CAYMAN ISLANDS
GOVERNMENT

# Financial Statements

## Of

## *Portfolio of Finance and Economics*

## For the year ending 30 June 2010

# Contents

# Portfolio of Finance and Economics
# Statement of Responsibility for Financial Statements
# June 30, 2010

These financial statements have been prepared in accordance with the provisions of the Public Management and Finance Law, 2010 Revision and The Public Management and Finance (Amendment) Law, 2011.

As Chief Officer and Chief Financial Officer, we are responsible for the preparation of the Financial Statements.

To the best of our knowledge these statements:

(a) fairly reflect the financial position as at June 30th, 2010 and performance for the 2009/10 financial year ended 30 June 2010; and

(b) comply with some of the International Public Sector Accounting Standards under the responsibility of the International Public Sector Accounting Standards Board.

| | |
|---|---|
| Sonia McLaughlin<br>Chief Officer<br>Portfolio of Finance and Economics | Nina Vandine<br>Chief Financial Officer |

7 September 2012

Phone: (345) - 244-3211
Fax: (345) - 945-7738
AuditorGeneral@oag.gov.ky
www.auditorgeneral.gov.ky

3rd Floor, Anderson Square
64 Shedden Road, George Town
PO Box 2583
Grand Cayman KY1-1103, Cayman Islands

# Auditor General's Report

**To the Chief Officer of the Ministry of Finance, Tourism and Development – Public Finance and the Members of the Legislative Assembly of the Cayman Islands**

I have audited the accompanying financial statements for the Portfolio of Finance and Economics (the "Portfolio") which comprise the statement of financial position as at 30 June 2010 and the statement of income, statement of changes in net worth and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 5 to 17 in accordance with the provisions of Section 44(3) of the *Public Management and Finance Law (2010 Revision).*

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair representation of these financial statements in accordance with International Public Sector Accounting Standards ("IPSAS"). This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility for the Financial Statements**

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

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

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

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

**Bases for Qualified Opinion**

<u>Property, plant and equipment</u>
The Portfolio's buildings and leasehold improvements at 30 June 2010 are not carried pursuant to the revaluation model. No evaluation was done to determine the effect of any changes in the value of buildings and leasehold improvements. Consequently, I have not been able to verify the valuation of the recorded buildings and leasehold improvements, and with it, have not able to verify the reasonableness of the related depreciation expenses.

With the foregoing, I have not been able to verify if the reported balance of property, plant and equipment at 30 June 2010 is fairly stated.

<u>Warehousage Fees</u>
Due to the lack of supporting documents, I have not been able to verify the completeness of Warehousage Fees under the sale of outputs to others, which is reported at $826 thousand for the year ended 30 June 2010.

<u>Components of Net Worth and Surplus Repayable</u>
The lack of verifiable accounting records in the past years resulted into the inability on the part of the Portfolio to account for a difference of $988 thousand in surplus repayable, reported under other current liabilities, at 30 June 2010. I was therefore not able to obtain an acceptable explanation for the discrepancy. As such, I am not able to ascertain that the reported balances of the components of net worth in the statement of financial position, and the balance of Surplus Repayable are fairly stated as of 30 June 2010.

Furthermore, I was not able to verify that the zero balance for Asset Revaluation Reserves under Net Worth is fairly stated because no evaluation was done to determine the effect of any changes in the value of buildings and leasehold improvements.

<u>IPSAS disclosures and presentation</u>
The financial statements either failed to properly present or disclose, or completely failed to present or disclose a number of requirements under IPSAS. Taken together, the improper and/or deficient disclosures are material to the overall financial statements presentation for a complete understanding of the financial position and operations under IPSAS. These exceptions include, but are not limited to, the omission of required disclosures under **IPSAS 18, *Segment Reporting***.

**Qualified Opinion**
In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to satisfy myself as to the effects of the fairness of the balances of property, plant and equipment, the completeness of warehousage fees, the reasons for the unaccounted difference in surplus repayable balance, and the adequacy and propriety of the overall presentation and disclosures in the financial statements, the financial statements present fairly, in all material respects, the financial position of the Portfolio as of 30 June 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

**Emphasis of matter**

Without further qualifying my opinion, I draw attention to Note 18 to the financial statements which report that the total annual amounts incurred for Output Group numbers FAE5, FAE7, FAE10 and FAE11 exceeded the respective amounts approved in the appropriation law, however the Output Group in aggregate resulted into favourable variance, as presented in Note 18.

