	
Administrative expenses	Included in projected premiums	
Rate of Medical Inflation (p.a)	5.00%	Based on an analysis of historical claims information and long-term medical inflation expectations.

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 2019 31 December 2020	Scale MP-2019 Scale MP-2020	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-2020. The prior valuation used scale MP-2019.
Turnover rates	Age & gender based rates – see below	
Disability rates	None assumed	
Retirement Age as per Public Service Pension Plan	Age & gender based rates – see below	
Material assumption	80% married, wife 3 years younger	
2019 healthcare claims cost assumption	Health \$12,675 per participant Dental \$1,480 per participant	Based on 1 July 2016 and 2020 age-banded premium rates. Note that the 2016 assumption was that dental costs were 10\$ of combined medical and dental costs.
2020 healthcare claims cost assumption	Health \$12,530 per participant Dental \$205 per participant	Based on actual CIG Pensioner claims experience from 1 January 2018 to 31 December 2019, in 2021 dollars. Medical and dental claims were analysed separately.
Healthcare coverage – future pensioners	Male 27% single, 73% family Female 50% single, 50% family	Based on CIG experience
Healthcare utilization changes due to age	Mercer standard healthcare aging assumptions for medical and dental	Based on analysis of healthcare utilization for Mercer clients in Canada and US and by reference to Society of Actuaries studies.

National Roads Authority
Notes to the financial statements (continued)
For the year ended 31 December 2020
(Stated in Cayman Islands Dollars)

12. Defined benefit liability: 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 - 64	15%
65	100%

The actuarial valuation results showed that a liability of \$24,884,000 existed at 31 December 2019, represented by accumulated liability of \$24,884,000 as at 31 December 2019 and service costs and adjustments totaling \$4,888,000 for the year ended 31 December 2020, resulting in a closing liability of \$29,772,000 at 31 December 2020.

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 (2019: \$10 million). During this year, the Authority also delivered Capital Expenditure Projects of \$10.5 million (2019: \$10.6 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.

Sales to unrelated third parties of \$41,374 (2019: \$88,496) include services for drain wells and curbs, installation of signs, paving and trench reinstatement services.

	2020	2019
	\$	\$
Sales of services to Cabinet	10,512,419	10,583,525
Sales of services to other government agencies	203,244	281,888
Roads Fund and sales to third parties	10,041,374	10,088,496
Total	20,757,037	20,953,909

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

National Roads Authority
Notes to the financial statements (continued)
For the year ended 31 December 2020
(Stated in Cayman Islands Dollars)

13. Related Party Transactions (continued)

vehicles and heavy equipment for road construction and maintenance free of charge. As at 31 December 2020, the Authority owes PWD the amount of \$69k (2019: \$28k) 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 purchases goods and services worth \$8k (2019: \$53k) from companies partially owned or controlled by one of its Board members.

The remuneration of directors and other members of key management personnel during the year was \$921k (2018: \$806k). There were 16 personnel categorized in 2020 broken down as 7 key management personnel and 9 Directors (2019: 6 key management personnel and 9 Directors).

14. Contingencies

i) Section 47 of The Public Authorities Act, (2020 Revision), (the "PAL"):

Section 47 of the PAL came into effect on 1 June 2019. The section requires public authorities to use the same salary scale as determined by the Cayman Islands' Cabinet and requires the remuneration of employees of a public authority to be adjusted to reduce any differences between the public authorities' and public service's pay grades.

The Cayman Islands Government's Portfolio of the Civil Service had not completed its evaluation of NRA's salary grade versus that of the public service. As such, management could not adjust for the impact of section 47 of the PAL in these financial statements. Management is also unable to derive an estimate of the potential impact of the evaluation on its financial statements and as such, no resultant provisions have been made in these financial statements.

ii) Sections 39(2) and 39(3) of the PAL:

The Authority is required to comply with The Public Authorities Act, (2020 Revision), (the "PAL"). Amongst other matters, the PAL 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 PAL also 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 2020 financial year, NRA'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.

