

Table of Contents

Preface	3
Ownership Agreements for:	
Cayman Airways Limited	5
Cayman Islands Airport Authority	25
Cayman Islands Development Bank	43
Cayman Islands Monetary Authority	63
Cayman Islands National Insurance Company Limited	87
Cayman Islands National Museum	107
Cayman Islands Stock Exchange Limited	125
Cayman Islands Cultural Foundation	149
Cayman Turtle Farm (1983) Ltd.	159
Children and Youth Services (CAYS) Foundation	187
Civil Aviation Authority	205
Electricity Regulatory Authority	223
Health Services Authority	239
Information Communication and Technology Authority	269
Maritime Authority of the Cayman Islands	289
The National Drug Council	309
National Gallery of the Cayman Islands	327
National Housing Development Trust	343
National Roads Authority	361
Port Authority of the Cayman Islands	379
Public Service Pension Board	399
Sister Islands Affordable Housing Corporation	417
Tourism Attraction Board	437
University College of the Cayman Islands	457
Water Authority	479

Preface

This volume of documents contains Ownership Agreements between the Cabinet and each Statutory Authority and Government Company.

Although Statutory Authorities and Government Companies are legally separate from the Government, they are all owned by the Government on behalf of the people of the Cayman Islands. This ownership relationship exists regardless of whether ownership is reflected in the form of shares or a formal capital holding.

Like any owner, the Government expects the organisations it owns to perform within agreed boundaries. The purpose of the Ownership Agreement is to specify the ownership performance that the Cabinet and the Board of each Statutory Authority or Government Company have agreed the Authority or Company will seek to achieve during the 2009/10 financial year.

Ownership performance is the performance that an owner of an organisation expects and can be categorised into five areas:

- Nature and Scope of Activities
- Strategic Goals and Objectives
- Financial Performance
- Maintenance of Human and Physical Capability
- Risk Management

Each of these five dimensions of performance is specified in the Ownership Agreement.

In addition, the Ownership Agreement specifies any ownership financial flows between the Authority or Company and the Government namely:

- Equity Investments
- Capital Withdrawals
- Dividend or Profit Distributions
- Government Loans
- Government Guarantees

In addition to its ownership relationship, the Government also has a purchase relationship with some Statutory Authorities and Government Companies. This performance is specified in a separate document: a Purchase Agreement.

BUDGET 2009/10

Ownership Agreement

Between

**The Cabinet of the
Cayman Islands Government**

and

Cayman Airways Limited

For the year ending 30 June 2010

Contents

1. Purpose
2. Nature and Scope of Activities
3. Strategic Goals and Objectives
4. Ownership Performance Targets
5. Summarised Forecast Financial Statements
6. Other Financial Information
7. Agreement
8. Appendix: Forecast Financial Statements

1. Purpose

This Ownership Agreement documents the ownership performance that the Cabinet and the Board of *Cayman Airways Limited* have agreed that *Cayman Airways Limited* will seek to achieve during the 2009/10 financial year.

The purpose of the document is to ensure that the ownership performance expectations for the year are clearly specified and agreed by both parties.

2. Nature and Scope of Activities

This section outlines the nature and scope of activities within which *Cayman Airways Limited* is to operate during the year.

General Nature of Activities

The *Cayman Airways Limited* activities involve providing scheduled passenger and cargo flights to, from and within the Cayman Islands.

The airline also provides charter flights on a demand basis.

Scope of Activities

The scope of *Cayman Airways Limited* activities is as follows:

The airline currently owns two 737-200 jet aircraft. It is expected that the company will dispose of these aircraft within the budget year.

In addition, the company leases three 737-300 aircraft which provide international connection as well as service to Cayman Brac.

The company also owns two Twin Otter aircraft through a wholly owned subsidiary – Cayman Airways Express. The aircraft provide service between Grand Cayman and the sister islands of Cayman Brac and Little Cayman.

The airline generates additional revenue by providing handling services to other airlines at Owen Roberts Airport in Grand Cayman.

Customers and Location of Activities

The services provided by *Cayman Airways Limited* are provided through scheduled jet service between Grand Cayman, Miami, Tampa, New York, Havana, Kingston, Montego Bay and Cayman Brac.

Additional routes are being evaluated to facilitate decision making on their profitability.

3. Strategic Goals and Objectives

The key strategic goals and objectives (from an ownership perspective) for The *Cayman Airways Limited* for the 2009/10 financial year are as follows:

- Continue the process of restructuring the company based on the “turnaround” strategies as part of the process towards sustainability. The objective is to reduce and subsequently eliminate the gap that exists between revenue and expenses by focusing on being more efficient in all areas of our operations.
- The airline will continue to target costs reductions in expenses. The restructuring of the company has seen the inclusion of a Purchasing department in the new structure. It is expected that the new purchasing procedures and supply chain management will produce significant cost savings.
- The company will be implementing new cash management systems and procedures which are expected to improve the use of financial resources.
- The airline plans to achieve sisterhood in its aircraft fleet through the move to an all 737-300 jet fleet which will reduce the costs related to stocking of spare parts, training and retaining technical staff and other maintenance costs.
- The company intends to aggressively pursue possible alternatives to minimize the costs of fuel. Cayman Airways expect to continue to benefit from improved fuel prices through joint negotiations in the budget year.
- The new computerized reservation system (CRS) which was implemented in January 2007 allows the company to improve several areas including customer service, electronic ticketing and reporting. The reporting capability of this is being further expanded to allow for better revenue management.
- The airline expects to continue working with the public sector as well as to embark on joint initiatives with the private sector to coordinate marketing and advertising efforts.
- The National Flag Carrier will continue to explore commercial agreements with select international carriers. The commercial agreements may range from connected websites to full code share agreements.
- The airline will continue to implement the recommendations produced by the efficiency audit in order to improve revenue and reduce costs.

4. Ownership Performance Targets

The ownership performance targets (as specified in schedule 5 to the Public Management and Finance Law (2005 Revision) for *Cayman Airways Limited* for the 2009/10 financial year are as follows.

Financial Performance

Financial Performance Measure	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Revenue from Cabinet	10,500,000	13,424,000
Revenue from ministries, portfolios, statutory authorities and government companies	-	1,200,000
Revenue from other persons or organisations	53,426,377	55,528,374
Surplus/deficit from outputs	(2,074,717)	(3,147,815)
Other expenses	2,016,000	1,111,297
Net Surplus/Deficit	(4,090,717)	(4,259,112)
Total Assets	29,939,837	38,556,000
Total Liabilities	78,301,072	82,826,520
Net Worth	(48,361,235)	(44,270,520)
Cash flows from operating activities	(2,972,470)	(207,480)
Cash flows from investing activities	1,721,005	(4,563,720)
Cash flows from financing activities	(802,200)	4,246,200
Change in cash balances	(2,053,665)	469,560

Financial Performance Ratio	2009/10 Target	2008/9 Estimated Actual
Current Assets: Current Liabilities	1:3.4	1:2.6
Total Assets: Total Liabilities	1:2.6	1:2.1

Maintenance of Capability

Human Capital Measures	2009/10 Target	2008/9 Estimated Actual
Total full time equivalent staff	412	398
Staff turnover (%)	8%	10%
Average length of service (Number) Senior management Professional staff Administrative staff	7.5 years	7 years
Significant changes to personnel management system	None	None

Physical Capital Measures	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Value of total assets	29,939,836	38,556,000
Asset replacements: total assets	0.10:1	0.10:1
Book value of depreciated assets: initial cost of those assets	0.58:1	0.53:1
Depreciation: Cash flow on asset purchases	0.79:1	0.91:1
Changes to asset management policies	None	None

Major Capital Expenditure Projects	2009/10 Target
	\$
Infrastructure	500,000
Technology	0
Aircraft	2,000,000
	2,500,000

Risk Management

Key risks	Change in status from previous year	Actions to manage risk	Financial value of risk
Fuel Prices	Risk profile increased due to volatility in fuel prices	Given difficulty in hedging this is managed primarily through negotiating.	
Capital Structure	Slight improvement over prior year	Better cash management and improved financial performance targeted	

5. Summarised Forecast Financial Statements

A full set of forecast financial statements for *Cayman Airways Limited* is provided in the Appendix to this Ownership Agreement.

A summary of those forecasts is as follows:

Operating Statement	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Revenue	63,926,377	70,152,374
Operating Expenses	66,001,094	73,300,189
<i>Net Surplus/Deficit</i>	(4,090,717)	(4,259,112)

Balance Sheet	As at 30 June 2010	As at 30 June 2009
	\$	\$
Assets	29,939,837	38,556,000
Liabilities	78,301,072	82,826,520
<i>Net Worth</i>	(48,361,235)	(44,270,520)

Statement of Cash Flows	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Net cash flows from operating activities	(2,972,470)	(207,480)
Net cash flows from investing activities	1,721,005	(4,563,720)
Net cash flows from financing activities	(802,200)	4,246,200

6. Other Financial Information

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

Transaction	Amount for 2009/10 \$
Equity Investments into <i>Cayman Airways Limited</i>	0
Capital Withdrawals from <i>Cayman Airways Limited</i> .	0
Dividend or Profit Distributions to be made by <i>Cayman Airways Limited</i> .	0
Government Loans to be made to <i>Cayman Airways Limited</i> .	0
Government Guarantees to be issued in relation to <i>Cayman Airways Limited</i> .	No New Guarantees
Related Party Payments (Non Remuneration) made to Key Management Personnel ¹	0
Remuneration ² Payments made to Key Management Personnel	1,845,415
Remuneration Payments made to Senior Management	1,030,176

	Number for 2009/10
No of Key Management Personnel	17
No of Senior Management	9

¹ Key Management Personnel as defined by International Public Accounting Standards No 20, e.g. Minister, Board Member and Senior Management Team

² Remuneration as defined by International Public Accounting Standards No 20 Par 34(a)

7. Agreement

Scope of this Agreement

In signing this document:

- *Cayman Airways Limited* undertakes to seek to achieve the performance specified in sections 2 to 6 to the best of its ability; and
- The Cabinet agrees to the performance specified in sections 2 to 5 and the financial transactions specified in section 6.
-

Procedures for Changing this Ownership Agreement

Changes to this Ownership Agreement may be made during the year only with the express and explicit agreement of both parties to the Agreement.

Changes will be made in the following way:

If either party wish to change the specification of performance contained in this Ownership Agreement, they must notify the other in writing describing the changes that they wish to make.

The other party will take no more than 15 working days to consider the proposed amendments, or such other time as the two parties may agree.

The other party will respond to the other about the proposed amendments and negotiate appropriate changes that are agreeable to both parties.

The Parties will sign the amended Ownership Agreement.

The amended Ownership Agreement will be attached to, and form part of, this Agreement.

Agreement

We jointly agree that this Ownership Agreement accurately documents the ownership performance that *Cayman Airways Limited* will seek to achieve for the 2009/10 financial year and that the Cabinet will monitor performance against.

Hon. W. McKeever Bush, OBE, JP
Minister of Financial Services, Tourism and Development
on behalf of the Cabinet

Chairman of the Board
Cayman Airways Limited

September 30, 2009

Appendix: Forecast Financial Statements

**CAYMAN AIRWAYS LIMITED
STATEMENT OF RESPONSIBILITY FOR FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

These Forecast Financial Statements have been prepared in accordance with the provisions of the Public Management and Finance Law (2005 Revision).

The Board accepts responsibility for the accuracy and integrity of the financial information in these financial statements.

To the best of our knowledge the forecast financial statements are:

- (a) complete and reliable;
- (b) fairly reflect the forecast financial position as at 30 June 2010 and performance for *Cayman Airways Limited* for the year ended 30 June 2010
- (c) comply with generally accepted accounting practice.

**Chairman
On behalf of the Board**

September 30, 2009

**CAYMAN AIRWAYS LIMITED
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDING 30 JUNE 2010**

The Company's financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards ("IFRS"). The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant accounting policies are:

Principles of consolidation: The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Cayman Airways Express, a company incorporated in the Cayman Islands. All significant intercompany accounts and transactions have been eliminated on consolidation.

Passenger revenue: Passenger ticket sales are initially recorded as a current liability in an unearned transportation liability account until transportation is provided. This current liability is released as revenue is earned, sales are refunded, or billings from other airlines are received.

Aircraft maintenance:

Routine maintenance and annual periodic maintenance

All routine aircraft maintenance expenses are expensed as incurred. These estimated costs are recorded as maintenance, materials and repairs in the statement of loss.

Periodic major maintenance and overhauls

Liability for overhauls and periodic major maintenance is recognised at the time the Company becomes obligated for such costs. The actual cost of periodic major maintenance and overhauls is capitalized and depreciated over the estimated useful life (which will normally be the expected interval to the next scheduled major maintenance or overhaul).

Property, plant and equipment: Property, plant and equipment is initially recorded at cost. Cost includes all direct attributable costs of bringing the asset to working condition for its intended use. The Company capitalises borrowing costs which are directly attributable to the acquisition of an asset and which are incurred in respect of the period of time before an asset is introduced into use or service.

Property, plant and equipment and other long lived, non-current assets, are reviewed annually at each balance sheet date for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets whose carrying values exceed their recoverable amount are written down to the recoverable amount, being the higher of market value or value in use (on a discounted cash flow basis), and the resulting impairment loss recorded in the statement of operations. To the extent that a previously recognised impairment loss no longer exists or decreases, the carrying amount of the asset will be increased to the lower of recoverable amount or depreciated cost and the resulting reversal of impairment loss will be recorded in the statement of operations.

Depreciation: Property, plant and equipment are depreciated to estimated residual value using the straight-line method over their estimated useful lives as follows:

**CAYMAN AIRWAYS LIMITED
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDING 30 JUNE 2010**

<u>Type of Property, plant and equipment</u>	<u>Estimated useful life</u>
Aircraft airframe and related overhauls	
Airframe and related components	113 - 162 months
D checks and landing gear	21,000 flight hours or 105 months
Aircraft engines and related overhauls	
Engine shop visit 1	9,000 flight hours
Engine shop visit 2	4,500 flight hours
Limited life parts	20,000 cycles
Other property, plant and equipment:	
Buildings	20 - 50 years
Flight equipment	10 years
Other property, plant and equipment	3 - 5 years

The estimated residual value for the airframes is US\$250,000 per aircraft. The residual value for the aircraft engines is US\$50,000 per engine. The residual value for flight equipment is 5%. All other property, plant and equipment have no salvage value.

Where impairment losses have been recorded against property, plant and equipment, the recoverable amount is depreciated to estimated residual value using the straight-line method over the remaining estimated useful life.

Flight equipment held for sale: Flight equipment held for sale is carried at the lower of cost and management's estimate of net realisable value. No depreciation is taken on the flight equipment held for sale.

Cash and cash equivalents: For the purpose of the statement of cash flows, cash and cash equivalents includes balances with bankers, all of which are on demand or at short notice, net of short-term overdrafts.

Foreign currency translation: The accounting records of the Company are maintained in United States dollars. Monetary assets and liabilities in a foreign currency are translated into United States dollars at the prevailing rates of exchange at year end. Revenue receipts and expense payments are translated into United States dollars at the prevailing exchange rate on the respective dates of transactions. The rate of exchange between United States dollars and Cayman Islands Dollars is fixed at US\$1.00: CI\$0.84. All amounts are CI Dollars ('000) unless otherwise noted.

Employee benefits: In accordance with the Cayman Islands National Pensions Law, 1996 (the "Law") those of Company's employees that are located in the Cayman Islands participate in a defined contribution pension plan. Employees are required to contribute an amount up to 5% of their annual salaries to the plan during the year and the Company matches such contributions up to 5%. The Company's US based employees are eligible to participate in a 401K defined contribution pension plan. Contributions are matched by the Company, to a maximum of 3% of the employee's basic salary. Independent trustees administer both of these plans. The pension contributions paid by the Company under these plans are expensed in the statement of loss.

In addition, the Company's employees participate in a private health insurance plan. The Company contributes part of the cost and such contributions paid by the Company are expensed in the statement of loss.

**CAYMAN AIRWAYS LIMITED
FORECAST OPERATING STATEMENT
FOR THE YEAR ENDING 30 JUNE 2010**

		Budget 2009/10 \$	Estimated Actual 2008/09 \$
	Note		
Revenue			
Sale of Outputs to Cabinet		10,500,000	13,424,000
Passenger (Sched)	3	45,929,655	49,832,217
Cargo	4	3,433,248	3,372,919
Passenger (Charter)	5	364,605	603,137
Handling	6	2,815,190	1,892,914
Other	7	883,680	1,027,187
TOTAL REVENUES		63,926,377	70,152,374
Operating Expenses			
Salaries	8	16,385,748	17,351,995
Benefits & Other Staff Costs	9	4,192,247	4,578,663
Fuel & Oil	10	15,667,123	14,120,554
Maintenance Reserves	11	2,110,566	1,988,537
Landing & Parking	12	1,634,511	1,998,566
Aircraft Services	13	5,714,765	7,771,148
Meal & Beverage	14	454,767	972,608
Commissions & CC	15	2,207,598	3,568,991
Navigation & Overfly	16	1,227,761	955,739
Other Maintenance	17	2,970,416	3,572,610
Aircraft Rental	18	5,412,960	6,639,476
Facilities Rental	19	708,699	658,495
Communications	20	498,906	855,231
Depreciation	21	1,599,325	2,611,018
General & Admin.	22	1,725,381	1,779,255
Advertising & Promo	23	1,121,803	618,414
Customs	24	524,160	570,522
Other	25	1,844,358	2,688,370
Total Operating Expenses		66,001,094	73,300,189
Surplus from Operating Activities		(2,074,717)	(3,147,815)
Financing Expense	26	2,016,000	1,111,297
Gains/(losses) on foreign exchange transactions			
Other Non-Operating revenues or expenses			
Total Non-Operating Revenue and Expenses		(4,090,717)	(4,259,112)
Surplus before extraordinary items			
Extraordinary expenses			
Total Extraordinary Items		0	0
Net Surplus/(Deficit) after extraordinary items		(4,090,717)	(4,259,112)

**CAYMAN AIRWAYS LIMITED
 FORECAST STATEMENT OF CHANGES IN NET WORTH
 FOR THE YEAR ENDING 30 JUNE 2010**

	2009/10 Budget \$	2008/9 Estimated Actual \$
Opening balance net worth	(44,270,520)	(40,011,408)
Net Surplus	(4,090,717)	(4,259,112)
Property Revaluation	0	0
Closing balance net worth	(48,361,237)	(44,270,520)

**CAYMAN AIRWAYS LIMITED
FORECAST BALANCE SHEET
AS AT 30 JUNE 2010**

	2009/10 Budget \$	2008/9 Estimated Actual \$
Current Assets		
Cash and cash equivalents	(2,109,103)	(55,440)
Accounts receivable	9,377,717	14,310,240
Prepaid Expenses	4,845,460	3,155,040
Parts Held for Resale	37,733	37,800
Total Current Assets	12,151,806	17,447,640
Non-Current Assets		
Property, plant and equipment	17,788,030	21,108,360
Other non-current assets	0	0
Total Non-Current Assets	17,788,030	21,108,360
Total Assets	29,939,836	38,556,000
Current Liabilities		
Accounts payable	27,683,039	35,851,200
Unearned Transport Liability	11,844,827	7,452,480
Unearned Subsidy	0	0
Current Portion of LTD	1,680,000	1,680,000
Cayman Departure Tax	0	0
Total Current Liabilities	41,207,866	44,983,680
Non-Current Liabilities		
Borrowings	35,469,000	36,271,200
Maintenance Reserve	1,624,206	1,571,640
Total Non-Current Liabilities	37,093,206	37,842,840
Total Liabilities	78,301,073	82,826,520
TOTAL ASSETS LESS TOTAL LIABILITIES	(48,361,237)	(44,270,520)
NET WORTH		
Contributed Capital	50,890,560	50,890,560
Asset revaluation reserve	0	0
Accumulated surpluses	(99,251,797)	(95,161,080)
Total Net Worth	(48,361,237)	(44,270,520)

**CAYMAN AIRWAYS LIMITED
FORECAST STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING 30 JUNE 2010**

	2008/9 Budget \$	2008/9 Estimated Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Surplus/(Deficit)	(4,090,717)	(4,281,480)
Add Back		
Depreciation	1,599,325	2,499,840
Reserves	52,568	1,988,280
Changes in Working Capital		
Current Assets	3,242,170	(4,323,480)
Output Payment		
Current Liabilities	(3,775,814)	3,909,360
Net cash flows from operating activities	<u>(2,972,468)</u>	<u>(207,480)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale or Purchase of non-current assets	1,721,005	(4,563,720)
Net cash flows from investing activities	<u>1,721,005</u>	<u>(4,563,720)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings and Repayment of borrowings	(802,200)	4,246,200
Net cash flows from financing activities	<u>(802,200)</u>	<u>4,246,200</u>
Net increase/(decrease) in cash and cash equivalents	<u>(2,053,663)</u>	<u>(525,000)</u>
Cash and cash equivalents at beginning of period	(55,440)	469,560
Cash and cash equivalents at end of period	<u>(2,109,103)</u>	<u>(55,440)</u>

CAYMAN AIRWAYS LIMITED
NOTES TO THE FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010

Note 1 – General

The Budget represents the expected results for the year ending June 30, 2010. The estimations are based upon the strategic plan for the airline and management's best estimates of the future events. Actual results will differ from estimates and the differences could be significant.

The budget includes the consolidated results of both Cayman Airways and Cayman Express (Cayman Airways Express is the wholly-owned subsidiary of Cayman Airways that operates inter-island service utilizing Twin Otter aircraft).

All amounts are CI Dollars ('000) unless otherwise noted.

Note 2 - Flights and Block Hours

The number of flights and block hours for the year ending June 30, 2010 are based upon a proposed 2009-10 schedule. While actual results may vary slightly, there should be no material change. The total number of flights for 2009-10 is projected at 5,380 for the jet service and 5,185 for the express service. The total number of block hours for 2009-10 is projected at 7,202 for the jet service and 2,593 for the express service.

Note 3 – Passenger Revenue

Passenger Revenue is expected to be **\$45,930K**. Reduced passenger revenue is based on a depressed worldwide economy. Improved revenue management and an aggressive sales approach should mitigate some of the expected reduction.

Note 4 – Cargo Revenue

Cargo Revenue includes fees for carrying cargo on both scheduled passenger flights (belly freight) and all-cargo freighter flights.

Cargo Revenue for the year ending June 30, 2010 is expected to be **\$3,433K**, a decrease due to the depressed economy.

Note 5 – Charter Passenger Revenue

Charter Passenger Revenue represents the fees derived from renting the aircraft and crew to a charter operator. The charter operator takes the risk of selling the tickets to passengers.

Note 6 – Handling Revenue

Cayman Airways provides handling services for British Airways, US Airways, Air Canada, Continental Airlines on a scheduled basis and other airlines on an ad hoc at Owen Roberts International Airport in Grand Cayman.

Handling Revenue for the year ending June 30th, 2010 is expected to be **\$2,815K**. This is due to basing our budget on the other carrier's published schedules. While there are ad hoc flights which contribute to this revenue, it was decided to base our budget on actual schedules.

Note 7 - Other Income

Other Income includes aircraft Bar Sales, Maintenance services, penalties, revenue from the In-Flight Magazine, Butterfield credit card mile payments and Membership Fees for frequent flyer programme.

Other Income for the year ending June 30th, 2010 is expected to be **\$884K**.

**CAYMAN AIRWAYS LIMITED
NOTES TO THE FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

Note 8 – Salaries

Salaries and Wages for the year ending June 30, 2010 are expected to be **\$16,385**, a slight decrease over the result for 2008/09. Decrease is expected through a concerted effort to reduce payroll costs through attrition.

Forced reduction in headcount may be necessary if revenue and other cost reductions do not develop according to plan.

Note 9 – Other Staff Costs

Other Staff Costs include overtime, work permits, travel, pension, uniforms, training and health insurance. Other Staff Costs for the year ending September 30, 2009 is expected to be **\$4,192K**, a decrease over the \$4,579 result for 2008/09.

The planned decrease in expenses is due to a reduction in overtime and tighter controls. A reduction in overnight flights results in a decrease for staff overnight costs.

Note 10 – Fuel

Fuel expense for the year ending September 30, 2009 was \$14,121k. The budget amount for 2009/10 of **\$15,667K** assumes an average fuel price of USD3.000/gallon which allows for assumed inflation during the period.

Note 11 – Maintenance Reserves

The company will have to pay monthly reserves for scheduled maintenance items in addition to the annual airframe (engines, disks, landing gear, etc) for the leased aircraft.

Reserves for the year ending September 30, 2009 was \$1,989K. The budget amount for 2009/10 of **\$2,111K** is driven by the schedule and better negotiated monthly reserve rates.

Note 12 – Landing and Parking

Landing and Parking expenses are the charges that the airports impose on carriers for use of the runways and parking the aircraft.

Landing and Parking for the year ending June 30th, 2009 was \$1,999K. The budget anticipates a slight reduction in this to **\$1,635K**. It is driven largely by schedule.

CAYMAN AIRWAYS LIMITED
NOTES TO THE FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010

Note 13– Aircraft Services

Aircraft Services includes the costs of services the airline has contracted out to other companies as well as some terminal access charges at certain airports. Charges include ground handling, customer service, baggage handling, maintenance inspection, grooming, lavatory, security, porter fees, and lounge usage charges. These charges vary significantly for each airport.

Aircraft Services for the year ending June 30th, 2009 was \$7,771K. The budget calls for a 2009/10 expense of \$5,714K

The decrease is due to a reduction in the number of flights to expensive destinations such as New York and Chicago along with the addition of cheaper destinations such as La Ceiba. Current contract negotiating and thorough review means that savings will be realized going forward.

Note 14 – Meal and Beverage

Meal and Beverage expense for the year ending September 30, 2009 was \$973K. Elimination of most meals on flights under 2 hours has resulted in savings during the later part of 2009 which we expect to fully realize in 2009/10. As such, that along with an expected decrease in passenger load, mean the budgeted expense for 2009/10 is at \$455K.

Note 15 – Commissions and Credit Card Expense

Commissions and Credit Card expense includes commissions paid to travel agents, fees for processing credit card charges, and booking fees.

Commission and Credit Card expense for the year ending June 30th, 2009 was \$3,569K. Due to the reduction in sales and travel agent percentage based commissions, the 2009/10 budget calls for the expense to be \$2,208K.

Note 16 – Navigation and Overfly

Navigation and Overfly are the fees incurred for flying through certain airspace (for example Cuba).

Navigation and Overfly expense for the year ending June 30th, 2009 was \$956K.

Note 17 - Other Maintenance

Other Maintenance expense includes the cost of repairing rotatable (reusable) parts for the aircraft, the cost of purchasing expendable (single use only) parts, and the cost of leasing parts.

Other Maintenance expense for the year ending June 30th, 2009 was \$3,573K. This cost is budgeted to decrease as a result of going to an all 737-300 jet fleet.

Note 18 – Aircraft Rental

Aircraft Rental expense is the cost of renting an aircraft during any periods that Cayman Airways own aircraft is not available as well as the lease payments related to the fourth and fifth aircraft.

Aircraft Rental expense for the year ending June 30th, 2009 was \$6,639K. Budgeted expectations are for 2009/10 to have an expense of \$5,413K. This amount can vary drastically, however, depending on results of lease negotiations with ILFC and cargo flight frequency.

CAYMAN AIRWAYS LIMITED
NOTES TO THE FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010

Note 19 – Facilities Rental

Facilities Rental for the year ending September 30, 2009 was \$659K. Budgeted expenses for 2009/10 call for slight increase to \$709K.

Note 20 – Communications

Communication costs include local and long distance telephone charges, line charges for the reservation system, and messaging costs.

Communication costs for the year ending September 30, 2009 were \$855K. An aggressive campaign to tackle this expense area is expected to result in the budgeted amount of \$499K.

Note 21 – Depreciation

Depreciation expense through the end of 2007/8 previously was driven largely by the operation of the 737-200 aircraft and the associated spares owned by the airline. This has changed by including only non-aircraft assets and will spares associated with the 737-300. However, engine overhauls not reimbursed by the lessor are amortized over the remaining lease term so has a material impact on the expense.

Depreciation Expense for the year ending September 30, 2009 was \$2,611K. The 2009/10 budget calls for depreciation in the amount of \$1,599, but may vary significantly if the airline renews an existing aircraft lease.

Note 22 – General and Administration

General and Administrative expenses include postage, stationary, utilities, equipment rental, bank fees and other similar expenses. Some expenses (such as bad debt and insurance costs) which were included in *other* expense in prior years are now classified in this heading.

General and Administrative expenses for the year ending September 30, 2009 was \$1,779K. The 2009/10 budget calls for this to be maintained at \$1,725K.

Note 23 – Advertising and Promotion

Advertising and Promotion expense for the year ending June 30th, 2009 was \$618K. The budget for 2009/10 calls for this to increase to \$1,122K as the airline seeks to improve revenue performance.

Note 24 – Customs Overtime

Customs Overtime represents the charges levied by the Customs service in Grand Cayman, Cayman Brac, and Kingston for flights that operate outside of normal office hours.

Customs Overtime expense for the year ending June 30th, 2009 was \$570K. For the 2009/10 budget year, this amount is slightly reduced at \$524K as it is driven largely by the schedule.

Note 25 – Other

Other Expenses is mostly accounted for by insurance, legal and professional fees and other similar expenses.

Other Expenses for the year ending June 30th, 2009 was \$2,688K (a significant decrease over the prior year). The budget for 2009/10 of \$1,844K calls for a similar decrease as all areas of technical fees are reviewed and eliminated where possible.

Note 26 – Interest Expense - Interest Expense for the year ending June 30th, 2009 was \$1,111K. The 2009/10 budget allows for an expense in the area of \$2,016. The expense area is largely driven by fluctuating interest rates, but is also due to additional borrowing required.

BUDGET 2009/10

Ownership Agreement

Between

**The Cabinet of the
Cayman Islands Government**

and

Cayman Islands Airports Authority

For the year ending 30 June 2010

Contents

1. Purpose
2. Nature and Scope of Activities
3. Strategic Goals and Objectives
4. Ownership Performance Targets
5. Summarised Forecast Financial Statements
6. Other Financial Information
7. Agreement
8. Appendix: Forecast Financial Statements

1. Purpose

This Ownership Agreement documents the ownership performance that the Cabinet and the Board of *Cayman Islands Airports Authority* have agreed that *Cayman Islands Airports Authority* will seek to achieve during the 2009/10 financial year.

The purpose of the document is to ensure that the ownership performance expectations for the year are clearly specified and agreed by both parties.

2. Nature and Scope of Activities

This section outlines the nature and scope of activities within which *Cayman Islands Airports Authority* is to operate during the year.

General Nature of Activities

The *Cayman Islands Airports Authority* activities involve providing a safe and efficient environment for the movement of aircraft and people in accordance with international and national practices.

Scope of Activities

The scope of *Cayman Islands Airports Authority* activities is as follows:

- Operation including security, rentals, advertising and maintenance of two international airports to international standards
- Provision of air traffic services including telecommunications services
- Provision of National Weather services

Customers and Location of Activities

The services provided by the *Cayman Islands Airports Authority* are provided in various locations.

The operation of the airports and air traffic services are provided in two locations – Grand Cayman at Owen Roberts International Airport and Cayman Brac at Gerard Smith International Airport. These services are provided to a variety of customers including various international airlines, Cayman Airways, local and international charter aircraft, private aircraft, local businesses, various government departments, and the general public.

The National Weather service is provided mainly in Grand Cayman at ORIA with observations from Cayman Brac at GSIA. The customers of this service include the government of the Cayman Islands, various media outlets, various tourist businesses, and the general public.

3. Strategic Goals and Objectives

The key strategic goals and objectives (from an ownership perspective) for The *Cayman Islands Airports Authority* for the 2009/10 financial year are as follows:

- To continue the expansion of ORIA in order to meet the current and future capacity requirements of the Cayman Islands.
- To continue to develop the construction of an airfield in Little Cayman to ensure safe travel at that destination.
- To update and act upon the Master Plan document for Owen Roberts International Airport
- To continue to develop commercial opportunities at ORIA in advertising, concessions, and telecommunications.
- To further develop the CIAA website to provide more useful information to customers.

4. Ownership Performance Targets

The ownership performance targets (as specified in schedule 5 to the Public Management and Finance Law (2005 Revision) for Cayman Islands Airports Authority for the 2009/10 financial year is as follows:

Financial Performance

Financial Performance Measure	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Revenue from Cabinet	0	4,915,474
Revenue from ministries, portfolios, statutory authorities and government companies	8,700,000	8,685,064
Revenue from other persons or organisations	16,147,600	12,237,000
Surplus/deficit from outputs	6,622,388	4,420,349
Other expenses	875,000	72,858
Net Surplus/Deficit	6,247,388	4,347,491
Total Assets	100,586,052	62,298,664
Total Liabilities	50,715,625	10,675,625
Net Worth	49,870,427	51,623,039
Cash flows from operating activities	6,367,388	7,047,491
Cash flows from investing activities	(44,539,756)	103,540
Cash flows from financing activities	32,000,000	(\$72,858)
Change in cash balances	(5,956,368)	7,078,173

Financial Performance Ratio	2009/10 Target	2008/9 Estimated Actual
Current Assets: Current Liabilities	953%	864.09%
Total Assets: Total Liabilities	640%	583.55%

Maintenance of Capability

Human Capital Measures	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Total full time equivalent staff	155	141
Staff turnover (%)	5%	5%
Average length of service (Number) Senior management Professional staff Administrative staff	19	18
Significant changes to personnel management system	N/A	N/A

Physical Capital Measures	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Value of total assets	100,586,052	46,805,287
Asset replacements: total assets	58.44%	56.23%
Book value of depreciated assets: initial cost of those assets	83.49%	86.4%
Depreciation: Cash flow on asset purchases	6.01%	58.75%
Changes to asset management policies	None	None

Major Capital Expenditure Projects	2009/10 Target
	\$
ORIA Terminal Improvements	

Risk Management

Key risks	Change in status from previous year	Actions to manage risk	Financial value of risk
Lack of war and terrorism insurance	No change as it is cost-prohibitive	May be able to obtain property insurance for this but liability remains cost restrictive	Unknown but likely in the millions of dollars

5. Summarised Forecast Financial Statements

A full set of forecast financial statements for *Cayman Islands Airports Authority* is provided in the Appendix to this Ownership Agreement.

A summary of those forecasts is as follows:

Operating Statement	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Revenue	24,977,600	20,712,871
Operating Expenses	17,855,212	13,760,023
<i>Net Surplus/Deficit</i>	<i>7,122,388</i>	<i>6,952,848</i>

Balance Sheet	As at 30 June 2010	As at 30 June 2009
	\$	\$
Assets	100,586,052	62,298,664
Liabilities	50,715,625	10,675,625
<i>Net Worth</i>	<i>49,870,427</i>	<i>51,623,039</i>

Statement of Cash Flows	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Net cash flows from operating activities	6,637,388	7,047,491
Net cash flows from investing activities	(44,593,756)	103,540
Net cash flows from financing activities	32,000,000	(72,858)

6. Other Financial Information

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

Transaction	Amount for 2009/10 \$
Equity Investments into <i>Cayman Islands Airports Authority</i>	0
Capital Withdrawals from <i>Cayman Islands Airports Authority</i>	8,000,000
Dividend or Profit Distributions to be made by <i>Cayman Islands Airports Authority</i>	0
Government Loans to be made to <i>Cayman Islands Airports Authority</i>	0
Government Guarantees to be issued in relation to <i>Cayman Islands Airports Authority</i>	0
Related Party Payments (Non Remuneration) made to Key Management Personnel ³	0
Remuneration ⁴ Payments made to Key Management Personnel	700,000
Remuneration Payments made to Senior Management	675,000

	Number for 2009/10
No of Key Management Personnel	19
No of Senior Management	10

³ Key Management Personnel as defined by International Public Accounting Standards No 20, eg Minister, Board Member and Senior Management Team

⁴ Remuneration as defined by International Public Accounting Standards No 20 Par 34(a)

7. Agreement

Scope of this Agreement

In signing this document:

- *Cayman Islands Airports Authority* undertakes to seek to achieve the performance specified in sections 2 to 6 to the best of its ability; and
- The Cabinet agrees to the performance specified in sections 2 to 5 and the financial transactions specified in section 6.

Procedures for Changing this Ownership Agreement

Changes to this Ownership Agreement may be made during the year only with the express and explicit agreement of both parties to the Agreement.

Changes will be made in the following way:

- If either party wish to change the specification of performance contained in this Ownership Agreement, they must notify the other in writing describing the changes that they wish to make.
- The other party will take no more than 15 working days to consider the proposed amendments, or such other time as the two parties may agree.
- The other party will respond to the other about the proposed amendments and negotiate appropriate changes that are agreeable to both parties.
- The Parties will sign the amended Ownership Agreement.
- The amended Ownership Agreement will be attached to, and form part of, this Agreement.

Agreement

We jointly agree that this Ownership Agreement accurately documents the ownership performance that *Cayman Islands Airports Authority* will seek to achieve for the 2009/10 financial year and that the Cabinet will monitor performance against.

Hon. W. McKeever Bush, OBE, JP
Minister of Financial Services, Tourism and Development
on behalf of the Cabinet

Chairman of the Board
Cayman Islands Airports Authority

September 30, 2009

Appendix: Forecast Financial Statements

**CAYMAN ISLANDS AIRPORTS AUTHORITY
STATEMENT OF RESPONSIBILITY FOR FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

These Forecast Financial Statements have been prepared in accordance with the provisions of the Public Management and Finance Law (2005 Revision).

The Board accepts responsibility for the accuracy and integrity of the financial information in these financial statements.

To the best of our knowledge the forecast financial statements are:

- (a) complete and reliable;
- (b) fairly reflect the forecast financial position as at 30 June 2010 and performance for *Cayman Islands Airports Authority* for the year ended 30 June 2010
- (c) comply with generally accepted accounting practice.

**Chairman of the Board
Cayman Islands Airport Authority**

September 30, 2009

**CAYMAN ISLANDS AIRPORTS AUTHORITY
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDING 30 JUNE 2010**

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

Basis of accounting: The financial statements of the Civil Aviation Authority are prepared on the accrual basis under the historic cost convention in accordance with International Financial Reporting Standards.

Depreciation: Fixed assets, other than land, are depreciated by the straight-line method at the following rates estimated to write off the cost of the assets over their expected useful lives:

Buildings, Runways, Apron, Car Parks	20 – 40 years
Other Assets	4 – 10 years

Foreign currency translation: Assets and liabilities denominated in currencies other than Cayman Islands dollars are translated at exchange rates in effect at the balance sheet dates. Revenue and expense transactions denominated in currencies other than Cayman Islands dollars are translated at exchange rates ruling at the time of those transactions. Gains and losses on exchange are credited or charged in the statement of income.

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

Use of estimates: The preparation of financial statements, in conformity with International Financial Reporting Standards, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: Cash and cash equivalents include cash on demand and at short notice and all deposits placed for not more than three months.

Revenue Recognition: The Authority recognizes revenues in the period in which they are earned. For example, taxes, rent and aircraft handling revenues are recognized when the related service is provided.

Financial Instruments:

Classification:

A financial asset is classified as any asset that is cash, a contractual right to receive cash or another financial asset, exchange financial instruments under conditions that are potentially favourable or an equity instrument of another enterprise. Financial assets comprise of cash and cash equivalents and accounts 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 liabilities comprise long and short-term debt.

Recognition:

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

**CAYMAN ISLANDS AIRPORTS AUTHORITY
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDING 30 JUNE 2010**

Financial Instruments: continued

De-recognition:

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

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 measured at their estimated fair value.

Financial liabilities are subsequently measured at amortized cost, being the amount at which the liability was initially recognized less any principal repayments plus any amortization (accrued interest) of the difference between that initial amount and the maturity amount.

**CAYMAN ISLANDS AIRPORTS AUTHORITY
FORECAST OPERATING STATEMENT
FOR THE YEAR ENDING 30 JUNE 2010**

		2009/10 Budget	2008/9 Estimated Actual
Revenue	Note	\$	\$
Operations	1	24,847,600	20,818,524
Interest		<u>130,000</u>	<u>103,540</u>
Total Operating Revenue		24,977,600	20,714,984
Operating Expenses			
Personnel		8,389,117	7,003,136
Depreciation	4	2,700,000	2,700,000
Supplies & consumables		<u>6,766,095</u>	<u>6,591,499</u>
Total Operating Expenses		17,855,212	16,294,635
Surplus/Deficit from Operating Activities		7,122,388	4,420,349
Gain/ (Losses) on foreign exchange		0	0
Financing Expense		875,000	<u>72,858</u>
Total Non-Operating Revenue & Expenses		875,000	72,858
Surplus/Deficit from Ordinary Activities		6,247,388	4,347,491
Extraordinary Items			
Net Surplus/Deficit after Extraordinary Items		6,247,388	4,347,491

**CAYMAN ISLANDS AIRPORTS AUTHORITY
FORECAST STATEMENT OF CHANGES IN NET WORTH
FOR THE YEAR ENDING 30 JUNE 2010**

	Note	2009/10 Budget \$	2008/9 Estimated Actual \$
Opening balance net worth		<u>51,623,039</u>	<u>47,275,548</u>
Surplus		6,247,388	4,347,491
Net revaluations during the period			
Total recognised revenues and expenses		<u>57,870,427</u>	<u>51,623,039</u>
Distribution of surplus		-	
Capital withdrawal		<u>(8,000,000)</u>	
Closing balance net worth		<u>49,870,427</u>	<u>51,623,039</u>

CAYMAN ISLANDS AIRPORTS AUTHORITY
FORECAST BALANCE SHEET
AS AT 30 JUNE 2010

	Note	2009/10 Budget \$	2008/9 Estimated Actual \$
Current Assets			
Cash and cash equivalents	2	9,659,579	15,615,947
Accounts receivable		12,175,518	9,925,518
Other Current assets		2,445,443	2,345,443
Total Current Assets		24,280,540	27,886,908
Long-term Assets			
Fixed Assets	4	76,305,512	34,411,756
TOTAL ASSETS		100,586,052	62,298,664
Current Liabilities			
Accounts payable and accruals		3,158,750	3,123,750
Other Current liabilities		226,850	221,850
Total Current Liabilities		3,385,600	3,345,600
Long-term Liabilities			
Long-term debt		44,275,025	4,275,024
Unfunded Pension Obligation		3,055,000	3,055,000
Total Long-term Liabilities		47,330,025	7,330,025
Shareholder's Equity			
Contributed capital		24,285,399	32,285,399
Retained earnings		25,085,028	19,337,640
Total Shareholder's Equity		49,870,427	51,623,039

**CAYMAN ISLANDS AIRPORTS AUTHORITY
FORECAST STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING 30 JUNE 2010**

	Note	2009/10 Budget \$	2008/9 Estimated Actual \$
Cash Flows from Operating		6,637,388	7,047,491
Cash Flows from Investing			
Purchase of fixed assets		(44,593,756)	(1,556,145)
Proceeds from sale of fixed asset			
Net Cash Flows from Investing		(44,593,756)	(1,556,145)
Cash Flows from Financing			
Distribution of surplus		-	
Capital Injections			
Repayment of Surplus		(8,000,000)	-
Proceeds from Long-term debt		-	
Payment of Long-term debt			(464,580)
Proceeds from Bond debt		-	-
Net Cash Flows from Financing		32,000,000-	(456,887)
Opening Balance Cash and Cash Equivalents		15,615,947	8,618,331
Net change in cash and cash equivalent		(5,956,368)	6,997,616
Closing Balance Cash and Cash Equivalents		9,659,579	15,615,947

**CAYMAN ISLANDS AIRPORTS AUTHORITY
NOTES TO THE FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

NOTE 1. OPERATING REVENUES			
		2009/10	2008/9
		Budget	Estimated
			Actual
		\$	\$
Aircraft Movement		3,448,000	3,417,523
Passenger Movement		17,314,600	12,974,065
Concessions		2,359,000	2,343,487
Advertising		230,000	227,028
Parking/Fuel		1,449,000	1,298,118
Govt Contribution (MET & FIRE)			4,915,474
Misc Income		47,000	46,171
Total Operating Revenue		24,847,600	25,221,866
NOTE 2. CASH AND CASH EQUIVALENTS			
Cash register floats		15,287	15,287
Current accounts		3,757,895	1,864,044
Short-Term fixed deposits		<u>5,886,397</u>	<u>12,886,397</u>
Total Cash and Cash Equivalents		9,659,579	15,615,947

CAYMAN ISLANDS AIRPORTS AUTHORITY
NOTES TO THE FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010

NOTE 3. DEPRECIATION AND FIXED ASSETS			
		2009/10	2008/9
		Budget	Estimated
			Actual
<u>Land</u>			
Opening Book Value/Cost		8,963,900	8,963,900
Additions		-	-
Accumulated Depreciation		-	-
Closing Book Value		8,863,900	8,963,000
<u>Buildings</u>			
Opening Book Value/Cost		18,611,866	20,269,636
Additions		2,444,500	195,777
Depreciation		(1,900,000)	(1,853,547)
Closing Book Value		19,156,366	18,611,866
<u>Plant & Equipment</u>			
Opening Book Value/Cost		1,597,514	1,972,068
Additions		1,679,456	293,443
Accumulated Depreciation		(635,000)	(667,997)
Closing Book Value		2,641,970	1,597,514
<u>Motor Vehicles</u>			
Opening Book Value/Cost		325,493	352,788
Additions		358,000	24,550
Accumulated Depreciation		(50,000)	(51,845)
Closing Book Value		633,493	325,493
<u>Furniture & Office Equipment</u>			
Opening Book Value/Cost		430,483	307,381
Additions		2,000	190,788
Accumulated Depreciation		(65,000)	(67,686)
Closing Book Value		367,483	430,483
<u>Other Assets Under Construction</u>			
Opening Book Value/Cost		4,445,340	4,052,562
Additions		-	392,778
Accumulated Depreciation		-	-
Closing Book Value		4,445,340	4,445

BUDGET 2009/10

**Ownership Agreement
Between**

**The Cabinet of the
Cayman Islands Government**

and

Cayman Islands Development Bank

For the year ending 30 June 2010

Contents

1. Purpose
2. Nature and Scope of Activities
3. Strategic Goals and Objectives
4. Ownership Performance Targets
5. Summarised Forecast Financial Statements
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8. Appendix: Forecast Financial Statements

1. Purpose

This Ownership Agreement documents the ownership performance that the Cabinet and the Board of the Cayman Islands Development Bank have agreed that the Cayman Islands Development Bank will seek to achieve during the 2009/10 financial year.

The purpose of the document is to ensure that the ownership performance expectations for the year are clearly specified and agreed by both parties.

2. Nature and Scope of Activities

This section outlines the nature and scope of activities within which the Cayman Islands Development Bank is to operate during the year.

General Nature of Activities

The activities of the Cayman Islands Development Bank remains the same and they involve mobilising and providing finance for and promote and facilitate the expansion and strengthening of the economic development of the Cayman Islands.

Scope of Activities

The scope of the lending activities of the Cayman Islands Development Bank is primarily to:

- Provide finance in order to promote and facilitate development in the Islands, with particular reference to Small Businesses especially in industry, construction, electronics, commerce and tourism, and housing and human resource development.

- Provide an advisory service to give advice and disseminate Information about matters relating to:
 - i. Housing, mortgage finance and the maintenance of dwellings
 - ii. Advice in education and counselling in education
 - iii. Agricultural, industrial and tourism development

- Promote agricultural, tourism and industrial development in the Islands.

- Act as administering agent for the CI Government for the Government Guaranteed Student Loan Scheme, Government Guaranteed Home Mortgage Scheme and Disbursement of Scholarship Funds

Customers and Location of Activities

The services provided by the Cayman Islands Development Bank are provided in Grand Cayman, Cayman Brac and Little Cayman.

3. Strategic Goals and Objectives

The key strategic goals and objectives (from an ownership perspective) for the Cayman Islands Development Bank for the 2009/10 financial year are as follows:

Strategic Goals

- To continue to operate as a prudently managed, efficiently operated and highly respected development financial institution while producing solid financial and operating results.
- To focus on the development of the Islands by identifying, funding and implementing programmes, projects and services that will assist Caymanians in improving themselves and their communities especially those with bankable propositions who do not have ready access to conventional financing.

Objectives

The Objectives of the Cayman Islands Development Bank during the fiscal year 2009/10 are to:

- Continue to enlarge the lending portfolio by adding new quality loans especially in the areas of small business and housing, such that its investment will be sound and that the income generated will be able to contribute significantly to meeting the Bank's operating costs.
- Effect a programme of training that will focus on further enhancing the level of customer service currently being offered.
- Seek out sustainable funding from various funding sources to fund its lending programmes, in particular in the area of small businesses and low income housing.
- Ensure that the programmes administered on behalf of the CI Government and other agencies are also managed in an efficient and effective manner.
- Assist in the development of the Sister Islands by providing increased financing for housing, small businesses and human resources training.

4. Ownership Performance Targets

The ownership performance targets (as specified in schedule 5 to the Public Management and Finance Law (2005 Revision) for *the Cayman Islands Development Bank* for the 2009/10 financial year are as follows.

Financial Performance

Financial Performance Measure	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Revenue from Cabinet	577,875	577,872
Revenue from ministries, portfolios, statutory authorities and government companies		-
Revenue from other persons or organisations	2,616,932	2,886,228
Surplus/deficit from outputs	-	-
Other expenses	3,164,691	3,538,261
Net Surplus/Deficit	30,116	(74,161)
Total Assets	36,292,588	37,298,339
Total Liabilities	30,547,325	31,583,193
Net Worth	5,745,263	5,715,147
Cash flows from operating activities	453,854	(158,355)
Cash flows from investing activities	(3,799,063)	(1,661,600)-
Cash flows from financing activities	(573,472)	(281,622)
Change in cash balances	(3,918,681)	(2,101,577)

Financial Performance Ratio	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Current Assets: Current Liabilities	5.86:1	1.30:1
Total Assets: Total Liabilities	1.19:1	1.18:1

Maintenance of Capability

Human Capital Measures	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Total full time equivalent staff	15	12
Staff turnover (%)	0%	20%
Average length of service (Number)		
Senior management	2	3
Professional staff	7	7
Administrative staff	4	4
Significant changes to personnel management system	FC, VP Credit and Manager credit hired in July 2009.	

Physical Capital Measures	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Value of total assets	36,292,588	37,298,339
Asset replacements: total assets	0:1	0:1
Book value of depreciated assets: initial cost of those assets	758,855:1,205,050	778,182:1,144,387
Depreciation: Cash flow on asset purchases	80,000	65,576
Changes to asset management policies	Nil	Nil

Major Capital Expenditure Projects	2000/10 Target
	\$
Computer hardware	65,000

Risk Management

Key risks	Change in status from previous year	Actions to manage risk	Financial value of risk
Default on loan payments	Planned decrease to 12% delinquency ratio	Increased focus on approving loans that are beneficial to the portfolio and an increased focus on the various collections methods.	Reduced Loan Interest Income

5. Summarised Forecast Financial Statements

A full set of forecast financial statements for the Cayman Islands Development Bank is provided in the Appendix to this Ownership Agreement.

A summary of those forecasts is as follows:

Operating Statement	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Revenue	3,194,807	3,464,100
Operating Expenses	(3,164,691)	(3,538,261)
Net Surplus/Deficit	30,116	(74,161)

Balance Sheet	As at 30 June 2010	As at 30 June 2009
	\$	\$
Assets	36,292,588	37,298,339
Liabilities	30,547,325	31,583,193
Net Worth	5,745,263	5,715,147

Statement of Cash Flows	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Net cash flows from operating activities	453,854	(158,356)
Net cash flows from investing activities	(3,799,063)	(1,661,600)
Net cash flows from financing activities	(573,472)	(281,622)

6. Other Financial Information

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

Transaction	Amount for 2009/10 \$
Equity Investments into the Cayman Islands Development Bank	-
Capital Withdrawals from the Cayman Islands Development Bank	-
Dividend or Profit Distributions to be made by the Cayman Islands Development Bank	-
Government Loans to be made to the Cayman Islands Development Bank.	-
Government Guarantees to be issued in relation to the Cayman Islands Development Bank.	-
Related Party Payments (Non Remuneration) made to Key Management Personnel ⁵	-
Remuneration ⁶ Payments made to Key Management Personnel	381,180
Remuneration Payments made to Senior Management	330,000

	Number for 2009/10
No of Key Management Personnel	6
No of Senior Management	3

⁵ Key Management Personnel as defined by International Public Accounting Standards No 20, e.g. Minister, Board Member and Senior Management Team

⁶ Remuneration as defined by International Public Accounting Standards No 20 Par 34(a)

7. Agreement

Scope of this Agreement

In signing this document:

- The Cayman Islands Development Bank undertakes to seek to achieve the performance specified in sections 2 to 6 to the best of its ability; and
- The Cabinet agrees to the performance specified in sections 2 to 5 and the financial transactions specified in section 6.

Procedures for Changing this Ownership Agreement

Changes to this Ownership Agreement may be made during the year only with the express and explicit agreement of both parties to the Agreement.

Changes will be made in the following way:

- If either party wish to change the specification of performance contained in this Ownership Agreement, they must notify the other in writing describing the changes that they wish to make.
- The other party will take no more than 15 working days to consider the proposed amendments, or such other time as the two parties may agree.
- The other party will respond to the other about the proposed amendments and negotiate appropriate changes that are agreeable to both parties.
- The Parties will sign the amended Ownership Agreement.
- The amended Ownership Agreement will be attached to, and form part of, this Agreement.

Agreement

We jointly agree that this Ownership Agreement accurately documents the ownership performance that Cayman Islands Development Bank will seek to achieve for the 2008/9 financial year and that the Cabinet will monitor performance against.

Hon. W. McKeever Bush, OBE, JP

Minister of Financial Services, Tourism and Development

on behalf of the Cabinet

Paul Byles

**Chairman of the Board
Cayman Islands Development Bank**

September 30, 2009

Appendix: Forecast Financial Statements

THE CAYMAN ISLANDS DEVELOPMENT BANK STATEMENT OF RESPONSIBILITY FOR FORECAST FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2010

These Forecast Financial Statements have been prepared in accordance with the provisions of the Public Management and Finance Law (2005 Revision).

The Board accepts responsibility for the accuracy and integrity of the financial information in these financial statements.

To the best of our knowledge the forecast financial statements are:

- (a) complete and reliable;
- (b) fairly reflect the forecast financial position as at 30 June 2010 and performance for Cayman Islands *Development Bank* for the year ended 30 June 2010
- (c) comply with generally accepted accounting practice.

Paul Byles
Chairman of the Board
Cayman Islands Development Bank

September 30, 2009

**THE CAYMAN ISLANDS DEVELOPMENT BANK
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDING 30 JUNE 2010**

Incorporation and principal functions: The Cayman Islands Development Bank (CIDB) was established under the Cayman Islands Development Bank Law, 2001 (Law 34 of 2001) which came into force on 1 March, 2002.

The principal function of the CIDB is “to mobilise and provide finance for and promote and facilitate the expansion and strengthening of the economic development of the Islands”.

Significant accounting policies: The financial statements of the CIDB have been prepared in accordance with International Accounting Standards under the historical cost convention. The significant accounting policies adopted by the Bank are as follows:

Cash and Cash Equivalents: Cash and cash equivalents consist of cash on hand, cash at bank and deposit accounts with terms of maturity within three months or less from the date of acquisition.

Deposit Accounts: Deposit accounts reflect term deposits, which are placed with approved financial institutions. Such deposits have maturity between three (3) months and twelve (12) months from the date of acquisition.

Loans Receivable and Provision for Loan Losses: Loans receivable is generally stated in the amount of the outstanding principal balance. This is reduced by a provision for possible loan losses. Management first takes into account the overall portfolio quality in the context of various factors, including current economic conditions, in order to arrive at a general provision that appears adequate to reflect possible losses on the portfolio as a whole. In addition, specific provisions for loan losses can be determined for problem loans that may be likely to become uncollectible in the light of the borrowers' inability to service the debt, assessment of security held and the possible risk of further default.

Income Recognition: Interest income is recorded on the accrual basis for all loans. The CIDB's policy is to cease accruing interest on loans when the principal and interest payments are contractually 90 days in arrears (classified as non-performing loans). Any accrued and uncollected interest on non-performing loans is reversed against income for the current period. Thereafter, interest income is recognised on a cash basis, but only after prior write-offs and specific provisions for losses have been recovered.

Depreciation of Fixed Assets: Fixed assets are recorded at acquisition cost and are depreciated using the straight-line method at rates considered adequate to write off the cost of the assets over their estimated useful lives as follows:

Furniture	5 years
Office equipment	5 years
Leasehold Improvements	5 years
Computer Equipment	3 years
Real Property	20 years

Foreign Currency Transactions: Transactions in currencies other than the Cayman Islands dollar are converted at exchange rates ruling at the date of the transactions. Also, assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the balance sheet date. Resulting gains and losses on exchange are recognized in the Statement of Income and Expenses at the end of the period.

**THE CAYMAN ISLANDS DEVELOPMENT BANK
FORECAST OPERATING STATEMENT
FOR THE YEAR ENDING 30 JUNE 2010**

	NOTE	2009/10 Budget \$	2008/9 Estimated Actual \$
Revenue			
Outputs Funded by Cabinet		577,875	577,872
Operations	1	2,616,932	2,886,229
Total Operating Revenue		3,194,807	3,464,101
Operating Expenses			
Personnel		1,187,129	921,584
Accommodation Costs		139,000	133,816
Office Expenses		266,603	103,049
Directors Fees		14,000	9,850
Computer Maintenance and Licensing Fees		100,000	93,105
Marketing, Advertising and Promotions		25,000	22,109
Depreciation and Amortization		80,000	65,576
Professional Fees/Consultancy		102,500	283,253
Provision for Loan Losses		75,000	170,717
Loss on Foreign Exchange Conversion		-	8,060
Interest Expense		1,175,459	1,727,143
Total Operating Expenses		3,164,691	3,538,262
Net Income (loss) from Operations		30,116	(74,161)
		-	-

**THE CAYMAN ISLANDS DEVELOPMENT BANK
FORECAST STATEMENT OF CHANGES IN NET WORTH
FOR THE YEAR ENDING 30 JUNE 2010**

	NOTE	2009/10 Budget \$	2008/9 Estimated Actual \$
Opening Balance Retained Earnings		2,348,501	2,421,775
Net Income (Loss) for Year		30,116	(73,274)
Transfer to Reserves		(6,023)	-
Closing Balance Retained Earnings		2,372,594	2,348,501
Opening Balance Reserves		77,461	77,461
Transfer from Operations		6,023	-
Closing Balance Reserves		83,484	77,461
Opening Balance Share Capital		3,289,185	3,289,185
Movement in Share Capital		-	-
Closing Balance Share Capital		3,289,185	3,289,185
Total		5,745,263	5,715,147

**THE CAYMAN ISLANDS DEVELOPMENT BANK
FORECAST BALANCE SHEET
AS AT 30 JUNE 2010**

	NOTE	2009/10	2008/9
		Budget	Estimated
		\$	Actual
		\$	\$
Current Assets			
Cash and Cash Equivalents	2	1,788,563	5,707,244
Deposit Accounts		1,000,000	1,661,600
Prepayments		-	160,455
Loans & Deposit Interest Receivable		12,500	583,178
Loans Receivable	3	32,732,670	28,407,670
Fixed Assets	4	758,855	778,192
TOTAL ASSETS		36,292,588	37,298,339
Current Liabilities			
Accounts Payable and Accruals		467,768	906,913
Due to Related Parties		-	23,251
Post Retirement Benefit Pension Obligations		-	11,000
Current Portion of Long -Term Debt		375,496	5,360,296
Total Current Liabilities		843,264	6,301,460
Long -Term Liabilities			
Loans from CDB	5		3,680,933
Note Payable - Bonds	6	29,704,061	21,600,800
Total Liabilities		30,547,325	25,281,733
Capital			
Equity Capital	7	3,289,185	3,289,185
Reserve Fund	8	83,484	77,461
Retained Earnings		2,372,594	2,348,500
TOTAL LIABILITIES AND EQUITY		36,292,588	37,298,339

**THE CAYMAN ISLANDS DEVELOPMENT BANK
FORECAST STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING 30 JUNE 2010**

	NOTE	2009/10 Budget
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Receipts</i>		
Sale of Outputs to Cabinet		577,875
Sale of Outputs (Goods & Services) to Ministries/Portfolios, Public Authorities		0
Sale of Outputs (goods and services) to Others		187,000
Interest received		3,075,610
Other receipts		0
<i>Payments</i>		
Personnel costs		(1,175,481)
Suppliers		(1,012,440)
Interest paid		(1,175,459)
Other payments		(23,251)
Net cash flows from operating activities	28	453,854
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of non-current assets		(60,663)
Purchase of investments		(3,738,400)
Proceeds from sale of non-current assets		0
Proceeds from sale of investments		0
Net cash flows from investing activities		(3,799,063)
CASH FLOWS FROM FINANCING ACTIVITIES		
Equity Contributions		0
Repayment of Surplus		0
Proceeds from borrowings		0
Repayment of borrowings		(573,472)
Net cash flows from financing activities		(573,472)
Net increase/(decrease) in cash and cash equivalents		(3,918,681)
Cash and cash equivalents at beginning of period		5,707,244
Cash and cash equivalents at end of period	9	1,788,563

**THE CAYMAN ISLANDS DEVELOPMENT BANK
NOTES TO THE FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

Note 1 - OPERATING REVENUES

	2009/10	2008/9
	Budget	Estimated Actual
	\$	\$
Interest Income	2,475,000	2,608,943
Other Income	719,807	854,888
	<u>3,194,807</u>	<u>3,463,831</u>

Note 2 - CASH & CASH EQUIVALENTS

	2009/10	2008/9
	Budget	Estimated Actual
	\$	\$
Current and Call Accounts	1,788,563	519,725
Short -Term Fixed Deposits within 3 months	-	5,187,519
	<u>1,788,563</u>	<u>5,707,244</u>

Note 3 - LOANS RECEIVABLE

	2009/10	2008/9
	Budget	Estimated Actual
	\$	\$
Principal Amount Owed by Borrowers	34,531,852	30,131,852
Less: Provision for Loan Losses	(1,799,182)	(1,724,182)
Net Balance	<u>32,732,670</u>	<u>28,407,670</u>

THE CAYMAN ISLANDS DEVELOPMENT BANK
 NOTES TO THE FORECAST FINANCIAL STATEMENTS continued
 FOR THE YEAR ENDING 30 JUNE 2010

Note 4 - LEASEHOLD IMPROVEMENTS AND FIXED ASSETS

	2009/10 Budget	2008/9 Estimated Actual
<u>Office Furniture and Equipment</u>		
Opening Book Value/Cost	28,951	44,028
Additions	-	-
Depreciation	(13,867)	(15,077)
Closing Book Value	15,084	28,951
<u>Computer Hardware and Software</u>		
Opening Book Value/Cost	5,046	10,481
Additions	60,663	-
Depreciation	(23,966)	(5,435)
Closing Book Value	41,743	5,046
<u>Motor Vehicle</u>		
Opening Book Value/Cost	9,585	13,845
Additions	-	-
Depreciation	(4,260)	(4,260)
Closing Book Value	5,325	9,585
<u>Real Property – Office Space</u>		
Opening Book Value/Cost	734,611	775,414
Additions	-	-
Depreciation	(40,803)	(40,803)
Closing Book Value	693,808	734,611

THE CAYMAN ISLANDS DEVELOPMENT BANK
NOTES TO THE FORECAST FINANCIAL STATEMENTS continued
FOR THE YEAR ENDING 30 JUNE 2010

Note 5 – LOANS FROM CARIBBEAN DEVELOPMENT BANK (CDB)

The CIDB acts as executing agent for two (2) lines of credit from the Caribbean Development Bank (CDB). Of these, one is currently being repaid and drawdowns are being made under the second which is specifically earmarked for mortgage financing. Repayments under the second line of credit will not commence until 2007.