**Alastair J. Swarbrick, MA (Hons), CPFA**
Auditor General

Cayman Islands
7 September 2012

**PORTFOLIO OF FINANCE & ECONOMICS**
**STATEMENT OF FINANCIAL PERFORMANCE**
**FOR THE YEAR ENDED: June 30, 2010**
**(Expressed in Cayman Islands Dollars)**

| Prior Year Actual | | Note | Current Year Actual | Final Budget | Original Budget | Variance (Orig vs. Actual) (Note 13) |
|---|---|---|---|---|---|---|
| | ***Entity Revenue*** | | | | | |
| 40,605,520 | Sale of Outputs | 7 | 18,887,881 | 19,624,850 | 19,624,850 | 736,969 |
| 8,369 | Investment revenue | 8 | 1,027 | - | - | (1,027) |
| **40,613,889** | **Total Entity Revenue** | | **18,888,908** | **19,624,850** | **19,624,850** | **735,942** |
| | ***Operating Expenses*** | | | | | |
| 18,850,826 | Personnel costs | 9 | 14,859,352 | 15,389,448 | 15,389,448 | 530,096 |
| 9,587,294 | Supplies and consumables | 10 | 3,642,431 | 3,675,884 | 3,675,884 | 33,453 |
| 702,129 | Depreciation | 4 | 382,662 | 559,518 | 559,518 | 176,856 |
| 143,154 | Impairment of property, plant and equipment | 4 | - | - | - | - |
| 161,423 | Litigation costs | 11 | - | - | - | - |
| 841 | (Gains)/losses on foreign exchange transactions | 12 | 8,772 | - | - | (8,772) |
| 965 | (Gains)/losses on disposal of non-current assets | 12 | (4,309) | - | - | 4,309 |
| 359,442 | Capital Charge | | - | - | - | - |
| **29,806,074** | **Total Operating Expenses** | | **18,888,908** | **19,624,850** | **19,624,850** | **735,942** |
| **10,807,815** | ***Surplus/(Deficit) for the period*** | | **-** | **-** | **-** | **-** |

The accounting policies and notes starting on page 9 form an integral part of these financial statements.

**PORTFOLIO OF FINANCE & ECONOMICS**
**STATEMENT OF CHANGES IN NET WORTH**
**FOR THE YEAR ENDED: JUNE 30, 2010**
(Expressed in Cayman Islands Dollars)

| | Contributed Capital | Accumulated Surplus/(deficit) | Total Net worth |
|---|---|---|---|
| **Balance at 30 June 2008** | 8,581,486 | - | 8,581,486 |
| Prior Year Adjustments | - | 179,592 | 179,592 |
| **Restated opening balance** | 8,581,486 | 179,592 | 8,761,078 |
| | | | |
| **Changes in net worth for 2008/09** | | | |
| Equity Investment from Cabinet | 937,324 | - | 937,324 |
| Repayment of surplus to Cabinet | - | (10,807,815) | (10,807,815) |
| | 937,324 | (10,807,815) | (9,870,491) |
| Surplus/(deficit)for the period 2008/09 | - | 10,807,815 | 10,807,815 |
| | 937,324 | - | 937,324 |
| **Balance at 30 June 2009 carried forward** | **9,518,810** | **179,592** | **9,698,402** |

| | Contributed Capital | Accumulated Surplus/(deficit) | Total Net worth | Original Budget | Final Budget | Variance (Orig vs. Actual) |
|---|---|---|---|---|---|---|
| **Balance at 30 June 2009** | 9,518,810 | 179,592 | 9,698,402 | 13,825,771 | 13,825,771 | 4,127,369 |
| Prior Year Adjustments (Note 17) | - | 244 | 244 | - | - | (244) |
| **Restated opening balance** | 9,518,810 | 179,836 | 9,698,646 | 13,825,771 | 13,825,771 | 4,127,125 |
| | | | | | | |
| **Changes in net worth for 2009/10** | | | | | | |
| Equity Investment from Cabinet | 1,560,705 | - | 1,560,705 | 1,887,951 | 1,887,951 | 327,246 |
| Capital withdrawals by Cabinet | (477,159) | - | (477,159) | - | - | 477,159 |
| | 1,083,546 | - | 1,083,546 | 1,887,951 | 1,887,951 | 804,405 |
| Surplus/(deficit)for the period 2009/10 | - | - | - | - | - | - |
| | 1,083,546 | - | 1,083,546 | 1,887,951 | 1,887,951 | 804,405 |
| **Balance at 30 June 2010** | **10,602,356** | **179,836** | **10,782,192** | **15,713,722** | **15,713,722** | **4,931,530** |

The accounting policies and notes starting on page 9 form an integral part of these financial statements.