NRA is also exempted from the requirement to pay surplus cash reserves to core government for the 2020 financial year based on an exemption granted by the Cayman Islands' Cabinet of Ministers in a meeting held on 8 December 2020.

National Roads Authority
Notes to the financial statements (continued)
For the year ended 31 December 2020
(Stated in Cayman Islands Dollars)

14. Contingencies (continued)

iii) 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.

iv) Litigations, claims and assessments

At the date of the audit opinion, the Authority was involved in pending/ threatened litigations, claims and assessments relating to a dispute with an ex-employee who is seeking damages for an injury sustained at work arising from alleged negligence by the Authority and 2 separate disputes with ex-employees alleging a breach of contract/ unfair dismissal. The potential contingent liabilities arising from these litigations have not been disclosed in these financial statements so as not to prejudice the position of the Authority in the disputes but will be disclosed in the financial statements of the Cayman Islands Government's Entire Public Sector.

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 2020 was \$5,147 (2019: \$3,001).

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 held with one financial institution (RBC Royal Bank (Cayman Islands)) 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 and no collateral is required from the Authority's debtors. None of these assets are impaired and management considers these debts to be recoverable in full.

National Roads Authority
Notes to the financial statements (continued)
For the year ended 31 December 2020
(Stated in Cayman Islands Dollars)

15. Financial Risk Management (continued)

The carrying amount of financial assets recorded in the financial statements represents the Authority's maximum exposure to credit risk.

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 2020 and 31 Dec 2019, all of the financial liabilities were due within one month of the financial position dates.

16. Financial Instruments- fair values

As at 31 December 2020 and 31 December 2019, the carrying amount of cash deposits, accounts receivable, accounts payables and employee entitlements approximate their fair value due to their short-term maturities. Fair values are made at specific points in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions, economic conditions and other factors could cause significant changes in fair value estimates.

17. Commitments

There are no commitments as at 31 December 2020 (2019: Nil).

18. COVID-19 pandemic and subsequent events

i) COVID-19 pandemic

In December 2019, a novel strain of coronavirus was reported to have surfaced in China. The global efforts to contain the spread of the coronavirus began to cause significant disruption in the global and local economies from January 2020 to date. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while NRA expects this matter to negatively impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time. At 31 December 2020, \$4k in accounts receivable was outstanding from entities not related to the Cayman Islands Government.

NRA did not incur any COVID-19 specific expenditure in 2020.

On the basis of continued funding from the Cayman Islands Government, management believes that the risk that NRA would not be able to meet its obligations as they become due is low and that NRA will continue as going concern for the foreseeable future.

ii) Subsequent events

Management is not aware of any events after the reporting date which will have an impact on the financial statements at 31st December 2020.

National Roads Authority
Notes to the financial statements (continued)
For the year ended 31 December 2020
(Stated in Cayman Islands Dollars)

19. Explanations of major variances against budget

Statement of Financial Position

	2020 Actual	2020 Original Budget	2020 Final Budget	Variance Original vs Actual
ASSETS	\$	\$	\$	\$
Current Assets				
Cash and cash equivalents	9,433,504	3,175,202	3,175,202	(6,258,302)
Accounts receivable and prepayments	3,472,589	866,170	866,170	(2,606,419)
Inventories	37,541	95,293	95,293	57,752
Total Current Assets	12,943,634	4,136,665	4,136,665	(8,806,969)
Non-Current Assets				
Property, plant and equipment	2,614,436	1,893,469	1,893,469	(720,967)
Intangible Assets	35,513	33,425	33,425	(2,088)
Total Assets	15,593,583	6,063,559	6,063,559	(9,530,024)
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities	3,045,780	854,000	854,000	(2,191,780)
Employee entitlements	62,836	64,604	64,604	1,768
Total Current Liabilities	3,108,616	918,604	918,604	(2,190,012)
Non-Current Liability				
Pension liability	2,889,000	1,488,000	1,488,000	(1,401,000)
Post-retirement health liability	29,772,000	14,257,000	14,257,000	(15,515,000)
Total Non Current Liabilities	32,661,000	15,745,000	15,745,000	(16,916,000)
Total Liabilities	35,769,616	16,663,604	16,663,604	(19,106,012)
Net Assets	(20,176,033)	(10,600,045)	(10,600,045)	9,575,988
Net Worth				
Contributed capital	4,653,535	4,653,535	4,653,535	-
Accumulated Deficits	(24,829,568)	(15,253,580)	(15,253,580)	9,575,988
Total Net Worth	(20,176,033)	(10,600,045)	(10,600,045)	9,575,988

