

FINANCIAL STATEMENTS
FOR
THE GOVERNMENT
OF
THE CAYMAN ISLANDS
FOR THE YEAR ENDED
30th JUNE 2011



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AUDITOR GENERAL'S REPORT

To The Members of the Legislative Assembly of the Cayman Islands:

I was engaged to audit the accompanying consolidated financial statements of the Cayman Islands Government (the "Government"), which comprise of the statement of financial position as at 30 June 2011, and the statement of financial performance, statement of cash flows and statement of changes in net worth for the year then ended and a summary of significant accounting policies and other explanatory information, in accordance with Section 60(1)(a) of the *Public Management and Finance Law (2012 Revision)* ("PMFL").

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility for the Consolidated Financial Statements

My responsibility is to express an opinion on these consolidated financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matters described in the basis for disclaimer of opinion paragraphs however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Matters that prevented me from completing my audit included, but are not limited to, the following:

a) Lack of sufficient and appropriate evidence

Assets:

The Government has not carried out a revaluation of its lands, buildings, infrastructure and leasehold improvements since 2001. IPSAS 17 indicates that such revaluation should be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. As at June 30, 2011, the net book value of assets subject to revaluation amounted to approximately \$625 million which represents 36% of the total assets reported. As a result, I was not able to evaluate the reasonableness of the carrying amount of land and buildings, and any associated depreciation or impairment entries recorded within the financial statements as at 30 June 2011 as reasonable.

Liabilities:

The Government, under the provisions of the Public Service Management Law is obligated to provide post-retirement health benefits to qualified employees, spouses and dependent children commencing upon retirement. I have not been provided with management's evaluation of the extent of its obligations under this medical plan, and consequently, was not provided with estimates and supporting calculations of such liabilities. Furthermore, an independent valuation was not provided. As a result of these deficiencies, I was unable to determine the extent of the post-retirement medical costs obligation of the Government as at 30 June 2011. This material omission of post-retirement health care cost from the consolidated financial statements' liabilities is not compliance with IPSAS 25.

Revenues:

Management was unable to assert as to the completeness, accuracy and existence of revenues and receivables recorded within the consolidated financial statements as required by ISA 580. The total revenues recorded amounted to \$732M with related receivables of \$38M. As such I was unable to obtain sufficient appropriate audit evidence to determine the reasonableness of the reported revenues.

Expenses:

Due to the extent of material omissions and accounting issues reported above, the integrity of a number of related items which are required to be reported in the statement of financial performance have been affected. These include, but are not limited to, depreciation, impairment and movement in post-retirement health balances. The inclusion or adjustments to the above line items are likely to be material. As such, I was unable to obtain sufficient appropriate audit evidence to determine the accuracy, occurrence and completeness of expenses.

b) Management Representations**Limited Representations:**

As part of the audit I received representation from management with regards to the fairness of the figures and related note disclosures presented in the consolidated financial statements. The representations made by management for a number of significant balances and disclosures were limited to the representations made by the underlying entities, and not on the Entire Public Sector as required by ISA 580.

c) Integrity of Consolidation Procedures:**Elimination of Inter-entity Balances**

The consolidated financial statements are required under IPSAS 6 to present the final results and balances of the Government as a single economic entity, where all intercompany transactions and balances are eliminated. During the audit, it was noted that the procedures used to ensure the proper elimination and disclosure of all related party balances and transactions were deficient in achieving the requirements of the standards. The identified weakness was systemic and Management was unable to provide alternative appropriate audit evidence which showed that all such balances were appropriately eliminated.

Trial Balance Differences

There was a material discrepancy between the consolidation trial balance and the corresponding figures reported in the consolidated financial statements. The difference consisted of uncorrected misstatements and unreconciled differences.

d) Related Party Transactions

To comply with certain disclosures of IPSAS 20, a system has to be in place to effectively ensure the completeness, accuracy, existence and proper disclosure of all related party transactions. Currently there is no government wide system to collate and report related party transactions. As such I am unable to opine on the fairness of related party transactions that have been included in the consolidated financial statements.

e) Opening Balances

I was unable to substantiate the opening balances of the consolidated financial position as at 1 July, 2010. The Government presented for audit the draft consolidated financial statements for the previous years ended 30 June 2009 and 2010, after the passage of a significant period of time from when I was provided with the accompanying consolidated financial statements. Because I was unable to verify the fairness of those opening balances, I cannot determine the effects of any adjustments to those opening balances on the current consolidated financial statements.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the consolidated financial statements.

Other Matter

I draw the attention of the reader of the Government's consolidated financial statements that due to the disclaimer of opinion, no further consideration was given on the overall presentation of the financial statements, including fitness for issue to the wider public. Sufficiency in accordance with and compliance with IPSAS has not been thoroughly explored to achieve an agreeable presentation of these consolidated financial statements with which I am, due to this Auditor General's Report, associated.



Alastair Swarbrick, MA(Hons), CPFA
Auditor General

Cayman Islands
25 July 2013

Audited Financial Statements

Statement of Financial Position

GOVERNMENT OF THE CAYMAN ISLANDS STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011					
Prior Year Actual (Core)	Prior Year Actual (EPS)		Note	Current Year Actual (Core Government)	Current Year Actual (EPS)
Current Assets					
98,454	171,379	Cash and cash equivalents	2	189,316	271,027
5,885	1,737	Loans Made	3	6,776	1,539
30,650	38,401	Trade Receivables	4	40,914	37,750
18,448	21,275	Other Receivables	5	6,202	6,493
4,903	14,562	Inventories	6	4,103	22,016
-	79,402	Investments	7	-	77,798
4,879	8,762	Prepayments	8	2,674	8,451
		Flammation Asset			
21	18,862	Other current assets		21	21
163,240	354,380	Total Current Assets		256,006	425,095
Non-Current Assets					
31,326	47,925	Loans Made	3	30,509	51,632
8,738	8,738	Trade Receivables	4	8,293	8,293
867,168	1,143,654	Property, plant and equipment	9	927,485	1,240,319
2,250	4,373	Investments	7	1,792	12,209
205,410	-	Net Worth - Public Entities	10	233,544	-
8	4,146	Other non-current assets		8	1,975
1,114,900	1,208,836	Total Non-Current Assets		1,201,630	1,314,428
1,278,140	1,563,216	Total Assets		1,451,637	1,739,523
Current Liabilities					
21,250	50,544	Trade Payables	11	21,573	30,301
42,805	32,226	Other payables accruals	12	54,367	50,858
7,536	14,667	Bank overdraft	2	4,608	11,929
15,950	26,896	Unearned revenue	13	21,122	32,334
11,358	11,884	Employee entitlements	14	11,503	12,938
25,929	49,814	Borrowings	15	25,929	46,284
9,131	15,667	Provisions and other current liabilities	16	7,822	16,988
133,959	201,698	Total Current Liabilities		146,924	201,632
Non-Current Liabilities					
203	233	Employee entitlements	14	172	214
-	250	Other non current liabilities	17	-	419
-	77,980	Currency issued	18	-	84,920
470,987	610,064	Borrowings	15	599,287	747,084
207,016	207,016	Unfunded pension liability	14	207,016	207,016
-	-	Unfunded post retirement health care	14	-	-
678,206	895,543	Total Non-Current Liabilities		806,475	1,039,653
812,165	1,097,241	Total Non-Current Liabilities		953,399	1,241,285
465,975	465,975	Net Assets		498,238	498,238
Equity					
80,905	80,458	Reserves	19	86,798	86,351
-	-	Revaluation reserve		-	16,092
385,070	385,517	Accumulated surplus/(deficit)		411,440	395,795
465,975	465,975	Total net assets/equity		498,238	498,238

Statement of Financial Performance

GOVERNMENT OF THE CAYMAN ISLANDS STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011				
Core Actual Prior Year 2009/2010	EPS Actual Prior Year 2009/2010		Core Current Year Actual 2010/2011	EPS Actual Current year 2010/2011
		Note		
CIS000	CIS000		CIS000	CIS000
		Revenue		
451,119	449,368	Coercive revenue 20	482,068	480,841
24,231	210,811	Sales of goods & services 21	52,742	248,623
320	4,838	Investment revenue 22	449	2,152
180	604	Donations 23	596	945
39	66	Extraordinary revenues	-	-
-	(0)	Other revenue	-	-
475,888	665,687	Total Revenue	535,856	732,560
		Expenses		
227,717	327,736	Personnel costs 24	214,654	343,653
77,205	227,642	Supplies and consumables 25	77,888	213,135
9,972	18,028	Leases 26	9,348	16,436
16,668	36,347	Depreciation 9	14,828	34,035
-	-	Outputs from Core Government Departments	-	-
-	-	Funds Transferred to Cabinet	-	-
93,918	-	Subsidies to statutory authorities and government companies 27	103,846	-
24,050	23,606	Grants to non-government organizations 28	24,419	24,204
27,367	28,310	Transfer payments 29	29,837	32,442
188	1,370	Litigation costs 30	1,170	2,420
8,637	9,003	Other executive expenses 31	3,773	4,194
5,246	5,250	Extraordinary expenses 32	-	-
25,582	32,039	Finance costs 33	30,068	36,288
624	624	Impairment of property, plant and equipment 9	-	91
-	(1,187)	Impairment of inventory 6	-	(902)
99	95	(Gains)/losses on financial instruments 7	(847)	1,970
75	1,253	(Gains)/losses on non-financial instruments 34	629	1,148
-	-	Capital charge	-	-
-	-	(Profit)/Loss from associates	-	-
-	-	(Profit)/Loss on Ministry/Portfolio	-	-
2,971	-	(Profit)/Loss on Statutory Authorities & Government Companies 35	2,798	-
520,318	710,116	Total Expenses	512,410	709,114
(44,429)	(44,429)	Surplus or (Deficit) for the period	23,446	23,446

Statement of Cash Flows

	Core Actual Current Year 2010/2011	EPS Actual Current Year 2010/2011
	CI \$'000	CI \$'000
Cash flows managed on behalf of Cabinet		
Operating Activities		
Cash received		
Coercive receipts	483,717	490,790
Sale of Goods & Services	44,191	244,521
Interest received	596	945
Donations/grants received	-	-
Other receipts	4,094	4,351
Total cash received	532,598	740,607
Cash used		
Personnel costs	214,090	360,539
Supplies and consumables	74,428	222,008
Outputs from statutory authorities and government companies	104,579	-
Outputs from non-governmental organizations	24,419	24,204
Transfer payments	29,837	29,837
Financing/interest expense	28,554	33,368
Other payments	4,345	5,118
Extraordinary payments	-	-
Total cash used	480,252	675,074
Net cash flows from (used by) operating activities	52,346	65,533
Investing activities		
Cash received		
Proceeds from the sale of property, plant and equipment	(658)	(1,186)
Proceeds from the sale of investments (Loans Made repaymt & I	1,574	2,713
Capital Contributed	-	-
Total cash received	916	1,527
Cash used		
Purchase of property, plant and equipment	69,555	95,909
Purchase of Investments- Loans Made/Other	1,363	(158)
-	-	-
Equity injection in ministries and portfolios	-	-
Equity injections in statutory authorities and government company	17,279	-
Total cash used	88,197	95,751
Net cash flow from (used by) investing activities	(87,281)	(94,224)
Financing activities		
Cash received		
Proceeds from borrowings	154,228	174,494
Capital withdrawals from statutory authorities and government	425	-
Capital withdrawals from ministries and portfolios	-	-
Total cash received	154,653	174,494
Cash used		
Repayment of borrowings	25,929	43,418
Repayment of surplus	-	-
Total cash used	25,929	43,418
Net cash flows from (used by) financing activities	128,724	131,076
Net increase/(decrease) in cash and cash equivalents held	93,789	102,385
Cash and cash equivalents at beginning of period	90,919	156,713
Cash and cash equivalents at the end of the period	184,708	259,098

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Statement of Changes in Net Worth

GOVERNMENT OF THE CAYMAN ISLANDS SCHEDULE OF CHANGES IN NET WORTH FOR THE PERIOD ENDED 30 JUNE 2011

	Attributable to Cayman Islands Government				Total Net worth	Final Budget	Variance (Original vs Actual)
	Contributed Capital	Reserves	Revaluation	Accumulated Surplus/(deficits)			
Balance at 30 June 2009		80,458	-	429,499	509,598		
Changes in accounting policy							
Prior Year Adjustments							
Restated balance	-	80,458	-	429,499.00	509,957.00	-	
Changes in net worth for 2009/10							
Gain/(loss) on property revaluation							
Gain/(loss) on revaluation of investments							
Movement in Reserves							
Net revenue / expenses recognised directly in net worth							
Surplus/(deficit) for the period 2009/10				(44,429)	(44,429.00)		
Total recognised revenues and expenses for the period							
Balance at 30 June 2010 carried forward	-	80,458.00	-	385,070	465,975		

	Attributable to Cayman Islands Government				Total Net worth	Final Budget	Variance (Original vs Actual)
	Contributed Capital	Reserves	Revaluation	Accumulated Surplus/(deficits)			
Balance at 30 June 2010 brought forward		80,458		385,070	465,975		
Changes in net worth for 2010/11							
Changes in accounting policy						-	
Prior Year Adjustments (net)				(10,278)	(10,278)		
Restated balance	-	80,458	-	374,793	455,698	-	
Changes in net worth for 2010/11							
Gain/(loss) on property revaluation			16,092		16,092		
Gain/(loss) on revaluation of investments							
Movement in Reserves		5,893		(5,893)	-		
Net revenue / expenses recognised directly in net worth							
Surplus/(deficit) for the period 2010/11				23,446	23,446		
Total recognised revenues and expenses for the period							
Balance at 30 June 2011	-	86,351	16,092	398,239	495,236		

Principles of Responsible Financial Management

Principles of Responsible Financial Management

Principle	2010/2011 Original Budget	Unaudited actuals 2010/2011
	CT\$000's	CT\$000's
Surplus *: should be positive Surplus = core government operating revenue - core government operating expenses - non-operating revenues & expenses-net results of SAGC)	<u>Does not comply</u> Deficit = \$30.3 million	<u>Complies</u> \$23.4 million surplus
Net Worth: should be positive (Net worth = core government assets - core government liabilities)	<u>Complies</u> Net Worth = \$512 million	<u>Complies</u> Net Worth = \$456.9 million
Borrowing: Debt servicing cost for the year should be no more than 10% of core government revenue (Debt servicing = interest + other debt servicing expenses + principal repayments for core government debt)	<u>Does not comply</u> Debt servicing = 12.9%	<u>Does not comply</u> Debt Servicing = 10.5 %
Net Debt: should be no more than 80% of core government revenue (Net debt = outstanding balance of core government debt + outstanding balance of self financing loan balance + weighted outstanding balance of statutory authority/government company guaranteed debt - core government liquid assets)	<u>Does not comply</u> Net Debt = 126.8%	<u>Does not comply</u> Net Debt = 98.1 %
Cash Reserves should be no less than estimated executive expenses for: 90 days 2010/11 (Cash reserves = core government cash and other liquid assets)	<u>Does not comply</u> Cash reserves = 48 days	<u>Complies</u> Cash reserves = 150.3 days
Financial risks should be managed prudently so as to minimize risk	<u>Complies</u> Insurance cover exists for key assets and major potential liabilities. Hurricane Preparedness & Response Strategy in place.	<u>Complies</u> Insurance cover exists for key assets and major potential liabilities. Hurricane Preparedness and Response Strategy in place.

* Surplus excludes Extraordinary Items

Statement of Segments

GOVERNMENT OF THE CAYMAN ISLANDS STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011		Core Current Year Actual 2010/2011	Statutory Authorities and Government Companies
	CIS000	CIS000	
Revenue			
Coercive revenue	482,068	-	
Sales of goods & services	52,742	342,358	
Investment revenue	449	1,703	
Donations	596	349	
Total Revenue	535,856	344,409	
Expenses			
Personnel costs	214,654	155,768	
Supplies and consumables	77,888	150,943	
Leases	9,348	8,246	
Depreciation	14,828	19,207	
Subsidies to statutory authorities and government companies	103,846	-	
Grants to non-government organizations	24,419	-	
Transfer payments	29,837	2,627	
Litigation costs	1,170	1,250	
Other executive expenses	3,773	422	
Finance costs	30,068	6,219	
Impairment of property, plant and equipment	-	91	
Impairment of inventory	-	(902)	
(Gains)/losses on financial instruments	(847)	2,817	
(Gains)/losses on non-financial instruments	629	519	
(Profit)/Loss on Statutory Authorities & Government Companies	2,798		
Total Expenses	512,410	347,207	
Surplus or (Deficit) for the period	23,446	(2,798)	

Statement of Public Debt

EPS Actual Prior Year 2009/2010		EPS Current Year Actual 2010/2011	
\$'000's		\$'000's	
Local Currency Debt			
-	Not later than one year	-	-
-	Between one and two years	-	-
-	Between two and five years	-	-
-	Later than five Years	-	-
-	Total Local Currency Debt	-	-
Foreign Currency Debt (state in \$Cl)			
49,814	Not later than one year	46,284	
50,673	Between one and two years	50,673	
142,907	Between two and five years	142,907	
416,484	Later than five years	553,504	
659,878	Total Foreign Currency Debt	793,368	
659,878	Total Outstanding Debt	793,368	
Local Currency Marketable Securities and Deposits			
-	Not later than one year	-	-
-	Between one and two years	-	-
-	Between two and five years	-	-
-	Later than five years	-	-
-	Total Local Currency Marketable Securities and Deposits	-	-
Foreign Currency Marketable Securities and Deposits			
-	Not later than one year	-	-
-	Between one and two years	-	-
-	Between two and five years	-	-
-	Later than five years	-	-
-	Total Foreign Currency Marketable Securities and Deposits	-	-
171,379	Total Marketable Securities and Deposits	271,027	
488,499	Net Public Debt	522,341	

Statement of Trust

Statement of Trust Holdings				
As at June 30, 2011				
	<i>Balances as at July 1, 2010</i>	<i>Additions</i>	<i>Distribution</i>	<i>Closing Balances June 30, 2011</i>
Trust Asset	C1 S'000	C1 S'000	C1 S'000	C1 S'000
Prisoners' Monies	92	-	-	92
Immigration Repatriation Deposits	5,406	-	-	5,406
Police Bail Bonds	277	59	(33)	303
Asset Forfeiture	395	0	(0)	395
Defunct Companies	2,880	8,618	(5,453)	6,045
Court Fund Trusts	80,609	32,102	(54,415)	58,296
Other Trusts	315	151	-	465
Total Trust Asset	89,973	40,930	(59,901)	71,002

Notes to the Financial Statements

**NOTES TO THE FINANCIAL STATEMENTS OF GOVERNMENT OF THE CAYMAN ISLANDS
FOR THE YEAR ENDED 30 JUNE 2011**

The Cayman Islands is an Overseas Territory of the United Kingdom, a foreign sovereign territory. Her Majesty the Queen of England, as the British queen regnant, is the head of state of the Cayman Islands and appoints the Governor to administer the Government of the Cayman Islands on her behalf. The Cayman Islands has its own Constitution and is governed by a local parliamentary democracy comprised of executive, legislative and judicial branches.

While financial decisions of the Government are made by the Legislative Assembly and Cabinet, and the United Kingdom does not provide direct financial support to the Cayman Islands, the United Kingdom closely monitors our financial activities.

Principal Activities

The principal activities and operations of the Government of the Cayman Islands are to provide:-

- General public services
- Public order and safety
- Economic Affairs
- Environmental protection
- Health
- Social Protection
- Housing and community amenities
- Recreational, cultural and religion
- Education

In addition, the Government administers assets transferred or paid to it in trust for any purpose or to hold for or on behalf of any person or entity.

Note 1: Summary of Accounting Policies

These consolidated Entire Public Sector (herein after the "EPS") financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants and its International Public Sector 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.

There are no known accounting standards that have been adopted by the IPSAS Board for use in future years that will impact these financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Reporting Entities

The Government consists of public authorities and their agencies that exercise judicial and executive authority. The Reporting Entities of the Government of the Cayman Islands consists of Core Government and Statutory Authorities and Government Companies. These agencies collectively are referred to as Entire Public Sector.

The Entire Public Sector comprises of the Governor's Office, Judicial Administration, Ministries and Portfolios, Office of the Complaints Commissioner, the Office of the Information Commissioner, the Office of the Auditor General and the Office of Director of Public Prosecutions.

Basis of Preparation

The financial statements have been prepared on the accrual basis of accounting, unless otherwise stated.

The measurement base applied to these financial statements is the historical cost basis.

The financial statements are presented in Cayman Islands dollars rounded to the nearest thousand.

Judgments and Estimates

The preparation of these financial statements is in conformity with International Public Sector Accounting Standards that requires judgments, estimates, and assumptions affecting the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on judgements of management, historical experience, reports from independent experts and various other factors that are believed to be reasonable under the circumstances.

Any uncertainties regarding possible outcomes were dealt with by using expected outcome.

Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the reporting period and in any future periods that are affected by those revisions.

Significant Accounting Policies

The reporting period for the financial statements of the Government of the Cayman Islands is the financial year from 1 July to 30 June.

Basis of Combination

These financial statements combine the following entities using the equity method of combination:

Core Government

- Ministers of Cabinet (Ministries)
- The Legislative Assembly
- Portfolios
- Judicial Administration
- Office of the Complaints Commissioner
- Office of the Auditor General
- Office of the Information Commissioner
- Office of the Director of Prosecutions
- Government Departments, Sections and Units

Other Entities

- Statutory Authorities
- Government Companies

The financial statements of each reporting entity include all revenues, expenses, assets, and liabilities which are controlled by the entity. Revenues, expenses, assets, and liabilities, which are not controlled by the reporting entity, e.g. trust assets have been excluded from the consolidation and reported separately in the Statement of Trusts.

Corresponding assets, liabilities, income and expenses, are added together line by line. Transactions and balances between entities are eliminated on combination. Where necessary, adjustments are made to the financial statements of Statutory Authorities and Government Companies to bring the accounting policies into line with those used by Core Government.

Changes in Accounting Policies

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 period unless it is impracticable to do so.