**PORTFOLIO OF FINANCE & ECONOMICS**
**STATEMENT OF FINANCIAL POSITION**
**AS AT: June 30, 2010**
**(Expressed in Cayman Islands Dollars)**

| Prior Year Actual | | Note | Current Year Actual | Final Budget | Original Budget | Variance (Orig vs. Actual) (Note 13) |
|---|---|---|---|---|---|---|
| | **ASSETS** | | | | | |
| | ***Current Assets*** | | | | | |
| 27,782,286 | Cash and cash equivalents | 2 | 28,389,339 | 29,783,617 | 29,783,617 | 1,394,278 |
| 4,677,434 | Trade receivables | 3 | 4,291,830 | 3,472,106 | 3,472,106 | (819,724) |
| 6,993,121 | Other receivables | 3 | 7,423,540 | 232,596 | 232,596 | (7,190,944) |
| 152,764 | Prepayments | | 23,129 | 19,220 | 19,220 | (3,909) |
| **39,605,605** | **Total Current Assets** | | **40,127,838** | **33,507,539** | **33,507,539** | **(6,620,299)** |
| | ***Non-Current Assets*** | | | | | |
| 5,082,522 | Property, plant and equipment | 4 | 5,293,016 | 5,849,123 | 5,849,123 | 556,107 |
| **5,082,522** | **Total Non-Current Assets** | | **5,293,016** | **5,849,123** | **5,849,123** | **556,107** |
| **44,688,127** | **Total Assets** | | **45,420,854** | **39,356,662** | **39,356,662** | **(6,064,192)** |
| | **LIABILITIES** | | | | | |
| | ***Current Liabilities*** | | | | | |
| 2,336,411 | Trade payables & accrued expenses | 5 | 1,902,908 | 82,939 | 82,939 | (1,819,969) |
| 290,447 | Employee entitlements | 6 | 372,887 | 355,384 | 355,384 | (17,503) |
| 32,362,867 | Surplus Repayable | | 32,362,867 | 23,204,617 | 23,204,617 | (9,158,250) |
| **34,989,725** | **Total Current Liabilities** | | **34,638,662** | **23,642,940** | **23,642,940** | **(10,995,722)** |
| | ***Non-Current Liabilities*** | | | | | |
| - | **Total Non-Current Liabilities** | | - | - | - | - |
| **34,989,725** | **Total Liabilities** | | **34,638,662** | **23,642,940** | **23,642,940** | **(10,995,722)** |
| **9,698,402** | **Net Assets** | | **10,782,192** | **15,713,722** | **15,713,722** | **4,931,530** |
| | **NET WORTH** | | | | | |
| 9,518,810 | Contributed capital | | 10,602,356 | 3,321,394 | 3,321,394 | (7,280,962) |
| - | Asset revaluation reserve | | - | - | - | - |
| 179,592 | Accumulated surpluses | | 179,836 | 12,392,328 | 12,392,328 | 12,212,492 |
| **9,698,402** | **Total Net Worth** | | **10,782,192** | **15,713,722** | **15,713,722** | **4,931,530** |

The accounting policies and notes starting on page 9 form an integral part of these financial statements.

**PORTFOLIO OF FINANCE & ECONOMICS**
**CASH FLOW STATEMENT**
**FOR THE YEAR ENDED: June 30, 2010**
**(Expressed in Cayman Islands Dollars)**