	2009/10	2008/9
	Budget	Estimated Actual
	\$	\$
Opening Balance for Period	4,056,429	4,338,051
Drawdowns	-	
Repayments	(375,496)	(281,622)
Closing Balance for Period	<u>3,368,933</u>	<u>4,056,429</u>

Note 6 – OTHER LONG TERM LIABILITIES

On June 30, 2005, the CIDB issued two (2) Variable Rate Development Bonds totaling US\$12 million /CI\$10 million. The offering was fully subscribed. Additional funding of CI\$16.5 million has been secured in the fiscal year 2007/2008 for on-lending. A decision has been made to buy back the \$20 million 6.85% fixed rate bond in July 2009 and replace it with a cheaper bond of \$25.7 million at 2.8%.

	2009/10	2008/9
	Budget	Estimated Actual
	\$	\$
US\$6 Million Variable Rate Dev. Bonds at 6-month Libor + .75% Due 2010	0	4,984,800
US\$6 Million Variable Rate Dev. Bonds at 6-month Libor + 1.0% Due 2015	4,984,800	4,984,800
\$20 million bond @ 6.85% per annum	0	16,616,000
25.7 million bond @2.8%	21,402,824	-
Closing Balance for Period	<u>26,387,624</u>	<u>26,585,600</u>

THE CAYMAN ISLANDS DEVELOPMENT BANK
NOTES TO THE FORECAST FINANCIAL STATEMENTS continued
FOR THE YEAR ENDING 30 JUNE 2010

Note 7 - EQUITY CAPITAL

The authorized capital of the Cayman Islands Development Bank is CI\$50 million. The paid-up capital is exclusively subscribed for by the Cayman Islands Government as follows:

	2009/10	2008/9
	Budget	Estimated Actual
	\$	\$
Opening Balance	3,289,185	3,289,185
Additions	-	-
Closing Balance	<u>3,289,185</u>	<u>3,289,185</u>

Note 8 - Reserve Fund

Under Section 20 of the CIDB Law, 2001, the Bank is required to maintain a Reserve Fund equivalent to 20% of its net income until the total amount standing to the credit of such reserve is equivalent to the paid-up portion of the authorized capital of the Bank.

The Reserve Fund is comprised as follows:

	2009/10	2008/9
	Budget	Estimated Actual
	\$	\$
Balance at Beginning of Year	77,461	43,345
Transfer from Net Income for Year	6,023	34,116
Balance at End of Year	<u>83,484</u>	<u>77,461</u>

BUDGET 2009/10

Ownership Agreement

Between

**The Cabinet of the
Cayman Islands Government**

and

Cayman Islands Monetary Authority

For the year ending 30 June 2010

Contents

1. Purpose
2. Nature and Scope of Activities
3. Strategic Goals and Objectives
4. Ownership Performance Targets
5. Summarised Forecast Financial Statements
6. Other Financial Information
7. Agreement
8. Appendix: Forecast Financial Statements

1. Purpose

This Ownership Agreement documents the ownership performance that the Cabinet and the Board of Cayman Islands Monetary Authority have agreed that the Cayman Islands Monetary Authority will seek to achieve during the 2009/10 financial year.

The purpose of the document is to ensure that the ownership performance expectations for the year are clearly specified and agreed by both parties.

2. Nature and Scope of Activities

This section outlines the nature and scope of activities within which the Cayman Islands Monetary Authority is to operate during the year.

General Nature of Activities

The Cayman Islands Monetary Authority activities involve monetary, regulatory, co-operative and advisory services.

Scope of Activities

The scope of the Cayman Islands Monetary Authority activities is as follows:

- The issue and redemption of currency notes and coins
- The management of the currency reserve
- The regulation and supervision of financial services business
- The monitoring of compliance with money laundering regulations
- The provision of assistance to overseas regulatory authorities
- Advising Government on the Authority's monetary, regulatory and cooperative functions
- Advising Government whether the Authority's regulatory functions and cooperative functions are consistent with functions discharged by an overseas regulatory authority
- Advising Government whether the regulatory laws are consistent with the laws and regulations of foreign jurisdictions
- Representing the interest of the Cayman Islands at international forums and advising Government on recommendations of those organizations.

Customers and Location of Activities

The services provided by the Cayman Islands Monetary Authority are provided mainly in the Cayman Islands to local both foreign and companies of the financial services industry. In order to effectively regulate some of the licensees, some services must be performed at overseas locations. CIMA attends and participates in conferences worldwide. CIMA customers also include other international Regulatory Bodies, and other Financial Associations both local and overseas.

In its Currency function, CIMA customers include the Banks and local residents and visitors. There are a number of Government Departments to whom CIMA provides, the main service being the collection of Fees from the financial services industry on behalf of the Government.

3. Strategic Goals and Objectives

The key strategic goals and objectives (from an ownership perspective) for the Cayman Islands Monetary Authority for the 2009/10 financial year are as follows:

GOAL 1: Create and maintain a high quality and effective regulatory environment to attract users and providers of financial services.

Objective 1: To ensure that the laws, regulations and scope of supervision are in line with international standards that are appropriate for the Cayman Islands.

Objective 2: To assist overseas regulators in a manner consistent with Cayman Islands laws and appropriate international standards.

Objective 3: To be responsive to appropriate needs of stakeholders.

GOAL 2: To operate the Monetary Authority in the most efficient way possible.

Objective 1: To secure and retain adequate financial resources in the fulfilment of the Monetary Authority's mandate.

Objective 2: To secure and retain appropriate staff to fulfil the Authority's mandate at the least cost to the Authority.

Objective 3: Establish and maintain appropriate physical and technical resources for optimum staff efficiency.

GOAL 3: To preserve the value and integrity of the Cayman Islands' Currency.

Objective 1: Maintain and safeguard adequate reserves.

Objective 2: Deter counterfeiting.

Objective 3: Provide adequate stock, and facilities for the physical safeguarding of the currency.

GOAL 4: To raise the profile in order to increase understanding of the Monetary Authority both locally and internationally.

Objective 1: Strengthen relations with regulatory counterparts, and all other stakeholders (the Government, industry and the public).

Objective 2: Forge/enhance relationships with local and international media.

4. Ownership Performance Targets

The ownership performance targets (as specified in schedule 5 to the Public Management and Finance Law (2005 Revision) for the Cayman Islands Monetary Authority for the 2009/10 financial year are as follows.

Financial Performance

Financial Performance Measure	2009/10 Target \$	2008/9 Estimated Actual \$
Revenue from Cabinet	15,750,000	14,000,000
Revenue from ministries, portfolios, statutory authorities and government companies		0
Revenue from other persons or organisations	2,200,000	1,778,858
Surplus/deficit	0	246,511
Other expenses	0	0
Net Surplus/Deficit	0	246,511
Total Assets	106,333,757	115,063,172
Total Liabilities	86,000,000	84,669,308
Net Worth	20,333,757	30,393,864
Cash flows from operating activities	652,328	(1,060,476)
Cash flows from investing activities	(4,119,689)	(594,778)
Cash flows from financing activities	(10,000,000)	3,976,716
Change in cash balances	(13,551,201)	2,321,464

Financial Performance Ratio	2009/10 Target	2008/9 Estimated Actual
Current Assets: Current Liabilities	7.18	6.60
Total Assets: Total Liabilities	1.35	1.36

Maintenance of Capability

Human Capital Measures	2009/10 Target	2008/9 Estimated Actual
Total full time equivalent staff	168	139
Staff turnover (%)	%	%
Average length of service (Number)		
Senior management		
Professional staff		
Administrative staff		
Significant changes to personnel management system	None	None

Physical Capital Measures	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Value of total assets	106,333,757	1,032,291
Asset replacements: total assets	90%	58%
Book value of depreciated assets: initial cost of those assets	58%	27%
Depreciation: Cash flow on asset purchases	15%	84%
Changes to asset management policies	N/A	N/A

Major Capital Expenditure Projects	2009/10 Target
	\$
Various IT Projects – Electronic Reporting Document Management Finance and HR Application Basel II	890,000 3,040,867
Vault Management System	100,000
Telecoms Equipment	50,000
Office Equipment	15,000
Furniture	18,822
Leasehold Improvements	5,000

These projects are being funded from Capital Expenditure Reserves. Basel II is scheduled for completion in December 2010.

Risk Management

Key risks	Change in status from previous year	Actions to manage risk	Financial value of risk
Continuing negative impact of the current financial market crisis	On-going	Regular monitoring of the performance and composition of the Investment Portfolio	unquantifiable; poorer performance on the Investment Portfolio.
Loss and absence of Critical staff	On-going	Regular training, succession planning, regular performance assessments and recognition	unquantifiable

5. Summarised Forecast Financial Statements

A full set of forecast financial statements for the Cayman Islands Monetary Authority is provided in the Appendix to this Ownership Agreement.

A summary of those forecasts is as follows:

Operating Statement	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Revenue	17,950,000	15,778,858
Operating Expenses	17,950,000	15,532,347
<i>Net Surplus/Deficit</i>	0	246,511

Balance Sheet	As at 30 June 2010 Budget	As at 30 June 2009 Forecast
	\$	\$
Assets	106,333,757	115,063,172
Liabilities	86,000,000	84,669,308
<i>Net Worth</i>	20,333,757	30,393,864

Statement of Cash Flows	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Net cash flows from operating activities	652,328	(1,060,476)
Net cash flows from investing activities	(4,119,689)	(594,778)
Net cash flows from financing activities	(10,023,733)	3,976,716

6. Other Financial Information

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

Transaction	Amount for 2009/10 \$
Equity Investments into the Cayman Islands Monetary Authority	0
Capital Withdrawals from the Cayman Islands Monetary Authority	10,000,000
Dividend or Profit Distributions to be made by the Cayman Islands Monetary Authority	0
Government Loans to be made to the Cayman Islands Monetary Authority	0
Government Guarantees to be issued in relation the Cayman Islands Monetary Authority	0
Related Party Payments (Non Remuneration) made to Key Management Personnel ⁷	0
Remuneration ⁸ Payments made to Key Management Personnel	225,000
Remuneration Payments made to Senior Management	1,758,027

	Number for 2009/10
No of Key Management Personnel	9
No of Senior Management	14

⁷ Key Management Personnel as defined by International Public Accounting Standards No 20, e.g. Minister, Board Member and Senior Management Team

⁸ Remuneration as defined by International Public Accounting Standards No 20 Par 34(a)

7. Agreement

Scope of this Agreement

In signing this document:

- The Cayman Islands Monetary Authority undertakes to seek to achieve the performance specified in sections 2 to 6 to the best of its ability; and
- The Cabinet agrees to the performance specified in sections 2 to 5 and the financial transactions specified in section 6.

Procedures for Changing this Ownership Agreement

Changes to this Ownership Agreement may be made during the year only with the express and explicit agreement of both parties to the Agreement.

Changes will be made in the following way:

- If either party wish to change the specification of performance contained in this Ownership Agreement, they must notify the other in writing describing the changes that they wish to make.
- The other party will take no more than 15 working days to consider the proposed amendments, or such other time as the two parties may agree.
- The other party will respond to the other about the proposed amendments and negotiate appropriate changes that are agreeable to both parties.
- The Parties will sign the amended Ownership Agreement.
- The amended Ownership Agreement will be attached to, and form part of, this Agreement.

Agreement

We jointly agree that this Ownership Agreement accurately documents the ownership performance that the Cayman Islands Monetary Authority will seek to achieve for the 2009/10 financial year and that the Cabinet will monitor performance against.

Hon. W.McKeeva Bush, OBE, JP
Minister of Financial Services, Tourism and Development
on behalf of Cabinet

George McCarthy, OBE, JP
Chairman of the Board
Cayman Islands Monetary Authority

September 30, 2009

Appendix: Forecast Financial Statements

**CAYMAN ISLANDS MONETARY AUTHORITY
STATEMENT OF RESPONSIBILITY FOR FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

These Forecast Financial Statements have been prepared in accordance with the provisions of the Public Management and Finance Law (2005 Revision).

The Board accepts responsibility for the accuracy and integrity of the financial information in these financial statements.

To the best of our knowledge the forecast financial statements are:

- (a) complete and reliable;
- (b) fairly reflect the forecast financial position as at 30 June 2010 and performance for the Cayman Islands Monetary Authority for the year ended 30 June 2010
- (c) comply with generally accepted accounting practice.

George McCarthy
On Behalf of the Board
Cayman Islands Monetary Authority

September 30, 2009

**CAYMAN ISLANDS MONETARY AUTHORITY
FORECAST OPERATING STATEMENT
FOR THE YEAR ENDING 30 JUNE 2010**

	Note	2009/10 Budget \$	2008/9 Estimated Actual \$	2007/8 Actual \$
REVENUE				
Outputs	9	15,750,000	14,000,000	13,918,135
Operations		700,000	587,022	814,434
Investment/Interest Income	2b	1,500,000	1,191,836	4,206,639
Total Operating Revenue		17,950,000	15,778,858	18,939,208
OPERATING EXPENSES				
Personnel	1	12,267,284	9,573,935	8,655,066
Depreciation	3	603,022	504,429	482,982
Supplies & Consumables	2	5,079,694	5,453,983	4,211,421
Total Operating Expenses		17,950,000	15,778,858	13,349,469
Surplus/Deficit from Operating Activities		0	246,511	5,589,739
Gain/Loss on assets sales		0	0	0
Surplus/Deficit from Ordinary Activities		0	246,511	5,589,739
Extraordinary Expense			0	0
Net Surplus/Deficit after Extraordinary Items		0	246,511	5,589,739

**CAYMAN ISLANDS MONETARY AUTHORITY
FOR THE YEAR ENDING 30 JUNE 2010
FORECAST STATEMENT OF CHANGES IN NET WORTH**

	2009/10	2008/9	2007/8
	Budget	Estimated	Actual
	\$	Actual	\$
	\$	\$	\$
Opening balance net worth	20,393,864	30,084,353	25,644,517
Surplus	0	246,511	5,589,739
Paid up Capital contribution	0	0	0
Total recognised revenues and expenses	20,393,864	30,330,864	31,234,256
Distribution of Surplus	0	0	(1,185,903)
Capital withdrawal/Currency reserve/ Defined Benefit	(60,107)	63,000	36,000
Closing balance net worth	20,333,757	30,393,864	30,084,353

**CAYMAN ISLANDS MONETARY AUTHORITY
FORECAST BALANCE SHEET
AS AT 30 JUNE 2010**

	Note	2009/10 Budget \$	2008/9 Estimated Actual \$	2007/8 Actual \$
ASSETS				
<i>Currency Reserve Assets</i>				
Call Deposits	4	3,121,238	4,510,998	3,086,014
Fixed Deposits	4		1,527,664	1,495,132
Interest Receivable , Deposits	6	5000	4,910	104,257
Short/Long-Term Investments	5	94,073,460	92,690,460	93,109,854
Stocks	7	2,000,000	1,711,815	2,021,876
<i>Total Currency Reserve Assets</i>		99,199,698	100,445,847	99,817,133
<i>Operating Assets</i>				
Current and Call Deposits	4		10,633,777	9,769,830
Accounts Receivable	6	2,000,000	2,148,521	263,371
Other Receivables and Prepayments	6	100,101	317,736	152,016
Fixed Assets	8	4,548,958	1,032,291	941,942
Retirement Benefit Assets	10	485,000	485,000	422,000
<i>Total Other Assets</i>		7,134,059	14,554,325	11,549,159
TOTAL ASSETS		106,333,757	115,063,172	111,366,292
LIABILITIES				
Demand Liabilities, Currency in Circulation	11	85,000,000	83,640,733	78,897,508
Due to the CI Government	9	0	0	1,185,903
Other Liabilities and Payables	9	1,000,000	1,300,000	1,198,528
<i>Total Liabilities</i>		86,000,000	84,669,308	81,281,939
RESERVES and CAPITAL				
General Reserve		12,750,000	12,546,110	11,84,626
Currency Issue Reserve		375,000	435,107	435,107
Capital Expenditures Reserve		947,364	5,067,053	5,664,712
Operational Expenditure Reserves		558,172	758,172	1,000,000
<i>Total Reserves</i>		14,630,536	18,806,442	18,934,445
Paid Up Capital		15,703,221	11,524,422	11,149,908
<i>Total Reserves and Capital</i>		30,333,757	30,393,864	30,084,353
TOTAL LIABILITIES, RESERVES and CAPITAL		116,333,757	115,063,712	111,366,292

**CAYMAN ISLANDS MONETARY AUTHORITY
FORECAST STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING 30 JUNE 2010**

	Note	2009/10 Budget \$	2008/9 Estimated Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Outputs to Cabinet		14,754,501	12,252,885
Commission and other income		1,072,484	291,107
Investment Income		1,499,882	1,294,142
Payments			
Personnel Costs		(11,267,284)	(9,573,952)
Suppliers		(5,407,254)	(5,324,658)
<i>Net cash flow from Operating activities</i>		652,328	(1,060,476)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current assets		(4,119,689)	(597,660)
Proceeds on Disposal of Fixed Assets			2,882
<i>Cash flows from investing activities</i>		(4,119,689)	(594,778)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net change of investments		(1,383,000)	419,394
Net change in Demand Liabilities		1,359,267	4,743,225
(Decrease) in Currency Issue Reserve		(60,107)	
Contribution received from CI Government		0	0
Repayment of Surplus		0	(1,185,903)
<i>Cash flow from Financing Activities</i>		(83,840)	3,976,716
Opening Balance - Cash and Cash Equivalents		16,672,439	14,350,976
Net Change in cash		(3,551,201)	2,321,462
Closing Balance - Cash and Cash Equivalents		13,121,238	16,672,438

Organization and Objectives: The Cayman Islands Monetary Authority (the "Authority") was established under The Monetary Authority Law, 1996 (the "Law") on 1 January 1997. Under the Monetary Authority Law (2008 Revision) (the "Law (2008 revision)"), the primary objectives of the Authority are (a) to issue and redeem currency notes and coins and to manage the Currency Reserve, (b) to regulate and supervise the financial services business (c) to provide assistance to overseas regulatory authorities, and (d) to advise the Cayman Islands Government on regulatory matters.

Significant Accounting Policies: The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation: The financial statements of the Authority are prepared on the accrual basis under historical cost convention and are in accordance with International Financial Reporting Standards. The reporting currency is Cayman Islands Dollars.

Investments: Short-term investments are valued, on a monthly basis at amortized cost and long term investments are valued at quoted market value. Unrealized gains or losses are recorded in the income statement.

Foreign Currency: Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Assets and liabilities are translated at the exchange rate in effect at the Balance Sheet date.

Revenue Recognition: The Authority depends on the sale of its Outputs to the Cabinet of the Government of the Cayman Islands, as its main source of income to meet its obligations. The Authority's other sources of income are generated from its investments, bank balances, and other currency transactions. The Authority recognizes revenue as it is earned.

Expenses:

General - Expenses are recognized when incurred

Depreciation - Depreciation is calculated on the straight-line method of 20% per annum for Furniture and Fixtures, Leasehold Improvements, Motor Vehicle and Office Equipment (with the exception of Bank Note Sorting machine calculated at 15% and DRC Equipment calculated at 33.3%); and 25% to 50% for Computer Hardware and Software, which is sufficient to write-off the cost of the assets over their estimated useful lives.

Assets:

Cash and cash equivalents: For the purposes of the cash flow statement, cash and cash equivalents consist of current and call deposits and fixed deposits maturing within 90 days from the date of acquisition

Accounts Receivables and advances

Receivables and advances are recorded at the amounts expected to be ultimately collected in cash.

Stocks: Stocks consist of silver bullion arising from the melt-down of numismatic coins (the gold and silver bullion content of the following categories of numismatic coins: coins for resale, museum items and coins awaiting melt-down) and unissued currency notes. Bullion stocks are stated at year-end market values for gold and silver bullion and unrealised gain/loss are recorded in the Income Statement.

The stock of unissued currency notes is stated at cost. Only the cost of notes issued into circulation is expensed on a "first in first out" basis.

Numismatic Coins: No liability for redeeming numismatic coins is recognized in the financial statements, since the amount of redemption cannot be reasonably estimated and the probability of material redemption is remote. Redemption costs and sales proceeds are recorded in the income statement as incurred.

Fixed Assets: Fixed Assets are stated at historical cost less accumulated depreciation or valuation.

Liabilities:

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

Pension Plans: The Authority makes pension contributions for its eligible employees to the Public Service Pensions Fund, which is administered by the Public Service Pensions Board. The Fund has both a defined benefit and a defined contribution element. There are a small number of employees who participate in other private plans, which are all defined contribution schemes.

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

A defined benefit plan is one that defines an amount of benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The asset or liability in respect of defined benefit plans is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of plan assets, adjusted for unrecognised actuarial gains/losses and past service cost. Where a pension asset arises, the amount recognised is limited to the net total of any cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reduction in future contributions to the plan. The pension costs are assessed using the Projected Unit Credit Method. Under this method the cost of providing pensions is charged in the Income Statement so as to spread the regular cost over the service lives of employees in accordance with advice of the actuary, (who is due to carry out a full valuation of the plans every year). The pension obligation is measured at the present value of the estimated future cash outflows using discount estimated rates based on market yields on high quality corporate bonds at the time of the accounting date which have terms to maturity approximating the terms of the related liability. Obligations for contributions to defined contribution and defined benefits pension plans are recognized as an expense in the income statement as incurred. (See also Note 7).

Other Benefits: Other employee benefits include maternity leave, sick leave, vacation days and performance awards. Vacation days accumulate and vest and therefore a liability is accrued each year. The accrued vacation liability is included in the other liabilities and payables.

Use of Estimates: The preparation of financial statements, in conformity with International Financial Reporting Standards, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

	2009-10 Budget	2008/9 Estimated Actual	2007/8 Actual
	\$	\$	\$
NOTE 1. PERSONNEL COSTS			
Salaries, wages, allowances	10,316,634	8,705,712	7,930,644
Employer pension expense	843,512	739,184	691,903
Other personnel related expenses (recruitment, relocation)	107,138	129,039	32,519
Total Personnel Costs	12,430,787	9,573,935	8,655,066
NOTE 2. SUPPLIES AND CONSUMABLES			
Supplies and Consumables	2,446,735	2,680,800	1,405,498
Purchase of services	1,707,107	1,914,447	1,921,074
Operating lease rentals	911,652	844,535	634,635
Other Supplies and Consumables	14,200	14,200 ⁹	250,214
Total Supplies and Consumables	5,079,694	5,453,983	4,211,421
NOTE 3. DEPRECIATION			
Vehicles	4,520	4,520	1,028
Furniture and fittings	56,204	51,843	48,833
Computer hardware and software	359,928	300,757	316,561
Office equipment	91,783	72,042	62,126
Other assets – Leasehold Improvements	90,587	75,267	54,434
Total Depreciation	603,022	504,429	482,982

Assets are depreciated on a straight line basis as follows:

	Years
Vehicles	5
Furniture and fittings	5
Computer hardware and software	3 to 4
Office equipment	3 to 7
Other assets – Leasehold Improvements	5

⁹ Conferences reclassified from Other to Purchase of Service

**CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

	2009-10 Budget	2008/9 Estimated Actual	2007/8 Actual
	\$	\$	\$
NOTE 4. CASH AND CASH EQUIVALENTS			
Operating Current and Call Accounts, and Cash on hand	11,563,021	15,144,775	9,769,830
Short Term Deposits including call accounts (up to 90days)	1,558,217	1,527,664	4,581,146
Total Cash and Cash Equivalents	13,121,238	16,672,439	14,350,976
NOTE 5. MARKETABLE SECURITIES AND DEPOSITS			
Fixed deposits (90 to 360 days)			
Other Marketable Securities and Deposits	94,073,460	92,690,460	93,109,854
Total Marketable Securities and Deposits	94,073,460	92,690,460	93,109,854
NOTE 6. ACCOUNTS RECEIVABLE			
Outputs to Cabinet	2,000,000	2,004,501	257,383
Outputs to other government agencies	0	0	0
Outputs to Others	0	0	0
Interest receivable	5,101	4,983	107,290
Asset sales			0
Prepayments	100,000	313,037	141,825
Other Accounts Receivable	26,224	185,671	60,971
Total Gross	2,131,325	2,508,192	567,469
Less provision for doubtful debts	(26,224)	(37,024)	(47,824)
Total Net Accounts Receivable	2,105,101	2,471,169	519,645

**CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

	2009-10 Budget	2008/9 Estimated Actual	2007/8 Actual
	\$	\$	\$
NOTE 7. INVENTORIES			
Raw Materials (including Consumable Stores)	2,000,000	1,711,815	2,021,876
Work in Progress			
Total Inventories	2,000,000	1,711,815	2,021,876

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

	Cost or Revalued Amount	Accumulated Depreciation	30 June 2010 Book Value Actual	30 June 2009 Book Value Actual
	\$	\$	\$	\$
Vehicles	22,600	10,068	12,532	17,052
Furniture & Fittings	714,150	632,749	81,401	118,783
Computer Hardware & Software	5,432,947	1,449,054	3,983,893	412,954
Office equipment	835,932	539,803	296,129	222,911
Other Assets – Leasehold Improvements	877,101	702,098	175,003	260,590
Total	7,882,730	3,333,772	4,548,958	1,032,291

	2009-10 Budget	2008/9 Estimated Actual	2007/8 Actual
	\$	\$	\$
NOTE 9. PAYABLES			
Trade Creditors	200,000	209,540	115,546
Other Current Liabilities	900,000	819,035	1,082,982
Total Accounts Payables	1,000,000	1,028,575	1,198,528
Surplus Payable to Government	0	0	1,185,903

**CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

	2009-10 Budget	2008/9 Estimated Actual	2007/8 Actual
	\$	\$	\$
NOTE 10. EMPLOYEE ENTITLEMENTS (CURRENT)			
Long service leave and other leave entitlements			
Other salary related entitlements			
Total Employee Entitlements	<u>0</u>	<u>0</u>	<u>0</u>

**NOTE 10. EMPLOYEE ENTITLEMENTS
(NON-CURRENT)**

Long service leave and other leave entitlements			
Other salary related entitlements – Retirement Benefit Asset	485,000	485,000	422,000
Total	<u>485,000</u>	<u>485,000</u>	<u>422,000</u>

	2009-10 Budget	2008/9 Estimated Actual	2007/8 Actual
	\$	\$	\$
NOTE 11. OTHER NON-CURRENT LIABILITIES			
Provision for agency revenue repayable			
Provision for restructuring			
Accounts Payable			
Other – (Currency in circulation)	86,000,000	83,640,733	78,897,508
Other			
Total Other Non-Current Liabilities	<u>86,000,000</u>	<u>83,640,733</u>	<u>78,897,508</u>

**CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

**NOTE 12. RECONCILIATION OF OPERATING SURPLUS
TO CASH FLOWS
FROM OPERATING ACTIVITIES**

	2009-10 Budget	2008/9 Estimated Actual
	\$	\$
<i>Operating surplus/(deficit)</i>	0	246,511
<i>Non-cash movements</i>		
Depreciation	603,021	504,429
Increase in provision for doubtful debts	(10,800)	(10,800)
Increase in payables/accruals	(316,760)	(1,045,778)
Personnel		(17)
Subsidies, grants and transfers		
Net gain/loss from sale of fixed assets		
Net profit/loss in investments SA&GC (Orgs 41 - 54 only)		
Net profit/loss in investments Min Port & Exec Orgs (Org 40 only)		
Net gain/loss from sale of investments		
Increase in other current assets		
Increase in investments due to revaluation		
Increase in receivables	376,867	(1,940,723)
Net cash flows from operating activities	652,328	(1,060,476)

Note 13 - Investments

The principal investment objectives of the Authority are security, liquidity and income. The investment portfolio is managed by independent fund managers in accordance with investment guidelines established by the Board of Directors, in accordance with the Law (2004 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.

Note 14 - Bank Deposits

Currency Reserve Assets: The Authority maintains current, call and fixed deposits with domestic and foreign banks. Under the Law, domestic deposits cannot exceed 25% of demand liabilities.

Note 15 – Liabilities

Demand Liabilities: Demand Liabilities represents the value of notes and coins in circulation. These liabilities are fully funded by the Currency Reserve Assets. Under the Law, the Currency Reserve Assets represent external and local assets that: shall only be used to satisfy demand liabilities; shall be segregated from all other assets of the Authority; and shall not be chargeable with any liability arising from any other business of the Authority.

At 30 June 2010 the value of Currency Reserve Assets is projected to be \$102,237,895 representing 120% of total demand liabilities. After all demand liabilities are extinguished, any surplus Currency Reserve Assets would form, in part, the assets of the General Reserve – see Note 17

Note 16 - Lease Obligation.

The Authority leases the premises used by the Authority; 27,733 sq. ft. at \$28-\$30 per sq. ft. is for 21 months (to March 2011) and is payable monthly in advance, and 1600 sq. ft for storage. The Authority also has lease agreements, as part of it Disaster Recovery Plan, with Brac Infomatics Centre and The Disaster Recovery.

Note 17 - Reserves and Capital

General Reserve: The Authority maintains a General Reserve in accordance with Section 8 of the Law (2008 revision). The Authority shall maintain the General Reserve at 15% of demand liabilities to provide additional funding, if necessary, for demand liabilities and obligations arising from other business of the Authority. Reserve assets are held predominantly in United States dollars, with minimal holdings in Cayman Islands dollars and British Pound Sterling.

Reserve Allocation: Under Section 10 of the Law (2008 revision), the net profits of the Authority, after provision for all expenditure and reserves, shall be allocated such that the Currency Reserve Assets represent at least 100% of demand liabilities and the General Reserve does not exceed 15% of demand liabilities. Any surplus, not allocated in accordance with the above, shall be transferred to the general revenue of the Cayman Islands Government.

Note 17 - Reserves and Capital continued

	2009/10	2008/9	2007/8
	\$	\$	\$
	Budget	Estimated Actual	Actual
General Reserve			
Opening Balance:	12,546,110	11834,626	11,430,790
Transfers in:			
Transfer from Net Income	0	246,511	5,589,739
Transfer from Paid-up Share Capital	3,890	464,973	
Transfer from operational Reserve	200,000		
Transfers out:			
To Paid-up Share Capital			
To Capital Expenditure Reserve			(3,000,000)
To Operational Expenditure Reserve			(1,000,000)
Excess Payable to CI Govt			(1,185,903)
Closing Balance	12,750,000	12,546,110	11,834,626
Demand Liabilities (closing balance)	85,000,000	83,640,733	78,897,508
15% of Demand Liabilities	12,750,000	12,546,110	11,834,626

Currency Issue Reserve: Prior to 1 January 2003 the cost of printing of notes or minting of coins (unissued and issued) was recorded against the Currency Issue Reserve. The Currency Issue Reserve was set at a level deemed necessary to meet an estimated future printing or minting cost. This effectively expensed the cost of printing or minting in that period. After 1 January 2003 the cost of printing and minting is set up as a Stock of unissued currency and only the cost of currency issued into a circulation is expensed.

Capital: The capital of the Authority is \$100,000,000. The Cayman Islands Government is the sole subscriber.

Capital Expenditure and Operational Expenditure Reserves: Under Section 9 of the Law (2008 revision), the net profits of the Authority for any financial year shall include, but shall not be limited to, the income from the investments of the Authority, and the profit from the sales of investments belonging to the Authority, and shall be determined by the Authority after meeting or providing for all expenditure for that year and making such provisions for contingencies and the establishment of such additional reserves as it may consider desirable. This Reserve has been created to provide for key new capital projects, in particular the E-Reporting and the Currency Vault at the new Government Administration Building. The Operational Reserve has been established in order to ensure that the Basel II, E-Reporting and other IT initiatives (Document Management, K-Review, CoBIT), can be undertaken and completed by the established deadlines. The Operational Expense Reserve will also serve to fund other key operational activities, such as on-site inspections.

Note 18 – Pensions

Pension contributions are paid for all eligible employees on their pensionable emoluments. The majority of the employees are participants in the Public Service Pensions Plan, with a small number participating in other private plans, which are all defined contribution schemes.

Public Service Pensions Plan:

The amount of the defined benefit asset as at 30 June 2009 cannot be determined by management at this time, as there has been no update to the actuary's report since 30 June 2008.

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

Using the projected Unit Credit method of measuring costs and obligations, the actuarial assessment for the Authority assessed the minimum normal annual contribution to be 13 %. This rate included a 1% for the cost of all of the benefits that are provided over and above those related to the participant's total account balance. Certain participants are reimbursed for their contributions.

The Plans are funded at rates of:

		2009
Defined Contribution Plans	Employee	6%
	Employer	7%
Defined Benefited Plans	Employee	6%
	Employer	7%

BUDGET 2009/10

Ownership Agreement

Between

**The Cabinet of the
Cayman Islands Government**

and

***Cayman Islands National Insurance
Company Limited***

For the year ending 30 June 2010

Contents

1. Purpose
2. Nature and Scope of Activities
3. Strategic Goals and Objectives
4. Ownership Performance Targets
5. Summarised Forecast Financial Statements
6. Other Financial Information
7. Agreement
8. Appendix: Forecast Financial Statements

1. Purpose

This Ownership Agreement documents the ownership performance that the Cabinet and the Board of The Cayman Islands National Insurance Company Ltd. ("CINICO") have agreed that "CINICO" will seek to achieve during the 2009/10 financial year.

The purpose of the document is to ensure that the ownership performance expectations for the year are clearly specified and agreed by both parties.

2. Nature and Scope of Activities

This section outlines the nature and scope of activities within which CINICO is to operate during the year.

General Nature of Activities

CINICO's activities involve both the provision of health insurance and the administration of health benefits on behalf of the Ministry of Health and Human Services.

CINICO is a licensed Class A insurance company, and as such, must abide by the relevant laws for health insurance companies in the Cayman Islands. All Class A insurance companies are regulated by the Cayman Islands Monetary Authority, which includes the submission and approval of a business plan. In the Cayman Islands National Insurance Company Ltd. business plan is a commitment that the Company will maintain capitalization at \$3 million. The Cayman Islands Government guarantees this commitment.

Scope of Activities

The scope of CINICO's activities are as follows:

- Provision of health insurance to civil servants, pensioners, other government entities, seamen and veterans and individuals qualifying as elderly, health impaired or low income residents; and
- Administration on behalf of the Ministry of Health and Human Services for local and overseas health benefits of indigents since February 1, 2004. Administration on behalf of the Ministry of Health and Human Services for overseas health benefits of seamen and veterans since July 1, 2007. Administration on behalf of the Portfolio of Finance and Economics for health benefits of Advance Patients since February 1, 2004.
- Government is charged a premium for the provision of health insurance and a fee for administration of health benefits.

Customers and Location of Activities

The services provided by CINICO are provided to civil servants, pensioners, other government entities, seamen and veterans, indigents, advance patients and individuals qualifying as elderly, health impaired and low income residents. The services are provided from offices at the Cayman Centre, George Town.

3. Strategic Goals and Objectives

The key strategic goals and objectives (from an ownership perspective) for CINICO for the 2009/10 financial year are as follows:

- To provide health insurance to civil servants, pensioners, seamen and veterans and individuals qualifying as elderly, health impaired or low income residents;
- To administer on behalf of the Ministry of Health and Human Services the provision of health benefits to indigents.
- To administer on behalf of the Ministry of Health and Human Services the provision of overseas health benefits to seamen and veterans.
- To administer on behalf of the Portfolio of Finance and Economics the provision of health benefits to advance patients.
- To advise Ministry of Health and Human Services, supported by empirical evidence, of recommendations to improvements in the delivery of health care to the population of the Cayman Islands.
- To undertake development of a claim administration system as an alternative to the outsourcing of this function.
- Upon the completion of a claim administration system, to build local claim adjudication expertise within the Company. This includes case management expertise.
- To undertake the development of CINICO's own provider network.
- To secure appropriate reinsurance coverage, to minimize company risk and improve claim loss predictability.

4. Ownership Performance Targets

The ownership performance targets (as specified in schedule 5 to the Public Management and Finance Law (2005 Revision)) for *Cayman Islands National Insurance Company Ltd.* for the 2009/10 financial year are as follows:

Financial Performance

Financial Performance Measure	2009/10 Target \$	2008/9 Estimated Actual \$
Revenue from Cabinet	19,699,413	17,385,600
Revenue from ministries, portfolios, statutory authorities and government companies	30,275,109	30,661,323
Revenue from other persons or organisations	1,263,103	945,127
Surplus/deficit from outputs		
Other expenses	50,358,365	47,441,313
Net Surplus/Deficit	916,665	1,550,737
Total Assets	23,365,613	16,192,793
Total Liabilities	14,645,295	13,394,085
Net Worth	8,720,318	2,798,708
Cash flows from operating activities	2,756,444	2,082,277
Cash flows from investing activities	(21,000)	(48,000)
Cash flows from financing activities	0	1,500,000
Change in cash balances	2,735,444	3,534,277

Financial Performance Ratio	2009/10 Target %	2008/9 Estimated Actual %
Current Assets: Current Liabilities	160%	120%
Total Assets: Total Liabilities	160%	121%

Maintenance of Capability

Human Capital Measures	2009/10 Target	2008/9 Estimated Actual
Total full time equivalent staff	11	10
Staff turnover (%)	0	0
Average length of service (Number)		
Senior management	4.1	4.3
Professional staff	4.1	4.3
Administrative staff	3.7	3.5
Significant changes to personnel management system	CEO	CEO

Physical Capital Measures	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Value of total assets	23,365,614	16,192,793
Asset replacements: total assets	57%	65%
Book value of depreciated assets: initial cost of those assets	12%	28%
Depreciation: Cash flow on asset purchases	216%	89%
Changes to asset management policies	None	None

Major Capital Expenditure Projects	2009/10 Target \$
Furniture, PCs, website upgrade	21,000

Risk Management

Key risks	Change in status from previous year	Actions to manage risk	Financial value of risk
Claim losses higher than what can be supported by revenues	Premium contains a risk factor	Care Management company engaged to manage and control, overseas cases. CINICO to negotiate its own provider contracts and cut out costs of the “middle man” Revision of overseas referral protocols and analysis of the CMO’s role. Reinsurance arrangement in place to limit the Company’s risk to large claims. Improvement of forecasts through predictive modeling.	Not quantifiable.
Incomplete or missing claims from our major provider, The Cayman Islands Health Services Authority	Improvements made to HSA’s timely filing, better coding, new chargemaster.	Working with the Cayman Islands Health Services Authority to improve claim submission controls.	Not quantifiable.
The Cayman Islands Health Services Authority increased services in their charge master are higher than what was actually anticipated in premium calculation.	New chargemaster in effect from Jan 1/09.	Since premium can not be changed mid year, CINICO’s only recourse is applying for an equity injection.	Not quantifiable.

NOTE:

The development of CINICO’s premium rates for 2009/10 includes a 7% provision for the increase in the Cayman Islands Health Services Authority (HSA) chargemaster rates.

Every attempt has been made to obtain a reasonable estimate for the increase however this was difficult as a) the chargemaster rate increase is effective before CINICO is required to calculate its 9/10 budget premium, thus not enabling CINICO to use live data, b) CIHSA was not able to give a definite estimate or projection of the increase, c) the old and new chargemaster code were not compatible making comparison very difficult.

5. Summarised Forecast Financial Statements

A full set of forecast financial statements for the Cayman Islands National Insurance Company Ltd. is provided in the Appendix to this Ownership Agreement.

A summary of those forecasts is as follows:

Operating Statement	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Revenue	51,237,626	48,992,050
Operating Expenses	50,320,961	47,441,313
<i>Net Surplus/Deficit</i>	<i>916,665</i>	<i>1,550,737</i>

Balance Sheet	As at 30 June 2010	As at 30 June 2009 - Budget
	\$	\$
Assets	23,365,614	16,192,793
Liabilities	14,645,295	13,394,085
<i>Net Worth</i>	<i>8,720,318</i>	<i>2,798,708</i>

Statement of Cash Flows	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Net cash flows from operating activities	2,756,444	2,082,277
Net cash flows from investing activities	(21,000)	(48,000)
Net cash flows from financing activities	0	1,500,000

6. Other Financial Information

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

Transaction	Amount for 2009/10 \$
Equity Investments into <i>CINICO</i>	
Capital Withdrawals from <i>CINICO</i>	
Dividend or Profit Distributions to be made by <i>CINICO</i> .	
Government Loans to be made to <i>CINICO</i> .	
Government Guarantees to be issued in relation to <i>CINICO</i> .	
Related Party Payments (Non Remuneration) made to Key Management Personnel ¹⁰	
Remuneration ¹¹ Payments made to Key Management Personnel	
Remuneration Payments made to Senior Management	376,030

	Number for 2009/10
No of Key Management Personnel	
No of Senior Management	3

¹⁰ Key Management Personnel as defined by International Public Accounting Standards No 20, e.g. Minister, Board Member and Senior Management Team

¹¹ Remuneration as defined by International Public Accounting Standards No 20 Par 34(a)

7. Agreement

Scope of this Agreement

In signing this document:

- *Cayman Islands National Insurance Company Ltd.*, undertakes to seek to achieve the performance specified in sections 2 to 6 to the best of its ability; and
- The Cabinet agrees to the performance specified in sections 2 to 5 and the financial transactions specified in section 6.

Procedures for Changing this Ownership Agreement

Changes to this Ownership Agreement may be made during the year only with the express and explicit agreement of both parties to the Agreement.

Changes will be made in the following way:

- If either party wish to change the specification of performance contained in this Ownership Agreement, they must notify the other in writing describing the changes that they wish to make.
- The other party will take no more than 15 working days to consider the proposed amendments, or such other time as the two parties may agree.
- The other party will respond to the other about the proposed amendments and negotiate appropriate changes that are agreeable to both parties.
- The Parties will sign the amended Ownership Agreement.
- The amended Ownership Agreement will be attached to, and form part of, this Agreement.

Agreement

We jointly agree that this Ownership Agreement accurately documents the ownership performance that CINICO will seek to achieve for the 2009/10 financial year and that the Cabinet will monitor performance against.

Hon. Mark Scotland, OBE, JP
Minister of Health Environment, Youth, Sports and Culture
on behalf of Cabinet

Dale Crowley
Chairman of the Board
Cayman Islands National Insurance Company Ltd.

September 30, 2009

Appendix: Forecast Financial Statements

**CAYMAN ISLANDS NATIONAL INSURANCE COMPANY LTD.
STATEMENT OF RESPONSIBILITY FOR FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

These Forecast Financial Statements have been prepared in accordance with the provisions of the Public Management and Finance Law (2005 Revision).

The Board accepts responsibility for the accuracy and integrity of the financial information in these financial statements.

To the best of our knowledge the forecast financial statements are:

- (a) Complete and reliable;
- (b) Fairly reflect the forecast financial position as at 30 June 2010 and performance for CINICO for the year ended 30 June 2010;
- (c) Comply with generally accepted accounting practice.

Dale Crowley
Chairman of the Board
Cayman Islands National Insurance Company Ltd.

September 30, 2009

**CAYMAN ISLANDS NATIONAL INSURANCE COMPANY LTD.
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDING 30 JUNE 2010**

These financial statements are prepared on the historical cost basis and in accordance with United States Generally Accepted Accounting Principles ("US GAAP"). It is also stated that these financial statements are prepared in compliance with International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"). The significant accounting policies are as follows:

Critical accounting estimates and judgements

The development of estimates and the exercise of judgment in applying accounting policies may have a material impact on the Company's reported assets, liabilities, revenues and expenses. The item which may have the most effect on the Company's financial statements is set out below.

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims.

The provision for claims incurred is necessarily based on estimates due to the fact that the ultimate disposition of claims incurred prior to the balance sheet date, whether reported or not, is subject to the outcome of events that have not yet occurred. Any estimate of future events, consequently, the amounts recorded in respect of unpaid losses may change significantly in the short term. Management engage independent actuaries to assist them in making such estimates, based on the Company's own loss history and relevant industry data.

Insurance and reinsurance contracts - classification

Insurance and reinsurance contracts are those contracts that transfer significant insurance risk. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on policies issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

The benefits to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance assets. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

The Company assesses its reinsurance assets for impairment on a regular basis, and if there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount. The impairment loss is recognized in the income statement.

Claims

Claims paid and outstanding claims are recorded based on claims reported to the Company by its third party administrator and case manager and includes amounts for all losses reported but not settled and loss adjustment expenses. The Company records its estimated liability gross of any amounts recoverable under its own reinsurance. Recoverable amounts if any, under the reinsurance contract are estimated and reported separately as assets. The reinsured portion, if any, of reserves for losses is estimated in a manner consistent with the estimation of reserves for losses on the reinsured policies.

Cash at bank

Cash at bank is comprised of cash and interest bearing deposits with original maturities of three months or less.

**CAYMAN ISLANDS NATIONAL INSURANCE COMPANY
STATEMENT OF ACCOUNTING POLICIES (continued)
FOR THE YEAR ENDING 30 JUNE 2010**

Premiums

Premiums are accounted for on a pro-rata basis over the periods covered by the insurance policy. Premiums for privately insured persons are payable monthly in advance on the first day of the month. Premiums for Government insured persons are payable monthly in advance on the last day of the month prior to that being insured. As a result, at the end of any given month, no amounts for unearned premiums are required to be recognized. Premiums received in advance are deferred and included in Premiums received in advance in the balance sheet. Reinsurance premiums ceded are similarly recognized on a pro-rata basis based on the contractual premium rate and number of insureds covered under the reinsurance policy.

It is the Company's policy to lapse any policies where the premiums are unpaid for forty five days after the due date.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over of the period of the lease.

Disclosures about fair value of financial instruments

With the exception of balances in respect of insurance contracts, the carrying amounts of all financial instruments approximate their fair values due to their short-term maturities.

Depreciation

Fixed assets are depreciated on a straight line basis over their expected useful lives. The following depreciation rates have been estimated by management to approximate the expected useful life of each class of assets:

- Office Equipment
- Computer and Telecommunications Equipment
- Leasehold Improvements

Changes in IFRS

In order for these financial statements to comply with IFRS as well as US GAAP, the Company has applied the following new and revised IFRSs and revised International Accounting Standards (IASs) that are effective for the 2007 reporting year:

- IFRS 1 First-time Adoption of International Financial Reporting Standards
- IFRS 7, Financial Instruments: Disclosures
- IAS 1 (Amendment), Presentation of Financial Statement - Capital Disclosures;
- IAS 39 (Amendment), The Fair Value Option; Cash Flow Hedge Accounting of Forecast IntraCompany Transactions;
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts;

None of the above changes have a significant effect on the presentation, disclosure or accounting in the Company's financial statements. However, effective July 1, 2007 some changes in disclosure were made to accommodate IFRS 7 and the IAS 1 amendment.

IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Company assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1.

**CAYMAN ISLANDS NATIONAL INSURANCE COMPANY LTD.
FORECAST OPERATING STATEMENT
FOR THE YEAR ENDING 30 JUNE 2010**

	Notes	<u>Budget 2009/10</u>	<u>Forecast 2008/09</u>
Earned Premium:			
Revenue from Civil Servants & Dependents		29,819,502	29,582,075
Revenue from Ministry of Health – Seamen & Veterans		5,389,224	4,666,332
Revenue from Portfolio of Civil Service - Pensioners		14,310,189	12,956,406
Revenue from Other	1	1,622,710	1,260,795
Total Income		51,141,626	48,465,608
Incurred Claims	2	46,458,039	40,385,996
Claims administration Fees	3	1,956,155	1,882,270
Indigent Fund Fees	4	564,081	570,476
Administration expenses	5	1,342,686	1,099,150
Total Expenses		50,320,960	43,937,892
Underwriting Income/(Loss)		820,665	4,527,716
Investment Income		96,000	85,824
Net Income/(Loss)		916,665	4,613,540

**CAYMAN ISLANDS NATIONAL INSURANCE COMPANY LTD.
 FORECAST STATEMENT OF CHANGES IN NET WORTH
 FOR THE YEAR ENDING 30 JUNE 2010**

	<u>2009/10</u>	<u>2008/09 - Forecast</u>
Net Income/(loss)	916,665	4,613,540
Equity - Beginning of Year	7,803,652	190,112
Equity received	-	3,000,000
Equity – End of Year	8,720,317	7,803,652
Required minimum capital	3,000,000	3,000,000
Accumulated Deficit	(14,715,523)	(15,632,188)
Additional Paid-in-Capital	20,435,840	20,435,840
Equity - End of Year	8,720,317	7,803,652

**CAYMAN ISLANDS NATIONAL INSURANCE COMPANY LTD.
FORECAST BALANCE SHEET
AS AT 30 JUNE 2010**

	<u>2009/10</u>	<u>2008/09 Forecast</u>
<u>Assets</u>		
Cash	16,025,867	13,290,423
Receivables/Prepays	7,302,849	7,326,891
Fixed assets	36,897	61,326
	<hr/>	
Total Assets	23,365,613	20,678,641
	<hr/>	
<u>Liabilities</u>		
Accounts payable	20,000	15,000
Premiums received in advance	86,765	78,877
Accruals and other liabilities	4,757,225	4,277,474
Provision for claims incurred but not reported	9,781,305	8,503,637
	<hr/>	
Total Liabilities	14,645,295	12,874,989
	<hr/>	
<u>Equity</u>		
Initial Paid-in-Capital	3,000,000	3,000,000
Additional Paid-in-Capital	20,435,840	20,435,840
Retained Earnings	(14,715,522)	(15,632,188)
	<hr/>	
Total Equity	8,720,318	7,803,652
	<hr/>	
Total Liabilities & Equity	23,365,613	20,678,641
	<hr/>	

**CAYMAN ISLANDS NATIONAL INSURANCE COMPANY LTD.
FORECAST STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING 30 JUNE 2010**

	<u>2009/10</u>	<u>2008/09 - Forecast</u>
<u>Operating activities:</u>		
Net Income/(Loss)	916,665	4,613,540
Non Cash adjustments	1,839,779	(2,878,268)
	<hr/>	<hr/>
Cash flows from operating activities	2,756,444	1,735,272
	<hr/>	<hr/>
<u>Investing activities:</u>		
Purchase on fixed assets	(21,000)	(24,416)
	<hr/>	<hr/>
Cash flows from investing activities	(21,000)	(24,416)
	<hr/>	<hr/>
<u>Financing activities:</u>		
Equity investment	-	3,000,000
Additional paid-in capital	-	-
	<hr/>	<hr/>
Cash flows from financing activities	-	3,000,000
	<hr/>	<hr/>
Net cash inflow	2,735,444	4,710,856
	<hr/>	<hr/>
Opening cash balances	13,290,423	8,579,567
	<hr/>	<hr/>
Closing cash balances	16,025,867	13,290,423

**CAYMAN ISLANDS NATIONAL INSURANCE COMPANY LTD.
NOTES TO THE FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

	<u>2009/10</u>	<u>2008/09 - Forecast</u>
1 Revenue from Other	<u>2009/10</u>	<u>2008/09 - Forecast</u>
Premium from Standard Health Insurance contracts	1,921,518	1,555,427
ASO fees	455,607	471,013
Reinsurance premium	(754,415)	(765,645)
	<u>1,622,710</u>	<u>1,260,795</u>

ASO fees ("Administrative Services Only) are earned for the administration of the overseas Indigent claims on behalf of the Ministry of Health and Human Services and are assessed based on \$33 per Indigent member per month.
CINICO has contracted with Presidio, an underwriting agent of Lloyds of London to provide specific specific excess loss reinsurance coverage on a per covered person basis.

	<u>2009/10</u>	<u>2008/09 - Forecast</u>
2 Incurred Claims	<u>2009/10</u>	<u>2008/09 - Forecast</u>
Claims - HSA	26,545,307	23,191,845
Claims paid - Cayman Airways	314,600	314,600
Claims - Non - HSA	17,935,148	16,105,771
Repricing fees	951,127	1,111,648
Reinsured Claims	(565,811)	(726,251)
Claims paid	<u>45,180,371</u>	<u>39,997,614</u>
Movement in reserves	1,277,668	388,382
Total Incurred claims	<u>46,458,039</u>	<u>40,385,996</u>

3 Claims administration fees are payable to a third party providing claim administration services. Charges are based on the number of CINICO insured members and are payable monthly in advance.

4 Segregated Fund fees are payable to the Health Insurance Commission. Fees are assessed on a monthly basis - \$10 for every couple/family insurance contract and \$5 for every single insurance contract,

	<u>2009/10</u>	<u>2008/09 - Forecast</u>
5 Administration expenses	<u>2009/10</u>	<u>2008/09 - Forecast</u>
Salaries	723,530	520,310
Other Employee Exp.	109,280	86,157
Rent /Utilities/Maintenance	166,555	160,351
Office Equip / Supplies	20,000	18,000
Legal costs	18,350	12,000
Class A licence fees/other	30,750	30,000
Director fees	33,900	30,155
Directors & officers insurance	-	-
Marketing/Sales/Promotion	52,000	35,000
Actuarial consulting	48,000	49,148
Audit fees	59,422	55,720
Currency exchange losses	(10,000)	(21,000)
Bad debt expense	25,000	45,000
Training expenses	8,000	2,000
Bank charges	20,000	21,000
Other	37,900	55,309
Total	<u>1,342,686</u>	<u>1,099,150</u>

**CAYMAN ISLANDS NATIONAL INSURANCE COMPANY LTD.
NOTES TO THE FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

6 As a Class A Insurance Company, CINICO is required to maintain a minimum net worth of \$3,000,000 by The Cayman Islands Monetary Authority (CIMA). For budget purposes Management considers the Company's net worth for regulatory purposes to be comprised as follows:

Share capital	1
Share premium	2,999,999
Additional paid-in-capital	20,435,840
Accumulated deficit	<u>(14,715,522)</u>
	<u>8,720,318</u>

BUDGET 2009/10

Ownership Agreement

Between

**The Executive Council of the Cayman Islands
Government**

and

The Cayman Islands National Museum

For the year ending 30 June 2010

Contents

1. Purpose
2. Nature and Scope of Activities
3. Strategic Goals
4. Ownership Performance Targets
5. Summarised Forecast Financial Statements
6. Other Financial Information
7. Agreement
8. Appendix: Forecast Financial Statements

1. Purpose

This Ownership Agreement documents the ownership performance that the Executive Council and the Board of *the Cayman Islands National Museum* have agreed that *the Cayman Islands National Museum* will seek to achieve during the 2010/10 financial year.

The purpose of the document is to ensure that the ownership performance expectations for the year are clearly specified and agreed by both parties.

2. Nature and Scope of Activities

This section outlines the nature and scope of activities within which *the Cayman Islands National Museum* is to operate during the year.

General Nature of Activities

The *Cayman Islands National Museum* celebrates the unique natural and cultural heritage of our three Islands. Through our dynamic programmes, exhibits, and collections, we nurture a living connection with the nation's past and its future quality of life.

Scope of Activities

The scope of *the Cayman Islands National Museum* activities is as follows:

- Collection and preservation of material evidence to our culture, history and heritage, including:
 - i. collection, documentation and preservation of material
 - ii. protection, scientific research of, and limited public access to Museum collections, and materials of Caymanian heritage
- Public access to, and educational services from, displays, exhibitions, library, publications research collections and programmes of the Museum including:
 - i. providing exhibitions and displays and general public access to them and Museum facilities
 - ii. provision of a land-based Maritime Heritage Trail and Shipwreck Preserves
 - iii. provision of restaurants, shops and other facilities for the use by the public and in furtherance of the mission and purposes of the Museum
 - iv. Liaising with local and international groups having similar objectives, for loan or exchange of artifacts and exhibits, and the exchange of knowledge and information
- Services to the Ministry and to Government generally in:
 - i. overseeing that the Museum fulfills its mission and purposes
 - ii. providing requests for information to further the cultural well being of the Cayman Islands
 - iii. assisting in the creation of National Culture Policies and plans; and any necessary legislation
 - iv. providing reports and other documentation requested specifically by our Ministry, Cabinet and other Government Departments generally

Customers and Location of Activities

The services provided by *the Cayman Islands National Museum* are provided only in the Cayman Islands.

3. Strategic Goals

The key strategic goals (from an ownership perspective) for *The Cayman Islands National Museum* for the 2009/10 financial year are as follows:

- Continue to collect material evidence of artistic, historic, or scientific significance to the Cayman Islands, both terrestrial and underwater;
- Ongoing conservation of 45% (approximately 3,000+ artefacts) of the National Collection affected by seawater flooding during Hurricane Ivan;
- Provide exhibitions and displays and general public access to them;
- Incorporate research findings on collections, terrestrial and underwater archaeological sites into public exhibitions, programmes and publications when possible;
- Continue to provide with our partners a land-based Maritime Heritage Trail;
- Develop with our partners the Cayman Islands first Shipwreck Preserves;
- Provide a cafe, shop and other facilities for the use by the public;

- Create with our expanded Heritage One Partners a new product;
- Liaise with local and international groups having similar objectives, for loan or exchange of artefacts and exhibits, and the exchange of knowledge and information;
- Provide a Traditional Arts Programme (including Traditional Thatch Work Apprenticeship Programme) for Caymanian masters and apprentices;
- Resume the following special events: Looky Ya (monthly), International Museums Day (May), Anniversary (Nov.), Museum Friends Christmas Party (Dec.);
- Assist the Sister Islands and the districts in Grand Cayman with Museum related issues and activities as needed;
- Continue to partner with National Archive, National Trust and the Dept. of Environment on maritime related issues and programmes;
- Resume partnering with the Turtle Farm, Botanic Gardens and Pedro St. James on the Heritage Passport Programme;
- Continue to partner with various organizations in the protection, research, legislation, and educational activities relating to islands maritime heritage e.g. shipwrecks;
- Assist the Dept. of Tourism and other related organizations/institutions in marketing the cultural product of these Islands;
- Continue to prepare and support government's requests for information to further the cultural well being of the Cayman Islands;
- Assist the Ministry in creating national cultural policies and plans; and any necessary legislation;

- Provide reports and other documents requested by the Ministry;
- Establish a new organizational structure, review current staff roles/responsibilities, fill new/vacant posts and implement appropriate decision-making structures, etc. in support of the Museum's vision, mission, and core values;
- Enhance the effectiveness of the Board in support of the vision, mission and goals.

4. Ownership Performance Targets

The ownership performance targets (as specified in schedule 5 to the Public Management and Finance Law 2005 revision) for the *Cayman Islands National Museum* for the 2010/09 financial year are as follows.