The presentation of the prior year financial statements has been changed to include a comparison of actual amounts with amounts in the original and final budget as required by IPSAS 24 including explanations of material difference between original budget and actual amounts.

The details and presentation of the Statement of Changes in Net Worth has been changed to show greater detail and to reflect changes in accounting policies and corrections of errors and omissions.

Segment reporting has been included in accordance with IPSAS 18.

Budget amounts

The original budget amounts for the financial year are as presented in the 2010/2011 Annual Plan and Estimates and approved by the Legislative Assembly on the 24 June 2010. The Final Budget does not include those amounts authorised in advance of appropriation issued under Section 11 (5) of the Public Management and Finance Law.

Judgments and Estimates

The preparation of these financial statements is in conformity with International Public Sector Accounting Standards that requires judgments, estimates, and assumptions affecting the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on judgements of management, historical experience, reports from independent experts and various other factors that are believed to be reasonable under the circumstances. Any uncertainties regarding possible outcomes were dealt with by using expected outcome.

Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the reporting period and in any future periods that are affected by those revisions.

Revenue

Revenue is recognised in the accounting period in which it is earned. Revenue received but not yet earned at the end of the reporting period is recognised as a liability -unearned revenue.

The Government derives its revenue through the provision of services using its coercive power for which no direct exchange of service occurs and from the sale of goods and services to third parties. Revenue is recognised at fair value of services provided.

Coercive revenue is recognised on the following basis:-

<i>Revenue Type</i>	<i>Revenue Recognition Point</i>
Taxes on International Trade and Transactions	
• Import Duties	When goods become liable for duty, generally at declaration, prior to release of goods
• Other Taxes on International Trade and Transactions	When liability for tax or fee is incurred
Domestic Levies on Goods and Services	
• Business and Professional Licenses	Upon initial application and, if appropriate, when renewed
• Other Taxes on Goods and Services	Upon delivery of goods and services
• Motor Vehicle Tax	Upon initial application and due date for annual renewal
• Tourist Accommodation Tax	When monthly return is due
• Miscellaneous Stamp Duty	At the time the goods are delivered
• Miscellaneous Immigration Fees	Upon application
Taxes on Property	
• Land Transfer Duty	At time of transfer of ownership
• Infrastructure Fund Fee	For non-refundable fees, upon application for planning approval For refundable fees, once planning approval is granted
Other Taxes	
• Court Fines	When fine imposed
• Other Fines	When fine imposed

Expenses

Expenses are recognised in the accounting period in which they are incurred.

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, where this is representative of the pattern of benefits to be derived from the leased property. Where incentives are received under an operating lease, the expenses are recognised

on a straight-line basis over the lease term. Lease incentives received are recognised evenly over the term of the lease as a reduction in rental expense.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in-transit and bank accounts with a maturity of no more than three months from the date of acquisition.

When there is objective evidence that a financial asset or group of financial assets is impaired the losses are recognised as an expense in the Statement of Financial Performance.

Prepayments

The portion of recognised expenditure paid in advance of receiving services has been recognised as prepayments and classified as current assets in these financial statements.

Inventories

Inventories held for distribution, or consumption in the provision of services, that are not issued on a commercial basis are measured at the lower of cost and net realisable value. Where inventories are acquired at no cost, or for nominal consideration, the amount reported is the current replacement cost at the date of acquisition.

The amount reported for inventory held for distribution reflects management's estimates for obsolescence or other impairments.

Inventories held for sale or use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value.

Costs are assigned to inventories using first-in first-out (FIFO)] as appropriate.

The write-down from cost to current replacement cost or net realisable value is recognised in the statement of financial performance in the period when the write-down occurs.

Property, Plant and Equipment

Property, plant and equipment, is stated at historical cost less accumulated depreciation. Items of property, plant and equipment are initially recorded at cost. Where an asset is acquired for nil or nominal consideration, the asset is recognized initially at fair value, where fair value can be reliably determined, and as revenue in the Statement of Financial Performance in the year in which the asset is acquired.

Depreciation is expensed on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment (other than land); less any estimated residual value, over its estimated useful life. Leasehold improvements are depreciated either over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is shorter.

Asset Type**Estimated Useful life**

• Buildings and structures	10 - 60 years
• Building fit-out (when accounted for separately)	5 - 25 years
• Roads, sidewalks, signs and traffic lights	6 - 50 years
• Heritage buildings & Memorials and Monuments	100 years
• Leasehold Improvement	Over the unexpired period of lease or the useful life of improvement
• Computer Equipment	3 - 10 years
• Developed software	4 - 10 years
• Office equipment and furniture	3 - 25 years
• Motor vehicles	3 - 20 years
• Boats and marine equipment	3 - 25 years
• Cleaning, refuse and recycling equipment	3 - 15 years
• Construction and other equipment	3 - 25 years
• Telecommunications	5 - 50 years
• Books, Music, manuscripts and works of art	2 - 10 years
• Clothing	0 - 4 years
• Aeroplanes and airport/aviation equipment	8 - 33 years
• Fire fighting plant and equipment	10 - 12 years
• Other equipment	5 - 20 years
• Medical and medical laboratory equipment	1 - 25 years
• Library assets	5 - 10 years
• Scientific and laboratory equipment	4 - 25 years
• Water and sewage treatment	10 - 50 years

Disposals

Gains and losses on disposals of property, plant and equipment are determined by comparing the sale proceeds with the carrying amount of the asset. Gains and losses on disposals during the year are included in the Statement of Financial Performance.

Employee Benefits

Employee entitlements to salaries and wages, annual leave, long service leave, retiring leave and other similar benefits are recognised in the Statement of Financial Performance when they are earned by employees. Employee entitlements to be settled within one year following the year-end are reported as current liabilities at the amount expected to be paid.

Pension contributions for employees of the Core Government are paid to the Public Service Pension Fund and administered by the Public Service Pension Board (the "Board"). Contributions of 12% - employer 6% and employee 6% are made to the fund by the Government.

Prior to 1 January 2000 the Board operated a defined benefit scheme. With effect from 1 January 2000 the Board continued to operate a defined benefit scheme for existing employees and a defined contribution scheme for all new employees. Obligations for contribution to defined contribution retirement plans are recognised in the Statement of Financial

Performance as they are earned by employees. Obligations for defined benefit retirement plans are reported in the Consolidated Financial Statements for the Entire Public Sector of the Cayman Islands Government.

With the introduction of the Nation Pension Law in 1998, all new employees of Statutory Authorities and Government Companies who are not participants in the Public Service Pensions Fund are enrolled in an approved local pension plan.

Pension Liability

The Pension liability is accounted for in accordance with IAS 19 Employee Benefits.

Defined Benefit Plan

Pension liability under the defined benefit plan is recognised net of the following amounts:

- The present value of the defined benefit obligation as at the balance sheet date;
- Plus any actuarial gains (less any actuarial losses) not recognised as income or expense; and
- Minus any past service costs not yet recognised as an expense; and
- Minus the fair value at the balance date of plan assets out of which the obligations are to be settled directly.

Defined Contribution Plan

The pension liability under the defined contribution plan is recognised in the same period the contribution payable is exchanged for service rendered by an employee.

Financial Instruments

The Government is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short term deposits, trade and accounts receivables and trade and accounts payable, all of which are recognised in the Statement of Financial Position.

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. Financial assets comprise of cash and cash equivalents and prepayments.

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 instruments comprise of accounts payable and accrued expenses.

Recognition

The Government 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 and liabilities are recognised in the statements of financial performance.

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.

Financial liabilities are subsequently measured at amortised cost, being the amount at which the liability was initially recognised less any payment plus any accrued interest of the difference between that initial amount and the maturity amount.

Contingent Liabilities and Assets (including guarantees)

Contingent liabilities and assets are reported at the point the contingency becomes evident. Contingent liabilities are disclosed when there is a possible obligation or present obligations that may, but probably will not, require an outflow of resources. Contingent assets are disclosed if it is probable that the benefits will be realised.

De-recognition

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

Foreign Currency

Foreign currency transactions are recorded in Cayman Islands dollars using the exchange rate in effect at the date of the transaction. Foreign currency gains or losses resulting from settlement of such transactions are recognised in the Statement of Financial Performance.

At the end of the reporting period the following exchange rates were used to translate foreign currency balances:-

- Core Government monetary and non-monetary assets held in US Dollars are reported in Cayman Islands dollars using a rate of 0.83 and liabilities are reported in Cayman Islands dollars using 0.8375. Statutory Authorities and Government Companies foreign currency assets and liabilities denominated in US dollars are reported using a fixed rate of exchange existing at the balance sheet date; and
- All other foreign currency monetary and non-monetary items are reported in Cayman Islands dollars using the rate of exchange existing at the balance sheet date.

Comparative Figures

The presentation of the prior year financial statements has been changed to include a comparison of actual amounts with amounts in the original and final budget. Comparative

figures are restated to ensure consistency with the current period unless it is impracticable to do so.

Segment Reporting

These financial statements include segment reporting based on the material institutional components and major economic activities within or undertaken by the Government.

The three major institutional components of the Government are:

- **Core Government:** includes the Governor's Office, Judicial Administration, Ministries and Portfolios, Office of the Complaints Commissioner, the Office of the Information Commissioner, the Office of the Auditor General and the Office of Director of Public Prosecutions, and includes the equity investment in statutory authorities and government companies and provides information that is useful for fiscal analysis purposes.

- **Statutory Authorities:** This group includes all entities established by law to carry out functions which are capable under that law, of being funded, partly or entirely, by money provided by the Governor in Cabinet, and for which the Governor or the Governor in Cabinet has the power to appoint or dismiss the majority of the Board or other governing body.

- **Government Companies:** This group includes companies in which the government has controlling interest and in respect of each such company, includes all subsidiary entities of the company.

Functional analysis is also provided based on total operating expenses. This functional analysis is drawn from the Classification of the Functions of Government produced by the Organisation of Economic Co-operation and Development (OECD).

Note 2: Cash and Cash Equivalent

The Government had cash and cash equivalents of CI\$271.0 million as at June 30, 2011, \$189.3 million of which was held in core government. \$206.7 million of the total cash was held in fixed deposits and other short term investments.

Government's cash holdings are classified into two broad categories, restricted and unrestricted cash. Restricted cash refer to those cash balances that have restrictions are not available for day to day operational use.

Core Actual Prior Year 2009/2010 CI\$,000	EPS Actual Prior Year 2009/2010 CI\$,000	Description	Core Actual Current Year 2010/2011 CI\$,000	EPS Actual Current Year 2010/2011 CI\$,000
1,059	1,426	Cash on hand /Petty Cash	1,621	2,098
0	29,954	CI \$ Operational /Executive Current Account	0	33,620
2,118	6,987	Payroll Current Account	1,104	3,966
2,064	6,682	US\$ Operational & Executive Revenue Account	8,623	17,183
6,861	6,987	Other Bank Accounts	6,936	7,465
0	14,405	Fixed Deposits (90 days)	0	12,627
86,352	104,938	Short Term Investments	171,032	194,067
98,454	171,379	Cash and cash equivalents (excluding bank overdrafts)	189,316	271,027

Cash and cash equivalents include the following for the purposes of the statement of cash flows

98,454	171,379	Cash and bank balances	189,316	271,027
(7,536)	(14,667)	Bank Overdrafts	(4,608)	(11,929)
90,919	156,713	Cash and cash equivalents	184,708	259,097

Restricted Cash Balance

Core restricted cash (inclusive of Reserves and Mutual Legal Assistance Treaty (MLAT) funds) stood at \$93.9 million. The use of restricted funds requires the approval of the Legislative Assembly/Finance Committee (in the case of Reserves) and Cabinet and the Asset Forfeiture Committee in the case of Mutual Legal Assistance Treaty (MLAT) funds

Statutory Authorities and Government Companies restricted Cash includes \$3.1million (2010 \$2.6million) This amount comprise \$2.4 million held as fixed deposits for the purpose of building a new National Gallery and \$0.7million held by the Cayman Islands Development Bank on behalf of the Education Council Scholarship Fund and the Housing Recovery Grant

Note 3: Loans Made

The government finds it necessary to provide loans to its employee and to the public in certain circumstances where such individual or purpose may not necessarily be such that they can readily access funds through the local banking system. One such case would be medical emergencies where amounts are not easily quantified and the persons may not readily meet normal lending requirements. In such cases, the government has to step in deal with these cases and weigh the social cost. The government at the end of June 30, 2011, the government had net loans made balances of \$53.1 million made up as shown in the table below.

Core Actual Prior Year 2009/2010	EPS Actual Prior Year 2009/2010	Loan Description	Core Actual Current Year 2010/2011	EPS Actual Current Year 2010/2011
CI \$'000	CI \$'000		CI \$'000	CI \$'000
13,117	13,118	Medical loans	12,947	12,949
393	1,294	Personal loans	343	1,274
697	11,953	Mortgages	472	16,184
279	3,661	Student loans	274	3,959
8,550	(0)	Loans to public entities- Asset Vested	9,029	(0)
12,782	-	Loans to public entities- Other	12,782	-
237	237	Loans to farmers	216	216
74	74	Home school association	148	148
623	1,776	Loans (due within 12 months)	623	1,575
-	19,609	Comercial Loans - CIBB	-	20,140
343	343	Private schools	343	343
440	440	Citizens association	440	440
(2)	1,121	Other loans	(10)	758
37,534	53,627		37,608	57,987
(323)	(3,965)	Provision for Impairment Losses	(323)	(4,816)
37,211	49,662		37,285	53,171

During the period \$0.86 million was advanced by core government for loans across the various categories.

Medical loans – these are secured against the assets of the borrower or guaranteed by a third party. These are interest free.

Mortgage loans are loans given to staff attracting an interest of 5%.

Student loans are administered through the Ministry of Education and the Cayman Islands Development Bank and are given to Caymanian students who wish to pursue tertiary studies. These students are bonded. This scheme has now been phased out.

The Cayman Islands Development Bank administers small business development loans on behalf of the government.

Loans advanced by Core Government have the following terms and conditions:

Loan Description	Terms and conditions of loan
Medical loans	Interest free loan with fixed monthly payments over the life of the loan
Personal loans	Interest rate @13% with fixed monthly payment over the life of the loan
Civil service mortgages	Interest rate @5% with fixed monthly payment over the life of the loan
Student loans	Interest free loan with fixed monthly payments over the life of the loan
Loans to public entities	Interest free loan with various repayment terms
Loans to farmers	Interest free loan with fixed monthly payments over the life of the loan
Home school association	Interest free loan with fixed monthly payments over the life of the loan
Private schools	Interest free loan with fixed monthly payments over the life of the loan

It has become necessary to make an impairment provision for some loan balances managed through the Cayman Island Development Bank as well as some overseas medical debt. This is done on a case by case basis.

Core Actual Prior Year 2009/2010	EPS Actual Prior Year 2009/2010	Loan Description	Core Actual Current Year 2010/2011	EPS Actual Current Year 2010/2011
CI \$'000	CI \$'000		CI \$'000	CI \$'000
5,885	1,737	Amounts due within 12 months	6,776	1,539
-	-	Amounts due after 1 year	30,509	51,632
5,885	1,737		37,285	53,171

Note 4: Trade Receivables

At the end of June 2010/2011, the government had trade receivable of \$73.7 million and bad debt provision of \$28.4 million. For the year ended 30th June 2011, the Health Service Authority made a prior period net adjustment of \$20.3 million. The net amount represents the correction of allowance for contractual adjustment, reversal of accruals and restatement of accounts receivable to agree with sub-ledger.

Long-term trade receivables (\$8.3 million) are in relation to the deferred import duty arrangements with the Ritz Carlton. All other receivables are deemed current.

Core Actual Prior Year 2009/2010 CI \$'000	EPS Actual Prior Year 2009/2010 CI \$'000	Trade Receivables	Core Actual Current Year 2010/2011 CI \$'000	EPS Actual Current Year 2010/2011 CI \$'000
41,787	94,203	Debtors	50,997	74,437
663	0	Outputs to other government agencies	1,663	0
(3,063)	(47,064)	Less: provision for doubtful debts	(3,453)	(28,394)
39,387	47,139	Total Trade receivables	49,207	46,043
		Debtors		

Maturity Profile

Core Actual Prior Year 2009/2010 CI \$'000	EPS Actual Prior Year 2009/2010 CI \$'000	Loan Description	Core Actual Current Year 2010/2011 CI \$'000	EPS Actual Current Year 2010/2011 CI \$'000
30,649	38,401	Trade Receipts due in one year	40,914	37,750
8,738	8,738	Trade Receipts due after one year	8,293	8,293
39,387	47,139		49,207	46,043

Movements in provision of doubtful debts are as follows:

Core Actual Prior Year 2009/2010 CI \$'000	EPS Actual Prior Year 2009/2010 CI \$'000	Description	Core Actual Current Year 2010/2011 CI \$'000	EPS Actual Current Year 2010/2011 CI \$'000
3,063	34,932	Balance at 1 July	3,063	47,064
0	12,132	Additional provisions made during the year	392	10,737
		Receivables written off during the period	(2)	(29,407)
3,063	47,064	Balance at 30 June	3,453	28,394

Note 5: Other Receivables

Other receivables due to the government amounted to \$6.5 million, \$14.8 million less than the same period in 2009/10.

Core Actual Prior Year 2009/2010 CI\$'000	EPS Actual Prior Year 2009/2010 CI\$'000	Description	Core Actual Current Year 2010/2011 CI\$'000	EPS Actual Current Year 2010/2011 CI\$'000
1,117	1,148	Advances	1,396	1,697
9,974	10,054	Reimbursable Expenses	(1,434)	(1,434)
1,318	1,307	Dishonoured cheques	1,437	1,427
30	404	Interest receivable	51	233
6,009	8,362	Other	4,751	4,569
18,448	21,275	Total other receivables	6,202	6,493

Note 6: Inventories

The government has a wide range of inventory from office supplies, agricultural items to currency. Each inventory type is dealt with under the specific accounting policy. For the year ended June 30, 2011, the inventory holding of the government amounted to \$22.0 million, \$7.5 million more than reported in 2009/2010. The table below summaries the inventory values by type as well as showing the comparative data.

Core Actual Prior Year 2009/2010 CI \$'000	EPS Actual Prior Year 2009/2010 CI \$'000	Description	Core Actual Current Year 2010/2011 CI \$'000	EPS Actual Current Year 2010/2011 CI \$'000
1,127	1,210	Raw Materials (including consumable stores)	326	2,760
3,623	9,312	Inventory held for use in the provision of goods and services	3,607	11,208
153	1,482	Other Inventories for use within one year	170	1,490
-	710	Inventory of unissued currency notes and coins	-	1,856
-	882	Coins awaiting melt-down, Coins for resale & Bullions	-	1,430
-	-	Affordable housing Initiative Houses	-	2,685
-	966	Aircraft and flight equipment held for sale (net of impairment)	-	588
4,903	14,562	Total other receivables	4,103	22,016

At the end of June 2011, there was no write-down of inventories held for distribution and there were no reversals of write-downs.

The stock of unissued currency notes is stated at cost.

Aircraft and flight equipment held for sale

Cayman Airways Ltd ceased using two aircraft for its operations and these aircraft were placed in storage for sale. Consequently, the value associated with these aircraft has been classified as held for sale. As the estimated net realizable value of the aircraft and flight equipment had decreased significantly the aircraft and flight equipment held for sale value was reduced as at June 30 2009 as a result of examining offers received and considering comparative aircraft prices in the market. One of the aircraft was sold during the year ended June 30 2011.

The results of the 2011 annual impairment review indicated that there has been no further decline in the market for the aircraft owned by the Company during the period ended 30 June 2011. Using the criteria established by IAS 36, Impairment of Assets, Cayman Airways determined that an impairment loss was required for an engine held for resale of \$90.9 million the year ended 30 June 2011 (2010: \$nil).

National Housing Development Affordable Housing

This consists of completed affordable housing initiative Houses, which have been allocated by parcels and Certificate of Occupancy, issued and are now ready for Sale.

Note 7: Investments

Investments value at CI\$77.8 million are held in US Treasury Notes (US\$10.4 million), Caribbean Development Bank (CI\$0.2 million) and, Cayman First (CI\$1.6 million) at the end of June 2011. All investments are held as long-term. The table below provides the summary while further details follow.

Core Actual Prior Year 2009/2010	EPS Actual Prior Year 2009/2010	Description	Core Actual Current Year 2010/2011	EPS Actual Current Year 2010/2011
CI \$'000	CI \$'000		CI \$'000	CI \$'000
0	2,122	Longterm Investments	0	10,417
237	237	Caribbean Development Bank	237	237
2,013	2,013	Cayman First (formerly Sagicor)	1,555	1,555
2,250	4,373	Long Term Investments	1,792	12,209
0	79,310	Marketable Securities and Deposits	0	77,768
0	92	Interest receivable on reserves held	0	30
0	79,402	Short Term Investments	0	77,798

- (a) US Treasury Notes stated at market value, with interest rates ranging from 0.375% to 0.500% and a maturity dates between 30 September 2012 and of 30 November 2012.

	<u>2010/2011</u>	<u>2009/2010</u>
	\$'000	\$'000
Range of Maturities		
1 - 5 years	10,416	2,122

- (b) Investment in Cayman First (Sagicor General)

The 24 % investment in Sagicor general was in made in September 2005 at a cost CI\$20.0 million following the aftermath of hurricane Ivan. At June 2011, this investment is worth \$1.6 million.

Investment	Date of Acquisition	Holding	Particulars	Cost	Market Value	(Gain) or loss
				\$,000	\$,000	\$,000
Sagicor (Cayman First)	September 2005	24%	Shares in lieu of insurance settlement	20,000	1,555	18,445
Caribbean Development Bank		213 Shares			237	-

Marketable Securities and Deposits

Short term investments comprise of US Treasury Bills, AAA Bonds and US Treasury Notes with maturity dates ranging between 07 July 2011 and 30 March 2012, and the Federal Reserve Repurchase Agreement with a maturity date 01 July 2010.

	2011	2010
	\$'000	\$'000
US Treasury Bills	42,081	24,573
Federal Reserve Repurchase Agreements at 0.01%	21,583	15,417
US Treasury Notes	10,030	39,320
AAA Bonds	3,790	-
Long term deposits	284	-
Total Short-term Investments, at amortized cost	77,768	79,310

The fair value of the short term investment equates to cost.

