GOVERNMENT OF THE CAYMAN ISLANDS

MINISTRY OF FINANCE, TOURISM AND DEVELOPMENT – TOURISM & DEVELOPMENT

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Financial Statements for the year ended 30 June 2012

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Cayman Islands Government

MINISTRY OF FINANCE, TOURISM & DEVELOPMENT – TOURISM & DEVELOPMENT

STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

These financial statements have been prepared by the Ministry of Finance, Tourism and Development - Tourism in accordance with the provisions of the Public Management and Finance Law (2012 Revision).

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the Public Management and Finance Law (2012 Revision).

As Chief Officer I am responsible for establishing; and have established and maintained a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the Ministry of Finance, Tourism and Development – Tourism.

As Chief Officer and Senior Chief Financial Officer we are responsible for the preparation of the Ministry of Finance, Tourism and Development - Tourism financial statements, representation and judgements made in these statements.

Except for the matters disclosed in the audit opinion, the financial statements fairly present the financial position, financial performance and cash flows of the Ministry of Finance, Tourism and Development - Tourism for the financial year ended 30 June 2012

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

(a) completely and reliably reflect the financial transactions of Ministry of Finance, Tourism and Development - Tourism for the year ended 30 June 2012;

(b) fairly reflect the financial position as at 30 June 2012 and performance for the Year ended 30 June 2012;

(c) comply with International Public Sector Accounting Standards as set out by International Public Sector Accounting Standards Board under the responsibility of the International Federation of Accountants. Where guidance is not available, the financial statements comply with International Accounting Standards issued by the International Accounting Standards Committee or accounting practice that is generally accepted in the United Kingdom as appropriate for reporting in the public sector.

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

Stran A. Bodden	*Josephine Sambula*
Chief Officer	Senior Chief Financial Officer
Date- 25 November 2013	Date- 25 November 2013

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AUDITOR GENERAL'S REPORT

To the Chief Officer and Members of the Legislative Assembly of the Cayman Islands

I have audited the accompanying financial statements of the **Ministry of Finance, Tourism and Development – Tourism and Development** (the "Ministry"), which comprise the statement of financial position as at 30 June 2012, statement of financial performance, statement of changes in net worth and cash flow statement, for the year then ended and a summary of significant accounting policies and other explanatory notes, in accordance with the provisions of Section 60(1)(a) of the *Public Management and Finance Law (2012 Revision)* ("PMFL").

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Adverse Opinion

Cash and Cash Equivalents

The cash balance presented in the financial statements includes bank accounts held locally and overseas. During the audit, I was unable to satisfy myself as to the accuracy of the overseas imprest account cash balances of CI$ 1,424,000. Management failed to properly update the accounting records to correctly represent the underlying imprest net cash account balance. Furthermore, there was no mechanism in place to reconcile overseas cash book balances within the accounting system to the actual bank balances held by these branches.

Prepayments

On a sample basis, we identified within the Ministry's financial statements transactions amounting to CI$ 679,000 which were not properly accounted for on an accrual basis as required by IPSAS 1. This resulted in the understatement of the prepayments reported. As such, due to the material findings which were systemic, I can conclude that the overall balance is not fairly stated.

Property & Equipment

The Ministry has not revalued its buildings within five (5) years preceding the year ended June 30, 2012, in accordance with The Financial Regulations (2010 revision) and as required by IPSAS 17.

Due to the above issue, I could not determine if the fixed assets were fairly stated as at June 30, 2012.

Other Payables and Accruals

During the audit, it was noted that material amounts reported within this account balance did not satisfy the criteria to be accounted for as an accrual as required under IPSAS 1. Based on my limited review, the estimated total findings in relation to these matters amounted to CI$ 587,054. In most cases, these accruals were done at year end for services yet to be rendered to the Ministry. Based on the audit work performed, I can conclude that the account balance represented is not fairly stated.

Surplus Payable

Management has not included a surplus payable within the accounts. Furthermore, due to the qualifications issued identified in areas I would also be unable to conclude on the accuracy of any amount if reported.

Supplies and Consumables

IPSAS Accrual Concept

Included within the Ministry's supplies and consumables are expenses which have not been properly accounted for on an accrual basis as required by IPSAS 1. On a sample basis, I noted that amounts totaling approximately CI$ 1,626,000 were not accounted for correctly under accrual based accounting. Furthermore, as these material issues were also reported in the year ended June 30, 2011 accounts, there is an unquantified impact within the supplies and consumables accounts. As such, due to the material findings and this systemic issue I can conclude that the overall balance is not fairly stated.