Financial Performance

Financial Performance Measure	2009/10 Target \$
Revenue from Cabinet	801,820
Revenue from ministries, portfolios, statutory authorities and government companies	0
Revenue from other persons or organisations	228,220
Ownership expenses	1,191,252
Surplus/deficit from outputs	0
Net Surplus/Deficit	(13,212)
Total Assets	0
Total Liabilities	0
Net Worth	(13,212)
Cash flows from operating activities	(13,212)
Cash flows from investing activities	0
Cash flows from financing activities	0
Change in cash balances	0

Financial Performance Ratio	2009/10 Target \$
Current Assets: Current Liabilities	232:1
Total Assets: Total Liabilities	243:1

Maintenance of Capability

Human Capital Measures	2009/10 Target \$
Total full time equivalent staff	10
Staff turnover (%)	50%
Average length of service (Number) Senior management Professional staff Administrative staff	12 years 12 years 3 years
Significant changes to personnel management system	Some reorganisation of duties, realisation of proper staffing levels.

Physical Capital Measures	2009/10 Target \$
Value of total assets	1,371,747
Asset replacements: total assets	0
Book value of depreciated assets: initial cost of those assets	13:1
Depreciation: Cash flow on asset purchases	0
Changes to asset management policies	See notes in risk management

<u>New</u> Major Capital Expenditure Projects	2009/10 Target \$
Museum Refurbishment Project	0

<u>Existing</u> Major Capital Expenditure Projects	Project Status
None	0

Risk Management

Key risks	Change in status from previous year	Actions to manage risk	Financial value of risk
Loss or damage to the non renewable National Collection by:			N.B. see note (h) on accounting policies regarding the Collection
Fire	No	Sufficient fire extinguishers that are regularly serviced. Hired security during after-hours events i.e. street dances The age and configuration of the historic building housing the Museum does not permit the installation of fire sprinklers	Replacement or restoration of items lost or damaged as a result of the event
Hurricane or Severe Storm	No	Annual hurricane preparedness exercises Removal and safe storage of artifacts when a hurricane is approaching Continuous internal and external building maintenance	Replacement or restoration of items lost or damaged as a result of the event
Due to the close proximity to the water the National Collection is at risk throughout the year			
Pest infestation	No	Regular pest control management	Continue to implement planned action.
The building's materials and construction increase its vulnerability			
Insurance	No	Basic insurance coverage is in place for the building and its contents. Seek the expertise of a certified valuer to establish the replacement cost of the National Collection for insurance purposes	Financial loss of replacing or restoring artefacts not fully valued
Inadequate storage facilities result in deterioration of National Collection	No	The collection is in new rental storage post Ivan Land has been vested by Govt. for a purpose-built facility to accommodate the current and future needs of the National Collection.	Monthly rental cost

5. Summarised Forecast Financial Statements

A full set of forecast financial statements for *the Cayman Islands National Museum* is provided in the Appendix to this Ownership Agreement.

A summary of those forecasts is as follows:

Operating Statement	2009/10 Target \$
Revenue	1,178,040
Operating Expenses	1,191,252
Net Surplus/Deficit	(13,212)

Balance Sheet	2009/10 Target \$
Assets	1,371,747
Liabilities	5,600
Net Worth	1,366,147

Statement of Cash Flows	2009/10 Target \$
Net cash flows from operating activities	0
Net cash flows from investing activities	0
Net cash flows from financing activities	0

6. Other Financial Information

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

Transaction	Amount for 2009/10 \$
Equity Investments into <i>Cayman Islands National Museum</i>	0
Capital Withdrawals from <i>Cayman Islands National Museum</i>	Nil
Dividend or Profit Distributions to be made by <i>Cayman Islands National Museum</i>	Nil
Government Loans to be made to <i>Cayman Islands National Museum</i>	Nil
Government Guarantees to be issued in relation to <i>Cayman Islands National Museum</i>	Nil
Related Party Payments (Non Remuneration) made to Key Management Personnel ¹²	None
Remuneration ¹³ Payments made to Key Management Personnel	89,958
Remuneration Payments made to Senior Management	78,600

	Number for 2009/10
No of Key Management Personnel	1
No of Senior Management	3

¹² Key Management Personnel as defined by International Public Accounting Standards No 20, e.g. Minister, Board Member and Senior Management Team

¹³ Remuneration as defined by International Public Accounting Standards No 20 Par 34(a)

7. Agreement

Scope of this Agreement

In signing this document:

- *The Cayman Islands National Museum* undertakes to seek to achieve the performance specified in sections 2 to 6 to the best of its ability; and
- The Executive Council agrees to the performance specified in sections 2 to 5 and the financial transactions specified in section 6.

Procedures for Changing this Ownership Agreement

Changes to this Ownership Agreement may be made during the year only with the express and explicit agreement of both parties to the Agreement.

Changes will be made in the following way:

- If either party wish to change the specification of performance contained in this Ownership Agreement, they must notify the other in writing describing the changes that they wish to make.
- The other party will take no more than 15 working days to consider the proposed amendments, or such other time as the two parties may agree.
- The other party will respond to the other about the proposed amendments and negotiate appropriate changes that are agreeable to both parties.
- The Parties will sign the amended Ownership Agreement.
- The amended Ownership Agreement will be attached to, and form part of, this Agreement.

Agreement

We jointly agree that this Ownership Agreement accurately documents the ownership performance that the *Cayman Islands National Museum* will seek to achieve for the 2009/10 financial year and that the Executive Council will monitor performance against.

Hon. Mark Scotland
Minister of Health, Environment, Youth, Sports and Culture
on behalf of Cabinet

Harris McCoy
Chairman of the Board
The Cayman Islands National Museum

September 30, 2009

Appendix: Forecast Financial Statements

**THE CAYMAN ISLANDS NATIONAL MUSEUM
STATEMENT OF RESPONSIBILITY FOR FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

These Forecast Financial Statements have been prepared in accordance with the provisions of the Public Management and Finance Law (2005 Revision).

The Board accepts responsibility for the accuracy and integrity of the financial information in these financial statements.

To the best of our knowledge the forecast financial statements are:

- (a) complete and reliable;
- (b) fairly reflect the forecast financial position as at 30 June 2010 and performance for *the Cayman Islands National Museum* for the year ended 30 June 2010.
- (c) comply with generally accepted accounting practice.

Harris McCoy
Chairman of the Board
The Cayman Islands National Museum

September 30, 2009

**THE CAYMAN ISLANDS NATIONAL MUSEUM
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDING 30 JUNE 2010**

Financial statements are prepared in accordance with United States generally accepted accounting principles. The following is a summary of the significant accounting policies adopted by the Museum:

Use of estimates

The preparation of financial statements in accordance with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. Actual results could differ from those estimates.

Admissions, membership dues, fundraising income and donations

Income earned on admissions, membership dues, fundraising, and donations are recorded in the period in which the payment is received.

Government grants

Government grants are provided on a quarterly basis for financial support and are recorded when received. Certain grants cover staff costs and related expenditures of the Museum. Grant income and expenditures are recorded gross in the financial statements.

Product sales, rental income, interest and other income

Income on the sale of goods is recognised in the statements of activities at the point of the sale. Rental income, interest and other income are recognised on an accrual basis.

Inventories

Inventories consist of products sold in the Museum Shop and valued on an average cost basis less an allowance for obsolete and slow moving items.

Fixed assets

Fixed assets are recorded at cost and depreciated on a straight line basis over an expected future life of five years

Cash and cash equivalents

Cash and cash equivalents include cash at bank and fixed deposits with original maturities of three months or less.

Collections, exhibits and artifacts

Consistent with the practice followed by many museums, collections, exhibits and artifacts purchased and donated are not recorded in the statements of financial position. The cost of all objects purchased are recorded as an expense in the statements of activities. Objects acquired by gift or donations are not recorded in these financial statements since it is difficult to obtain an objective measurement or valuation of these items. Proceeds from the sale of collections, exhibits and artifacts are used exclusively for the purchase of other objects.

Donated services

A substantial number of unpaid volunteers make significant contributions of their time to develop the Museum's programmes. The value of this contributed time is not reflected in these financial statements since objective measurement or valuation is not considered practicable

Foreign exchange

Revenue and expense transactions involving currencies other than Cayman Islands dollars are translated at the exchange rates ruling at the time of those transactions. Assets and liabilities included in these financial statements are translated at the rates of exchange prevailing at the date of the statements of financial position. Gains and losses on exchange are taken to the statements of activities

**CAYMAN ISLANDS NATIONAL MUSEUM
FORECAST OPERATING STATEMENT
FOR THE YEAR ENDING 30 JUNE 2010**

	Note	2009/10	2008/9
		Budget	Estimated Actual
		\$0	\$0
Revenue			
Outputs to Cabinet		801,820	801,820
Outputs to other government agencies			
Outputs to others		376,220	206,044
Interest revenue			
Total Operating Revenue		1,178,040	1,007,864
Operating Expenses			
Personnel costs	1	482,923	567,101
Supplies and consumables	2	80,590	487,840
Depreciation	3	0	0
Capital charge		0	0
Other operating expenses		627,739	146,750
Total Operating Expenses		1,191,252	1,201,691
Surplus from operating activities and before extraordinary items		-	46,768
			-
Extraordinary items		-	-
Net Surplus		(13,212)	46,768

**CAYMAN ISLANDS NATIONAL MUSEUM
FORECAST STATEMENT OF CHANGES IN NET WORTH
FOR THE YEAR ENDING 30 JUNE 2010**

	Note	2009/10 Budget	2008/9
			Estimated Actual
		\$0	\$0
Opening balance net worth		0	2,306,884
Net surplus		(13,212)	-
Property revaluations		-	-
Investment revaluations		-	-
Net revaluations during the period		-	-
Total recognised revenues and expenses			
Equity investment		0	-
Repayment of surplus		-	-
Capital withdrawal		-	-
Closing balance net worth		(13,212)	2,306,884

**THE CAYMAN ISLANDS NATIONAL MUSEUM
FORECAST BALANCE SHEET
AS AT 30 JUNE 2010**

	Note	2009/10 Budget \$0	2008/9 Estimated Actual \$0
Current Assets			
Cash and cash equivalents		946,941	1,704,600
Accounts receivable		239,328	96,972
Inventories		112,189	267,320
Total Current Assets		1,311,655	2,068,892
Non-Current Assets			
Property, plant and equipment			498,940
Other non-current assets		60,091	
Total Non-Current Assets		60,091	498,940
Total Assets		1,371,747	2,567,832
Current Liabilities			
Accounts payable		5,600	260,948
Unearned revenue			
Employee entitlements			
Other current liabilities			
Total Current Liabilities		5,600	260,948
Non-Current Liabilities			
Employee entitlements			
Other non-current liabilities		-	
Total Non-Current Liabilities		-	
Total Liabilities		5,600	260,948
TOTAL ASSETS LESS TOTAL LIABILITIES		1,366,747	2,306,884
NET WORTH			
Contributed capital		801,820	3,120,724
Asset revaluation reserve			
Accumulated surpluses		564,927	(813,840)
Total Net Worth		1,366,747	2,306,884

**CAYMAN ISLANDS NATIONAL MUSEUM
FORECAST STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING 30 JUNE 2010**

	Note	2009/10 Budget	2008/9 Estimated Actual
		\$0	\$0
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Outputs to Cabinet		801,820	853,000
Outputs to other government agencies			
Outputs to others		376,220	206,044
Interest received			
Payments			
Personnel costs		(482,923)	(449,944)
Suppliers		(708,329)	(472,152)
Other payments			(39,000)
Changes in operating assets & liabilities			9,628
Net cash flows from operating activities		<u>(13,212)</u>	<u>56,396</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current assets		0	-
Proceeds from sale of non-current assets		-	-
Net cash flows from investing activities		<u>0</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Equity investment		0	-
Repayment of surplus			
Insurance Proceeds		-	-
Net cash flows from financing activities		<u>0</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		<u>(13,212)</u>	<u>56,396</u>
Cash and cash equivalents at beginning of period		<u>878,016</u>	<u>1,648,204</u>
Cash and cash equivalents at end of period	4	<u>(13,212)</u>	<u>1,704,600</u>

Appendix:

THE CAYMAN ISLANDS NATIONAL MUSEUM

Vision Statement

- Cultivate pride and celebrate Caymanian cultural heritage and natural history by educating Caymanians, residents and visitors of all ages about the uniqueness and commonalities of the three Cayman Islands
- Nurture children to become the caretakers and architects of Caymanian culture and the natural history of the Cayman Islands
- Present the many voices of the people of the Cayman Islands in order to reflect the Islands' diverse cultures and cultural values
- Participate in an honest and open dialogue with community and visitors
- Synthesise and present the diverse influences impacting Caymanian culture including the natural history, prehistoric and early historic eras, as well as contemporary issues
- Aid the inevitable evolution of Caymanian society by helping people to understand the importance of interpreting cultural values and beliefs in order to make decisions for the future

BUDGET 2009/10

Ownership Agreement

Between

**The Cabinet of the
Cayman Islands Government**

and

The Cayman Islands Stock Exchange Ltd.

For the year ending 30 June 2010

Contents

1. Purpose
2. Nature and Scope of Activities
3. Strategic Goals and Objectives
4. Ownership Performance Targets
5. Summarised Forecast Financial Statements
6. Other Financial Information
7. Agreement
8. Appendix: Forecast Financial Statements

1. Purpose

This Ownership Agreement documents the ownership performance that the Cabinet and the Board of *The Cayman Islands Stock Exchange Ltd.* have agreed that *The Cayman Islands Stock Exchange Ltd.* will seek to achieve during the 2009/10 financial year.

The purpose of the document is to ensure that the ownership performance expectations for the year are clearly specified and agreed by both parties.

2. Nature and Scope of Activities

This section outlines the nature and scope of activities within which *The Cayman Islands Stock Exchange Ltd.* is to operate during the year.

General Nature of Activities

The Cayman Islands Stock Exchange Ltd. activities involve establishing and operating a securities market for the listing and trading of securities in the Cayman Islands.

Scope of Activities

The scope of *The Cayman Islands Stock Exchange Ltd.* activities is as follows:

- Operation of the Exchange for the trading of securities, including the operation of an electronic trading platform and related trading and clearance tracking processes and the operation of a crossing market.
- Admission of persons (brokers) as Exchange members.
- Listing of securities on the Exchange and the appointment of Listing Agents.
- Regulate listed issuers and broker members through the establishment and monitoring of Listing Rules and Membership Rules.
- Promote listing, membership and use of the Exchange.

Customers and Location of Activities

The services provided by *The Cayman Islands Stock Exchange Ltd.* are provided only in the Cayman Islands.

3. Strategic Goals and Objectives

The key strategic goals and objectives (from an ownership perspective) for *The Cayman Islands Stock Exchange Ltd.* for the 2009/10 financial year are as follows:

- Continue the development and implementation of a strategy for maintaining a sustainable growth in CSX listings.
- Examine eligibility and suitability of applications for admission to listing within the targeted turnaround times and approve those applications that comply with the requirements of the listing rules.
- Examine eligibility and suitability of applications made to the CSX for authorisation of listing agents and broker members and grant such authorisation to listing agents and broker members who meet the eligibility criteria set out in the listing and membership rules.
- Monitor compliance of listed issuers with continuing obligations of the CSX and regulate conduct of broker members and listing agents.
- Monitor all price movements in CSX listed securities in accordance with its membership rules.
- Continue providing the crossing market services for transaction reporting by the CSX broker members authorised for that purpose.
- Progress as far as possible in the field of achieving recognitions by international regulatory bodies.
- Provide exclusive CUSIP numbering agency services for issuing CUSIP/ISIN numbers to issuers and securities registered in the Cayman Islands and the British Virgin Islands.
- Continue encouraging Caymanian employees' progression through sponsorship and training programmes.

4. Ownership Performance Targets

The ownership performance targets (as specified in schedule 5 to the Public Management and Finance Law (2005 Revision) for *The Cayman Islands Stock Exchange Ltd.* for the 2009/10 financial year are as follows.

The actual figures included below are based on a 12 month operating period to September 30, 2009.

Financial Performance

Financial Performance Measure	2009/10 Target \$	2008/9 Estimated Actual \$
Revenue from Cabinet	0	0
Revenue from ministries, portfolios, statutory authorities and government companies	0	0
Revenue from other persons or organisations	1,422,533	1,563,844
Surplus/deficit from outputs	0	0
Other expenses	1,234,671	1,255,428
Net Surplus/Deficit	187,862	308,416
Total Assets	1,391,431	1,444,000
Total Liabilities	157,556	166,674
Net Worth	1,233,876	1,277,326
Cash flows from operating activities	254,776	439,242
Cash flows from investing activities	(5,000)	(21,353)
Cash flows from financing activities	(231,312)	(497,426)
Change in cash balances	18,464	(79,537)

Financial Performance Ratio	2009/10 Target %	2008/9 Estimated Actual %
Current Assets: Current Liabilities	9:1	8:1
Total Assets: Total Liabilities	9:1	9:1

Maintenance of Capability

Human Capital Measures	2009/10 Target \$	2008/9 Estimated Actual \$
Total full time equivalent staff	8	8
Staff turnover (%)	(Nil)	(Nil)
Average length of service (Number) Senior management Professional staff Administrative staff	5.98 years 6.12 years 6.72 years	4.98 years 5.12 years 5.72 years
Significant changes to personnel management system	None	None

Physical Capital Measures	2009/10 Target \$	2008/9 Estimated Actual \$
Value of total assets	29,020	43,873
Asset replacements: total assets	0	0
Book value of depreciated assets: initial cost of those assets	0.03:1	0.03:1
Depreciation: Cash flow on asset purchases	0	0
Changes to asset management policies	0	0

Major Capital Expenditure Projects	2009/10 Target \$
None	N/A

Risk Management

Key risks	Change in status from previous year	Actions to manage risk	Financial value of risk
Loss of key personnel	Risk unchanged	Creating incentives to retain such personnel	Unquantifiable
Loss of international reputation	Risk increased proportionally as Exchange has grown in size and trading activity increases	Active programme to maintain reputation including management of suitability of applications for listing, monitoring of ongoing compliance with listing rules and gaining and maintaining international recognitions	Potentially equal to the total assets of the Exchange
Loss of listed issuers	Risk reduced due to attempts to diversify and as Exchange has grown substantially and is becoming less and less dependent on individual issuers	Establishment and maintenance of relationships with issuers and programme of diversification	Loss of turnover
Loss of crossing market	Risk unchanged	Programme of diversification into different business activities	Loss of turnover
Inability to obtain international recognitions	Risk unchanged due to relevant jurisdictional issues affecting Exchange business	Active programme to persuade international regulatory bodies to grant recognitions and diversification into different geographical markets	Unquantifiable
Loss of CUSIP agency	Risk unchanged	Programme of diversification into different business activities	Loss of turnover

5. Summarised Forecast Financial Statements

A full set of forecast financial statements for *The Cayman Islands Stock Exchange Ltd.* is provided in the Appendix to this Ownership Agreement.

A summary of those forecasts is as follows:

Operating Statement	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Revenue	1,422,533	1,563,844
Operating Expenses	1,234,671	1,255,428
<i>Net Surplus/Deficit</i>	<i>187,862</i>	<i>308,416</i>

Balance Sheet	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Assets	1,391,431	1,444,000
Liabilities	157,556	166,674
<i>Net Worth</i>	<i>1,233,876</i>	<i>1,277,326</i>

Statement of Cash Flows	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Net cash flows from operating activities	254,776	439,242
Net cash flows from investing activities	(5,000)	(21,353)
Net cash flows from financing activities	18,464	(79,537)

6. Other Financial Information

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

Transaction	Amount for 2009/10 \$
Equity Investments into <i>The Cayman Islands Stock Exchange Ltd</i>	Nil
Capital Withdrawals from <i>The Cayman Islands Stock Exchange Ltd</i>	Nil
Dividend or Profit Distributions to be made by <i>The Cayman Islands Stock Exchange Ltd</i>	231,312
Government Loans to be made to <i>The Cayman Islands Stock Exchange Ltd</i>	Nil
Government Guarantees to be issued in relation to <i>The Cayman Islands Stock Exchange Ltd</i>	Nil
Related Party Payments (Non Remuneration) made to Key Management Personnel ¹⁴	Nil
Remuneration ¹⁵ Payments made to Key Management Personnel	452,157
Remuneration Payments made to Senior Management	452,157

	Number for 2009/10
No of Key Management Personnel	3
No of Senior Management	3

¹⁴ Key Management Personnel as defined by International Public Accounting Standards No 20, eg Minister, Board Member and Senior Management Team

¹⁵ Remuneration as defined by International Public Accounting Standards No 20 Par 34(a)

7. Agreement

Scope of this Agreement

In signing this document:

- *The Cayman Islands Stock Exchange Ltd* undertakes to seek to achieve the performance specified in sections 2 to 6 to the best of its ability; and
- The Cabinet agrees to the performance specified in sections 2 to 5 and the financial transactions specified in section 6.

Procedures for Changing this Ownership Agreement

Changes to this Ownership Agreement may be made during the year only with the express and explicit agreement of both parties to the Agreement.

Changes will be made in the following way:

- If either party wish to change the specification of performance contained in this Ownership Agreement, they must notify the other in writing describing the changes that they wish to make.
- The other party will take no more than 15 working days to consider the proposed amendments, or such other time as the two parties may agree.
- The other party will respond to the other about the proposed amendments and negotiate appropriate changes that are agreeable to both parties.
- The Parties will sign the amended Ownership Agreement.
- The amended Ownership Agreement will be attached to, and form part of, this Agreement.

Agreement

We jointly agree that this Ownership Agreement accurately documents the ownership performance that *The Cayman Islands Stock Exchange Ltd.* will seek to achieve for the 2009/10 financial year and that the Cabinet will monitor performance against.

Hon. W. McKeever Bush, OBE, JP
Minister of Financial Services, Tourism and Development
on behalf of the Cabinet

Chairman of the Board
The Cayman Islands Stock Exchange Ltd.

September 30, 2009

Appendix: Forecast Financial Statements

**THE CAYMAN ISLANDS STOCK EXCHANGE LTD
STATEMENT OF RESPONSIBILITY FOR FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

These Forecast Financial Statements have been prepared in accordance with the provisions of the Public Management and Finance Law (2005 Revision).

The Board accepts responsibility for the accuracy and integrity of the financial information in these financial statements.

To the best of our knowledge the forecast financial statements are:

- (a) complete and reliable;
- (b) fairly reflect the forecast financial position as at 30 June 2010 and performance for *The Cayman Islands Stock Exchange Ltd* for the year ended 30 June 2010
- (c) comply with generally accepted accounting practice.

**Chairman of the Board
The Cayman Islands Stock Exchange**

September 30, 2009

**THE CAYMAN ISLANDS STOCK EXCHANGE LTD
OPERATING STATEMENT
FOR THE YEAR ENDING 30 JUNE 2010**

	Note	2009/10 Budget
<i>Non-Coercive Revenue</i>		
Sale of Outputs to Cabinet	2	0
Sale of Outputs (Goods & Services) to Ministries/Portfolios, Public Authorities	2	0
Sale of Outputs (goods and services) to Others	2	1,422,533
Investment revenue	3	0
Donations		0
Other operating revenue		0
Total Non-Coercive Revenue		<u>1,422,533</u>
Total Operating Revenue		<u>1,422,533</u>
 <i>Operating Expenses</i>		
Personnel costs	5	805,000
Supplies and consumables	6	409,818
Depreciation	7	19,853
Total Operating Expenses		<u>1,234,671</u>
		 <u>187,862</u>
<i>Surplus from Operating Activities</i>		
Financing expense	8	0
(Gains)/losses on foreign exchange transactions	9	0
(Gains)/losses on disposal or revaluation of non current assets	10	0
Total Non-Operating Revenue and Expenses		<u>0</u>
		 <u>187,862</u>
Net Surplus/(Deficit)		<u>187,862</u>

**THE CAYMAN ISLANDS STOCK EXCHANGE LTD
STATEMENT OF CHANGES IN NET WORTH
FOR THE YEAR ENDING 30 JUNE 2010**

	2009/10 Budget
Opening balance net worth	1,277,326
Net Surplus	187,862
Property revaluations	0
Net revaluations during the period	<u>0</u>
Total recognised revenues and expenses	<u>1,465,188</u>
Equity Contributions	0
Capital Withdrawal/Repayment of Surplus	<u>-231,312</u>
Closing balance net worth	<u>1,233,876</u>

THE CAYMAN ISLANDS STOCK EXCHANGE LTD
BALANCE SHEET
AS AT 30 JUNE 2010

	Note	2009/10 Budget
Current Assets		
Cash and cash equivalents	11	1,068,972
Marketable securities and deposits	12	0
Accounts receivable	13	293,439
Inventories	14	0
Other current assets	15	0
Total Current Assets		<u>1,362,411</u>
Non-Current Assets		
Loans		0
Other investments	16	0
Property, plant and equipment	17	29,020
Other non-current assets	18	0
Total Non-Current Assets		<u>29,020</u>
Total Assets		<u>1,391,431</u>
Current Liabilities		
Accounts payable	19	109,158
Unearned revenue	20	0
Employee entitlements	21	48,398
Other current liabilities	22	0
Borrowings	25	0
Total Current Liabilities		<u>157,556</u>
Non-Current Liabilities		
Employee entitlements	23	0
Unfunded Pension liability	24	0
Borrowings	25	0
Currency issued		0
Other non-current liabilities	26	0
Total Non-Current Liabilities		<u>0</u>
Total Liabilities		<u>157,556</u>
TOTAL ASSETS LESS TOTAL LIABILITIES		<u>1,233,876</u>
NET WORTH		
Contributed Capital		-59,386
Asset revaluation reserve		0
Accumulated surpluses	27	1,293,262
Total Net Worth		<u>1,233,876</u>

**THE CAYMAN ISLANDS STOCK EXCHANGE LTD
CASH FLOW STATEMENT
FOR THE YEAR ENDING 30 JUNE 2010**

**Note 2009/10
Budget**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts

Sale of Outputs to Cabinet	0
Sale of Outputs (Goods & Services) to Ministries/Portfolios, Public Authorities	0
Sale of Outputs (goods and services) to Others	1,479,768
Interest received	0
Other receipts	0

Payments

Personnel costs	(802,695)
Suppliers	(422,297)
Interest paid	0
Other payments	0

Net cash flows from operating activities **28** **254,776**

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of non-current assets	(5,000)
Purchase of investments	0
Proceeds from sale of non-current assets	0
Proceeds from sale of investments	0

Net cash flows from investing activities **(5,000)**

CASH FLOWS FROM FINANCING ACTIVITIES

Equity Contributions	0
Repayment of Surplus	(231,312)
Proceeds from borrowings	0
Repayment of borrowings	0

Net cash flows from financing activities **(231,312)**

Net increase/(decrease) in cash and cash equivalents **18,464**

Cash and cash equivalents at beginning of period 1,050,508

Cash and cash equivalents at end of period **9** **1,068,972**

**THE CAYMAN ISLANDS STOCK EXCHANGE LTD
NOTES TO THE FORECASTED FINANCIAL STATEMENTS**

NOTE 2. GOODS AND SERVICES (INCLUDING FEES AND CHARGES)

Fees and Charges

Other Fees	0
Total Fees and Charges	<u>0</u>

General Sales

Other Sales	1,422,533
Total Sales of Goods	<u>1,422,533</u>

Rentals

Rentals - Other Properties	0
Total Rentals	<u>0</u>

Other

Sales of Outputs to Cabinet	0
Total Other Goods & Services Revenue	<u>0</u>

Other Interdepartmental Revenue

Sales of Outputs to Ministries, Portfolios, Statutory Authorities and Public Companies	0
Total Other Interdepartmental Revenue	<u>0</u>

Total Goods and Services	<u><u>1,422,533</u></u>
---------------------------------	-------------------------

NOTE 3. INVESTMENT REVENUE

Interest Marketable Securities, Deposits and Cash	0
Interest on Loans Made	0
Royalties	0
Total Investment Revenue	<u>0</u>

NOTE 4. OPERATING EXPENSES BY FUNCTION

Operating Expenses

General government services	0
Public order and safety	0
Education	0
Environmental protection	0
Health	0
Fuel and energy	0
Social security and welfare	0
Housing and community amenities	0
Recreational, cultural and religious	0

THE CAYMAN ISLANDS STOCK EXCHANGE LTD
NOTES TO THE FORECASTED FINANCIAL STATEMENTS

Transportation and communication	0
Other economic affairs	<u>1,234,671</u>
Total Operating Expenses	<u><u>1,234,671</u></u>

NOTE 5. PERSONNEL COSTS

Personnel Costs

Salaries, wages, allowances & employee pension contribution	805,000
Employer pension expense	0
Other personnel related expenses	0
Movement in leave provision expense	0
Movement in unfunded pension liability	<u>0</u>
Total Personnel Costs	<u><u>805,000</u></u>

NOTE 6. SUPPLIES AND CONSUMABLES

Supplies and Consumables	162,085
Purchase of services	162,433
Operating lease rentals	70,000
Other Supplies and Consumables	<u>15,300</u>
Total Supplies and Consumables	<u><u>409,818</u></u>

NOTE 7. DEPRECIATION

Buildings	0
Roads and sidewalks	0
Water reticulation and sewage	0
Other Infrastructure assets	0
Vehicles	0
Aeroplanes	0
Boats	0
Furniture and fittings	19,853
Computer hardware	0
Computer software	0
Office equipment	0
Plant and equipment	0
Other assets	0
Total	<u><u>19,853</u></u>

Assets are depreciated on a straight line basis as follows:

Buildings
Infrastructure assets

Roads and sidewalks
 Water reticulation and sewage
THE CAYMAN ISLANDS STOCK EXCHANGE LTD
NOTES TO THE FORECASTED FINANCIAL STATEMENTS

Other (list separately if material)
 Vehicles
 Aeroplanes
 Boats
 Furniture and fittings
 Computer hardware and software
 Computer Software
 Office equipment
 Other plant and equipment
 Other assets

NOTE 8. FINANCING EXPENSE

Interest on Borrowing	0
Interest on Bank Overdraft	0
Other financing expense	0
Total Financing Expense	<u>0</u>

NOTE 9. GAINS/LOSSES ON FOREIGN EXCHANGE TRANSACTIONS

<i>Gains/Losses on Foreign Exchange Transactions</i>	
List separately if material	0
Total Gains/Losses on Foreign Exchange Transactions	<u>0</u>

NOTE 10. GAINS/LOSSES ON DISPOSAL NON CURRENT ASSETS

<i>Gains/Losses on Disposal Non-current Assets</i>	
Overall loss on disposal of assets	0
Total Gains/Losses on Disposal Non-current Assets	<u>0</u>

NOTE 11. CASH AND CASH EQUIVALENTS

Cash on hand (including petty cash)	1,068,972
Bank accounts	0
Bank overdrafts	0
Short Term Deposits including call accounts (up to 90days)	0
Other cash or cash equivalents	0
Total Cash and Cash Equivalents	<u>1,068,972</u>

NOTE 12. MARKETABLE SECURITIES AND DEPOSITS

Fixed deposits (90 to 360 days)	0
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Other Marketable Securities and Deposits 0

THE CAYMAN ISLANDS STOCK EXCHANGE LTD
NOTES TO THE FORECASTED FINANCIAL STATEMENTS

NOTE 13. ACCOUNTS RECEIVABLE

Sale of Outputs to Cabinet	0
Sale of Outputs (Goods & Services) to Ministries/Portfolios, SAs & GCs	0
Sale of Outputs (goods and services) to Others	271,277
Overseas medical advances	0
Asset sales	0
Prepayments	22,162
Other Accounts Receivable	0
Total Gross	293,439
Less provision for doubtful debts	0
Total Net Accounts Receivable	293,439

Accounts receivable maturity schedule

Not later than one year	293,439
Later than one year and not later than 2 Years	
Later than 2 Years and not later than 5 Years	
Later than 5 Years	
Total	293,439

NOTE 14. INVENTORIES

Consumable Stores	0
Other Inventories for use within one year	0
Total Inventories	0

NOTE 15. OTHER CURRENT ASSETS

Loans Made (due within 12 months)	0
Current investments	0
Other	0
Total Other Current Assets	0

NOTE 16. OTHER INVESTMENTS

Fixed deposits (over one year)	0
Investments in Equities	0
Other Long Term Investments	0
Total Other Investments	0

NOTE 17. PROPERTY, PLANT AND EQUIPMENT

Cost or Opening Valuation

Land	0
Buildings	0

THE CAYMAN ISLANDS STOCK EXCHANGE LTD
NOTES TO THE FORECASTED FINANCIAL STATEMENTS

NOTE 17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Roads & Sidewalks	0
Water Reticulation and Sewerage	0
Other Infrastructure assets	0
Vehicles	0
Aeroplanes	0
Boats	0
Furniture & Fittings	0
Computer hardware	0
Computer software	0
Office equipment	48,873
Plant and equipment	0
Other assets	0
Work/Construction in Progress	0
Total Cost or Valuation	48,873

Accumulated Depreciation

Buildings	0
Roads and sidewalks	0
Water reticulation and sewage	0
Other Infrastructure assets	0
Vehicles	0
Aeroplanes	0
Boats	0
Furniture and fittings	0
Computer hardware	0
Computer software	0
Office equipment	19,853
Plant and equipment	0
Other assets	0
Total Depreciation	19,853

Net Book Value

Land	0
Buildings	0
Roads and sidewalks	0
Water reticulation and sewage	0
Other Infrastructure assets	0
Vehicles	0
Aeroplanes	0
Boats	0
Furniture and fittings	0
Computer hardware	0
Computer software	0

Office equipment	29020
Plant and equipment	0
Other assets	0

THE CAYMAN ISLANDS STOCK EXCHANGE LTD
NOTES TO THE FORECASTED FINANCIAL STATEMENTS

NOTE 17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Work in Progress	0
Total Net Book Value	<u>29,020</u>

NOTE 18. OTHER NON-CURRENT ASSETS

Accounts Receivable due after one year	0
Inventories for use after one year	0
Other	0
Total Other Non-Current Assets	<u>0</u>

NOTE 19. ACCOUNTS PAYABLE

Creditors	0
Operating lease rental	0
Accrued Expenses (short term portion)	0
Other Accounts Payable	109,158
Total Accounts Payable	<u>109,158</u>

NOTE 20. UNEARNED REVENUE

Income received in advance	0
Other Unearned Revenue	0
Total Unearned Revenue	<u>0</u>

NOTE 21. EMPLOYEE ENTITLEMENTS (CURRENT)

Long service leave and other leave entitlements	48,398
Other salary related entitlements	0
Total Employee Entitlements	<u>48,398</u>

NOTE 22. OTHER CURRENT LIABILITIES

Provisions	0
Unfunded Pension liability	0
Other	0
Total Other Current Liabilities	<u>0</u>

NOTE 23. EMPLOYEE ENTITLEMENTS (NON-CURRENT)

Long service leave and other leave entitlements	0
---	---

Other salary related entitlements	0
Total Non-Current Employee Entitlements	0

**NOTE 24. UNFUNDED PENSION LIABILITY (NON-CURRENT)
THE CAYMAN ISLANDS STOCK EXCHANGE LTD
NOTES TO THE FORECASTED FINANCIAL STATEMENTS**

NOTE 24. UNFUNDED PENSION LIABILITY (NON-CURRENT) Continued

Defined Benefit Liability	0
Defined Contribution Liability	0
Total Unfunded Pension Liability	0

NOTE 25. BORROWINGS

**Maturity profile as at 30 JUNE Year at Book Values
Outstanding Debt**

Local Currency Debt

Not later than one year	0
Between one and two years	
Between two and five years	
Later than five Years	0
Total Local Currency Debt	0

Foreign Currency Debt (state in \$CI)

Not later than one year	
Between one and two years	
Between two and five years	
Later than five years	
Total Foreign Currency Debt	0
Total Outstanding Debt	0

NOTE 26. OTHER NON-CURRENT LIABILITIES

Creditors (Term portion)	0
Unearned revenue (Term portion)	0
Other	0
Total Other Non-Current Liabilities	0

NOTE 27. ACCUMULATED SURPLUS

General Reserve	1,293,262
Total Accumulated Surplus	1,293,262

NOTE 28. Net Gains/(Losses) from destroyed assets

Insurance proceeds from damaged assets

NBV from destroyed assets	
Net Gains/(Losses) from destroyed assets	<u><u>0</u></u>

**THE CAYMAN ISLANDS STOCK EXCHANGE LTD
NOTES TO THE FORECASTED FINANCIAL STATEMENTS**

**NOTE 30. RECONCILIATION OF OPERATING SURPLUS TO CASH FLOWS
FROM OPERATING ACTIVITIES**

Operating surplus/(deficit)	187,862
Non-cash movements	
Depreciation	19,853
Increase in provision for doubtful debts	0
Increase in payables/accruals	-11,423
Net gain/loss from sale of fixed assets	0
Net gain/loss from sale of investments	0
Increase in other current assets	0
Increase in investments due to revaluation	0
Increase in receivables	<u>56,180</u>
Net cash flows from operating activities	<u><u>252,471</u></u>

BUDGET 2009/10

Ownership Agreement

Between

**The Cabinet of the Cayman Islands
Government**

and

Cayman National Cultural Foundation

For the year ending 30 June 2010

Contents

1. Purpose
2. Nature and Scope of Activities
3. Strategic Goals and Objectives
4. Ownership Performance Targets
5. Summarised Forecast Financial Statements
6. Other Financial Information
7. Agreement
8. Appendix: Forecast Financial Statements

1. Purpose

This Ownership Agreement documents the ownership performance that the Cabinet and the Board of *Cayman National Cultural Foundation* have agreed that *Cayman National Cultural Foundation* will seek to achieve during the 2009/10 financial year.

The purpose of the document is to ensure that the ownership performance expectations for the year are clearly specified and agreed by both parties.

2. Nature and Scope of Activities

This section outlines the nature and scope of activities within which *Cayman National Cultural Foundation* is to operate during the year.

General Nature of Activities

The Cayman National Cultural Foundation's mission is to stimulate, facilitate and preserve cultural and artistic expression generally, particularly the preservation and exploration of Caymanian performing, visual and literary arts.

Scope of Activities

The *Cayman National Cultural Foundation's* scope of activities is as follows:

- The stimulation and facilitation of culture generally;
- The development, maintenance and management of theatres and other cultural facilities, in particular the F J Harquail Cultural Centre;
- Organising cultural festivals;
- Stimulation of the development of local talent by means of training, workshops, competitions, exhibitions, pageants, parades, displays and other such activities;
- Assisting persons in developing cultural and artistic expression, including the preservation and exploration of Caymanian cultural heritage.

Customers and Location of Activities

The services provided by the *Cayman National Cultural Foundation* are provided to the community of the Cayman Islands.

3. Strategic Goals and Objectives

The key strategic goals and objectives (from an ownership perspective) for the 2009/10 financial year are as follows:

- Raise the profile and standards of CNCF's contributions to cultural development and the arts, and increase opportunities for participation in its work and programmes by the general populace and visitors over a 5- year period.
- Actively participate in and support regional and international initiatives that promote and respect cultural diversity so as to significantly raise the regional and international profile of the arts and culture of the Cayman Islands.
- Develop a disaster response and recovery plan to ensure adequate protection is provided for CNCF relevant documents, products, collections and physical plant.
- Advocate for and facilitate the development of effective partnerships with other cultural groups and Government, to pool information and resources and identify national priorities for culture and the arts.
- Promote and defend the artist's right to create and express freely, within the boundaries of the laws of the country.

4. Ownership Performance Targets

The ownership performance targets (as specified in schedule 5 to the Public Management and Finance Law (2005 Revision) for *Cayman National Cultural Foundation* for the 2009/10 financial year are as follows.

Financial Performance

Financial Performance Measure	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Revenue from Cabinet	711,486	790,540
Revenue from ministries, portfolios, statutory authorities and government companies	-	70,000
Revenue from other persons or organisations	262,607	164,218
Surplus/deficit from outputs	-	-
Other expenses	974,093	1,024,758
Net Surplus/Deficit	-	-
Total Assets	0	3,804,859
Total Liabilities	0	109,769
Net Worth	0	3,695,090
Cash flows from operating activities	0	50,770
Cash flows from investing activities	-	-
Cash flows from financing activities	-	-
Change in cash balances	0	50,770

Financial Performance Ratio	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Current Assets: Current Liabilities	19:1	4:1
Total Assets: Total Liabilities	95:1	35:1

Maintenance of Capability

Human Capital Measures	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Total full time equivalent staff	6	6
Staff turnover (%)	0%	0%
Average length of service (Number)		
Senior management	19	18
Professional staff	3	2
Administrative staff	2	1
Significant changes to personnel management system	None	None

Physical Capital Measures	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Value of total assets	3,804,859	3,804,859
Asset replacements: total assets	Not available	Not available
Book value of depreciated assets: initial cost of those assets	-	-
Depreciation: Cash flow on asset purchases	-	-
Changes to asset management policies	None	None

Major Capital Expenditure Projects	2009/10 Target
	\$
	-

Risk Management

Key risks	Change in status from previous year	Actions to manage risk	Financial value of risk
Loss or damage to the Theatrical Equipment and Building Fire Hurricane or Severe Storm	No No	Sufficient fire extinguishers that are regularly serviced. Annual hurricane preparedness exercises Removal and safe storage of Equipment when a hurricane is approaching Continuous internal and external building maintenance Regular pest control management	Replacement or restoration of items lost or damaged as a result of the event Replacement or restoration of items lost or damaged as a result of the event Continue to implement planned action.

5. Summarised Forecast Financial Statements

A full set of forecast financial statements for Cayman National Cultural Foundation is provided in the Appendix to this Ownership Agreement.

A summary of those forecasts is as follows:

Operating Statement	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Revenue	974,093	1,024,758
Operating Expenses	974,093	1,024,758
<i>Net Surplus/Deficit</i>	0	0

Balance Sheet	As at 30 June 2010	As at 30 June 2009
	\$	\$
Assets	0	3,804,859
Liabilities	0	109,769
<i>Net Worth</i>		3,695,090

Statement of Cash Flows	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Net cash flows from operating activities	54,451	50,770
Net cash flows from investing activities	-	-
Net cash flows from financing activities	-	-

6. Other Financial Information

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

Transaction	Amount for 2009/10 \$
Equity Investments into Cayman National Cultural Foundation	Nil
Capital Withdrawals from Cayman National Cultural Foundation	Nil
Dividend or Profit Distributions to be made by Cayman National Cultural Foundation	Nil
Government Loans to be made to Cayman National Cultural Foundation	Nil
Government Guarantees to be issued in relation to Cayman National Cultural Foundation	Nil
Related Party Payments (Non Remuneration) made to Key Management Personnel ¹⁶	None
Remuneration ¹⁷ Payments made to Key Management Personnel	165,489
Remuneration Payments made to Senior Management	229,105

	Number for 2009/10
No of Key Management Personnel	2
No of Senior Management	3

¹⁶ Key Management Personnel as defined by International Public Accounting Standards No 20, eg Minister, Board Member and Senior Management Team

¹⁷ Remuneration as defined by International Public Accounting Standards No 20 Par 34(a)

7. Agreement

Scope of this Agreement

In signing this document:

- *Cayman National Cultural Foundation* undertakes to seek to achieve the performance specified in sections 2 to 6 to the best of its ability; and
- The Cabinet agrees to the performance specified in sections 2 to 5 and the financial transactions specified in section 6.

Procedures for Changing this Ownership Agreement

Changes to this Ownership Agreement may be made during the year only with the express and explicit agreement of both parties to the Agreement.

Changes will be made in the following way:

- If either party wish to change the specification of performance contained in this Ownership Agreement, they must notify the other in writing describing the changes that they wish to make.
- The other party will take no more than 15 working days to consider the proposed amendments, or such other time as the two parties may agree.
- The other party will respond to the other about the proposed amendments and negotiate appropriate changes that are agreeable to both parties.
- The Parties will sign the amended Ownership Agreement.
- The amended Ownership Agreement will be attached to, and form part of, this Agreement.

Agreement

We jointly agree that this Ownership Agreement accurately documents the ownership performance that *Cayman National Cultural Foundation* will seek to achieve for the 2009/10 financial year and that the Cabinet will monitor performance against.

Hon. Mark Scotland
Ministry of Health, Environment, Youth, Sports and Culture
on behalf of Cabinet

Chairman of the Board
Cayman National Cultural Foundation

September 30, 2009

BUDGET 2009/10

Ownership Agreement

Between

**The Cabinet of the Cayman Islands
Government**

and

Cayman Turtle Farm (1983) Ltd

For the year ending 30 June 2010

Contents

1. Purpose
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4. Ownership Performance Targets
5. Summarised Forecast Financial Statements
6. Other Financial Information
7. Agreement
8. Appendix: Forecast Financial Statements

1. Purpose

This Ownership Agreement documents the ownership performance that the Cabinet and the Board of Cayman Turtle Farm (1983) Ltd have agreed that Cayman Turtle Farm (1983) Ltd will seek to achieve during the 2009/10 financial year.

The purpose of the document is to ensure that the ownership performance expectations for the year are clearly specified and agreed by both parties.

2. Nature and Scope of Activities

This section outlines the nature and scope of activities within which is to operate during the year.

General Nature of Activities

The Cayman Turtle Farm (1983) Ltd activities involve the rearing of marine turtles both for conservation reasons, as well as the supply of turtle meat to the resident population. The farm also doubled as a tourist attraction, including a gift shop. As of fiscal year, 2004, the Boatswains Beach project increased the scope of operations to that of a theme park, boasting an artificial saltwater and freshwater lagoon and a restaurant.

Scope of Activities

The scope of Cayman Turtle Farm (1983) Ltd activities is as follows:

- Conservation of Marine Turtles,
- Sale of turtle meat to the local population,
- Operation of a theme park-styled tourist attraction,
- Operation of a gift-shop,
- Operation of a deli and a restaurant, and
- Leasing of space to retail shops and another marine park facility.

Customers and Location of Activities

The services provided by Cayman Turtle Farm (1983) Ltd are provided are mainly to tourists, as well as residents. All services are provided in Grand Cayman.

3. Strategic Goals and Objectives

The key strategic goals and objectives (from an ownership perspective) for The Cayman Turtle Farm (1983) Ltd for the 2009/10 financial year are as follows:

Turtle Herd

- Increase hatchling by 250%
- Reduce hatchling mortality rate by 20%
- Grow herd by approximately 1,000 turtles

Turtle Meat production

- Maintain production at 1,000 lbs live weight per day, 4 days per week
- Reduce herd weight by 134,500 lbs
- Secure a pricing structure that would cover turtle meat production cost (33%)

Tours

- Increase in guest traffic by 20%
- Increasing the ratio of guests purchasing the full Boatswains Beach tour to Turtle Farm tours from 1:9 to 1:4.

4. Ownership Performance Targets

The ownership performance targets (as specified in schedule 5 to the Public Management and Finance Law (2005 Revision) for Cayman Turtle Farm (1983) Ltd for the 2009/10 financial year are as follows.

Financial Performance

Financial Performance Measure	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Revenue from Cabinet	0	0
Revenue from ministries, portfolios, statutory authorities and government companies	0	0
Revenue from other persons or organisations	6,644,626	5,099,294
Surplus/deficit from outputs	(5,142,378)	(5,820,298)
Other expenses	5,941,818	4,805,762
Net Surplus/Deficit	(11,084,196)	(10,260,060)
Total Assets	35,831,727	40,583,122
Total Liabilities	51,056,708	53,723,907
Net Worth	(15,224,981)	(13,140,785)
Cash flows from operating activities	(7,312,196)	(6,798,084)
Cash flows from investing activities	(918,399)	(210,251)
Cash flows from financing activities	5,594,802	7,215,078
Change in cash balances	(2,635,792)	206,743

Financial Performance Ratio	2009/10 Target	2008/9 Estimated Actual
Current Assets: Current Liabilities	2.55%	3.17%
Total Assets: Total Liabilities	71%	76%

Maintenance of Capability

Human Capital Measures	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Total full time equivalent staff	133	122
Staff turnover (%)	5%	5%
Average length of service (Number)		
Senior management	5	8
Professional staff	5	5
Administrative staff	6	6
Significant changes to personnel management system		

Physical Capital Measures	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Value of total assets	36,169,727	40,583,122
Asset replacements: total assets	2.6%	1.12%
Book value of depreciated assets: initial cost of those assets	78%	83%
Depreciation: Cash flow on asset purchases	3:1	7:1
Changes to asset management policies		

Major Capital Expenditure Projects	2009/10 Target
	\$
810 KW Site Generator Housing Replacement	46,712
Works to obtain ALSS Water Authority Permits	50,000
ALSS upgrades	55,000
Repair Aviary Mesh	20,000
Canopy for Restaurant	90,000
BCU Works Completion	97,619
Fish replenishment	100,000
Turtle Farm Discharge Nutrient Reduction - project commencement	288,000

Risk Management

Key risks	Change in status from previous year	Actions to manage risk	Financial value of risk
Insufficient cash flows to service debts	increased	Obtained equity injection from Cabinet to ensure bond payments made; Aggressive sales strategies to increase cash flows;	Undefined. Places going concern risk on operations
Not securing regulatory permits for discharge of nutrients into the natural environment	decreased	Obtained temporary discharge permit, engaged consultants to prepare proposed solution;	Undefined; presents a going concern risk.

5. Summarised Forecast Financial Statements

A full set of forecast financial statements for Cayman Turtle Farm (1983) Ltd. is provided in the Appendix to this Ownership Agreement.

A summary of those forecasts is as follows.

Operating Statement	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Revenue	6,646,626	5,099,294
Operating Expenses	17,730,822	15,725,354
<i>Net Surplus/Deficit</i>	-11,084,196	-10,626,060

Balance Sheet	As at 30 June 2010	As at 30 June 2009
	\$	\$
Assets	35,831,727	40,583,122
Liabilities	51,056,708	53,723,907
<i>Net Worth</i>	-15,224,981	-13,140,785

Statement of Cash Flows	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Net cash flows from operating activities	-7,312,716	-6,798,084
Net cash flows from investing activities	-918,399	-210,251
Net cash flows from financing activities	5,594,802	-4,006,544

6. Other Financial Information

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

Transaction	Amount for 2009/10 \$
Equity Investments into Cayman Turtle Farm (1983) Ltd.	9,000,000
Capital Withdrawals from Cayman Turtle Farm (1983) Ltd.	0
Dividend or Profit Distributions to be made by Cayman Turtle Farm (1983) Ltd.	0
Government Loans to be made to Cayman Turtle Farm (1983) Ltd.	0
Government Guarantees to be issued in relation to Cayman Turtle Farm (1983) Ltd.	0
Related Party Payments (Non Remuneration) made to Key Management Personnel ¹⁸	0
Remuneration ¹⁹ Payments made to Key Management Personnel	112,500
Remuneration Payments made to Senior Management	491,136

	Number for 2009/10
No of Key Management Personnel	1
No of Senior Management	5

¹⁸ Key Management Personnel as defined by International Public Accounting Standards No 20, eg Minister, Board Member and Senior Management Team

¹⁹ Remuneration as defined by International Public Accounting Standards No 20 Par 34(a)

7. Agreement

Scope of this Agreement

In signing this document:

- Cayman Turtle Farm (1983) Ltd undertakes to seek to achieve the performance specified in sections 2 to 6 to the best of its ability; and
- The Cabinet agrees to the performance specified in sections 2 to 5 and the financial transactions specified in section 6.

Procedures for Changing this Ownership Agreement

Changes to this Ownership Agreement may be made during the year only with the express and explicit agreement of both parties to the Agreement.

Changes will be made in the following way:

- If either party wish to change the specification of performance contained in this Ownership Agreement, they must notify the other in writing describing the changes that they wish to make.
- The other party will take no more than 15 working days to consider the proposed amendments, or such other time as the two parties may agree.
- The other party will respond to the other about the proposed amendments and negotiate appropriate changes that are agreeable to both parties.
- The Parties will the sign the amended Ownership Agreement.
- The amended Ownership Agreement will be attached to, and form part of, this Agreement.

Agreement

We jointly agree that this Ownership Agreement accurately documents the ownership performance that Cayman Turtle Farm (1983) Ltd will seek to achieve for the 2009/10 financial year and that the Cabinet will monitor performance against.

Hon. W. McKeever Bush, OBE, JP
Minister of Financial Services, Tourism and Development
on behalf of the Cabinet

Chairman of the Board
Cayman Turtle Farm (1983) Ltd.

September 30, 2009

Appendix: Forecast Financial Statements

**CAYMAN TURTLE FARM (1983) LTD
STATEMENT OF RESPONSIBILITY FOR FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

These Forecast Financial Statements have been prepared in accordance with the provisions of the Public Management and Finance Law (2005 Revision).

The Board accepts responsibility for the accuracy and integrity of the financial information in these financial statements.

To the best of our knowledge the forecast financial statements are:

- (a) complete and reliable;
- (b) fairly reflect the forecast financial position as at 30 June 2010 and performance for Cayman Turtle Farm (1983) Ltd for the year ended 30 June 2010
- (c) comply with generally accepted accounting practice.

**Chairman of the Board
Cayman Turtle Farm (1983) Ltd.**

September 30, 2009

**CAYMAN TURTLE FARM (1983) LTD
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDING 30 JUNE 2010**

These financial statements have been prepared under the historical cost convention, modified by the valuation of biological assets and investments at fair value, and in accordance with International Financial Reporting Standards (“IFRS”). The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

The significant accounting policies are:

Cash and cash equivalents

Cash consists of cash on hand, balances with banks on demand and at short notice, and short-term highly liquid investments. Fixed deposits held at Wells Fargo Bank Northwest in a segregated account is intended to be used solely for payment of interest on the Notes (Note 6) is reported in the balance sheet as fixed deposits - restricted and is excluded from “Cash and cash equivalents” as reported in the statement of cash flows.

Accounts receivable

Accounts receivable comprise receivables from customers and are reduced by any allowance for doubtful accounts.

Inventories of marketable products

Farm produced marketable products are valued at net realisable value.

Products purchased for resale and food and beverage are valued at the lower of cost on the first in, first out basis, and estimated net realisable value.

Inventories of feeds and other supplies

Feed and other supplies are valued using the weighted average cost basis.

Biological assets - Secondary herd

The secondary herd, which is reared for slaughter, is valued at fair value, calculated using market prices and expected yields of each type of product based on historical data. Changes in the carrying amount attributable to physical change in such biological assets and changes attributable to price change are recognised as income or expense in the statement of trading income - farm operations.

Biological assets - Breeder herd

It is management's policy to differentiate between turtles which were acquired from the wild and which management will not slaughter but will release at the end of their breeding lives, and farm-bred turtles which may be slaughtered once they reach the end of their breeding lives. Mature turtles (i.e. those that have reached breeding age) which were acquired from the wild are depreciated on a straight-line basis over their estimated breeding lives of twenty years. Mature farm-bred turtles have an estimated residual value which exceeds cost and, consequently, are not depreciated after attaining their residual value. Those turtles which have not reached maturity are not depreciated.

The direct costs of maintaining the breeder herd are allocated between the mature turtles and those that have not yet reached maturity. The costs allocated to the mature turtles, together with the depreciation of these turtles, are included as expenses in the statement of trading income - farms operations. The costs allocated to those turtles which have not yet reached maturity are capitalised into the value of the breeder herd.

Property, equipment and exhibits

Property, equipment and exhibits are recorded at cost and, with the exception of land which is not depreciated, are depreciated using the straight line method over their estimated useful lives as follows:

Buildings	10 - 20 years
Plant and equipment	4 - 10 years
Motor vehicles	3 years
Furniture and office equipment	4 - 5 years
Exhibits	10-12 years

Cost comprises the purchase price of an asset and any directly attributable costs of bringing the asset to working condition for its intended use such as import duties, site preparation, initial delivery and handling cost, installation cost and professional fees (e.g. architects and engineers). Certain borrowing costs are also included in the cost basis of the related asset; see "Borrowing costs" below. Costs of improvements are included in the cost of the applicable asset.

New and redeveloped assets are not depreciated until the assets are placed into service; (such assets are classified under "Construction in Progress" in the table in Note 5). Capitalized cost includes direct labor and benefits for employees specifically identified with the project. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

Repairs and maintenance are charged to production or overhead expenses as incurred. Donated assets are recorded at their estimated fair value at the date of receipt.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition or development of an asset which takes a substantial period of time to ready it for its intended use are capitalised and included as part of the cost of the asset. Such costs include interest, the amortisation of discounts or premiums on issue, and amortisation of transaction costs associated with the arrangement of the borrowings. To the extent funds borrowed for the acquisition or development of a specific asset are invested on a temporary basis, the interest income is netted with the related borrowing costs to determine the amount of borrowing costs eligible for capitalisation. Capitalisation ceases when the related asset, or completed part thereof, is effectively ready for use. All other borrowing costs are expensed in the period in which they are incurred.

Investment income

Term deposit interest is included as investment income in the statement of income on an effective interest method. However, to the extent funds borrowed for the acquisition or development of a specific asset are invested on a temporary basis, the interest income is netted with the related borrowing costs to determine the amount of borrowing costs eligible for capitalisation.

Allocation of expenses

Operating expenses are allocated to the functional trading accounts based on actual usage, specific identification or by judgmental allocation, as appropriate.

Employee benefits**Defined contribution pension plans**

The Company's contributions are charged to the statement of income in the period to which the contributions relate (Note 7(a)).

Defined benefit plans

Pension costs are recognized based upon the results of periodic actuarial assessments conducted in respect of the Cayman Islands Public Service Pension Plan. The cost of providing pensions is charged to the statement of income so as to spread the regular cost over the service lives of employees. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses are recognised over the average remaining service lives of employees. Changes in the estimate of the amount required to fund past service pension benefits are recognized immediately when advised to the Company.

Severance benefits for long-serving retired employees

Employees with over 25 years of service at retirement are entitled to an additional benefits package comprising a cash payment and payment of medical insurance premiums for a specified period. The costs of the benefits are accrued over the period of employment based on estimated valuations of these obligations determined by the board of directors. (Note 7(c)).

Foreign currencies

These financial statements are presented in CI\$. The Company's transactions occur in US\$ and CI\$ and the Company records US\$ transactions in to CI\$ using a rate of US\$1.00 to CI\$0.84.

Notes issued

The liability under the Guaranteed Senior Notes (the "Notes") is initially recognized at "cost", being the issue proceeds net of transaction costs incurred (as defined below). The liability is subsequently stated at amortized cost and the difference between the net proceeds of the issue of the Notes and the principal amount of the Notes is amortized over the term to the maturity of the Notes using the effective yield method and accounted for in accordance with the accounting policy described under "Borrowing costs" below.

Transaction costs include those incremental fees, commissions and payments to agents and advisors that are directly attributable to the Notes issuance. Costs associated with feasibility studies related to possible financing alternatives and with any abandoned financing options are expensed in the period incurred.