Gains and Losses on Financial Instruments

EPS Actual Prior Year 2009/2010	Description	EPS Actual Current Year 2010/2011	Original Budget	Final Budget	Variance (Original vs Actual)
CI\$'000		CI\$'000	CI\$'000	CI\$'000	CI\$'000
855	Unrealized (Gains)/Loss on Investments/Associates	3,649	-	-	3,649
-	Realized (Gains)/Loss on Investments/Associates	-	-	-	-
(760)	Gains/Losses on Foreign Exchange Transactions	(1,679)	487	-	(2,165)
855	Total (gains)/losses	1,970	487	-	1,483

The Cayman Islands hold s a 24% investment in Sagicor General following its intervention in said company (formerly Cayman General) in the aftermath of hurricane Ivan. During the year ended 30 June 2011, the value of investment held in Sagicor general fell by \$458,545.

Note 8: Prepayments

The government has made advances of CI \$8.5 million at the end of June 2011 which was marginally lower than the balance reported to June 2009/2011.

Prepayments were made with respect to Insurance coverage for the property plant & equipment.

Core Actual Prior Year 2009/2010	EPS Actual Prior Year 2009/2010	Description	Core Actual Current Year 2010/2011	EPS Actual Current Year 2010/2011
CI \$'000	CI \$'000		CI \$'000	CI \$'000
2,811	6,691	Accrued Prepayments	1,906	7,683
2,069	2,071	Prepaid Insurance	769	769
4,879	8,762	Total Investments	2,674	8,451

Note 9: Property, Plant and Equipment

Property plant & equipment values stood at \$124.0 million at the end of June 2011, \$97.0 million more than the 2009/10 reported balances. The numbers are stated at cost. The PMFL requires that certain assets be revalued every 5 years. The government last revalued its assets in 2001.

Core: Cost or Valuation

	Land	Plant and equipment	Buildings	Furniture	Computers	Aeroplanes	Boats	Motor Vehicles	Leasehold Improvement ss	Office Equipment	Road & Sidewalks	Infrastructure	Medical Equipment	Other assets	Assets under construction or	Total
	CI \$'000	CI \$'000	CI \$'000	CI \$'000	CI \$'000	CI \$'000	CI \$'000	CI \$'000	CI \$'000	CI \$'000	CI \$'000	CI \$'000	CI \$'000	CI \$'000	CI \$'000	
Balance as at 1 July 2009	311,441	22,689	189,775	8,974	12,728	102	5,352	11,281	1,940	4,870	229,919	4,727	-	6,028	171,895	981,720
Additions	3,432	18,284	12,119	1,300	1,849	3,224	241	10,496	631	953	131	3,465	-	369	61,475	117,968
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,614)	(5,614)
Asset Cost 30 June 2010	314,873	40,973	201,893	10,274	14,577	3,326	5,593	21,777	2,571	5,823	230,050	8,192	-	6,397	227,757	1,094,075

Accumulated Depreciation and impairment losses

	Land	Plant and equipment	Buildings	Furniture	Computers	Aeroplanes	Boats	Motor Vehicles	Leasehold Improvement ss	Office Equipment	Road & Sidewalks	Infrastructure	Medical Equipment	Other assets	Assets under construction or	Total
	CI \$'000	CI \$'000	CI \$'000	CI \$'000	CI \$'000	CI \$'000	CI \$'000	CI \$'000	CI \$'000	CI \$'000	CI \$'000	CI \$'000	CI \$'000	CI \$'000	CI \$'000	
Balance as at 1 July 2009	-	8,538	80,196	3,745	12,521	12	654	7,584	1,086	3,492	57,968	1,971	-	4,348	-	182,214
Impairment loss 2009/10	-	-	-	-	-	624	-	-	-	-	-	-	-	-	-	624
Depreciation Expense 2009/10	-	1,271	6,405	1,162	2,232	86	270	2,265	1,165	692	353	232	-	539	-	16,670
Eliminate on Disposal 2009/10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Changes	-	8,026	10,086	43	(268)	(0)	145	6,803	(419)	540	-	2,628	-	(183)	-	27,399
Accumulated Depreciation as at 30 June 2010	-	17,835	96,687	4,949	14,585	722	1,069	16,652	1,832	4,723	58,321	4,831	-	4,701	-	226,907

Net Book value 30 June 2010	314,873	23,138	105,206	5,325	(7)	2,604	4,524	5,124	739	1,100	171,729	3,361	-	1,696	227,757	867,168
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	Land	Plant and equipment	Buildings	Furniture	Computers	Aeroplanes	Boats	Motor Vehicles	Leasehold Improvements	Office Equipment	Road & Sidewalks	Infrastructure	Medical Equipment	Other assets	Assets under construction or	Total
	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	
Balance as at 1 July 2010	314,873	40,973	201,893	10,274	14,577	3,326	5,593	21,777	2,571	5,823	230,050	8,192	-	6,397	227,757	1,094,075
Additions	347	434	2,932	307	1,458	-	3,543	3,792	39	85	27	605	-	125	65,706	79,398
Disposals		(263)	(896)	(351)	(294)		(3,476)	(673)	(19)	(37)				(527)	(662)	(7,197)
Adjustments		(14,260)	3,863	(1,229)	-		-	57						(612)		(12,182)
Other Changes	(0)	251	(2,280)	(374)	4,692	-	(664)	(516)	(1,271)	(248)	-	-	-	1,832	(6,310)	(4,889)
Asset Cost 30 June 2011	315,219	27,136	205,512	8,627	20,433	3,326	4,996	24,437	1,319	5,623	230,076	8,797	-	7,214	286,491	1,149,206

Accumulated Depreciation and impairment losses

	Land	Plant and equipment	Buildings	Furniture	Computers	Aeroplanes	Boats	Motor Vehicles	Leasehold Improvements	Office Equipment	Road & Sidewalks	Infrastructure	Medical Equipment	Other assets	Assets under construction or	Total
	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	
Balance as at 1 July 2010	-	17,835	96,687	4,949	14,585	722	1,069	16,652	1,832	4,723	58,321	4,831	-	4,701	-	226,907
Impairment loss 2010/11																-
Depreciation Expense 2010/11	-	2,014	5,521	619	1,523	435	307	1,692	973	360	250	436	-	673	-	14,802
Eliminate on Disposal 2010/11		(412)	(5,471)	(673)	(741)			2,899						(1,740)		(6,137)
Adjustments		(8,019)	(97)	-	(316)									2		(8,430)
Other Changes	-	(115)	448	(264)	(847)	(82)	(174)	(1,095)	(1,576)	(487)	(272)	(1,396)	-	439	-	(235)
Accumulated Depreciation as at 30 June 2011	-	11,303	97,089	4,631	14,203	1,075	1,202	20,148	1,228	4,597	58,298	3,871	-	4,075	-	221,721

Net Book value 30 June 2011	315,219	15,832	108,423	3,997	6,230	2,251	3,794	4,289	91	1,026	171,778	4,926	-	3,139	286,491	927,485
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Summary of major projects in work-in-progress:

Prior year	Description	Current year
\$25.31m	New schools project	\$28.2m
	Primary schools project	\$3.3m

**Entire Public Sector:
Cost or Valuation**

	Land	Plant and equipment	Buildings	Furniture	Computers	Aeroplanes	Boats	Motor Vehicles	Lens/held Improvement \$S	Office Equipment	Road & Sidewalks	Infrastructure	Medical Equipment	Other assets	Assets under construction or	Total
	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	
Balance as at 1 July 2009	347,271	31,532	392,425	17,591	25,637	15,297	5,352	18,766	4,518	7,465	229,919	5,331	11,078	96,555	180,881	1,390,157
Additions	3,817	25,354	5,218	2,888	4,205	3,547	241	14,609	1,262	1,002	131	3,538	586	(13,429)	61,475	108,485
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Asset Cost 30 June 2010	351,088	56,886	397,643	20,483	29,755	19,044	5,593	33,315	5,551	8,392	230,050	8,869	11,664	77,526	242,355	1,498,202

Accumulated Depreciation and impairment losses

	Land	Plant and equipment	Buildings	Furniture	Computers	Aeroplanes	Boats	Motor Vehicles	Lens/held Improvement \$S	Office Equipment	Road & Sidewalks	Infrastructure	Medical Equipment	Other assets	Assets under construction or	Total
	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	
Balance as at 1 July 2009	-	13,717	124,817	7,993	21,942	7,559	554	12,302	2,228	5,350	57,568	2,008	6,075	36,025	-	300,540
Impairment loss 2009/10	-	-	-	-	-	624	-	-	-	-	-	-	-	-	-	624
Depreciation Expense 2009/10	-	2,444	9,002	1,621	3,495	86	270	2,910	1,374	915	353	243	-	5,945	-	28,352
Eliminate on Disposal 2009/10	-	(8,019)	(97)	-	(316)	-	-	-	-	-	-	-	-	2	-	(8,400)
Other Changes	-	19,279	11,782	833	1,355	1,262	145	9,123	(365)	663	-	2,828	622	(14,664)	-	32,650
Accumulated Depreciation as at 30 June 2010	-	27,421	145,504	10,399	26,454	10,556	1,069	24,335	3,633	5,873	58,321	4,880	7,497	27,308	-	354,509

Net Book value 30 June 2010	351,088	26,464	252,139	10,081	3,301	8,488	4,524	8,980	1,615	1,519	271,729	3,989	4,167	50,218	242,355	1,143,654
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	Land	Plant and equipment	Buildings	Furniture	Computers	Aeroplanes	Boats	Motor Vehicles	Leasehold Improvements	Office Equipment	Road & Sidewalks	Infrastructure	Medical Equipment	Other assets	Assets under construction or	Total
	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	
Balance as at 1 July 2010	351,089	56,885	397,643	20,480	29,755	19,044	5,593	33,315	5,551	8,382	230,050	8,869	11,664	77,526	242,356	1,498,202
Additions	4,331	434	6,167	307	7,154	4,391	-	2,732	39	85	27	808	681	39,000	59,850	126,005
Disposals	-	(263)	(896)	(351)	(294)	-	(3,476)	(673)	(19)	(37)	-	-	-	(527)	(662)	(7,197)
Adjustments	-	(14,260)	3,863	(1,229)	-	-	-	57	-	-	-	-	-	(612)	-	(12,182)
Other Changes	-	3,913	(2,967)	124	294	-	2,879	616	(1,311)	(1,338)	-	-	-	1,139	662	4,012
Asset Cost 30 June 2011	355,419	46,711	403,810	19,330	36,909	23,435	4,996	36,048	4,260	7,092	230,076	9,677	12,345	116,526	302,206	1,608,840

Accumulated Depreciation and impairment losses

	Land	Plant and equipment	Buildings	Furniture	Computers	Aeroplanes	Boats	Motor Vehicles	Leasehold Improvements	Office Equipment	Road & Sidewalks	Infrastructure	Medical Equipment	Other assets	Assets under construction or	Total
	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	Ci \$'000	
Balance as at 1 July 2010	-	27,421	145,504	10,399	26,454	10,556	1,069	24,335	3,933	6,873	58,321	4,880	7,497	27,308	-	354,549
Depreciation Expense 2010/11	-	3,238	8,703	1,068	2,827	435	307	2,249	1,115	458	250	436	-	5,056	-	25,141
Eliminate on Disposal 2010/11	-	(412)	(5,471)	(673)	(741)	-	-	2,899	-	-	-	-	-	(1,740)	-	(6,137)
Other Changes	-	(7,363)	(8,003)	546	(985)	3,791	(174)	(767)	(1,326)	(1,471)	(272)	(1,337)	699	10,630	-	(6,031)
Accumulated Depreciation as at 30 June 2011	-	22,884	140,733	11,340	27,555	14,782	1,202	28,716	3,722	5,859	58,298	3,978	8,196	41,254	-	368,521

Net Book value 30 June 2011	355,419	23,827	263,077	7,990	9,354	8,653	3,794	7,332	538	1,233	171,778	5,698	4,150	75,272	302,206	1,240,319
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Summary of Work in process:

Prior year CIS'000	Description of Project Development	Current year CIS'000
763	New Housing Project in East End	0
1,270	Project Development - New Housing Project in West Bay	5,515
0	Project Development - New Housing Project in Windsor Park	46
33	Project Development - Eastern Ave	34
6	Project Development - Fair Banks & Bodden Town	6
51	Project Development - New Housing Project - Overhead Cost	90
2,123	Total	5,691

Impairment of Property Plant & Equipment

NHDT affordable low income property houses classified as buildings are located in West Bay, Eastern Avenue and Windsor Park

"Legal Opinion issued in April 2011, concluded that structures completed between 2004 and 2005 were constructed in the absence of any building control regulation. This culminated in the inability to obtain the Certificates of Fitness for Occupancy required before any occupation of a completed new building can take place. The inability to comply with the Land Registration Legislation led to the purported sale of unregistered properties which are incapable of transfer of title and registration and which are, by normal Cayman Islands Building Codes, unfit for habitation. As a result these houses have been categorized as Impaired Assets, however a full write off will not be made. Reason being these houses still have economic benefit to the Trust and are still being occupied by clients.

A write off will be made in stages of the redevelopment of these properties. For the Year 2009-10 a total of \$5.8M has been reported as impaired loss for the old AHI houses located Windsor Park, Eastern Avenue and West Bay. Note that 100% impairment has been made for Windsor Park for which are currently being redeveloped, and 70% impairment made for Eastern Avenue and West Bay.

For the Year 2010-11 the remaining 30% impairment for the Eastern Avenue and West Bay has been recognized.

Note 10: Net worth in Public Authorities

Actual Prior Year 2009/2010 CI \$'000	Description	Actual Current Year 2009/2010 CI \$'000
22,318	Monetary Authority	22,645
53,873	Water Authority	56,743
38,930	Port Authority	39,161
7,645	Development Bank	4,325
2,461	National Gallery	2,961
1,446	National Museum	931
2,221	University College of the Cayman Islands (formerly	3,170
5,512	Civil Aviation Authority	6,328
239	National Drug Council	305
65,498	Health Service Authority	85,959
5,343	Tourism Attraction Board	5,713
1,522	ICTA Authority	1,555
2,650	Maritime Authority	2,855
(58,700)	Cayman Airways Limited	(58,467)
1,205	Stock Exchange	1,588
(15,001)	Turtle Farm	(12,343)
4,213	National Roads Authority	3,914
12,505	Cayman Island National Insurance Co	9,997
835	CAYS	824
(2,685)	National Housing Development Trust	(4,559)
357	Electrical Regulatory Authority	683
47,510	CI Airports Authority	53,848
1,010	Sister Island Affordable Housing	1,013
4,502	Cayman National Cultural Foundation	4,446
-		-
-		-
205,410	Total	233,544

Note 11: Trade Payables

The government had trade creditors of \$30.3 million as at June 30, 2011, this was \$20.2 million less than the June 2009/10 position. The total amount is deemed current.

Core government had trade creditors of \$1.6 million while SAGC accounted for \$28.7 million.

Cayman Airways accounted for the largest build-up of trade creditors (CI\$ 20.1 million). This is primarily due to cash shortage on the part of the entity. In recent years, the Company has experienced difficulties in its ability to pay its creditors. Consequently, the amounts recorded as accounts payable and accrued expenses has increased significantly. In April 2010, the Government approved plans for the Company to borrow \$22.6 million (CI\$19.0 million) in order to settle all existing overdue payables to creditors. The process of securing these funds is currently underway.

Note 12: Other payables and accruals

At June 30 2011, there were other payables and accruals of \$50.8 million compared to the \$32.2 million reported in 2009/10. At the end of the year there was a significant build-up of accruals across the government. This is normal at this time of year.

Actual Prior Year	Details	Actual Current Year
CI \$'000		CI \$'000
3,443	Payroll Deductions	4,386
24,066	Accruals	39,590
(7)	Trust liabilities	-
3,658	Interest	5,263
1,066	Other Payables	1,619
32,226	Total Other Payables & Accruals	50,858

Note 13: Unearned Revenue

Revenue is treated as unearned when it is received before it has been earned or is due. Unearned revenue occurs primarily in the Department of Immigration, The Financial Services Sector and the Customs Department. During the year ended June 30, 2011, the government also recognized grants/donation to which conditions have been attached and not yet fulfilled of \$2.1 million in this category. Donations are discussed in **Note 20 – Donations**.

EPS Actual Prior Year 2009/2010	Details	EPS Actual Current Year 2010/2011
CI \$'000		CI \$'000
462	Security deposits	2,149
9	Philatelic revenue deposits	9
26,425	Revenue received in advance	30,177
26,896	Total unearned revenue	32,334

Revenue received in advance

The total revenue received in advance was \$30.2 million at the end of June 2011; this was \$7.0 million more than the \$26.4 million being held at the end of June 2009/10.

Actual Prior Year	Details	Actual Current Year
CI \$'000		CI \$'000
15,032	Immigration Receipts	14,879
3,133	General Registry Receipts	4,009
325	Custom Receipts	1,534
7,935	Other	9,755
26,425	Total revenue in advance	30,177

Note 14: Employee Entitlements

At the end of 2010/2011, the government had staff liabilities of CI \$220.1 million with \$207.0 million in respect of the projected actuarial deficiency in the past service pension liability. The remaining \$13.1 million relates to staff leave and outstanding comp time. With the exception of CI\$0.214 million the entire \$13.1 million is deemed current (see table below).

Actual Prior Year	Details	Actual Current Year
CI \$'000		CI \$'000
6,273	<i>Employee entitlements are represented by:</i>	6,042
183	• Annual leave	214
2,223	• Retirement and long service leave	3,598
-	• Salaries and wages	-
-	• Health care	-
-	• Travel	-
207,016	• Pension	207,016
3,176	• Other	3,269
218,872	Total employee entitlements	220,140

Actual Prior Year	Details	Actual Current Year
CI \$'000		CI \$'000
11,673	• Current employee entitlements	12,910
207,199	• Non-current employee entitlements	207,230
218,872	Total employee entitlements	220,140

Retirement Benefits

The government, under the provisions of the Public Service Management Law, is obligated to provide post-retirement benefits to qualified employees in the form of health care and pension. While the government has quantified and disclosed its obligations for pensions it has not been able to accurately determine the value of its liability with respects to post-retirement health care as these have not been accurately quantified and costed at the time of the preparation of these reports.

The government participates in various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial

calculations. The group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Past Service Pension Benefit

Actuarial Valuations with an effective date of 1st January 2008 were conducted for three separate Plans; the Public Service Pensions Plan, the Parliamentary Pensions Plan and the Judiciary Pensions Plan. These Actuarial Valuation Reports were accepted by the Public Service Pension Board and are awaiting approval by Cabinet and tabling in the Legislative Assembly.

The actuarial valuation calculated a fund deficiency of \$207.0 million as at January 1, 2008. This represents fund deficiencies arising from participants having accrued considerable defined benefit entitlements prior to the establishment of the pension fund.

Public Service Pensions Plan Actuarial Valuation

Actual Prior Year	Details	Actual Current Year
2009/2010		2010/2011
CI \$'000		CI \$'000
112,000	Value of pension fund allocated asstes	174,300
230,900	Past service liability (no projection of pay)	310,800
277,700	Past service liability (with projection of pay)	366,700
165,700	Fund deficiency	192,400

Actual Prior Year	Details	Actual Current Year
2009/2010		2010/2011
\$22.9	Assets - liabilities	\$68.4
	Total	
\$134,900	Value of pension fund allocated asstes	\$242,700
\$253,800	Past service liability (no projection of pay)	\$379,200
\$300,600	Past service liability (with projection of pay)	\$435,000
	Fund Ratio (assets/Public service liability)	
40%	Defined benefit plan	48%
45%	All plans	56%

Future contribution requirement

In order to sustain the fund, defined contribution participants will need to contribute 13% or \$17.0 million of their salaries/wages. The current contribution is 12%

Similarly, defined benefit participants will need to contribute 44.9% or \$27.3 million. This contribution requirement is based on cost plus amortization of the actuarial deficiency over a 20 year period.

Based on the above, the total annual cost, based on the active pensionable payroll is estimated at \$44.3 million or 23.11% of salary and wages.

Judicial Pension Fund Plan Actuarial Valuation

Actual Prior Year	Details	Actual Current Year
2009/2010		2010/2011
CI\$000		CI\$000
891	Value of pension fund allocated asstes	1,901
0	Past service liability (no projection of pay)	1,863
835	Past service liability (with projection of pay)	1,879
55	Fund deficiency	22

Actual Prior Year	Actual Prior Year	Actual Prior Year
107%	Fund Ratio (assets/Public service liability)	101%

Future contribution requirement

Actual Prior Year	Actual Prior Year	Actual Prior Year
\$200	Annual amount	\$233
41%	Annual amount as a percentage of annual salary	40%

The annual cost is the annual contribution necessary in order to accumulate sufficient funds at retirement age in order to meet the value of expected benefits due to the participants of this plan. The cost is expected to remain constant as a percentage of salaries.

Parliamentarian pensions plan actuarial valuation

Actual Prior Year	Actual Prior Year	Actual Prior Year
2009/2010		2010/2011
CI\$000		CI\$000
2,238	Value of pension fund allocated asstes	4,729
15,024	Past service liability (no projection of pay)	18,634
15,514	Past service liability (with projection of pay)	19,434
13,276	Fund deficiency	14,704

Actual Prior Year	Actual Prior Year	Actual Prior Year
14%	Fund Ratio (assets/Public service liability)	24%

Future contribution requirement

The contribution requirement on the basis of normal cost plus amortization of the actuarial deficiency over the next 20 years is \$1.8 million or 104.07% annually of the pensionable payroll inclusive of members' 6% contribution.

Principal assumptions of the actuarial valuation

The principal assumptions (excluding the estimated retirement age which varied with each Plan) used in the computation of the actuarial estimate of the pension liability for each of the three named Pension Plans are as follows:

- (a) annual salary increases of 4%;
- (b) long term inflation rate of 2.5% per annum;
- (c) valuation interest rate to discount future benefit payments of 7%;
- (d) expected long-term rate of return on the Fund's invested assets of 7%;
- (e) anticipated future pensions payments increases of 3% per annum; and
- (f) estimated retirement age of 55 for the Parliamentary Pensions Plan, 57 for the Public Service Pensions Plan, and 65 for the Judiciary Pensions Plan.