Incomplete Records Due to Imprest Issues

The ministry utilizes a number of imprest system accounts to record expenses incurred into the IRIS accounting system. As noted under the above cash section the Ministry was unable to provide properly reconciled imprest accounts. The impact of this issue has limited me from concluding on the completeness of transactions recorded within the statement of financial performance.

Foreign Exchange

IPSAS 4 requires that the statement of financial performance items be translated at the prevailing rate at the time of the transaction. Monetary items in the statement of financial position should be translated at the closing rate and non-monetary items are generally translated at the historical rates. My review of the Ministry's records indicated a foreign exchange loss of CI$ 207,000. However, the accounting practices of the Ministry have not complied with the requirements of the standard as all expenses from the London and Canadian departments were recorded using the month end rates. Furthermore the foreign currency closing cash balances were not revalued as required. I did not receive an analysis to support the potential error within the accounts as the total expenses recorded for the London and Canadian departments amounted to approximately CI$ $3,368,179.

Depreciation

As mentioned above under the property, plant and equipment section, I did not receive sufficient and appropriate audit evidence to conclude that the account balance is fairly stated. Therefore, I was unable to conclude that the depreciation expense included in the financial statements was fairly stated as at June 30, 2012.

Related Party Transactions

IPSAS 20 requires the identification of transactions with related parties and disclosure of related party transactions and outstanding balances in the financial statements. This is to ensure that the entity's financial statements contain the disclosure necessary to draw attention to the possibility that its financial position and financial performance may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. I was unable to determine the Ministry's compliance with this standard due to the nonpresentation of the declaration forms by some related parties who are so required by the standard. The absence of these declarations would inhibit the Ministry from identifying, monitoring and disclosing all related party transactions by senior managers and those charged with governance.

<u>None Disclosure of Explanations for Material Variances</u>

The Ministry did not provide explanations as required by the standards ***IPSAS 24 (presentation of budgeted information in financial statements)*** for material variances between its budget and its actual expenditures. The standard requires that an entity shall provide reasons for material differences between the budget and actual amounts. Compliance with the requirements of this standard will ensure that public sector entities discharge their accountability obligations and enhance the transparency of their financial statements by demonstrating (a) compliance with the approved budget(s) for which they are held publicly accountable and (b) where the budget and the financial statements are prepared on the same basis, their financial performance in achieving the budgeted results. Furthermore some of the variances provided are incorrectly stated.

<u>Statement of Cash Flows</u>

I am unable to verify the cash flows reported as I was unable to obtain sufficient and appropriate support in order to allow me to validate the cash flows reported.

<u>Net Worth</u>

There are numerous matters concerning the net worth balance reported within the accounts. The main components of the net worth include, the revaluation surplus, accumulated surpluses and contributed capital.

Revaluation Surplus

The revaluation surplus has not been updated with the effects from a revaluation. Typically if the carrying amount of a class of assets is increased or decreased as a result of a revaluation, the change should be reflected within the revaluation surplus.

Contributed Capital

This contributed capital balance which represents the equity investments into the Ministry by Cayman Islands Government was reported on the statement of financial position in a negative amount of CI ($8,345,000). Based on the negative balance reported, this indicates that there are accounting and or classification issues associated with the account balance. Furthermore, I did not receive support to substantiate the balances represented within the statement of financial position.

Accumulated Surplus

The accumulated surplus represents the cumulative net surpluses/deficits that accrued to the entity over prior years. This balance is deemed to be unreliable due to the fact that there are a number of accounting issues as noted above which affect the integrity of this balance.

As such, I am therefore unable to conclude the Net Worth is fairly stated at 30 June 2012.

Adverse Opinion

In my opinion, because of the significance of the matters described in the Basis for Adverse Opinion paragraphs, the financial statements do not present fairly the financial position of the Ministry of Finance, Tourism and Development – Tourism and Development as at June 30, 2012, and their financial performance and their cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Other Matters

The Ministry received a supplemental appropriation to its original budget during the year as allowed under section 12 of the PMFL. Without further qualifying my audit opinion, I draw your attention to the fact that the Ministry did not provide explanations of changes between its original and final budget as required by the standards. IPSAS 24 requires that an entity shall present an explanation of whether changes between the original and final budget are a consequence of reallocations within the budget, or of other factors, (a) By way of note disclosure in the financial statements; or (b) In a report issued before, at the same time as, or in conjunction with, the financial statements, and shall include a cross reference to the report in the notes to the financial statements. To date none of these disclosure requirements have been met.