National Roads Authority
Notes to the financial statements (continued)
For the year ended 31 December 2020
(Stated in Cayman Islands Dollars)

19. Explanations of major variances against budget (continued)

Statement of Financial Position

Cash and cash equivalents

Cash was \$6.3m over budget. The variance is attributed to \$5.5m held in a term deposit account with RBC Royal Bank (Cayman Islands). The term deposit was budgeted as an offsetting asset for the post-retirement healthcare liability. A further \$0.8m was earned from additional capital works performed at MCPI's directive.

Accounts receivable and prepayments

The \$2.6m variance in the actual accounts receivable and prepayments when compared to the budget directly relates to non-budgeted billings to the MCPI as a result of MCPI's directives to complete Executive Assets (EA) beyond the scope of NRA's 12 month fiscal budget. The related invoices were settled in full prior to the issuance of these financial statements.

Property, plant and equipment

Property, plant and equipment was \$721k over budget resulting from \$356k in 2020 acquisitions initially anticipated to be acquired during 2019, along with additional asset purchases approved by Management/ the Board of Directors during 2020.

Accounts payable and accrued liabilities

Accounts payable were \$2.2m over budget primarily due to unpaid balances on goods and services delivered near year end resulting from late works performed on behalf of MCPI. The balances were not anticipated in the budget. Payments against these balances have been made in unison with payment receipts from CPI subsequent to period end.

Pension liability

Pension liability experienced a negative shift based on changes in actuarial report assumptions resulting in an increase of \$1.4m compared to budget. This movement relates to OCI activity which deviated from previous trends.

Post-retirement health liability

Post-retirement health liability experienced a significant negative shift of \$15.5m during 2020 based on changes in the actuarial valuation. In addition, the intended \$5.5m to be placed as an offsetting asset against the liability was still classified as cash and cash equivalents at year end. The funds are held in a term deposit account but 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.

National Roads Authority
Notes to the financial statements (continued)
For the year ended 31 December 2020
(Stated in Cayman Islands Dollars)

19. Explanations of major variances against budget (continued)

Statement of Financial Performance

	2020	2020 Original Budget	2020 Final Budget	Variance Original vs Actual
	\$	\$	\$	\$
REVENUE	20,757,037	10,355,184	10,355,184	(10,401,853)
COST OF GOODS SOLD				
Subcontractors	7,225,695	520,327	520,327	(6,705,368)
Materials	2,035,663	570,543	570,543	(1,465,120)
Labour	2,826,774	2,765,151	2,765,151	(61,623)
Hired equipment	39,514	6,050	6,050	(33,464)
Total Cost of Goods Sold	12,127,646	3,862,071	3,862,071	(8,265,575)
NET REVENUE	8,629,391	6,493,113	6,493,113	(2,136,278)
OPERATING EXPENSES				
Personnel costs	4,095,928	3,759,785	3,759,785	(336,143)
Post- retirement health liability	2,666,000	-	-	(2,666,000)
Utilities	985,640	1,100,000	1,100,000	114,360
Motor vehicle expenses (including insurance)	658,377	493,471	493,471	(164,906)
Depreciation	463,293	353,133	353,133	(110,160)
Past service pension	582,000	332,000	332,000	(250,000)
Computer maintenance and fees	163,289	125,000	125,000	(38,289)
Professional fees	130,971	105,000	105,000	(25,971)
Building maintenance	84,735	59,500	59,500	(25,235)
Telephone	45,387	38,000	38,000	(7,387)
Supplies and consumables	77,876	64,800	64,800	(13,076)
Advertising and promotion	40,556	27,500	27,500	(13,056)
Bank charges	8,656	8,400	8,400	(256)
Doubtful debt expense	73,523	-	-	(73,523)
Insurance	10,527	6,524	6,524	(4,003)
Office rental	15,235	20,000	20,000	4,765
Total Operating Expenses	10,101,993	6,493,113	6,493,113	(3,608,880)
Surplus/ (Deficit)	(1,472,602)	-	-	1,472,602