Note 15: Borrowings

The government had public debt of CI\$793.4 million at the end of June 2010/2011; this was \$133.5 million more than 2009/2010. Core government debt amounted to \$625.2 million of the total loan portfolio. Loan funds are used primarily to fund capital works and infrastructure projects. The table below provides the details of the public debt while the ensuing notes provide the key details of each loan.

Cayman Islands Government
As at 30 June 2011

Amounts Stated in C\$

Details	Approved Amount	Amount withdrawn	Date of Issue	Principal Payments	Frequency of Payments	Interest Rate	Basis	Term	Maturity Date	Balance Owed
										as at 30 June 2011 C\$
FirstCaribbean International Bank										
Bank Loans										
Loan Law 2003 - General Financing of CIG Activities	US\$9,600,000	US\$9,600,000	30-Jun-04	800,001	Semi-Annually 30 Dec / Jun	5.02%	Fixed for entire life of loan	10 yrs	01-Jul-14	2,400,002
Loan Law 2003 (Law 2 of 2003) Construction Works - Prospect Primary	US\$18,800,000	US\$8,806,306	30-Jun-04	800,527	Semi-Annually 30 Dec / Jun	5.04%	Fixed for entire life of loan	10 yrs	30-Jun-15	3,202,103
Loan Law 2004 - Road Works	US\$15,600,000	US\$8,722,050	30-Jun-04	726,888	Semi-Annually 30 Dec / Jun	5.045%	Fixed for entire life of loan	10 yrs	30-Jun-15	2,907,552
The Appropriation Law, 2004 & Supplementary Appropriation Law 2005										
US\$174,399,940										
Tranche 1 - Financing Capital Projects		US\$17,999,998	29-Jan-05	1,500,000	Quarterly 30 Mar / Jun / Sep / Dec	4.8475%	Fixed for 10 yrs	10 yrs	29-Jun-15	5,999,993
Tranche 2 - Financing Capital Projects		US\$28,900,000	23-Nov-05	1,500,000	Quarterly 28 Feb / May / Aug / Nov	5.58%	Fixed for 15 yrs to 28 August 2020	15 yrs	30-Nov-20	15,200,012
Tranche 3 - Financing Capital Projects		US\$11,980,990	14-Dec-06	1,111,111	Quarterly 14 Mar / Jun / Sep / Dec	3.20%	Fixed for 5 yrs to 15 Dec 2013	9 yrs	14-Dec-15	5,000,001
Tranche 4 - Financing Capital Projects		US\$15,599,964	29-Jun-07	1,624,988	Quarterly 30 Mar / Jun / Sep / Dec	2.82%	Fixed for 5 yrs to 28 Dec 2013	8 yrs	28-Jun-15	6,499,989
The Appropriation Law 2007										
US\$155,759,875										
Tranche 1 - Financing Capital Projects		US\$47,159,962	26-Oct-07	2,620,000	Quarterly 11 Feb / May / Aug / Nov	4.25%	Fixed for 5 yrs to 10 Feb 2014	15 yrs	11-Feb-23	30,784,963
Tranche 2 - Financing Capital Projects		US\$46,599,963	24-Jun-08	2,533,336	Quarterly 24 Jan / Apr / Jul / Oct	4.25%	Fixed for 5 yrs to 23 Jan 2014	15 yrs	24-Jun-23	31,033,328
Tranche 3 - Financing Capital Projects		US\$62,000,950	27-Jun-08	3,500,000	Quarterly 24 Jan / Apr / Jul / Oct	4.25%	Fixed for 5 yrs to 23 Jan 2014	15 yrs	24-Jun-23	42,874,992
The Appropriation Law, 2010/2011 Fiscal Year										
C\$155,000,000.00 or US\$185,074,626.87										
Bridge Financing										
Scotiabank		US\$82,500,000.00	22-Oct-10	77,468,750	Bullet payment at maturity	2.5531%	3M LIBOR + 3.25%	3 months	19-Apr-11	0
Banque Paribas SA		US\$35,000,000.00	15-Dec-10	30,150,000	Bullet payment at maturity	2.510310%	3M LIBOR + 3.25%	36 Days from 15 December 2010	20-Jan-11	0
FirstCaribbean International Bank		US\$105,074,000.00	19-Apr-11	7,711,423	Semi-Annually Commencing 19 Oct-16	5.440000%	Fixed for entire life of loan	15 yrs	19-Apr-26	154,228,457
Cayman National Bank & First Caribbean	14,784,000	14,784,000	Various	Various	Monthly	Various	Various	Various	Various	8,680,877
RBC & BNS	US\$4,200,000	US\$2,220,070	1-Jan-07	165,216	monthly	1.18505%	prime + 1%	15 years	01-Jul-12	249,970
RBC & BNS	US\$5,600,000	US\$5,600,000	1-Jan-08	518,582	monthly	1.68555%	prime + 1.12%	15 years	01-Jan-13	1,203,291
RBC & BNS	US\$17,500,000	US\$17,500,000	1-Jan-03	1,340,156	monthly	1.68580%	prime + 1.12%	15 years	01-May-14	8,670,900
RBC & BNS	US\$8,500,000	US\$854,278	1-Jan-03	66,240	monthly	1.68580%	prime + 1.12%	11 years	01-Aug-15	420,372

Details	Approved Amount	Amount withdrawn	Date of Issue	Principal Payments	Frequency of Payments	Interest Rate	Basis	Term	Maturity Date	Balance Owed
										as at 30 June 2011 C\$
Cayman National Bank		US\$5,400,000								0
Caribbean Development Bank		US\$8,570,000	15-Nov-91	437,315	Quarterly	4.06%	Fixed for entire life of loan	20 years	31-Oct-11	218,671
European Investment Bank		EUR330,000	10-Feb-80	VARIABLE		1.00%				127,132
European Investment Bank		EUR658,000	11-Aug-87	VARIABLE		1.00%				455,946
										2,663,557
European Investment Bank	EUR 1,588,080	EUR 1,489,812	3-May-89	VARIABLE	Semi-Annually	1.00%	Fixed	40 years	15-Apr-29	1,150,280
Caribbean Development Bank	US\$5,790,000	US\$5,369,726	23-Dec-95	374,762	Quarterly	3.66%			Various	1,148,184
										2,985,101
Royal Bank of Canada	US\$23,602,333	US\$23,602,333	11-Feb-08	1,884,960	Monthly	Libor + 1.25%	US 1M Libor	5 Year Amortisation	Feb 2019	9,863,476
Royal Bank of Canada	US\$10,527,500	US\$10,527,500	11-Feb-08	836,640	Monthly	Libor + 1.25%	US 1M Libor	5 Year Amortisation	Feb 2019	4,497,137
FirstCaribbean International Bank	US\$10,527,500	US\$10,527,500	11-Feb-08	836,640	Monthly	Libor + 1.25%	US 1M Libor	5 Year Amortisation	Feb 2019	4,497,137
FirstCaribbean International Bank	US\$4,200,000	US\$4,200,000	9-Jan-07	403,200	Monthly	Libor + 0.75%	US 1M Libor	10 years	31-Jan-17	2,075,800
FirstCaribbean International Bank	US\$15,000,000	US\$15,000,000	15-Mar-09	1,169,280	Monthly	Libor + 3.50%	US 1M Libor	15 years	15-Mar-24	11,037,495
FirstCaribbean International Bank	800,000	800,000	31-Mar-11	800,000	Monthly	3.50%	365 days	120 months	28-Feb-21	777,850
FirstCaribbean International Bank	1,900,000	1,411,902	Aug-08	143,467	Monthly	2.15%	LIBOR + 1%	15 years	Mar-14	138,038
FirstCaribbean International Bank	501,000	272,551	Dec-00	124,044	Monthly	2.15%	LIBOR + 1%	8 years	Jun-13	228,448
FirstCaribbean International Bank	12,677,508	10,770,883	Dec-02	2,288,469	Monthly	2.15%	LIBOR + 1%	8 years	Jun-13	1,906,625
FirstCaribbean International Bank	2,421,500	796,496	Jun-07	229,732	Monthly	2.05%	LIBOR + 0.9%	15 years	Jun-22	1,625,004
FirstCaribbean International Bank	2,535,000	526,428	Dec-08	222,177		2.05%	LIBOR + 0.9%	15 years	Dec-23	1,578,572
FirstCaribbean International Bank	4,675,000	754,070	Jun-09	410,048		2.05%	LIBOR + 0.9%	15 years	Jun-24	3,921,300
Ocean Conversion (Cayman) Ltd	748,631	565,729	Feb-06	114,212	Monthly	0.42%	Fixed Rate	7 years	Jan-13	192,932
Ocean Conversion (Cayman) Ltd	1,459,535	819,639	Apr-07	208,775	Monthly	0.42%	Fixed Rate	7 years	Mar-14	630,866
Ocean Conversion (Cayman) Ltd	9,176,442	1,392,948	Jul-09	719,620	Monthly	0.54%	Fixed Rate	10 years	Jun-19	7,783,494
Ocean Conversion (Cayman) Ltd	3,063,616	357,324	Jul-10	0	Monthly	0.54%	Fixed Rate	7 years	Jun-17	2,706,492
Caribbean Development Bank	US\$1,073,948		16-Sep-91	63,928	Quarterly interest & principal payment	4.09%	Fixed	21 Years	30-Dec-12	111,676
Caribbean Development Bank	US\$4,075,267		16-May-02	311,567	Quarterly interest & principal payment	4.09%	Fixed	18 Years	01-Jul-21	3,193,562

Details	Approved Amount	Amount withdrawn	Date of Issue	Principal Payments	Frequency of Payments	Interest Rate	Basis	Term	Maturity Date	Balance Owed
Bonds										
2003 Bond Issue-Private Placement The Government Securities Law, (2002 Revision)	US\$163,200,000	US\$163,200,000	8/Apr/03	9,112,000	Semi-Annually April /October	5.30%	Fixed for 15 yrs	15 yrs	08/Apr/18	63,783,978
2009 Notes/BOND ISSUE										
Cayman Islands Government Securities Law, (2003 Revision) Rule 144A and Regulation S of the United States Securities Act 1933 Underwriter of Notes: HSBC Securities (USA) Inc.	US\$12,000,000	US\$12,000,000	24-Nov-09	None (Bullet payment at maturity)	Interest only Semi-Annually May/November	5.95%	Fixed for 10 yr term	10 yrs	24-Nov-19	261,300,000
Guaranteed Senior Notes William Blair & Company LLC	US\$44,600,000	KY US\$60,000	12/Mar/04	2,354,520	Quarterly	4.85%	Fixed Rate	15 Years	1-Mar-19	26,348,279
10 year Bond	US\$6,000,000	US\$6,000,000	30-Jun-05	0	Semi-annual interest payment	1.00%	U.S. LIBOR	10 Years	30-Jun-15	4,984,800
5 year Bond	US\$6,000,000	US\$6,000,000	30-Jun-10	0	Semi-annual interest payment	2.75%	U.S. LIBOR	5 Years	30-Jun-15	4,818,640
Bond HSBC	US\$20,000,000	US\$20,000,000	27/Apr/10	0	Semi-annual interest payment	2.35%	U.S. LIBOR	5 Years	27-Apr-15	16,616,000
5 YEAR BOND FCB	US\$6,000,000	US\$6,000,000	23-Jul-10	0	Semi-annual interest payment	2.75%	U.S. LIBOR	5 Years	23-Jul-15	4,154,000
5 YEAR BOND FCB-2016	US\$6,000,000	US\$6,000,000	11-Jan-11	0	Semi-annual interest payment	2.75%	U.S. LIBOR	5 Years	11-Jan-16	4,154,000
BOND BNS	US\$12,226,694	US\$12,226,694	28/Oct/04	1,864,193	Semi-annually	5.238%	Fixed Rate	20 yrs	28/Oct/24	9,549,256
BOND BOS	US\$14,600,000	US\$12,226,694	Aug-09		Semi-annually	3.250%	11 yrs (first 2 yrs monthly interest only, 9 yrs of semi-annually principal payments) Balloon note at end of 11 yrs or refinancing required. The bond was to be fully drawn by the 30-Jun-2011 and also commence principal payment in Dec 2011	18 yrs	30-Dec-18	12,083,000

Note 16: Provisions and Other Current Liabilities

The government through CINICO has made provisions for insurance claims of \$11.3 million for insurance claims while Cayman Airways has made provision of \$2.6 million with respect to its frequent flyer Programme. The amounts owed to Trust represent amounts that were assessed as trust liability in 2004/05 (the introduction of accrual accounting). These amounts though recognized in the Trust entities as assets have not yet being fully paid over. The liability declined by \$0.5million during the year.

Note 17: Other Non-Current Liabilities

Other non-current liabilities represent amounts received by the National housing development trust in respect of mortgages on Government houses. These properties have not yet been transferred, hence amounts are held as liabilities pending such transfers.

Note 18: Currency Reserve Assets

Sections 32(8) of the Law (2010 revision) mandates the preservation of Currency Reserve Assets, separately from all other assets as these assets are to be used to fund currency redemption obligations. (See Note 8.) They shall not be used to satisfy liabilities arising from any other business transactions. After all demand liabilities are extinguished, any surplus Currency Reserve Assets would form part of the General Reserve. (See Note 9a.)

Under the Law (2010 revision), sections 32(2) and 32(6) respectively, the Currency Reserve Assets consist of external assets (not less in value than an amount equivalent to ninety percent of demand liabilities) and local assets (not to exceed ten percent of Demand Liabilities).

As at 30 June 2011, the value of Currency Reserve Assets was \$95.607k (2010: \$87.202k) representing 112.58% (2010: 111.820%) of total demand liabilities. The value of external assets equated to 105.59% (2010: 106.21%) while the value of local assets as at 30 June 2011 equated to 6.99% (2010: 5.61%) of Demand Liabilities.

Currency Reserve Assets comprise the following:

a) Investments

The principal investment objectives of the CI Government are security, liquidity and income. The investment portfolio is managed by independent fund managers in accordance with investment guidelines established in accordance with the Law (2010 Revision). Management fees are calculated based on the market value of the portfolio and are payable quarterly in arrears. Either party may terminate the agreement with thirty days' notice.

Long-term Investments: US Treasury Notes stated at market value, with interest rates ranging from 0.375% to 0.500% and a maturity dates between 30 September 2012 and of 30 November 2012.

	<u>2011</u>	<u>2010</u>
Range of Maturities	\$'000	\$'000
1 - 5 years	10,416	2,122
6 - 10 years	-	-
	<u>10,416</u>	<u>2,122</u>

Short-term Investments: US Treasury Bills, AAA Bonds and US Treasury Notes with maturity dates ranging between 07 July 2011 and 30 March 2012, and the Federal Reserve Repurchase Agreement with a maturity date 01 July 2010.

	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
US Treasury Bills	42,081	24,573
Federal Reserve Repurchase Agreements at 0.01%	21,583	15,417
US Treasury Notes	10,030	39,320
AAA Bonds	3,790	-
Total Short-term Investments, at amortized cost	<u>77,484</u>	<u>79,310</u>

The fair value of the short term investment equates cost.

b) Cash and Cash Equivalents

The Government maintains current, call and fixed term deposits with domestic and foreign banks. Under the Law (2010 revision), domestic deposits (as part of the Currency Reserve Assets) cannot exceed 10% of Demand Liabilities. As at 30 June 2011, domestic deposits represent 4.76% (2010: 4.70%) of Demand Liabilities.

	<u>Currency</u>	<u>2011</u>	<u>2010</u>
		\$'000	\$'001
<u>Operating Assets</u>			
Current	KYD	- 197	- 160
Savings	KYD	10,371	1,842
Savings	USD	367	6,046
Cash On Hand	KYD	1	1
Current and Call Deposits		<u>10,542</u>	<u>7,729</u>
<u>Currency Reserve Assets</u>			
Domestic Deposits			
Savings	GBP	7	7
Savings	KYD	522	477
Savings	USD	2,021	1,651
Foreign Deposits			
Federal Reserve Bank	USD	218	247
Investment Portfolio	USD	89	173
Total Call Deposits - Currency Reserve		<u>2,857</u>	<u>2,555</u>
Domestic - Fixed Deposits	USD	<u>1,533</u>	<u>1,531</u>
Total Operating Cash and Cash Equivalent		<u>14,932</u>	<u>11,815</u>

Interest was earned on domestic call accounts at a rate of 0.01% during the year ended 30 June 2011 (2010: 0.03125% to 0.01%). The domestic fixed deposits earned interest at a rate of 0.1200% during the year ended 30 June 2011 (2010: 0.2343% to 0.1200%).

The Federal Reserve call account balance is non-interest bearing; however, the excess balances are invested daily in a repurchase agreement.

Interest is calculated on the average daily balance of the foreign investment call account. During the year ended 30 June 2011 no interest was earned (2010: \$0).

Note 19: Reserves

The law requires that the government maintains a minimum \$90 day's cash balance. These are geared for specific purposes as shown below and can only be used with the consent of the Legislative Assembly. The equivalent of these funds is held in fixed deposits by the Treasury Department.

Prior Period Actual	Reserve	Actual Current Year	Original Budget	Final Budget	Variance (Original vs Actual)
1,365	Housing Guarantee Reserve Fund	1,338	1,360	1,360	(22)
31,546	Environmental Protection Fund	36,672	26,058	26,058	10,614
-	- Infrastructure Development Fund	-	2,264	2,264	(2,264)
3,990	Retained Earnings held as Special Funds	4,503	9,713	9,713	(5,210)
43,557	Retained Earnings held as General Reserves	43,838	43,379	43,379	459
-	- Revaluation Reserves	-	-	-	-
-	- Currency Reserves	-	-	-	-
-	- Other Reserves	-	-	-	-
80,458	Total	86,351	82,774	82,774	3,577

Actual Current Year	Actual Current Year
ENVIRONMENTAL PROTECTION FUND	
Opening Balance	31,546
Interest	152
Transfer into EPF	5,126
Interest transfer to General Revenue	(152)
Transfer to General Revenue	-
Closing Balance	36,672
INFRASTRUCTURE DEVELOPMENT FUND	
Opening Balance	-
Interest	7
Interest Transfer to General Revenue	(7)
Transfer to Roads Fund	-
Closing Balance	-
STUDENT LOAN RESERVE	
Opening Balance	1,388
Interest	4
Transfers from General Revenues	100
Outflow	-
Closing Balance	1,492
HOUSING LOAN RESERVE	
Opening Balance	1,365
Interest	7
Outflow	(34)
Closing Balance	1,338
NATIONAL DISASTER FUND	
Opening Balance	2,603
Interest	8
Transfers from General Funds	400
Transfer to General Revenue	-
Closing Balance	3,011
GENERAL RESERVES	
Opening Balance	43,557
Transfer to Gen Reserve	-
Interest Income	281
Other Investment Income	-
Transfer from General Revenue	-
Closing Balance	43,838
Total Funds	86,351

Note 20: Coercive Revenue

The Government derives most of its revenue from non- exchange transactions (coercive revenue).

Coercive revenue is revenue earned by core government using the coercive power of the state and for which no direct exchange of services occurs.

For the year ended June 30 2011, CI\$480.8 million was earned compared to the budget of CI\$46.1 million. This was \$31.4 million more than was earned in 2009/10.

In 2009/10 the Government implemented a range of revenue measures in order to counter the impact of the recession as well as to maintain liquidity. The full impact of which was seen in 2010-11.

Actual Prior Year 2009/2010	Revenue Description	Current Year Actual 2010/2011	Original Budget	Final Budget	Variance (Original vs Actual)
CI\$'000		CI\$'000	CI\$'000	CI\$'000	CI\$'000
149,482	Levies on International Trade and Transactions	161,010	163,025	163,025	(2,015)
269,596	Domestic Levies on Goods and Services	284,899	270,349	270,349	14,551
23,933	Levies on Property	33,504	24,936	24,936	8,568
1,840	Fines	1,418	1,834	1,834	(416)
4,517	Other Executive Revenue	9	-	-	9
-	Capital Charge	-	-	-	-
449,368	Total Revenue	480,841	460,144	460,144	20,697

Core Actual Prior Year 2009/2010	EPS Actual Prior Year 2009/2010	Revenue Description	Core Current Year Actual 2010/2011	EPS Actual Current Year 2010/2011
CI\$'000	CI\$'000		CI\$'000	CI\$'000
152,008	149,482	Levies on International Trade and Transactions	161,901	161,010
270,701	269,596	Domestic Levies on Goods and Services	285,871	284,899
24,102	23,933	Levies on Property	33,572	33,504
1,839	1,840	Fines	1,418	1,418
4,514	4,517	Other Executive Revenue	9	9
-	-	Capital Charge	-	-
453,164	449,368	Total Revenue	482,772	480,841

Coercive revenue is solely collected by Core Government therefore the variance between the Core and EPS as shown above is a result of inter-ministry trading.

Under the PMFL no coercive revenue may be collected and no changes to the rates may be made except by an authority of the law.

Levies on International Trade and Transactions

Actual Prior Year 2009/2010	Revenue Description	Current Year Actual 2010/2011
CIS'000	Coercive Revenue	CIS'000
	Levies on International Trade and Transactions	
	Import Duties	
7,837	Motor Vehicle Duty	7,773
24,163	Gasoline Diesel Duty	34,884
15,898	Alcoholic Beverages Duty	16,380
3,952	Tobacco Products Duty	4,732
83,804	Other Import Duty	82,506
	Other Levies on International Trade and Transactions	
	Cruise Ship Departure Tax	
9,155	Cruise Ship Departure Charges	9,608
4,672	Environmental Protection Fund Fees	5,127
149,482	Total Levies on International Trade and Transactions	161,010

The Government earned \$161.0 million in 2010/2011 which was \$2.0 million less than budget but \$11.5 million more than the similar period in 2009/2010.

Other Import duty is the single largest revenue stream for the Government of the Cayman Islands. This accounts for 10% of total coercive revenues and 50% of Levies on International Trade.