Alastair Swarbrick, MA (Hons), CPFA
Auditor General

Cayman Islands
29 November 2013

MINISTRY OF FINANCIAL SERVICES, TOURISM & DEVELOPMENT - TOURISM
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

Prior Year Actual $'000		Note	Current Year Actual $'000	Original Budget $'000	Final Budget $'000	Variance (Original vs Actual) $'000
	Current Assets					
9,978	Cash and cash equivalents	2	5,657	9,910	9,910	4,253
11,808	Trade receivables	3	9,463	5,245	5,245	(4,218)
173	Other receivables	3	48	77	77	29
414	Prepayments		405	426	426	21
22,374	**Total Current Assets**		**15,573**	**15,658**	**15,658**	**85**
	Non-Current Assets					
11,156	Property, plant and equipment	4	7,431	5,700	5,700	(1,731)
11,156	**Total Non-Current Assets**		**7,431**	**5,700**	**5,700**	**(1,731)**
33,529	**Total Assets**		**23,004**	**21,358**	**21,358**	**(1,646)**
	Current Liabilities					
752	Trade payables	5	320	-	-	(320)
2,357	Other payables and accruals	5	3,905	3,295	3,295	(610)
975	Employee entitlements	6	769	500	500	(269)
4,084	**Total Current Liabilities**		**4,994**	**3,795**	**3,795**	**(1,199)**
4,084	**Total Liabilities**		**4,994**	**3,795**	**3,795**	**(1,199)**
29,445	**Net Assets**		**18,010**	**17,563**	**17,563**	**(447)**
	Net Worth					
13,086	Contributed capital		(8,345)	9,213	9,213	17,558
16,358	Accumulated surpluses		26,355	8,350	8,350	(18,006)
29,445	**Total Net Worth**		**18,010**	**17,563**	**17,563**	**(447)**

The accounting policies and notes on pages 11 to 28 form an integral part of these financial statements.

MINISTRY OF FINANCIAL SERVICES, TOURISM & DEVELOPMENT - TOURISM
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2012

Prior Year Actual $'000		Note	Current Year Actual $'000	Final Budget $'000	Original Budget $'000	Variance (Original vs Actual) $'000
	Revenue					
39,564	Sale of goods and services	8	42,048	41,833	42,991	943
39,564	**Total Revenue**		**42,048**	**41,833**	**42,991**	**943**
	Expenses					
17,664	Personnel costs	9	18,067	18,480	18,896	829
19,699	Supplies and consumables	10	21,920	22,106	22,847	927
1,548	Depreciation	4	1,147	1,201	1,202	55
11	Litigation costs	11	123	46	46	(77)
204	losses on foreign exchange transactions	12	207	-		(207)
38	losses on disposal/revaluation of property, plant and equipment	12	-	-	-	-
39,164	**Total Expenses**		**41,464**	**41,833**	**42,991**	**1,527**
400	**Surplus for the period**		**584**	**-**	**-**	**(584)**

The accounting policies and notes on pages 11 to 28 form an integral part of these financial statements.

MINISTRY OF FINANCIAL SERVICES, TOURISM & DEVELOPMENT - TOURISM

STATEMENT OF CHANGES IN NET WORTH

FOR THE YEAR ENDED 30 JUNE 2012

	Contributed Capital $'000	Accumulated Surplus $'000	Total $'000	Total Net worth $'000	Original Budget $'000	Final Budget $'000	Variance (Original vs Actual) $'000
Balance at 1 July 2010	19,986	25,371	45,357	45,357	16,291	16,291	(29,066)
Prior year adjustments	(11,640)	-	(11,640)	(11,640)	-	-	11,640
Balance at 1 July 2010, as restated	8,346	25,371	33,717	33,717	16,291	16,291	(17,426)
Changes in net worth for 2010/11							
Equity investment from Cabinet	410	-	410	410	880	880	470
Capital withdrawals by Cabinet	(5,081)	-	(5,081)	(5,081)	-	-	5,081
Surplus for the period 2010/11	-	400	400	400	-	-	(400)
Balance at 30 June 2011	3,675	25,771	29,446	29,446	17,171	17,171	(12,275)
Prior year adjustments	(3)	-	(3)	(3)	-	-	3
Balance at 1 July 2011, as restated	3,672	25,771	29,443	29,443	17,171	17,171	(12,272)
Changes in net worth for 2011/12							
Equity investment from Cabinet	431	-	431	431	392	392	(39)
Capital withdrawals by Cabinet	(12,448)	-	(12,448)	(12,448)	-	-	12,448
Surplus for the period 2011/12	-	584	584	584	-	-	(584)
Balance at 30 June 2012	(8,345)	26,355	18,010	18,010	17,563	17,563	(447)