National Roads Authority
Notes to the financial statements (continued)
For the year ended 31 December 2020
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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 NRA in their Financial Statements and throughout the course of the year. The ownership agreement figures shown below represent the budget actually approved by the Legislative Assembly, compared with the detailed Financial Statement figures. Note however that the total Revenue and Expenses remained the same in both formats.

Reconciliation of Ownership Agreement and the Statement of Financial Performance

	2020 Approved Budget	Financial Statements 2020
	\$	\$
REVENUE	10,355,184	10,355,184
COST OF GOODS SOLD		
Labour	-	2,765,151
Materials	-	570,543
Subcontractors	-	520,327
Hired equipment	-	6,050
Total Cost of Goods Sold	-	3,862,071
NET REVENUE	10,355,184	6,493,113
OPERATING EXPENSES		
Personnel costs	6,524,936	3,759,785
Post- retirement health liability	-	-
Utilities	-	1,100,000
Motor vehicle expenses (including insurance)	-	493,471
Depreciation	353,133	353,133
Past service pension	332,000	332,000
Computer maintenance and fees	-	125,000
Professional fees	-	105,000
Building maintenance	-	59,500
Telephone	-	38,000
Advertising and promotion	-	27,500
Bank charges	-	8,400
Insurance	-	6,524
Office rental	-	20,000
Supplies and consumables	3,145,115	64,800
Total Operating Expenses	10,355,184	6,493,113
SURPLUS/ (DEFICIT)	-	-

National Roads Authority
Notes to the financial statements (continued)
For the year ended 31 December 2020
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19. Explanations of major variances against budget (continued)

Statement of Financial Performance

Revenue

Revenue saw a positive variance of \$10.4m when compared to budget, resulting from executive asset works which were completed on the directive of MCPI. These projects were not included in initial budgeted works.

Cost of Sales

The \$8.3m budget variance in cost of goods sold is primarily driven by costs incurred in completing the additional works as detailed in the revenue note above.

Personnel costs

The \$336k budget variance in personnel costs reflects a 5% cost of living adjustment (\$106k) to employee salaries awarded to all employees effective 1 January 2020, along with increased health insurance cost resulting from increased healthcare premiums.

Budgeted post-retirement healthcare costs and past service defined benefit pension costs were based on estimated of cost to be charged to the statement of financial performance. The estimates were different from the actual balances reflected in the actuarial valuation report.

Utilities were \$114k under budget, mainly because more street lights were converted to energy-efficient LED lights during 2020.

Motor vehicles expenses were \$165k over budget due to additional fuel and maintenance expenses related to additional works performed over and above the budget (as highlighted in the revenue section above).

Depreciation was \$110k over budget mainly due to additional asset acquisitions approved by management and the Board of Directors. These asset acquisitions were not budgeted for, but were deemed essential given the additional capital works required by MCPI. In addition, assets were acquired to replace fully depreciated assets that were still in use.

The doubtful debt expense (\$73k) was recognized in relation to an outstanding amount owed to NRA by MCPI from June 2014. This amount represents a pass through street lighting cost incurred by MCPI on behalf of MCPI. The receivable has not yet been settled by MCPI.