Domestic Levies on Goods and Services

Actual Prior Year 2009/2010	Revenue Description	Current Year Actual 2010/2011
CIS'000	Domestic Levies on Goods and Services	CIS'000
	Business and Professional Licences	
302	Motor Vehicle Environmental Tax	351
24,702	Banks and Trust Licenses	23,974
1	Firearms Licenses	1
169	Hotel Licenses	140
561	Liquor Licenses	688
1,354	Motor Vehicle Drivers Licenses	1,326
4,771	Traders Licenses	5,896
7,939	Insurance Licenses	7,765
96	Special Marriage Licenses	88
720	CUC - License	1,196
2	Fisheries Licenses	1
-	Local Vessel Licenses	59
10	Spear Gun Licenses	7
54	Miscellaneous Licenses	55
66	Public Transport - Drivers Licenses	72
4	Public Transport - Operator Licenses	3
1,484	Other Company Fees - Resident	1,847
4,720	Other Company Fees - Non-Resident	4,505
55,830	Other Company Fees - Exempt	56,661
3,092	Other Company Fees - Foreign	3,451
92	Ship Registration Fees	164
8,934	Partnership Fees	9,902
668	Trust Registration Fees	762
45,586	Work Permits Fees	47,947
32,627	Mutual Fund Administrators	31,607
92	Money Services Licence	98
1,880	Law Firm Operational	1,850
8,032	Security Investments	8,215
880	Local Co. and Corp. Mgmt. Fees	890
3,145	Annual Permanent Resident Work Permit Fee	6,227
(0)	Health Practitioners' Board Fee	324
22	Business Staffing Plan Board Fees	56
6,009	ICTA Licences	5,841
1,096	Building Permit Fees	2,273
738	Planning Fees	860
1,316	Land Registry Fees	1,214
1,956	Health Insurance Fund Fee	2,284
1,292	Legal Practitioner Fee	1,372

Actual Prior Year 2009/2010	Revenue Description	Current Year Actual 2010/2011
CIS'000	Domestic Levies on Goods and Services cont'd	CIS'000
264	Notary Public Fees	231
141	Caymanian Status Fees	310
1,865	Royalty Fees from ICTA Licences	-
1	Bank Charges Reimbursable	1
1,619	Debit Transaction Fees	1,711
-	Royalties and Dredging	3
7	Miscellaneous Lands & Survey Fees	0
1,790	Court Fees	1,369
148	Local Company Control License Grants/Renewals	430
2,094	Working Under Operation of Law Fees	2,914
9	W.I.Z. - Boat Licensing	57
6	Cinematographic Licenses	6
29	Not-for-Profit Licence	11
3	Change of Directors	5
16	Grant of Temporary Work Permit - Seasonal Worker	12
155	Residency and Employment Rights Certificate by Spouse	187
0	Temporary Residency and Employment Rights Certificate	2
1	Right to be Caymanian - Possession of a British Overseas	-
7	Dependant of Caymanian Grant Fee	2
295	Residency Certificate for Persons of Independent Means	345
195	Residency & Employment Rights Certificate by Dependent	338
4,141	Residency & Employment Rights Certificate Issue Fee	2,548
7	Residency & Employ. Rights Cert.- Surviving Spouse of a	2
752	Money Transfer Fees	2,062
583	CIMA Transactional Fees	1,971
388	Key Employee Designation	1,183
-	Issue Fee for Specialist Caregiver Certificate	19
3	Miscellaneous Immigration Fees	3
5,671	Tax and Trust Undertakings	8,684
-	Tobacco Dealer Registration fees	105
679	Package Charges	1,099
894	Patents and Trademarks	991
1,308	Motor Vehicle Charges	1,258
8,898	Other Stamp Duty	7,693
-	Stamp Duty - Online Meter	48
975	Immigration Non-Refundable Repatriation Fee	1,038
9,442	Tourist Accommodation Charges	10,668
6,971	Roads Development Fund Fee	7,611
269,596	Total Domestic Levies on Goods and Services	284,893

Domestic Levies contribute \$284.9 million (60%) of the total revenues of Government. This was \$14.5 million more than budget and \$15.3 million more than 2009/2011.

Domestic Levies covers most sectors of the economy and include:

- Financial Services (Banks, Insurance Companies etc.)
- Tourism (All tourism-related activities)
- Transport and Communication (Telecommunications, Information and Motoring)
- Protective Services (Immigration, National Security and Border Control)
- Agriculture and Environment (Farming, Marine life and general Environmental issues)

Protective Services accounts for the largest revenue earning sector in the Domestic Levies, followed by financial services.

Levies on Property

Actual Prior Year 2009/2010	Revenue Description	Current Year Actual 2010/2011
CIS'000		CIS'000
	Levies on Property	
541	Land Holding Companies Share Transfer Charge	423
21,623	Stamp Duty - Land Transfers	29,364
1,070	Infrastructure Fund fee	3,049
700	Timeshare Ownership	668
23,933	Total levies on property	33,504

Levies on Properties contributed \$33.5 million (7%) of total coercive revenues. Stamp Duty on land transfers being the major revenue earner for the group having contributed \$29.4 million of the overall earnings in this category.

Fines

Actual Prior Year 2009/2010	Revenue Description	Current Year Actual 2010/2011
CIS'000		CIS'000
	Fines	
1,558	Court Fines	1,080
-	Customs Fines	4
53	Compounded Penalties	53
45	Procedural Fines	104
182	Immigration Fines	176
3	Tourism Fines	1
1,840	Total fines	1,418

Other Executive Revenue

Actual Prior Year 2009/2010	Revenue Description	Current Year Actual 2010/2011
CIS'000		CIS'000
4,503	Other Executive Revenue	-
11	Lease of Crown Lands	9
	Hurricane Ivan Loans Received	
4,514	Total Other Executive Revenue	9

The Government renewed its lease of the Villas of the Galleons in 2009-10 for an additional lease period of 56 years at a rate of rent of £35 per annum. In satisfaction of the renewal, the Government received premium of \$4.5 million in 2009/10 as part of the lease agreement.

Revenue concessions

During the financial year ended 30 June 2011 the Government extended waivers to individuals and companies for the relief of hardship, hurricane recovery efforts, investment incentives as well as economic stimulus during the recession.

Concessions totaling \$8.9 million were given to individuals and corporations for:

- Building Materials
- Capital works
- Motor vehicles importation
- Gasoline and Diesel Imports

The following revenue concessions were granted and off-set against the relevant revenue type.

Revenue type	Current Year Actual 2010/2011
	CIS'000
Other Imports	5,843
Motor Vehicle Duties	737
Gasoline & Diesel	371
Other waivers	1,957
TOTAL	8,907

Other Imports concession

Revenue type	Total Duty	Amount Paid	Amount Waived
	CIS'000	CIS'000	CIS'000
Government departments - consumables	438	31	407
Government capital works	975	-	975
Individual importers	480	179	301
Business importers	9,475	5,255	4,220
Civil groups and non profit organizations	7	-	7
other	0	-	0
TOTAL	11,376	5,466	5,910

Motor Vehicle Duty concessions

CIF Value		Total Duty	Amount Paid	Amount Waived
CIS'000		CIS'000	CIS'000	CIS'000
1,153	Motor Vehicle Duty concessions	780	44	737

During the year ended 30 June 2011 motor vehicle duties was waived of \$736,552 (83.7%) against the total accessed duty of \$780,436 levied on motor vehicle imports of \$1,153,278. Waivers recipients were as below;

Revenue type	Total Duty assessed	Amount Paid	Amount Waived
	CIS'000	CIS'000	CIS'000
Government departments	437	0	437
Individual importers	41	16	25
Business importers	294	25	269
Civil groups and non profit organizations	8	3	5
other	0	0	0
TOTAL	780	44	737

Gasoline & Diesel concessions

	Total Duty	Amount Paid	Amount Waived
	CIS'000	CIS'000	CIS'000
Gasoline & Diesel concessions	870	499	371

During the year ended 30 June 2011 gasoline and diesel duties were waived to the tune of \$370,872 (45.6%) of the total accessed duty of \$870,344 levied on imports of \$3,956,112. Waivers were given as below:

Revenue type	Total Duty assessed	Amount Paid	Amount Waived
	CIS'000	CIS'000	CIS'000
Government departments	0	0	0
Individual importers	0	0	0
Business importers	870	499	371
Civil groups and non profit organizations	0	0	0
other	0	0	0
TOTAL	870	499	371

Other waivers

		REVENUE WAIVERS/REFUNDS	2011	
Quantity	CIS	Type of Application	Quantity	CIS
386	1,546,922	Stamp Duty for First-Time Caymanian Property Buyers (Items 10(a)(i), Item 10(a)(ii), Item 10(b)(i) and Item 10(b)(ii) under the heading 'Conveyance or Transfer' in the Schedule to the Stamp Duty Law (2010 Revision) FIN/SD/FTC	187	947,167
1	1,000	First-Time Caymanian Property Buyers – Refund (Items 10(a)(i), Item 10(a)(ii), Item 10(b)(i) and Item 10(b)(ii) under the heading 'Conveyance or Transfer' in the Schedule to the Stamp Duty Law (2010 Revision) FIN/SD/FTC	4	7,069
12	33,874	Cayman Brac Stamp Duty Waivers (Section 20(6)(a) of the Stamp Duty Law (2010 Revision) FIN/SD/CB	8	33,257
14	36,051	Waiver Import Duty (Section 50 of the Customs Law (2010 Revision) FIN/SD/4	39	648,418
2	2,191	Refund Import Duty (Section 50 of the Customs Law (2010 Revision) FIN/SD/4	1	7,416
14	1,000	Waiver of Planning Fees - Discretion of the Minister of Finance, Tourism & Development	3	15,722
1	4,878	Stamp Duty under the Discretion of the Minister of Finance, Tourism & Development (Section 20(6)(a) of the Stamp Duty Law (2010 Revision) FIN/SD/20(6)(a)	36	115,434
0	0	REFUND Struck Off Companies – BANK FUNDS (Section 159 of the Companies Law (2010 Revision)	8	180,425
0	0	Waiver of Environmental Tax - Discretion of the Minister of Finance, Tourism & Development	1	2,000
430	1,625,917	TOTAL NUMBER OF WAIVERS/REFUNDS	548	1,956,907

2010	Other Transfers where no duties are assessed	2011
Quantity		Quantity
201	Stamp Duty for No Change In Beneficial Ownership (item (3) of the Schedule to the Stamp Duty Law (2010 Revision) entitled 'Conveyance or Transfer'. FIN/SD/NCB	194
28	Stamp Duty for Natural Love and Affection (Item (9)(a) of the Schedule to the Stamp Duty Law (2010 Revision) entitled 'Conveyance or Transfer' FIN/SD/NLA	35
35	Land Holding Companies Share Transfer Tax (Section 3 (4) and Section 4(1)(a–d) of The Land Holding Companies Share Transfer Tax Law (2009 Revision) LHCSTTL	32

Note 21: Sales of Goods and Services

Sale of goods and services comprises administrative fees charged to persons or corporations for accessing or the usage of Government services.

EPS Actual Prior Year 2009/2010	Revenue type	Current Year Actual 2010/2011	Original Budget	Final Budget	Variance (Original vs Actual)
CIS'000		CIS'000	CIS'000	CIS'000	CIS'000
98,045	Fees and charges	83,340	75,690	75,690	7,650
100,034	General sales	147,608	128,764	128,764	18,844
4,001	Rentals	5,440	1,941	1,941	3,499
8,732	Other	12,235	618	618	11,617
210,811	Total sales of goods and services	248,623	207,013	207,013	41,610

The Government earned a total of \$248.6 million for sales of Goods & Services for the year ended June 30 2011. This was \$41.6 million more than budget and \$37.8 million more than the prior year.

This growth in revenues resulted from the realignment of some revenue streams, fee increases in some instances and other instances greater volumes of activity.

The statutory authority and government companies accounted for \$195.9 of the total intake with the majority coming from the Health Services Authority (\$73.0 million), Cayman Airways (\$47 million), Water Authority (\$26 million) and Port Authority (\$19 million).

Fees and Charges

Fees and charges are primarily processing fees and are intended to offset the administrative overheads of the department delivering the service. The rates for these services are gazetted in the respective revenue laws that govern the revenue stream.

- School fees are mainly from the Cayman Islands Law School and from expatriate children the public school system. School fees for primary and secondary education have been waived since 2009-10 for Caymanian children as part of the stimulus package.
- In 2009-10 the Government exempted residential properties from garbage fees as part of the economic stimulus package. Under the law, the Department of Environment is the sole provider of garbage removal service.

EPS Actual Prior Year 2009/2010	Revenue Description	Current Year Actual 2010/2011
CIS'000		CIS'000
	Fees & Charges	
275	Agricultural Department Fees	336
2,320	School Fees	2,224
22	Disinfection Fees	15
-2	Court Fees	0
4,721	Garbage Fees	2,673
3	Electrical Inspection Fees	66
981	M. V. Inspection Fees	953
535	Private Sector Computing Fees	629
0	Land Registry Fees	28
841	Law School Fees	781
167	Land Survey Fees	132
15	Tourist Reservation	11
132	Examination Fees	111
66	Public Record Fees	77
1,282	Other Immigration Fees	1,128
364	Recycling Fees	20
49	L.I.S. Receipts	12
1,482	Authentication/Apostille of Doc.	2,073
408	Naturalisation/Registration Fees	506
466	Passport Fees	564
49,504	Other Fees * (see details below)	38,287
16	Pension Plan Registration Fees	700
139	Drivers Examination Fees	130
13	Public Library Fees	12
137	Executive Council Appeal Fees	107

EPS Actual Prior Year 2009/2010	Revenue Description	Current Year Actual 2010/2011
CIS'000		CIS'000
	Fees & Charges cont'd	
22	Vehicle Bank Liens	19
33	Duplicate Vehicle Log Books	28
139	Vehicle Change of Ownership	152
17	Customised License Plates	18
705	Vehicle Disposal Fees	507
16	Environmental Service Fees	20
36	External Training	15
657	Health Services Fees	750
11	Bailiffs fees	9
11	IT Consultancy	0
1,002	Annual Work Permit Application Fees (Entity)	1,131
560	Temporary Work Permit Application Fees (Entity)	748
89	Caymanian Status Application Fees (Entity)	106
2	Permanent Residence Application Fees (Entity)	1
11	Business Staffing Plan Application Fees (Entity)	18
1	Motor Vehicle Drivers Licences	0
277	Other Company Fees - Resident (Entity)	310
234	Other Company Fees - Non-Resident (Entity)	378
14,582	Other Company Fees - Exempt (Entity)	15,868
782	Other Company Fees - Foreign (Entity)	894
2,882	Partnership Fees (Entity)	3,903
245	Trust Registration Fees (Entity)	258
175	TowerLicence fees	153
344	Road Development Services (Labour)	0
1	Maintenance of Vehicles & Equipment	0
9	Valuation Services	0
24	Mapping Services	116
398	Web Receipts	396
7,508	Road Maintenance Services (PO's/Payment)	0
446	Mail Terminal Credits	460
182	Motor Vehicle Licence Plates	178
175	Patents and Trademarks	295
5	Restoration of Seized Goods	38
125	Cemetery	126
780	Warehousing	973
388	Customs Special Attendance	428
632	Fuel Sales	516
527	Health Practitioners Fees	0

EPS Actual Prior Year 2009/2010	Revenue Description	Current Year Actual 2010/2011
CIS'000		CIS'000
	Fees & Charges	
17	Other Labour Charges - PWD (Cayman Brac)	17
2,250	Road Construction	0
3	Heavy Equipment Application Fees	2
436	Electrical License Fees	45
352	Trade & Business Admin Fee	370
5	Fixed Term Work Permit Administration Fees	6
14	Business Visitor Administration Fees	12
25	Sale of Custom Forms	23
409	Funds received from DOT Events	0
1	CayPass application Fee	0
4	Registration & Attendance Fee for Workshops	4
11	CoSponsorship of Overseas and Local Conferences	23
0	Funds Received from RCY Events	1
7	Consultancy Services	0
82	General Search Fees	171
5	Refund Processing Fees	7
1	Variation/Amendment Fee for BSP	12
588	Express Fee - Work Permits	827
22	Planning Department Workshops	0
48	Firearms Vetting Fees	34
208	Work Under Operation of Law Fees	265
128	Key Employee Designation Application Fee (Entity)	196
1	Temporary Work Permit - Seasonal Worker Application Fee	2
14	Residency and Employment Rights Certificate by the Dependant of a Permanent Resident Admin Fee (Entity)	27
123	Residency and Employment Rights Certificate by the Spouse of a Caymanian Admin Fee (Entity)	123
0	Temporary Residency and Employment Rights Certificate to Spouse of Caymanian Admin Fee (Entity)	2
59	Permanent Residence/Residency & Employment Rights Certificate/Residency Certificate for Persons of Independent Means Variation Fee	91
5	Dependant of a Caymanian Admin Fee	2
7	Residency Certificate for Persons of Independent Means	7
73	Residency & Employment Rights Certificate Admin Fee	67
1	Residency & Employ. Rights Cert. - Surviving Spouse of	1
4	Media Product Licence	5
18	Special Marriage License Application Fee	29
0	Application Fee for Specialist Caregiver	9
102,890	Total fees & charges	82,770

Other Fees Items	\$ '000's
Port Charges - Passenger fees, Cargo Handling and Dues, Trucking Fees, Container Storage Fees	17,474
Travel Tax, Passenger Facility Charges, Security Tax, Terminal Facility Charges, Aircraft Handling fees, Rental	10,674
Regulation and Certification Fees, Aerodrome Oversight Fees	4,752
Interest from Loans and Fixed Deposits	2,537
Listing agent Fees, Broker membership fees, Domestic and International Companies Fees, Fees for Mutual Funds, Bonds etc	1,455
Other Fees	1,591
	38,484

General sales

General sales income is derived from the sale of government documents/reports, air travel sales, water & sewage sales postal stamps and sale of laws.

EPS Actual Prior Year 2009/2010	Revenue Description	Current Year Actual 2010/2011
	Sales of Goods (General Sales)	
95	Other Postal Business	108
2,379	Postal Stamps	2,200
38	Sale of Laws	48
0	Sale of Forms/Tariff Notes	1
1,094	Sale of Agric. Supplies/Produce	1,268
553	Sale of Advertising Space	615
847	Sale of Gazettes and Subscriptions	769
108	Canteen Sales	131
29	Philatelic Sales	19
67,532	Miscellaneous Sales * (see details below)	84,435
18	Prison Sales	22
6	Sale of Planning Documents	25
19	Health Services Fees	2
8,885	Room and Board Fees	8,313
17,097	Inpatient Revenue	16,651
44,990	Outpatient Revenue	32,688
318	Police Clearances	311
2	Auction Receipts	1
144,008	Total General Sales	147,606

Miscellaneous Sales Items	\$ '000's
Passenger Revenue	47,802
Water Sales, Sewerage Sales, Connection Fees, Septic Disposals	25,400
Turtle Meat, Gift Shop, Restaurant Sales, Cruise Ship Tours	5,034
Port Charges	3,023
Radio Licenses, Regulatory Fees	1,231
Rent, Strata Fees, Interest	733
General Admission, Gift Shop Sales, Plant Sales	584
Book Sales, MOT Apprenticeship Program Revenue	443
Other Sales	186
	84,437

Rental

The government generates income from rental of certain government properties and chattels. These rental figure are general used to offset the cost of upkeep and maintenance and do not in any way reflect the true cost of the rental, for example the rental of Civic Centers and town halls.

EPS Actual Prior Year 2009/2010	Revenue Description	Current Year Actual 2010/2011
	Rentals	
350	Rentals - Other Properties	0
1,025	Postal Box Rental Fees	980
104	Rental - School Canteens	100
50	Rentals - Government Housing	37
2,230	Rentals - Other Properties	2,580
64	Rentals - Hell Shops	20
42	Rentals - Craft Market	26
30	Rentals - Town Halls	19
13	Equipment Rental - PWD (Cayman Brac)	1,660
22	Rental - Temporary Housing	16
2	Rental of CSD Equipment	0
3,932	Total rentals	5,439

Other goods and services revenue

EPS Actual Prior Year 2009/2010	Revenue Description	Current Year Actual 2010/2011
	Other Goods and Services Revenue	
7,697	Property, Procurement & Disposal	8,611
67	GIS Applications	5
89	Births, Deaths & Marriages	87
974	Miscellaneous Receipts	3,470
26	Miscellaneous Licensing Receipts	37
10	GPS Licenses Refund	13
0	Other Revenue - Patient Revenue	0
8,864	Other goods and services revenue	12,222

Note 22: Investment Revenue

Investment revenue is primarily derived from royalties for the use of the Water Authority sewerage system by entities outside of government and interest earned cash deposits held at the bank.

EPS Actual Prior Year 2009/2010	Revenue type	Current Year Actual 2010/2011	Original Budget	Final Budget	Variance (Original vs Actual)
CIS'000		CIS'000	CIS'000	CIS'000	CIS'000
877	Interest on cash balances	926	200	200	726
1,281	Royalties	1,182	-	-	1,182
2,678	Interest on Loans made	44	-	-	44
4,838	Total Investment revenue	2,152	200	200	1,952

Core Actual Prior Year 2009/2010	EPS Actual Prior Year 2009/2010	Revenue type	Core Current Year Actual 2010/2011	EPS Actual Current Year 2010/2011
CIS'000	CIS'000		CIS'000	CIS'000
251	877	Interest on cash balances	407	926
13	1,281	Royalties	-	1,182
59	2,678	Interest on Loans made	44	44
340	4,838	Total Investment revenue	461	2,152

Note 23: Donations

During the year ended 30 June 2011 the Government received donations amounting to \$0.9 million, \$0.6 million of which was received by core government.

Donations were received for various programmes and activities ranging from prisoners rehabilitation, education initiatives and scientific research.

Donors include corporate and private citizens.

Donations were made in cash and kind. Where received in kind, the amount was recorded at the estimated fair value and is reported below. Where specific condition have been attached to the donations and these conditions have not yet been fulfilled these are shown as liabilities. During the 2010/2011 financial year, the government held \$1.26 million in donations received but not yet recognized as revenue as the conditions attached were not yet fulfilled.