The accounting policies and notes on pages 11 to 28 form an integral part of these financial statements.

MINISTRY OF FINANCIAL SERVICES, TOURISM & DEVELOPMENT - TOURISM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

Prior Year Actual $'000		Note	Current Year Actual $'000	Original Budget $'000	Final Budget $'000	Variance (Original vs Actual) $'000
	CASH FLOWS FROM OPERATING ACTIVITIES					
	Receipts					
51,439	Outputs to Cabinet		35,768	41,728	-	(35,768)
(8,420)	Outputs to other government agencies		8,487	-	-	(8,487)
146	Sale of goods and services - third party		138	105	-	(138)
170	Other receipts		47	-	-	(47)
	Payments					
(17,455)	Personnel costs		(18,110)	(18,480)	-	18,110
(19,579)	Supplies and consumables		(20,958)	(22,106)	-	20,958
(171)	Other payments		(206)	(45)	-	206
6,130	**Net cash flows from operating activities**	13	**5,166**	**1,201**	-	**(5,166)**
	CASH FLOWS FROM INVESTING ACTIVITIES					
(3,606)	Purchase of property, plant and equipment		(431)	(392)	-	431
-	Proceeds from sale of property, plant and equipment		-	-	-	-
(3,606)	**Net cash flows from investing activities**		**(431)**	**(392)**	-	**431**
	CASH FLOWS FROM FINANCING ACTIVITIES					
409	Equity investment		416	392	-	(416)
(6,600)	Capital withdrawal		(9,473)	-	-	9,473
(6,191)	**Net cash flows from financing activities**		**(9,057)**	**392**	-	**9,057**
(3,667)	**Net increase/(decrease) in cash and cash equivalents**		(4,321)	1,201	-	4,321
13,645	Cash and cash equivalents at beginning of period		9,978	8,709	-	(9,978)
9,978	**Cash and cash equivalents at end of period**		**5,657**	**9,910**	-	**(5,657)**

The accounting policies and notes on pages 11 to 28 form an integral part of these financial statements.

Description and principal activities

The Ministry of Finance, Tourism and Development – Tourism ("the Ministry") is a Government owned entity as defined by section 2 of the Public Management and Finance Law (2010 Revision) and it is domiciled in the Cayman Islands.

Its principal activities and operations include all activities carried out in terms of the outputs purchased by the Ministry as defined in the Annual Plan and Estimates for the Government of Cayman Islands for the financial year ending 30 June 2012.

Note 1: Significant Accounting Policies

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

(a) Basis of preparation

The financial statements are presented in Cayman Islands dollars and are prepared on the accrual basis of accounting, unless otherwise stated. The measurement base applied to these financial statements is the historical cost basis.

<u>Changes in Accounting Policies</u>

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.

Note 1: Significant Accounting Policies (continued)

(b) Budget Amounts

The original and final budget amounts for the financial year are as presented in the 2011/2012 Annual Budget Statement and approved by the Legislative Assembly on the 27 June 2011.

(c) Judgments and Estimates

The preparation of 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 historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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

(d) Changes in Accounting Estimates

There have been no changes accounting estimates as defined by IPSAS 3.

(e) 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 Ministry derives its revenue through the provision of services to Cabinet, to other agencies in government and to third parties. Revenue is recognised at fair value of services provided.

(f) Expenses

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

(g) Operating Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under the operating leases are recognised as expenses on a straight-line basis over the lease term.

(h) 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 at 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.

Note 1: Significant Accounting Policies (continued)

(i) Prepayments

The portion of recognised expenditure paid in advance of receiving services has been recognised as a prepayment in these financial statements.