**CAYMAN TURTLE FARM (1983) LTD
FORECAST OPERATING STATEMENT
FOR THE YEAR ENDING 30 JUNE 2010**

	2009/10 Budget \$	2008/9 Estimated Actual \$
Coercive Revenue		
Non-Coercive Revenue		
Sale of Outputs to Cabinet	-	
Sale of Outputs (Goods and Services) to Ministries/Portfolios, Public Authorities	-	
Sale of Outputs (goods and services) to Others	6,644,626	5,099,294
Investment revenue	-	
Donations	-	
Other operating revenue	-	
Total Non-Coercive Revenue	6,644,626	5,099,294
Total Operating Revenue	6,644,626	5,099,294
Operating Expenses		
Personnel costs	5,636,785	5,067,664
Supplies and consumables	6,488,218	5,851,928
Depreciation	3,034,000	2,304,584
Other operating expenses	-	
Total Operating Expenses	15,159,003	13,224,176
Surplus from Operating Activities	(8,514,377)	(8,124,882)
Financing expense	2,537,346	2,227,232
(Gains)/losses on foreign exchange transactions	32,472	27,946
(Gains)/losses on disposal or revaluation of non current assets	-	246,000
Other Non-Operating revenues or expenses	-	
Total Non-Operating Revenue and Expenses	2,569,818	2,501,178
Surplus before extraordinary items	(11,084,195)	(10,626,060)
Net Gains/(losses) from destroyed assets	-	-
Insurance proceeds-Operational Expenditure	-	
Total Extraordinary Items	-	-
Net Surplus/(Deficit) after extraordinary items	(11,084,195)	(10,626,060)

**CAYMAN TURLTLE FARM (1983) LTD
FORECAST STATEMENT OF CHANGES IN NET WORTH
FOR THE YEAR ENDING 30 JUNE 2010**

	2009/10 Budget \$	2008/9 Estimated Actual \$
Opening balance net worth	(13,140,785)	(10,578,725)
Net Surplus	(11,084,195)	(10,626,060)
Property revaluations		
Investment revaluations		
Net revaluations during the period		
Total recognised revenues and expenses	(24,224,980)	(21,204,785)
Equity Contributions	9,000,000	8,064,000
Capital Withdrawal		
Repayment of Surplus/Dividends		
Closing balance net worth	(15,224,980)	(13,140,785)

**CAYMAN TURTLE FARM (1983) LTD
FORECAST BALANCE SHEET
AS AT 30 JUNE 2010**

	2009/10 Budget \$	2008/9 Estimated Actual \$
Current Assets		
Cash and cash equivalents	(6,646,336)	(4,006,544)
Marketable securities and deposits	-	
Accounts receivable	273,521	152,683
Inventories	113,882	113,882
Other current assets	-	
Total Current Assets	(6,254,933)	(3,739,979)
Non-Current Assets		
Property, plant and equipment	42,086,661	43,146,087
Other non-current assets	-	1,177,014
Total Non-Current Assets	42,086,661	44,323,101
Total Assets	35,831,727	40,583,122
Current Liabilities		
Accounts payable	4,490,358	3,752,358
Unearned revenue	-	
Employee entitlements	-	
Borrowings	3,743,674	655,872
Other current liabilities	655,872	
Total Current Liabilities	8,889,903	4,408,230
Non-Current Liabilities		
Employee entitlements	-	-
Unfunded Pension liability	-	-
Borrowings	42,166,805	49,315,677
Currency issued	-	-
Other non-current liabilities	-	-
Total Non-Current Liabilities	42,166,805	49,315,677
Total Liabilities	51,056,708	53,723,907

	<u>51,056,708</u>	<u>53,723,907</u>
TOTAL ASSETS LESS TOTAL LIABILITIES	<u>(15,224,980)</u>	<u>(13,140,785)</u>
NET WORTH		
Contributed Capital	(4,140,785)	(2,514,725)
Asset revaluation reserve	-	
Accumulated surpluses	<u>(11,084,195)</u>	<u>(10,626,060)</u>
Total Net Worth	<u>(15,224,980)</u>	<u>(13,140,785)</u>

**CAYMAN TURTLE FARM (1983) LTD
FORECAST STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING 30 JUNE 2010**

	2009/10 Budget \$	2008/9 Estimated Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Receipts</i>		
Sale of Outputs to Cabinet	-	
Sale of Outputs (Goods and Services) to Ministries/Portfolios, Public Authorities	-	
Sale of Outputs (goods and services) to Others	6,644,626	5,099,294
Interest received	-	
Other receipts	-	
Extraordinary Income		
<i>Payments</i>		
Personnel costs	(5,636,785)	(5,067,664)
Suppliers	(5,750,218)	(4,574,536)
Interest paid	(2,537,346)	(2,227,232)
Other payments	(32,472)	(27,946)
Extraordinary Expenses		
Net cash flows from operating activities	(7,312,195)	(6,798,084)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of non-current assets	(918,399)	(456,251)
Purchase of investments	-	246,000
Proceeds from sale of non-current assets		
Proceeds from sale of investments		
Net cash flows from investing activities	(918,399)	(210,251)
CASH FLOWS FROM FINANCING ACTIVITIES		
	-	
Equity Contributions	9,000,000	8,064,000
Repayment of Surplus/Dividends		
Proceeds from borrowings		2,296,000
Repayment of borrowings	(3,405,198)	(3,144,922)
Net cash flows from financing activities	5,594,802	7,215,078
Net increase/(decrease) in cash and cash equivalents	(2,635,792)	206,743
Cash and cash equivalents at beginning of period	(4,006,544)	(4,213,287)
Cash and cash equivalents at end of period	(6,642,336)	(4,006,544)

**CAYMAN TURTLE FARM (1983) LTD
NOTES TO THE FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

**STATEMENT OF ACTUAL COMMITMENTS
AS AT [DATE THESE STATEMENTS WERE FINALISED]**

<i>Type</i>	As at August 2009
One Year loss	_____
One to Five Years	_____
Over Five Years	_____
Total	<u>0</u>
<i>Capital Commitments</i>	
Land and Building	_____
Other Fixed Assets	_____
Other Commitments(list separately)	_____
Total Capital Commitments	<u>0</u>
<i>Operating Commitments</i>	
Non-cancellable accommodation leases	
Other non-cancellable leases	
Non-cancellable contracts for the supply of goods and services	
Other operating commitments	_____
Total Operating Commitments	<u>0</u>
Total Commitments	<u>0</u>

STATEMENT OF ACTUAL CONTINGENT LIABILITIES

There are no known contingent liabilities as at Financial Statement Date

Guarantees

Item 1 heading	
Item 1 description	
Item 2 heading	
Item 2 description	_____
Total Quantifiable Guarantees	<u>0</u>

Uncalled Capital (relating to investments in companies)

**CAYMAN TURTLE FARM (1983) LTD
NOTES TO THE FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

Total Uncalled Capital	<u>0</u>
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Legal Proceedings and Disputes

Construction contract dispute with Bushcatt	<u>308,956</u>
Total Legal Proceedings and Disputes	<u>308,956</u>

Other Contingent Liabilities	<u>0</u>
Total Other Contingent Liabilities	<u>0</u>

NOTE 2. GOODS AND SERVICES (INCLUDING FEES AND CHARGES)

Fees and Charges

Other Fees	<u>0</u>
Total Fees and Charges	<u>0</u>

General Sales

Other Sales	<u>6,394,690</u>
Total Sales of Goods	<u>6,394,690</u>

Rentals

Rentals - Other Properties	<u>249,936</u>
Total Rentals	<u>249,936</u>

Other

Sales of Outputs to Cabinet	<u>0</u>
Total Other Goods & Services Revenue	<u>0</u>

Other Interdepartmental Revenue

Sales of Outputs to Ministries, Portfolios, Statutory Authorities and Public Companies	<u>0</u>
Total Other Interdepartmental Revenue	<u>0</u>

Total Goods and Services	<u>6,644,626</u>
---------------------------------	-------------------------

NOTE 3. INVESTMENT REVENUE

Interest Marketable Securities, Deposits and Cash	0
Interest on Loans Made	0
Royalties	<u>0</u>
Total Investment Revenue	<u>0</u>

NOTE 4. OPERATING EXPENSES BY FUNCTION

Operating Expenses

General government services

NOTE 4. OPERATING EXPENSES BY FUNCTION (Continued)

Public order and safety	
Education	
Environmental protection	
Health	
Fuel and energy	
Social security and welfare	
Housing and community amenities	
Recreational, cultural and religious	
Transportation and communication	
Other economic affairs	15,159,004
Total Operating Expenses	15,159,004

NOTE 5. PERSONNEL COSTS

Personnel Costs

Salaries,wages,allowances & employee pension contribution	4,899,425
Employer pension expense	344,042
Other personnel related expenses	393,318
Movement in leave provision expense	0
Movement in unfunded pension liability	0
Total Personnel Costs	5,636,785

NOTE 6. SUPPLIES AND CONSUMABLES

Supplies and Consumables	4,609,929
Purchase of services	1,838,110
Operating lease rentals	0
Other Supplies and Consumables	40,180
Total Supplies and Consumables	6,488,219

NOTE 7. DEPRECIATION

Buildings	2,202,065
Roads and sidewalks	0
Water reticulation and sewage	0
Other Infrastructure assets	0
Vehicles	15,761
Aeroplanes	0
Boats	0
Furniture and fittings	211,690
Computer hardware	0
Computer software	0
Office equipment	0
Plant and equipment	251,563

Other assets	352,921
Total	<u>3,034,000</u>

NOTE 7. DEPRECIATION (Continued)

Assets are depreciated on a straight line basis as follows:

Buildings	2,202,065
Infrastructure assets	
Roads and sidewalks	
Water reticulation and sewage	
Other (list separately if material)	
Vehicles	15,761
Aeroplanes	
Boats	
Furniture and fittings	211,690
Computer hardware and software	
Computer Software	
Office equipment	
Other plant and equipment	251,563
Other assets	352,921

NOTE 8. FINANCING EXPENSE

Interest on Borrowing	2,255,471
Interest on Bank Overdraft	281,875
Other financing expense	0
Total Financing Expense	<u>2,537,346</u>

NOTE 9. GAINS/LOSSES ON FOREIGN EXCHANGE TRANSACTIONS

Gains/Losses on Foreign Exchange Transactions

List separately if material	<u>32,472</u>
Total Gains/Losses on Foreign Exchange Transactions	<u>32,472</u>

NOTE 10. GAINS/LOSSES ON DISPOSAL NON CURRENT ASSETS

Gains/Losses on Disposal Non-current Assets

Overall loss on disposal of assets	-
Total Gains/Losses on Disposal Non-current Assets	<u>-</u>

NOTE 11. CASH AND CASH EQUIVALENTS

Cash on hand (including petty cash)	0
Bank accounts	0
Bank overdrafts	(6,642,336)
Short Term Deposits including call accounts (up to 90days)	0
Other cash or cash equivalents	0

Total Cash and Cash Equivalents	<u><u>(6,642,336)</u></u>
--	----------------------------------

NOTE 12. MARKETABLE SECURITIES AND DEPOSITS

Fixed deposits (90 to 360 days)	0
Other Marketable Securities and Deposits	0
Total Marketable Securities and Deposits	<u><u>0</u></u>

NOTE 13. ACCOUNTS RECEIVABLE

Sale of Outputs to Cabinet	0
Sale of Outputs (Goods & Services) to Ministries/Portfolios, SAs & GCs	0
Sale of Outputs (goods and services) to Others	152,683
Overseas medical advances	0
Asset sales	0
Prepayments	120,837
Other Accounts Receivable	0
Total Gross	<u><u>273,520</u></u>
Less provision for doubtful debts	0
Total Net Accounts Receivable	<u><u>273,520</u></u>

Accounts receivable maturity schedule

Not later than one year	273,520
Later than one year and not later than 2 Years	
Later than 2 Years and not later than 5 Years	
Later than 5 Years	
Total	<u><u>273,520</u></u>

NOTE 14. INVENTORIES

Consumable Stores	113,882
Other Inventories for use within one year	0
Total Inventories	<u><u>113,882</u></u>

NOTE 15. OTHER CURRENT ASSETS

Loans Made (due within 12 months)	0
Current investments	0
Other	0
Total Other Current Assets	<u><u>0</u></u>

NOTE 16. OTHER INVESTMENTS

Fixed deposits (over one year)	0
Investments in Equities	0
Other Long Term Investments	0
Total Other Investments	<u><u>0</u></u>

NOTE 17. PROPERTY, PLANT AND EQUIPMENT

Cost or Opening Valuation

Land	1,221,555
Buildings	43,990,059
Roads & Sidewalks	0
Water Reticulation and Sewerage	0
Other Infrastructure assets	0
Vehicles	162,031
Aeroplanes	0
Boats	0
Furniture & Fittings	1,067,228
Computer hardware	40,013
Computer software	93,796
Office equipment	0
Plant and equipment	4,501,983
Other assets	1,818,767
Work/Construction in Progress	1,057,381
Total Cost or Valuation	<u>53,952,813</u>

Accumulated Depreciation

Buildings	7,830,944
Roads and sidewalks	0
Water reticulation and sewage	0
Other Infrastructure assets	0
Vehicles	277,658
Aeroplanes	0
Boats	0
Furniture and fittings	1,069,371
Computer hardware	0
Computer software	0
Office equipment	0
Plant and equipment	2,161,195
Other assets	526,984
Total Depreciation	<u>11,866,152</u>

Net Book Value

Land	1221555
Buildings	36159115
Roads and sidewalks	0
Water reticulation and sewage	0
Other Infrastructure assets	0
Vehicles	-115627
Aeroplanes	0
Boats	0
Furniture and fittings	-2143

Computer hardware	40013
Computer software	93796
Office equipment	0
Plant and equipment	2340788

NOTE 17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Other assets	1,291,783
Work in Progress	1057381
Total Net Book Value	<u>42,086,661</u>

NOTE 18. OTHER NON-CURRENT ASSETS

Accounts Receivable due after one year	0
Inventories for use after one year	0
Other	0
Total Other Non-Current Assets	<u>0</u>

NOTE 19. ACCOUNTS PAYABLE

Creditors	4,343,026
Operating lease rental	0
Accrued Expenses (short term portion)	0
Other Accounts Payable	147,332
Total Accounts Payable	<u>4,490,358</u>

NOTE 20. UNEARNED REVENUE

Income received in advance	0
Other Unearned Revenue	0
Total Unearned Revenue	<u>0</u>

NOTE 21. EMPLOYEE ENTITLEMENTS (CURRENT)

Long service leave and other leave entitlements	0
Other salary related entitlements	0
Total Employee Entitlements	<u>0</u>

NOTE 22. OTHER CURRENT LIABILITIES

Provisions	0
Unfunded Pension liability	655,871
Other	0
Total Other Current Liabilities	<u>655,871</u>

NOTE 23. EMPLOYEE ENTITLEMENTS (NON-CURRENT)

Long service leave and other leave entitlements	0
---	---

Other salary related entitlements	0
Total Non-Current Employee Entitlements	0

NOTE 24. UNFUNDED PENSION LIABILITY (NON-CURRENT)

Defined Benefit Liability	0
Defined Contribution Liability	0
Total Unfunded Pension Liability	0

NOTE 25. BORROWINGS

Maturity profile as at 30 JUNE Year at Book Values

Outstanding Debt

Local Currency Debt

Not later than one year	0
	-
Between one and two years	45,910,479
Between two and five years	
Later than five Years	45,910,479
Total Local Currency Debt	0

Foreign Currency Debt (state in \$CI)

Not later than one year	3,743,674
Between one and two years	3,957,183
Between two and five years	12,964,730
Later than five years	25,244,892
Total Foreign Currency Debt	45,910,479
Total Outstanding Debt	45,910,479

NOTE 26. OTHER NON-CURRENT LIABILITIES

Creditors (Term portion)	0
Unearned revenue (Term portion)	0
Other	0
Total Other Non-Current Liabilities	0

NOTE 27. ACCUMULATED SURPLUS

General Reserve	11,084,196
	-
Total Accumulated Surplus	11,084,196

NOTE 28. NET GAINS/(LOSSES) FROM DESTROYED ASSETS

Insurance proceeds from damaged assets	
NBV from destroyed assets	
Net Gains/(Losses) from destroyed assets	<u><u>0</u></u>

NOTE 30. RECONCILIATION OF OPERATING SURPLUS TO CASH FLOWS FROM OPERATING ACTIVITIES

Operating surplus/(deficit)	11,084,196
Non-cash movements	-
Depreciation	2,788,000
Increase in provision for doubtful debts	0
Increase in payables/accruals	984,000
Net gain/loss from sale of fixed assets	0
Net gain/loss from sale of investments	0
Increase in other current assets	0
Increase in investments due to revaluation	0
Increase in receivables	0
Net cash flows from operating activities	<u><u>-7,312,196</u></u>

BUDGET 2009/10

Ownership Agreement

Between

**The Cabinet of the Cayman Islands
Government**

And

**Children and Youth Services (CAYS)
Foundation**

For the year ending 30 June 2010

Contents

1. Purpose
2. Nature and Scope of Activities
3. Strategic Goals and Objectives
4. Ownership Performance Targets
5. Summarised Forecast Financial Statements
6. Other Financial Information
7. Agreement
8. Appendix: Forecast Financial Statements

1. Purpose

This Ownership Agreement documents the ownership performance that the Cabinet and the Board of Children and Youth Services (CAYS) Foundation, have agreed that Children and Youth Services (CAYS) Foundation, will seek to achieve during the 2009/10 financial year.

The purpose of the document is to ensure that the ownership performance expectations for the year are clearly specified and agreed by both parties.

2. Nature and Scope of Activities

This section outlines the nature and scope of activities within which Children and Youth Services (CAYS) Foundation is to operate during the year; 2009/10.

General Nature of Activities

The Children and Youth Services (CAYS) Foundation activities involve providing 24 hour residential care and protection to youth ages 11years to 17 years who are deemed to be at risk and are in need of care and protection.

Scope of Activities

The scope of Children and Youth Services (CAYS) Foundation activities is as follows:

- Policy Advice to the Minister of Community Affairs and Housing on the direction of the CAYS Foundation.
- The formulation and delivery of specific programmes to address the behaviour problems and the educational need of the Youth.
- The operation of two (2) Residential Homes, namely (Bonaventure Boys' Home, and Frances Bodden Girls' Home) and any other facility as required, and agreed to by Cabinet and the CAYS Foundation respectively.
- The supervision of the administration services of the CAYS Foundation management and the administrative staff.

Customers and Location of Activities

The services provided by Children and Youth Services (CAYS) Foundation are primarily to the Minister of Community Affairs and Housing. The services are also to provide a selected group of members of the society, namely, the Youth and their parents/families; and other Government Departments and agencies, i.e., Department of Children and Family Services (DCFS), the Court, the Counselling Centre, the Department of Education.

The location of the activities is in the Cayman Islands, with the physical location of the residential Homes being in Grand Cayman.

3. Strategic Goals and Objectives

The key strategic goals and objectives (from an ownership perspective) for The *Children and Youth Services (CAYS) Foundation*

- To make fundraising an integral part of CAYS Revenue sources.
- CAYS will continue to develop their Scholarship Programme that will be used to assist youth involved with the CAYS Foundation to further their education and vocational opportunities.
- In partnership with other agencies and community partners, CAYS will develop and implement proven family Strengthening/Support Programmes that will result in a smoother reintegration of children in Care and the future success of the Family.
- CAYS in partnership with the private sector will develop and implement a vocational and agricultural programme for the development and education of the youth in their care.
- CAYS will continue to implement staff training in order that best practices will be maintained.
- A cross-training Programme will be continued for CAYS staff/managers, with the vision that all Residential Care Workers and Managers will be able perform at both Homes as the need may arise.

4. Ownership Performance Targets

The ownership performance targets (as specified in schedule 5 to the Public Management and Finance Law (2005 Revision)) for Children and Youth Services (CAYS) *Foundation* for the 2009/10 financial year are as follows.

Financial Performance

Financial Performance Measure	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Revenue from Cabinet	2,400,000	2,400,000
Revenue from ministries, portfolios, statutory authorities and government companies	0	156,095
Revenue from other persons or organisations	50,000	50,000
Surplus/deficit from outputs	-	-
Other expenses	2,554,861	2,566,512
Net Surplus/Deficit	(104,861)	39,583
Total Assets	559,979	0
Total Liabilities	9,980	0
Net Worth	549,999	0
Cash flows from operating activities	(84,861)	39,583
Cash flows from investing activities	0	0
Cash flows from financing activities	0	0
Change in cash balances	(84,861)	39,583

Financial Performance Ratio	2009/10 Target	2008/9 Estimated Actual
Current Assets: Current Liabilities	52 : 4	0 : 0
Total Assets: Total Liabilities	56 : 1	0 : 0

Maintenance of Capability

Human Capital Measures	2009/10 Target	2008/9 Estimated Actual
Total full time equivalent staff	36	38
Staff turnover (%)	10%	10%
Average length of service (Number)	6 yrs	4 yrs
Senior management	3	1
Professional staff	4	4
Administrative staff	5	3.5
Significant changes to personnel management system	N/A	N/A

Physical Capital Measures	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Value of total assets	36,818	0
Asset replacements: total assets	69,419 : 36,8	0
Book value of depreciated assets: initial cost of those assets	36,818 : 69,419	0
Depreciation: Cash flow on asset purchases	20,000 : 0	3,748 : 0
Changes to asset management policies	N/A	N/A

Major Capital Expenditure Projects	2008/9 Target
	\$
N/A	N/A

Risk Management

Key risks	Change in status from previous year	Actions to manage risk	Financial value of risk
Fire FBGH	Residents re-located	Upgrade facility	100,000.00

5. Summarised Forecast Financial Statements

A full set of forecast financial statements for Children and Youth Services (CAYS) Foundation is provided in the Appendix to this Ownership Agreement.

A summary of those forecasts is as follows.

Operating Statement	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Revenue	2,450,000	2,606,095
Operating Expenses	2,554,861	2,566,512
<i>Net Surplus/Deficit</i>	(104,861)	39,583

Balance Sheet	As at 30 June 2010	As at 30 June 2009
	\$	\$
Assets	559,979	0
Liabilities	9,980	0
<i>Net Worth</i>	549,999	0

Statement of Cash Flows	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Net cash flows from operating activities	(84,861)	39,583
Net cash flows from investing activities	0	0
Net cash flows from financing activities	0	0

6. Other Financial Information

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

Transaction	Amount for 2009/10 \$
Equity Investments into <i>Children And Youth Services (CAYS) Foundation</i>	0
Capital Withdrawals from <i>Children And Youth Services (CAYS) Foundation</i>	0
Dividend or Profit Distributions to be made by <i>Children And Youth Services (CAYS) Foundation</i>	0
Government Loans to be made to <i>Children And Youth Services (CAYS) Foundation</i>	0
Government Guarantees to be issued in relation to <i>Children And Youth Services (CAYS) Foundation</i>	0
Related Party Payments (Non Remuneration) made to Key Management Personnel ²⁰ (includes Pension, Health, Educational Course and Mileage)	21,883
Remuneration ²¹ Payments made to Key Management Personnel (includes CEO salary)	80,248
Remuneration Payments made to Senior Management	352,051

	Number for 2009/10
No of Key Management Personnel (CEO)	1
No of Senior Management	6

²⁰ Key Management Personnel as defined by International Public Accounting Standards No 20, eg Minister, Board Member and Senior Management Team

²¹ Remuneration as defined by International Public Accounting Standards No 20 Par 34(a)

7. Agreement

Scope of this Agreement

In signing this document:

- Children And Youth Services (CAYS) Foundation undertakes to seek to achieve the performance specified in sections 2 to 6 to the best of its ability; and
- The Cabinet agrees to the performance specified in sections 2 to 5 and the financial transactions specified in section 6.

Procedures for Changing this Ownership Agreement

Changes to this Ownership Agreement may be made during the year only with the express and explicit agreement of both parties to the Agreement.

Changes will be made in the following way:

- If either party wish to change the specification of performance contained in this Ownership Agreement, they must notify the other in writing describing the changes that they wish to make.
- The other party will take no more than 15 working days to consider the proposed amendments, or such other time as the two parties may agree.
- The other party will respond to the other about the proposed amendments and negotiate appropriate changes that are agreeable to both parties.
- The Parties will sign the amended Ownership Agreement.
- The amended Ownership Agreement will be attached to, and form part of, this Agreement.

Agreement

We jointly agree that this Ownership Agreement accurately documents the ownership performance that Children And Youth Services (CAYS) Foundation will seek to achieve for the 2009/10 financial year and that the Cabinet will monitor performance against.

Hon. Mike Adam
Minister of Community Affairs

Chairman of the Board
Children and Youth Services (CAYS) Foundation

September 30, 2009

Appendix: Forecast Financial Statements

**CHILDREN AND YOUTH SERVICES (CAYS) FOUNDATION
STATEMENT OF RESPONSIBILITY FOR FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2009**

These Forecast Financial Statements have been prepared in accordance with the provisions of the Public Management and Finance Law (2005 Revision).

The Board accepts responsibility for the accuracy and integrity of the financial information in these financial statements.

To the best of our knowledge the forecast financial statements are:

- (a) Complete and reliable;
- (b) Fairly reflect the forecast financial position as at 30 June 2009 and performance for *Children and Youth Services (CAYS) Foundation* for the year ended 30 June 2010
- (c) Comply with generally accepted accounting practice.

**Chairman of the Board
Children and Youth Services (CAYS) Foundation**

September 30, 2009

**CHILDREN AND YOUTH SERVICES (CAYS) FOUNDATION
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDING 30 JUNE 2010**

Cash and cash equivalents: For the purpose of the cash flow statement, cash and cash equivalents comprise deposits held at call with banks, net of overdrafts.

Income recognition: Income and expenses are recorded on the accruals basis.

Government grants: Grants relating to income are presented as a credit in the income statements. Grants relating to assets are presented as a credit in the income statement and an increase in assets.

Fixed assets: Fixed assets are recorded at cost. Depreciation, which is based on the cost of the asset, is computed using the straight-line method at the following annual rates:

Office equipment	25%
Computer equipment	33.3%
Motor vehicles	25%

Comparative figures: comparative figures presented are per the Budget 2008/9 Ownership Agreement and have not been adjusted for actual figures.

**CHILDREN AND YOUTH SERVICES (CAYS) FOUNDATION
 FORECAST OPERATING STATEMENT
 FOR THE YEAR ENDING 30 JUNE 2010**

	2009/10 Budget \$	2008/9 Estimated Actual \$
Grant income	2,400,000	2,400,000
Other income	50,000	206,095
Total income	<u>2,450,000</u>	<u>2,606,095</u>
Operating expenses	<u>2,554,861</u>	<u>2,566,512</u>
Surplus/(deficit) for year	<u>(104,861)</u>	<u>39,583</u>

**CHILDREN AND YOUTH SERVICES (CAYS) FOUNDATION
 FORECAST STATEMENT OF CHANGES IN NET WORTH
 FOR THE YEAR ENDING 30 JUNE 2010**

	2009/10 Budget \$	2008/9 Estimated Actual \$
Net worth, beginning of year	654,860	(39,583)
Surplus/(deficit) for year	<u>(104,861)</u>	<u>39,583</u>
Net worth, end of year	<u><u>549,999</u></u>	<u><u>0</u></u>

**CHILDREN AND YOUTH SERVICES (CAYS) FOUNDATION
 FORECAST BALANCE SHEET
 AS AT 30 JUNE 2010**

	2009/10 Budget \$	2008/9 Estimated Actual \$
Cash	119,140	0
Grant receivable	400,000	0
Other assets	4,021	0
Fixed assets, net	<u>36,818</u>	<u>0</u>
Total Assets	559,979	0
Liabilities	<u>9,980</u>	<u>0</u>
Net worth	<u>549,999</u>	<u>0</u>

**CHILDREN AND YOUTH SERVICES (CAYS) FOUNDATION
 FORECAST STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDING 30 JUNE 2010**

	2009/10 Budget \$	2008/9 Estimated Actual \$
Cash, beginning of year	204,001	(39,583)
Cash used operating activities	(84,861)	39,583
Cash used in investing activities	0	0
Cash, end of year	119,140	0

**CHILDREN AND YOUTH SERVICES (CAYS) FOUNDATION
NOTES TO THE FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

ANALYSIS OF OPERATING EXPENSES

Budget Items	2009/10 Budget \$	2008/9 Estimated Actual \$
Basic Salary	1,483,895	1,436,186
Group Health Insurance Premiums	226,534	233,766
Pension Contribution (PP)	188,386	176,277
Food & Kitchen	66,048	37,299
Programmes	49,000	27,771
Electricity	61,858	47,743
Water	20,520	15,975
Telephone	43,800	39,954
Other Operating Expenses	414,820	216,679
Total	2,554,861	2,231,650

BUDGET 2009/10

Ownership Agreement

Between

**The Cabinet of the
Cayman Islands Government**

and

Civil Aviation Authority

For the year ending 30 June 2010

Contents

1. Purpose
2. Nature and Scope of Activities
3. Strategic Goals and Objectives
4. Ownership Performance Targets
5. Summarised Forecast Financial Statements
6. Other Financial Information
7. Agreement
8. Appendix: Forecast Financial Statements

1. Purpose

This Ownership Agreement documents the ownership performance that the Cabinet and the Board of the Civil Aviation Authority have agreed that the Civil Aviation Authority will seek to achieve during the 2009/10 financial year.

The purpose of the document is to ensure that the ownership performance expectations for the year are clearly specified and agreed by both parties.

2. Nature and Scope of Activities

This section outlines the nature and scope of activities within which the Civil Aviation Authority is to operate during the year.

General Nature of Activities

The Civil Aviation Authority activities involve regulatory oversight of all civil aviation services provided throughout the Cayman Islands, and of aircraft registered in the Cayman Islands.

Scope of Activities

The scope of The Civil Aviation Authority activities is as follows:

- Certification, licensing and regulation of airports, air navigation facilities and air traffic control services
- Certification, licensing and regulation of Air Operator Certificate holders and aircraft maintenance facilities
- Personnel licensing for pilot, air traffic control and aircraft maintenance engineer
- Registration and airworthiness certification of aircraft
- Economic regulation of services provided by airports and airlines

Customers and Location of Activities

The services provided by the Civil Aviation Authority are provided to:

- The Cayman Islands Airports Authority with respect to Owen Roberts International and Gerrard Smith Airports
- The Cayman Islands Government in respect of Edward Bodden Airfield, Little Cayman
- The Cayman Islands Government in respect of the Mosquito Research Control Unit aerial spraying operations
- The Cayman Islands Government in respect of economic regulatory services for airports and airlines
- Cayman Airways Ltd., Cayman Express Ltd. and Island Air Ltd.
- Various Cayman Islands registered aircraft that are operated worldwide.

3. Strategic Goals and Objectives

The key strategic goals and objectives (from an ownership perspective) for the Civil Aviation Authority for the 2009/10 financial year are as follows:

- Revise and amend local aviation regulations:
 - i) Air Navigation (Fees) Regulations
 - ii) Air Transport (Licensing of Air Services) Regulations
 - iii) Mortgaging of Aircraft Regulations
 - iv) The Civil Aviation (Investigation of Accidents) Regulations
- Implement new UK Overseas Territories Aviation Regulations
- Certify and licence Owen Roberts International and Gerrard-Smith Airports.
- Promote the development of Little Cayman's aviation infrastructure to ensure safe air transport operations on that island.
- Increase the CI Aircraft Registry by 10%.

4. Ownership Performance Targets

The ownership performance targets (as specified in schedule 5 to the Public Management and Finance Law (2005 Revision)) for Civil Aviation Authority for the 2009/10 financial year are as follows.

Financial Performance

Financial Performance Measure	2009/10 Target \$	2008/9 Estimated Actual \$
Revenue from Cabinet		
Revenue from ministries, portfolios, statutory authorities and government companies		
Revenue from others	4,830,000	4,866,000
Investment Revenue	15	94,000
Surplus/deficit from outputs	789,000	1,960,000
Other expenses	0	0
Net Surplus/Deficit	789,000	1,960,000
Total Assets	8,223,470	7,414,900
Total Liabilities	1,721,147	1,701,577
Net Worth	6,502,323	5,713,323
Cash flows from operating activities	719,287	2,020,000
Cash flows from investing activities	(29,000)	(30,000)
Cash flows from financing activities	0	0
Change in cash balances	690,287	1,200,000

Financial Performance Ratio	2009/10 Target \$	2007/8 Estimated Actual \$
Current Assets: Current Liabilities	6.4	5.7
Total Assets: Total Liabilities	4.8	4.4

Maintenance of Capability

Human Capital Measures	2009/10 Target	2008/9 Estimated Actual
Total full time equivalent staff	20	19
Staff turnover (%)	10%	16%
Average length of service (Number)		
Senior management	17	13
Professional staff	4	6
Administrative staff	8	7
Significant changes to personnel management system		

Physical Capital Measures	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Value of total assets	234,099	205,389
Asset replacements: total assets	17%	22%
Book value of depreciated assets: initial cost of those assets	54%	51%
Depreciation: Cash flow on asset purchases	260%	200%
Changes to asset management policies	None	None

Major Capital Expenditure Projects	2009/10 Target
	\$

Risk Management

Key risks	Change in status from previous year	Actions to manage risk	Financial value of risk

5. Summarised Forecast Financial Statements

A full set of forecast financial statements for Civil Aviation Authority is provided in the Appendix to this Ownership Agreement.

A summary of those forecasts is as follows.

Operating Statement	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Revenue	4,830,015	4,960,000
Operating Expenses	4,041,015	2,080,000
<i>Net Surplus/Deficit</i>	789,000	1,960,000

Balance Sheet	As at 30 June 2010	As at 30 June 2009
	\$	\$
Assets	8,223,470	7,414,900
Liabilities	1,721,147	1,701,577
<i>Net Worth</i>	6,502,323	5,713,323

Statement of Cash Flows	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Net cash flows from operating activities	719,287	2,020,000
Net cash flows from investing activities	(29,000)	(30,000)
Net cash flows from financing activities	0	0

6. Other Financial Information

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

Transaction	Amount for 2009/10 \$
Equity Investments into Civil Aviation Authority.	0
Capital Withdrawals from Civil Aviation Authority.	0
Dividend or Profit Distributions to be made by Civil Aviation Authority	0
Government Loans to be made to Civil Aviation Authority	0
Government Guarantees to be issued in relation to Civil Aviation Authority	None
Related Party Payments (Non Remuneration) made to Key Management Personnel ²²	None
Remuneration ²³ Payments made to Key Management Personnel	908,249
Remuneration Payments made to Senior Management	465,269

	Number for 2009/10
No of Key Management Personnel	5
No of Senior Management – does this include Key Management personnel?	3

²² Key Management Personnel as defined by International Public Accounting Standards No 20, e.g. Minister, Board Member and Senior Management Team

²³ Remuneration as defined by International Public Accounting Standards No 20 Par 34(a)

7. Agreement

Scope of this Agreement

In signing this document:

- The Civil Aviation Authority undertakes to seek to achieve the performance specified in sections 2 to 6 to the best of its ability; and
- The Cabinet agrees to the performance specified in sections 2 to 5 and the financial transactions specified in section 6.

Procedures for Changing this Ownership Agreement

Changes to this Ownership Agreement may be made during the year only with the express and explicit agreement of both parties to the Agreement.

Changes will be made in the following way:

- If either party wish to change the specification of performance contained in this Ownership Agreement, they must notify the other in writing describing the changes that they wish to make.
- The other party will take no more than 15 working days to consider the proposed amendments, or such other time as the two parties may agree.
- The other party will respond to the other about the proposed amendments and negotiate appropriate changes that are agreeable to both parties.
- The Parties will sign the amended Ownership Agreement.
- The amended Ownership Agreement will be attached to, and form part of, this Agreement.

Agreement

We jointly agree that this Ownership Agreement accurately documents the ownership performance that the Civil Aviation Authority will seek to achieve for the 2009/10 financial year and that the Cabinet will monitor performance against.

Hon. Donovan Ebanks, JP
Chief Secretary, Portfolio of Internal and External Affairs
on behalf of the Cabinet

Chairman of the Board
Civil Aviation Authority

September 30, 2009

Appendix: Forecast Financial Statements

**CIVIL AVIATION AUTHORITY
STATEMENT OF RESPONSIBILITY FOR FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

These Forecast Financial Statements have been prepared in accordance with the provisions of the Public Management and Finance Law (2005 Revision).

The Board accepts responsibility for the accuracy and integrity of the financial information in these financial statements.

To the best of our knowledge the forecast financial statements are:

- (a) complete and reliable;
- (b) fairly reflect the forecast financial position as at 30 June 2009 and performance for Civil Aviation Authority for the year ended 30 June 2009
- (c) comply with generally accepted accounting practice.

**Chairman of the Board
Civil Aviation Authority**

September 30, 2009

**CIVIL AVIATION AUTHORITY
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDING 30 JUNE 2010**

Significant accounting policies

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

Basis of accounting: The financial statements of the Authority are prepared on the accrual basis under the historic cost convention in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Committee (IASC) and interpretations issued by the Standing Interpretation Committee of the IASC.

Depreciation: Fixed assets are stated at historical cost less accumulated depreciation. Depreciation is calculated using the straight-line method at the following rates estimated to write off the cost of the assets over their expected useful lives:

Computer Equipment	3 years
Office Equipment, Vehicles and Leasehold Improvements	5 years
Furniture and Fixtures	10 years

Foreign currency translation: Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transactions. Gains and losses on exchange are credited or charged in the statement of income. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized in the income statement.

Assets and liabilities denominated in currencies other than Cayman Islands dollars are translated at exchange rates in effect at the balance sheet dates.

Cash and cash equivalents: Cash and cash equivalents include cash held on demand and at short notice and all deposits with an original maturity of three months or less.

Revenue Recognition: The Authority recognizes revenues in the period in which they are earned. All income from short term deposits is credited to the Income and Expense Statement in the period in which it is earned.

Lease of premises: The Authority leases office space from Cayman Grand Harbour, Grand Cayman and the Cayman Islands Government Offices in London, England. Any fit-out costs are classified as a Leasehold Improvement and are depreciated over the life of the leases. The lease of the Grand Cayman office is for five years beginning December 1, 2004 and for three years commencing June 1, 2007 for the London office.

The future obligations of lease payments for the two office leases are as follows:

Cayman Grand Harbour, Cayman Islands	July 2006 to 15 August 2010 \$454,567
Cayman Islands Government Offices, London, England	June 2007 to June 2010 CI\$94,504

**CIVIL AVIATION AUTHORITY
 FORECAST OPERATING STATEMENT
 FOR THE YEAR ENDING 30 JUNE 2010**

	2009/10 Budget \$000
Revenue	
Outputs to others	4,830,000
Investment revenue	15
Total Operating Revenue	<u>4,830,015</u>
Operating Expenses	
Personnel costs	2,813,628
Supplies and consumables	1,152,100
Depreciation	75,287
Total Operating Expenses	<u>4,041,015</u>
Surplus from Operating Activities and before Financing and Extraordinary items	789,000
Extraordinary items	0
Net Surplus/(Deficit) after extraordinary items	<u><u>789,000</u></u>

**CIVIL AVIATION AUTHORITY
FORECAST STATEMENT OF CHANGES IN NET WORTH
FOR THE YEAR ENDING 30 JUNE 2010**

	2009/10 Budget \$000
Opening balance net worth	5,713,323
Net Surplus	789,000
Total recognised revenues and expenses	<u>6,502,323</u>
Equity Investment	<u>0</u>
Closing balance net worth	<u>6,502,323</u>

**CIVIL AVIATION AUTHORITY
FORECAST BALANCE SHEET
AS AT 30 JUNE 2010**

	Note	2009/10 Budget \$000
Current Assets		
Cash and cash equivalents		6,232,500
Accounts receivable		1,756,871
Total Current Assets		<u>7,989,371</u>
Non-Current Assets		
Property, plant and equipment		234,099
Other non-current assets		0
Total Non-Current Assets		<u>234,099</u>
Total Assets		<u>8,223,470</u>
Current Liabilities		
Accounts payable		165,370
Employee Entitlements		60,397
Other Payables		1,023,018
Total Current Liabilities		<u>1,248,785</u>
Non-Current Liabilities		
Unfunded Pension Liability		472,362
Total Liabilities		<u>1,721,147</u>
TOTAL ASSETS LESS TOTAL LIABILITIES		<u><u>6,502,323</u></u>
NET WORTH		
Contributed Capital		5,713,323
Asset revaluation reserve		0
Accumulated surpluses	27	789,000
Total Net Worth		<u><u>6,502,323</u></u>

**CIVIL AVIATION AUTHORITY
FORECAST STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING 30 JUNE 2010**

	2009/10 Budget \$
CASH FLOWS FROM OPERATING ACTIVITIES	
<i>Receipts</i>	
Output to others	4,736,752
Interest received	15
<i>Payments</i>	
Personnel costs	(2,817,688)
Suppliers	(1,202,392)
Other payments	2,600
<i>Net cash flows from operating activities</i>	<u>719,287</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of non-current assets and investments	(29,000)
Proceeds from sale of non-current assets and investments	0
<i>Net cash flows from investing activities</i>	<u>(29,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Equity investment	0
Capital Withdrawal	0
Repayment of surplus	0
Proceeds from borrowings	0
Repayment of borrowings	0
<i>Net cash flows from financing activities</i>	<u>0</u>
<i>Net increase/(decrease) in cash and cash equivalents</i>	<u>690,287</u>
Cash and cash equivalents at beginning of period	<u>5,617,500</u>
Cash and cash equivalents at end of period	<u>6,307,787</u>

**CIVIL AVIATION AUTHORITY
NOTES TO THE FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

NOTE 1 - PERSONNEL COSTS	2009/10 Forecast \$000
Salaries and wages (including employee pension contributions)	2,591,302
Employer pension expense	222,326
Total Personnel Costs	<u>2,813,628</u>
 NOTE 2 - SUPPLIES AND CONSUMABLES	 2009/10 Forecast \$000
Supply of goods and services	1,011,100
Operating lease rentals	141,000
Other	
Total Supplies and Consumables	<u>1,152,100</u>
 NOTE 3 - DEPRECIATION	 2009/10 Forecast \$000
Furniture and fittings	19,578
Computer hardware and software	15,758
Office equipment	6,500
Other plant and equipment	24,704
Other assets	8,747
Total Depreciation	<u>75,287</u>
 NOTE 4 - CASH AND CASH EQUIVALENTS	 2009/10 Forecast \$000
Cash on hand	0
Bank accounts	0
Short Term Deposits	6,232,500
Other cash or cash equivalents	0
Total Cash and Cash Equivalents	<u>6,232,500</u>
 NOTE 5 - ACCOUNTS RECEIVABLE	 2009/10 Forecast \$000
Outputs to Cabinet	0
Outputs to other government agencies	0
Outputs to others	2,242,462
Prepayments	43,755
Other Receivables	366,764
Total gross	2,652,981
Less provision for doubtful debts	896,110
Total Net	<u>1,756,871</u>

**CIVIL AVIATION AUTHORITY
NOTES TO THE FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

	Opening Balance	Addition	Accum. Depreciation	Closing Balance 2009/10 Forecast
	\$000	\$000	\$000	\$000
Furniture and fittings	108,067	10,000	24,771	83,296
Computer hardware and software	118,393	15,000	72,827	45,566
Office equipment	36,787		17,838	18,949
Plant and equipment	120,948	4,000	60,453	60,495
Other assets	49,047		23,253	25,794
Work in Progress				
Total	433,242		199,143	234,099

NOTE 7 - ACCOUNTS PAYABLE

	2009/10 Forecast \$000
Other Accounts Payable	165,370
Total	165,370

NOTE 8. UNEARNED REVENUE

	2009/10 Forecast \$000
Revenue received in advance	
Total	0

NOTE 9 - EMPLOYEE ENTITLEMENTS (CURRENT)

	2009/10 Forecast \$000
Long service leave and other leave entitlements	18,750
Other salary related entitlements	
Total Employee Entitlements	18,750

**NOTE 10 - RECONCILIATION OF OPERATING SURPLUS TO CASH FLOWS
FROM OPERATING ACTIVITIES**

	2009/10 Forecast \$000
Operating surplus/(deficit)	789,000
Non-cash movements	
Depreciation	75,287
Increase in provision for doubtful debts	(23,248)
Increase in Payables/Accruals	(9,412)
Increase in receivables	(108,280)
Net cash flows from operating activities	719,287

BUDGET 2009/10

Ownership Agreement

Between

**The Cabinet of the Cayman Islands
Government**

and

Electricity Regulatory Authority

For the year ending 30 June 2010

Contents

1. Purpose
2. Nature and Scope of Activities
3. Strategic Goals and Objectives
4. Ownership Performance Targets
5. Summarised Forecast Financial Statements
6. Other Financial Information
7. Agreement
8. Appendix: Forecast Financial Statements

1. Purpose

This Ownership Agreement documents the ownership performance that the Cabinet and the Board of *Electricity Regulatory Authority* have agreed that *Electricity Regulatory Authority* will seek to achieve during the 2009/10 financial year.

The purpose of the document is to ensure that the ownership performance expectations for the year are clearly specified and agreed by both parties.

2. Nature and Scope of Activities

This section outlines the nature and scope of activities within which *Electricity Regulatory Authority* is to operate during the year.

General Nature of Activities

The *Electricity Regulatory Authority* became operational in May 2005 under the Electricity Regulatory Authority Law 2005. The ERA Law was amended in 2008. Its activities to date have been mainly involved in the negotiating and subsequent issue in April 2008 of Licences granted to Caribbean Utilities Company Ltd (CUC). It also continues to monitoring the Cayman Brac Power & Light (CBPL) licence granted in 2003. Primary goals will be to continue to monitor these licences during the financial year, negotiate new licences with new entrants to the electricity industry within the Cayman Islands, to ensure the continued supply of dependable electricity in the Cayman Islands and the a supply of energy from renewable resources.

In addition the ERA will continue to manage the solicitation for an additional 32 MW of generating capacity for 2012/2013.

Scope of Activities

The scope of *Electricity Regulatory Authority* activities is as follows:

- Monitor licences granted to CUC and CBPL, and the reporting requirements under those licences.
- Encourage the introduction of competition within the electricity generation industry within the Cayman Islands, with new licence(s) to be issued to new entrants to the market, especially in the use of renewable resources.
- Continue to manage the solicitation process for new generating capacity for 2012 and 2013.
- Ensure that all licence fees and regulatory fees (where applicable) are collected in a timely fashion.
- Ensure that all reports due under the ERA Law 2008 from licensees or as detailed under existing licences are received in a timely manner.
- Ensure that the ERA works closely with licensees and the Department of the Environment to ensure that all licensees comply with environmental laws.

Customers and Location of Activities

The services provided by *Electricity Regulatory Authority* are within the Cayman Islands.

3. Strategic Goals and Objectives

The key strategic goals and objectives (from an ownership perspective) for The *Electricity Regulatory Authority* for the 2009/10 financial year are as follows:

The expansion of energy generated from renewable resources within the Cayman Islands.

4. Ownership Performance Targets

The ownership performance targets (as specified in schedule 5 to the Public Management and Finance Law (2005 Revision) for *Electricity Regulatory Authority* for the 2009/10 financial year are as follows.

Financial Performance

Financial Performance Measure	2009/10 Budget \$	2008/9 Estimated Actual \$
Revenue from Cabinet	150,000	143,201
Revenue from ministries, portfolios, statutory authorities and government companies	0	0
Revenue from other persons or organisations	660,000	791,292
Surplus/deficit from outputs	0	0
Other expenses	690,208	606,040
Net Surplus/Deficit	119,792	328,453
Total Assets	598,435	600,042
Total Liabilities	140,346	115,345
Net Worth	458,089	484,697
Cash flows from operating activities	100,893	331,863
Cash flows from investing activities	(8,751)	68,270
Cash flows from financing activities	92,142	400,133
Change in cash balances	(54,258)	400,133

Financial Performance Ratio	2009/10 Budget \$	2008/9 Estimated Actual \$
Current Assets: Current Liabilities	3.97/1	9.3/1

Total Assets: Total Liabilities	4.26/1	5.2/1
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Maintenance of Capability

Human Capital Measures	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Total full time equivalent staff	3	1
Staff turnover (%)	0	0
Average length of service (Number)		
Senior management	5.25	4.25
Professional staff	0	0
Administrative staff	2.5	1.0
Significant changes to personnel management system	None	None

Physical Capital Measures	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Value of total assets	598,435	600,042
Asset replacements: total assets	0	0
Book value of depreciated assets: initial cost of those assets	74 %	70%
Depreciation: Cash flow on asset purchases	24 %	60%
Changes to asset management policies	0	0

Major Capital Expenditure Projects	2009/10 Budget
	\$
Computers	5,000
Office Furniture	2,750
Office Equipment	26,000
Total	33,750

Risk Management

Key risks	Change in status from previous year	Actions to manage risk	Financial value of risk
None	New Board of Directors Have been appointed	N/A	0

5. Summarised Forecast Financial Statements

A full set of forecast financial statements for The Electricity Regulatory Authority is provided in the Appendix to this Ownership Agreement.

A summary of those forecasts is as follows.

Operating Statement	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Revenue	810,000	934,493
Operating Expenses	690,208	606,040
<i>Net Surplus</i>	<i>119,792</i>	<i>328,453</i>

Balance Sheet	As at 30 June 2010	As at 30 June 2009
	\$	\$
Assets	598,435	600,042
Liabilities	140,346	115,345
<i>Net Worth</i>	<i>458,089</i>	<i>484,697</i>

Statement of Cash Flows	2009/10 Budget	2008/9 Actual
	\$	\$
Net cash flows from operating activities	100,893	331,863
Net cash flows from investing activities	(8,751)	68,270
Net cash flows from financing activities	92,142	400,133

6. Other Financial Information

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

Transaction	Amount for 2009/10 \$
Equity Investments into <i>Electricity Regulatory Authority</i>	0
Equity Repayments from <i>Electricity Regulatory Authority</i> to CIG.	146,400
Dividend or Profit Distributions to be made by <i>Electricity Regulatory Authority</i>	0
Government Loans to be made to <i>Electricity Regulatory Authority</i>	0
Government Guarantees to be issued in relation to <i>Electricity Regulatory Authority</i>	0
Related Party Payments (Non Remuneration) made to Key Management Personnel ²⁴	0
Remuneration ²⁵ Payments made to Key Management Personnel	15,000
Remuneration Payments made to Senior Management	0

	Number for 2009/10
No of Key Management Personnel (Directors)	11
No of Senior Management	2

²⁴ Key Management Personnel as defined by International Public Accounting Standards No 20, e.g. Minister, Board Member and Senior Management Team

²⁵ Remuneration as defined by International Public Accounting Standards No 20 Par 34(a)

7. Agreement

Scope of this Agreement

In signing this document:

- *Electricity Regulatory Authority* undertakes to seek to achieve the performance specified in sections 2 to 6 to the best of its ability; and
- The Cabinet agrees to the performance specified in sections 2 to 5 and the financial transactions specified in section 6.

Procedures for Changing this Ownership Agreement

Changes to this Ownership Agreement may be made during the year only with the express and explicit agreement of both parties to the Agreement.

Changes will be made in the following way:

- If either party wish to change the specification of performance contained in this Ownership Agreement, they must notify the other in writing describing the changes that they wish to make.
- The other party will take no more than 15 working days to consider the proposed amendments, or such other time as the two parties may agree.
- The other party will respond to the other about the proposed amendments and negotiate appropriate changes that are agreeable to both parties.
- The Parties will sign the amended Ownership Agreement.
- The amended Ownership Agreement will be attached to, and form part of, this Agreement.

Agreement

We jointly agree that this Ownership Agreement accurately documents the ownership performance that *Electricity Regulatory Authority* will seek to achieve for the 2009/10 financial year and that the Cabinet will monitor performance against.

Juliana O'Connor-Connolly
Minister, District Administration, Works and Gender Affairs
on behalf of the Cabinet

Chairman of the Board
The Electricity Regulatory Authority

September 30, 2009

Appendix: Forecast Financial Statements

**THE ELECTRICITY REGULATORY AUTHORITY
STATEMENT OF RESPONSIBILITY FOR FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

These Forecast Financial Statements have been prepared in accordance with the provisions of the Public Management and Finance Law (2005 Revision).

The Board accepts responsibility for the accuracy and integrity of the financial information in these financial statements.

To the best of our knowledge the forecast financial statements are:

- (a) complete and reliable;
- (b) fairly reflect the forecast financial position as at 30 June 2010 and performance for Electricity Regulatory Authority for the year ended 30 June 2010; and
- c) comply with generally accepted accounting practice.

**Chairman
Electricity Regulatory Authority**

September 30, 2009

**ELECTRICITY REGULATORY AUTHORITY
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDING 30 JUNE 2010**

The forecast financial statements are prepared in accordance with International Accounting Standards. The significant accounting policies adopted by the Authority are as follows.

Revenues from billings to Cabinet are recognised when billed: Revenue from regulatory fees (received quarterly) is taken into account when received during the year, and an accrual is calculated of fees receivable at year end.

Translation of Foreign currencies: There are no revenues or assets anticipated to be in any currency other than Cayman Islands Dollars.

Depreciation: Fixed assets are depreciated using the straight line method over their estimated useful lives as follows:

Computer Hardware and Software	5 years
Other Equipment	5 years
Office Furniture and Equipment	10 years

Leased assets: There are no leased assets.

**ELECTRICITY REGULATORY AUTHORITY
 FORECAST OPERATING STATEMENT
 FOR THE YEAR ENDING 30 JUNE 2010**

	2009/10 Budget \$	2008/9 Estimated Actual \$
<u>Revenue</u>		
Outputs billed to Cabinet	150,000	143,201
Regulatory Fees	660,000	790,948
Interest Income	0	344
Total Revenue	810,000	943,493
<u>Operating Expenses</u>		
Personnel Costs	304,585	173,277
Supplies & Consumables	162,000	318,161
Other Operating Expenses	215,516	111,192
Depreciation	8,106	3,410
Total Operating Expenses	690,208	606,040
Surplus	119,792	328,453

**ELECTRICITY REGULATORY AUTHORITY
 FORECAST STATEMENT OF CHANGES IN NET WORTH
 FOR THE YEAR ENDING 30 JUNE 2010**

	2009/10 Budget \$	2008/9 Estimated Actual \$
Balance of Net Worth B'Fwd	484,697	156,244
Operating Surplus	119,792	328,453
Equity Injection		
Repayment of Equity	(146,400)	0
Closing Balance of Net Worth	<u><u>458,089</u></u>	<u><u>484,697</u></u>

**ELECTRICITY REGULATORY AUTHORITY
FORECAST BALANCE SHEET
AS AT 30 JUNE 2010**

	2009/10 Budget \$	2008/9 Estimated Actual \$
Current Assets		
Cash & Marketable Securities	375,963	430,221
Accounts Receivable	178,320	151,312
Fixed Assets	40,776	15,132
Other Current Assets – Deposits & Prepaid	<u>3,376</u>	3,377
Total Assets	<u>598,435</u>	<u>600,042</u>
Total Liabilities	<u>140,346</u>	<u>115345</u>
TOTAL ASSETS LESS LIABILITIES	<u><u>458,089</u></u>	<u><u>484697</u></u>
NET WORTH		
Cumulative Equity Injection	-	146,400
Accumulated Profit	<u>458,089</u>	<u>338,297</u>
TOTAL NET WORTH	<u><u>458,089</u></u>	<u><u>484,697</u></u>

**ELECTRICITY REGULATORY AUTHORITY
FORECAST STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING 30 JUNE 2010**

	2009/10 Budget \$	2008/9 Estimated Actual \$
Current Assets		
Cash & Marketable Securities	375,963	430,221
Accounts Receivable	178,320	151,312
Fixed Assets	40,776	15,132
Other Current Assets – Deposits & Prepaid	<u>3,376</u>	3,377
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Total Liabilities	<u>140,346</u>	<u>115345</u>
TOTAL ASSETS LESS LIABILITIES	<u><u>458,089</u></u>	<u><u>484697</u></u>
NET WORTH		
Cumulative Equity Injection	-	146,400
Accumulated Profit	<u>458,089</u>	<u>338,297</u>
TOTAL NET WORTH	<u><u>458,089</u></u>	<u><u>484,697</u></u>

FOR THE YEAR ENDING 30 JUNE 2010

The Electricity Regulatory Authority commenced operations in mid May 2005.

When new license(s) were issued to CUC in April 2008 regulatory fees of .5% of gross revenues become payable to the Electricity Regulatory Authority, quarterly in arrears on CUC's gross revenues. At year end an accrual is made of fees receivable, amounting to two months fees.

No Regulatory Fees are received from Cayman Brac Power and Light.

BUDGET 2009/10

Ownership Agreement

Between

**The Cabinet of the Cayman Islands
Government**

and

Health Services Authority

For the year ending 30 June 2010

Contents

1. Purpose
2. Nature and Scope of Activities
3. Strategic Goals and Objectives
4. Ownership Performance Targets
5. Summarised Forecast Financial Statements
6. Other Financial Information
7. Agreement
8. Appendix: Forecast Financial Statements

1. Purpose

This Ownership Agreement documents the ownership performance that the Cabinet and the Board of Health Services Authority have agreed that Health Services Authority will seek to achieve during the 2009/10 financial year.

The purpose of the document is to ensure that the ownership performance expectations for the year are clearly specified and agreed by both parties.

2. Nature and Scope of Activities

This section outlines the nature and scope of activities within which Health Services Authority is to operate during the year.

General Nature of Activities

The Health Services Authority is responsible for the provision and administration of health care services in the Cayman Islands.

Scope of Activities

The Health Services Authority (HSA) provides primary and secondary levels of healthcare services, and public health functions for the residents of the Cayman Islands in accordance with the National Strategic Plan for Health as agreed with the Ministry of Health.

The Health Services Authority provides patient care through the 124-beds at the Cayman Islands Hospital, and the 18-beds at the Faith Hospital on Cayman Brac. Primary Health care is offered at district health centres in Grand Cayman and a health centre in Little Cayman. This care being supplemented with dental and eye care services on site at the Health Service Complex in Grand Cayman.

As the nation's principal health care facility, the Cayman Islands Hospital in George Town provides a full range of inpatient and outpatient medical and specialist services.

Specialist services are available in the fields of: surgery, gynaecology & obstetrics, paediatrics, internal medicine, dermatology, anaesthesiology, public health, orthopaedics, psychiatry, cardiology, gastroenterology, radiology, neurology, ophthalmology, ear, nose and throat, periodontology, reconstructive surgery, faciomaxillary surgery, and urology.

In the Sister Islands, residents and visitors can turn for their health care needs to the Faith Hospital in Cayman Brac and the Little Cayman Clinic. The 18-beds hospital serves both islands and provides primary, secondary and emergency care. It features a modern inpatient unit, as well as an operating theatre, maternity, accident and emergency department, outpatient clinics and a public health department. This service is rendered through a purchase agreement with the Ministry of Health Services.

The Health Services Authority also provides a full range of dental and ophthalmologic services.

The Little Cayman Clinic is a new purpose-built facility, complete with waiting and triage areas, a treatment room, doctors' office and a dental office. A resident registered nurse is on call around-the-clock.

The Health Services Authority through the Public Health Department is responsible for public health programmes through a purchase agreement with the Ministry of Health Services. A team of public health nurses, a public health surveillance officer, a health promotion officer, a genetics counsellor, a nutritionist and administrative staff provide this service under the direction of the Medical Officer of Health.

Scope of Activities (continued)

Public Health services include:

- Health advice and vaccines for international travellers;
- Health assessment, including vision and hearing tests for children;
- Nutrition and dietary counselling;
- Child growth and development monitoring;
- Health Promotion;
- Communicable disease screening; and
- Disease prevention and control programmes, including immunization.

Customers and Location of Activities

The Health Services Authority provides services to all members of the community and visitors. It serves as the primary source of healthcare services to groups of people entitled to healthcare by the Cayman Islands' Government. This includes civil servants and their dependants, public office pensioners and their dependents, school age children, seamen and veterans, indigents and prisoners.

3. Strategic Goals and Objectives

The key strategic goals and objectives (from an ownership perspective) for The Health Services Authority for the 2009/10 financial year are as follows (FIVE PILLARS):

People

- B. To be the employer of choice in the Cayman Islands. To develop and support a culturally diverse, competent, motivated and productive workforce. To recruit and retain highly competent staff to meet the H.S.A's/patient needs.
 - 1. Recruit Training Coordinator to develop and manage organizational training programs to meet defined needs
 - 2. Implement a comprehensive HR Information System for the management of all personnel data.
 - 3. Administer Annual Employee Satisfaction Survey
 - 4. Develop and introduce a Hospital Volunteer Program
 - 5. Develop Web based training to enhance the education, skills and competence of all employees
 - 6. New compensation structure based on Performance Evaluation System.

Quality

- C. To provide quality health care that can be defined, measured and published. To enforce and invest in a pervasive culture of safety and zero errors. To implement staff quality training and education programmes, well maintained facilities and state-of-the-art technology.
 - 1. Develop an effective Performance Evaluation System (Develop indicators and objective measurements for staff competences)
 - 2. Develop and implement a comprehensive database of policies and procedures
 - o Develop clinical guidelines
 - 2. Implement a consistent facilities and equipment preventative maintenance program
 - 3. Develop a Master facilities Plan to include:
 - o CSSR /OR
 - o Lab
 - o Storage
 - o Implement Power Note IT software to enhance patient record documentation
 - 4. Introduce a facility wide security plan (for example, swipe cards to secure all entrances and exits, and a system of approval and accountability for the issuing of keys and access to staff, visitors and contractors employed by the HSA).
 - 5. Enhance Cardiology Services to include Cardiac Catheterization laboratory.
 - 6. Enhance Oncology Services to include purpose built facility and full time Oncologist.
 - 7. Obtain state-of art MRI.

Finance

- D. To be financially sustainable, to support advancing the mission and vision of the H.S.A. To be operationally efficient.
 - 1. Review and cost all services provided by the H.S.A
 - 2. Implement an effective management and Procurement & Inventory control system (Software Program) to improve the procurement and management of supplies
 - 3. Develop standard organizational practices and training Program for all staff on the procurement process.
 - 4. Improve billing and collections process

Information

- E. Establishment of a comprehensive information management plan to support the business activities of the H.S.A.
 - 1. Maintain a secure IT system
 - 2. Improve the communication infrastructure i.e. telephone, paging, mobile connect, internal and external email
 - 3. Work with each section to create a system for retrieving data to inform organizational decision making
 - 4. Recruit and retain the staff necessary to support the information management plan
 - 5. Develop an effective Website/Intranet to provide internal/external information
 - 6. Improve PROFIT's functionality and ensure all staff are trained.

Community

- F. Through an effective primary healthcare program to enhance the national profile and the health and wellness of all people in the Cayman Islands
 - 1. Introduce a national Wellness Program
 - 2. Reduce chronic non-communicable disease through an effective non-communicable disease management program

4. Ownership Performance Targets

The ownership performance targets (as specified in schedule 5 to the Public Management and Finance Law (2005 Revision) for Health Services Authority for the 2009/10 financial year are as follows.