Expenses

Note 24: Personnel Remuneration

During the year ended 30 June 2011, the government employed 4,277 employees. Personnel remuneration amounted to \$343.4 million, \$128.7 million relating to statutory authorities and \$214.7 to core/central government. Employees earned an average salary of \$30-39K per annum (refer to table below for further details). Personnel remuneration for core government is governed by the Public Service Management Law and the salary bands for each assessed group. Remuneration is monitored by the Portfolio of the Civil Service who carry out HR audits of each department. Statutory Authorities are allowed greater flexibility and remunerate their staff at levels comparable to the private sector.

EPS Actual Prior Year 2009/2010	Description	EPS Actual Current Year 2010/2011	Original Budget	Variance (Original vs Actual)
CI\$000's		CI\$000's	CI\$000's	CI\$000's
298,488	Salaries, wages and allowances	291,098	314,264	23,166
5,939	Health care	31,105	35,678	4,574
15,910	Pension	15,899	15,277	(622)
2,069	Movement in leave provision	122	10	(112)
3,321	Movement in Unfunded Pension Liability	3,307	2,941	(366)
2,010	Other personnel related costs	2,123	2,353	231
327,736	Total Personnel Costs	343,653	370,523	26,870

Core Actual Prior Year 2009/2010	EPS Actual Prior Year 2009/2010	Description	Core Actual Current Year 2010/2011	EPS Actual Current Year 2010/2011
CI\$000's	CI\$000's		CI\$000's	CI\$000's
183,355	298,488	Salaries, wages and allowances	175,492	291,098
28,429	5,939	Health care	25,781	31,105
10,588	15,910	Pension	10,220	15,899
2,119	2,069	Movement in leave provision	114	122
1,883	3,321	Movement in Unfunded Pension Liability	1,825	3,307
1,343	2,010	Other personnel related costs	1,222	2,123
227,717	327,736	Total Personnel Costs	214,654	343,653

Staffing level decreased by 1,533 persons in 2010/2011 when compared to 2009/2010. Average age has also increased by 1 year, which would suggest that while staff numbers have decreased persons are staying longer (beyond retirement). Staff turnover rate has fallen in 2010/2011 by 0.9%, while there was a slight shift in the composition of core government versus public entities.

Actual Prior Year	Description	Actual Current Year
5810	Number of employees	4277
41 years	Average age	42 years
\$30,000 - \$39,000	Average salary	\$30,000 - \$39,000
37%	Employees in public entities	38%
63%	Employees in core/central government	62%
12.70%	Turnover rate	11.60%

Salaries, wages and allowances

Salaries, wages and allowance cover monthly, bi-weekly and temporary personnel remuneration (basic salary, allowance, upkeep and other benefits).

These are based on contract and the remuneration scales/bands laid out in the Public Service Management Law and by the management of statutory authorities and government companies. The government paid out \$0.452 million in 2010/2011 with respect to recruitment (locally and overseas) while it paid out \$0.586 million with respect to severance pay.

Health care

All core government employees participate in the health care scheme operated by the CINICO and administered locally via the H S A. Each employee participates in either the family (employee spouse and children) or single person plan. The premium is paid directly to CINICO on behalf of each employee by the government. Statutory authorities are allowed to choose other health providers and insurers. During the year ended 30th June 2011, government spent a total of \$30.6 million (\$32.2 million in 2009/2010) in health care cost.

Pension

All pensionable employees (persons below the age of 60) participate in the public service pension scheme managed by the Public Service Pension Board. The pension plans and its operations are held independently from Government and results and activities are not consolidated in these statements. The scheme has three (3) plans. The Public service pension plan, the parliamentary pension plan and the judiciary pension plan. The parliamentary and judicial pension plan are based on defined benefit i.e. the government bears the risk should the plan fail while the public service pension is based on a defined contribution i.e. the participants bear the risk.

Employee entitlements to salaries and wages, annual leave, long service leave, retiring leave and other similar benefits are recognized in the Statement of Financial Performance when they are earned by employees. Employee entitlements to be settled within one year following the year-end are reported as current liabilities at the amount expected to be paid.

Pension contributions for employees are paid to the Public Service Pension Fund and administered by the Public Service Pension Board (the "Board") for employees based in the Cayman islands, while those overseas are administered by independent trustees.

The standard contribution is 12% per employee - 6% employer and employee 6% however statutory authorities contribute 10-13% per employee - 5-7% employer and employee 5-6%.

Due to a 3.2% cut in core government salaries in 2009/2010 and 2010/2011, total contribution per employee increased to 12.384% - employer 6.192% and employee 6.192%. The government took the decision to maintain pension contribution amounts based on the original salary while implementing a 3.2% cut in the actual take-home pay.

Employees based outside the Cayman Islands are eligible to participate in existing local pension schemes. Employees in the United States of America are eligible to participate in a 401K defined contribution pension plan. These contributions are matched by the employer, to a maximum of 3% of the employee's basic salary.

In some instances, where local based employees have attained retirement age but are still within the service, such employees have been allowed to have their pension contributions paid into local private pension schemes.

The contribution rate to each plan is as follows:

Plan	Type	Contribution	number of participants	number of participants
Public service pension -	defined contribution	6% employee, 6% employer	4173	4201
Public service pension -	defined benefit	6% employee, 6% employer	1123	1160
Parliamentary pension plan	defined benefit	6% employee, 6% employer	13	13
Judiciary pension plan	defined benefit	10% employee, 10% employer	2	3

Movement in annual leave provision

Staff is allowed between 18-28 days annual leave. The entitlement to annual leave is based on years of service and salary grade. All staff leave are guided by the Public Service Management Law (2009).

Movement in Unfunded Pension Liability

In order to sustain the value of the past service pension plan, the government has to cover the actuarial deficit between the staff contribution and the fund value in order to meet future fund obligations. The estimated deficit of core government was \$206 million while the Entire Public Service is estimated at \$216 million as at 30th June 2011.

Refer to **Note 14 – Staff Entitlements** for further details.

Note 25: Supplies & Consumables

Supplies and Consumables covers the government direct expense, overhead expenses and including professional fees, office supplies, utilities and Insurances.

EPS Actual Prior Year 2009/2010	Description	EPS Actual Current Year 2010/2011	Original Budget	Final Budget	Variance (Original vs Actual)
CI\$000's		CI\$000's	CI\$000's	CI\$000's	CI\$000's
39,285	Supplies and Materials	43,820	37,027	37,027	(6,793)
80,909	Purchase of services	83,457	70,069	70,069	(13,388)
21,113	Utilities	22,368	23,603	23,603	1,234
13,861	General Insurance	33,052	17,216	17,216	(15,836)
4,433	Travel and Subsistence	3,971	5,910	5,910	1,940
2,343	Recruitment & Training	2,383	1,182	1,182	(1,202)
12	Interdepartmental expenses	2	-	-	(2)
65,685	Other	24,082	19,768	19,768	(4,314)
227,642	Total Supplies & Consumables	213,135	174,774	174,774	(38,361)

Total supplies and consumable for the period ending 30th June 2011 was \$213.1 million compared to the full year budget of \$174.8 million. This represents a \$38.4 million overspend across the entire public sector for the year ended 30th June 2011 and \$42.8 million more than 2009/2010.

Supplies and Materials

Supplies and materials cover consumables used in the delivery of government service and product. The largest single item was vehicle fuel and oil. This includes aviation fuel consumed by Cayman Airways, RCIPS and Mosquito Research Units as well as fuel for land and sea craft.

The largest fuel use relates to Cayman Airways in the delivery of air travel services.

Purchase of Services

\$83.8 million was spent on advertising, maintenance, professional fees, road construction and other government activities during the year ended 30th June 2011. This was \$4 million more than 2009/2010.

Utilities

Utilities amounted to \$21.9 million in 2010/11 a marginal increase over 2009/10. The break down with comparative for the entire public sector is shown below.

Insurance

The governments Risk Management Unit negotiates and contracts a group insurance package for the entire public sector. In 2010/2011 total insurance premium was \$13.2 million compared to 2009/10 of \$13.7 million.

Note 26: Leases

The government finds it necessary to enter in private lease agreements for accommodation and the use of some types of vehicle where it is more economical and or practical to do so.

EPS Actual Prior Year 2009/2010	Description	EPS Actual Current Year 2010/2011	Original Budget	Final Budget	Variance (Original vs Actual)
CIS'000		CIS'000	CIS'000	CIS'000	CIS'000
12,202	Lease of Sites or Buildings	11,386	17,891	17,891	(6,505)
5,817	Lease of Equipment	4,891	128	128	4,763
2	Lease of Medical Equipment	154	444	444	(290)
7	Lease of Vehicles	6	6	6	(0)
-	Interdepartmental leases	-	-	-	-
18,028	Total operating lease	16,436	18,469	18,469	(2,033)

For the year ended 30 June 2011, the government spent a total of \$16.4 million, \$2.0 million less than budget. Leases were primarily for sites and building. These leases were primarily for the benefit/accommodation of the public entities. Leases were agreed for space in excess of 430,748 sq. feet with a cost of \$11.4 million.

Below is the breakout of lease cost by core and the entire public sector, including statutory authorities and Government Company.

Core Actual Prior Year 2009/2010	EPS Actual Prior Year 2009/2010	Description	Core Actual Current Year 2010/2011	EPS Actual Current Year 2010/2011
CIS'000	CIS'000		CIS'000	CIS'000
9,914	12,202	Lease of Sites or Buildings	9,200	11,386
125	5,817	Lease of Equipment	142	4,891
-	2	Lease of Medical Equipment	-	154
2	7	Lease of Vehicles	6	6
-	-	Interdepartmental leases	-	-
10,041	18,028	Total operating lease	9,348	16,436

Note 27: Subsidies to Statutory Authorities

In order to improve the delivery and range of services it offers to the public, the government has established several authorities and companies with the sole mandate of making such a good or service available to the public with the mode of delivery being akin to or comparable to private sector operating standards. These bodies are overseen by Boards appointed by the sitting government and are governed by a law specific to that particular entity. In an effort to reduce cost to the general public the government subsidizes the cost of operation with the public being asked to make minimal contributions for these services. For the year ended June 30, 2011, the government provided subsidies amounting to \$103.8 million; this was \$2.5 million more than originally budgeted.

Note 28: Grants to Non-Government Organizations

Non-government organizations involved in civic activities are allowed to access funding from the government. These groups have to submit yearly application as well as account for past disbursements.

Note 29: Transfer Payments

Transfer payment is the term used to describe a transfer of money from government to an individual, an organization or another government for which the government does not:

- (a) Receive any goods or services directly in return as would occur in a purchase/sales transaction;
- (b) Expect to be repaid in the future, as would be expected in a loan; or
- (c) Expect a financial return, as would be expected in an investment.

In 2011, the Government of the Cayman Islands, made transfer payments of \$29.8 million this was \$1.4 million more than budget.

Note 30: Litigation costs

The Attorney General's Office provides litigation services to the core government and SAGC's upon request. In instances where it is deemed by the said office that due to resource and other legal and or ethical reasons, some departments may be given permission by the Attorney General's Office to use the services of external providers.

The costs associated with these external services were \$1.2 million in 2010/2011 and \$0.2 million in 2009/2010. In addition SAGC's paid \$1.3 million in 2010/2011 and \$ 1.2 million in 2009/2010 for legal services.

Note 31: Other Executive Expense

Other Executive Expenses are any government expenditures that do not relate to outputs, transfer payments or financing expenses. These expenses do not relate to the activity of a particular ministry or portfolio but instead relate to the activities of Ministers, Official Members, Members of the Legislative Assembly, and the Judiciary.

Note 32: Extraordinary expenses

EPS Actual Prior Year 2009/2010	Description	EPS Actual Current Year 2010/2011	Original Budget	Final Budget	Variance (Original vs Actual)
CIS'000		CIS'000	CIS'000	CIS'000	CIS'000
5,134	Extraordinary Items	-	0	-	-
115	Interest on Loans to Public Servants for Hurricane Recovery	-	0	-	-
1	Travel & Subsist. -Extraordinary	-	0	-	-
5,250	Total extraordinary expenses	-	-	-	-

Note 33: Finance Costs

During the year ended 30th June 2011, the government incurred financing charges in relation to its public debt of \$36.3 million. This was \$4.3 million more than the prior year.

EPS Actual Prior Year 2009/2010	Description	EPS Actual Current Year 2010/2011	Original Budget	Final Budget	Variance (Original vs Actual)
CIS'000		CIS'000	CIS'000	CIS'000	CIS'000
31,769	Interest on borrowings	33,395	32,727	-	668
216	Other borrowing costs	2,852	-	-	2,852
54	Interest on overdraft	41	-	-	41
32,039	Total Finance cost	36,288	32,727	-	3,561

\$3.0 million was paid out in 2011 with respect to arranging the 2011 approved borrowing of US\$185 or C\$155 million.

Note 34: Gains and Losses on Non-Financial Instruments

EPS Actual Prior Year 2009/2010	Description	EPS Actual Current Year 2010/2011	Original Budget	Final Budget	Variance (Original vs Actual)
CIS'000		CIS'000	CIS'000	CIS'000	CIS'000
-	(Gain) / Loss on revaluation on non-current assets	497	-	-	497
1,253	(Gain)/Loss on disposal of non-current assets	652	-	-	652
1,253	Total (gain)/loss on non-financial instruments	1,148	-	-	1,148

Note 35: (Profit)/Loss in public entities

EPS Actual Prior Year 2009/2010	Description	EPS Actual Current Year 2010/2011	Original Budget	Final Budget	Variance (Original vs Actual)
CIS'000		CIS'000	CIS'000	CIS'000	CIS'000
(75)	CAYS	18	(29)	(29)	47
(5,205)	CIAA	(6,571)	(3,840)	(3,840)	(2,731)
(3,506)	CINICO	2,508	1,935	1,935	572
10,439	Cayman Airways	4,867	-	-	4,867
-	Cayman National Cultural Found	181	-	-	181
(1,649)	Civil Aviation	(1,816)	-	-	(1,816)
297	Community College	597	-	-	597
40	Development Bank	555	(353)	(353)	908
(318)	Electricity Regulatory Authori	(327)	-	-	(327)
(6,133)	Health Authority	(2,081)	-	-	(2,081)
62	ICTA Authority	21	(100)	(100)	120
273	Maritime Authority	(205)	(217)	(217)	13
(189)	Monetary Authority	(797)	8,285	8,285	(9,082)
2,506	NHDCT	1,463	782	782	681
(1)	National Drug Council	(66)	-	-	(66)
(117)	National Gallery	(3)	-	-	(3)
122	National Museum	257	-	-	257
650	National Roads Authority	615	-	-	615
1,874	Port Authority	(247)	(2,124)	(2,124)	1,877
-	SIAH	-	-	-	-
(165)	Stock Exchange	(382)	(202)	(202)	(181)
(156)	Tourism Attraction Board	(338)	-	-	(338)
8,351	Turtle Farm	7,212	9,245	9,245	(2,033)
(3,438)	Water Authority	(2,661)	(904)	(904)	(1,757)
3,663	Total (profit) / loss on public entities	2,799	12,479	12,479	(9,681)

Note 36: Commitments

No commitments were reported for the year ended 30 June 2011.

Note 37: Contingent Liabilities

A contingent liability is a potential liability which may become an actual liability when one or more future events occur or fail to occur.

A provision is recognized in the Consolidated Statement of Financial Position when as a result of past events, there is a present legal or constructive obligation, whose possible existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the government and it is probable that an outflow of economic benefit will be required to settle the obligation and such settlement can be reasonably estimated. If the effect is material, provisions are determined by discounting the expected future outflow at a rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

The likelihood of any adverse outcomes is assessed, including legal matters, as well as probable losses. Provisions are recorded for such contingencies when it is probable that a liability will be incurred and the amount of the loss can be reasonably estimated. A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events, or where the amount of the obligation cannot be measured with reasonable reliability. Provisions are re-measured at each reporting date based on the best estimate of the settlement amount.

The contingent liabilities of the Government are classified into three (3) categories:

- Guarantees
- Legal proceedings & disputes
- Other contingent liabilities

Additional information regarding each category is provided below.

- Guarantees

In accordance with S.50 (a) and (b) of the PMFL (2010 revision), government is expected to calculate the portion of the guaranteed debt. This represents at minimum, the government's immediate level of exposure and as such is disclosed as a contingent liability

Guarantees of the Government include:

- (a) Guarantees of the borrowings of statutory authorities and government companies;
- (b) Guarantees of certain loans made by agent enterprise Crown corporations;
- (c) Guarantees, either collective or specific, of the loans of certain individuals and companies obtained from the private sector; and
- (d) Other explicit guarantees.

Under the PMFL, entities that:

- (a) Require an unpredictable level of budgetary support from the governor in Cabinet are to be given an 80% weighting;
- (b) Are financially stable and require predictable levels of support are to be given a 50% weighting; and

(c) Have not required budgetary support during the last three (3) years 20% weighting.

			Beginning Balance	Additions	Disbursements	Adjustments	Ending Balance
			\$0	\$0	\$0	\$0	\$0
Guarantees							
In accordance with 5.50 (a) and (b), government is expected to calculate the portion of the guaranteed debt. This represents at minimum, the government's immediate level of exposure and as such is disclosed as a contingent liability							
Turtle Farm							
Loan description	Purpose	Principal amount Borrowed (US\$)					
Guaranteed Senior Note	Funding of Boatswains Beach Project	44,600,000					
CNB loan 65	To assist with budget shortfalls	3,400,000					
CNB loan 89	To assist with budget shortfalls	10,400,000					
FCIB Bridge loan	To assist with working capital needs	2,800,000					
FCIB Overdraft		5,500,000	42,648				
Cayman Airways							
Loan description	Purpose	Principal amount Borrowed (US\$)					
Bank Loan - RBC	Guarantee to the Company's principal bankers for the restructuring of the existing CAL debt, to finance the shortfall in CAL operations, Agency fees	44,657,333					
Bank Loan - FCIB	Purchase two De Havilland Twin Otter Aircraft for Cayman Airways Express	4,000,000	41,663				
Bank Loan - FCIB	Guarantee to the Company's principal bankers for the restructuring of the existing CAL debt, to finance the shortfall in CAL operations, Agency fees	15,000,000					
Cayman Islands Airport Authority							
Loan description	Purpose	Principal amount Borrowed (US\$)					
Bank Loan - CNB	Cayman Brac Airport	2,155,051	587				

			Beginning Balance	Additions	Disbursements	Adjustments	Ending Balance
			\$0	\$0	\$0	\$0	\$0
Port Authority							
Loan description	Purpose	Principal amount Borrowed (US\$)					
Loan - Royal Bank	To Purchase Fort Building	2,227,070					
Loan - Royal Bank	G.T Dock rehabilitation	5,500,000					
Loan - Royal Bank & Bank of Nova Scotia	Royal Watler Cruise Terminal	17,500,000					
Loan - Royal Bank & Bank of Nova Scotia	West bay Cruise Facility	854,278					
Government Home Mortgage Guarantee Scheme							
Loan description	Purpose	Principal amount Borrowed (US\$)					
GGHAM loans (Issued by Local banks)	Home Ownership - Blanket guarantee of between 10% and 35% of the upper layer loan made by banks participating in the scheme. Gov't exposure was limited to \$7.6m at 30th November 1998 but increased to \$14.6m at 31st December 1998	20,321					
Cayman Islands Farmer's Co-Operative Society Ltd. Guarantee of loan from a local commercial bank to meet financial need and provide working capital							
National Housing Community Development Trust							
Loan description	Purpose	Principal amount Borrowed (US\$)					
Scotiabank (Cayman) Ltd.	Affordable Housing	14,500,000					
Butterfield Bank (Cayman) Ltd.	Affordable Housing	14,735,366					
Total Quantifiable Guarantees			135,824	-	-	-	-

- Legal proceedings and disputes

In relation to legal matters, estimates are developed by the Office of the Attorney General who is charged under the Constitution with the handling of the defence in these matters, using the current facts and known circumstances. The factors considered in developing the legal provisions include the merits and jurisdiction of the litigation, the nature and number of other similar current and past litigation cases, the nature of the subject matter of the litigation, the likelihood of settlement and current state of settlement discussions, if any.

The government is routinely engaged in litigation arising in the ordinary course of its business. It does not believe that any such litigation will individually or in aggregate, have a material adverse financial effect on the government. It is government's policy to rigorously assert its position in such cases. Should

the government be unsuccessful in these matters, it does not expect the outcome to materially affect the results of operations or financial position.

At the 30 June 2011 the government has estimated contingent liability of \$34.5 million with respect to Civil/Quasi Civil Matters.

- Other contingent liabilities

This covers any other potential liability not disclosed in any of the categories above.

Airport Authority

On February 25, 2008, a claim was filed against the Authority for personal injuries allegedly suffered on February 11, 2007 at the Owen Roberts International Airport. The Authority filed a defense on March 14, 2008 denying liability and quantum. On November 20, 2008, attorneys representing the plaintiff offered to settle without prejudice in the amount of \$250,000. This offer was rejected by the Authority. A payment into court was made in the amount of US\$20,000 but was rejected by the plaintiff hence a trial date has been set for October 2011. This type of claim is however covered under the Authority's insurance policy.

Port Authority

- a) Marina development

In an agreement dated January 2009, the Port Authority contributed access to its parcels of land adjoining the Ritz Carlton property, in exchange for the developers of Ritz Carlton Grand Cayman Resort to develop a public marina and associated facilities to enhance the local boating community. The management of the Port Authority expects no financial impact on the Port Authority on account of this arrangement.