(j) 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 stipulated below 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
• Leasehold Improvement	Over the unexpired period of lease or the useful life of the 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

Note 1: Significant Accounting Policies (continued)

(j) Property, Plant and Equipment (continued)

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.

(k) 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 Ministry 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 Ministry.

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 centralized in the Government and therefore, reported in the Consolidated Financial Statements for the Entire Public Sector of the Cayman Islands Government.

(l) Financial Instruments
The Ministry 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 receivables.

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.

Note 1: Significant Accounting Policies (continued)

(l) Financial Instruments (continued)

Recognition
The Ministry 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.

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

(m) 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.

(n) 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 are to be used to translate foreign currency balances:

- Foreign currency monetary items are to be reported in Cayman Islands dollars using the closing rate at year end date;
- Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported in Cayman Islands dollars using the exchange rate at the date of the transaction; and

Note 1: Significant Accounting Policies (continued)

(n) Foreign Currency (continued)

- Non-monetary items that are carried at fair value denominated in a foreign currency are reported using the exchange rates that existed when the fair values were determined.

(o) 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.

(p) Revenue from Non-Exchange Transactions

The Ministry receives various services from other government entities for which payment is made by the Cayman Islands Government. These services include but are not limited to accommodation in the central government building, computer repairs and software maintenance by the computer services department and human resources management by the Portfolio of the Civil Service. The Ministry has designated these non-exchange transactions as Services in-Kind as defined under IPSAS 23- Revenue from non-exchange Transactions. When fair values of such services can be reliably estimated then the non-exchange transaction is recorded as an expense and an equal amount is recorded in other income as a service in-kind. Where services in-kind offered are directly related to construction or acquisition of a fixed asset, such service in-kind is recognised in the cost of the fixed asset.

Note 2: Cash and Cash Equivalents

Cash and cash equivalents include cash on hand; bank accounts in the name of the Ministry of Finance, Tourism and Development maintained at Royal Bank of Canada, Bank of America and Barclays Bank, with short term deposits invested with the Cayman Islands Government Treasury. As at 30 June 2012 the Ministry held no restricted cash balances (30 June 2011: $0).

Prior Year Actual	Description	Foreign Currency	Exchange Rate	Current Year Actual	Original Budget	Revised Budget	Variance (Original vs Actual)
$'000		$'000		$'000	$'000	$'000	$'000
4	Cash on hand (IRIS Confirmation Account/Petty Cash)	1,424	1.00	1,424	-	-	(1,424)
-	Cash in transit (IRIS Remittance Account)	4	1.00	4	2	2	(2)
7,738	CI$ Operational Current Account held at Royal Bank of Canada	3,964	1.00	3,964	9,858	9,858	5,894
103	US$ Operational Current Account held at Royal Bank of Canada	1,219	0.83	1,021	23	23	(998)
712	Payroll Current Account held at Royal Bank of Canada	(756)	1.00	(756)	27	27	783
1,421	Bank Accounts held at other financial institutions	-	1.00	-	-	-	-
9,978	TOTAL	5,855		5,657	9,910	9,910	4,253

Note 3: Trade Receivables and other Receivables

At year end all overdue receivables have been assessed and appropriate provisions made. The provision for doubtful debts has been calculated based on expected losses for the Ministry and review of specific debtors. Expected losses have been determined based on an analysis of the Ministry losses in previous periods.

Prior Year Actual	Trade Receivables	Current Year Actual	Original Budget	Revised Budget	Variance (Original vs Actual)
$'000		$'000	$'000	$'000	$'000
435	Sale of goods and services	7,847	-	-	(7,847)
2,871	Outputs to Cabinet	1,601	4,557	4,557	2,956
8,498	Outputs to other government agencies	15	-	-	(15)
-	Other Trade Receivable	-	688	688	688
4	Recovery (Provision) for doubtful debts	-	-	-	-
11,808	Total trade receivables	9,463	5,245	5,245	(4,218)

Note 3: Trade Receivables and other Receivables (continued)

As at 30 June 2012 and 30 June 2011, other receivables composed of:

Prior Year Actual	Other Receivables	Current Year Actual	Original Budget	Revised Budget	Variance (Original vs Actual)
$'000		$'000	$'000	$'000	$'000
88	Advances (salary, official travel, etc)	36	58	58	22
1	Dishonoured cheques	2			(2)
133	Other receivable	10	19	19	9
(49)	Loans	-	-	-	-
173	**Total other receivables**	48	77	77	29