Financial Performance

Financial Performance Measure	2009/10 Target \$	2008/9 Estimated Actual \$
Revenue from Cabinet	29,332,540	26,117,665
Revenue from ministries, portfolios, statutory authorities and government companies	28,541,890	26,588,149
Revenue from other persons or organisations	22,545,390	22,770,806
Surplus/deficit from outputs	0	(4,887,987)
Other expenses	(81,598,948)	(81,983,226)
Net Surplus/Deficit	(1,179,128)	(6,506,606)
Total Assets	65,687,205	67,883,548
Total Liabilities	5,861,427	(9,466,643)
Net Worth	60,267,189	58,416,905
Cash flows from operating activities	803,117	(734,243)
Cash flows from investing activities	(2,568,000)	(4,168,959)
Cash flows from financing activities	2,568,000	9,896,177
Change in cash balances	823,117	4,992,975

Financial Performance Ratio	2009/10 Target	2008/9 Estimated Actual
Current Assets: Current Liabilities	318%	210%
Total Assets: Total Liabilities	11.48	7.17

Maintenance of Capability

Human Capital Measures	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Total full time equivalent staff	749	814
Staff turnover (%)	11%	13%
Average length of service (Number)		
Senior management	13	12.8
Professional staff	7	6
Administrative staff	7	6
Significant changes to personnel management system	None	None

Physical Capital Measures	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Value of total physical assets	65,687,205	68,108,789
Asset replacements: total assets	5.00%	6.00%
Book value of depreciated assets: initial cost of those assets	68%	71%
Depreciation: Cash flow on asset purchases	82%	60%
Changes to asset management policies	None	Non- Current assets manuals

Major Capital Expenditure Projects	2009/10 Target
	\$
Materials Management/Lab / Faith Hospital major repairs	1,738,000
Computer Software-Inventory & Procurement	150,000
Telephone system	100,000
Medical Gas	150,000
Generator for 3 district clinics	100,000
Master Plan Facilities	150,000
GT Generator	1,100,000
Faith Hospital PACS	80,000
Ambulance Faith Hospital – major repair cost	20,000

Risk Management

Key Risks	Change in status from previous year	Actions to manage risk	Financial Value of Risk
Key Staff Vacancies	Key Staff Recruited		0
Loss of key staff	Clinical staff: Nurses, Physicians and Technicians	Implementation of job evaluation and revised salary structure Provision of training nurse training in the LPN school Succession planning to identify school leavers and staff who can assume key positions	0 \$2M
Loss of Vital Information due to prolonged power outage or natural disaster	N/A	Reliable paper and electronic back up for records Maintenance, servicing and protection of generator from flood waters Adequate document storage Establish down time procedures to be used in times of power/computer outages.	\$300,000
Natural Disaster – Loss of Communication	N/A	Maintenance of radios and satellite phones Ensure maintenance of text messaging system via LIME	0
Security Risk	Enhanced contingency security plan for improved communication	Improve security of facilities by restricting access and maintaining alarms on exists Installation of swipe card access to doors leading to operating theatre and maternity , for use after hours security guard at A&E with the contingency plan to call additional off duty security officers and RCIP if required for crowd control	0
Inadequate financial information system	IT Project Manager	Upgrade of the computer system Retraining of all staff	0
Financial Sustainability	Charge Master Analyst	Implementation of charge master to include additional and existing chargeable items at current market rate Monitoring of expenditure and revenue collections on a monthly basis at departmental levels	0

Key Risks	Change in status from previous year	Actions to manage risk	Financial Value of Risk
Business Interruption	N/A	Formulation of contingency plans to maintain operations Securing adequate insurance to compensate for unavoidable interruptions in business Installation of Fire Suppression System in Materials Management Department to prevent destruction of Medical, Surgical and Pharmaceutical Supplies by fire	0
Potential exposure of Staff to Communicable Diseases and work related injuries	Pandemic Flu	Enhanced Ventilation for Pathology Laboratory. Business interruption plan to include provision of personal protection equipment, flexible work times, remote access, Accident and injury reporting process and Health and Safety inspections and follow up Workmans compensation insurance	0
Potential for litigation due to adverse patient outcomes	Increased costs for Ob/Gyn Indemnity	Medical Malpractice insurance	0
Potential of property damage in natural disaster due to aging facilities	Repairs of roofs in IT building and General Practice Building	Development of a preventative maintenance programme	0
Potential exposure as a result of accident injury to visitors	N/A	Public Liability insurance	0
Potential exposure to accident injury to contractual workers on site	N/A	Ensure that contractual workers have adequate indemnity insurance	0

5. Summarised Forecast Financial Statements

A full set of forecast financial statements for Health Services Authority is provided in the Appendix to this Ownership Agreement.

A summary of those forecasts is as follows.

Operating Statement	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Revenue	80,419,820	75,476,620
Operating Expenses	(81,598,948)	(81,893,226))
<i>Net Surplus/Deficit</i>	<i>(1,179,128)</i>	<i>(6,506,606)</i>

Balance Sheet	As at 30 June 2010	As at 30 June 2009
	\$	\$
Assets	65,687,205	67,883,548
Liabilities	5,861,427	9,466,643
<i>Net Worth</i>	<i>59,825,778</i>	<i>58,416,905</i>

Statement of Cash Flows	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Net cash flows from operating activities	803,117	(734,243)
Net cash flows from investing activities	(2,568,000)	(4,168,959)
Net cash flows from financing activities	2,568,000	9,896,177

6. Other Financial Information

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

Transaction	Amount for 2009/10 \$
Equity Investments into Health Services Authority (Capital)	2,588,000
Capital Withdrawals from Health Services Authority].	0
Dividend or Profit Distributions to be made Health Services Authority.	0
Government Loans to be made to Health Services Authority.	0
Government Guarantees to be issued in relation Health Services Authority.	0
Related Party Payments (Non Remuneration) made to Key Management Personnel ²⁶	0
Remuneration ²⁷ Payments made to Key Management Personnel	1,186,540
Remuneration Payments made to Senior Management	1,177,840

	Number for 2009/10
No of Key Management Personnel	22
No of Senior Management	10

²⁶ Key Management Personnel as defined by International Public Accounting Standards No 20, eg Minister, Board Member and Senior Management Team

²⁷ Remuneration as defined by International Public Accounting Standards No 20 Par 34(a)

7. Agreement

Scope of this Agreement

In signing this document:

- Health Services Authority undertakes to seek to achieve the performance specified in sections 2 to 6 to the best of its ability; and
- The Cabinet agrees to the performance specified in sections 2 to 5 and the financial transactions specified in section 6.

Procedures for Changing this Ownership Agreement

Changes to this Ownership Agreement may be made during the year only with the express and explicit agreement of both parties to the Agreement.

Changes will be made in the following way:

- If either party wish to change the specification of performance contained in this Ownership Agreement, they must notify the other in writing describing the changes that they wish to make.
- The other party will take no more than 15 working days to consider the proposed amendments, or such other time as the two parties may agree.
- The other party will respond to the other about the proposed amendments and negotiate appropriate changes that are agreeable to both parties.
- The Parties will sign the amended Ownership Agreement.
- The amended Ownership Agreement will be attached to, and form part of, this Agreement.

Agreement

We jointly agree that this Ownership Agreement accurately documents the ownership performance that Health Services Authority will seek to achieve for the 2009/10 financial year and that the Cabinet will monitor performance against.

Hon. Mark Scotland
Ministry of Health, Environment, Youth, Sports and Culture
on behalf of Cabinet

Mr. Canover Watson
Chairman of the Board
Health Services Authority

September 30, 2009

Appendix: Forecast Financial Statements

HEALTH SERVICES AUTHORITY STATEMENT OF RESPONSIBILITY FOR FORECAST FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2010

These Forecast Financial Statements have been prepared in accordance with the provisions of the Public Management and Finance Law (2005 Revision).

The Board accepts responsibility for the accuracy and integrity of the financial information in these financial statements.

To the best of our knowledge the forecast financial statements are:

- (a) complete and reliable;
- (b) fairly reflect the forecast financial position as at 30 June 2010 and performance for Health Services Authority for the year ended 30 June 2010
- (c) comply with generally accepted accounting practice.

Mr. Canover Watson
Chairman of the Board
Health Services Authority

September 30, 2009

**HEALTH SERVICES AUTHORITY
ASSUMPTIONS
FOR THE YEAR ENDING 30 JUNE 2010**

The Health Services Authority accounts are prepared in accordance with International Accounting Standards.

- H.S.A. deductions are for employees and dependents services, which are deducted from gross revenue because no billing occurs for these services approximately 5% of Patient Revenue.
- Patient revenue is based on 4% volume increase plus effect of 10% increase on current fee in March 2008 and additional CPT codes expansion in January 2009.
- Government Outputs are based on approved amounts in the Purchase Agreement for the 2009-2010 year.
- Personnel Cost were budgeted based on HSA Staffing Plan which requires 748 (FTE).
- Current 24 part time employees were budgeted at its 24 full time equivalent (FTE) while the remaining 30 FTE vacancies were budgeted only for 6 months salary. Overall, HSA has total count of 54 FTE vacancies.
- Bad Debt is computed based on Bad Debts Policy where the reserve is an amount that management believes will be adequate to cover any bad debts based on an evaluation of collectability and prior bad debt experience.
- HSA Pension contribution is based on 7% (6% standard contribution plus 1% past service fee required by PSPB) for 12 months.
- Cerner software licensing fee will increase by 3.8%.
- Straight line is used in computing Depreciation on Fixed Assets.
- Some forecast increase in operating expenses is driven by strategic objectives.
- Target of 30 days cash reserve.

**HEALTH SERVICES AUTHORITY
FORECAST OPERATING STATEMENT
FOR THE YEAR ENDING 30 JUNE 2010**

	Note	2009-10 Forecast	2008-09 Forecast
Gross Patient Revenue			
Commercial and Self Pay Revenue	1	24,453,372	24,782,555
Cabinet Outputs – Patient Revenue	2	13,441,612	11,048,594
CINICO and Output to other Ministries	3	28,541,890	26,588,149
Total Gross Patient Revenue		66,436,874	62,419,298
Revenue Deductions			
HSA deductions & PH contractual adj	4	3,321,843	3,395,874
Net Patient Revenue		63,115,031	59,023,424
Other Revenue			
Cabinet Outputs	5	15,890,928	15,069,071
Rental Income		151,200	129,667
Donations		80,000	81,360
Other Income		1,182,661	1,173,098
Total Other Revenue		17,304,789	16,453,196
Total Net Revenue		80,419,820	75,476,620
Total Revenue		83,741,663	78,872,494
Expenses			
Personnel Cost	6	44,539,490	43,937,248
Supplies and Materials	7	8,377,749	7,919,222
Utilities	8	2,774,778	2,739,959
Other Operational Expenses	9	6,613,237	5,971,732
Insurance	10	2,180,768	2,076,948
Travel & Subsistence	11	396,394	356,622
Legal & Professional Fees	12	887,000	966,490
Training	13	234,250	248,598
Reference Materials	14	17,150	7,040
Bad Debt	15	12,623,006	15,242,782
Depreciation	16	2,955,126	2,516,626
Total Expense		81,598,948	81,983,265
Net Operating Profit/ (Loss)	CI\$	(1,179,128)	(6,506,645)

**HEALTH SERVICES AUTHORITY
FORECAST BALANCE SHEET
AS AT 30 JUNE 2010**

Accounts Receivable (Net)	19	10,354,004	11,665,669
Cabinet Receivables	20	0	1,072,834
Other Receivables		200,000	672,497
Inventories	21	2,786,397	2,604,233
Total Current Assets		18,667,164	19,855,844
Current Liabilities			
Trade payables	22	(2,117,012)	(3,823,059)
Stale dated payables		(127,784)	(117,199)
Accruals		(2,129,373)	(3,845,382)
Other Creditors	23	(1,487,258)	(1,681,003)
Other current liability		0	0
Total Current liabilities		(5,861,427)	(9,466,643)
Net Current Assets		12,805,737	10,389,201
Property Plant & Equipment			
Property Plant & Equipment - All		71,696,788	68,108,789
Accumulated Depreciation - All		(23,036,210)	(20,081,085)
Total Property Plant & Equipment, net	24	48,660,578	48,027,704
Net Assets		61,466,316	58,416,905
Net Worth			
Contributed Capital(current period)	17	4,228,540	9,896,177
Surplus/(Deficit)		(1,179,128)	(6,506,606)
Contributed capital B/F		136,952,932	127,056,755
Accumulated Surplus/(Deficit)- B/F		(78,536,028)	(72,029,421)
Net Worth	CI\$	61,466,316	58,416,905

(0) (0)

HEALTH SERVICES AUTHORITY
 FORECAST STATEMENT OF CHANGES IN NET WORTH
 FOR THE YEAR ENDING 30 JUNE 2010

	Note	2009-10 Forecast	2008-09 Forecast
Net Worth			
Net Worth, Beg		58,416,904	55,027,333
Surplus(Deficit)		(1,179,128)	(6,506,606)
Equity Injection	17	2,588,000	9,896,177
Net Worth, End	CI\$	59,825,776	58,416,904

HEALTH SERVICES AUTHORITY
 FORECAST STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDING 30 JUNE 2010

	Note	2009-10 Forecast	2008-09 Forecast
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of Outputs to Cabinet		15,890,928	13,685,164
Sale of Goods and Services		51,803,690	47,066,116
Other receipts		2,424,947	763,677
Total Receipts		70,119,565	61,514,957
Payments			
Personnel Costs	6	(44,539,490)	(44,000,500)
Supplier		(25,315,547)	(18,248,700)
Total Payments		(69,855,037)	(62,249,200)
activities		264,528	(734,243)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for non-current assets		(2,588,000)	(4,168,959)
Receipts from Disposal of Non-current Assets		0	0
Net (Deficit) cash flows from investing activities		(2,588,000)	(4,168,959)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital & Loss Injection	17	4,767,128	9,896,177
Net cash flows from financing activities		4,767,128	9,896,177
Net increase/(decrease) in cash and cash eq		2,443,656	4,992,975
Cash and cash equivalents at beginning of period		3,800,468	(1,192,507)
Cash and cash equivalents at end of period	CI\$	6,244,124	3,800,468

**HEALTH SERVICES AUTHORITY
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDING 30 JUNE 2010**

Basis of accounting

The financial statements of the Health Authority are prepared on an accruals basis under the historical cost convention.

Use of estimates

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. Actual results could differ from these estimates.

Financial instruments

Classification

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset, exchange financial instruments under conditions that are potentially favourable or an equity instrument of another enterprise. Financial assets comprise cash, accounts receivable and other receivables and assets.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. Financial liabilities comprise accounts payable and accrued expenses.

Recognition

The Health Authority recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Measurement

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

Financial liabilities are carried at amortised cost, being the amount at which the liability was initially recognised less any principal repayments plus any amortisation (accrued interest) of the difference between that initial amount and the maturity amount.

Specific instruments

Cash and cash equivalents

For the purposes of the statement of cash flows, The Health Authority considers cash and current accounts to be cash and cash equivalents.

**HEALTH SERVICES AUTHORITY
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDING 30 JUNE 2010**

Financial instruments (continued)

Derecognition

A financial asset is derecognised when the Health Authority realises the rights to the benefits specified in the contract or the Health Authority 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.

Fixed assets/depreciation

Fixed assets are stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to the statement of income on a straight-line basis at the following rates estimated to write off the cost of the assets over their expected useful lives:

Land	Nil
Buildings	50 years
Medical equipment	8-15 years
Ambulance	5 years
Other fixed assets	3-15 years

Impairment

The carrying amount of the Health Authority's assets other than inventories (see note 2(h)) are reviewed at each balance sheet dates to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceed its recoverable amount.

Foreign currency translation

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Cayman Islands dollars at the foreign currency exchange rate ruling at the balance sheet dates. Foreign exchange differences arising on translation are recognised in the statement of income. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign currency exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the Cayman Islands dollars at the foreign exchange rates ruling at the dates that the values were determined.

**HEALTH SERVICES AUTHORITY
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDING 30 JUNE 2010**

Allowance for bad debts

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

Inventory

Inventory is valued at the lower of net realisable value or cost, on a weighted average basis. Inventory is recorded net of an allowance for obsolete and slow moving items. Any change in the allowance for obsolescence is reflected in the statement of income in the year of change.

Revenue recognition

Fee income on services provided is recognised in the statement of revenue and expenses when the rendering of a service is completed or substantially completed.

Employee benefits

The Health Authority employees and their dependants receive free medical benefits of which a portion is provided by the said institution (See note 14). The portion provided by the institution is considered a contractual adjustment against gross revenue.

The Health Authority participates in the Public Service Pensions Fund, a defined contribution pension fund, in accordance with the Cayman Islands National Pension Law. Contributions are charged to expenses as they are incurred based on set contribution rates.

A number of Health Authority employees participate in a defined benefit scheme. An actuarial valuation is to be completed in the near future. The Health Authority believes that their financial obligation to this scheme is limited to making the required monthly contributions for current services. No defined benefit obligation has been recorded in these financial statements and as such no allowance for any surplus or deficit that may arise on the defined benefit scheme has been provided for.

**HEALTH SERVICES AUTHORITY
NOTES TO THE FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

REVENUE

1. Patient Services Non-Government

	2009-10 Forecast	2008-09 Forecast
Commercial Insurance	13,815,108	13,325,609
Self - Pay	7,886,213	8,643,564
HSA Medical Charges	2,752,051	2,813,383
Total	CI\$ 24,453,372	24,782,555

2. Cabinet Outputs – Patient Revenue

	2009-10 Forecast	2008-09 Forecast
Indigents HSA 7 - HEA 2 - Patient Revenue	9,992,118	9,440,073
Beyond Ins Coverage - HSA 1 - HEA 2 - Patient Revenue	1,608,522	1,608,521
Over 60 years old	1,840,972	0
Total	CI\$ 13,441,612	11,048,594

3. CINICO & Outputs to Other Ministries

	2009-10 Forecast	2008-09 Forecast
CINICO	26,744,462	25,127,169
Other Ministries*	1,797,428	1,460,980
Total	CI\$ 28,541,890	26,588,149

4. Contractual Adjustments – H.S.A & PH

	2009-10 Forecast	2008-09 Forecast
Contractual Adjustments – H.S.A	(2,752,051)	(2,813,383)
Contractual Adjustments – Public Health	(569,792)	(582,491)
Total Contractual Adjustments	CI\$ (3,321,843)	(3,395,874)

**HEALTH SERVICES AUTHORITY
NOTES TO THE FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

5. Cabinet Outputs Programme

	2009-10 Forecast	2008-09 Forecast
Accident & Emergency	477,470	0
School Health	1,474,754	1,141,055
Faith Hospital & LC- HSA 21	4,538,881	5,162,667
Ambulance - HSA 23	2,387,649	2,125,903
District Clinics - HSA 34, 30, 31, 32, 33*	3,962,543	4,214,130
Pediatrics - HSA 27*	632,090	656,308
Mental Health In Patient & Day Care - HSA 28	2,010,127	1,389,189
Practical Nurse - HSA 25	407,414	379,819
Total	CI\$ 15,890,928	15,069,071

EXPENSES

6. Personnel Cost

	2009-10 Forecast	2008-09 Forecast
Salaries & Wages	37,090,330	35,390,064
Overtime	672,500	1,866,003
Allowances	1,122,014	1,340,954
Pension	2,559,846	2,304,807
Other Staff Cost	1,394,800	1,378,046
Overseas Medical & Health Care	1,700,000	1,657,374
Total	CI\$ 44,539,490	43,937,248

7. Supplies & Materials

	2009-10 Forecast	2008-09 Forecast
Drugs	4,542,550	4,608,896
Med/Sur	1,036,878	1,534,225
Dialysis Supply	225,000	0
Prothesis	200,000	0
Oxygen	316,000	316,349
Cleaning & Utensils	252,367	256,580
Lab Supplies	550,000	563,389
Disaster Preparedness	142,500	8,220
Primary Health	200,000	19,579
Hearing Aids	35,315	0
Other Supplies	877,139	611,985
Total	CI\$ 8,377,749	7,919,222

**HEALTH SERVICES AUTHORITY
NOTES TO THE FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

8. Utilities

	2009-10 Forecast	2008-09 Forecast
Water	239,850	241,628
Gas (Propane)	72,500	76,535
Electricity	2,090,736	2,031,894
Telephone	328,075	345,461
Other Utilities	43,617	44,441
Total	CI\$ 2,774,778	2,739,959

9. Other Operating Expenses

	2009-10 Forecast	2008-09 Forecast
Freight & Shipping	802,450	831,393
Mail Courier	192,210	168,146
Advertising	77,000	59,643
Maintenance - Equipment	677,000	620,086
Maintenance - Buildings	263,000	274,281
Public Health Special Projects	357,700	25,750
Software Maintenance	1,650,000	583,835
Software License	200,000	1,114,243
Overseas Lab Test	459,000	515,164
Bank Charges	205,191	208,249
Lease of Property & Equipment	341,423	340,450
Custom Duties	786,050	1,049,819
Other Operating Expenses	602,213	180,674
Total	CI\$ 6,613,237	5,971,732

10. Insurance

	2009-10 Forecast	2008-09 Forecast
Land & Buildings	1,093,207	974,733
Liability	319,648	334,604
Vehicles	17,913	17,611
Malpractise	750,000	750,000
Total	CI\$ 2,180,768	2,076,948

**HEALTH SERVICES AUTHORITY
NOTES TO THE FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

11. Travel & Subsistence

	2009-10 Forecast	2008-09 Forecast
Official Travel	59,944	100,556
Patient Escort	5,200	5,409
Transportation (Rental)	48,100	49,889
Leave Passage	40,000	39,412
Mileage	29,950	28,327
Recruitment	75,000	45,994
Repatriation	75,000	40,805
Locum/Other Expense	40,000	26,293
Visiting Specialist/Other Expense	20,500	19,937
Subsistence	2,700	0
Total	CI\$ 396,394	356,622

12. Legal & Professional

	2009-10 Forecast	2008-09 Forecast
Professional Fees	287,000	434,758
Legal Fees	400,000	390,949
Audit Fees	200,000	140,783
Total	CI\$ 887,000	966,490

13. Training

	2009-10 Forecast	2008-09 Forecast
Training	134,250	158,991
IT Training	0	3,983
Other Training	100,000	85,624
Total	CI\$ 234,250	248,598

14. Reference Material

	2009-10 Forecast	2008-09 Forecast
Audio Visual	8,800	245
Reference Books	8,350	6,795
Total	CI\$ 17,150	7,040

**HEALTH SERVICES AUTHORITY
NOTES TO THE FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

15. Bad Debts Expense

	2009-10 Forecast	2008-09 Forecast
0-30 days	2,457,840	4,036,171
31-60 days	1,103,370	1,295,486
61-90 days	1,190,346	1,324,139
91-120 days	1,046,929	1,647,140
121-150 days	1,079,452	1,237,087
151-180 days	680,731	689,122
181 - 365 days	5,064,337	5,013,637
Total	CI\$ 12,623,006	15,242,782

16. Depreciation

	2009-10 Forecast	2008-09 Forecast
Buildings	946,774	846,774
Other Infrastructure	93,060	10,363
Vehicle	113,017	109,495
Furniture & Fittings	66,333	66,333
Computer Hardware	519,831	519,831
Computer Software	233,555	216,274
Office Equipment	20,328	20,328
Medical Equipment	916,045	681,045
Other Assets	46,183	46,183
Total	CI\$ 2,955,126	2,516,626

17. Equity Injection

	2009-10 Forecast	2008-09 Forecast
Loss Injection	1,179,128	6,519,120
Capital Injection	3,588,000	3,377,056
Total	CI\$ 4,767,128	9,896,176

*Capital injection for Faith hospital booked in 2008-09 accounts amounting to \$538,588, as receivable

18. Cash & Cash Equivalents

	2009-10 Forecast	2008-09 Forecast
Cash Float/PCF	6,100	6,100
Cash in Bank	5,238,024	3,794,368
Total	CI\$ 5,244,124	3,800,468

**HEALTH SERVICES AUTHORITY
NOTES TO THE FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

19. Accounts Receivable

		2009-10 Forecast	2008-09 Forecast
Accounts Receivable		48,999,523	49,603,512
Provision & Reserve for Bad debts		(38,645,519)	(37,937,844)
Net Cabinet Receivable	CI\$	10,354,004	11,665,669

20. Cabinet Receivable

		2009-10 Forecast	2008-09 Forecast
Cabinet Receivable, Gross		0	3,650,138
Provision for Uncollectibles		0	(2,577,304)
Net Cabinet Receivable	CI\$	0	1,072,834

21. Inventories

		2009-10 Forecast	2008-09 Forecast
Medical, Surgical & Others		808,055	766,222
Pharmaceuticals		1,978,342	1,838,011
Total	CI\$	2,786,397	2,604,233

22. Trade Payables

		2009-10 Forecast	2008-09 Forecast
Trade Creditors		1,037,336	1,860,064
Other Creditors (Government)		1,079,676	1,962,995
Total	CI\$	2,117,012	3,823,059

23. Payroll Creditors

		2009-10 Forecast	2008-09 Forecast
Pension Fund Payables		1,287,258	1,402,027
Other Payroll Creditor		0	11,614
Accrued Vacation Leave		200,000	267,361
Total	CI\$	1,487,258	1,681,002

**HEALTH SERVICES AUTHORITY
NOTES TO THE FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

24. Property Plant & Equipment

		2009-10 Forecast	2008-09 Forecast
Book Value			
Land		2,340,920	2,340,920
Building		43,872,296	43,057,362
Other Infrastructure		204,738	204,738
Vehicles		910,718	890,718
Furniture & Fittings		1,052,157	1,052,157
Computer Hardware		3,006,792	2,506,792
Computer Software		4,154,857	4,004,857
Office Equipment		217,368	217,368
Medical Equipment		11,078,055	11,078,055
Other Assets		2,256,881	726,881
Work In progress/FA Clearing Account		2,602,007	2,028,941
Total Book Value	CI\$	71,696,788	68,108,789
Accumulated Depreciation			
Land		Nil	Nil
Building		7,572,684	6,625,910
Other Infrastructure		130,617	37,557
Vehicles		889,662	776,645
Furniture & Fittings		870,095	803,763
Computer Hardware		2,538,780	2,018,949
Computer Software		2,395,924	2,162,369
Office Equipment		184,551	164,223
Medical Equipment		7,790,622	6,874,577
Other Assets		663,274	617,091
Work In progress		Nil	Nil
Total Accumulated Depreciation	CI\$	23,036,210	20,081,084
Net Book Value			
Land		2,340,920	2,340,920
Building		36,299,612	36,431,452
Other Infrastructure		74,120	167,181
Vehicles		21,056	114,073
Furniture & Fittings		182,062	248,394
Computer Hardware		468,012	487,843
Computer Software		1,758,933	1,842,488
Office Equipment		32,817	53,145
Medical Equipment		3,287,433	4,203,478
Other Assets		1,593,606	109,789
Work In progress		2,602,007	2,028,941
Net Book Value	CI\$	48,660,578	48,027,705

**HEALTH SERVICES AUTHORITY
NOTES TO THE FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

24. Reconciliation of Cash Flow from Operation (Indirect Method)

	2009-10 Forecast	2008-09 Forecast
Net Operating Profit/(Loss)	(1,179,128)	(6,506,606)
Cash provided by/(applied in) :		
Adjustment for:		
Depreciation	2,955,126	2,516,626
Bad Debts	12,623,006	15,242,782
Contractual Allowance Adj.	3,321,844	3,395,874
Other Credit Adj.	(15,237,215)	(3,799,757)
Pior Period	(538,589)	0
	1,945,044	10,848,919
Balances relating to operations :		
(Increase)/Decrease in Prepaid	(42,496)	(20,643)
(Increase)/Decrease in Net Trade Receivables	603,990	(11,553,425)
(Increase)/Decrease in Cabinet Receivables	1,072,834	(324,294)
(Increase)/Decrease Other Receivables	472,497	(524,445)
(Increase)/Decrease in Inventories	(182,164)	(721,801)
Increase/(Decrease) in Trade Payables and Accruals	(3,605,178)	1,561,447
Net (Deficit) cash flows from operating act CI\$	264,528	(734,242)

BUDGET 2009/10

Ownership Agreement

Between

The Cabinet of the Cayman Islands Government

and

***Information and Communications Technology
Authority***

For the year ending 30 June 2010

Contents

1. Purpose
2. Nature and Scope of Activities
3. Strategic Goals and Objectives
4. Ownership Performance Targets
5. Summarised Forecast Financial Statements
6. Other Financial Information
7. Agreement
8. Appendix: Forecast Financial Statements

1. Purpose

This Ownership Agreement documents the ownership performance that the Cabinet and the Board of *the Information and Communications Technology Authority* have agreed that *the Information and Communications Technology Authority* will seek to achieve during the 2009/10 financial year.

The purpose of the document is to ensure that the ownership performance expectations for the year are clearly specified and agreed by both parties.

2. Nature and Scope of Activities

This section outlines the nature and scope of activities within which *the Information and Communications Technology Authority* is to operate during the year.

General Nature of Activities

The Information and Communications Technology (ICT) Authority was established in May 2002 by the Information and Communications Technology Authority Law 2002 (now the Information and Communications Technology Authority Law (2006 Revision)). Its powers and functions are specified in Sections 9 and 10 of that Law, and may be summarised as doing all things necessary or convenient to properly regulate and license the ICT sector in the Cayman Islands. The ICT sector includes, but is not limited to, telecommunications, broadcasting, radio, e-business and the .ky Internet domain. The Authority is also to act on any matter referred to it by the Minister responsible for ICT, or the managing director.

It also collects and verifies on behalf of Government the coercive element of all licence fees, and immediately deposits such fees in a Government bank account.

Scope of Activities

The scope of *Information and Communications Technology Authority* activities is as follows:

- allocate the electromagnetic spectrum for facilities and specified services within the Cayman Islands, or between the Cayman Islands and elsewhere;
- determine methods for assigning the electromagnetic spectrum;
- issue licences authorising the use of specified portions of the electromagnetic spectrum, including those used on any ship, aircraft, vessel, or other floating or airborne contrivance or spacecraft registered in the Islands;
- institute procedures for ensuring the compliance by licensees with any obligations regarding the use of the electromagnetic spectrum, imposed by or under the licence, any provisions of the ICTA Law or any regulations made hereunder.
- to promote competition in the provision of ICT services and ICT networks where it is reasonable or necessary to do so;
- to advise the Minister on ICT matters, including compliance with Government's international obligations, market liberalisation and competitive pricing;
- to investigate and resolve complaints from consumers and service providers concerning the provision of ICT services and ICT networks;
- to determine the categories of licences to be issued under the ICTA Law and the Electronic Transactions Law 2000;
- to license and regulate ICT services and ICT networks as specified in the ICTA Law and the Electronic Transactions Law 2000;

- to collect all fees, including licence fees, and any other charges levied under the ICTA Law or the Electronic Transactions Law 2000 or regulations made thereunder;
- to resolve disputes concerning the interconnection or sharing of infrastructure between or among ICT service providers or ICT network providers;
- to promote and maintain an efficient, economic and harmonised ICT infrastructure;
- to be the sole person appointed under the ICTA Law to be the Administrative Point of Contact and the only person responsible for the management and control of the top level of the global Internet Domain Name System held in trust for the Internet and the Islands;
- to act on any matter referred to it by the Minister or the managing director; and
- to carry out such other functions as are conferred on the Authority by or under the ICTA Law or any other Law.

In addition, the Authority may regulate the rate, prices, terms and conditions of any ICT service or ICT network that is required to be licensed where the Authority is of the opinion that it is in the interests of the public to do so.

Customers and Location of Activities

The Authority's customers are the Government, all residents of and visitors to the Cayman Islands, potential and actual licensees of ICT networks or ICT services originating or terminating in the Cayman Islands, the owners of any ship, aircraft, vessel or other floating or airborne contrivance or spacecraft registered in the Cayman Islands, and all potential or actual registrants in the .ky Internet domain.

3. Strategic Goals and Objectives

The key strategic goals and objectives (from an ownership perspective) for *the Information and Communications Technology Authority* for the 2009/10 financial year are as follows:

- Increase access to a variety of innovative, high-quality ICT services, at reasonable prices, that meet the consumers' needs and reflect their values.
- Encourage the development of a sustainable competitive ICT industry.
- Enhance existing legislation or assisting with the development of new legislation.
- Maintain and enhance a regulatory environment that is fair, equitable, and transparent by:
 - i. Undertaking public consultation on relevant regulatory issues on a timely basis.
 - ii. Resolving as quickly as possible any disputes between ICT suppliers concerning interconnection, infrastructure sharing, resale tariffs and other technical and economic issues that could adversely impact the development of sustainable competition.
 - iii. Introducing any necessary retail price controls (e.g. price cap and floors), based upon Long Range Incremental Costing, on the incumbent operator to protect the interests of consumers and prevent anti-competitive practices.
 - iv. Continuing the process of updating and validating the licensing information taken over by the Authority, with the aim of ensuring compliance and increasing Government revenue.

4. Ownership Performance Targets

The ownership performance targets (as specified in schedule 5 to the Public Management and Finance Law (2005 Revision) for *Information & Communications Technology Authority* for the 2009/10 financial year are as follows.

Financial Performance

Financial Performance Measure	2009/10 Target \$	2008/9 Estimated Actual \$
Revenue from Cabinet	345,101	346,611
Revenue from ministries, portfolios, statutory authorities and government companies	0	0
Revenue from other persons or organisations	1,199,970	1,146,075
Surplus/deficit from outputs	0	70,754
Other expenses	1,545,071	60,000
Net Surplus/Deficit	856	10,904
Total Assets	1,199,995	1,695,502
Total Liabilities	114,440	110,802
Net Worth	1,085,556	1,584,700
Cash flows from operating activities	4,307	410,458
Cash flows from investing activities	378,245	(19,488)
Cash flows from financing activities	(500,000)	0
Change in cash balances	(117,449)	390,870

Financial Performance Ratio	2009/10 Target \$	2008/9 Estimated Actual \$
Current Assets: Current Liabilities	14:1	14.8:1
Total Assets: Total Liabilities	14.9:1	15.3:1

Maintenance of Capability

Human Capital Measures	2009/10 Target \$	2008/9 Estimated Actual \$
Total full time equivalent staff	9	9
Staff turnover (%)	0%	10%
Average length of service (Number)		
Senior management	4	3
Professional staff	3	2
Administrative staff	4	3
Significant changes to personnel management system	0	0

Physical Capital Measures	2009/10 Target \$	2008/9 Estimated Actual \$
Value of total assets	1,199,995	1,695,502
Asset replacements: total assets	1:28	1:87
Book value of depreciated assets: initial cost of those assets	1:6	1:8
Depreciation: Cash flow on asset purchases	1:1.8	1:1.1
Changes to asset management policies	0	0

Major Capital Expenditure Projects	2009/10 Target \$
None	None

Risk Management

Key risks	Change in status from previous year	Actions to manage risk	Financial value of risk
Unanticipated failure or amalgamation of major licensees	None	Establishment of a fair, transparent and independent regulatory environment	Cannot be estimated

5. Summarised Forecast Financial Statements

A full set of forecast financial statements for *Information & Communications Technology Authority* is provided in the Appendix to this Ownership Agreement.

A summary of those forecasts is as follows.

Operating Statement	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Revenue	1,545,071	1,492,686
Operating Expenses	1,544,215	1,481,782
<i>Net Surplus/Deficit</i>	856	10,904

Balance Sheet	As at 30 June 2010	As at 30 June 2009
	\$	\$
Assets	1,199,995	1,695,502
Liabilities	114,440	110,802
<i>Net Worth</i>	1,085,556	1,584,700

Statement of Cash Flows	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Net cash flows from operating activities	4,307	410,358
Net cash flows from investing activities	378,245	(19,488)
Net cash flows from financing activities	(500,000)	0

6. Other Financial Information

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

Transaction	Amount for 2009/10 \$
Equity Investments into the <i>Information & Communications Technology Authority</i>	Nil
Capital Withdrawals from the <i>Information & Communications Technology Authority</i> .	500,000
Dividend or Profit Distributions to be made by the <i>Information & Communications Technology Authority</i> .	Nil
Government Loans to be made to the <i>Information & Communications Technology Authority</i> .	Nil
Government Guarantees to be issued in relation to <i>the Information & Communications Technology Authority</i> .	Nil
Related Party Payments (Non Remuneration) made to Key Management Personnel ²⁸	Nil
Remuneration ²⁹ Payments made to Key Management Personnel	Nil
Remuneration Payments made to Senior Management	514,643

	Number for 2009/10
No of Key Management Personnel	Nil
No of Senior Management	4

²⁸ Key Management Personnel as defined by International Public Accounting Standards No 20, eg Minister, Board Member and Senior Management Team

²⁹ Remuneration as defined by International Public Accounting Standards No 20 Par 34(a)

7. Agreement

Scope of this Agreement

In signing this document:

- *The Information & Communications Technology Authority* undertakes to seek to achieve the performance specified in sections 2 to 6 to the best of its ability; and
- The Cabinet agrees to the performance specified in sections 2 to 5 and the financial transactions specified in section 6.

Procedures for Changing this Ownership Agreement

Changes to this Ownership Agreement may be made during the year only with the express and explicit agreement of both parties to the Agreement.

Changes will be made in the following way:

- If either party wish to change the specification of performance contained in this Ownership Agreement, they must notify the other in writing describing the changes that they wish to make.
- The other party will take no more than 15 working days to consider the proposed amendments, or such other time as the two parties may agree.
- The other party will respond to the other about the proposed amendments and negotiate appropriate changes that are agreeable to both parties.
- The Parties will sign the amended Ownership Agreement.
- The amended Ownership Agreement will be attached to, and form part of, this Agreement.

Agreement

We jointly agree that this Ownership Agreement accurately documents the ownership performance that *Information and Communications Technology Authority* will seek to achieve for the 2009/10 financial year and that the Cabinet will monitor performance against.

Hon. Julianna O'Connor-Connolly
Minister of District Administration, Works and Gender Affairs
on behalf of the Cabinet

Chairman of the Board
Information & Communications Technology Authority

September 30, 2009

Appendix: Forecast Financial Statements

INFORMATION & COMMUNICATIONS TECHNOLOGY AUTHORITY STATEMENT OF RESPONSIBILITY FOR FORECAST FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2010

These Forecast Financial Statements have been prepared in accordance with the provisions of the Public Management and Finance Law (2005 Revision).

The Board accepts responsibility for the accuracy and integrity of the financial information in these financial statements.

To the best of our knowledge the forecast financial statements are:

- (a) complete and reliable;
- (b) fairly reflect the forecast financial position as at 30 June 2010 and performance for *Information & Communications Technology Authority* for the year ended 30 June 2010
- (c) comply with generally accepted accounting practice.

**Chairman of the Board
Information & Communications Technology Authority**

September 30, 2009

**INFORMATION & COMMUNICATIONS TECHNOLOGY AUTHORITY
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDING 30 JUNE 2010**

Significant Accounting Policies

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

Basis of preparation

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

Property, Plant and Equipment/depreciation

Property, Plant & Equipment is stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to the Income Statement on a straight-line basis over the estimated useful lives of the property, plant & equipment and leasehold improvements are accounted for over the life of the lease.

The estimated useful lives of the other fixed assets are as follows:

Office Equipment & Furniture	4 - 12 Years
IT Equipment	3 Years
Leasehold improvements	5 Years

Foreign currency translation

Assets and liabilities denominated in currencies other than Cayman Islands Dollars are translated at exchange rates in effect at the balance sheet date. Revenue and expense transactions denominated in currencies other than Cayman Islands Dollars are translated at exchange rates ruling at the date of those transactions. Gains and losses arising on translation are included in the Statement of Net Income and Retained Earnings.

Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents are considered as cash held on demand and fixed deposits with an original maturity of three months or less.

Accounts Receivable

Accounts receivable are recognized initially at fair value and are subsequently reviewed for impairment. Where there is objective evidence that a debt will not be collectible by the Authority according to the agreed terms then a provision for bad debt is established. If it comes to the notice of the Authority that a debtor is experiencing significant financial difficulties or if there is evidence that the debtor will default or become delinquent then these are indicators that a provision will have to be raised as the debt may be impaired.

Revenue recognition

Output revenue is recognized when the services agreed in the Purchase Agreement are performed and the Government is invoiced. Services are billed at cost to the Authority (see also Related Party Note 5). Regulatory and Licensing Fees are recognised as revenue when they are due to the Authority. Radio Licence fee is recorded when received by the Authority. Application and Licence Fees are non-refundable.

Employee benefits

The Authority participates in the Public Service Pensions Plan, a defined contribution pension fund, in accordance with the Public Service Pension Law. Contributions are charged to expenses as they are incurred based on set contribution rates. The Authority makes monthly contributions at a rate of 12%, whereby the employer pays both the employer and employee contributions. The Authority is also required to contribute to the Public Service Pension Plan, an extra 1% of each employee's monthly salary. This 1% is a Past Service Liability (PSL) cost to cover a deficiency in the Fund. This amount is included in Staff Costs in the Statement of Net Income and Retained Earnings.

Contributions are also made to Silver Thatch Pension Plan on behalf of one employee who is ineligible to participate in the Public Service Pension Fund. This is a defined contribution fund. The Authority pays both the employer and the employee contributions amounting to 12% of the employee's salary.

Significant Accounting Policies (Continued)

Financial Instruments

Classification

A financial asset is classified as any asset that is cash, a contractual right to receive cash or another financial asset, exchange financial instruments under conditions that are potentially favourable or an equity instrument of another enterprise. Financial assets comprise of cash and cash equivalents and 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 liabilities comprise of accounts payables and accrued expenses.

Recognition

The Authority recognises financial assets and financial liabilities on the date it becomes party to the contractual provisions of the instrument. From this date, any gains and losses arising from changes in fair value of the assets or liabilities are recognised in the Statement of Net Income & Retained Earnings.

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.

Derecognition

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

**THE INFORMATION AND COMMUNICATIONS TECHNOLOGY
AUTHORITY
FORECAST OPERATING STATEMENT
FOR THE YEAR ENDING 30 JUNE 2010**

	Note	2009/10 Budget	2008/9 Estimated Actual
Revenue			
Outputs to Cabinet		345,101	346,611
Licence and Regulatory Fees	1	1,184,000	1,123,735
Interest Revenue		15,970	22,340
Total Operating Revenue		1,545,071	1,492,686
Operating Expenses			
Personnel Costs	2	878,185	846,618
Supplies and consumables		56,121	63,215
Purchase of services		497,980	412,394
Operating lease rentals		72,048	69,786
Depreciation	3	32,669	17,834
Capital Charge			
Other operating expenses		7,212	11,935
Total Operating Expenses		1,544,215	1,421,782
Surplus from operating activities and before extraordinary items		856	70,904
Extraordinary Items			
Net Surplus before payments to Reserve			70,904
Transfer to Statutory Reserve		0	60,000
Net Surplus		856	10,904

**THE INFORMATION AND COMMUNICATIONS TECHNOLOGY
AUTHORITY
FORECAST STATEMENT OF CHANGES IN NET WORTH
FOR THE YEAR ENDING 30 JUNE 2010**

	2009/10 Budget	2008/9 Estimated Actual
Opening balance net worth	1,584,700	1,513,796
Net Surplus	856	10,904
Net revaluations during the period		
Total recognised revenues and expenses		
Equity investment		
Statutory Reserve		60,000
Repayment of Surplus	(500,000)	
Closing balance net worth	1,085,556	1,584,700

**THE INFORMATION AND COMMUNICATIONS TECHNOLOGY
AUTHORITY
FORECAST BALANCE SHEET
AS AT 30 JUNE 2010**

	Note	2009/10 Budget	2008/9 Estimated Actual
Current Assets			
Cash and cash equivalents	4	80,746	1,292,985
Marketable securities and deposits		656,294	
Accounts receivable		380,718	236,671
Inventories			
Other current assets			111,192
Total Current Assets		1,117,757	1,640,848
Non-Current Assets			
Loans			
Other investments			
Property, plant and equipment	5	82,238	54,654
Other non-current assets			
Total Non-Current Assets		82,238	54,654
Total Assets		1,199,995	1,695,502
Current Liabilities			
Accounts payable		88,266	84,628
Unearned revenue			
Employee entitlements			
Other current liabilities		26,174	26,174
Total Current Liabilities		114,440	110,802
Non-Current Liabilities			
Employee entitlements			
Unfunded Pension liability			
Borrowings			
Currency issued			
Other non-current liabilities			
Total Non-Current Liabilities			
Total Liabilities			
TOTAL ASSETS LESS TOTAL LIABILITIES		1,085,556	1,584,700
NET WORTH			
Contributed Capital		1,084,700	887,500
Asset revaluation reserve			
Accumulated surpluses	6	856	697,200
Total Net Worth		1,085,556	1,584,700

**THE INFORMATION AND COMMUNICATIONS TECHNOLOGY
AUTHORITY
FORECAST STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING 30 JUNE 2010**

	Note	2009/10 Budget	2008/9 Estimated Actual
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Receipts</i>			
Sale of Outputs to Cabinet		345,101	346,611
Major ICT Licence Regulatory Fees		1,090,104	1,123,735
Interest received		15,970	22,340
<i>Extraordinary receipt</i>			
<i>Payments</i>			
Personnel costs		(878,185)	846,618
Suppliers		(568,684)	235,710
Net cash flows from operating activities	7	4,307	410,358
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current assets		(60,253)	(19,488)
Purchase of investments		(61,503)	
Proceeds from sale of non-current assets			
Proceeds from sale of investments		500,000	
Net cash flows from investing activities		378,245	(19,488)
CASH FLOWS FROM FINANCING ACTIVITIES			
Equity Contributions			
Capital Withdrawal			
Repayment of Surplus		(500,000)	
Proceeds from borrowings			
Repayment of borrowings			
Net cash flows from financing activities		(500,00)	0
Net increase in cash and cash equivalents		(117,449)	390,870
Cash and cash equivalents at beginning of period		198,194	902,115
Cash and cash equivalents at end of period		80,746	1,292,985

**THE INFORMATION AND COMMUNICATIONS TECHNOLOGY
AUTHORITY
NOTES TO THE FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

	2009/10 Budget	2008/9 Estimated Actual
NOTE 1. GOODS AND SERVICES (INCLUDING FEES AND CHARGES)		
<i>Fees and Charges</i>		
Major ICT Licence Regulatory Fees	945,000	947,239
Fixed Annual ICT Licence Fees	174,000	161,371
ICT Licence Application Fees	15,000	15,125
.ky Internet Domain Registration Fees	50,000	
Other Fees and Charges		
Total Fees and Charges	1,184,000	1,123,735
<i>General Sales</i>		
<i>Rentals</i>		
Other		
Total Goods and Services		
NOTE 2. PERSONNEL COSTS		
<i>Personnel Costs</i>		
Salaries, wages, allowances & employee pension contribution	828,812	799,284
Employer pension expense	49,373	47,333
Total Personnel Costs	878,185	846,617
NOTE 3. DEPRECIATION		
Furniture and fittings	302	302
Computer hardware and software	25,718	10,884
Office equipment	6,649	6,649
Other assets		
Total	32,669	17,835
NOTE 4. CASH AND CASH EQUIVALENTS		
Cash on hand (including petty cash)		30
Bank accounts	80,746	198,164
Bank overdrafts		
Short Term Deposits including call accounts (up to 90days)		1,094,791
Other cash or cash equivalents		
Total Cash and Cash Equivalents	80,746	1,292,985
NOTE 5. PROPERTY, PLANT AND EQUIPMENT		
<i>Cost or Opening Valuation</i>		
Furniture and fittings	231,908	231,908

NOTE 5. PROPERTY, PLANT AND EQUIPMENT (Continued)

Computer hardware and software	161,484	101,232
Office equipment	90,954	90,954
Other assets		
Total Cost or Valuation	484,346	424,094

Accumulated Depreciation

Furniture and fittings	231,254	231,556
Computer hardware and software	104,319	78,602
Office equipment	66,233	59,584
Other assets		
Total Depreciation	402,108	369,440

Net Book Value

Furniture and fittings	352	352
Computer hardware and software	57,165	22,630
Office equipment	24,721	31,370
Other assets		
Total Net Book Value	82,238	54,654

NOTE 6. ACCUMULATED SURPLUS

Retained Earnings held as general funds	(21,944)	(22,800)
Retained Earnings held in Statutory Reserve	720,000	720,000
Total Accumulated Surplus	698,056	697,200

FROM OPERATING ACTIVITIES

Operating surplus/(deficit)	856	70,904
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Non-cash movements

Depreciation	32,669	17,834
Loss on disposal of fixed assets		
Increase in provision for doubtful debts		
<i>Increase(decrease) in payables/accruals</i>	3,638	(21,965)
Personnel		
Subsidies, grants and transfers		
Increase in borrowings		
Net gain/loss from sale of fixed assets		
Net gain/loss from sale of investments		
Increase(decrease) in other current assets	788	(29,299)
Increase in investments due to revaluation		
Decrease(increase) in receivables	(93,897)	372,884
Net cash flows from operating activities	(55,946)	410,358

BUDGET 2009/10

Ownership Agreement

Between

**The Cabinet of the
Cayman Islands Government**

And

Maritime Authority of the Cayman Islands

For the year ending 30 June 2010

Contents

1. Purpose
2. Nature and Scope of Activities
3. Strategic Goals and Objectives
4. Ownership Performance Targets
5. Summarised Forecast Financial Statements
6. Other Financial Information
7. Agreement
8. Appendix: Forecast Financial Statements

1. Purpose

This Ownership Agreement documents the ownership performance that the Cabinet and the Board of *Maritime Authority of the Cayman Islands* have agreed that *Maritime Authority of the Cayman Islands* will seek to achieve during the 2009/10 financial year.

The purpose of the document is to ensure that the ownership performance expectations for the year are clearly specified and agreed by both parties.

2. Nature and Scope of Activities

This section outlines the nature and scope of activities within which *Maritime Authority of the Cayman Islands* is to operate during the year.

General Nature of Activities

The *Maritime Authority of the Cayman Islands (MACI)* activities involve the national maritime administration for the Cayman Islands, MACI will facilitate the development of Cayman as an international maritime centre and help foster a dynamic environment that supports its clients' efforts to maximise their respective stakeholders' growth opportunities and returns in global shipping; whilst promoting compliance with international standards, regional agreements, and Cayman's legislation in the areas of maritime safety and security, marine environmental pollution prevention, and social responsibility.

Scope of Activities

The scope of *Maritime Authority of the Cayman Islands* activities is as follows:

- The original CISR's vessel and mortgage Registration, Advisory, and marine Survey and Audit services.
- The overall responsibility for implementing Cayman's marine pollution prevention, maritime safety and security, and seafarers' welfare obligations³⁰ under international Conventions and Codes and under Cayman legislation for Cayman-flagged vessels.
- The responsibility for the implementation of Cayman's obligations under the Caribbean Memorandum of Understanding on *Port State Control* and for marine *Casualty Investigation* activities in relation to Cayman-flagged vessels.
- The responsibility for *national maritime policy* formulation, the provision of advice on maritime-related matters, and the development of Cayman's maritime-related legislation.
- The responsibility to *represent* Cayman at international fora and to protect its maritime interests.
- The responsibility to help *facilitate the development* of the Cayman Islands as an international maritime centre.

³⁰ The statutory responsibility for this falls to the Office of the Cayman Islands Shipping Master.

Customers and Location of Activities

The services provided by *Maritime Authority of the Cayman Islands* are provided to the following Customers both locally and internationally:

- Vessel Owners/Operators and their Representatives
- Vessel Builders
- Yacht Designers and related Consultants
- Seafarers on Cayman flagged Vessels
- Cayman Islands Government

The Maritime Authority of the Cayman Islands is able to offer its services to its Customers from nine locations, the head office in George Town, the European Regional Office - United Kingdom, representative offices in Greece, South Florida, Monaco, Japan, Singapore, Hong Kong and the Cayman Islands Government Office in the United Kingdom.

3. Strategic Goals and Objectives

The key strategic goals and objectives (from an ownership perspective) for The *Maritime Authority of the Cayman Islands* for the 2009/10 financial year are as follows:

- MACI's intention to position technical (survey/audit/crew compliance) capability in Japan, where we already have an impressive and successful presence;
- Information Technology initiatives:
 - Conduct an analysis and implementation of client online functionality, the *Virtual Office Environment*, thereby enhancing the "user-friendly" capability of our website;
 - Effect a fully integrated information system (i.e. the Electronic Content Management System) incorporating archival document protection;
 - Introduce a Client Relationships Management System;
 - Implement data information technology back-up capability in the European Regional Offices, which will include re-configuration of that office, thereby enhancing services to our valued European clientele;
 - Investigate the feasibility of implementing the Virtual Private Network in the Ft. Lauderdale Representative Office;
- Expand MACI Consulting, valuable services catering to the worldwide yachting community and other maritime interests;
- Continue to update and streamline relevant domestic legislation to keep us in the forefront of modern regulation;
- Obtain certification in accordance with ISO 9001:2008 in preparation for participation in the International Maritime Organisation's Flag State Voluntary Audit Scheme;
- Relocate and restructure our North American Representation;
- Implement a re-branding programme for MACI and re-work the branding for the Cayman Islands Shipping Registry to further enhance our leadership position in the global industry.

4. Ownership Performance Targets

The ownership performance targets (as specified in schedule 5 to the Public Management and Finance Law (2005 Revision) for *Maritime Authority of the Cayman Islands* for the 2009/10 financial year are as follows.

Financial Performance

Financial Performance Measure	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Revenue from Cabinet	1,322,399	1,822,455
Revenue from ministries, portfolios, statutory authorities and government companies	0	0
Revenue from other persons or organisations	6,276,005	5,638,000
Surplus/deficit from outputs	0	0
Other expenses	7,585,182	7,445,000
Net Surplus/Deficit	13,222	15,455
Total Assets	4,173,779	3,302,980
Total Liabilities	(874,641)	(436,280)
Net Worth	3,299,138	2,866,700
Cash flows from operating activities	42,000	150,682
Cash flows from investing activities	(42,000)	(145,000)
Cash flows from financing activities	0	0
Change in cash balances	0	5,682

Financial Performance Ratio	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Current Assets: Current Liabilities	4.48	6.95
Total Assets: Total Liabilities	4.77	7.57

Maintenance of Capability

Human Capital Measures	2009/10 Target	2008/9 Estimated Actual
Total full time equivalent staff	55	58
Staff turnover (%)	5.3%	4%
Average length of service (Number)		
Senior management	3.45	2.60
Professional staff	2.86	2.59
Administrative staff	2.86	2.55
Significant changes to personnel management system	None	Amendments / Revision to Employee Handbook

Physical Capital Measures	2009/10 Target \$	2008/9 Estimated Actual \$
Value of total assets	4,173,779	3,302,980
Asset replacements: total assets	6.4%	8.6%
Book value of depreciated assets: initial cost of those assets	58%	48%
Depreciation: Cash flow on asset purchases	29.4%	23.3%
Changes to asset management policies	None	None

Major Capital Expenditure Projects	2009/10 Target \$
None	

Risk Management

Key risks	Change in status from previous year	Actions to manage risk	Financial value of risk
War and Terrorism	New	Insurance policy to manage risk	Unquantifiable
Loss/absence of critical staff	New	Succession planning and develop an organizational structure and environment which provides challenges, promotes advancement and recognize achievements	Unquantifiable
Loss of important data	New	Back up vital and important documentation on disks and hard copy and place in a secure environment	Unquantifiable
Inadequate Office Space	New	Seek alternative office accommodation	Unquantifiable

5. Summarised Forecast Financial Statements

A full set of forecast financial statements for *Maritime Authority of the Cayman Islands* is provided in the Appendix to this Ownership Agreement.

A summary of those forecasts is as follows.

Operating Statement	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Revenue	7,598,404	7,460,455
Operating Expenses	7,585,182	7,445,000
<i>Net Surplus/Deficit</i>	13,222	15,455

Balance Sheet	As at 30 June 2010	As at 30 June 2009
	\$	\$
Assets	4,173,779	3,302,980
Liabilities	(874,641)	(436,280)
<i>Net Worth</i>	3,299,138	2,866,700

Statement of Cash Flows	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Net cash flows from operating activities	42,000	150,682
Net cash flows from investing activities	(42,000)	(145,000)
Net cash flows from financing activities	0	0

6. Other Financial Information

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

Transaction	Amount for 2009/10 \$
Equity Investments into <i>Maritime Authority of the Cayman Islands</i>	0
Capital Withdrawals from <i>Maritime Authority of the Cayman Islands</i>	0
Dividend or Profit Distributions to be made by <i>Maritime Authority of the Cayman Islands</i> .	0
Government Loans to be made to <i>Maritime Authority of the Cayman Islands</i>	0
Government Guarantees to be issued in relation to <i>Maritime Authority of the Cayman Islands</i>	0
Related Party Payments (Non Remuneration) made to Key Management Personnel ³¹	0
Remuneration ³² Payments made to Key Management Personnel	961,027
Remuneration Payments made to Senior Management	1,146,590

	Number for 2009/10
No of Key Management Personnel	7
No of Senior Management	9

³¹ Key Management Personnel as defined by International Public Accounting Standards No 20, e.g. Minister, Board Member and Senior Management Team

³² Remuneration as defined by International Public Accounting Standards No 20 Par 34(a)

7. Agreement

Scope of this Agreement

In signing this document:

- *Maritime Authority of the Cayman Islands* undertakes to seek to achieve the performance specified in sections 2 to 6 to the best of its ability; and
- The Cabinet agrees to the performance specified in sections 2 to 5 and the financial transactions specified in section 6.

Procedures for Changing this Ownership Agreement

Changes to this Ownership Agreement may be made during the year only with the express and explicit agreement of both parties to the Agreement.

Changes will be made in the following way:

- If either party wish to change the specification of performance contained in this Ownership Agreement, they must notify the other in writing describing the changes that they wish to make.
- The other party will take no more than 15 working days to consider the proposed amendments, or such other time as the two parties may agree.
- The other party will respond to the other about the proposed amendments and negotiate appropriate changes that are agreeable to both parties.
- The Parties will sign the amended Ownership Agreement.
- The amended Ownership Agreement will be attached to, and form part of, this Agreement.

Agreement

We jointly agree that this Ownership Agreement accurately documents the ownership performance that *Maritime Authority of the Cayman Islands* will seek to achieve for the 2009/10 financial year and that the Cabinet will monitor performance against.

Financial Secretary
On behalf of the Cabinet

Chairman of the Board
Maritime Authority of the Cayman Islands

September 30, 2009

Appendix: Forecast Financial Statements

**MARITIME AUTHORITY OF THE CAYMAN ISLANDS
STATEMENT OF RESPONSIBILITY FOR FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

These Forecast Financial Statements have been prepared in accordance with the provisions of the Public Management and Finance Law 2005 (Revision).

The Board accepts responsibility for the accuracy and integrity of the financial information in these financial statements.

To the best of our knowledge the forecast financial statements are:

- (a) Complete and reliable;
- (b) Fairly reflect the forecast financial position as at 30 June 2010 and performance for *Maritime Authority of the Cayman Islands* for the year ended 30 June 2010
- (c) Comply with generally accepted accounting practice.

Chairman
On behalf of the Board

September 30, 2009

**MARITIME AUTHORITY OF THE CAYMAN ISLANDS
 OPERATING STATEMENT
 FOR THE YEAR ENDING 30 JUNE 2010**

	<i>Notes</i>	<i>Budget June-10</i>
Operating Revenue		
Sales of Goods and Services		6,276,005
Revenue from Government		1,322,399
Total Operating Revenue		<u>7,598,404</u>
Operating Expenses		
Personnel Cost	<i>9</i>	4,505,440
Supplies & Consumables	<i>10</i>	2,956,250
Depreciation	<i>11</i>	123,492
Total Operating Expenses		<u>7,585,182</u>
Surplus/(Deficit) from Operating Activities		<u>13,222</u>
Surplus/(Deficit) Before Extraordinary Items		13,222
Extraordinary Items		0
Net Surplus/(Deficit)		<u>13,222</u>

**MARITIME AUTHORITY OF THE CAYMAN ISLANDS
BALANCE SHEET
FOR THE YEAR ENDING 30 JUNE 2010**

		<i>Budget June-10</i>
Current Assets		
Cash & Cash Equivalents	<i>12</i>	1,299,087
Accounts Receivable	<i>13</i>	2,620,559
Inventories		0
Other Current Assets		0
Total Current Asset		<u>3,919,646</u>
Non Current Assets		
Property, Plant & Equipment	<i>14</i>	265,133
Other Non Current Assets		(11,000)
Total Non Current Assets		<u>254,133</u>
Total Assets		<u>4,173,779</u>
Current Liabilities		
Accounts Payable	<i>15</i>	416,677
Unearned Revenue	<i>16</i>	296,248
Employee Entitlements		20,840
Other Current Liabilities		140,876
Total Liabilities		<u>874,641</u>
Total Assets Less Total Liabilities		<u><u>3,299,138</u></u>

**MARITIME AUTHORITY OF THE CAYMAN ISLANDS
STATEMENT OF NET WORTH
FOR THE YEAR ENDING 30 JUNE 2009**

	<i>Budget</i> <i>June-10</i>
Opening Balance Net Worth	3,285,916
Net Surplus	13,222
Total Recognised Revenues and Expenses	<u>3,299,138</u>
Equity Investment	<u>0</u>
Closing Balance Net Worth	<u><u>3,299,138</u></u>

**MARITIME AUTHORITY OF THE CAYMAN ISLANDS
CASH FLOW STATEMENT
FOR THE YEAR ENDING 30 JUNE 2010**

	Budget June-10
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts	
Sales of goods and services	6,405,291
Sale of Output to Cabinet	1,322,399
Interest received	0
Other receipts	0
Payments	
Personnel costs	(4,565,440)
Suppliers	(2,956,250)
Other payments	(164,000)
Net cash flows from operating activities	<u>42,000</u>
CASH FROM INVESTING ACTIVITIES	
Purchase of non-current assets	(42,000)
Proceeds from sale of non-current assets	0
Net cash flows from investing activities	<u>(42,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Capital Contribution Cabinet	0
Dividends repayments	0
Net cash flows from financing activities	<u>0</u>
Net increase/(decrease) in cash and cash equivalents	0
Cash and cash equivalents at beginning of period	1,299,087
Cash and cash equivalents at end of period	<u><u>1,299,087</u></u>

**MARITIME AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO THE FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

1. Organization and Objectives

The Maritime Authority of the Cayman Islands (MACI) is a statutory corporation formed as a separate legal entity under the Maritime Authority of the Cayman Islands Law (2005) which came into effect on July 1, 2005. The Authority is wholly-owned by the Government of the Cayman Islands but governed by a Board of Directors appointed by the Governor of the Cayman Islands. MACI reports to the Cabinet of the Cayman Islands through the Portfolio of Finance and Economics but is also responsible to the UK Secretary of State via the UK's Maritime and Coastguard Agency (UK MCA) for the effective implementation of the relevant international maritime and related Conventions that have been ratified by the UK Government and extended to Cayman.