- b) Project Management fees

The Port Authority entered into an contract with Burns Connolly Group Ltd (BCG) on September 6, 2004 to provide Project Management and Engineering on the construction of Royal Watler Cruise Terminal for a fixed price of \$282,500 (\$157,500 & \$125,000) respectively. As of the date of these accounts the balance owing to BCG on both contracts are \$38,912.98 (\$17,218.18 & \$21,694.80). BCG is also claiming interest on the outstanding balance and other charges relating to defending its managing of the project with the Auditor General totaling \$82,355.12. The Authority's board will not agree to these additional charges as the charges are outside the scope of the contract and was neither requested nor approved by the Authority.

c) New Cruise Facility

The Port Authority of the Cayman Islands and the Cayman Islands Government has been advised by GLF Construction Corporation that it intends to make a claim for the cancelation of a signed Framework Agreement. A Framework Agreement ("Agreement") was signed on December 14, 2010 with a life of four months until April 14, 2011 and could be extended for a further two months upon agreement by the three parties. The Agreement outlined the duties each party were to perform and should the parties conclude that either wanted to terminate they could by giving reasonable notice and reasons for terminating. The Cayman Islands Government terminated the Framework with written notice on April 14, 2011. A Ministerial MOU was signed on June 13th, 2011 between the China Harbour Engineering Company Limited and the Premier.

d) Tender fees

The Authority amended its tender fees in March 2010 along with other fees but before the implementation of those fees realized that the charges to the tender company will only be passed on to the cruise lines. The fees conflicted with the FCCA agreement and were never charged. The Authority reverted back to the old fees and the new gazetted fees remain dormant.

Health Services Authority

(a) Contingent legal claims

The Health Authority believes that the outflow of funds for the malpractice and employee related legal claims amounting to \$678,099 and \$225,000 (2010: \$678,099 and \$225,000), respectively are less than probable to be successful and are covered by insurance in excess of deductible; accordingly, no provisions were recognized for possible losses.

There are a number of claims outstanding that relate to services provided prior to the establishment of the Health Authority or prior to 1 July 2002. Neither provision nor contingent liability has been made for these claims in the financial statements, as the Health Authority believes any costs encountered [that are not covered by insurance] will be met by the Ministry of Health and Human Services (the "Ministry").

Turtle Farm

(a) Construction claim

During the year ended June 30, 2006 the Company was involved in a dispute with one of the contractors for the Project. The contractor filed a claim under the terms of the contract for costs of CI\$530,000 associated with their structural concrete contract. The Company made a counter claim for the reimbursement of an account payment of CI\$221,044 made to the contractor. There was no further development of this claim and management considers it difficult to make any assessment of outcome with any degree of certainty.

(b) Discharge permit

The nature of the operations of the Company requires it to obtain a discharge permit from the Water Authority of the Cayman Islands (the "Water Authority") in order to discharge waste water from the turtle tanks into the ocean. During the years ended June 30, 2008 and 2007 the Company did not hold

such a discharge permit and was therefore not compliant with the environmental laws of the Cayman Islands. A permit was granted on October 1, 2008 for a period of two years. The failure of the Company to comply with the environmental laws prior to October 1, 2008 has left the Company exposed to possible litigation and the imposition of fines. As of the date these financial statements were available to be issued there has been no legal action initiated against the Company nor any fines levied.

The two year permit granted (as above) required the Company to reduce its effluent discharge by 50% by July 1, 2009. The Company engaged external consultants who were recommended to the Company to assist in complying with the terms of the permit and the relevant laws, however, as of July 1, 2009 and through the date that these financial statements were available to be approved the Company has not met the 50% reduction criteria.

The Company has not been able to meet the effluent reduction goals of the permit due to cut-backs and cost constraints preventing the Company from making the required capital investment to install a system appropriate to meet these requirements. In addition, management has looked further into the system design that the external consultant has proposed and management now considers that design would not be appropriate as its anticipated adverse impact on air quality in the community would in all likelihood be much more noticeable and objectionable than the status quo which has been running for several years without significant adverse community reaction. The Company continues to work cooperatively with the Water Authority doing frequent measurement of the effluent discharge, and is considering alternative techniques in the use of the existing infrastructure to reduce the potential environmental impact of its effluent discharge.

The Company was required to renew the permit subsequent to the expiration of the previous permit on September 30, 2010, and an application for renewal has been submitted. As part of the application process the permit must be publicly advertised. To date, no information requests or protests have been received by the Water Authority in relation to the application.

(c) Planning permit

Arising from the development of the Project, the Company is required to hold planning permits (or Certificates of Occupancy ("CO")) from the Planning Department. However, as at June 30, 2010, the Company did not hold the entire required CO's from the Planning Department. These CO's are required to be obtained under the Planning Law of the Cayman Islands for, inter alia, authorization of electrical utility power connection. All CO's should have been handed over to the Company post construction by the building construction management team; however, this did not take place.

Management has engaged various building contractors, structural engineers and electricians to work on the matter with a view of obtaining the required outstanding permits to ensure compliance with the regulations. Management is also working with the Building Control Unit of the Planning Department to resolve the status of the remaining permits. To date, no known litigation or other negative enforcement action has been initiated by the Planning Department against the Company as a result of the failure to comply with these regulations.

Note 38: Financial Risk Management

The governments' operating activities expose it to various types of financial risks that are associated with the financial instruments and markets in which it invests. These financial risks include credit and counterparty risk, liquidity risk and market risk (including currency risk and interest rate risk). The government's financial assets are comprised primarily of cash and receivables while its financial liabilities debts comprise of (long and short term) and trade and other payables.

The Minister of Finance, Tourism and Development on behalf of Cabinet has overall responsibility for the establishment and oversight of the risk management framework. The government's risk management policies are to identify and analyze the risks, set appropriate risk limits and controls, monitor risks and gauge adherence to limits. These risk management policies and systems are intended to reflect changes in market conditions

The overall risk management program intended to focus on minimizing potential adverse effects on the government's operations resulting from financial risks. The exposure to, and management of, these risks are discussed below.

- **Credit risk**

Credit and counterparty risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation or commitment. Financial instruments potentially expose the government to credit risk. Concentrations of credit risk relate to groups of customers or counter- parties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Each entity is responsible for managing and analysing the credit risk for each of their new clients before credit facilities are offered. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

While some incidents of risks are incidental to the business of the government body in question, some risks are unavoidable as the law which governs the operation of the particular entity does not allow the entity in question any choice as to whom it does business with. However, the government has put measures in place to mitigate where possible against the impact of such risks.

The measures are:

- Cash and cash equivalents

Core government entities are only allowed conduct business with reputable financial institutions as part of the centralized banking system and by resolution of the board of directors in the case of statutory authorities and government companies. The government operates through an open bidding process to ensure that it obtains the best deal and value for money.

Public entities are asked to adhere to their investment guidelines which establish counterparty concentration limits and minimum standards that each counter party must attain while their current, call, and fixed deposits must be placed with approved financial institutions.

At 30 June 2011 and 30 June 2010, core government primary banker was and continues to be RBC Royal Bank (Cayman) Limited which is considered to be stable and one of the top tier banking institutions. SAGC's conduct business through of the local top tier banking institutions, which must meet their respective board of directors' approval. The government does not anticipate any material losses as a result of this concentration.

- Accounts receivable

The credit quality of each customer is assessed, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board of each public entity. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or credit cards.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties

While this area represents significant risks, the government generally operates a no –credit policy however, where credit is allowed such customers have to be pre-approved and are required to place assessed deposits with the department from which such credit is being requested.

For trade customers, the Government performs adequate due diligence (including, but not limited to, independent credit ratings, assessment of credit quality, taking into account its financial position, past experience and other factors) on the stability of the customer and their repayment capabilities prior to extending credit.

On an on-going basis, management regularly monitors the level of debts outstanding from customers to ensure that the risk of loss arising from default is minimized. Customers are generally granted contractual credit terms of 14-30 days. Credit arrangements outside of the norm, is arranged via Cabinet. Such credit is usually based on humanitarian or national development and investment concerns.

In the case of some government institutions such as the Health Authority and the ICTA, who do not have the ability to determine who they extend their services to the level of default is highest.

While the government has instituted the national health insurance law, in some instances, the level of insurance coverage is not sufficient to cover the health needs of the patient however, the government is duty bound to provide health care to its citizenry. Such cases are referred to as self-pay and represent 65% default which is deemed uncollectible. This situation has been escalated by the Health Services Authority to the Ministry for policy changes to reduce bad debts.

CAYMAN ISLANDS HEALTH SERVICES AUTHORITY

	Less than 1 month	1-3 months	3 months to 1 year	1 year over	Total
	\$000	\$000	\$000	\$000	\$000
2011					
Gross accounts receivable	852	1,419	6,273	9,988	18,532
Allowance for bad debts	554	922	5,161	9,988	16,625
	<u>298</u>	<u>497</u>	<u>1,112</u>	<u>-</u>	<u>1,907</u>
2010					
Gross accounts receivable	865	2,243	6,225	23,523	32,856
Allowance for bad debts	562	1,458	5,337	23,523	30,880
	<u>303</u>	<u>785</u>	<u>888</u>	<u>-</u>	<u>1,976</u>

In the case of the ICTA , the Authority does not have the flexibility in refusing to transact with a licensee in accordance with the laws. While the Authority's does not believe that it has any significant credit risk exposure to any single licensee, it is inherently exposed in its Entirety to the Telecommunications industry in the Cayman Islands. The Authority's licensees include well-established local telecommunication and media companies and, at 30 June 2011, there have been no indications of any insolvency in those entities that impacts their ability to pay the Authority.

Accordingly, some delays in payment are expected, but no significant risk of non-payment is expected. Where Government has experienced significant delays in receiving payments from customers, such defaults are referred to the Debt Recovery Unit or other collection agencies or legal counsels.

However, to mitigate the risk arising from default, management maintains regular contact with the customers to ensure that repayment is timely, and to identify early any potential indicators of default.

- Insurance

The risk under insurance contracts is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. The very nature of an insurance contract involves randomness and therefore unpredictability. The principal risk that the government faces is that the actual claim payments exceed the amount of insurance provisions. This could occur for various reasons; for example, the severity and/or frequency of claims may be higher than anticipated, or unit claim costs could be higher than estimated. Any significant delays in the reporting of claims information from service providers will also lead to increased uncertainty. Claim losses are random and the actual

number and amount of claims will vary from year to year from the level established using statistical and actuarial techniques.

GENERAL INSURANCE

The government expends significant sums annually on its property plant & equipment (\$927 million reported at 30 June 2011) and has therefore taken steps to mitigate the risk of natural disasters and accidents. It has a Risk Management who is charged with the monitoring and insuring of all government assets and any ensuing liability/claim (professional or otherwise) which may arise from government operations or its employees.

Category	Premium
Property	7,021,182
Motor	637,789
Worker's Compensation & Employers Liability	333,750
Public Liability	131,253
Marine Hull & Liability	268,450
Professional Indemnity	4,589
Travel Accident (Port & Students)	20,020
Port Operations	86,071
Aviation Lines	439,547
Hospital/ Specialty Lines	770,249
Total Net Premiums	9,705,837
Brokerage Fee	200,002
Total Premium & Brokerage Fee Due	9,905,839

The government has also seen it fit to participate in the Caribbean Catastrophe Risk Insurance Facility (CCRIF) in order to minimise the recovery efforts after hurricanes.

CCRIF was developed to help mitigate the short-term cash flow problems small developing economies suffer after major natural disasters. A critical challenge is often the need for short-term liquidity to maintain essential government services until additional resources become available. Although ex post disaster funding from bilateral and multilateral agencies can be an important component of a government's catastrophe risk management strategy, over-reliance on this approach has obvious limitations. Unfortunately, donor assistance often takes months to materialise, and usually supports specific infrastructure projects. CCRIF represents a cost-effective way to pre-finance short-term liquidity to begin recovery efforts for an individual government after a catastrophic event, thereby filling the gap between immediate response aid and long-term redevelopment

The annual premium is US\$1m or CI\$0.84million

Health Insurance

The government under the National Health policy provides insurance coverage to civil servants and the wider public through its CINICO offices.

CINICO uses several techniques to mitigate risk surrounding potential high claim losses. For its largest group (Group 30100 - Civil, Servants, Pensioners and Government Entities), reinsurance has been purchased that covers overseas claim losses which exceed US\$609,756, up to US\$5,000,000 in respect of any one covered person during the policy year. The Company's Standard Health Insurance Contracts ("SHIC" plans) use a combination of pre-existing conditions, and annual limits to mitigate risk. CINICO employs the services of Care Management Network Inc. ("CMN") to control overseas claim costs. CMN provides case management services with the goal of managing a patient's care path in an economical fashion at each step of the way. CMN also has pre-negotiated contracts with many overseas providers which would allow the Company to realize significant savings. Furthermore, on a monthly basis, the Risk and Appeals Committee meets to discuss large claims and any disputed claims.

The following assets of Cinico are exposed to credit risk

Reinsurance claims recoveries	
Amounts due from reinsurers in respect of claims already paid	
ASO claims receivable and fees receivable	
Premiums receivable	
Total financial assets	

June 30, 2011	June 30, 2010
3,330,979	1,302,094
-	-
7,867,157	6,767,721
2,747,005	1,429,230
<u>\$ 13,945,141</u>	<u>\$ 9,499,045</u>

Balances past due but not impaired and those that are impaired are analysed in the tables below.

As at June 30, 2011:

Reinsurers share of insurance liabilities
ASO claims receivable and fees receivable
Premiums receivable
Total assets exposed to credit risks

Neither past due nor impaired	Past due but not impaired	Impaired	Total
1,212,262	2,118,717	-	3,330,979
-	7,867,157	-	7,867,157
-	2,740,256	6,749	2,747,005
<u>\$ 1,212,262</u>	<u>\$ 12,726,130</u>	<u>\$ 6,749</u>	<u>\$ 13,945,141</u>

As at June 30, 2010:

Reinsurers share of insurance liabilities
ASO claims receivable and fees receivable
Premiums receivable
Total assets exposed to credit risks

Neither past due nor impaired	Past due but not impaired	Impaired	Total
1,302,094	-	-	1,302,094
-	6,767,721	-	6,767,721
-	1,427,830	1,400	1,429,230
<u>\$ 1,302,094</u>	<u>\$ 8,195,551</u>	<u>\$ 1,400</u>	<u>\$ 9,499,045</u>

The ageing analysis of financial assets that are past due but not impaired is as follows:

As at June 30, 2011:

ASO claims receivable and fees receivable
Premiums receivable
Reinsurance claims due

Up to 45 days	45 to 90 days	> 90	Total
\$ 2,185,593	\$ 845,204	\$ 4,836,360	\$ 7,867,157
1,187,856	-	1,552,400	2,740,256
1,447,390	671,327	-	2,118,717
<u>\$ 4,820,839</u>	<u>\$ 1,516,531</u>	<u>\$ 6,388,760</u>	<u>\$ 12,726,130</u>

As at June 30, 2010:

ASO claims receivable and fees receivable
Premiums receivable
Reinsurance claims due

Up to 45 days	45 to 90 days	> 90	Total
\$ 963,699	\$ 1,223,087	\$ 4,580,935	\$ 6,767,721
595,016	6,412	826,402	1,427,830
-	-	-	-
<u>\$ 1,558,715</u>	<u>\$ 1,229,499</u>	<u>\$ 5,407,337</u>	<u>\$ 8,195,551</u>

A majority of the amount greater than 90 days is receivable from the Government of the Cayman Islands, CINICO's sole shareholder and relates to the 2008/9 financial year. The amount are not considered impaired because they will be settled via Supplementary Budget.

The government is exposed to the risk that it may not be able to settle insurance claims as they fall due. These risks are managed through the process of re-insurance.

However, this does not discharge the government's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the government remains liable for the payment of the claim. As part of the reinsurance renewal, the government reviews the creditworthiness of the reinsurer prior to finalization of any contract, and has chosen a reinsurer with an AM Best rating of A (Excellent).

CINICO uses several techniques to mitigate risk surrounding potential high claim losses. For its largest group (Group 30100 - Civil, Servants, Pensioners and Government Entities), reinsurance has been purchased that covers overseas claim losses which exceed US\$609,756, up to US\$5,000,000 in respect of any one covered person during the policy year. The Company's Standard Health Insurance Contracts ("SHIC" plans) use a combination of pre-existing conditions, and annual limits to mitigate risk. The Company also employs the services of Care Management Network Inc. ("CMN") to control overseas claim costs. CMN provides case management services with the goal of managing a patient's care path in an economical fashion at each step of the way. CMN also has pre-negotiated contracts with many overseas providers which would allow the Company to realize significant savings. Furthermore, on a monthly basis, the Risk and Appeals Committee meets to discuss large claims and any disputed claims.

The following factors are likely to affect the sensitivity of the Company's reserves:

- Changes to the loss ratios for the underlying business
- Changes to the reporting pattern of losses
- Changes to the severity of losses

Short-term insurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted, contractually non-interest bearing, and are payable less than one year.

Short-term insurance liabilities are estimated using standard actuarial claims projection techniques. These methods extrapolated the claims development for each underwriting year based on the observed development of earlier years, adjusted for any current trends or developments. In most cases, no explicit assumptions are made as projections are based on assumptions implicit in the historic claims reporting patterns on which the projections are based. As such, the sensitivity of short term insurance liabilities is based on the financial impact of changes to the claims reporting patterns.

The sensitivity analyses below are based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, as changes in some of the assumptions may be correlated.

Sensitivity factor	Description of sensitivity factor applied
Interest rate and investment return	The impact of an absolute change in market interest rates by approximately .05%
Expenses (1)	The impact of an increase in underwriting expenses by 5%
Loss ratios (2)	The impact of an increase in loss ratio's by 5%

1 - Related to the contributions to segregated insurance fund, claims administration and other expenses

2 - Related to the absolute percentage change in the claims paid and movement in the provision for claims incurred

	Interest rates		Expenses		Loss ratios	
	+0.05%	-0.05%	+5%	-5%	+5%	-5%

Sensitivities as at June 30, 2011							
Impact on Net income							
	for the year	2,569	(2,569)	(129,610)	129,610	(2,490,777)	2,490,777
Impact on government's equity		2,569	(2,569)	(129,610)	129,610	(2,490,777)	2,490,777

		Interest rates		Expenses		Loss ratios	
		+0.05%	-0.05%	+5%	-5%	+5%	-5%
Sensitivities as at June 30, 2010							
Impact on Net income	for the year	1,620	(1,620)	(120,090)	120,090	(2,543,478)	2,543,478
Impact on government's equity		1,620	(1,620)	(120,090)	120,090	(2,543,478)	2,543,478

- **Market risk**

Market risk is the risk that the fair value or cash flows of a financial instrument (interest rates, foreign exchange rates or equity and commodity prices) will fluctuate due to changes in market prices. This will affect the positions held by the Company making the financial instruments less valuable or more onerous.

The government's activities expose it to financial market fluctuations.

The carrying amount of call accounts, fixed deposit accounts, interest receivable and other liabilities approximated their fair value due to the short-term maturities of these assets and liabilities. The fair values of assets and liabilities are not materially different from the carrying amounts. Readily available markets, enables the determination of fair values.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The government holds significant cash balances, reserves and deposits that are interest bearing and as a result are subject to risks due to fluctuations in the prevailing levels of market interest rates in relation to these financial instruments.

The nature of the government's exposure to interest rate risk and its objectives, policies and processes for managing interest rate risk have not changed significantly from the prior year. Subsequent to June 30, 2011 the market interest rates have remained relatively stable and the government has therefore not experienced any adverse effects as a result of interest rate risk.

The government has entered into several contractual debt obligations. These instruments have scheduled maturity dates and interest rates (fixed, variable and floating). The long term loan facility of US\$185.0 (CI\$154.2 million) arranged with FirstCaribbean International Bank on April 18th, 2011 includes a clause that would require the renegotiation of the fixed interest rate if the current Moody's rating of Aa3 was downgraded below Moody's A2

The Health Authority is exposed to interest rate risk for the \$4 million credit facility with First Caribbean International Bank (Cayman) Ltd ("FCIB") at a prime rate plus 0.25% per annum. This interest rate will fluctuate from time to time in line with the general level of interest rates. The risk is managed by the Health Authority by maintaining a short-term credit agreement that is renewable every year to have a negotiable and preferred rate. In addition, the Health Authority is limiting the usage of the credit facility by continuously monitoring the daily cash position which management views as likely to result into a bank preferred interest rate on the renewal of the agreement. The Health Authority has a minimal exposure on interest risk as none of the other financial instruments is exposed to this type of risk.

The Port Authority also has a loan with a local financial institution with a floating interest rate that is adjusted every six months to .75% above LIBOR rates. The Port Authority holds long-term debts and cash and cash equivalents that are interest bearing and as a result the Port Authority is subject to risk due to fluctuations in the prevailing levels of market interest rates in relation to these financial instruments.

Cayman Airways Limited has overdraft facility and long term debt which are priced at a floating rate of interest which is reset monthly as market rate changes. This presents a cash flow interest rate risk should market rates change.

The table below illustrates the sensitivity of Cayman Airways reported results and reasonably possible changes in interest rates, and the values outstanding on those instruments at the reporting dates, for the overdraft and long term debt:

	2011	2010
1.00%	440,778	402,601
-1.00%	(440,778)	(402,601)

The Cayman Islands Turtle Farm (1983) Ltd has Long term bank debt that is subject to interest rate risk. This long term bank debt attracts variable interest rates based on market interest rates which are reset monthly. The Senior Notes were issued at fixed rates of interest and therefore there is no assessed interest rate risk on the Notes.

Foreign currency risk

The government receives revenue in Cayman Islands Dollars (CI\$) as well as US\$, and pays expenses in both Cayman Islands and United States dollars (US\$). The exchange rate between the CI\$ and US\$ is fixed therefore eliminating the exposure to foreign currency risk. However, the government has debt in Euros and occasionally has to settle other trade debts in these currencies as well. Government has set up a policy to require departments/ entities to manage their foreign exchange risk against the functional currency. This is particularly applicable to government departments located outside the Cayman Islands.

The government, due to the small nature of these overseas offices, considers the exposure minimal and therefore does not hedge against the risk.

Commodity price risk

The government's fuel requirements expose the government to the market volatility of fuel prices for jet fuel, gas and diesel. Cayman Airways is subject to jet fuel price risk resulting from its aviation activities as the national air carrier of the Cayman Islands. The volatility of jet fuel prices has been significant in recent years and can have a significant effect on the profitability of CAL's operations. Similarly the Department of Vehicles is charged with purchasing and supplying all government vehicles (land and marine craft) with fuel.

The government does not engage in any hedging activities with respect to mitigating the risk of fluctuations in fuel prices and instead, purchases fuel at the daily spot rate as the demand exists, consequently, there is significant exposure to fluctuations in the price of fuel.