As at 30 June 2012 and 30 June 2011, the ageing analysis of trade receivables and other receivables is as follows:

Prior Year Actual	Receivables	Trade Receivable	Other Receivable	Original Budget	Revised Budget	Variance (Original vs Actual)
$'000		$'000	$'000	$'000	$'000	$'000
11,981	Past due 1-30 days	1,601	48	9,511	5,321	9,463
-	Past due 31-60 days	3,786	-	-	-	-
-	Past due 61-90 days	1,058	-	-	-	-
-	Past due 90 and above	3,018	-	-	-	-
11,981	Total	9,463	48	9,511	5,321	9,463

As of 30 June 2012 and 30 June 2011, trade receivables and other receivables are all due within one year

Note 4: Property, Plant and Equipment

	As at 30 June 2012										
	Plant and Equipment $'000	Buildings and Leasehold $'000	Furniture and Office Equipment $'000	Computers $'000	Infrastructure $'000	Motor Vehicles $'000	Marine Vessels $'000	Assets under Construction or Development $'000	Total $'000	Original Budget $'000	Variance (Original vs Actual) $'000
Cost											
As at 1 July 2011	10,718	6,030	642	312	20	1,015	463	139	19,339	16,001	(3,338)
Additions	-	298	25	16	15	21	-	7	382	392	10
As at 30 June 2012	10,718	6,327	667	328	34	1,036	463	146	19,721	16,393	(3,328)
Accumulated depreciation and impairment losses											
As at 1 July 2011	4,840	4,883	254	254	17	636	259	-	11,143	9,491	(1,651)
Depreciation expense	859	55	72	37	3	99	22	-	1,147	1,201	54
As at 30 June 2012	5,699	4,938	326	291	21	734	281	-	12,290	10,692	(1,598)
Carrying value at 30 June 2012	5,019	1,390	341	37	14	302	183	146	7,431	5,700	(1,730)

MINISTRY OF FINANCE, TOURISM AND DEVELOPMENT - TOURISM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

Note 4: Property, Plant and Equipment (continued)

	As at 30 June 2011										
	Plant and equipment	*Buildings and Leasehold*	*Furniture and Office Equipment*	*Computers*	*Infrastructure*	*Motor Vehicles*	*Marine Vessels*	*Assets under construction or development*	*Total*	*Original Budget*	*Variance (Original vs Actual)*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
As at 1 July 2010	10,718	6,030	549	289	20	985	463	99	19,152	15,121	(4,031)
Additions	-	-	94	24	-	30	-	40	187	880	693
Disposals	-	-	-	-	-	-	-	-	-	-	-
As at 30 June 2011	10,718	6,030	642	312	20	1,015	463	139	19,339	16,001	(3,338)
Accumulated Depreciation and impairment losses											
As at 1 July 2010	3,983	4,828	185	212	15	535	232	-	9,990	8,249	(1,741)
Depreciation expense	857	55	68	42	3	101	27	-	1,153	1,243	90
Disposals	-	-	-	-	-	-	-	-	-	-	(1,651)
As at 30 June 2011	**4,840**	**4,883**	**254**	**254**	**17**	**636**		**-**	**11,142**	**9,491**	**(3,302)**
Carrying value at 30 June 2011	5,878	1,147	388	58	2	379	204	139	8,196	6,510	(1,686)

MINISTRY OF FINANCE, TOURISM AND DEVELOPMENT - TOURISM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

Note 4: Property, Plant and Equipment (continued)

Summary of major projects in work-in-progress:

Prior Year Actual	Description	Current Year
138,720	Fire Training Ground	7,405
138,720		**7,405**

Note 5: Trade payables, other payables & Accruals

Prior Year Actual	Description	Current Year Actual	Original Budget	Revised Budget	Variance (Original vs Actual)
$'000		$'000	$'000	$'000	$'000
718	Creditors	221	-	-	(221)
2	Creditors Ministries/Portfolios	1	-	-	(1)
31	Creditors other government agencies	97	-	-	(97)
2,298	Accrued Expenses	3,835	3,295	3,295	(540)
-	Accrued Expenses Ministries/Portfolios	(149)	-	-	149
-	Accrued Expenses other government agencies	(1)	-	-	1
60	Other payables	102	-	-	(102)
(2)	Payroll Deductions	118	-	-	(118)
3,109	Total trade payables other payables and accruals	**4,225**	**3,295**	**3,295**	**(930)**

Trade and other payables are non-interest bearing and are normally settled on 30-day terms.