The original Cayman Islands Shipping Registry (CISR) maritime administration structure, which is the main forerunner to MACI, was first set-up in 1903 when George Town was established as a British Port of Registry. The CISR obtained British Registry Category 1 Status on July 25, 1991. The Category 1 Group of British Registries includes the UK, Bermuda, Cayman, Gibraltar and the Isle of Man. All of these can register vessels of any size and type provided that they meet international standards. The CISR is now a division of MACI. However, there are a number of other critical responsibilities that have been added to the new Authority. The Authority therefore combines into one body:

1. The original CISR's vessel and mortgage Registration, Advisory, and marine Survey and Audit services
2. The overall responsibility for implementing Cayman's marine pollution prevention, maritime safety and security, and seafarers' welfare obligations under international Conventions and Codes and under Cayman legislation for Cayman-flagged vessels
3. The responsibility for the implementation of Cayman's obligations under the Caribbean Memorandum of Understanding on Port State Control for foreign-flagged vessels entering Cayman Islands ports and for marine Casualty Investigation activities in relation to Cayman-flagged vessels
4. The responsibility for national maritime policy formulation, the provision of advice on maritime-related matters, and the development of Cayman's maritime-related legislation
5. The responsibility to represent Cayman at international fora and to protect its maritime interests

Basis of preparation

The Financial statements of MACI are prepared in accordance with International Public Sector Accounting Standards (IPSAS) using the accrual basis of accounting. Where there is currently no IPSAS, other authoritative pronouncements such as International Accounting Standards and United Kingdom reporting standards applicable to the public sector have been used. The measurement base applied is historical cost adjusted for revaluations of certain assets. The reporting Currency is Cayman Islands Dollars basis.

Reporting Period

The Budget reporting period is the year ended 30 June, 2010.

Significant Accounting Policies

Investments. Short-term investments are valued, on a monthly basis at amortized cost and long term investments are valued at quoted market value. Unrealized gains or losses are recorded in the income statement.

Foreign Currency. Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transaction. Gains and losses resulting from the settlement of such transaction and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Assets and liabilities are translated at the exchange rate in effect at the Balance Sheet date.

Sale of Goods and Services (including user charges and fees): Revenue from the sale of goods and services, including revenue resulting from user charges or fees, is recognised when it is earned. This is generally at time of sale or on delivery of service. Revenue from the rendering of a service is recognised by reference to the stage of completion of contracts or in accordance with agreements to provide services. The stage of completion is determined according to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Government Grants: MACI is semi dependent upon annual operating grants from the Cayman Islands Government to meet its Obligations. The full amount of the grant is treated as income in the year of receipt.

Expenses: Expenses are recognised when incurred.

Receivables and advances: Receivables and advances are recorded at the amounts expected to be ultimately collected in cash.

Inventory: Inventories are recorded at the lower of cost and net current value. Where inventories are valued at cost, specific identification or the FIFO method has been used. Appropriate allowance has been made for obsolescence.

Fixed Assets: Fixed Assets are stated at historical cost less accumulated depreciation. Depreciation is calculated on a straight-line method of 20% per annum for Furniture & Fixtures, Leasehold Improvements and Office Equipment; and 33 1/3% for Computer Hardware and Software, which is sufficient to write-off the cost of the assets over their estimated useful lives.

Cash and cash equivalents: For the purpose of the cash flow statement, cash and cash equivalents consist of current and call deposit and fixed deposit maturing within 90 days from the date of acquisition.

Accounts Payable: Account Payables are recorded at the amount owing after allowing for credit notes and other adjustments.

Employee entitlements: Amount incurred but not paid at the end of the reporting period are accrued. Annual leave due, but not taken, is recognised as a liability.

Commitments: Commitments are recorded in the Statement of Commitments at the value of the obligation.

Contingencies: The nature and an estimate of the financial effect of contingent liabilities are disclosed in the Statement of Contingent Liabilities. Contingent liabilities are recognised as liabilities when they are probable.

Employee benefits: Obligation for contribution to defined contribution and defined benefits pension plans are recognized as an expense in the income statement as incurred. (See also Note 19)

Comparative Information: The Financials for MACI do not provide comparable information due to 30 June 2006 being the first year of operations. (See also Note 21)

Capital

The authorised capital of MACI is \$1,500,000. The Cayman Islands Government is the sole subscriber and has contributed Paid-Up Capital of \$500,000 as at 30 June 2006. The Cabinet of the Cayman Islands Government has committed to increasing the Paid-Up Capital of MACI to a minimum of \$1,500,000 by the year 2008, by yearly equity injections. As of June 2008, the Cayman Islands Government has fully contributed its Paid-Up Capital of \$1,500,000.

Lease Obligation

MACI leases the premises used for its operations in George Town and in the United Kingdom for the European Regional Office (ERO). The lease agreement for the George Town offices dated 1 December 2008 for the total office space 9,614 sq ft at \$43.64 per sq ft. The lease is for 5 years with an additional 5 years option to renew. Lease payments under the operating leases are charged to the income statement in equal instalments over the period of the lease.

The Lease agreement for the ERO lease agreement dated 6 September 2002 for the total office space 2578 sq ft at £14.88 per sq ft. The lease is for 15 years with option to renew. Lease payments under the operating leases are charged to the income statement in equal instalments over the period of the lease.

Pensions

Pension contributions for eligible employees of MACI are paid to either the Public Service Pensions Fund (the "Fund") or the Chamber of Commerce Silver Thatch Pension Fund (Silver Thatch). The Fund is administered by the Public Service Pensions Board ("the Pensions Board") and is operated as a multi-employer non-contributory fund, whereby the employer pays both employer and employees contributions. With effect from 1 January 2000 the Fund had both a defined benefit and a defined contribution element. Participants joining after that date became members of the defined contribution element. MACI therefore funds 6% employee and 6% employers' contributions for all employees joining MACI prior to 1 January 2006.

MACI has not recognized any of the unfunded Past Service Liability (PSL) due to the fact that there is not an up to date Actuarial review. Pensions Board management also confirmed that the contribution rate would be 13% effective January 1999. This rate includes a 1% non-retirement benefit contribution. MACI began recognizing this contribution rate of 13% from 1 July 2005 for employees under the defined contribution element.

For employees joining 1 January 2006 the contribution rate in effect is 5% employer's contribution and the employee is required to contribute 5% if enrolled with the Silver Thatch or 7% to participate in the Public Service Pension Fund.

Related Party Transactions

The Board of Directors of MACI is appointed by the Governor and consists of the Chief Executive Officer, Secretary to the Board as ex-officio members and seven directors as at 30 June 2009.

The following Government department/entities provided services to MACI during 2009:

- i. Treasury Department
- ii. Legal Department
- iii. Public Service Pension Board (see Note 9)
- iv. Computer Services Department
- v. Immigration Department
- vi. Customs Department
- vii. Audit Office

MACI is responsible for the registration of vessel and the collection of the related fees which are paid over to the Cayman Islands Government.

MACI operates on a grant from the Government which semi covers its recurrent expenditure.

NOTE 9. PERSONNEL COSTS**2009/10 Forecast**

Salaries and wages (including employee pension contributions)	4,187,940
Employer/Government pension expense	317,500
Total Personnel Costs	4,505,440

NOTE 10. SUPPLIES AND CONSUMABLES**2009/10 Forecast**

Supply of goods and services	2,379,050
Operating lease rentals	577,200
Other	-
Total Supplies and Consumables	2,956,250

NOTE 11. DEPRECIATION**2009/10 Forecast**

Furniture and fittings	26,400
Computer hardware and software	58,800
Office equipment	20,400
Other plant and equipment	-
Other assets	17,892
Total Depreciation	123,492

NOTE 12. CASH AND CASH EQUIVALENTS**2009/10 Forecast**

Cash on hand	437,237
Bank accounts	861,850
Deposits with Portfolio Finance and Economic (Treasury)	-
Other cash or cash equivalents	-
Total Cash and Cash Equivalents	1,299,087

NOTE 13. ACCOUNTS RECEIVABLE**2009/10 Forecast**

Outputs to Cabinet	610,026
Outputs to other government agencies	-
Outputs to others	2,096,083
Prepayments	-
Other Receivables	114,449
Total Gross	2,820,559
Less provision for doubtful debts	200,000
Total Net	2,620,559

**MARITIME AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO THE FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

NOTE 14. PROPERTY, PLANT AND EQUIPMENT

	Opening Balance	Addition	Depreciation Expense	Closing Balance 2009/10 Budget
	\$000	\$000	\$000	\$000
Furniture and fittings	111.00	20.00	26.00	105.00
Computer hardware and software	106.00	10.00	59.00	57.00
Office equipment	61.00	12.00	20.00	53.00
Plant and equipment	50.00		0.00	50.00
Other assets	18.00		18.00	0.00
Total	<u>346.00</u>	<u>42.00</u>	<u>123.00</u>	<u>265.00</u>

NOTE 15. ACCOUNTS PAYABLE

2009/10 Forecast

Trade Creditors	<u>(416,677)</u>
Total	<u>(416,667)</u>

NOTE 16. UNEARNED REVENUE

2009/10 Forecast

Revenue received in advance	<u>(296,248)</u>
Total	<u>(296,248)</u>

**MARITIME AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO THE FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

NOTE 17. EMPLOYEE ENTITLEMENTS (CURRENT)

	2009/10 Forecast
Long service leave and other leave entitlements	20,840
Other salary related entitlements	-
Total Employee Entitlements	<u>20,840</u>

**NOTE 18. RECONCILIATION OF OPERATING SURPLUS TO CASH FLOWS
FROM OPERATING ACTIVITIES**

	2009/10 Forecast
Operating surplus/(deficit)	13,222
Non-cash movements	(60,000)
Depreciation	123,492
Increase in Receivables	129,286
Increase in Payables / Accruals	(164,000)
Net cash flows from operating activities	<u>42,000</u>

BUDGET 2009/10

Ownership Agreement

Between

**The Cabinet of the
Cayman Islands Government**

and

National Drug Council

For the year ending 30 June 2010

Contents

1. Purpose
2. Nature and Scope of Activities
3. Strategic Goals and Objectives
4. Ownership Performance Targets
5. Summarised Forecast Financial Statements
6. Other Financial Information
7. Agreement
8. Appendix: Forecast Financial Statements

1. Purpose

This Ownership Agreement documents the ownership performance that the Cabinet and the Board of *National Drug Council* have agreed that *National Drug Council* will seek to achieve during the 2009/10 financial year.

The purpose of the document is to ensure that the ownership performance expectations for the year are clearly specified and agreed by both parties.

2. Nature and Scope of Activities

This section outlines the nature and scope of activities within which *National Drug Council* is to operate during the year.

General Nature of Activities

The *National Drug Council* activities involve

- Policy formulation and advice,
- Research,
- Support and publication of studies, reports and other documentation on drug abuse,
- Collection of data (Surveillance),
- Monitoring and evaluation of the implementation of The National Anti-Drug Strategy 2009-2013.

Scope of Activities

The scope of *National Drug Council* activities is as follows:

- Policy and Prevention: To formulate policies intended to prevent or reduce drug abuse and to promote and encourage the implementation of such policies and programmes and to advise the Minister on matters of law reform relating to the misuse of drugs.
- Surveillance, Research and Information Dissemination: To conduct/support studies and publish reports and other documentation on drug abuse and develop and maintain a database of information on, drug abuse in the Islands;
- Monitoring and Evaluation: To co-ordinate the efforts of drug abuse prevention, treatment and rehabilitation. Through monitoring and evaluation of the implementation of the National Anti-Drug Strategy and programmes within the Cayman Islands.

Customers and Location of Activities

The services provided by *National Drug Council* are provided only in the Cayman Islands.

3. Strategic Goals and Objectives

The key strategic goals and objectives (from an ownership perspective) for The *National Drug Council* for the 2009/10 financial year are as follows:

- Provide policy advice and review matters as it relates to drug abuse and misuse in the Cayman Islands.
- Co-ordinate the National Strategic Plan for Drug Abuse Prevention and Rehabilitation and monitor the implementation of the plan.
- Provide information that is culturally relevant and based on scientific research and local data.
- Ensure best practice and adherence to relevant regional and international policies related to drug abuse matters.
- Evaluate programmes as indicated within the National Drug Abuse Prevention and Rehabilitation Plan to ensure effective programming.
- Encourage and foster affiliations and exchange of information on a local, regional and international level.

4. Ownership Performance Targets

The ownership performance targets (as specified in schedule 5 to the Public Management and Finance Law (2005 Revision) for *National Drug Council* for the 2009/10 financial year are as follows.

Financial Performance

Financial Performance Measure	2009/10 Target \$	2008/9 Estimated Actual \$
Revenue from Cabinet	509,990	522,126
Revenue from ministries, portfolios, statutory authorities and government companies	0	0
Revenue from other persons or organisations	0	0
Surplus/deficit from outputs	0	0
Other expenses	(509,990)	(518,970)
Net Surplus/Deficit	-	3,156
Total Assets	267,595	271,147
Total Liabilities	10,800	(13,351)
Net Worth	256,795	253,640
Cash flows from operating activities	20,135	525
Cash flows from investing activities	0	16,399
Cash flows from financing activities	0	0
Change in cash balances	20,135	15,875

Financial Performance Ratio	2009/10 Target \$	2008/9 Estimated Actual \$
Current Assets: Current Liabilities	1:2	1:18
Total Assets: Total Liabilities	2:1	2.3:1

Maintenance of Capability

Human Capital Measures	2009/10 Target \$	2008/9 Forecast \$
Total full time equivalent staff	5	5
Staff turnover (%)	0%	0%
Average length of service (Number)		
Senior management	1.5	1
Professional staff	8.5	8
Administrative staff	4.5	4
Significant changes to personnel management system		

Physical Capital Measures	2009/10 Target \$	2008/9 Forecast \$
Value of total assets	244,460	270,147
Asset replacements: total assets	1:05	1:05
Book value of depreciated assets: initial cost of those assets	0.08%	2%
Depreciation: Cash flow on asset purchases	0	0
Changes to asset management policies	none	none

Major Capital Expenditure Projects	2009/10 Target \$
None Planned	0

Risk Management

Key risks	Change in status from previous year	Actions to manage risk	Financial value of risk
None Identified	N/A	N/A	N/A

5. Summarised Forecast Financial Statements

A full set of forecast financial statements for *National Drug Council* is provided in the Appendix to this Ownership Agreement.

A summary of those forecasts is as follows:

Operating Statement	2009/10 Budget \$	2008/9 Forecast \$
Revenue	509,990	522,126
Operating Expenses	509,990	518,970
<i>Net Surplus/Deficit</i>	-	3,156

Balance Sheet	As at 30 June 2010 \$	As at 30 June 2009 \$
Assets	267,595	270,147
Liabilities	1,800	(13,351)
<i>Net Worth</i>	256,795	253,640

Statement of Cash Flows	2009/10 Budget \$	2008/9 Forecast \$
Net cash flows from operating activities	20,135	525
Net cash flows from investing activities	0	16,399
Net cash flows from financing activities	0	0

6. Other Financial Information

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

Transaction	Amount for 2009/10 \$
Equity Investments into <i>National Drug Council</i>	0
Capital Withdrawals from <i>National Drug Council</i>	0
Dividend or Profit Distributions to be made by <i>National Drug Council</i>	0
Government Loans to be made to <i>National Drug Council</i>	0
Government Guarantees to be issued in relation <i>National Drug Council</i>	0
Related Party Payments (Non Remuneration) made to Key Management Personnel ³³	0
Remuneration ³⁴ Payments made to Key Management Personnel	73,051
Remuneration Payments made to Senior Management	0

	Number for 2009/10
No of Key Management Personnel	1
No of Senior Management	

³³ Key Management Personnel as defined by International Public Accounting Standards No 20, eg Minister, Board Member and Senior Management Team

³⁴ Remuneration as defined by International Public Accounting Standards No 20 Par 34(a)

7. Agreement

Scope of this Agreement

In signing this document:

- *National Drug Council* undertakes to seek to achieve the performance specified in sections 2 to 6 to the best of its ability; and
- The Cabinet agrees to the performance specified in sections 2 to 5 and the financial transactions specified in section 6.

Procedures for Changing this Ownership Agreement

Changes to this Ownership Agreement may be made during the year only with the express and explicit agreement of both parties to the Agreement.

Changes will be made in the following way:

- If either party wish to change the specification of performance contained in this Ownership Agreement, they must notify the other in writing describing the changes that they wish to make.
- The other party will take no more than 15 working days to consider the proposed amendments, or such other time as the two parties may agree.
- The other party will respond to the other about the proposed amendments and negotiate appropriate changes that are agreeable to both parties.
- The Parties will the sign the amended Ownership Agreement.
- The amended Ownership Agreement will be attached to, and form part of, this Agreement.

Agreement

We jointly agree that this Ownership Agreement accurately documents the ownership performance that *National Drug Council* will seek to achieve for the 2009/10 financial year and that the Cabinet will monitor performance against.

Hon. Mark Scotland
Ministry of Health, Environment, Youth, Sports and Culture
on behalf of Cabinet

Chairman of the Board
National Drug Council

September 30, 2009

Appendix: Forecast Financial Statements

**NATIONAL DRUG COUNCIL
STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

These Financial Statements have been prepared by the (Name of Company or Authority) in accordance with the provisions of the Public Management and Finance Law (2005 Revision).

The Financial Statements comply with generally accepted accounting practice as defined in International Public Sector Accounting Standards and International Accounting Standards.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with Public Management and Finance Law (2005 Revision).

To the best of our knowledge the forecast financial statements are:

- a) complete and reliable;
- b) fairly reflect the financial position as at 30 June 2010 and performance for the National Drug Council for the year ended 30 June 2010
- c) Comply with generally accepted accounting practice.

**Chairman
National Drug Council**

September 30, 2009

**NATIONAL DRUG COUNCIL
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDING 30 JUNE 2010**

The National Drug Council's ('the NDC') financial statements have been prepared in accordance with International Accounting Standards and are stated in Cayman Islands dollars. The following is a summary of the most significant accounting and reporting policies used in preparing the financial statements:

Use of Estimates: The preparation of the financial statements requires the Council to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

Fixed Assets: Depreciation is being calculated on a straight-line basis on the opening cost over the estimated useful lives of the assets as follows:

	Contributed Assets Years remaining at acquisition	Purchased assets Useful lives
Office equipment	2	3
Office furniture	5	6
Computer equipment	3	3
Leasehold Improvement	1	3

Capital expenditures greater than \$1,000.00 are capitalized as fixed assets.

Deferred grant funds and income: Donation and grant income received for specific projects are credited to income in periods in which expenses on such projects are incurred.

Disclosure about Fair Value of Financial Instruments: The NDC recognizes financial assets and financial liabilities on the date it becomes party to the contractual provisions of the instrument. From this date, any gains or losses arising from changes in the fair value of the assets or liabilities are recognised in the statement of operations. Financial instruments are initially measured 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 market value.

The carrying amounts of all financial instruments on the balance sheet are reasonable estimates of the fair values and no gains or losses have been recognised in the statement of operations for the changes in the fair value of the assets or liabilities.

Foreign Exchange: Revenue and expense transactions involving currencies other than Cayman Islands dollars are translated to Cayman Islands dollars at the exchange rates ruling at the time of those transactions. Assets and liabilities included in these financial statements are translated to Cayman Islands dollars at the rates of exchange prevailing at the balance sheet dates. Gains and losses on exchange are taken to the statement of operations.

**NATIONAL DRUG COUNCIL
OPERATING STATEMENT
FOR THE YEAR ENDING 30 JUNE 2010**

	Notes	2009/10 Budget \$	2008/9 Estimated Actual \$
General surplus:			
Revenues			
Outputs to Government		509,990	522,126
Non-government grant income:			
Total revenues	1	\$509,990	\$522,126
Expenses			
Personnel emoluments	6	306,000	306,000
Research and Public Information Campaigns	4	51,807	51,262
Operating maintenance		16,599	18,972
Rent	5	66,000	66,000
Travelling and subsistence		12,165	14,309
Depreciation – assets purchased	3	19,879	17,879
Audit and accounting fees		14,000	14,000
Utilities		16,733	19,958
Supplies & materials		6,807	12,171
Prior Year Adjustments			(1,581)
Total expenses		509,990	518,970
Net surplus for period		0	3,156
Retained Earnings at beginning of period		253,640	250,484
Retained Earnings at end of period		243,650	253,640

**NATIONAL DRUG COUNCIL
BALANCE SHEET
AS AT 30 JUNE 2010**

	Notes	2009/10 Budget	2008/9 Estimated Actual
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	2	123,590	\$103,455
Fund Due From Cabinet	7	125,000	130,313
Prepaid expenses and other receivables		10,680	10,173
Total current assets		259,270	243,941
Fixed assets	3	8,325	26,206
Total assets		\$267,595	\$270,147
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable		2,100	2,141
Accrued consultancy		4,200	4,200
Accrued other liabilities		500	1,226
Accrued Audit Fees		4,000	5,784
Total current liabilities		10,800	13,351
EQUITY			
Retained earnings		243,650	253,640
Net Income		(9,990)	3,156
Total current liabilities and equity		\$244,460	\$270,147

The accompanying notes form an integral part of these financial statements.

**NATIONAL DRUG COUNCIL
CASH FLOW STATEMENT
FOR THE YEAR ENDING 30 JUNE 2010**

Notes	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Operating activities		
Net cash provided by operations	5,000	\$525
Investing activity		
Purchase of fixed assets	0	1,480
Net cash (used) in investing activities	\$0	\$16,399
Net change in cash and cash equivalents		
Cash, beginning of year	\$103,455	\$87,580
Net Change in Cash	20,135	\$15,875
Cash, end of year	\$123,590	\$103,455

**NATIONAL DRUG COUNCIL
STATEMENT OF COMMITMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

Type	One year or less	One to five years	Over five years	Total
	\$000	\$000	\$000	\$000
Capital Commitments				
Land and buildings				
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	\$000	\$000	\$000	\$000

The accounting policies (Pg. 43) and notes (Pgs. 49-51) form part of these financial statements.

**NATIONAL DRUG COUNCIL
STATEMENT OF CONTINGENT LIABILITIES
FOR THE YEAR ENDING 30 JUNE 2010**

Summary of Quantifiable Contingent Liabilities

	\$48,559³⁵
Legal Proceedings and Disputes	
Item 1 description	
Item 2 description	
Total Legal Proceedings and Disputes	<u>\$48,559</u>
Other Contingent Liabilities	
Item 1 description	
Item 2 description	
Total Other Contingent Liabilities	<u>-</u>

Summary of Non-Quantifiable Contingent Liabilities

Item 1 description
Item 2 description

The accounting policies (Pg. 43) and notes (Pgs. 49-51) form part of these financial statements.

³⁵ Previous ED's Labor Board dispute carried from 2007/8. (Status pending.)

**NATIONAL DRUG COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

NOTE 1. OPERATING REVENUES

Operating revenue from Government grant income is determined on a calendar year basis by the Government of the Cayman Islands from its annual budgets. As the NDC has no other significant source of funding for its operational expense, its ability to continue as a going concern is contingent on this continued support from Government. Grant income is booked as income when due. Special grant income relating to other projects is allocated to income during the period over which the project is expected to be commenced and completed.

NOTE 2. CASH AND CASH EQUIVALENTS

Cash and Cash equivalents include amounts due from bank on demand. All cash and cash equivalents are held with a bank in the Cayman Islands.

	2009/10 Budget \$	2008/9 Estimated Actual \$
Current and call accounts	99,960	39,455
Short-term fixed deposits maturing within one month	0	64,000
TOTAL	\$99,960	\$103,455

NOTE 3. DEPRECIATION AND FIXED ASSETS

	2009/10 Budget \$	2008/9 Estimated Actual \$
<u>Leasehold Improvement</u>		
Opening Book Value/Cost	24,020	24,020
Additions	0	0
Depreciation	(24,020)	(16,013)
Closing Book Value	\$0	\$8,007
<u>Office Furniture and Equipment</u>		
Opening Book Value/Cost	53,861	53,861
Additions	0	0
Depreciation	(46,028)	(40,141)
Closing Book Value	\$7,833	\$13,720
<u>Computer Hardware and Software</u>		
Opening Book Value/Cost	34,457	34,457
Additions	0	1,480
Depreciation	(33,470)	(31,459)
Closing Book Value	\$987	\$4,478

NOTE 4. RESEARCH AND PUBLIC INFORMATION CAMPAIGNS

Portions of the Government grant income and public contributions have been made to support the following significant surveys and other public information projects:

Surveys and other public information projects	2009/10 Budget \$	2008/9 Estimated Actual \$
PIC – Alcohol & Tobacco	4,950	5,051
PIC – Ganja & Drugs	5,996	6,229
Censuses & Surveys	6,936	6,658
National Strategic Planning Meetings / Seminars	12,413	16,551
Consultancy Fees	14,513	16,773
Training	-	1,197
Policy Advocacy & Prevention	6,999	-
Total	<u>51,807</u>	<u>51,262</u>

NOTE 5. RENTAL EXPENSE

In November 2007, the NDC entered into a three year lease agreement with Summer Dream Ltd. for the premises at Caymanian Village #17 & 18 at a cost of \$5,500.00 per month.

NOTE 6. PENSION

The NDC participates in a defined contribution plan. Contributions of 5% are made by the employee and matched by the employer as required under the National Pensions Law. The total amount expensed and paid for the year ended 30 June 2010 was \$12,391.84 (2009: \$12,391.84). This amount is included in personnel emoluments in the Statement of Net Surplus and Retained Earnings.

NOTE 7. RELATED PARTIES

The NDC is a statutory body of the Government of the Cayman Islands. The Council is economically dependent upon the Ministry for the purchase of its services in accordance with the purchase agreement with Government. For the year ended 30 June 2010, the Council billed \$500,000 (2008: \$522,126) to the Government for services sold.

BUDGET 2009/10

Ownership Agreement

Between

The Cabinet of the Cayman Islands Government

and

National Gallery of the Cayman Islands

For the year ending 30 June 2010

Contents

1. Purpose
2. Nature and Scope of Activities
3. Strategic Goals and Objectives
4. Ownership Performance Targets
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8. Appendix: Forecast Financial Statements

1. Purpose

This Ownership Agreement documents the ownership performance that the Cabinet and the Board of *The National Gallery of the Cayman Islands* have agreed that *The National Gallery of the Cayman Islands* will seek to achieve during the 2009/10 financial year.

The purpose of the document is to ensure that the ownership performance expectations for the year are clearly specified and agreed by both parties.

2. Nature and Scope of Activities

This section outlines the nature and scope of activities within which *The National Gallery of the Cayman Islands* is to operate during the year.

General Nature of Activities

The National Gallery of the Cayman Islands serves to promote and encourage the appreciation and practice of the visual arts, of and in the Cayman Islands. This mandate is achieved through a variety of activities that aim to reach all members of the Cayman Islands community and the visiting public: outreach programmes, educational programmes, exhibitions, youth programmes, events, workshops, teacher training, school collaborations and educational lectures. The National Gallery has an art collection (mostly of donated works) and an extensive art-based lending library.

Scope of Activities

This budget for 2009/10 is limited to the revenue and expenses related to operations. The Management Board of the National Gallery continues its attempts to raise the remaining 1 million needed for the construction of the purpose built National Gallery of the Cayman Islands. The funds involved are segregated from the operational funds of the National Gallery, see 3 (5).

The scope of the *National Gallery of the Cayman Islands* activities is as follows:

- 60% of what we do is outreach and educational programming in particular for youth, at-risk populations of our society, and up and coming developing artists, followed by programming for young children and adult art aficionados and finally, for our visitors. Programmes are specific to various groups of people: Inside Art for prisoners, Art Magnet for the elderly, and Art Trek for primary-aged kids, Artists Away for professional Caymanian artists and Art Sisters for women coping with unusual stressful situations, to name a just few. These programmes will be directly affected by the proposed 10% budget reduction.
- 20% of what we do are exhibitions, plan on approximately 3,000 gallery users per exhibition depending upon subject matter and educational focus, duration is a month to three months per exhibition, free entrance. Workshops and lectures are well received by many cross-sections of the community with attendance up to 30 people per session, as they are either one-on-one or small group interactive activities.
- 10% of what we do are events: all are public art centred and usually free of charge, are attended by ranges between 300-5000 depending upon the event.
- 10% is maintaining and developing our collections: national collection and library materials.

(Ongoing) Seven onsite exhibitions and three Sister Island travelling exhibitions per annum along with various satellite exhibitions, Friends of the Gallery volunteer group; full service art & design library (multi-media available); National Gallery workshop series, national gallery lecture series; school tours and classroom visits; work experience and student career development; annual internship programme

(Weekly) Art Magnet, Inside Art Northward and Eagle House, Inside Art Fairbanks, Art Sisters, Art Outreach Frances Bodden, art; Art Outreach Caribbean Haven, continuing education courses, guided art studio; Art Club; art talks at district centres; Cayman Brac art and craft classes (x3 weekly);

(Bi-weekly) Cineclub art films

Scope of Activities (continued)

(Monthly) Art Trek Tuesdays (6-11yrs), Art Flix, lunchtime lectures;, journal art serial; Sister Islands art lecture series

(Bi-monthly) (NEW) Art Forum, (NEW) Art Papers and (NEW) Late night at the gallery

(Quarterly) Sister Islands art camps

(Annually) Artists Away, Art@Governors, eco art party, Chalkfest, Cayfest art show and sale, work experience, Art Career Day, Visual Arts Achievement Awards, Arts Training, Affordable Arts Fair

(Bi-annually) Carifesta art exhibit, international biennials, international art competition participation, international: child art forum participation, 3 annual summer student internships,

(On request) art in the workplace, art consultations; art parties

Customers and Location of Activities

The services provided by the *National Gallery of the Cayman Islands* are provided to the customer (users) as follows: all ages of students, amateur and professional artists, targeted outreach participants - the incarcerated, the recovering institutionalised substance abuser, children in group home care -, and both residents and visitors to the islands in general.

Since the closure the NGCI Education centre in November 2008, due to lack of funds, all of these activities are disbursed between the National Gallery's premises in Harbour Place and various locations around the island. Harbour Place houses staff, exhibitions, continuing education, some workshops. Outreach and education programmes are housed in all the districts in all three islands at the various community halls and civic centres including WB Town Hall, Town Hall, GT, South Sound Community Centre, Savannah School hall, Bodden Town *new location TBD, North Side Community Centre, East End *new location TBD, Cayman Brac Heritage House, Little Cayman Trust House; with some (programmes) being conducted on-site at prisons, youth centres, or overseas and (Events) are at Governors House, Seven Mile Public Beach, or at other locations.

3. Strategic Goals and Objectives

The key strategic goals and objectives (from an ownership perspective) for The *National Gallery of the Cayman Islands* for the 2009/10 financial year are as follows:

The key strategic goals and objectives (from an ownership perspective) for The *National Gallery of the Cayman Islands* for the 2009/10 financial years are as follows:

- Continue the production of quality, timely exhibitions, programmes, and events. Develop especially the core of cultural studies relating to the visual arts, including the visual arts history, development, and promotion of our culture through the visual arts.
- Full institutional review and development of a four-year plan in consideration of the current economic climate.
- To focus on internal personnel development with a full HR Audit and training schedule to develop its entire staff (6/7 Caymanian) to the fullest extent possible
- Comprehensive membership drives.
- To commence the purpose built NG and Art Education Centre building project. All funding, which has been raised by private donations, is now segregated from operational funds. This was previously the case as figures were included in assets reports. The 2009/10 budget only relates to operations and includes no figures relating the building project, see item 'Major Capital

Expenditure Projects	N/A
Estimated cost of building	\$3,200,000
Building Fund as of June 09	\$1,881,630
Balance to be raised by donation	\$1,318,370

- Continue expansion of Cayman artists/art exposure abroad through representation at regional and international art fairs/conferences.
- Serve in a cultural advisory capacity to Cayman Islands Government Ministry for public art projects, National Cultural Policy develop etc, as needed
- Development of a Cayman Art History book for cross curricular primary school learning

4. Ownership Performance Targets

The ownership performance targets (as specified in schedule 5 to the Public Management and Finance Law (2005 Revision) for *The National Gallery of the Cayman Islands* for the 2009/10 financial year are as follows.

Financial Performance

Financial Performance Measure	2009/10 Target \$	2008/9 Estimated Actual \$
Revenue from Cabinet	516,000	416,000
Revenue from ministries, portfolios, statutory authorities and government companies	0	0
Revenue from other persons or organisations (Note (1) Accounting Policies)	149,000	246,376
Surplus/deficit from outputs	0	0
Other expenses	665,000	631,752
Net Surplus/Deficit	0	30,624
Total Assets	2,318,979	2,318,979
Total Liabilities	6,620	6,620
Net Worth	2,312,359	2,312,359
Cash flows from operating activities	34,454	23,034
Cash flows from investing activities	0	(760)
Cash flows from financing activities	0	0
Change in cash balances	34,454	(22,274)
Financial Performance Ratio	2009/10 Target %	2008/9 Estimated Actual %
Current Assets: Current Liabilities	321:1	319:1
Total Assets: Total Liabilities	350:1	350:1

Maintenance of Capability

Human Capital Measures	2009/10 Target	2008/9 Estimated Actual
Total full time equivalent staff	6	7
Staff turnover (%)	30%	25%
Average length of service (Number) in years		
Senior management	7	7
Professional staff	2	2
Administrative staff	9	9
Professional HR Audit done for strategic staff planning by As I See It Solutions (Juliet Johnson - De Feu) IIP Standard holder	Adhering to IIP personnel	Adhering to IIP personnel

Physical Capital Measures	2009/10 Target	2008/9 Estimated Actual
Value of total assets	2,318,979	2,318,979
Asset replacements: total assets	0:1	0:1
Book value of depreciated assets: initial cost of those assets	066:1	0.70:1
Depreciation: Cash flow on asset purchases	NIL:NIL	20:1
Changes to asset management policies Future planning for Capital Project	NIL	NIL

Major Capital Expenditure Projects	2009/10 Target
Completion of Purpose Built National Gallery And Education Centre	\$3,200,000

Risk Management

Key risks	Change in status from previous year	Actions to manage risk	Financial value of risk
Ability to raise donations	Yes. Dramatically reduced private funds due to economic climate	Director's responsibility for donations for annual NG operations	\$124,000

5. Summarised Forecast Financial Statements

A full set of forecast financial statements for *National Gallery of the Cayman Islands* is provided in the Appendix to this Ownership Agreement.

A summary of those forecasts is as follows.

Operating Statement	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Revenue	665,000	662,376
Operating Expenses	665,000	631,752
<i>Net Surplus/Deficit</i>	0	30,624

Balance Sheet	As at 30 June 2010	As at 30 June 2009
	\$	\$
Assets	2,318,979	2,318,979
Liabilities	6,620	6,620
<i>Net Worth</i>	2,312,359	2,312,359

Statement of Cash Flows	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Net cash flows from operating activities	34,454	23,034
Net cash flows from investing activities	0	(760)
Net cash flows from financing activities	-	-

6. Other Financial Information

Detailed below is information about specific financial transaction required to be included in the Ownership Agreement by the Public Management and Finance Law 2001.

Transaction	Amount for 2009/10 \$
Equity Investments into National Gallery of the Cayman Islands	N/A
Capital Withdrawals from National Gallery of the Cayman Islands	N/A
Dividend or Profit Distributions to be made by National Gallery of the Cayman Islands	N/A
Government Loans to be made to National Gallery of the Cayman Islands	N/A
Government Guarantees to be issued in relation to National Gallery of the Cayman Islands	N/A
Related Party Payments (Non Remuneration) made to Key Management Personnel ³⁶	N/A
Remuneration ³⁷ Payments made to Key Management Personnel	N/A
Remuneration Payments made to Senior Management	73,000

	Number for 2009/10
No of Key Management Personnel (Board)	19
No of Senior Management (Director)	1

³⁶ Key Management Personnel as defined by International Public Accounting Standards No 20, eg Minister, Board Member and Senior Management Team

³⁷ Remuneration as defined by International Public Accounting Standards No 20 Par 34(a)

7. Agreement

Scope of this Agreement

In signing this document:

- *National Gallery of the Cayman Islands* undertakes to seek to achieve the performance specified in sections 2 to 6 to the best of its ability; and
- The Cabinet agrees to the performance specified in sections 2 to 5 and the financial transactions specified in section 6.

Procedures for Changing this Ownership Agreement

Changes to this Ownership Agreement may be made during the year only with the express and explicit agreement of both parties to the Agreement.

Changes will be made in the following way:

- If either party wish to change the specification of performance contained in this Ownership Agreement, they must notify the other in writing describing the changes that they wish to make.
- The other party will take no more than 15 working days to consider the proposed amendments, or such other time as the two parties may agree.
- The other party will respond to the other about the proposed amendments and negotiate appropriate changes that are agreeable to both parties.
- The Parties will sign the amended Ownership Agreement.
- The amended Ownership Agreement will be attached to, and form part of, this Agreement.

Agreement

We jointly agree that this Ownership Agreement accurately documents the ownership performance that *National Gallery of the Cayman Island* will seek to achieve for the 2009/10 financial year and that the Cabinet will monitor performance against.

Hon. Mark Scotland
Minister of Health, Environment, Youth, Sports and Culture

Henry Harford, Chairman of the Board
National Gallery of the Cayman Islands

September 30, 2009

Appendix: Forecast Financial Statements

NATIONAL GALLERY OF THE CAYMAN ISLANDS STATEMENT OF RESPONSIBILITY FOR FORECAST FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2010

These Forecast Financial Statements have been prepared in accordance with the provisions of the Public Management and Finance Law 2003 (Revision).

The Board accepts responsibility for the accuracy and integrity of the financial information in these financial statements.

To the best of our knowledge the forecast financial statements are:

- (a) complete and reliable;
- (b) fairly reflect the forecast financial position as at 30 June 2010 and performance for *National Gallery of the Cayman Islands* for the year ended 30 June 2010
- (c) comply with generally accepted accounting practice.

Henry Harford
Chairman of the Board

September 30, 2009

**NATIONAL GALLERY OF THE CAYMAN ISLANDS
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDING 30 JUNE 2010**

Use of estimates

The preparation of financial statements in accordance with International Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditure during the year. Actual results could differ from these estimates.

Recognition of revenue

Revenue is generally recognized when earned by the Gallery, which usually coincides with date received.

Government grants

Government grants are received for operating financial support on a quarterly basis, and then are recorded when received. Grants may also be received for special projects and these are matched with project expenditure over the term of the project and recorded in the statement of operations when the expenditure is incurred.

Donations

Donations are recorded when the donation is received.

Interest income

Interest income is recorded on an accrual basis.

Fixed assets

Fixed assets are recorded at cost and depreciated on a straight-line basis. The term being dependent on the category of the fixed asset.

Stock in Gallery gift shop

Stock in Gallery gift shop recorded at cost.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank and short term deposits with original maturities at three months or less.

Foreign exchange

Revenue and expense transactions involving currencies other than Cayman Islands are translated at the exchange rates ruling at the time of those transactions. Assets and liabilities included in the financial statements are translated at the rates of exchange prevailing on the balance sheet dates. Gains and losses on exchange are taken to the statements of operations.

Collections and exhibits

The cost of all objects purchased is recorded as an expense in the statements of operations. Objects acquired by gift or donations are not recorded in these financial statements, as it is difficult to obtain an objective measurement of valuation.

Donation services

A substantial number of unpaid volunteers make significant contributions of their time to develop the Gallery's programmes. The value of this donated time is not reflected in these financial statements as the cost cannot be objectively measured or valued.

**NATIONAL GALLERY OF THE CAYMAN ISLANDS
FORECAST OPERATING STATEMENT
FOR THE YEAR ENDING 30 JUNE 2010**

Revenue and support from operations		
Donations	124,000	215,233
Capital Donations		
Membership	<u>25,000</u>	<u>31,143</u>
	149,000	246,376
Expenditure		
Administrative expenses	330,000	366,336
Exhibition & collections expense	57,700	33,610
Facility expenses	72,000	75,165
Information and training	65,000	49,089
Programmes and events expense	116,000	79,781
Marketing and advertising	10,000	10,109
Depreciation	11,300	14,966
Other operating expenses	<u>3,000</u>	<u>2,696</u>
	<u>665,000</u>	<u>631,752</u>
Net expenditure from operations	(516,000)	(385,376)
Grants-Cayman Islands Government	<u>516,000</u>	<u>416,000</u>
Increase in unrestricted general fund balances	<u>NIL</u>	<u>30,624</u>

**NATIONAL GALLERY OF THE CAYMAN ISLANDS
FORECAST STATEMENT OF CHANGES IN NET WORTH
FOR THE YEAR ENDING 30 JUNE 2010**

Operating Net worth	2,312,359	2,281,735
Equity Investment	-	-
Forecast surplus	<u>NIL</u>	<u>30,624</u>
Closing Net worth	<u>2,312,359</u>	<u>2,312,359</u>

**NATIONAL GALLERY OF THE CAYMAN ISLANDS
FORECAST BALANCE SHEET AS AT 30 JUNE 2010**

Assets

Current Assets

Cash and Cash equivalents	135,076	99,622
Fixed deposit	1,879,504	1,879,504
Other assets	<u>109,946</u>	<u>134,100</u>
	2,124,526	2,113,226
Fixed assets	<u>194,453</u>	<u>205,753</u>
Total assets	<u>2,318,979</u>	<u>2,318,979</u>

Liabilities and fund balances

Current Liabilities

Accounts payable and accrued expenses	(6,620)	(6,620)
Total Assets Less Total Liabilities	2,312,359	2,312,359

Fund balances

Unrestricted general fund	430,729	430,729
Restricted building fund	<u>1,881,630</u>	<u>1,881,630</u>
Total Liabilities and fund balances	<u>2,312,359</u>	<u>2,312,359</u>

**NATIONAL GALLERY OF THE CAYMAN ISLANDS
 FORECAST STATEMENT OF CASH FLOWS COMBINED
 FOR THE YEAR ENDING 30 JUNE 2010**

Cash flow from operations:

Cash from government funding	516,000	416,000
Capital Donations		
Cash from other sources	149,000	246,376
Payment to suppliers	(320,546)	(316,697)
Payments to employees	(310,000)	(322,645)
Cash flow from operation	35,454	23,034
Cash flow from financing	-	-
Cash flow from investing	0	(760)
Net change in cash balances	0	22,274
Cash at beginning of year	99,622	77,348
Cash at the end of the year	135,076	99,622

**NATIONAL GALLERY OF THE CAYMAN ISLANDS
 NOTES TO THE FORECAST FINANCIAL STATEMENTS
 FOR THE YEAR ENDING 30 JUNE 2010**

National Gallery's permanent collection is not part of balance sheet. This policy is to be reassessed in the future under the advice of our auditors, KPMG.

BUDGET 2009/10

Ownership Agreement

Between

**The Cabinet of the
Cayman Islands Government**

and

National Housing Development Trust

For the year ending 30 June 2010

Contents

6. Purpose
7. Nature and Scope of Activities
8. Strategic Goals and Objectives
4. Ownership Performance Targets
5. Forecast Financial Statements
6. Other Financial Information
7. Agreement
8. Appendix: Forecast Financial Statements

2. Purpose

This Ownership Agreement documents the ownership performance that the Cabinet and the Board of the National Housing Development Trust have agreed that the National Housing Development Trust will seek to achieve during the 2009/10 financial year.

The purpose of the document is to ensure that the ownership performance expectations for the year are clearly specified and agreed by both parties.

2. Nature and Scope of Activities

This section outlines the nature and scope of activities within which the National Housing Development Trust is to operate during the year.

General Nature of Activities

The National Housing Development Trust activities involve being an important factor in the economic development of the Cayman Islands by providing to Caymanians homes at an affordable price and mortgage financing through its Government Guaranteed Home Assisted Mortgage program.

Scope of Activities

The scope of the National Housing Development Trust activities is as follows:

- Construction of low-income affordable homes to be sold to the Caymanian public at an affordable price
- Provide financing to low-income Caymanian who qualifies under the criteria set by the Board of Directors for the purchase of an affordable home constructed under the supervision of the Trust.
- Perform the duties as an administrator and loan processing agent on behalf of the Cayman Islands Government for the Government Guaranteed Assisted Home Mortgage Programme.

Provide bridge financing to Caymanian in the construction of a home on the clients own property, whereby the mortgage loan is then refinance by a participating banks under the Government Guarantee Home Assisted Mortgage Program.

Customers and Location of Activities

The services provided by the National Housing Development Trust are provided only within the Cayman Islands.

3. Strategic Goals and Objectives

The key strategic goals (from an ownership perspective) for the National Housing Development Trust for the 2009/10 financial year are as follows:

STRATEGIC GOALS

1. To become a well structured, efficiently managed organization who is fair and prudent in its selection processing of eligible applicants for affordable homes offered by the Trust.
2. To identify the housing needs of low-income Caymanians and to proceed with the processing of future development of affordable homes that will contribute to the economic development of the Cayman Islands.
3. To administer the Government Guaranteed Home Assisted Mortgage Program in collaboration with the commercial banks to provide financing to Caymanian whose income level is classified as low-to-middle income.

The key objectives (from an ownership perspective) for National Housing Development Trust for the 2009/10 financial year are as follows:

OBJECTIVES

1. Continue to manage the lease portfolio of the Trust and to offer counselling to clients as it becomes necessary.
2. To seek out addition funding for future development of low-income housing that have been identified as an imperative need in the economic development of these islands.
3. To continue a close working relationship with local contractors in the development of new homes for low-income person in our community.
4. To ensure that the Government Guaranteed Home Assisted Mortgage Programme is managed in an efficient and prudent manner.
5. To ensure that clients receive expert and relevant information pertaining to the accessibility of mortgage loan.

4. Ownership Performance Targets

The ownership performance targets (as specified in schedule 5 to the Public Management and Finance Law (2005 Revision) for National Housing Development Trust for the 2009/10 financial year are as follows.

Financial Performance

Financial Performance Measure	2009/10 Target \$ (Thousands)
Revenue from Cabinet	611
Revenue from ministries, portfolios, statutory authorities and government companies	0
Revenue from other persons or organisations	843
Surplus/deficit from outputs	0
Other expenses	(2,296)
Net Surplus/Deficit	(842)
Total Assets	11,689
Total Liabilities	(11,128)
Net Worth	561
Cash flows from operating activities	(842)
Cash flows from investing activities	0
Cash flows from financing activities	1,929
Change in cash balances	(1,040)

Financial Performance Ratio	2009/10 Target \$
Current Assets: Current Liabilities	
Total Assets: Total Liabilities	1.13:1

Maintenance of Capability

Human Capital Measures	2009/10 Target \$
Total full time equivalent staff	9
Staff turnover (%)	0%
Average length of service (Number)	
Senior management	3
Professional staff	2
Administrative staff	3
Significant changes to personnel management system	

Physical Capital Measures	2009/10 Target \$
Value of total assets	\$11,689
Asset replacements: total assets	0%
Book value of depreciated assets: initial cost of those assets	76.03%
Depreciation: Cash flow on asset purchases	0%
Changes to asset management policies	

Major Capital Expenditure Projects	2009/10 Target \$
Construction of affordable homes	8,000,000

Risk Management

Key risks	Change in status from previous year	Actions to manage risk	Financial value of risk
Default on lease payment	Unchanged	Follow up on delinquent account and make arrangement for payments in arrears	Accrued income reduced

5. Summarised Forecast Financial Statements

A full set of forecast financial statements for the National Housing Development Trust is provided in the Appendix to this Ownership Agreement.

A summary of those forecasts is as follows.

Operating Statement	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Revenue	1,454	1,487
Operating Expenses	(2,296)	(3,072)
<i>Net Surplus/Deficit</i>	<i>(842)</i>	<i>(1,585)</i>

Balance Sheet	As at 30 June 2010	As at 30 June 2009
	\$	\$
Assets	11,689	10,728
Liabilities	11,128	10,283
<i>Net Worth</i>	<i>561</i>	<i>526</i>

Statement of Cash Flows	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Net cash flows from operating activities	(842)	(1,589)
Net cash flows from investing activities	0	0
Net cash flows from financing activities	1,929	300

6. Other Financial Information

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

Transaction	Amount for 2009/10 \$
Equity Investments into the National Housing Development Trust	1,929,000
Capital Withdrawals from the National Housing Development Trust	0
Dividend or Profit Distributions to be made by the National Housing Development Trust	0
Government Loans to be made to the National Housing Development Trust	0
Government Guarantees to be issued in relation to the National Housing Development Trust	0
Related Party Payments (Non Remuneration) made to Key Management Personnel ³⁸	0
Remuneration ³⁹ Payments made to Key Management Personnel	102,534
Remuneration Payments made to Senior Management	107,124

	Number for 2009/10
No of Key Management Personnel	1
No of Senior Management	2

³⁸ Key Management Personnel as defined by International Public Accounting Standards No 20, eg Minister, Board Member and Senior Management Team

³⁹ Remuneration as defined by International Public Accounting Standards No 20 Par 34(a)

7. Agreement

Scope of this Agreement

In signing this document:

- The National Housing Development Trust undertakes to seek to achieve the performance specified in sections 2 to 6 to the best of its ability; and
- The Cabinet agrees to the performance specified in sections 2 to 5 and the financial transactions specified in section 6.

Procedures for Changing this Ownership Agreement

Changes to this Ownership Agreement may be made during the year only with the express and explicit agreement of both parties to the Agreement.

Changes will be made in the following way:

- If either party wish to change the specification of performance contained in this Ownership Agreement, they must notify the other in writing describing the changes that they wish to make.
- The other party will take no more than 15 working days to consider the proposed amendments, or such other time as the two parties may agree.
- The other party will respond to the other about the proposed amendments and negotiate appropriate changes that are agreeable to both parties.
- The Parties will sign the amended Ownership Agreement.
- The amended Ownership Agreement will be attached to, and form part of, this Agreement.

Agreement

We jointly agree that this Ownership Agreement accurately documents the ownership performance that the National Housing Development Trust will seek to achieve for the 2009/10 financial year and that the Cabinet will monitor performance against.

Hon. Mike Adams
Minister of Community Affairs and Housing
on behalf of Cabinet

Mr. Edward Steve McLaughlin
Chairman of the Board
National Housing Development Trust

September 30, 2009

Appendix: Forecast Financial Statements

**NATIONAL HOUSING DEVELOPMENT TRUST
STATEMENT OF RESPONSIBILITY FOR FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

These Forecast Financial Statements have been prepared in accordance with the provisions of the Public Management and Finance Law 2005 (Revision).

The Board accepts responsibility for the accuracy and integrity of the financial information in these financial statements.

To the best of our knowledge the forecast financial statements are:

- (a) complete and reliable;
- (b) fairly reflect the forecast financial position as at 30 June 2010 and performance for the National Housing Development Trust for the year ended 30 June 2010
- (c) comply with generally accepted accounting practice.

**Mr. Edward Steve McLaughlin
Chairman of the Board
National Housing Development Trust**

September 30, 2009

**THE NATIONAL HOUSING DEVELOPMENT TRUST
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDING 30 JUNE 2010**

1. Organization and Objectives

The National Housing and Community Development Trust (the "Trust") was incorporated on 29th September, 2003 as a not-for-profit company limited by guarantee and not having a share capital. In 2006 the name of the Trust was amended to National Housing Development Trust. The Trust's Mission Statement is to construct and provide affordable homes in planned communities, offer easier financing opportunities and provide a management system that adds security, value and ownership that imparts a sense of pride in hard working Caymanians that are placed in the category of being low income.

B. Significant Accounting Policies

Basis of preparation: These financial statements are prepared in accordance with International Public Sector Accounting Standards ("IPSAS") under the historical cost convention, and are expressed in Cayman Islands Dollars.

Foreign Instruments: Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transactions. Assets and Liabilities are translated at the exchange rate in effect at the Balance Sheet date.

Financial instruments: Financial instruments are measured initially at cost, including transaction costs. The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using management's best estimates, taking into account current market conditions and the credit quality of the counterparties.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Bank would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and the current creditworthiness of the counterparties.

Cash and cash equivalents: For the purpose of the Statement of Cash Flows, cash equivalents consist of deposits held at call with banks, net of overdraft maturing within 90 days.

Use of estimates: The preparation of financial statements in accordance with IPSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. Actual results could differ from those estimates.

Income recognition: Income and expenses are recorded on the accrual basis of accounting.

Deposit Accounts: Deposit accounts reflect term deposits, which are placed with approved financial institutions. Such deposits have maturity between three (3) months and twelve (12) months from the date of acquisition.

Government grants: The trust is dependant upon annual operating grants from the Cayman Islands Government to meet its obligations

Fixed Assets: Fixed assets are recorded at cost. Depreciation, which is based on the cost Fixed assets and low-income housing properties are stated at cost less accumulated depreciation and any recognized impairment loss. Depreciation is charged as to write off the cost or valuation of asset over their estimated useful lives, using the straight-line method, on the following bases:

	Years
Computer equipment	3
Furniture and fixtures	12
Office and telephone equipment	5
Vehicle	4
Affordable housing properties	10

The gain or loss arising on the disposal or retirement of an asset is determined as difference between the sales proceeds and the carrying amount of the asset and is recognized as income.

Employees Benefits: Obligations for contributions to defined contribution pension plans are recognized as an expense in the income statement as incurred. Pension contributions for eligible employees of the Trust are paid to the Public Service Pensions Fund (the "Fund"). The fund is administered by the Public Service Pensions Board (the "Pensions Board").

**THE NATIONAL HOUSING DEVELOPMENT TRUST
FORECAST OPERATING STATEMENT
FOR THE YEAR ENDING 30 JUNE 2010**

	Note	2009/10 Forecast \$000	2008/9 Estimated Actual \$000	2007/8 Estimated Actual \$000
Revenue				
Outputs to Cabinet		611	611	456
Outputs to other government agencies		0	0	0
Outputs to others		680	667	0
Interest & Other Revenue		163	209	843
Total Operating Revenue		1,454	1,487	1,299
Operating Expenses				
Personnel costs	4	592	569	445
Supplies and consumables		8	9	9
Depreciation		897	816	799
Capital charge				
Other operating expenses		799	1,678	1,101
Total Operating Expenses		2,296	3,072	2,355
Surplus from operating activities and before extraordinary items		(842)	(1,585)	(1,056)
Extraordinary items			(4)	(4)
Net Surplus		(842)	(1,589)	(1,060)

**NATIONAL HOUSING DEVELOPMENT TRUST
FORECAST STATEMENT OF CHANGES IN NET WORTH
FOR THE YEAR ENDED 30 JUNE 2010**

	2009/10 Forecast	2008/9 Estimated Actual	2007/8 Estimated Actual
	\$000	\$000	\$000
Opening balance net worth	(526)	(1,403)	(826)
Prior Year Adjustment			(17)
Net deficit during the year	(842)	(1,589)	(1,060)
Property revaluations	-	2,166	-
Investment revaluations			
Net revaluations during the period			
Total recognised revenues and expenses		(826)	(1,903)
Equity investment	1,929	300	500
Repayment of surplus			
Capital withdrawal			
Closing balance net worth	561	(526)	(1,403)

**NATIONAL HOUSING DEVELOPMENT TRUST
FORECAST BALANCE SHEET
AS AT 30 JUNE 2010**

	Note	2008/9 Forecast \$000	2008/9 Estimated Actual \$000	2007/8 Estimated Actual \$000
Current Assets				
Cash and cash equivalents	2	1,566	526	1,832
Accounts receivable	2	245	316	357
Prepaid Expenses		57	62	50
Inventories		-	3	10
Total Current Assets		1,868	907	2,249
Non-Current Assets				
Property, plant and equipment		9,805	9,805	7,639
Other non-current assets		16	16	47
Total Non-Current Assets		9,821	9,821	7,686
Total Assets		11,689	10,728	9,935
Current Liabilities				
Accounts payable & Accrued Liab.		(371)	(260)	(131)
Current Portion of Bond Payment		(476)	(453)	(430)
Employee entitlements		(5)	(5)	(3)
Other current liabilities		(705)	(253)	(265)
Total Current Liabilities		(1,557)	(971)	(829)
Non-Current Liabilities				
Bond Payable		(9,549)	(10,026)	(10,478)
Other non-current liabilities		(22)	(257)	(31)
Total Non-Current Liabilities		(9,571)	(10,283)	(10,509)
Total Liabilities		(11,128)	(11,254)	(11,338)
TOTAL ASSETS LESS TOTAL LIABILITIES		561	(526)	(1,403)
NET WORTH				
Contributed capital		1,929	300	500
Asset revaluation reserve			2,166	
Accumulated surpluses		(842)	(1,589)	(1,077)
Total Net Worth		561	(526)	(1,403)

**NATIONAL HOUSING DEVELOPMENT TRUST
FORECAST CASH FLOW STATEMENT
FOR YEAR ENDED 30 JUNE 2010**

	Note	2009/10 Forecast \$000	2008/9 Estimated Actual \$000	2007/8 Estimate Actual \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Outputs to Cabinet		611	611	456
Outputs to other government agencies				
Outputs to others		680	667	843
Interest received		163	209	0
Payments				
Personnel costs & operating costs		(653)	(569)	(445)
Suppliers		(10)	(9)	(9)
Other payments		(1,633)	(1,678)	(1,101)
<i>Net cash flows from operating activities</i>	13	(842)	(769)	(256)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of non-current assets		0	0	(281)
Proceeds from sale of non-current assets		0	0	0
<i>Net cash flows from investing activities</i>		0	0	(281)
CASH FLOWS FROM FINANCING ACTIVITIES				
Equity investment		1,929	300	500
Repayment of surplus				
Capital withdrawal				
<i>Net cash flows from financing activities</i>		1,929	300	500
<i>Net increase/(decrease) in cash and cash equivalents</i>		(363)	(1,306)	(748)
Cash and cash equivalents at beginning of period		526	1,832	2,580
Cash and cash equivalents at end of period	4	1,566	526	1,832

**NATIONAL HOUSING DEVELOPMENT TRUST
NOTES TO THE FORECAST FINANCIAL STATEMENTS**

Note 1: OPERATING REVENUES

Revenue from Cabinet	611
Lease Income	680
GGHAM Income	72
Interest income	91
	<u>1454</u>

Note 2: CASH & CASH EQUIVALENTS

Current and Call Accounts	1566
Accounts Receivable & Pre-paid exp	302
Short-term Fixed Deposits within 6 months	0
	<u>1868</u>

Note 4: PERSONNEL COSTS

Salaries and wages	468
Pension (Employee/Government)	52
Medical	70
Other (Duty/overtime)	2
	<u>592</u>

BUDGET 2009/10

Ownership Agreement

Between

**The Cabinet of the
Cayman Islands Government**

and

National Roads Authority

For the year ending 30 June 2010

Contents

1. Purpose
2. Nature and Scope of Activities
3. Strategic Goals and Objectives
4. Ownership Performance Targets
5. Summarised Forecast Financial Statements
6. Other Financial Information
7. Agreement
8. Appendix: Forecast Financial Statements

1. Purpose

This Ownership Agreement documents the ownership performance that the Cabinet and the Board of *the National Roads Authority* have agreed that *the National Roads Authority* will seek to achieve during the 2009/10 financial year.

The purpose of the document is to ensure that the ownership performance expectations for the year are clearly specified and agreed by both parties.

2. Nature and Scope of Activities

This section outlines the nature and scope of activities within which *the National Roads Authority* is to operate during the year.

General Nature of Activities

The general nature of activities of the National Roads Authority involves the management and development of public roads and related infrastructure in accordance with the National Roads Authority Law.

Scope of Activities

The scope of activities of the National Roads Authority include providing policy advice, publication of a National Roads Plan, provision of project and construction management services for the delivery of new road-works and the maintenance management of the existing road infrastructure for fund-holding Client Agencies.

Additionally, the National Roads Authority provides support services to:

- Public Works Department to enable that Department to provide an appropriate response to Hurricanes and other national emergencies, and
- Planning Department for the review of planning applications involving road related matters and the site inspection of road related constructed applications.

Customers and Location of Activities

The customers of the National Roads Authority are fund-holding Government Agencies, approved private sector clients and any other entity. These services are provided only in the Cayman Islands.

3. Strategic Goals and Objectives

The key strategic goals and objectives (from an ownership perspective) for The National Roads Authority for the 2009/10 financial year are as follows:

- Continue establishment of the Authority, develop and implement effective administrative, financial and information management systems
- Identify and seek approval for strategies for financing future road development
- To continue the Traffic Improvement and Road Development Programmes

4. Ownership Performance Targets

The ownership performance targets (as specified in schedule 5 to the Public Management and Finance Law (2005 Revision)) for *the National Roads Authority* for the 2009/10 financial year are as follows.