Price risk

Price risk is the risk that factors specific to individual securities or their issuer or factors affecting all securities traded in the market will fluctuate. The government does not hold securities as at June 30, 2011 and 2010 and as such is not exposed to price risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The main currencies of operations are the Cayman Islands dollar (CI\$) and the United States dollar (US\$).

The Cayman Islands dollar has a fixed exchange rate against the United States dollar so no currency risk or translation gains/losses arise from fluctuations between the currencies.

The nature of the government's exposure to currency risk has not changed from the prior year due to the fixed exchange rate system of CI\$0.82 to US\$1.

- Liquidity risks

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

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities coupled with the ability to predict and manage the expected cash outflows in order to sustain the operations of the government.

Government currently monitors rolling cash forecasts, other current assets and the liabilities of government departments on the basis of expected cash requirements.

The government requires public entities to manage this risk on a basis which generally requires the entity to hold assets of appropriate quantity and quality to meet all its obligations as they fall due. The investment guidelines being: security, liquidity and income.

The Treasury Department monitors the core government liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the government's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets (Principles of Responsible Financial Management) and, applicable external regulatory or legal requirements.

Surplus cash held by the core government operating entities over and above balance required for working capital managed and invested by the treasury. The treasury invests surplus cash in interest bearing current accounts, time deposits, and money market deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide adequate cash flows as determined by the above-mentioned forecasts. At the reporting date, the government held aggregate cash of CI\$189.3 million and other liquid assets of CI\$65.0 that are expected to readily generate cash inflows for managing liquidity risk.

The government analysis its non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows.

Note 39: Fair Value Estimation

Cayman Airways Ltd

Fair values approximate amounts at which financial assets and liabilities could be exchanged between willing parties and are determined using judgment and after consideration of uncertainties. Therefore, the aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments. The fair value of cash and cash equivalents, accounts receivable (net of provisions), security deposits, bank overdraft, accounts payable and accrued expenses and due to related parties approximates carrying value due to their short-term nature. The fair value of the Government loan approximates carrying value, as this loan is due on demand. The fair value of long-term debt which is at a floating rate of interest approximates the carrying value as in the opinion of management the current rate approximates the interest rate which the Company expects similar financing for similar term to be raised at, at the balance sheet dates, and additionally, the rate is reset in response to market changes.

Children and Youth Services Foundation

CAYS is party to financial instrument arrangements as part of its everyday operations. These financial instruments include cash on hand bank balances, advances, accounts receivable, debtor-Cabinet and other payables. The fair value of financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

Cayman Islands Airport Authority

The carrying amount of cash deposits, accounts receivable, other receivables and accounts payables 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 judgment and therefore cannot be determined with precision. Changes in assumptions, economic conditions and other factors could cause significant changes in fair value estimates.

Cayman Islands Development Bank

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 measured at their estimated fair value.

Cayman Islands Monetary Authority

Financial instruments are measured initially at cost, which is the fair value of the consideration given or received. The financial assets classified as cash and cash equivalents, accounts and interest receivable, and other receivables and prepayments are carried at historical cost, which is considered to approximate to fair value due to the short-term or immediate nature of these instruments. Short-term investments are valued on a monthly basis at their amortised cost. Long term investments are valued at quoted market value. Unrealised gains or losses are recorded in the Statement of Comprehensive Income. The Authority's financial liabilities are carried at historical cost, which is the fair value of the consideration expected to be paid in the future for goods and services received whether or not billed to the Authority, due to their short-term maturities.

Cayman Islands National Insurance Company

With the exception of balances in respect of insurance contracts and the 2008/09 receivable balance due from the government in the amount of \$4,133,956, the carrying amounts of all financial instruments approximate their fair values due to their short-term maturities. Although the 2008/09 receivable is expected to be collected over a period of four years, management has not discounted the amount to its present value as the difference would not have a material impact to the financial statements.

Civil Aviation Authority

The current accounts, fixed deposits, accounts receivable and other liabilities and payables approximated their fair value due to short term maturities of these assets and liabilities. The fair values of other assets and liabilities not materially different from other carrying values.

Cayman National Cultural Foundation

At June 30, 2011 the following methods and assumptions were used by management to estimate the fair value of each class of financial instrument. For the Foundation's financial instruments including cash and cash equivalents, government grant receivable, staff loans, insurance claim receivable and accounts payable, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments. Fair value estimates are made at a specific point in time based on market conditions and uncertainties and matters of significant judgment and therefore, cannot be determined with precision. Changes in assumption could significantly affect the estimates.

Cayman Stock Exchange

The fair value of financial instruments approximates their carrying value principally due to the short-term nature of such instruments.

National Roads Authority

As at 30 June 2011 and 2010, 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 judgment and therefore cannot be determined with precision. Changes in assumptions, economic conditions and other factors could cause significant changes in fair value estimates.

Port Authority

At June 30, 2011 the following methods and assumptions were used by management to estimate the fair value of each class of financial instruments: The carrying amount of Cash and cash equivalents approximates fair value. Accounts receivable, other receivables, other assets, accounts payable, accrued expenses, related party transactions and prepaid expenses are substantially short term, and do not bear interest. As such, their carrying amount approximates their fair value. Included in Current and long term debt balances are certain non-interest bearing loans. The carrying amount of these loans represents the principal balance owing. The anticipated future principal repayments have not been discounted. All other loans are floating rate and bear interest at the market rate. The carrying value of these loans approximates the fair market value. Fair value estimates are made at a specific point 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 judgment and therefore, cannot be determined with precision.

Sister Islands Affordable Housing Development Corporation

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.

Tourism Attractions Board

The methods and assumptions used to estimate the fair value of each class of financial instruments for which it is practical to estimate a value are as follows: The carrying value of Short-term financial assets and liabilities is a reasonable estimate of their fair value because of the short maturity of these instruments. Short-term financial assets comprise cash, accounts receivable, and prepayments. Short-term financial liabilities comprise accounts payable, accrued expenses and deferred revenue. The carrying value of the long - term liabilities approximates their fair value.

Water Authority

As at 30 June 2011 and 2010, the carrying amount of cash deposits, accounts receivables, other receivables and accounts payables 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 involved uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions, economic conditions and other factors could cause significant changes in fair value estimates.

Cayman Turtle Farm Ltd

Fair value amounts represent estimates of the consideration that would be agreed upon between knowledgeable willing parties who are under no compulsion to act and is best evidenced by a quoted market price if one exists. The carrying value reflected in the financial statements for cash and cash equivalent, accounts receivable, prepayments and accrued interest, bank overdraft and accounts payable are assumed to approximate to their fair value due to their short-term nature. Long-term liabilities are carried at their contracted settlement value. Additionally, the cost of all monetary assets and liabilities has been appropriately adjusted to reflect estimated losses on realisation or discounts on settlement.

Health Services Authority

For certain of the Health Authority's financial instruments, including cash and cash equivalents, other receivables, accounts receivable, accounts payable and accrued expenses, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments. Fair value estimates are made at a specific point 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 judgment and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

National Gallery

Financial instruments are measured initially at cost, including transaction costs. For financial assets acquired, cost is the fair value of the consideration given. For financial liabilities, cost is the fair value of the consideration received. Transaction costs included in the initial measurement are those incremental costs arising on the initial purchase of the investment. Subsequent to initial recognition all trading instruments are measured at fair value. The fair values of financial instruments other than cash and cash equivalents are based on the quoted market prices at the balance sheet dates without any deduction for estimated future selling costs.

National Housing Development Trust

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. Financial liabilities are subsequently measured at amortised cost, being the amount at which the liability was initially recognised less any payment plus any accrued interest of the difference between that initial amount and the maturity amount.

Information, Communications, Telecommunications Authority

The carrying amount of cash deposits, prepayments, accounts receivable and accounts payables and accrued liabilities 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 judgment and therefore cannot be determined with precision. Changes in assumptions, economic conditions and other factors could cause significant changes in fair value estimates.

Cayman Islands National Museum

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.

Maritime Authority of the Cayman Islands

The carrying amount of current, call and fixed deposits, accounts and interest receivable, other receivables and prepayments, demand liabilities, and other liabilities and payables approximated their fair value due to the short term maturities of these assets and liabilities. The fair value of other assets and liabilities are not materially different from the carrying amounts.

Note 40: Related Parties

During the year ended 30 June 2011, during the normal course of business, government entities provided goods and services to each other. The rates for these services are based on the applicable laws

and conventions and all transactions were deemed to be at arm's length.

Where the obligation was waived, the department sought approval from the Governor-in-cabinet to waive such fees/duties.

Where no such approval was sought or given, the normal rates were applied.

The table below summaries the extent of trading between government entities with comparative data for the similar period in 2009/2010.

Government Department/Entity	Goods/Services provided	2009/2010 CI\$'000	2010/2011 CI\$'000
Audit	External Audit Services	1,491	2,153
Internal & External affairs	Security Services	347	102
Judicial	Legal services	923	511
Public Finance	Internal audit	318	313
Tourism		1,152	66
Planning	Building permits	1,143	1,652
Education	Training	11	16
Health		41	16
Cabinet	Computer/Technology related Services	1,087	505
Civil Service	HR Matters	353	0
Communication		0	
Financial Services			(3)
Exco		4	1
Internal & External affairs		(13)	-
Public Finance	Customs	2,628	919
Health		568	144
Planning	Building permits	340	775
Tourism		293	270
Judicial		(2)	(2)
Cabinet		1	
Civil Service		(18)	
UCCI	Training	269	175
H S A		365	351
NRA	Roading services	877	11,981
CIAA	Facility Rental	8,821	8,670
Cinico	Health care	49,722	47,344
		70,722	75,960

All transactions were made under the normal trading terms and where departments default such balances can be referred to the Debt Collection Unit.

Key management personnel

A key employee is defined as an employee or senior government official such as Chief Officers, Deputy Chief Officers, Chief Financial Officers, Member of Government Boards, Members of Cabinet, Key Advisors, close members of the family of key management personnel and any entity connected to the

Government of the Cayman Islands who based on their position and office has the ability to influence the decision making process.

Prior year actual	Description	Current year actual	Number of persons
\$14,603,021	Salaries & other short-term	\$12,940,626	126

No loans were granted to key management personnel and or their close relatives during the year ended June 30 2011.

In addition to the above some key members of management are given the right to access certain benefits from some entities in which they serve such as Cayman Airways Ltd.

In the case of the Airport Authority, the current Chairman of the Board has a principal interest in an entity that conducts business as a ground handling agency at Owen Roberts International Airport while a Director of the Board has a principal interest in an entity that conducts business at Owen Roberts International Airport as a security screening company.

Due to the size of the country and the nature of the economy, it is highly probable that there may be an element of related party interest in most transactions.

The government has therefore implemented a public procurement policy and 3-quote system to negate against the impact of any negative perception of such related party transactions

Note 41: Subsequent Events

CINICO

The government has requested that CINICO reduce its premium rates from the actuarial calculated rates for the following insurance plans: civil servants, pensioners and Seafarer and Veterans. The reduction in premium rates were estimated to negatively impact the 2011/12 revenues, net income and net worth by \$3.7 million. The Board of Directors has voted to accept the request subject to receiving a written guarantee for the 2008/9 outstanding government receivables. In making this decision, the Board also decided not to approve the \$1.4 million 2010/11 budgeted capital withdrawal (see Cinico's financial statements -Note 13). Similarly, in finalizing the 2010/11 budget the government requested a 10% premium rate reduction to the Company's actuarial calculated premium rates.

Health Services Authority

Starting April 2010, the Health Authority has paid for medical bills of its retirees whose medical coverage was dropped by the Portfolio of the Civil Service (POCS). The continued payment of these medical bills constitutes a constructive obligation on the Health Authority to be liable for future medical bills of such retirees although there is no policy decision yet issued by the POCS as to who should be liable for the medical costs of these retirees. Subsequent to this, the Board has made a policy decision that all new employees hired starting November 1, 2010 and on wards will no longer have lifetime medical benefits. Such liability has not been estimated nor recognized in these financial statements and the Health Authority is currently trying to engage an insurance company to cover the retiree's medical benefits.

Port Authority

The Government of the Cayman Islands signed a Ministerial Memorandum of Understanding with a developer to embark on constructing a new cruise berthing facility for the cruise ships to operate more efficiently. At this time there are no clear defined parameters as to how or when this project will get started.

Water Authority

In October 2009, the Authority received direction from the Government to value the sewerage assets and to prepare for their sale. At that time, the sale was expected to be imminent and the Authority engaged KPMG to conduct a comprehensive valuation of the sewerage assets. The result of that valuation was provided to the Government.

In August 2010, the Authority was requested by the Government of the Cayman Islands to explore the option of leasing the water utility assets of the Authority. No significant progress has been made as at the date of these financial statements.

In October 2010, based on direction from the Government, the Authority issued a Request for Proposal for the sale of the sewerage assets with bids due on December 10, 2010. As the sale is imminent, an amount of \$18,021,821 and \$18,840,805 was transferred from Property, Plant and Equipment to Assets Held for Sale at June 30, 2011 and 30 June 2010 respectively in accordance with the applicable accounting standards. For the period ending 30 June 2011 depreciation of \$818,986 was charged against the assets. An estimate for the cost of selling the assets has not been determined at the date of these financial statements.

National Housing and Community Development Trust

A new Board has been installed at the NHDT. The change in governance is not expected to have any negative impact or otherwise on the operations of the Trust.

Note 42: Statement of unappropriated financial transactions

Government of the Cayman Islands <u>APPROPRIATIONS OVERSPENT</u>			
	Year-to-Date Actual 1 JUL 2010 - 30 JUNE 2011	Full Year Budget (Including Section 11 (5) Approvals)	Variance
	\$'000's	\$'000's	\$'000's
<u>Appropriations to the Minister of Finance, Tourism & Development</u>			
FTD 22 - Preparation and Publication of Statistical Reports	2,611	2,543	(67)
FTD 24 - Processing and Inspection of Aircrafts, Vessels and Cargo	2,920	2,172	(748)
FTD 27 - Administration and Processing of Applications	531	472	(59)
FTD 28 - Entire Public Sector Budget Management	590	539	(52)
FTD 29 - Monitoring and Reporting on the Economy	243	236	(7)
OE 3 - Personal Emoluments for the Financial Secretary	172	171	(1)
<u>Appropriation to the Minister of District Administration, Works, Lands & Agriculture</u>			
DWG 1 - Advise and Support to the Minister of District Administration, Works, Lands & Agriculture	2,864	2,842	(23)
ICT 10 - Collection and Verification of Licence Fees	106	103	(3)
<u>Appropriations to the Minister of Health, Environment, Youth, Sports & Culture</u>			
CIN 1 - Health Insurance for Seamen and Veterans	7,167	6,814	(354)
NDC 1 - Policy, Advocacy and Prevention	232	158	(74)
NDC 2 - Surveillance, Research and Information Dissemination	191	181	(10)
HEA 2 - Medical care for indigents	10,892	8,449	(2,443)
HEA 10 - Ambulance Services	2,202	2,165	(37)
HEA 12 - Mental Health Services	2,030	1,869	(161)
HEA 14 - Paediatric Services	521	473	(49)
HEA 15 - Accident and Emergency Medical Care	550	264	(286)
HEA 16 - Medical Care for Uninsured Underserved Senior Citizens	883	815	(68)
HEA 17 - Medical Care for Uninsured Underserved Children and Antenatal Patients	1,627	909	(719)
HEA 18 - School Health Services	1,576	1,517	(58)
HEA 20 - Public Health Services	1,001	900	(101)
NGS 55 - Tertiary Care at Various Overseas Institutions	14,456	10,000	(4,456)
<u>Appropriation to the Deputy Governor</u>			
OE 48 - Depreciation of the Portfolio of Life Insurance Assets	380	315	(65)
<u>Appropriation to the Head of the Civil Service</u>			
CIN 2 - Health Insurance for Civil Service Personnel	14,131	14,052	(79)
<u>Appropriation to the Attorney General</u>			
OE 26 - Personal Emoluments for the Attorney General	228	175	(54)
<u>Appropriations to the Cabinet on Behalf of the Chief Justice</u>			
OE 43 - Depreciation of Judicial Executive Assets	77	58	(19)

Note 43: Statement of Expenses or Capital Expenditure Incurred in Emergencies

There were no emergency situations which warranted emergency spending during the year ended June 30, 2011.

Schedule of section 11 (5) approvals

The PMFL Section 11(5) allows the government to authorize expenditure up to a maximum of 5% of total revenue. During the year ended June 30, 2011, the following transactions were approved by way of Section 11 (5).

Reference	Output	Original	Supps	Reported
		Appropriation CI \$'000	CI \$'000	CI \$'000
CP 555/10	OE 72 - Judicial Tribunal	0	86	86
CP639/10	EA 78 - Government Office Accommodation	30,000	-750	29
CP639/10	EA 9- Land Purchase: Gazetted Claims	500	750	1
CP 696/10	CAH 1 - Policy Advice and Support to the Minister of Community Affairs,	1,809	572	2,381
CP 696/10	CAY 2 - Children and Youth Services (CAYS) Foundation	2,400	-572	1,828
CP738/10	EA 78 - Government Office Accommodation	30,000	-330	30
CP738/10	EA 127 - Doppler Weather Radar	0	330	0
CP740/10	FTD 23 - Financial Reporting and Management Services	3,921	-153	4
CP740/10	FTD 22 - Preparation and Publication of Statistical Reports	2,390	153	3
CP753/10	DWG 2 - Collection, Recycling and Disposal of Waste	5,904	1,000	7
CP762/10	LM 9 - Home School Association	0	75	75
CP790/11	OE 68 - Special Police Investigation	0	299	299
CP 817/11	EA 87 - Juvenile Facilities	1,975	-1,325	1
CP 817/11	TP 50 - Pre-School Assistance	250	-50	0
CP 817/11	DWG 2 - Collection, Recycling and Disposal of Waste	5,904	-643	5
CP 817/11	CAH 4 - Counselling and Support Services	4,280	245	5
CP 817/11	NGS 63 - School Lunch and Uniform Programmes	806	449	1
CP 817/11	NGS 68 - Rental Accommodation for Persons in Need	1,150	488	2
CP 817/11	TP 43 - Poor Relief Vouchers	1,248	662	2
CP 817/11	EI 54 - Ministry of Community Affairs, Gender & Housing	36	125	0
CP 817/11	NGS 20 - Employee Assistance Programme	63	50	0
CP 830/11	EI 57 - National Housing Development Trust	1,939	1,323	3
CP 870/11	EI 58 - Ministry of District Administration, Works, Lands and Agriculture	3,497	-175	3
CP 870/11	EA 55 - Cayman Brac & Little Cayman Roads	1,000	175	1
CP 890/11	EA 128 - Land Acquisition - Barkers	0	1,300	1
CP 958/11	FTD 1 - Policy Advice and Ministerial Servicing	6,928	585	8
CP 958/11	MOA 12 - Regulation of the Financial Services Industry	13,795	-500	13
CP 958/11	FTD 18 - Financial Services Public Relations	756	-85	1
		120,552	4,083	4,789

Note 44: Statement of Trust

The Public Management Finance Law makes provision for the government to hold funds in trust on behalf of persons and or intuitions. Such funds are held in trust for a period of 10 years after which these are transferred as part of the consolidated funds and property of the government. These trust assets are held separately and are not reported as part of these statements but are being disclosed in accordance with the provisions of the law.

These trusts are classified into seven (7) broad groups and are shown in the Statement of Trust. These are discussed immediately below.

- (a) Prisoners' Monies – Prisoners are given the opportunity to earn while in prison, such earnings are held by the authorities and paid over to the individual after their period of incarceration has expired.
- (b) Immigration Repatriation Deposits- Previously, under the immigration law, each work permit holder was expected to pay over the assess airfare charge to repatriate the individual worker to their homeland should such need arise. These sums are returned to the work permit holder at the end of the work permit.
- (c) Police Bail Bonds – These are amounts assessed by the courts in relation to cases where it is deemed necessary to exact a bond on an individual.
- (d) Asset Forfeiture - these are properties which have been forfeited by the courts.
- (e) Defunct Companies – companies that have been struck from the register and their assets held by the government.
- (f) Court Fund Trusts – these are sums assessed and collected through the courts for civil proceedings such as child maintenance cases.
- (g) Other Trusts

Government Entities

Entity Name	GROUP
Audit Office	CORE
Judicial	CORE
Portfolio of Internal and External Affairs	CORE
Portfolio of Legal Affairs	CORE
Portfolio of Finance and Economics	CORE
Ministry of Financial Services, Tourism and Development	CORE
Ministry of District Administration, Works, & Gender Affairs	CORE
Ministry of Education Training & Employment	CORE
Ministry of Health, Environment, Youth, Sports & Culture (for)	CORE
Ministry of Community Affairs	CORE
Cabinet Office	CORE
Complaints Commissioner	CORE
Portfolio of the Civil Service	CORE
Ministry of Communications, Works & Infrastructure	CORE
Ministry of Community Affairs, Gender & Housing	CORE
Information Commissioner's Office	CORE
Financial Services Sector	CORE
EXCO	CORE
Sister Islands Affordable Housing Development Corporation	SAGC
Monetary Authority	SAGC
Water Authority	SAGC
Port Authority	SAGC
Agriculture Investment Dev. Board (Cayman Islands Development)	SAGC
National Trust	SAGC
National Gallery	SAGC
Museum	SAGC
University College of the Cayman Islands (formerly Community College)	SAGC
Civil Aviation Authority	SAGC
Drug Council	SAGC
Cultural Foundation	SAGC
Health Authority	SAGC
Tourism Authority (to be established)	SAGC
Tourism Attraction Board	SAGC
Pedro St James	SAGC
Pension Board	SAGC
ICTA Authority	SAGC
CAYS Foundation	SAGC
National Housing Development Trust	SAGC
Cayman Airways	SAGC
Stock Exchange	SAGC
Turtle Farm	SAGC
National Roads Authority	SAGC
Airports Authority	SAGC
CINICO	SAGC
Courts Funds Trust	SAGC
General Trust Funds	SAGC
Electricity Regulatory Authority (ERA)	SAGC
MARITIME AUTHORITY CAYMAN ISLANDS	SAGC