Note 6: Employee Entitlements

Prior Year Actual	Description	Current Year Actual	Original Budget	Revised Budget	Variance (Original vs Actual)
$'000		$'000	$'000	$'000	$'000
380	Annual leave	190			
595	Retirement and long service leave	580			
975	**Total employee entitlements**	**769**			

The retirement and long-service leave entitlements are calculated based on current salary paid to those employees who are eligible for this benefit.

Note 7: Revenue from Non-Exchange Transactions

During the year ended 30 June 2012, the Ministry received services in-kind in the form of accommodation in the central government building, computer repairs and software maintenance by the computer services department and human resources management by the Portfolio of the Civil Service. The fair value of these services cannot be determined and therefore no expense has been recognised in these financial statements.

Note 8: Revenue

Prior Year Actual $'000	Revenue type	Current Year Actual $'000	Original Budget $'000	Final Budget $'000	Variance (Original vs Actual) $'000
39,325	Outputs to Cabinet [1]	41,905	41,728	42,886	(177)
46	Outputs to other government agencies [2]	3	-	-	(3)
-	Outputs to other 3rd Parties [3]	140	105	105	(35)
-	Outputs to Own Ministry	1	-	-	(1)
193	Other	-	-	-	-
39,564	Total sales of goods and services	42,049	41,833	42,991	(35)

[1]Outputs to Cabinet comprises goods delivered to and services performed on behalf of the Cayman Island Government. These are detailed in the ABS accompanying these statements and are covered by the appropriation law.

[2]Outputs to other government agencies comprises trade between the ministry and other government bodies. These are arm length transactions governed by Service Level Agreements (SLAs) between the contracting parties.

[3]Others includes administrative fees and user charges levied on the public for the delivery of government services. The respective rates and fee structures are gazetted and governed by the relevant revenue laws.

No revenue concessions were granted during the financial year ended 30 June 2012.

Note 9: Personnel costs

Prior Year Actual	Description	Current Year Actual	Original Budget	Revised Budget	Variance (Original vs Actual)
$'000		$'000	$'000	$'000	$'000
14,340	Salaries, wages and allowances	14,679	15,035	15,442	356
2,035	Health care	2,398	2,610	2,563	213
727	Pension	733	810	806	77
190	Leave	175	-	-	(175)
371	Other personnel related costs	83	25	85	(58)
17,664	**Total Personnel Costs**	**18,067**	**18,480**	**18,896**	**413**

Note 10: Supplies and consumables

Prior Year Actual	Description	Current Year Actual	Original Budget	Revised Budget	Variance (Original vs Actual)
$'000		$'000	$'000	$'000	$'000
317	Supplies and materials	372	460	441	88
13,280	Purchase of services	14,594	14,405	15,428	(189)
1,519	Lease of property and equipment	1,171	1,060	1,164	(111)
655	Utilities	674	619	633	(55)
421	General insurance	437	509	509	72
122	Interdepartmental expenses	24	116	116	92
887	Travel and subsistence	1,012	883	883	(129)
554	Recruitment and training	419	814	634	395
1,944	Other	3,218	3,241	3,039	23
19,699	**Total Supplies & consumables**	**21,920**	**22,106**	**22,847**	**186**

Note 11: Litigation costs

The Attorney General's Office provides litigation services to the Ministry. However during the year ended 30 June 2012 the use of legal services from outside of the Government were authorised by the Attorney General's Office. The costs of these services were $122,931 in 2012 and $10,866 in 2011.

MINISTRY OF FINANCE, TOURISM AND DEVELOPMENT - TOURISM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

Note 12: Gains / (Losses)

Prior Year Actual $'000	Description	Current Year Actual $'000	Original Budget $'000	Revised Budget $'000	Variance (Original vs Actual) $'000
38	Net (gain) / loss on disposal of property, plant and equipment	-	-	-	-
204	Net (gain) / loss on foreign exchange transactions	207	-	1	(207)
242	Total gains/ (losses)	207	-	1.00	(207)