Financial Performance

Financial Performance Measure	2009/10 Target \$	2008/9 Estimated Actual \$
Revenue from Cabinet	14,170,870	19,086,117
Revenue from ministries, portfolios, statutory authorities and government companies	54,929	1,105,113
Revenue from other persons or organisations	0	26,621
Surplus/deficit from outputs	0	0
Other expenses	0	0
Net Surplus/Deficit	0	0
Total Assets	7,253,835	8,200,032
Total Liabilities	2,280,927	3,227,124
Net Worth	4,972,908	4,972,908
Cash flows from operating activities	(145,223)	(941,818)
Cash flows from investing activities	0	(733,288)
Cash flows from financing activities	0	138,932
Change in cash balances	(145,223)	(1,536,174)

Financial Performance Ratio	2009/10 Target %	2008/9 Estimated Actual %
Current Assets: Current Liabilities	2.33:1	1.74:1
Total Assets: Total Liabilities	3.18:1	2.54:1

Maintenance of Capability

Human Capital Measures	2009/10 Target \$	2008/9 Estimated Actual \$
Total full time equivalent staff	129	135
Staff turnover (%)	4.4%	1.5%
Average length of service (Number)		
Senior management	10.75	9.75
Professional staff	8.03	7.03
Administrative staff	7.6	6.6
Significant changes to personnel management system	None	None

Physical Capital Measures	2009/10 Target \$	2008/9 Estimated Actual \$
Value of total assets	7,253,835	8,200,032
Asset replacements: total assets	Nil	Nil
Book value of depreciated assets: initial cost of those assets		
Depreciation: Cash flow on asset purchases		
Changes to asset management policies	None	None

Major Capital Expenditure Projects	2009/10 Target \$
Purchase of vehicles and other equipment	

Risk Management

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

5. Summarised Forecast Financial Statements

A full set of forecast financial statements for *the National Roads Authority* is provided in the Appendix to this Ownership Agreement.

A summary of those forecasts is as follows.

Operating Statement	2009/10 Budget \$	2008/9 Estimated Actual \$
Revenue	14,225,799	20,217,851
Operating Expenses	14,225,799	21,691,773
<i>Net Surplus/Deficit</i>	0	(1,473,922)

Balance Sheet	As at 30 June 2010 \$	As at 30 June 2009 \$
Assets	7,253,835	8,200,032
Liabilities	2,280,927	3,227,124
<i>Net Worth</i>	4,972,908	4,972,908

Statement of Cash Flows	2009/10 Budget \$	2008/9 Estimated Actual \$
Net cash flows from operating activities	(145,223)	(941,818)
Net cash flows from investing activities	0	(733,288)
Net cash flows from financing activities	0	138,932

6. Other Financial Information

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

Transaction	Amount for 2009/10 \$
Equity Investments into <i>the National Roads Authority</i> .	0
Capital Withdrawals from <i>the National Roads Authority</i> .	0
Dividend or Profit Distributions to be made by <i>the National Roads Authority</i> .	0
Government Loans to be made to <i>the National Roads Authority</i> .	0
Government Guarantees to be issued in relation to <i>the National Roads Authority</i> .	Nil
Related Party Payments (Non Remuneration) made to Key Management Personnel ⁴⁰	Nil
Remuneration ⁴¹ Payments made to Key Management Personnel	362,532
Remuneration Payments made to Senior Management	522,180

	Number for 2009/10
No of Key Management Personnel	15
No of Senior Management	5

⁴⁰ Key Management Personnel as defined by International Public Accounting Standards No 20, e.g. Minister, Board Member and Senior Management Team

⁴¹ Remuneration as defined by International Public Accounting Standards No 20 Par 34(a)

7. Agreement

Scope of this Agreement

In signing this document:

- *The National Roads Authority* undertakes to seek to achieve the performance specified in sections 2 to 6 to the best of its ability; and
- The Cabinet agrees to the performance specified in sections 2 to 5 and the financial transactions specified in section 6.

Procedures for Changing this Ownership Agreement

Changes to this Ownership Agreement may be made during the year only with the express and explicit agreement of both parties to the Agreement.

Changes will be made in the following way:

- If either party wish to change the specification of performance contained in this Ownership Agreement, they must notify the other in writing describing the changes that they wish to make.
- The other party will take no more than 15 working days to consider the proposed amendments, or such other time as the two parties may agree.
- The other party will respond to the other about the proposed amendments and negotiate appropriate changes that are agreeable to both parties.
- The Parties will sign the amended Ownership Agreement.
- The amended Ownership Agreement will be attached to, and form part of, this Agreement.

Agreement

We jointly agree that this Ownership Agreement accurately documents the ownership performance that *the National Roads Authority* will seek to achieve for the 2008/9 financial year and that the Cabinet will monitor performance against.

Hon. Juliana O Connor- Conolly
Minister of District Administration, Works and Gender Affairs
on behalf of Cabinet

Chairman of the Board
The National Roads Authority

September 30, 2009

Appendix: Forecast Financial Statements

**THE NATIONAL ROADS AUTHORITY
STATEMENT OF RESPONSIBILITY FOR FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

These Forecast Financial Statements have been prepared in accordance with the provisions of the Public Management and Finance Law (2005 Revision).

The Board accepts responsibility for the accuracy and integrity of the financial information in these financial statements.

To the best of our knowledge the forecast financial statements are:

- (a) complete and reliable;
- (b) fairly reflect the forecast financial position as at 30 June 2010 and performance for *the National Roads Authority* for the year ended 30 June 2010
- (c) comply with generally accepted accounting practice.

**Chairman of the Board
The National Roads Authority**

September 30, 2009

**THE NATIONAL ROADS AUTHORITY
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDING 30 JUNE 2010**

Significant Accounting Policies

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

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

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

Foreign currency translation: All assets and liabilities denominated in foreign currency are translated to Cayman Islands Dollars at exchange rates in effect at the balance sheet date. Revenue and expense transactions denominated in foreign currency are translated to Cayman Islands Dollars at exchange rates ruling at the date of those transactions. Gains and losses arising on translation are included in the Operating Statement.

Fixed Assets/depreciation: Fixed assets include motor vehicles, heavy equipment, dump trucks, furniture and fixtures and computer hardware and software are stated at cost less accumulated depreciation and impairment losses.

Depreciation is calculated on a straight-line basis at annual rates estimated to write off the carrying value of each asset over the period of its expected useful life.

Annual rates are as follows:

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

Receivables: Receivables are advances that are recorded at the amounts expected to be ultimately collected in cash.

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

Inventory: Inventory is valued at the lower of net realizable value or cost, on a last-in first-out basis.

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

**THE NATIONAL ROADS AUTHORITY
STATEMENT OF ACCOUNTING POLICIES continued
FOR THE YEAR ENDING 30 JUNE 2010**

Employee entitlements:

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

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

A defined benefit plan is one that defines an amount of benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The asset or liability in respect of defined benefit plans is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of plan assets, adjusted for unrecognised actuarial gains/losses and past service cost. Where a pension asset arises, the amount recognised is limited to the net total of any cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reduction in future contributions to the plan. The pension costs are assessed using the Projected Unit Credit Method. Under this method the cost of providing pensions is charged in the Income Statement so as to spread the regular cost over the service lives of employees in accordance with advice of the actuary, (who is due to carry out a full valuation of the plans every year). The pension obligation is measured at the present value of the estimated future cash outflows using discount estimated rates based on market yields on high quality corporate bonds at the time of the accounting date which have terms to maturity approximating the terms of the related liability.

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

Revenue recognition: Revenue from sale of services to Cabinet and other government agencies is recognised when it is earned. Investment revenue is recognised in the period in which it is earned. Donations are recognised at fair value at the time of receipt.

Expense recognition: Expenses are recognised when incurred.

Financial Instruments:

Classification: A financial asset is classified as any asset that is cash, a contractual right to receive cash or another financial asset, exchange financial instruments under conditions that are potentially favourable or an equity instrument of another enterprise. Financial assets comprise of cash and cash equivalents and accounts receivable.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial instrument or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. Financial liabilities comprise of accounts payables and employee entitlements.

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

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.

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

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

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

**THE NATIONAL ROADS AUTHORITY
FORECAST OPERATING STATEMENT
FOR THE YEAR ENDING 30 JUNE 2010**

	2008/09 Budget \$	2008/9 Estimated Actual \$
Revenue		
Outputs funded by Cabinet	14,170,870	19,086,117
Revenue from Third Parties (sales)	54,929	1,105,113
Interest		25,221
Total Operating revenue	<u>14,225,799</u>	<u>20,216,451</u>
Operating Expenses		
Personnel	6,343,012	6,901,827
Depreciation	642,455	655,433
Interest		0
Other operating expenses	7,240,332	14,134,513
Total Operating Expenses	<u>14,225,799</u>	<u>21,691,773</u>
Surplus/deficit from Operating Activities	0	(1,475,322)
Gains/losses on asset sales	0	1,400
Total Other Revenue	0	1,400
Surplus/Deficit from Ordinary Activities		(1,473,922)
Extraordinary items	0	0
Net Surplus/Deficit after Extraordinary Items	<u>0</u>	<u>(1,473,922)</u>

**THE NATIONAL ROADS AUTHORITY
 FORECAST STATEMENT OF CHANGES IN NET WORTH
 FOR THE YEAR ENDING 30 JUNE 2010**

	2009/10 Budget \$	2008/9 Estimated Actual \$
Opening Balance Net Worth	4,972,908	6,307,899
Deficit	0	(1,473,922)
Net Revaluations during the period		
<i>Total Recognised Revenues and Expenses</i>		
Contribution of Initial Capital		
Equity Investment		138,931
Capital Withdrawals		
Distributions of Surplus		
Closing Balance Net Worth	4,972,908	4,972,908

**THE NATIONAL ROADS AUTHORITY
FORECAST BALANCE SHEET
AS AT 30 JUNE 2010**

	2009/10	2008/9
	Budget	Estimated
	\$	Actual
	\$	\$
Assets		
Current Assets		
Cash	3,265,040	3,410,264
Debtors	1,861,464	2,019,983
Fixed Assets		
Office Furniture and Fittings: comprising Office Furniture, Equipment and Fittings Computers, Printers, and Projectors		
Total: Office Furniture and Fittings	412,339	412,339
Less Accumulated Depreciation	349,917	249,101
Residual value		
Less Depreciation	62,422	163,238
Plant and Equipment:	982,978	982,978
Less Accumulated Depreciation	350,065	238,962
Residual value		
Less Depreciation	632,913	744,015
Vehicles	3,010,052	3,010,052
Less Accumulated Depreciation	1,765,558	1,428,805
Residual value	1,244,494	1,581,247
Add purchases		
Less Depreciation		
Leasehold Improvement	187,869	187,869
Less Depreciation	93,884	93,884
	0	73,885
Total Assets	7,253,835	8,200,032
Liabilities		
Current Liabilities		
Creditors	2,280,927	3,227,124
Term Liabilities		
Roading Finance		
Total Liabilities	2,280,927	3,227,124
Net Assets	4,972,908	4,972,908
Equity		
Contributed Capital	4,541,534	4,541,534
Retained Earnings	431,374	431,374
Total Equity	4,972,908	4,972,908

**THE NATIONAL ROADS AUTHORITY
FORECAST STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING 30 JUNE 2010**

	2009/10	2008/9
	Budget	Estimated
	\$	Actual
		\$
Cash Flows from Operating Activities		
Operating Receipts	14,225,799	20,216,451
Operating Payments	14,371,022	21,158,269
<i>Net Cash Flows from Operating Activities</i>	(145,223)	(941,818)
Cash Flows from Investing Activities		
Purchase of Fixed Assets	0	(734,788)
Proceeds from the sale of Fixed Assets	0	1,500
<i>Net Cash Flows from Investing Activities</i>	0	(733,288)
Cash Flows from Financing Activities		
Equity Investment	0	138,931
Roading Finance	0	0
<i>Net Cash Flows from Financing Activities</i>	0	138,931
Net Movement in Cash Balances	(145,223)	(1,536,174)
Cash and Cash Equivalent at the start	3,410,264	4,946,437
Cash and Cash Equivalent at the end	3,265,041	3,410,264

BUDGET 2009/10

Ownership Agreement

Between

**The Cabinet of the
Cayman Islands Government**

and

Port Authority of the Cayman Islands

For the year ending 30 June 2010

Contents

1. Purpose
2. Nature and Scope of Activities
3. Strategic Goals and Objectives
4. Ownership Performance Targets
5. Summarised Forecast Financial Statements
6. Other Financial Information
7. Agreements
8. Appendix: Forecast Financial Statements

1. Purpose

This Ownership Agreement documents the ownership performance that the Cabinet and the Board of Port Authority of the Cayman Islands have agreed that Port Authority of the Cayman Islands will seek to achieve during the 2009/10 financial year.

The purpose of the document is to ensure that the ownership performance expectations for the year are clearly specified and agreed by both parties.

2. Nature and Scope of Activities

This section outlines the nature and scope of activities within which the Port Authority of the Cayman Islands is to operate during the year.

General Nature of Activities

The Port Authority of the Cayman Islands activities involves the management of the maritime affairs of the Cayman Islands.

Scope of Activities

The scope of the Port Authority of the Cayman Islands activities is as follows:

- Providing and maintaining facilities for the offloading of cargo imports into all three Islands.
- To contribute to the growth of cruise tourism (and thereby the economy), by providing and maintaining facilities to accommodate the cruise ship passengers.
- Providing and maintaining navigational markers in Cayman Islands waters.
- Providing a patrolling presence, using two fully equipped motor vessels, in the immediate harbour area of the Cayman Islands during cruise ship visits.
- Providing a safe and enjoyable environment for the Port Authority's staff and customers.
- Carrying out the Port Authority Laws

Customers and Location of Activities

The services provided by the Port Authority of the Cayman Islands are provided only in the Cayman Islands.

3. Strategic Goals and Objectives

The key strategic goals and objectives (from an ownership perspective) for The Port Authority of the Cayman Islands for the 2009/10 financial year are as follows:

1. Improve the image of the Cayman Islands and the experience of the cruise tourist, by maintaining and upgrading the existing cruise ship arrival facilities in George Town and at Spotts.
2. Improve efficiency of the cargo operations by repairing and enhancing the cargo facility in Industrial Park.
3. To fine tune the existing computer system, to meet management's need for more useful management reports and to serve the customer needs more efficiently.
4. To improve the human resource and risk management aspects, through developing a operations safety/risk management manual.
5. To improve operations through the purchase of new equipment and the repairs to existing equipment.
6. Improve the efficiency of both the cruise and cargo operations by planning to separate and erect new facilities.
7. Rebuilding of the Cayman Brac ware house and offices that were destroyed by Hurricane Paloma.

4. Ownership Performance Targets

The ownership performance targets (as specified in schedule 5 to the Public Management and Finance Law (2005 Revision) for *Port Authority of the Cayman Islands* for the 2009/10 financial year are as follows.

Financial Performance

Financial Performance Measure	2009/10 Target \$	2008/9 Actual \$
Revenue from Cabinet	0	0
Revenue from ministries, portfolios, statutory authorities and government companies	0	0
Revenue from other persons or organisations	19,632,157	20,158,875
Surplus/deficit from outputs		
Other expenses	20,090,212	20,382,574
Net Surplus/Deficit	(458,055)	(223,699)
Total Assets	57,941,788	58,733,636
Total Liabilities	17,769,712	18,103,504
Net Worth	40,172,076	40,630,132
Cash flows from operating activities	1,868,062	(973,369)
Cash flows from investing activities	(2,950,000)	1,230,228
Cash flows from financing activities	(339,494)	(2,359,175)
Change in cash balances	(1,421,432)	(2,102,316)
Financial Performance Ratio	2009/10 Target \$	2008/9 Actual \$
Current Assets: Current Liabilities	.7:1	1.7:1
Total Assets: Total Liabilities	3.3:1	3.2:1

Maintenance of Capability

Human Capital Measures	2009/10 Target \$	2008/9 Actual \$
Total full time equivalent staff	159	157
Staff turnover (%)	5 max	5 max
Average length of service (Number)		
Senior management	10	10
Professional staff	10	10
Administrative staff	25	25
Significant changes to personnel management system	None	None

Physical Capital Measures	2009/10 Target \$	2008/9 Actual \$
Value of total assets	Unknown	Unknown
Asset replacements: total assets	Less than 1%	Less than 1%
Book value of depreciated assets: initial cost of those assets	76%	76%
Depreciation: Cash flow on asset purchases	Not separately Identified	Not separately Identified
Changes to asset management policies	Non Planned	Non Planned

Major Capital Expenditure Projects	2009/10 Target \$
Asset additions & Replacements	CI\$2.95million

Risk Management

Key risks	Change in status from previous year	Actions to manage risk	Financial value of risk
Hurricanes & Storms	None	Hurricane Plan practised on a continuous basis	CI\$2 million
Personal injury or fatality during operation	None	Employee safety procedures	unknown

5. Summarised Forecast Financial Statements

A full set of forecast financial statements for *Port Authority of the Cayman Islands* is provided in the Appendix to this Ownership Agreement.

A summary of those forecasts is as follows:

Operating Statement	2009/10 Budget \$	2008/9 Actual \$
Revenue	19,632,157	20,158,875
Operating Expenses	20,090,212	20,382,574
<i>Net Surplus/Deficit</i>	<i>(458,055)</i>	<i>(223,699)</i>

Balance Sheet	As at 30 June 2010 \$	As at 30 June 2009 \$
Assets	57,941,788	58,733,636
Liabilities	17,769,712	18,103,504
<i>Net Worth</i>	<i>40,172,096</i>	<i>40,630,132</i>

Statement of Cash Flows	2009/10 Budget \$	2008/9 Actual \$
Net cash flows from operating activities	1,868,062	(973,369)
Net cash flows from investing activities	(2,950,000)	1,230,228
Net cash flows from financing activities	(339,494)	(2,102,316)

6. Other Financial Information

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

Transaction	Amount for 2009/10 \$
Equity Investments into <i>Port Authority of the Cayman Islands</i> .	
Capital Withdrawals from <i>Port Authority of the Cayman Islands</i> .	
Dividend or Profit Distributions to be made by <i>Port Authority of the Cayman Islands</i> .	
Government Loans to be made to <i>Port Authority of the Cayman Islands</i> .	
Government Guarantees to be issued in relation to <i>Port Authority of the Cayman Islands</i> .	
Related Party Payments (Non Remuneration) made to Key Management Personnel ⁴²	NONE
Remuneration ⁴³ Payments made to Key Management Personnel	
Remuneration Payments made to Senior Management	

	Number for 2009/10
No of Key Management Personnel	3
No of Senior Management	7

⁴² Key Management Personnel as defined by International Public Accounting Standards No 20, eg Minister, Board Member and Senior Management Team

⁴³ Remuneration as defined by International Public Accounting Standards No 20 Par 34(a)

7. Agreement

Scope of this Agreement

In signing this document:

- *Port Authority of the Cayman Islands* undertakes to seek to achieve the performance specified in sections 2 to 6 to the best of its ability; and
- The Cabinet agrees to the performance specified in sections 2 to 5 and the financial transactions specified in section 6.

Procedures for Changing this Ownership Agreement

Changes to this Ownership Agreement may be made during the year only with the express and explicit agreement of both parties to the Agreement.

Changes will be made in the following way:

- If either party wish to change the specification of performance contained in this Ownership Agreement, they must notify the other in writing describing the changes that they wish to make.
- The other party will take no more than 15 working days to consider the proposed amendments, or such other time as the two parties may agree.
- The other party will respond to the other about the proposed amendments and negotiate appropriate changes that are agreeable to both parties.
- The Parties will sign the amended Ownership Agreement.
- The amended Ownership Agreement will be attached to, and form part of, this Agreement.

Agreement

We jointly agree that this Ownership Agreement accurately documents the ownership performance that *Port Authority of the Cayman Islands* will seek to achieve for the 2009/10 financial year and that the Cabinet will monitor performance against.

Honorable W. McKeever Bush, OBE, JP.
Minister of Financial Services, Tourism and Development
on behalf of the Cabinet

Stefan Baraud
Chairman of the Board
Port Authority of the Cayman Islands

September 30, 2009

Appendix: Forecast Financial Statements

**PORT AUTHORITY OF THE CAYMAN ISLANDS
STATEMENT OF RESPONSIBILITY FOR FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

These Forecast Financial Statements have been prepared in accordance with the provisions of the Public Management and Finance Law (2005 Revision).

The Board accepts responsibility for the accuracy and integrity of the financial information in these financial statements.

To the best of our knowledge the forecast financial statements are:

- (a) complete and reliable;
- (b) fairly reflect the forecast financial position as at 30 June 2010 and performance for *Port Authority of the Cayman Islands* for the year ended 30 June 2010
- (c) comply with generally accepted accounting practice.

Stefan Baraud
Chairman of the Board
Port Authority of the Cayman Islands

September 30, 2009

**PORT AUTHORITY OF THE CAYMAN ISLANDS
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDING 30 JUNE 2010**

1. Background information

The Port Authority of the Cayman Islands (“the Port Authority”) is a statutory body established on September 15, 1976 under the Port Authority Law.

The Port Authority is principally engaged in the management of the maritime affairs of the Cayman Islands.

2. Significant accounting policies

These financial statements are prepared in accordance with International Public Accounting Standards. The principal accounting policies adopted by the Port Authority are as follows:

(a) Basis of accounting

The financial statements of the Port Authority are prepared on an accruals basis under the historical cost convention.

(b) Use of estimates

The preparation of the financial statements in accordance with International Public Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. Actual results could differ from these estimates.

(c) Financial instruments

(i) Classification

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset, exchange financial instruments under conditions that are potentially favourable or an equity instrument of another enterprise. Financial assets comprise unrestricted and restricted bank balances and accounts receivable.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. Financial liabilities comprise long term and short term debt.

**PORT AUTHORITY OF THE CAYMAN ISLANDS
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDING 30 JUNE 2010**

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Recognition

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

(iii) Measurement

Financial instruments are measured initially at cost which is the fair value of the consideration given or received. Subsequent to initial recognition all financial assets are measured at their estimated fair market value.

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

(iv) Specific instruments

Cash and cash equivalents

For the purposes of the statements of cash flows, cash and cash equivalents includes current and money market accounts and term deposits with an original maturity of three months or less, and include unrestricted and restricted bank balances.

Interest income and expense

Interest income and expense are recognised in the statements of income on an accruals basis. Interest income represents the interest earned on term deposits. Interest expense includes interest paid on long term debt.

(v) Derecognition

A financial asset is derecognised when the Port Authority realises the rights to the benefits specified in the contract or the Port Authority 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.

**PORT AUTHORITY OF THE CAYMAN ISLANDS
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDING 30 JUNE 2010**

2. Significant accounting policies (continued)

(d) Depreciation

Depreciation is charged to the statements of income on a straight-line basis at the following rates estimated to write off the cost of the assets over their expected useful lives:

Land	Nil
Buildings	4% per annum
Marine Dock	2% per annum
Other fixed assets	4% - 20% per annum

(e) Foreign currency translation

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheets dates are translated to Cayman Islands dollars at the foreign exchange rate ruling at those dates. Foreign exchange differences arising on translation are recognised in the statements of income. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the reporting currency at the foreign exchange rates ruling at the dates that the values were determined.

(f) Allowance for bad debts

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

(g) Inventory

Inventory is valued at the lower of net realisable value or cost, on a first in, first out basis.

**PORT AUTHORITY OF THE CAYMAN ISLANDS
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDING 30 JUNE 2010**

(h) Revenue recognition

Fee income on services provided is recognised in the statements of income when the rendering of a service is completed or substantially completed, and the customer is invoiced.

(i) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

2. Significant accounting policies (continued)

(j) Pensions and other post-retirement benefits

The Port Authority participates in the Silver Thatch Pension Plan, a defined contribution pension fund, in accordance with the Cayman Islands National Pension Law. The Port Authority makes monthly contributions at a rate of 10% of an employee's salary depending on the employee's position. Contributions are charged to expenses as they are incurred based on set contribution rates.

3. Restricted bank balances

Management has placed restrictions on the use of certain bank balances in order to fund the future emergency expenditures. The Emergency Reserve is established to cover the costs of repairs to the premises or equipment from storm damage and to cover the insurance deductible on the dock.

4. Related party transactions

The Port Authority also engages the services of other government departments of the Cayman Islands Government. Such services are provided on an arms length basis.

**PORT AUTHORITY OF THE CAYMAN ISLANDS
FORECAST OPERATING STATEMENT
FOR THE YEAR ENDING 30 JUNE 2010**

	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Revenue		
Outputs to Ministries, Portfolios, SAs & GCs		
Outputs to Others	19,629,065	20,109,790
Investment Revenue	3,092	49,085
Total Operating Revenue	19,632,157	20,158,875
Operating Expenses		
Personnel	11,251,881	11,323,832
Supplies and consumables	6,466,082	6,686,533
Depreciation	2,372,249	2,372,210
Total Operating Expenses	20,090,212	20,382,575
Surplus/Deficit from Operating Activities	(458,055)	(223,700)
Extraordinary Items		
Loss on disposal of Fixed Asset	0	
Net Surplus/Deficit after Extraordinary Items	(458,055)	(223,700)

**PORT AUTHORITY OF THE CAYMAN ISLANDS
 FORECAST STATEMENT OF CHANGES IN NET WORTH
 FOR THE YEAR ENDING 30 JUNE 2010**

	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Opening Balance Net Worth	<u>40,630,131</u>	<u>41,203,831</u>
Net Surplus	(458,055)	(223,700)
Transfer to Reserve Fund		
Total Recognized Revenues and Expenses	<u>40,172,076</u>	<u>40,980,131</u>
Dividend	0	(350,000)
Closing Balance Net Worth	<u><u>40,172,076</u></u>	<u><u>40,630,131</u></u>

**PORT AUTHORITY OF THE CAYMAN ISLANDS
FORECAST BALANCE SHEET
AS AT 30 JUNE 2010**

	NOTE	2009/10 Budget	2008/9 Estimated Actual
		\$	\$
Current Assets			
Cash and Cash Equivalents	2	1,083,393	2,503,100
Accounts Receivable & Prepays & Other Assets		2,384,835	2,333,002
Inventories		<u>155,974</u>	<u>155,974</u>
Total Current Assets		3,624,202	4,992,076
Non-Current Assets			
Property, plant and equipment		<u>54,317,586</u>	<u>53,741,560</u>
TOTAL ASSETS		<u>57,941,788</u>	<u>58,733,636</u>
Current Liabilities			
Accounts Payable		3,018,591	3,012,889
Other current liabilities		<u>2,226,175</u>	<u>0</u>
Total Current Liabilities		5,244,766	3,012,889
Non-Current Liabilities			
Non-current liabilities		12,524,946	15,090,615
Total Liabilities		17,769,712	18,103,504
TOTAL ASSETS LESS TOTAL LIABILITIES		40,172,076	40,630,132
Net Worth			
Dividend		0	(350,000)
Accumulated surpluses		<u>40,172,076</u>	<u>40,980,132</u>
Total Net Worth		<u>40,172,076</u>	<u>40,630,132</u>

**PORT AUTHORITY OF THE CAYMAN ISLANDS
FORECAST STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING 30 JUNE 2010**

	NOTE	2009/10 Budget \$	2008/9 Estimated Actual \$
Cash Flows from Operating Activities			
<i>Receipts</i>			
Outputs to Ministries, Portfolios, SAs & GCs		-	0
Outputs to Others		19,629,065	20,109,790
Interest Received		3,092	49,085
<i>Payments</i>			
Personnel Costs		(11,251,881)	(11,323,833)
Suppliers		(6,512,214)	(6,686,533)
Net Cash Flows from Operating Activities		1,868,062	2,148,510
Cash Flows from Investing Activities			
Purchase of non-current assets		(2,950,000)	(1,141,988)
Net Cash Flows from Investing Activities		(2,950,000)	(1,141,988)
Cash Flows from Financing Activities			
Capital Withdrawal			(350,000)
Repayment of Borrowings		(339,494)	(2,494,718)
Net Cash Provided by Financing Activities		(339,494)	(2,844,718)
Opening Balance Cash & Cash Equivalents		2,504,825	664,904
Net Change in Cash & Cash Equivalents		(1,421,432)	(1,838,196)
Closing Balance Cash & Cash Equivalents	2	1,083,393	2,503,100

**PORT AUTHORITY OF THE CAYMAN ISLANDS
NOTES TO THE FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

	2009/10 Budget \$	2008/9 Estimated Actual \$
NOTE 1. OPERATING REVENUES		
Consignee Income	11,598,371	11,957,082
Owner/Agent Income	5,673,611	5,653,023
Other Income	<u>2,357,084</u>	<u>2,548,770</u>
Total Operating Revenue		
<u>19,629,066</u>	19,629,066	20,158,875
NOTE 2. CASH AND CASH EQUIVALENTS		
Current accounts	1,035,295	302,645
Short-Term fixed deposits	48,098	<u>2,200,455</u>
Total Cash and Cash Equivalents	<u>1,083,393</u>	<u>2,503,100</u>
NOTE 3. INVENTORIES		
Mechanical Parts & Diesel	155,974	155,974
Total Inventories	155,974	<u>155,974</u>

PORT AUTHORITY OF THE CAYMAN ISLANDS
 NOTES TO THE FORECAST FINANCIAL STATEMENTS
 FOR THE YEAR ENDING 30 JUNE 2010

		2009/10 Budget \$	2008/9 Estimated Actual \$
NOTE 4. DEPRECIATION AND FIXED ASSETS			
Land			
Opening Book Value/Cost		14,436,077	14,165,597
Additions		-	270,480
Accumulated Depreciation		-	
Closing Book Value		14,436,077	14,436,077
Buildings			
Opening Book Value/Cost		43,587,429	42,505,909
Additions		1,000,000	1,081,520
Depreciation		(11,425,099)	(9,994,993)
Closing Book Value		33,162,330	33,592,436
Plant, Equipment & Vehicles			
Opening Book Value/Cost		10,248,403	9,968,451
Additions		1,950,000	279,951
Accumulated Depreciation		(5,914,479)	(5,287,265)
Closing Book Value		6,283,925	4,961,137
Other Fixed Assets			
Opening Book Value/Cost		675,162	661,379
Additions			13,783
Accumulated Depreciation		(385,804)	(278,039)
Closing Book Value		289,358	397,123
Furniture & Office Equipment			
Opening Book Value/Cost		1,678,005	1,696,512
Additions		-	(18,508)
Accumulated Depreciation		(1,532,109)	(1,323,217)
Closing Book Value		145,896	354,787
Total Fixed Assets		54,317,586	53,741,560

BUDGET 2009/10

Ownership Agreement

Between

**The Cabinet of the
Cayman Islands Government**

and

Public Service Pensions Board (PSPB)

For the year ending 30 June 2010

Contents

1. Purpose
2. Nature and Scope of Activities
3. Strategic Goals and Objectives
4. Ownership Performance Targets
5. Summarised Forecast Financial Statements
6. Other Financial Information
7. Agreement
8. Appendix: Forecast Financial Statements

1. Purpose

This Ownership Agreement documents the ownership performance that the Cabinet and the Board of Public Service Pensions Board have agreed that Public Service Pensions Board will seek to achieve during the 2009/10 financial year.

The purpose of the document is to ensure that the ownership performance expectations for the year are clearly specified and agreed by both parties.

2. Nature and Scope of Activities

This section outlines the nature and scope of activities within which Public Service Pensions Board is to operate during the year 2009/10.

General Nature of Activities

The function of Public Service Pensions Board activities is equitable and fair provision, as well as promotion and administration of public service pension plans.

Scope of Activities

The scope of Public Service Pensions Board activities is as follows:

Administration of:

- The Public Service Pensions Plan
- The Parliamentary Pensions Plan
- The Judicial Pension Plan
- The Ex-Gratia Pensions
- Policy advice on pension requirements for public service pension plans and related legislation;
- Administration and management of the Public Service Pensions fund.

Customers and Location of Activities

The services provided by Public Service Pensions Board are provided to the eligible employees of the Cayman Islands Government and the participating statutory authorities (Cayman Islands Development Board, National Housing Trust, Cayman Islands Monetary Authority, Water Authority, Turtle Farm, National Roads Authority, Civil Aviation Authority, Airports Authority, Maritime Authority of the Cayman Islands, Health Service Authority, Cays Foundation, Information Communication Technology Authority and Public Service Pensions Board). The customers of the Public Service Pensions Board include pensioners, current participants and deferred vested participants of the above-mentioned pension plans.

The Public Service Pensions Board offices are located in Grand Cayman.

3. Strategic Goals and Objectives

The key strategic goals and objectives (from an ownership perspective) for The Public Service Pensions Board for the 2009/10 financial year are as follows:

The key strategic goals and objectives (from an ownership perspective) for The Public Service Pensions Board for the 2009/10 financial year are as follows:

- Launch a comprehensive review of the Public Service Pensions Law to be carried out by the Management Committee of the Agency and the Benefits sub-Committee of the Board.
- To have fully operational the new Pension Administration System in 2009/10 that replaced the old system customized for PSPB more than fifteen years ago and to improve financial and benefits reporting by bringing all the processes under the umbrella of the Plan Administration Department.
- Preparation and submission of financial statements as at 30 June 2009 to CIAO by 31 August 2009 in accordance with PMFL statutory deadline.
- Benefit Statements for all Plan Members of the government sponsored pension plans under PSPB administration for the 2009 calendar year by May 31, 2010.
- Following on from Part I of Trustees' Pension Governance training, the establishment of a Corporate Governance sub-Committee of the Board is required to develop the Board's Policy Manual. Complete Part II of Trustees' Pension Governance training.
- Preparation and submission of annual reports for 2007, 2008, and 2009.
- To ensure the unfunded component of the Fund is reduced as a result of the Government agreeing to pay the rates and penalties as prescribed by the Board in accordance with the Public Service Pensions Law (2004 Revision), Parliamentary Pensions Law and Judges Emoluments and Allowances Order.

4. Ownership Performance Targets

The ownership performance targets (as specified in schedule 5 to the Public Management and Finance Law (2005 Revision) for Public Service Pensions Board for the 2009/10 financial year are as follows.

Financial Performance

Financial Performance Measure	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Revenue from Cabinet	600,000	600,000
Revenue from ministries, portfolios, statutory authorities and government companies	0	0
Revenue from other persons or organisations		
Surplus/deficit from outputs	0	0
Other expenses		
Net Surplus/Deficit	0	\$0
Net Assets of PSPB (30 June 2008 – unaudited)	230,586,422	230,586,422
Total Liabilities of PSPB (1 January 2005 – as per latest actuarial valuation report)	300,581,656	300,581,656
Net Worth of PSPB (fund deficit subject to next actuarial valuation)	(\$69,995,234)	(\$69,995,234)
Cash flows from operating activities	0	0
Cash flows from investing activities	0	0
Cash flows from financing activities	0	0
Change in cash balances	0	0

Financial Performance Ratio	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Current Assets: Current Liabilities	Information not available	Information not available
Total Assets: Total Liabilities	Information not available	Information not available

Maintenance of Capability

Human Capital Measures	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Total full time equivalent staff	26	26
Staff turnover (%)	4% (Equal to two persons)	4% (Equal to two persons)
Average length of service (Number)		
Executive and Senior management	8	7.5 yrs
Professional staff	4	2 yrs
Administrative staff	14	4 yrs
Significant changes to personnel management system	N/A	N/A

Physical Capital Measures	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Value of total assets	Information not available	Information not available
Asset replacements: total assets	Information not available	Information not available
Book value of depreciated assets: initial cost of those assets	Information not available	Information not available
Depreciation: Cash flow on asset purchases	Information not available	Information not available
Changes to asset management policies	Information not available	Information not available

Major Capital Expenditure Projects	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Move to new offices in Professional centre		\$380,000
Upgrades to Pension Administration System and Installation and Implementation of Investment Software System	Fully operational	

Risk Management

Key risks	Change in status from previous year	Actions to manage risk	Financial value of risk
Hurricane	<p>Risk reduced for the PSPB Filing System, as not located in safe room.</p> <p>Risk reduced due to individual server installed in PSPB offices.</p> <p>Further, reduction of risk, as PSPB has a Hurricane Preparedness Plan in place and the staff are informed.</p>	Hurricane Preparedness Plan in place	Unquantifiable
Public Liability	Risk unchanged	Seeking public liability coverage (tendered process)	Unquantifiable
Loss of key personnel	Risk unchanged	Training and development in place as retention incentive.	Unquantifiable

5. Summarised Forecast Financial Statements

A full set of forecast financial statements for *Public Service Pensions Board* is provided in the Appendix to this Ownership Agreement.

6. Other Financial Information

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

Transaction	Amount for 2009/10 \$
Equity Investments into <i>Public Service Pensions Board</i>	0
Capital Withdrawals from <i>Public Service Pensions Board</i> .	0
Dividend or Profit Distributions to be made by <i>Public Service Pensions Board</i> .	0
Government Loans to be made to <i>Public Service Pensions Board</i> .	0
Government Guarantees to be issued in relation to <i>Public Service Pensions Board</i> .	0
Related Party Payments (Non Remuneration) made to Key Management Personnel ⁴⁴	0
Remuneration ⁴⁵ Payments made to Key Management Personnel	0
Remuneration Payments made to Senior Management	0

	Number for 2009/10
No of Key Management Personnel	12

⁴⁴ Key Management Personnel as defined by International Public Accounting Standards No 20, eg Minister, Board Member and Senior Management Team

⁴⁵ Remuneration as defined by International Public Accounting Standards No 20 Par 34(a)

7. Agreement

Scope of this Agreement

In signing this document:

- Public Service Pensions Board undertakes to seek to achieve the performance specified in sections 2 to 6 to the best of its ability; and
- The Cabinet agrees to the performance specified in sections 2 to 5 and the financial transactions specified in section 6.

Procedures for Changing this Ownership Agreement

Changes to this Ownership Agreement may be made during the year only with the express and explicit agreement of both parties to the Agreement.

Changes will be made in the following way:

- If either party wish to change the specification of performance contained in this Ownership Agreement, they must notify the other in writing describing the changes that they wish to make.
- The other party will take no more than 15 working days to consider the proposed amendments, or such other time as the two parties may agree.
- The other party will respond to the other about the proposed amendments and negotiate appropriate changes that are agreeable to both parties.
- The Parties will sign the amended Ownership Agreement.
- The amended Ownership Agreement will be attached to, and form part of, this Agreement.

Agreement

We jointly agree that this Ownership Agreement accurately documents the ownership performance that Public Service Pensions Board will seek to achieve for the 2009/10 financial year and that the Cabinet will monitor performance against.

Hon. Donovan Ebanks MBE
on behalf of the Cabinet

Chairman of the Board
Public Service Pensions Board

September 30, 2009

Appendix: Forecast Financial Statements

PUBLIC SERVICE PENSIONS BOARD STATEMENT OF RESPONSIBILITY FOR FORECAST FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2010

These Forecast Financial Statements have been prepared in accordance with the provisions of the Public Management and Finance Law (2005 Revision).

The Board accepts responsibility for the accuracy and integrity of the financial information in these financial statements.

To the best of our knowledge the forecast financial statements are:

- (a) complete and reliable;
- (b) fairly reflect the forecast financial position as at 30 June 2010 and performance for *Public Service Pensions Board* for the year ended 30 June 2010
- (c) comply with generally accepted accounting practice.

**Chairman of the Board
Public Service Pensions Board**

September 30, 2009

**PUBLIC SERVICE PENSIONS BOARD
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDING 30 June 2010**

General Accounting Policies

Reporting entity

These forecast financial statements are for the *Portfolio of the Civil Service*

Basis of preparation

The forecast financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSASs) using the accrual basis of accounting. Where there is currently no IPSAS, other authoritative pronouncements such as International Accounting Standards and United Kingdom reporting standards applicable to the public sector have been used. The measurement base applied is historical cost adjusted for revaluations of certain assets.

The forecast financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently.

Reporting Period

The reporting period is the period ended 30 June 2010.

Specific Accounting Policies

Revenue

Output revenue

Output revenue, including revenue resulting from user charges or fees, is recognised when it is earned.

Interest revenue

Interest revenue is recognised in the period in which it is earned.

Expenses

General

Expenses are recognised when incurred.

Depreciation

Depreciation of non-financial physical assets is generally provided on a straight-line basis at rates based on the expected useful lives of those assets.

Assets

Cash and cash equivalents

Cash and cash equivalents include cash held in the Ministry or Portfolio's bank account and on deposit with the Portfolio of Finance and Economics (Treasury).

Receivables and advances

Receivables and advances are recorded at the amounts expected to be ultimately collected in cash.

Inventory

Inventories are recorded at the lower of cost and net current value. Where inventories are valued at cost, specific identification or the FIFO method has been used. Appropriate allowance has been made for obsolescence.

Property, Plant and Equipment (including Infrastructure Assets)

Buildings are recorded at historical cost (or fair value as at time of first recognition) or valuation.

Other plant and equipment

Other plant and equipment, which includes motor vehicles and office equipment, is recorded at cost (or fair value if acquired prior to 2005) less accumulated depreciation.

Computer Hardware and Software

Computer hardware and software are recorded at cost, and depreciated in accordance with the policy on depreciation.

Liabilities**Accounts Payable**

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

Provisions

Provisions are recognised in accordance with IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets.

Employee entitlements

Amounts incurred but not paid at the end of the reporting period are accrued. Annual leave due, but not taken, is recognised as a liability.

Long service leave liabilities are measured as the present value of estimated leave service entitlements.

**PUBLIC SERVICE PENSIONS BOARD
 FORECAST OPERATING STATEMENT
 FOR THE YEAR ENDING 30 JUNE 2010**

	Note	2009/10 Estimated Actual
		\$ \$000
Revenue		
Outputs to Cabinet		600
Outputs to other government agencies		0
Outputs to others		3,605
Interest revenue		0
Total Operating Revenue		<u>4,205</u>
Operating Expenses		
Personnel costs	1	2,698
Supplies and consumables	2	1,508
Depreciation	3	0
Capital charge		0
Other operating expenses		0
Total Operating Expenses		<u>4,205</u>
Surplus from operating activities and before extraordinary items		0
Extraordinary items		0
Net Surplus		<u><u>0</u></u>

**PUBLIC SERVICE PENSIONS BOARD
 FORECAST STATEMENT OF CHANGES IN NET WORTH
 FOR THE YEAR ENDING 30 JUNE 2010**

	2009/10 Estimated Actual
	\$
	\$000
Opening balance net worth	0
Net surplus	0
Property revaluations	-
Investment revaluations	-
Net revaluations during the period	-
Total recognised revenues and expenses	0
Equity investment	-
Repayment of surplus	-
Capital withdrawal	-
Closing balance net worth	0

**PUBLIC SERVICE PENSIONS BOARD
 FORECAST BALANCE SHEET
 AS AT 30 JUNE 2010**

	2009/10 Estimated Actual
	\$ \$000
Current Assets	
Cash and cash equivalents	0
Accounts receivable	0
Other current assets	0
Total Current Assets	<u>0</u>
Non-Current Assets	
Property, plant and equipment	0
Other non-current assets	0
Total Non-Current Assets	<u>0</u>
Total Assets	<u>0</u>
Current Liabilities	
Accounts payable	0
Unearned revenue	0
Employee entitlements	0
Other current liabilities	0
Total Current Liabilities	<u>0</u>
Non-Current Liabilities	
Employee entitlements	0
Other non-current liabilities	0
Total Non-Current Liabilities	<u>0</u>
Total Liabilities	<u>0</u>
TOTAL ASSETS LESS TOTAL LIABILITIES	0
NET WORTH	
Contributed capital	0
Asset revaluation reserve	0
Accumulated surpluses	0
Total Net Worth	<u><u>0</u></u>

**PUBLIC SERVICE PENSIONS BOARD
FORECAST STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING 30 JUNE 2010**

	Note	2009/10 Estimated Actual
		\$ \$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Outputs to Cabinet		600
Outputs to other government agencies		0
Outputs to others		3,605
Interest received		
Payments		
Personnel costs		(2,698)
Suppliers		(1,508)
Other payments		
	13	<u>0</u>
<i>Net cash flows from operating activities</i>		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of non-current assets		
Proceeds from sale of non-current assets		
		<u>0</u>
<i>Net cash flows from investing activities</i>		
CASH FLOWS FROM FINANCING ACTIVITIES		
Equity investment		0
Repayment of surplus		
Capital withdrawal		
		<u>0</u>
<i>Net cash flows from financing activities</i>		
		<u>0</u>
<i>Net increase/(decrease) in cash and cash equivalents</i>		
Cash and cash equivalents at beginning of period		<u>0</u>
Cash and cash equivalents at end of period	4	<u><u>0</u></u>

**PUBLIC SERVICE PENSIONS BOARD
 NOTES TO THE FORECAST FINANCIAL STATEMENTS
 FOR THE YEAR ENDING 30 JUNE 2010**

NOTE 1. PERSONNEL COSTS

	2009/10 Estimated Actual \$ \$000
Salaries and wages (including employee pension contributions)	2,423
Employer/Government pension expense	274
Total Personnel Costs	<u>2,698</u>

NOTE 2. SUPPLIES AND CONSUMABLES

	2009/10 Forecast \$000
Supply of goods and services	1,274
Operating lease rentals	233
Other	
Total Supplies and Consumables	<u>1,508</u>

BUDGET 2009/10

Ownership Agreement

Between

**The Cabinet of the
Cayman Islands Government**

and

***Sister Islands Affordable Housing
Corporation***

For the year ending 30 June 2010

Contents

1. Purpose
2. Nature and Scope of Activities
3. Strategic Goals and Objectives
4. Ownership Performance Targets
5. Summarised Forecast Financial Statements
6. Other Financial Information
7. Agreement
8. Appendix: Forecast Financial Statements

1. Purpose

This Ownership Agreement documents the ownership performance that the Cabinet and the Board of *Sister Islands Affordable Housing Corporation* have agreed that *Sister Islands Affordable Housing Corporation* will seek to achieve during the 2009/10 financial year.

The purpose of the document is to ensure that the ownership performance expectations for the year are clearly specified and agreed by both parties.

2. Nature and Scope of Activities

This section outlines the nature and scope of activities within which the *Sister Islands Affordable Housing Corporation* is to operate during the year.

General Nature of Activities

The *Sister Islands Affordable Housing Corporation* activities involve being an important factor in the economic development of the Cayman Islands by providing homes to Caymanians in the Sister Islands at an affordable price.

Scope of Activities

The scope of the *Sister Islands Affordable Housing Corporation* activities is as follows:

- Construction of affordable homes to be sold to the Caymanian public in the Sister Islands at an affordable price
- Assisting with financing Caymanian households in the Sister Islands that qualify under the criteria set by the corporation for the purchase of an affordable home that have been constructed under the supervision of the corporation.

Customers and Location of Activities

The services provided by the *Sister Islands Affordable Housing Corporation* are provided only within the Sister Islands.

3. Strategic Goals and Objectives

The key strategic goals and objectives (from an ownership perspective) for The *Sister Islands Affordable Housing Corporation* for the 2009/10 financial year are as follows:

STRATEGIC GOALS

- To become a well structured, efficiently managed organization that is fair and prudent in its selection processing of eligible applicants for the affordable homes offered by the Corporation.
- To identify the housing needs of Caymanians in the Sister Islands and to proceed with the processing of future development of affordable homes that will contribute to the economic development of the Sister Islands.

The key objectives (from an ownership perspective) for The *Sister Islands Affordable Housing Corporation* for the 2009/10 financial year are as follows:

OBJECTIVES

- To seek out additional funding for future development of affordable housing that have been identified as an imperative need in the economic development of the Sister Islands.
- To continue a close working relationship with the local construction industry in the development of new homes for the households in the Sister Islands community.
- Ensure that *Sister Islands Affordable Housing Corporation* is managed in an efficient and prudent manner.

4. Ownership Performance Targets

The ownership performance targets (as specified in schedule 5 to the Public Management and Finance Law (2005 Revision) for *Sister Islands Affordable Housing Corporation* for the 2009/10 financial year are as follows.

Financial Performance

Financial Performance Measure	2009/10 Target \$	2008/9 Estimated Actual \$
Revenue from Cabinet	75,000	75,000
Revenue from ministries, portfolios, statutory authorities and government companies	0	0
Revenue from other persons or organisations	0	4,800
Surplus/deficit from outputs	0	0
Other expenses	79,773	93,624
Net Surplus/Deficit	(17,745)	(13,824)
Total Assets	2,150,849	1,168,594
Total Liabilities	0	0
Net Worth	2,150,849	1,168,594
Cash flows from operating activities	103,812	450,875
Cash flows from investing activities	0	0
Cash flows from financing activities	0	0
Change in cash balances	103,812	450,875

Financial Performance Ratio	2009/10 Target \$	2008/9 Estimated Actual \$
Current Assets: Current Liabilities	No Liabilities	No Liabilities
Total Assets: Total Liabilities	No Liabilities	No Liabilities

Maintenance of Capability

Human Capital Measures	2009/10 Target \$	2008/9 Estimated Actual \$
Total full time equivalent staff	1	1
Staff turnover (%)	0	0
Average length of service (Number)		
Senior management	1	1
Professional staff	0	0
Administrative staff	0	0
Significant changes to personnel management system		

Physical Capital Measures	2009/10 Target \$	2008/9 Estimated Actual \$
Value of total assets	2,150,849	1,168,594
Asset replacements: total assets	-	
Book value of depreciated assets: initial cost of those assets	-	
Depreciation: Cash flow on asset purchases	-	
Changes to asset management policies		

Major Capital Expenditure Projects	2009/10 Target \$
<i>Construction and sale of 6 homes</i>	595,562
Completion of 4 houses started in April 09	304,446
Fixed Boundary Survey	30,000
Land Preparation	63,000

Risk Management

Key risks	Change in status from previous year	Actions to manage risk	Financial value of risk
			NIL

5. Summarised Forecast Financial Statements

A full set of forecast financial statements for *Sister Islands Affordable Housing Corporation* is provided in the Appendix to this Ownership Agreement.

A summary of those forecasts is as follows:

Operating Statement	2009/10 Budget \$	2008/9 Estimated Actual \$
Revenue	75,000	75,000
Operating Expenses	(79,773)	(93,624)
<i>Net Surplus/Deficit</i>	<i>(4,773)</i>	<i>(18,624)</i>

Balance Sheet	As at 30 June 2010 \$	As at 30 June 2009 \$
Assets	2,150,849	1,168,594
Liabilities	0	0
<i>Net Worth</i>	<i>2,150,849</i>	<i>1,168,594</i>

Statement of Cash Flows	2009/10 Budget \$	2008/9 Estimated Actual \$
Net cash flows from operating activities	103,812	450,875
Net cash flows from investing activities	0	0
Net cash flows from financing activities	0	0

6. Other Financial Information

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

Transaction	Amount for 2009/10 \$
Equity Investments into <i>Sister Islands Affordable Housing Corporation</i>	1,000,000
Capital Withdrawals from <i>Sister Islands Affordable Housing Corporation</i> .	0
Dividend or Profit Distributions to be made by <i>Sister Islands Affordable Housing Corporation</i> .	0
Government Loans to be made to <i>Sister Islands Affordable Housing Corporation</i> .	0
Government Guarantees to be issued in relation to <i>Sister Islands Affordable Housing Corporation</i> .	0
Related Party Payments (Non Remuneration) made to Key Management Personnel ⁴⁶	0
Remuneration ⁴⁷ Payments made to Key Management Personnel	0
Remuneration Payments made to Senior Management	0

	Number for 2009/10
No of Key Management Personnel	12
No of Senior Management	1

⁴⁶ Key Management Personnel as defined by International Public Accounting Standards No 20, eg Minister, Board Member and Senior Management Team

⁴⁷ Remuneration as defined by International Public Accounting Standards No 20 Par 34(a)

7. Agreement

Scope of this Agreement

In signing this document:

- *Sister Islands Affordable Housing Corporation* undertakes to seek to achieve the performance specified in sections 2 to 6 to the best of its ability; and
- The Cabinet agrees to the performance specified in sections 2 to 5 and the financial transactions specified in section 6.

Procedures for Changing this Ownership Agreement

Changes to this Ownership Agreement may be made during the year only with the express and explicit agreement of both parties to the Agreement.

Changes will be made in the following way:

- If either party wish to change the specification of performance contained in this Ownership Agreement, they must notify the other in writing describing the changes that they wish to make.
- The other party will take no more than 15 working days to consider the proposed amendments, or such other time as the two parties may agree.
- The other party will respond to the other about the proposed amendments and negotiate appropriate changes that are agreeable to both parties.
- The Parties will sign the amended Ownership Agreement.
- The amended Ownership Agreement will be attached to, and form part of, this Agreement.

Agreement

We jointly agree that this Ownership Agreement accurately documents the ownership performance that *Sister Islands Affordable Housing Corporation* will seek to achieve for the 2009/10 financial year and that the Cabinet will monitor performance against.

Hon. Juliana O'Connor-Connolly
Minister of District Administration, Works and Gender Affairs

Chairman of the Board
Sister Islands Affordable Housing Corporation

September 30, 2009

Appendix: Forecast Financial Statements

**SISTER ISLAND AFFORDABLE HOUSING CORPORATION
STATEMENT OF RESPONSIBILITY FOR FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

These Forecast Financial Statements have been prepared in accordance with the provisions of the Public Management and Finance Law (2005 Revision).

The Board accepts responsibility for the accuracy and integrity of the financial information in these financial statements.

To the best of our knowledge the forecast financial statements are:

- (a) complete and reliable;
- (b) fairly reflect the forecast financial position as at 30 June 2010 and performance for *Sister Islands Affordable Housing Corporation* for the year ended 30 June 2010
- (c) comply with generally accepted accounting practice.

**Chairman of the Board
Sister Islands Affordable Housing Corporation**

September 30, 2009

**SISTER ISLANDS AFFORDABLE HOUSING CORPORATION
FORECAST OPERATING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010**

	Note	2009/10 Forecast	2008/9 Est. Actual
		\$000	\$000
Revenue			
Outputs to Cabinet		75	75
Outputs to other government agencies			
Outputs to others			
Interest revenue			5
Total Operating Revenue		<u>75</u>	<u>80</u>
Operating Expenses			
Personnel costs	1	(60)	(57)
Supplies and consumables	2	(20)	(16)
Depreciation	3		
Capital charge			
Other operating expenses			(20)
Total Operating Expenses		<u>80</u>	<u>93</u>
Surplus from operating activities and before extraordinary items		(5)	(13)
Extraordinary items		(13)	
Net Surplus		<u>(18)</u>	<u>(13)</u>

**SISTER ISLANDS AFFORDABLE HOUSING CORPORATION
FORECAST STATEMENT OF CHANGES IN NET WORTH
FOR THE YEAR ENDED 30 JUNE 2010**

	2009/10 Forecast	2008/9 Est. Actual
	\$000	\$000
Opening balance net worth	1,168	900
Net surplus	(18)	(86)
Property revaluations		
Investment revaluations		
Net revaluations during the period	(18)	(86)
Total recognised revenues and expenses	1,150	814
Equity investment	0	354
Repayment of surplus		
Capital withdrawal		
Closing balance net worth	<u>1,150</u>	<u>1,168</u>

**SISTER ISLANDS AFFORDABLE HOUSING CORPORATION
FORECAST BALANCE SHEET
AS AT 30 JUNE 2010**

	Note	2009/10 Forecast \$000	2008/9 Est. Actual \$000
Current Assets			
Cash and cash equivalents	4	1,024	920
Accounts receivable	5		
Inventories	6		
Total Current Assets		1,024	920
Non-Current Assets			
Property, plant and equipment	7	126	248
Other non-current assets			
Total Non-Current Assets		126	248
Total Assets		1,150	1,168
Current Liabilities			
Accounts payable	8		
Unearned revenue	9		
Employee entitlements	10		
Other current liabilities			
Total Current Liabilities		0	0
Non-Current Liabilities			
Employee entitlements	11		
Other non-current liabilities	12		
Total Non-Current Liabilities		0	0
Total Liabilities		0	0
TOTAL ASSETS LESS TOTAL LIABILITIES		1,150	1,168
NET WORTH		1,150	1,168
Contributed capital			
Asset revaluation reserve			
Accumulated surpluses		0	0
Total Net Worth		1,150	1,168

**SISTER ISLANDS AFFORDABLE HOUSING CORPORATION
 FORECAST CASH FLOW STATEMENT
 FOR YEAR ENDED 30 JUNE 2010**

	2009/10 Forecast \$000	2008/9 Est. Actual \$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Outputs to Cabinet	75	75
Outputs to other government agencies		
Outputs to others	109	173
Interest received		5
Payments		
Personnel costs	(60)	(57)
Suppliers	(20)	(16)
Other payments		(20)
	104	160
<i>Net cash flows from operating activities</i>		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of non-current assets		
Proceeds from sale of non-current assets		
<i>Net cash flows from investing activities</i>		
CASH FLOWS FROM FINANCING ACTIVITIES		
Equity investment	0	290
Repayment of surplus		
Capital withdrawal		
<i>Net cash flows from financing activities</i>	0	290
<i>Net increase/(decrease) in cash and cash equivalents</i>	104	450
Cash and cash equivalents at beginning of period	920	470
Cash and cash equivalents at end of period	1,024	920

**SISTER ISLANDS AFFORDABLE HOUSING CORPORATION
NOTES TO THE FORECAST FINANCIAL STATEMENTS**

NOTE 1. PERSONNEL COSTS

	2009/10 Forecast	2008/9 Est. Actual
	\$000	\$000
Salaries and wages (including employee pension contributions)	59	52
Employer/Government pension expense	1	5
Total Personnel Costs	60	57

NOTE 2. SUPPLIES AND CONSUMABLES

	2009/10 Forecast	2008/9 Est. Actual
	\$000	\$000
Supply of goods and services	20	16
Operating lease rentals	0	0
Other (Hurricane Paloma Repairs)		20
Total Supplies and Consumables	20	36

NOTE 3. DEPRECIATION

	2009/10 Forecast	2008/9 Est. Actual
	\$000	\$000
Buildings		
Vehicles		
Aeroplanes		
Boats		
Furniture and fittings		
Computer hardware and software		
Office equipment		
Other plant and equipment		
Other assets		
Total Depreciation	0	0

Assets are depreciated on a straight-line basis as follows:

	Years
Buildings	
Vehicles	
Aeroplanes	
Boats	
Furniture and fittings	
Computer hardware and software	
Office equipment	
Other plant and equipment	
Other assets	

**SISTER ISLANDS AFFORDABLE HOUSING CORPORATION
NOTES TO THE FORECAST FINANCIAL STATEMENTS**

NOTE 4. CASH AND CASH EQUIVALENTS

	2009/10 Forecast \$000	2009/10 Est. Actual \$000
Cash on hand		
Bank accounts	1,024	920
Deposits with Portfolio Finance and Economic (Treasury)		
Total Cash and Cash Equivalents	2,024	920

NOTE 5. ACCOUNTS RECEIVABLE

	2009/10 Forecast \$000	2008/9 Est. Actual \$000
Outputs to Cabinet		
Outputs to other government agencies		
Outputs to others		
Interest receivable		
Prepayments		
Interest Receivable		
Other Receivables		
Total Gross	0	0
Less provision for doubtful debts		
Total Net	0	0

NOTE 6. INVENTORIES

	2009/10 Forecast \$000	2008/9 Est. Actual \$000
Raw Materials (including Consumable Stores)		
Work in Progress		
Finished Goods		
Total Inventories	0	0

**SISTER ISLANDS AFFORDABLE HOUSING CORPORATION
NOTES TO THE FORECAST FINANCIAL STATEMENTS**

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

	Opening Balance	Addition	Disposals	Revaluation	Depreciation	Closing Balance 2009/10 Forecast
	\$000	\$000	\$000	\$000	\$000	\$000
Buildings						
Vehicles						
Aeroplanes						
Boats						
Furniture and fittings						
Computer hardware and software						
Office equipment						
Other plant and equipment	126					126
Construction in progress						
Other assets						
Total	126					126

	HC or Revalued Amount \$000	Accum Depr \$000	2009/10 Forecast \$000
Buildings			
Vehicles			
Aeroplanes			
Boats			
Furniture and fittings			
Computer hardware and software			
Office equipment			
Other plant and equipment			
Construction in progress			
Other assets (list if material)			
Total			

NOTE 8. ACCOUNTS PAYABLE

	2009/10 Forecast \$000	2008/9 Est. Actual \$000
Trade Creditors		
Operating lease rental		
Accruals		
Total	0	

**SISTER ISLANDS AFFORDABLE HOUSING CORPORATION
NOTES TO THE FORECAST FINANCIAL STATEMENTS**

NOTE 9. UNEARNED REVENUE

	2009/10 Forecast \$000	2008/9 Est. Actual \$000
Revenue received in advance		
Total	<u>0</u>	<u>0</u>

NOTE 10. EMPLOYEE ENTITLEMENTS (CURRENT)

	2009/10 Forecast \$000	2008/9 Est. Actual \$000
Long service leave and other leave entitlements		
Other salary related entitlements		
Total Employee Entitlements	<u>0</u>	<u>0</u>

NOTE 11. EMPLOYEE ENTITLEMENTS (NON-CURRENT)

	2009/10 Forecast \$000	2008/9 Est. Actual \$000
Long service leave and other leave entitlements		
Other salary related entitlements		
Total	<u>0</u>	<u>0</u>

NOTE 12. OTHER NON-CURRENT LIABILITIES

	2009/10 Forecast \$000	2008/9 Est. Actual \$000
Provision for agency revenue repayable		
Provision for restructuring		
Accounts payable		
Unearned revenue		
Other		
Total	<u>0</u>	<u>0</u>

**SISTER ISLANDS AFFORDABLE HOUSING CORPORATION
 NOTES TO THE FORECAST FINANCIAL STATEMENTS**

NOTE 13. RECONCILIATION OF OPERATING SURPLUS TO CASH FLOWS FROM OPERATING ACTIVITIES

	2009/10 Forecast	2008/9 Est. Actual This Year
	\$000	\$000
Operating surplus/(deficit)		
Non-cash movements		
Depreciation		
Increase in provision for doubtful debts		
Increase in payables/accruals		
Net gain/loss from sale of fixed assets		
Net gain/loss from sale of investments		
Increase in other current assets		
Increase in receivables		
Net cash flows from operating activities		

SISTER ISLANDS AFFORDABLE HOUSING CORPORATION STATEMENT OF ACCOUNTING POLICIES

General Accounting Policies

Reporting entity

These forecast financial statements are for the Sister Island Affordable Housing Corporation

Basis of preparation

The forecast financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSASs) using the accrual basis of accounting. Where there is currently no IPSAS, other authoritative pronouncements such as International Accounting Standards and United Kingdom reporting standards applicable to the public sector have been used. The measurement base applied is historical cost adjusted for revaluations of certain assets.

The forecast financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently.

Reporting Period

The reporting period is the period ended 30 June.

Specific Accounting Policies

Revenue

Output revenue

Output revenue, including revenue resulting from user charges or fees, is recognised when it is earned.

Interest revenue

Interest revenue is recognised in the period in which it is earned.

Expenses

General

Expenses are recognised when incurred.

Depreciation

Depreciation of non-financial physical assets is generally provided on a straight-line basis at rates based on the expected useful lives of those assets.

Assets

Cash and cash equivalents

Cash and cash equivalents include cash held in the Ministry or Portfolio's bank account and on deposit with the Portfolio of Finance and Economics (Treasury).

Receivables and advances

Receivables and advances are recorded at the amounts expected to be ultimately collected in cash.

Inventory

Inventories are recorded at the lower of cost and net current value. Where inventories are valued at cost, specific identification or the FIFO method has been used. Appropriate allowance has been made for obsolescence.

Property, Plant and Equipment (including Infrastructure Assets)

Buildings are recorded at historical cost (or fair value as at time of first recognition) or valuation.

Other plant and equipment, which includes motor vehicles and office equipment, is recorded at cost (or fair value if acquired prior to 2005) less accumulated depreciation.

Computer Hardware and Software

Computer hardware and software are recorded at cost, and depreciated in accordance with the policy on depreciation.

Liabilities

Accounts Payable

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

SISTER ISLANDS AFFORDABLE HOUSING CORPORATION (CONTINUED)
STATEMENT OF ACCOUNTING POLICIES

Provisions

Provisions are recognised in accordance with IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets.

Employee entitlements

Amounts incurred but not paid at the end of the reporting period are accrued. Annual leave due, but not taken, is recognised as a liability.

Long service leave liabilities are measured as the present value of estimated leave service entitlements.

BUDGET 2009/10

Ownership Agreement

Between

**The Cabinet of the
Cayman Islands Government**

and

The Tourism Attraction Board

For the year ending 30 June 2010

Contents

1. Purpose
2. Nature and Scope of Activities
3. Strategic Goals and Objectives
4. Ownership Performance Targets
5. Summarised Forecast Financial Statements
6. Other Financial Information
7. Agreement
8. Appendix: Forecast Financial Statements

1. Purpose

This Ownership Agreement documents the ownership performance that the Cabinet and the Board of the *Tourism Attraction* have agreed that the *Tourism Attraction Board* will seek to achieve during the 2009/10 financial year.

The purpose of the document is to ensure that the ownership performance expectations for the year are clearly specified and agreed by both parties.

2. Nature and Scope of Activities

This section outlines the nature and scope of activities within which the *Tourism Attraction Board* is to operate during the year.

General Nature of Activities

The *Tourism Attraction Board* activities involve the oversight management and maintenance of tourism attraction sites which fall under its control, as well as provide policy directive to the national festival office. The Tourism Attraction Board discharges its statutory obligations through its Administrative office, which oversees the implementation of policies, and provides management assistance, including strategic marketing guidance and accounting expertise, to the staff of the attraction sites and the national festival office.

Scope of Activities

The scope of the Tourism Attraction Board activities is as follows:

Administrative Office – Development and implementation of marketing strategies, personnel management, general accounting and insurance management; preparation of budgets and financial statements; and the provision of secretarial services for the Board.

Botanic Park – Operational management for the display and maintenance of Colour Gardens and Heritage Garden; maintenance of nature trail; plant sales and maintenance; educational seminars; operation of gift shop; promote rental of the site for special events.

Pedro St. James –Operational management and custody of a historic site; operation of gift shop and the theatre audio-visual show; café and bar operation; promote rental of the site for special events; generate revenue from on site activities.

Pirates Week Office – Organise and schedule units of the festival; generate revenue from events, sponsorship, and donations; assist District Heritage Days presentations.

Cayman Craft Market – Organize and manage the activities of artists and vendors; maintenance of building and site; promote Caymanian arts and craft.

Hell Attraction – Preservation of natural resources; maintenance of buildings and site; collection of monthly rental fees.

Customers and Location of Activities

The customers come from three markets – residents, stay-over tourists, and cruise ship passengers.

The services provided by the Tourism Attraction Board are supplied through its attractions sites located at; Pedro St. James, Savannah; the Queen Elizabeth II Botanic Park, Frank Sound Rd, North Side; Cayman Craft Market, George Town; Hell Attraction, West Bay; Pirates' Week Office in George Town. The Tourism Attraction Board Administrative office is located at Suite # 203, Crighton Building, Crewe Road, Grand Cayman.

3. Strategic Goals and Objectives

The key strategic goals and objectives (from an ownership perspective) for The Tourism Attraction Board for the 2009/10 financial year are as follows:

- Increase the attendance at and profitability of the attractions and national festival, ensuring their sustainability as tourism products in the Cayman Islands.
- Preserve and enhance the environment and history of the attractions through physical renovations and social awareness.
- Provide research to assess visitor expectations, human capital requirements, and commercial opportunities.
- Improve the visitor experience through education, improved signage, and technological enhancements.

4. Ownership Performance Targets

The ownership performance targets (as specified in schedule 5 to the Public Management and Finance Law (2005 Revision) for the Tourism Attraction Board for the 2009/10 financial year are as follows.

Financial Performance

Financial Performance Measure	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Revenue from Cabinet	2,271,554	2,125,850
Revenue from ministries, portfolios, statutory authorities and government companies	0	0
Revenue from other persons or organisations	498,600	501,350
Surplus/deficit from outputs	0	-117,950
Other expenses	2,770,154	0
Net Surplus/Deficit	0	-117,950
Total Assets	8,780,944	8,469,959
Total Liabilities	2,439,325	2,384,914
Net Worth	6,341,619	6,085,045
Cash flows from operating activities	(23,057)	-120,053
Cash flows from investing activities	0	0
Cash flows from financing activities	0	225,000
Change in cash balances	(23,057)	104,947

Financial Performance Ratio	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Current Assets: Current Liabilities	56%	59%
Total Assets: Total Liabilities	356%	348%

Maintenance of Capability

Human Capital Measures	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Total full time equivalent staff	38	37
Staff turnover (%)	0%	3%
Average length of service (Number)	7	7
Senior management	6	6
Professional staff	1	1.5
Administrative staff	7	7
Significant changes to personnel management system	None planned	None planned

Physical Capital Measures	2009/10 Target	2008/9 Estimated Actual
	\$	\$
Value of total assets	8,690,259	8,469,959
Asset replacements: Total Assets	0.5%	0.5%
Book value of depreciated assets: Initial cost of those assets	80%	80%
Depreciation: Cash flow on asset purchases	25%	25%
Changes to asset management policies	None Planned	None Planned

Major Capital Expenditure Projects	2009/10 Target
	\$
None Planned	None Planned

Risk Management

Key risks	Change in status from previous year	Actions to manage risk	Financial value of risk
<p>Queen Elizabeth II Botanic Park:</p> <p>Public Liability</p> <p>Natural Disasters</p>	<p>None</p> <p>None</p>	<p>Insurance</p> <p>Take necessary precautions on-site to minimize damage in the event of a hurricane or other forecasted natural disaster and review insurance policy to ensure adequate coverage is in place.</p>	<p>Unknown</p> <p>Cost of debris removal plus insurance deductible.</p>
<p>Pedro St. James Castle:</p> <p>Property Loss Due to Hurricanes or other Natural Disasters</p>	<p>None</p>	<p>Take necessary precautions on-site to minimize damage in the event of a hurricane or other forecasted natural disaster and review insurance policy to ensure adequate coverage is in place.</p>	<p>Cost of debris removal plus insurance deductible.</p>
<p>Pirates' Week:</p> <p>Rain</p> <p>Accidents</p>	<p>None</p> <p>None</p>	<p>None*</p> <p>Insurance</p>	<p><= \$50,000</p> <p>Unknown</p>
<p>Craft Market:</p> <p>Public Liability</p> <p>Natural Disasters</p>	<p>None</p> <p>None</p>	<p>Insurance</p> <p>Take necessary precautions on-site to minimize damage in the event of a hurricane or other forecasted natural disaster and review insurance policy to ensure adequate coverage is in place.</p>	<p>Unknown</p> <p>Cost of debris removal plus insurance deductible.</p>
<p>Tourism Attraction Board:</p> <p>Property Loss Due to Hurricanes or other Natural Disasters</p>	<p>None</p>	<p>Take necessary precautions on-site to minimize damage in the event of a hurricane or other forecasted natural disaster and review insurance policy to ensure adequate coverage is in place.</p>	<p>Cost of debris removal plus insurance deductible.</p>

*Note: Historically, \$50,000.00 has been retained in the Events Account to cover shortfalls due to inclement weather and for setup costs for the subsequent year.

5. Summarised Forecast Financial Statements

A full set of forecast financial statements for Tourism Attraction Board is provided in the Appendix to this Ownership Agreement.

A summary of those forecasts is as follows:

Operating Statement	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Revenue	2,770,154	2,627,200
Operating Expenses	2,770,154	2,745,150
<i>Net Surplus/Deficit</i>	0	-117,950

Balance Sheet	As at 30 June 2010	As at 30 June 2009
	\$	\$
Assets	8,780,944	8,469,959
Liabilities	482,950	2,384,914
<i>Net Worth</i>	6,341,619	6,085,045

Statement of Cash Flows	2009/10 Budget	2008/9 Estimated Actual
	\$	\$
Net cash flows from operating activities	(23,057)	(120,053)
Net cash flows from investing activities	0	0
Net cash flows from financing activities	0	225,000

6. Other Financial Information

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

Transaction	Amount for 2009/10 \$
Equity Investments into Tourism Attraction Board	-
Capital Withdrawals from Tourism Attraction Board	-
Dividend or Profit Distributions to be made by Tourism Attraction Board.	-
Government Loans to be made to Tourism Attraction Board.	-
Government Guarantees to be issued in relation to Tourism Attraction Board.	-
Related Party Payments (Non Remuneration) made to Key Management Personnel ⁴⁸	-
Remuneration ⁴⁹ Payments made to Key Management Personnel	-
Remuneration Payments made to Senior Management	-

	Number for 2009/10
No of Key Management Personnel	7
No of Senior Management	6

⁴⁸ Key Management Personnel as defined by International Public Accounting Standards No 20, eg. Minister, Board Member and Senior Management Team

⁴⁹ Remuneration as defined by International Public Accounting Standards No 20 Par 34(a)

7. Agreement

Scope of this Agreement

In signing this document:

- The Tourism Attraction Board undertakes to seek to achieve the performance specified in sections 2 to 6 to the best of its ability; and
- The Cabinet agrees to the performance specified in sections 2 to 5 and the financial transactions specified in section 6.

Procedures for Changing this Ownership Agreement

Changes to this Ownership Agreement may be made during the year only with the express and explicit agreement of both parties to the Agreement.

Changes will be made in the following way:

- If either party wish to change the specification of performance contained in this Ownership Agreement, they must notify the other in writing describing the changes that they wish to make.
- The other party will take no more than 15 working days to consider the proposed amendments, or such other time as the two parties may agree.
- The other party will respond to the other about the proposed amendments and negotiate appropriate changes that are agreeable to both parties.
- The Parties will the sign the amended Ownership Agreement.
- The amended Ownership Agreement will be attached to, and form part of, this Agreement.

Agreement

We jointly agree that this Ownership Agreement accurately documents the ownership performance that the Tourism Attraction Board will seek to achieve for the 2009/10 financial year and that the Cabinet will monitor performance against.

Hon. W. McKeeva Bush, OBE, JP
Minister of Financial Services, Tourism and Development
on behalf of the Cabinet

Chairman
Tourism Attraction Board

September 30, 2009

Appendix: Forecast Financial Statements

TOURISM ATTRACTION BOARD STATEMENT OF RESPONSIBILITY FOR FORECAST FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2010

These Forecast Financial Statements have been prepared in accordance with the provisions of the Public Management and Finance Law (2005 Revision).

The Board accepts responsibility for the accuracy and integrity of the financial information in these financial statements.

To the best of our knowledge the forecast financial statements are:

- (a) complete and reliable;
- (b) fairly reflect the forecast financial position as at 30 June 2010 and performance for the Tourism Attraction Board for the year ended 30 June 2010
- (c) comply with generally accepted accounting practice.

**Chairman
Tourism Attraction Board**

September 30, 2009

**TOURISM ATTRACTION BOARD
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDING 30 JUNE 2010**

The financial statements of the *Tourism Attraction Board* are stated in Cayman Islands Dollars. These financial statements have been prepared in accordance with International Accounting Standards (IAS) issued by the International Accounting Standards Committee (IASC). A summary of the significant accounting and reporting policies used in preparing these statements are as follows:

(a) Basis of Accounting

The financial statements are prepared in accordance with International Accounting Standards, under the historical cost convention. No account is taken of the effects of inflation.

(b) Use of estimates

The preparation of the financial statements in accordance with International Accounting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. Actual results could differ from these estimates.

(c) Depreciation

Fixed assets are recorded at cost, and depreciated by the straight-line method at the following rates for each entity estimated to write off the cost of the assets over their expected useful lives;

Queen Elizabeth II Botanic Park

Visitor's Centre	2.0%
Paving and Pathways	10.0%
Equipment, Furniture and Fixtures	12.5%
Start-up Costs and Computer Equipment	33.3%
Motor Vehicles and Shade Houses	20.0%

Pedro St. James Castle

Visitor's Centre	2.0%
Multimedia, Furniture and Fixtures and Bar and Café Equipment	12.5%
Start-up Costs and Computer Equipment	33.3%
Motor Vehicles	20.0%

Pirates' Week

Computer Equipment and Office Equipment	33.3%
Furniture, Fixtures, Fittings and Signage	20.0%

Tourism Attraction Board Administration

Furniture and Fixtures	12.5%
Start-up Costs and Computer Equipment	33.3%

The capital costs of the Great House, Period Furnishings and the Botanical Gardens have not been depreciated since these will be maintained in perpetuity. All future expenditures on these assets will be expensed in the year that these costs are incurred.

**TOURISM ATTRACTION BOARD
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDING 30 JUNE 2010**

(d) Foreign Currency Translation

Assets and liabilities denominated in currencies other than the Cayman Islands Dollar are translated at exchange rates in effect at the balance sheet date. Revenue and expense transactions denominated in currencies other than Cayman Islands Dollars are translated at exchange rates in effect at the time of those transactions. Gains and losses on exchange are taken to the Statement of Income and Expenditure.

(e) Inventory

Inventory is valued at the lower of cost and net realizable value on a first in, first out basis.

(f) Pensions and Other Post-retirement Benefits

During 1998 the Tourism Attraction Board joined a defined contribution Pension Plan, in accordance with the Cayman Islands National Pensions Law the employer and employees began monthly contributions at a rate of 5%. Defined pension scheme contributions are charged to the Statement of Income and Expenditure based on a set contribution rate.

(g) Borrowing Cost

A portion of the interest charges on the loan received for the restoration of the Pedro Castle heritage site has been capitalised. The amount used for capitalisation was determined based on the terms of the loan agreement which requires that the actual interest be calculated and a portion as determined by the Caribbean Development Bank is capitalised and added to the total loan outstanding.

(h) Revenue Recognition

Income is recognised upon delivery of goods. Income from contracts and for services rendered is included to the extent of the completion of the contract or service concerned. All income from short-term deposits is credited to the Statement of Income and Expenditure in the period in which it is earned.

(i) Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents represents cash deposits with original maturities of three months or less. All cash and cash equivalents are held at banks in the Cayman Islands.

**TOURISM ATTRACTION BOARD
FORECAST OPERATING STATEMENT
FOR THE YEAR ENDING 30 JUNE 2010**

	Note	2009-10 Budget
		\$
<i>Non-Coercive Revenue</i>		
Sale of Outputs to Cabinet	2	2,271,554
Sale of Outputs (Goods & Services) to Ministries/Portfolios, Public Authorities	2	0
Sale of Outputs (goods and services) to Others	2	488,600
Investment revenue	3	0
Donations		10,000
Other operating revenue		0
Total Non-Coercive Revenue		2,770,154
Total Operating Revenue		2,770,154
 <i>Operating Expenses</i>		
Personnel costs	5	1,475,093
Supplies and consumables	6	851,776
Depreciation	7	254,427
Total Operating Expenses		2,581,296
 <i>Surplus from Operating Activities</i>		 188,858
 Financing expense	8	190,000
(Gains)/losses on foreign exchange transactions	9	(1,142)
(Gains)/losses on disposal or revaluation of non current assets	10	0
Total Non-Operating Revenue and Expenses		188,858
 Net Surplus/(Deficit)		 0)

**TOURISM ATTRACTION BOARD
 FORECAST STATEMENT OF CHANGES IN NET WORTH
 FOR THE YEAR ENDING 30 JUNE 2010**

Opening balance net worth	6,341,619
Net Surplus	0
Property revaluations	0
Net revaluations during the period	<u>0</u>
Total recognised revenues and expenses	<u>6,341,619</u>
Equity Contributions	0
Capital Withdrawal/Repayment of Surplus	0
Closing balance net worth	<u>6,341,619</u>

**TOURISM ATTRACTION BOARD
FORECAST BALANCE SHEET
AS AT 30 JUNE 2010**

<i>Current Assets</i>	Note	2009/10 Budget
Cash and cash equivalents	11	189,403
Marketable securities and deposits	12	14,200
Accounts receivable	13	72,634
Inventories	14	84,630
Other current assets	15	0
Total Current Assets		360,867
<i>Non-Current Assets</i>		
Loans		0
Other investments	16	0
Property, plant and equipment	17	8,420,077
Other non-current assets	18	0
Total Non-Current Assets		8,420,077
Total Assets		8,780,944
<i>Current Liabilities</i>		
Accounts payable	19	54,411
Unearned revenue	20	0
Employee entitlements	21	0
Other current liabilities	22	0
Current portion of Borrowings	25	428,539
Total Current Liabilities		482,950
<i>Non-Current Liabilities</i>		
Employee entitlements	23	0
Unfunded Pension liability	24	0
Long-Term Portion of Borrowings	25	1,956,375
Currency issued		0
Other non-current liabilities	26	0
Total Non-Current Liabilities		1,956,375
Total Liabilities		2,439,325
TOTAL ASSETS LESS TOTAL LIABILITIES		6,341,619

**TOURISM ATTRACTION BOARD
FORECAST STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING 30 JUNE 2010**

	Note	2009/10 Budget
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Receipts</i>		
Sale of Outputs to Cabinet		2,271,554
Sale of Outputs (Goods & Services) to Ministries/Portfolios, Public Authorities		0
Sale of Outputs (goods and services) to Others		488,600
Interest received		0
Other receipts		10,000
<i>Payments</i>		
Personnel costs		(1,475,093)
Suppliers		(1,129,260)
Interest paid		(190,000)
Other payments		1,142
Net cash flows from operating activities	28	(23,057)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of non-current assets		0
Purchase of investments		0
Proceeds from sale of non-current assets		0
Proceeds from sale of investments		0
Net cash flows from investing activities		0
CASH FLOWS FROM FINANCING ACTIVITIES		
Equity Contributions		0
Repayment of Surplus		0
Proceeds from borrowings		0
Repayment of borrowings		0
Net cash flows from financing activities		0
Net increase/(decrease) in cash and cash equivalents		(23,057)
Cash and cash equivalents at beginning of period		212,460
Cash and cash equivalents at end of period	9	189,403

**TOURISM ATTRACTION BOARD
NOTES TO THE FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

BACKGROUND INFORMATION

The Tourism Attraction Board (TAB) Law was established under the Tourism Attraction Board Law, 1996 (Law 17 of 1996) on 25 November 1996. The primary function of the TAB is the general and financial management of Pedro St. James as a building of historic interest and a heritage site for visitors, and of such other land and buildings as may be vested in it or placed under its management, in accordance with the general policies of the Government. The Queen Elizabeth II Botanic Park is a conservation effort of both the Cayman Islands Government and the National Trust for the Cayman Islands and was the second site placed under the management of the TAB in 1997.

The TAB was given the responsibility for the Pirates' Week office and Hell in 2000. The TAB has been directly involved in the day-to-day management of Hell beginning July 2004. The Pirates' Week Festival is an annual event organized by the Pirates' Week Committee. Since 1995, part of the activities of the Committee in connection with the Festival had been conducted through the Pirates' Week Festival Limited (the "Company"), a Cayman Islands limited liability company. However, during 1998 a decision was taken not to use the Company for this purpose in future. The Company was struck off the Register of Companies in 2001. The assets and liabilities of the Company were transferred to the Festival and the Company was duly terminated. During the year, "Pirates' Week" was registered as a trademark with the Trade Mark Association. The TAB has also been delegated with the responsibility to manage the Cayman Craft Market, which opened for business in September 2005.

The Tourism Attraction Board Administrative Office is located at Suite 203, Crichton Building, Crewe Rd., Grand Cayman. Its mailing address is P. O. Box 31783 SMB, Grand Cayman.

PROPERTY, FURNITURE AND EQUIPMENT

Details of fixed asset depreciation for each entity are as follows:

The cost of land purchased for Pedro St. James is included in fixed assets. The Park and National Trust for the Cayman Islands own the land at the Queen Elizabeth II Botanic Park 50% each. The value of this land is not known and therefore not included in these financial statements. Prior to the official opening of the Park, the National Trust for the Cayman Islands contributed volunteer labour and funding to assist in the development of the Park. These cash and non-cash expenditures have not been included in the financial statements since the donations were made prior to the establishment of the Tourism Attraction Board.

DONATED CAPITAL

The Cayman Islands Government pays interest charges on the Pedro St. James loan. These amounts increase the capital donated by Government.

LONG TERM LOAN

A loan of US\$5,790,000 from the Caribbean Development Bank (CDB) to finance the Pedro St. James restoration project is in the name of the Cayman Islands Government. As at 05 March 2001 US\$5,369,720 had been withdrawn from the loan leaving an un-withdrawn balance of US\$420,280, which was duly cancelled by the CDB.

RELATED PARTY TRANSACTIONS

As disclosed in Note 6, Pedro St. James, the Queen Elizabeth II Botanic Park, the Pirates' Week Festival, Hell, and the Cayman Craft Market are dependent on an annual grant from the Cayman Islands Government.

The Auditor General has statutory responsibility for the audit of the TAB and the entities that it manages.

The TAB also relies on the Cayman Islands Government to provide or arrange long-term finance for capital development projects.

Insurance coverage for assets of the historic sites and the Pirates' Week Festival managed under the TAB is provided through the Cayman Islands Government.

The TAB also depends on legal advice of the Cayman Islands Legal Department.

**TOURISM ATTRACTION BOARD
NOTES TO THE FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

GOVERNMENT OUTPUT FUNDING

To continue as going concerns Pedro St. James, Queen Elizabeth II Botanic Park, the Pirates Week Festival, Hell and Cayman Craft Market will require annual assistance from the Government for the foreseeable future.

FINANCIAL INSTRUMENTS

Fair Values

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:

Short-term financial assets and liabilities

The carrying value of these 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.

Long-term financial assets and liabilities

The carrying value of the long -term liabilities approximates their fair value.

Credit Risk

The entity offers its services to customers primarily in the Cayman Islands. Credit risk arises from the possibility that customers and counterparties may default on their obligations to the entity. The amount of the entity's maximum exposure to credit risk is indicated by the carrying amount of its financial assets. The entity performs ongoing credit reviews on its customers and counterparties and provisions are set aside against amounts deemed irrecoverable.

BUDGET 2009/10

Ownership Agreement

Between

**The Cabinet of the
Cayman Islands Government**

and

University College of the Cayman Islands

For the year ending 30 June 2010

Contents

1. Purpose
2. Nature and Scope of Activities
3. Strategic Goals and Objectives
4. Ownership Performance Targets
5. Summarised Forecast Financial Statements
6. Other Financial Information
7. Agreement
8. Appendix: Forecast Financial Statements

1. Purpose

This Ownership Agreement documents the ownership performance that the Cabinet and the Board of *the University College of the Cayman Islands* have agreed that *the University College of the Cayman Islands* will seek to achieve during the 2009/10 financial year.

The purpose of the document is to ensure that the ownership performance expectations for the year are clearly specified and agreed by both parties.

2. Nature and Scope of Activities

This section outlines the nature and scope of activities within which *the University College of the Cayman Islands* is to operate during the year.

General Nature of Activities

The *University College of the Cayman Islands* activities involve developing and teaching Tertiary Level Educational Programmes and Continuing Education courses and complimentary Educational services that satisfy the Islands' need for qualified, trained citizens.

Scope of Activities

The scope of the *University College of the Cayman Islands* activities is as follows:

- To provide high quality education in career, liberal arts and transfer programmes.
- To prepare students in career programmes to meet the standards and competencies required for employment.
- To respond to varied educational needs of the local University through a range of continuing education, career training and University service programmes.
- To develop new educational programmes in response to the economic development needs of the University in collaboration with the Cayman Islands Government, the Chamber of Commerce, and other local associations.
- To pursue plans for the implementation of Baccalaureate Degree Programmes

Customers and Location of Activities

The services provided by the *University College of the Cayman Islands* are provided only in the Cayman Islands.

3. Strategic Goals and Objectives

The key strategic goals and objectives (from an ownership perspective) for The *University College of the Cayman Islands* for the 2009/10 financial year are as follows:

- Teaching/development of Baccalaureate Degree/Postgraduate Programmes.
- Increase enrolment in all Programmes.
- Increase retention in Vocational Programme.
- Respond in a timely manner to changing training needs.

4. Ownership Performance Targets

The ownership performance targets (as specified in schedule 5 to the Public Management and Finance Law (2005 Revision) for The *University College of the Cayman Islands* for the 2009/10 financial year are as follows.

Financial Performance

Financial Performance Measure	2009/10 Budget	2008/09 Estimated Actual
	\$	\$
Revenue from Cabinet	3,925,000	3,925,000
Revenue from ministries, portfolios, statutory authorities, government companies	473,181	473,181
Revenue from others	2,818,572	2,707,345
Surplus/deficit from outputs		
Ownership expenses	7,216,753	7,115,173
Operating Surplus/Deficit	-	(9,647)
Net Worth	5,592,098	5,592,098
Cash flows from operating activities	511,753	148,735
Cash flows from investing activities	(70,000)	(89,362)
Cash flows from financing activities	(49,950)	(27,307)
Change in cash balances	391,803	32,066

Financial Performance Ratio	2009/10 Budget	2008/09 Estimated Actual
	\$	\$
Current Assets: Current Liabilities (Working Capital)	3.54:1	2.90:1
Total Assets: Total Liabilities	2.67:1	2.62:1

Maintenance of Capability

Human Capital Measures	2009/10 Budget	2008/09 Estimated Actual
	\$	\$
Total full time equivalent staff employed	72	66
Staff turnover (%)		
Managers	50	50
Professional and technical staff	0	0
Clerical and labourer staff	0	0
Average length of service (number of years in current position)		
Managers	1.0	8.6
Professional and technical staff	4.0	3.7
Clerical and labourer staff	3.0	2.4
Changes to personnel management system:	New CFO and Registrar, new Asst. Acct. / Replacement of Repatriating lecturers	

Physical Capital Measures	2009/10 Budget	2008/09 Estimated Actual
	\$	\$
Value of total assets	8,944,526	9,052,997
Asset replacements: total assets	-	-
Book value of assets: initial cost of those assets	62.3%	64.9%
Depreciation: cash flow on asset purchases	7.4	6.7
Changes to asset management policies	None Planned	None Planned

Major <u>New</u> Entity Capital Expenditures for the Year	2009/10 Estimated Actual \$
None Planned	

Major Entity Capital Expenditure Commenced but not completed in previous years	Anticipated Project Status at 1st July 2009
None	N/A

5. Summarised Forecast Financial Statements

A full set of forecast financial statements for The *University College of the Cayman Islands* is provided in the Appendix to this Ownership Agreement.

A summary of those forecasts is as follows.

Operating Statement	2009/10 Budget	2008/09 Estimated Actual
	\$	\$
Revenue	7,216,753	7,105,526
Operating Expenses	7,216,753	7,115,173
<i>Net Surplus/Deficit</i>	-	(9,647)

Balance Sheet	As at 30 June 2010	As at 30 June 2009
	\$	\$
Assets	8,944,526	9,052,997
Liabilities	3,352,428	3,460,879
<i>Net Worth</i>	5,592,098	5,592,098

Statement of Cash Flows	2009/10 Budget	2008/09 Estimated Actual
	\$	\$
Net cash flows from operating activities	511,753	148,735
Net cash flows from investing activities	(70,000)	(89,362)
Net cash flows from financing activities	(49,950)	(27,307)

6. Other Financial Information

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

Transaction	Amount for 2009/10 \$
Remuneration Payments made to Key Management Personnel	118,694
Remuneration Payments made to Senior Management	199,382

	Number for 2009/10
No. of Key Management Personnel	1
No. of Senior Management	2

7. Agreement

Scope of this Agreement

In signing this document:

- The *University College of the Cayman Islands* undertakes to seek to achieve the performance specified in sections 2 to 6 to the best of its ability; and
- The Cabinet agrees to the performance specified in sections 2 to 5 and the financial transactions specified in section 6.

Procedures for Changing this Ownership Agreement

Changes to this Ownership Agreement may be made during the year only with the express and explicit agreement of both parties to the Agreement.

Changes will be made in the following way:

- If either party wish to change the specification of performance contained in this Ownership Agreement, they must notify the other in writing describing the changes that they wish to make.
- The other party will take no more than 15 working days to consider the proposed amendments, or such other time as the two parties may agree.
- The other party will respond to the other about the proposed amendments and negotiate appropriate changes that are agreeable to both parties.
- The Parties will sign the amended Ownership Agreement.
- The amended Ownership Agreement will be attached to, and form part of, this Agreement.

Agreement

We jointly agree that this Ownership Agreement accurately documents the ownership performance that The *University College of the Cayman Islands* will seek to achieve for the 2009/10 financial year and that the Cabinet will monitor performance against.

Hon. Rolston Anglin
Minister of Education, Training and Employment
on behalf of the Cabinet

Chairman of the Board
University College of the Cayman Islands

September 30, 2009

Appendix: Forecast Financial Statements

**THE UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
STATEMENT OF RESPONSIBILITY FOR FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

These Forecast Financial Statements have been prepared in accordance with the provisions of the Public Management and Finance Law (2005 Revision).

The Board accepts responsibility for the accuracy and integrity of the financial information in these financial statements.

To the best of our knowledge the forecast financial statements are:

- (a) complete and reliable;
- (b) fairly reflect the forecast financial position as at 30 June 2010 and performance for The *University College of the Cayman Islands* for the year ended 30 June 2010
- (c) comply with generally accepted accounting practice.

**Chairman of the Board
University College of the Cayman Islands**

September 30, 2009

**THE UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDING 30 JUNE 2010**

General Accounting Policies

Reporting entity

These forecast financial statements are for the University College of the Cayman Islands.

Basis of preparation

The forecast financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSASs) using the accrual basis of accounting. Where there is currently no IPSAS, other authoritative pronouncements such as International Accounting Standards and United Kingdom reporting standards applicable to the public sector have been used. The measurement base applied is historical cost adjusted for revaluations of certain assets.

The forecast financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently.

Reporting Period

The reporting period is the period ended 30 June 2010.

The Budget forecast is the accrualised version of the original forecast for the financial year, as presented in the 2009/10 Budget.

Specific Accounting Policies

Revenue

Output revenue

Output revenue, including revenue resulting from user charges or fees, is recognised when it is earned.

Interest revenue

Interest revenue is recognised in the period in which it is earned.

Expenses

Expenses are recognised when incurred.

Depreciation

Depreciation of non-financial physical assets is generally provided on a straight-line basis at rates based on the expected useful lives of those assets.

Assets

Cash and cash equivalents

Cash and cash equivalents include cash held in the Ministry or Portfolio's bank account and on deposit with the Portfolio of Finance and Economics (Treasury).

Receivables and advances

Receivables and advances are recorded at the amounts expected to be ultimately collected in cash.

**THE UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDING 30 JUNE 2010**

Inventory

Inventories are recorded at the lower of cost and net current value. Where inventories are valued at cost, specific identification or the FIFO method has been used. Appropriate allowance has been made for obsolescence.

Property, Plant and Equipment (including Infrastructure Assets)

Buildings

Buildings are recorded at historical cost (or fair value as at time of first recognition) or valuation.

Other plant and equipment

Other plant and equipment, which includes motor vehicles and office equipment, is recorded at cost (or fair value if acquired prior to 2005) less accumulated depreciation.

Computer Hardware and Software

Computer hardware and software are recorded at cost, and depreciated in accordance with the policy on depreciation.

Liabilities

Accounts Payable

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

Provisions

Provisions are recognised in accordance with IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets.

Employee entitlements

Amounts incurred but not paid at the end of the reporting period are accrued. Annual leave due, but not taken, is recognised as a liability.

Long service leave liabilities are measured as the present value of estimated leave service entitlements.

**THE UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
FORECAST OPERATING STATEMENT
FOR THE YEAR ENDING 30 JUNE 2010**

	Note	2009/10 Budget \$	2008/09 Est. Actual \$	2007/08 Actual \$
Revenue				
Outputs to Cabinet		3,925,000	3,925,000	3,803,004
Outputs to other government agencies		473,181	473,181	-
Outputs to others		2,807,726	2,706,925	3,548,748
Interest revenue		10,846	420	1,393
Insurance proceeds		-	-	
Total Operating Revenue		7,216,753	7,105,526	7,389,144
Operating Expenses				
Personnel costs	1	4,994,112	4,722,480	4,623,644
Supplies and consumables	2	560,941	509,228	437,910
Depreciation	3	514,777	594,772	594,772
Interest Expense		9,981	6,460	17,411
Other operating expenses		1,136,942	1,282,233	2,480,841
Total Operating Expenses		7,216,753	7,115,173	8,154,578
Surplus from operating activities and before extraordinary items		-	(9,647)	(765,434)
Extraordinary items		-	-	-
Net Surplus		-	(9,647)	(765,434)

**THE UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
 FORECAST STATEMENT OF CHANGES IN NET WORTH
 FOR THE YEAR ENDING 30 JUNE 2010**

		2009/10 Budget	2008/09	2007/08
		\$	Est. Actual	Actual
			\$	\$
Opening balance net worth		5,592,098	5,601,745	5,867,179
Net surplus		-	(9,647)	(765,434)
Property revaluations		-	-	-
Investment revaluations		-	-	-
Net revaluations during the period		-	-	-
Total recognised revenues and expenses		5,592,098	5,592,098	5,101,745
Interest Earned on Capital Fund		-	-	-
Equity investment		-	-	500,000
Repayment of surplus		-	-	-
Capital withdrawal		-	-	-
Closing balance net worth		5,592,098	5,592,098	5,601,745

**THE UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
FORECAST BALANCE SHEET
AS AT 30 JUNE 2010**

	Note	2009/10 Budget \$	2008/9 Est. Actual \$	2007/8 Actual \$
Current Assets				
Cash and cash equivalents	4	1,871,894	1,480,091	1,463,435
Accounts receivable & prepayments	5	749,187	804,664	213,353
Inventories	6	141,291	141,291	204,116
Total Current Assets		2,762,372	2,426,046	1,880,905
Non-Current Assets				
Property, plant and equipment	7	6,182,154	6,626,951	7,137,226
Other non-current assets				
Total Non-Current Assets		6,182,154	6,626,951	7,137,226
Total Assets		8,944,526	9,052,997	9,018,131
Current Liabilities				
Accounts payable	8	87,651	209,152	184,975
Unearned revenue	9	6,025	6,025	6,025
Employee entitlements	10	370,542	307,542	507,582
Other current liabilities		315,235	315,235	67,572
Total Current Liabilities		779,453	837,954	766,154
Non-Current Liabilities				
Employee entitlements	11			
Other non-current liabilities	12	2,572,975	2,622,925	2,650,232
Total Non-Current Liabilities		2,572,975	2,622,925	2,650,232
Total Liabilities		3,352,428	3,460,879	3,416,386
TOTAL ASSETS LESS TOTAL LIABILITIES		5,592,098	5,592,098	5,601,745
NET WORTH				
Contributed capital		4,249,942	4,249,942	4,249,942
Capital Fund		1,153,102	1,153,102	1,153,102
Accumulated surpluses		189,054	189,054	198,701
Total Net Worth		5,592,098	5,592,098	5,601,745

**THE UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
FORECAST STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING 30 JUNE 2010**

	Note	2009/10 Forecast \$	2008/9 Est. Actual \$	2007/8 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
<u>Receipts</u>				
Outputs to Cabinet		3,892,029	3,630,889	3,803,004
Outputs to other government agencies		469,181	385,231	-
Outputs to others		2,898,374	2,617,083	3,520,620
Interest received		10,846	420	1,393
Other Receipts		1,800	-	-
<u>Payments</u>				
Personnel costs		(4,994,112)	(4,659,003)	(4,623,644)
Suppliers		(1,756,384)	(519,884)	(437,910)
Interest Paid		(6,459)		
Other payments		(3,522)	(1,306,000)	(2,115,274)
<i>Net cash flows from operating activities</i>	13	511,753	148,735	148,189
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of non-current assets		(70,000)	(89,362)	(770,852)
Gain on sale of non-current asset		-	-	-
<i>Net cash flows from investing activities</i>		(70,000)	(89,362)	(770,852)
CASH FLOWS FROM FINANCING ACTIVITIES				
Equity investment		-	(27,307)	463,058
Repayment of long term debt		(49,950)	-	(106,149)
Capital withdrawal		-	-	-
<i>Net cash flows from financing activities</i>		(49,950)	(27,307)	356,909
<i>Net increase/(decrease) in cash and cash equivalents</i>		391,803	32,066	(265,754)
Cash and cash equivalents at beginning of period		1,480,091	1,463,435	1,729,189
Cash and cash equivalents at end of period	4	1,871,894	1,480,091	1,463,435

**THE UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
NOTES TO THE FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

Note 1. Personnel costs

	2009/10 Budget	2008/9 Est Actual	2007/8 Actual
	\$	\$	\$
Salaries and wages (including employee pension contributions)	4,573,413	4,343,344	4,234,244
Employer Pension Expense	320,389	283,893	280,454
Other personnel related expenses	100,310	95,244	108,946
Total Personnel Costs	4,994,112	4,722,480	4,623,644

Note 2. Supplies and consumables

	2009/10 Budget	2008/9 Est Actual	2007/8 Actual
		\$	\$
Supply of goods and services	560,941	509,228	437,910
Operating lease rentals	-	-	-
Other	-	-	-
Total Supplies and Consumables	560,941	509,228	437,910

Note 3. Depreciation

	2009/10 Budget	2008/09 Est Actual	2007/08 Actual
		\$	\$
Buildings	232,464	232,464	232,464
Vehicles	2,322	2,322	2,322
Aeroplanes	-	-	-
Boats	-	-	-
Furniture and fittings	114,866	114,866	114,866
Computer hardware and software	137,630	217,626	217,626
Office equipment	-	-	-
Other plant and equipment	-	-	-
Other assets	27,495	27,495	27,495
Total Depreciation	514,777	594,772	594,772

**THE UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
NOTES TO THE FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

Assets are depreciated on a straight-line basis as follows:

	Years
Buildings	40
Vehicles	4
Aeroplanes	N/A
Boats	N/A
Furniture and fittings	5-10
Computer hardware and software	3
Office equipment	N/A
Other plant and equipment	N/A
Other assets (Library Books)	2-8

Note 4. Cash and cash equivalents

	2009/10 Budget	2008/9 Est Actual	2007/8 Actual
	\$	\$	\$
Cash on hand	911	911	500
Bank accounts	1,870,983	1,479,180	1,462,935
Deposits with Portfolio Finance and Economic (Treasury)	-	-	-
Total Cash and Cash Equivalents	1,871,894	1,480,091	1,463,435

Note 5. Accounts Receivable

	2009/10 Budget	2008/09 Est Actual	2007/08 Actual
	\$	\$	\$
Outputs to Cabinet	327,082	294,111	-
Outputs to other government agencies	91,950	183,768	-
Outputs to others	182,674	186,684	210,728
Interest receivable	466	466	1,452
Prepayments	32,448	32,448	5,936
Other Receivables	4,092	111,950	-
Total Gross	638,712	809,427	218,117
Less provision for doubtful debts	(4,763)	(4,763)	(4,763)
Total Net	633,949	804,664	213,353

**THE UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
NOTES TO THE FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

Note 6. Inventories

	2009/10 Budget	2008/9 Est Actual	2007/8 Actual
	\$	\$	\$
Raw Materials (including Consumable Stores)	-	-	-
Work in Progress	-	-	-
Finished Goods	141,291	141,291	204,116
Total Inventories	141,291	141,291	204,116

Note 7. Property, Plant and Equipment

	Opening Balance	Addition	Disposals	Revalue	Depr.	Closing Balance 2009/10 Forecast
Land	273,090	-	-	-	-	273,090
Buildings	5,953,843	-	-	-	232,464	5,721,379
Vehicles	2,322	-	-	-	2,322	-
Aeroplanes	-	-	-	-	-	-
Boats	-	-	-	-	-	-
Furniture and fittings	245,910	20,000	-	-	114,866	151,044
Computer hardware and software	121,130	50,000	-	-	137,630	33,500
Office equipment	-	-	-	-	-	-
Other plant and equipment	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-
Other assets	30,636	-	-	-	27,495	3,141
Total	6,626,931	70,000			514,777	6,182,154

**THE UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
NOTES TO THE FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

	HC or Revalued Amount 2008/09	Accum Depr 2008/09	2009/10 Budget	2008/9 Est Actual
Land	273,090	-	273,090	273,090
Buildings	9,298,549	3,344,706	5,721,379	5,953,843
Vehicles	9,285	6,963	-	2,322
Aeroplanes	-	-	-	-
Boats	-	-	-	-
Furniture and fittings	778,213	512,303	151,044	245,910
Computer hardware and software	813,371	647,241	33,500	121,130
Office equipment	-	-	-	-
Other plant and equipment	-	-	-	-
Construction in progress	-	-	-	-
Other assets (list if material)	411,286	380,630	3,141	30,656
Total	11,588,774	4,891,843	6,182,154	6,626,951

Note 8. Accounts Payable

	2009/10 Budget \$000	2008/9 Est Actual \$000	2007/8 Actual \$00-
Trade Creditors	87,651	209,152	184,975
Operating lease rental	-	-	-
Accruals	-	-	-
Total	634,570	209,152	184,975

Note 9. Unearned Revenue

	2009/10 Budget	2008/9 Est Actual	2007/8 Actual
	\$	\$	\$
Revenue received in advance	6,025	6,025	6,025
Total	6,025	6,025	6,025

Note 10. Employee entitlements (Current)

	2009/10 Forecast	2008/9 Est Actual	2007/8 Actual
	\$	\$	\$
Long service leave and other leave entitlements	-	-	-

**THE UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS
NOTES TO THE FORECAST FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2010**

Other salary related entitlements	370,542	307,542	507,582
Total Employee Entitlements	370,542	307,542	507,582

Note 11. Employee entitlements (Non-current)

	2009/10 Budget	2008/9 Est Actual	2007/8 Actual
	\$	\$	\$
Long service leave and other leave entitlements	-	-	-
Other salary related entitlements	-	-	-
Total	-	-	-

Note 12. Other Non-Current Liabilities

	2009/10 Forecast	2008/9 Est Actual	2007/8 Actual
	\$	\$	\$
Provision for agency revenue repayable		-	-
Provision for restructuring		-	-
Accounts payable		-	-
Unearned revenue		-	-
Other (Long Term Loans)	2,572,975	2,622,925	2,650,232
Total	2,572,975	2,622,925	2,650,232

Note 13. Reconciliation of Operating Surplus to Cash Flows from Operating Activities

	2009/10 Forecast	2008/09 Est Actual	2007/08 actual
	\$	\$	\$
Operating surplus/(deficit)	-	(9,647)	(765,434)
Non-cash movements			
Depreciation	514,777	594,772	594,772
Interest and foreign exchanges		-	-
Retained Earnings Adjustments			80,000
Increase in payables/accruals	(58,501)	(10,656)	(74,371)
Net gain/loss from sale of fixed assets		-	-
Net gain/loss from sale of investments		-	-
Increase in other current assets		62,825	27,398
Increase in receivables	55,477	(471,904)	(64,128)
Net cash flows from operating activities	511,753	148,735	148,189

BUDGET 2009/10

Ownership Agreement

Between

**The Cabinet of the
Cayman Islands Government**

and

Water Authority - Cayman

For the year ending 30 June 2010

Contents

1. Purpose
2. Nature and Scope of Activities
3. Strategic Goals and Objectives
4. Ownership Performance Targets
5. Summarised Forecast Financial Statements
6. Other Financial Information
7. Agreement
8. Appendix: Forecast Financial Statements

1. Purpose

This Ownership Agreement documents the ownership performance that the Cabinet and the Water Authority - Cayman Board of Directors have agreed that Water Authority - Cayman will seek to achieve during the 2009/10 financial year.

The purpose of the document is to ensure that the ownership performance expectations for the year are clearly specified and agreed by both parties.

2. Nature and Scope of Activities

This section outlines the nature and scope of activities within which Water Authority – Cayman is to operate during the year.

General Nature and Scope of Activities

The Water Authority – Cayman's activities are;

- To ensure that the entire population of the Cayman Islands have access to a pure, wholesome and affordable supply of potable water; and to regulate other entities who are licensed by the Government to provide public water supplies.
- To protect and develop groundwater resources for the benefit of present and future populations of these islands.
- To provide for the collection, treatment and disposal of sewage within these islands in a manner that is safe, efficient and affordable.
- To operate in such a manner as to be financially self-sufficient, while contributing to the economy of these islands and achieving a reasonable and acceptable return on capital investments.

Customers and Location of Activities

Water Authority – Cayman provides sewer services on Grand Cayman and potable water to both Grand Cayman and Cayman Brac. The administrative offices are located at 13G Red Gate Road (949-2837) with a satellite office on the island of Cayman Brac (947-1403).

3. Strategic Goals and Objectives

The key strategic goals and objectives (from an ownership perspective) for The Water Authority - Cayman for the 2009/10 financial year are as follows:

- Grand Cayman – Misc. extensions, system connections, new road expansion – to provide water to un-serviced areas within the general distribution grid.
- Red Gate Site – 2 million gallon water storage tank – to accommodate expected increase in storage requirements and facilitate maintenance on existing tanks.
- Red Gate Site – Reverse Osmosis (RO) plant upgrade – to facilitate continued operation to meet the daily requirements of the island.
- North Side Water Works – 2 million gallon water storage tank – to accommodate expected increase in storage requirements, facilitate regular maintenance on existing tanks and provide operational flexibility and increased storage in the event of a natural disaster.

3. Strategic Goals and Objectives (Continued)

- North Side Water Works – Complete RO Plant and Building – to accommodate expected growth within the distribution system and improve operational reliability of the existing system.
- West Bay Beach – Structural Sewer Lining Project – to lower salinity and reduce quantity of incoming sewage by reducing groundwater infiltration and to improve the integrity of the sewers.
- Wastewater Treatment Plant – Pond Relining Project – to update the existing system to be used in conjunction with the WWTP and to provide a backup wastewater system in the event of a natural disaster.
- Cayman Brac Extension – WAC portion of design costs and preliminary investigations into the extension of piped water to residents living on the north side of Cayman Brac.
- Cayman Brac – Expansion of Existing RO Plant - Additional 60,000gpd (gallons per day) containerized SWRO Plant – to increase operational flexibility, reliability and minimize exposure to natural disasters.

4. Ownership Performance Targets

The ownership performance targets as specified in schedule 5 to the Public Management and Finance Law (2005 Revision) for Water Authority – Cayman for the 2009/10 financial year are as follows.

Financial Performance

Financial Performance Measure	2009/10 Budget	2008/09 Estimated Actual
	\$	\$
Revenue from Cabinet	N/A	N/A
Revenue from ministries, portfolios, statutory authorities and government companies	N/A	N/A
Revenue from other persons or organisations (including Sundry Income)	28,101,928	26,274,707
Surplus/deficit from outputs (Gross Operating Surplus)	2,849,382	7,396,048
Other expenses	814,913	5,631,605
Net Surplus/Deficit	2,034,469	3,069,395
Total Assets	86,016,842	78,444,046
Total Liabilities	35,071,297	28,393,969
Net Worth	30,534,544	50,050,078
Cash flows from operating activities	4,442,653	5,201,407
Cash flows from investing activities	5,909,020	(9,455,068)
Cash flows from financing activities	(14,794,822)	7,996,986
Change in cash balances	1,180,941	3,743,325

Financial Performance (Continued)

Financial Performance Ratio	2009/10 Budget	2008/09 Estimated Actual
Current Assets: Current Liabilities	0.70	1.37
Total Assets: Total Liabilities	1.87	2.76

Maintenance of Capability

Human Capital Measures	2009/10 Budget	2008/09 Estimated Actual
Total full time equivalent staff	120	120
Staff turnover (%)	14%	14%
Average length of service (Number)		
Senior management	12	11
Professional staff	6	5
Administrative staff	8	7
Significant changes to personnel management system	None	None

Physical Capital Measures	2009/10 Budget	2008/09 Estimated Actual
Value of total assets (NBV of Fixed Assets, inclusive of CIP)	65,605,842	68,397,023
Asset replacements: total assets (Fixed Assets Purchased during the year / Total value of Assets)	21.5%	13.2%
Book value of depreciated assets: initial cost of those assets (NBV of Depreciated assets / initial cost of those assets)	73.3%	81.5%
Depreciation: Cash flow on asset purchases (Annual Depreciation / Cost of Fixed Assets Purchased)	24.0%	30.3%
Changes to asset management policies	None	None

Major Capital Expenditure Projects	2009/10 Budget \$
Island of Grand Cayman – Misc. extensions, system connections, new road expansion	2,789,000
Red Gate Site – 2 million gallon water storage tank	900,000
Red Gate Site – Reverse Osmosis (RO) plant upgrade	3,078,000
North Side Water Works – 2 million gallon water storage tank	1,200,000
North Side Water Works – Complete RO Plant and Building	240,000
West Bay Beach – Structural Sewer Lining Project	1,380,000
Wastewater Treatment Plant – Pond Relining Project	1,080,000
Cayman Brac Extension	402,000
Cayman Brac Expansion of existing RO Plant	500,000

Risk Management

Key risks	Change in status from previous year	Actions to manage risk	Financial value of risk
Employee / Public Liability / Motor Vehicle /	No identified change in risk status	Adequate insurance maintained to mitigate the risk	Undeterminable

5. Summarised Forecast Financial Statements

Operating Statement	2009/10 Budget	2008/09 Estimated Actual
Revenue	28,101,928	26,274,707
Operating / Administrative Expenses	25,252,546	23,205,312
<i>Net Surplus/Deficit</i>	2,849,382	3,069,395

Balance Sheet	2009/10 Budget	2008/09 Estimated Actual
Assets	65,605,842	78,444,046
Liabilities	35,071,297	28,393,969
<i>Net Worth</i>	30,534,544	50,050,078

Statement of Cash Flows	2009/10 Budget	2008/09 Estimated Actual
Net cash flows from operating activities	4,442,653	5,201,407
Net cash flows from investing activities	5,909,020	(9,455,068)
Net cash flows from financing activities	(14,794,822)	7,996,986

6. Other Financial Information

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

Transaction	Amount for 2009/10 \$
Equity Investments into Water Authority – Cayman	Nil
Capital Withdrawals from Water Authority - Cayman	21,500,000
Dividend or Profit Distributions to be made by Water Authority – Cayman	50,000
Government Loans to be made to Water Authority – Cayman	Nil
Government Guarantees to be issued in relation to Water Authority – Cayman	Nil
Related Party Payments (Non Remuneration) made to Key Management Personnel ⁵⁰	Nil
Remuneration ⁵¹ Payments made to Key Management Personnel (Director, Deputy Director, Operations Manager, Human Resources, Customer Service, Finance, IT, Water Resources and Cayman Brac)	Approx. 1,015,000
Remuneration Payments made to Senior Management	Same as above

	Number for 2009/10
No of Key Management Personnel (Director, Deputy Director, Operations Manager, Human Resources, Customer Service, Finance, IT, Water Resources and Cayman Brac)	9
No of Senior Management	9

⁵⁰ Key Management Personnel as defined by International Public Accounting Standards No 20, eg Minister, Board Member and Senior Management Team

⁵¹ Remuneration as defined by International Public Accounting Standards No 20 Par 34(a)

7. Agreement

Scope of this Agreement

In signing this document:

- Water Authority – Cayman undertakes to seek to achieve the performance specified in sections 2 to 6 to the best of its ability; and
- The Cabinet agrees to the performance specified in sections 2 to 5 and the financial transactions specified in section 6.

Procedures for Changing this Ownership Agreement

Changes to this Ownership Agreement may be made during the year only with the express and explicit agreement of both parties to the Agreement.

Changes will be made in the following way:

- If either party wish to change the specification of performance contained in this Ownership Agreement, they must notify the other in writing describing the changes that they wish to make.
- The other party will take no more than 15 working days to consider the proposed amendments, or such other time as the two parties may agree.
- The other party will respond to the other about the proposed amendments and negotiate appropriate changes that are agreeable to both parties.
- The Parties will the sign the amended Ownership Agreement.
- The amended Ownership Agreement will be attached to, and form part of, this Agreement.

Agreement

We jointly agree that this Ownership Agreement accurately documents the ownership performance that Water Authority – Cayman will seek to achieve for the 2009/10 financial year and that the Cabinet will monitor performance against.

Hon. Juliana O'Connor-Connolly
Minister of District Administration, Works and Gender Affairs
on behalf of the Cabinet

Chairman of the Board
Water Authority - Cayman

September 30, 2009

Appendix: Forecast Financial Statements

WATER AUTHORITY – CAYMAN STATEMENT OF RESPONSIBILITY FOR FORECAST FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2010

These Forecast Financial Statements have been prepared in accordance with the provisions of the Public Management and Finance Law (2005 Revision).

The Board accepts responsibility for the accuracy and integrity of the financial information in these financial statements.

To the best of our knowledge the forecast financial statements are:

- (a) complete and reliable;
- (b) fairly reflect the forecast financial position as at 30 June 2010 and performance for Water Authority - Cayman for the year ended 30 June 2010;
- (c) comply with generally accepted accounting practice.

**Chairman of the Board
Water Authority – Cayman**

September 30, 2009

**WATER AUTHORITY – CAYMAN
BALANCE SHEET
AS AT 30 JUNE 2010 AND 30 JUNE 2009**

CURRENT ASSETS

	2009/10 Budget \$	2008/9 Estimated Actual \$
Cash on Hand	7,900	7,900
Cash at Bank	1,173,043	5,616,190
Total Cash and Cash Equivalents	1,180,943	5,624,090
Accounts Receivable	3,304,219	3,184,045
Inventory	1,425,571	1,238,438
Prepaid Expenses	450	450
Total Current Assets	5,911,183	10,047,023

CURRENT LIABILITIES

Accounts Payable	1,486,740	1,371,576
Contract Retention Payable	70,197	327,211
Customer Deposits	1,144,119	1,079,119
Current Maturities on Long Term Liabilities	5,803,913	4,519,902
Total Current Liabilities	8,504,968	7,298,807

NET CURRENT LIABILITIES

(2,593,785)	2,748,216
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FIXED ASSETS

Land – Freehold	3,319,598	3,319,598
Buildings	4,967,037	4,825,468
Water Supply System	45,595,745	39,092,355
Waste Water Treatment and Collection	1,247,402	18,853,955
Other Assets	1,868,444	1,963,036
Construction in Progress	2,696,435	342,611
Total Fixed Assets	59,694,660	68,397,023

TOTAL NET ASSETS

57,100,730	71,145,239
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LONG TERM LIABILITIES

(26,566,329)	(21,095,162)
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NET ASSETS

30,534,444	50,050,077
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EQUITY REPRESENTED BY:

Contributed Capital	28,500,223	1,085,223
Accumulated Surpluses	2,034,469	48,964,854
Total Equity	30,534,544	50,050,077

**WATER AUTHORITY – CAYMAN
ESTIMATED PROFIT/ (LOSS) FORECAST
FOR THE YEAR ENDING 30 JUNE 2010**

	2009/10 Budget \$	2008/9 Estimated Actual \$
OPERATING REVENUE		
Water Sales	22,495,626	20,948,215
Sewerage Sales	3,531,526	3,363,358
Septage Disposal	131,136	124,892
Agency Work	170,546	162,425
Connection and Misc. Fees	389,408	370,865
Total Operating Revenue	26,718,242	24,969,754
OPERATING EXPENSES		
Land Lease	12,335	12,335
Water Purchase	7,426,296	7,072,662
Loan Interest	1,266,183	645,010
Salaries	2,620,632	2,271,609
Depreciation	3,153,862	2,609,666
Repairs and Maintenance	1,488,534	1,639,765
Electricity	1,046,880	967,897
Wages	1,595,581	1,394,577
Supplies	760,625	823,878
Miscellaneous	152,295	134,809
Obsolete Inventory	1,700	1500
Total Operating Expense	19,524,923	17,573,7074
ADMINISTRATIVE EXPENSES		
Salaries	1,987,255	1,704,731
Loan Interest	137,734	88,001
Staff Training and Benefits	1,435,625	1,243,122
Insurance	733,800	700,256
Depreciation	228,482	265,670
Information Systems	562,700	216,146
Miscellaneous	583,403	350,262
Office Supplies	121,600	85,616
Telephone and Utilities	396,750	412,422
Legal fees	121,000	6,005
Warehouse Rental	3,600	3,600
Bad Debt	45,000	37,000
Licenses and Dues	132,355	92,994
Audit Fees	63,600	48,981
Repairs and Maintenance	123,630	87,411
Total Administrative Expense	6,676,534	5,342,219
OPERATING SURPLUS	516,785	2,053,828
SUNDRY INCOME		
Royalties	1,328,936	1,241,997
Statutory Licencing Fees	18,000	11,072
Interest Earned	4,500	3,467
Other	(167,750)	48,417
Total Sundry Income	1,183,686	1,304,952
NET SURPLUS – Before Misc. Expense	1,200,472	3,358,780
Hurricane Expense	255,000	(289,382)
Gain/Loss on Disposal of Asset	589,004	
NET SURPLUS – After Misc. Expense	2,034,469	3,069,398

**WATER AUTHORITY – CAYMAN
STATEMENT OF CASH FLOWS
FOR THE 12 MONTH PERIOD ENDED 30 JUNE 2010 AND 30 JUNE 2009**

CASH FLOW FROM OPERATING ACTIVITIES	2009/10 Budget \$	2008/9 Estimated Actual \$
Net Income for Period	1,445,472	3,069,395
Net Change in Working Capital		
Net Change in Non-Cash Working Capital	(1,789,073)	(1,455,791)
Depreciation	3,382,344	2,875,336
Gain / Loss on Sale of Fixed Assets		(17,077)
Interest Earned		(3,467)
Interest Expense	1,403,917	733,011
Net Cash Provided by Operating Activities	4,442,653	5,201,407
CASH FLOW FROM INVESTING ACTIVITIES		
Interest Received		3,467
Cost of Fixed Assets Purchased	(11,737,156)	(10,392,083)
Transfer from CIP to Fixed Assets		
Proceeds from Sale of Fixed Assets	20,000,000	17,077
Construction in Progress	(2,353,824)	916,472
Net Cash Used by Investing Activities	5,909,020	(9,455,068)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of Long Term Liabilities	10,939,000	11,681,441
Repayment of Long Term Liabilities	(4,183,822)	(3,463,040)
Loans Payable		(171,416)
Contribution to Government	(21,550,000)	(50,000)
Net Cash Used by Financing Activities	(14,794,822)	7,996,986
Net Increase in Cash and Cash Equivalents During the Period	(4,443,149)	3,743,325
Cash and Cash Equivalents at the Beginning of the Period	5,624,088	1,880,763
Cash and Cash Equivalents at End of Period	1,180,941	5,624,088