Note 13: Reconciliation of Net Cash Flows from Operating Activities to Surplus

Prior Year Actual $'000	Description	Current Year Actual $'000	Original Budget $'000	Revised Budget $'000	Variance (Original vs Actual) $'000
400	Surplus from ordinary activities	584	-	-	(584)
	Non-cash movements				
1,548	Depreciation expense	1,147	1,201	1,202	54
38	(Gain)/losses on sale of property plant and equipment	-	-	-	-
	Changes in current assets and liabilities:				
7,502	(Increase)/decrease in receivables - Cabinet	(6,137)	-	-	6,137
(3,884)	Increase in receivables	-	-	-	-
32	Decrease in inventories	-	-	-	-
461	Decrease in other current assets	8,529	-	-	(8,529)
(157)	Decrease in payables	-	-	-	-
190	Increase/(decrease) in provisions relating to employee costs	(43)	-	-	43
-	Increase in current liabilities	1,086	-	-	-
6,130	Net cash flows from operating activities	5,166	1,201	1,202	(7,931)

Note 14: Contingent Liabilities and Assets

	Beginning Balance	Additions	Disbursements	Adjustments	Ending Balance
	$'000	$'000	$'000	$'000	$'000
Legal Proceedings and Disputes:					
Planning Department	-	20	-	-	20
Fire Department	-	100	-	-	100
Total Legal Proceedings and Disputes	-	120	-	-	120
Other Contingent Liabilities	-	-	-	-	-
Total contingent liabilities	-	120	-	-	120
Contingent Assets	-	-	-	-	-
Total Contingent Assets	-	-	-	-	-

Note 15: Commitments

Prior Year Actual	Type	One year or less	One to five Years	Over five Years	Total
$'000		$'000	$'000	$'000	$'000
	Capital Commitments				
	Property, plant and equipment				
	Other fixed assets				
	Other commitments (list separately if material)				
-	***Total Capital Commitments***	-	-	-	-
	Operating Commitments				
	Non-cancellable accommodation leases				
	Other non-cancellable leases				
	Non-cancellable contracts for the supply of goods and services				
	Other operating commitments				
-	***Total Operating Commitments***	-	-	-	-
-	**Total Commitments**	-	-	-	-

Note 15: Commitments (continued)

The Ministry has medium to long term accommodation leases for the premises it occupies at Rankins Plaza and the Regatta Business Park. The annual leases range from 1 month to 5 years. The amounts disclosed above as future commitments are based on the current rental rates.

The Ministry has entered no non-cancellable contracts as at 30 June 2012.

Note 16: Explanation of Major Variances against Budget

Explanations for major variances for the Ministry's performance against the original budget are as follows:

Statement of financial position

Statement of financial performance

Statement of cash flows

Note 17: Related Party and Key Management Personnel Disclosures

Related party disclosure

The Ministry is a wholly owned entity of the government from which it derives a major source of its revenue. The Ministry and its key management personnel transact with other government entities on a regular basis. These transactions were provided free of cost during the financial year ended 30 June 2012 and were consistent with normal operating relationships between entities and were undertaken on terms and conditions that are normal for such transactions.

Key management personnel

Key management personnel, defined as Ministers of the Government, are also considered to be related parties, and as such received the following remuneration.

Prior Year Actual $'000		Current Year Actual $'000	Number of persons
	Salaries & other short-term employee benefits	1,264	11
	Past employee benefits		
	Other long-term benefits	139	
	Termination benefits		
	Loans		
	Total	**1,403**	**11**

No loans were granted to key management personnel and or their close relatives.

Note 18: Events Occurring after Reporting Date

No events materially effecting these financial statements occurred after 30 June 2012.

Note 19: Financial Instrument Risks

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

Credit risk

In the normal course of its business the Ministry is subject to credit risk from debtors other than the Cabinet. The Ministry does not have significant concentrations of credit risk for its other financial instruments.

Currency and interest rate risk

The Ministry has no significant exposure to currency exchange loss risk and interest rate risk.

Liquidity risk

In meeting its liquidity requirements, the Ministry closely monitors its forecast cash requirements with expected cash drawdowns from Cabinet and receipts from third parties. The Ministry maintains a target level of available cash to meet liquidity requirements.

All of the Ministry financial liabilities (creditors and payables) will be settled in less than six months from the date of these financial statements.

Note 20: Financial instruments – fair values

As at 30 June 2012 and 30 June 2011, the carrying values of cash and cash equivalents, accounts receivable, accounts payable and employee entitlements approximate their fair values due to their relative short-term maturities.

Fair values 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, economic conditions and other factors could cause significant changes in fair value estimates.