| Prior Year Actual | | Note | Current Year Actual | Final Budget | Original Budget | Variance (Orig vs. Actual) |
|---|---|---|---|---|---|---|
| | **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| | ***Receipts*** | | | | | |
| 36,197,379 | Sale of Outputs | | 19,847,268 | 23,373,647 | 23,373,647 | 3,526,379 |
| 8,369 | Interest received | | 1,027 | - | - | (1,027) |
| - | ***Payments*** | | - | - | - | - |
| (19,513,443) | Personnel costs | | (14,859,140) | (15,512,948) | (15,512,948) | (653,808) |
| (11,523,662) | Supplies & Consumables | | (3,472,991) | (5,660,296) | (5,660,296) | (2,187,305) |
| 197,928 | Other payments | | (207,645) | - | - | 207,645 |
| **5,366,571** | **Net cash flows from operating activities** | | **1,308,519** | **2,200,403** | **2,200,403** | **891,884** |
| | **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| (811,228) | Purchase of property, plant and equipment | | (1,315,794) | (1,887,951) | (1,887,951) | (572,157) |
| - | Proceeds from insurance of property, plant and equipment | | 4,309 | - | - | (4,309) |
| **(811,228)** | **Net cash flows from investing activities** | | **(1,311,485)** | **(1,887,951)** | **(1,887,951)** | **(576,466)** |
| | **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| 937,324 | Equity investment | | 610,019 | 1,887,951 | 1,887,951 | 1,277,932 |
| **937,324** | **Net cash flows from financing activities** | | **610,019** | **1,887,951** | **1,887,951** | **1,277,932** |
| **5,492,667** | **Net increase in cash and cash equivalents** | | **607,053** | **2,200,403** | **2,200,403** | **1,593,350** |
| 22,289,619 | Cash and cash equivalents at beginning of the year | | 27,782,286 | 27,583,214 | 27,583,214 | (199,072) |
| **27,782,286** | **Cash and cash equivalents at end of year** | **2** | **28,389,339** | **29,783,617** | **29,783,617** | **1,394,278** |

The accounting policies and notes starting on page 9 form an integral part of these financial statements.

**PORTFOLIO OF FINANCE & ECONOMICS**
**STATEMENT OF ACCOUNTING POLICIES**
**FOR THE YEAR ENDED: June 30, 2010**
**(Expressed in Cayman Islands Dollars)**

## NOTE 1. Background Information & Significant Accounting Policies

**Background Information**

As of July 1, 2010 the Portfolio of Finance and Economics ("Portfolio") was renamed as the Public Finance Section and included under the Ministry of Finance Tourism and Development, resulting from the enactment of the Cayman Islands Constitution Order 2009.

The purpose of The Portfoilo is to develop, implement and maintain macro economic and budgetary policies and maintain measures; to manage the finances of the government and exercise supervision and control in all matters relating to the financial affairs of the Cayman Islands. The Portfolio consists of several departments, including Budget and Management Unit, Customs Department, Economics and Statistics Office, Finance Administration, Internal Audit, Revenue Unit, Risk Management and Treasury.

**General Accounting Policies**

The financial statements have been 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 financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently.

**Comparative Information**

Effective July 1, 2009 certain departments that were previously included under the Portfolio of Finance and Economics were moved to the Ministry of Finance, Tourism and Development. By consequence, the financial performance and financial position of these departments are included in 2008/09 comparative figures; however, they are not reflected in the 2009/10 figures. The withdrawal comprised of assets and liabilities, while the Portfolio retained any items that were recorded in the sub ledgers and the year end accrued cabinet receivables.

**Reporting Period**

These financial statements are presented for the year ended 30 June 2010.

The 2009/10 budget figures disclosed in these financial statements are the amounts included in the original budget for the financial year ended 30 June 2010.

**Specific Accounting Policies**

**Revenue**

*Output Revenue*

Output revenue and entity revenue resulting from user charges or fees are recognized when earned.

*Interest Revenue*

Interest revenue is recognized in the period in which it is earned.

**Expenses**

*General*

Expenses are recognized when incurred.

*Depreciation*

Depreciation of non-financial physical assets is provided on a straight-line basis at rates based on the expected useful lives of those assets, as prescribed in the table below.

*Leases*

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance in accordance with the terms of the lease.

**Assets**

*Cash and cash equivalents*

Cash and cash equivalents include cash held in the Portfolio of Finance and Economics bank account and any money held on deposit with the Treasury Department.

*Trade receivables, other receivables and prepayments*

Accounts receivables are carried at the original invoice amount less an estimate for doubtful receivables based on a review of all outstanding amounts at the end of the year. The amount of any provision for doubtful receivables required would be recognized as an expense in the statement of financial performance.

*Property, plant and equipment (including Infrastructure Assets)*

Buildings are recorded at historical cost (or fair value as at time of first recognition) or valuation less accumulated depreciation. Other plant and equipment, which includes motor vehicles and office equipment, are recorded at cost (or fair value if acquired prior to 2005) less accumulated depreciation. Depreciation of property, plant and equipment is calculated using the straight-line method at the following rates, to allocate the cost of the assets over their estimated useful lives:

| | Years |
|---|---|
| Buildings | 40-60 |
| Vehicles | 4-12 |
| Furniture and fittings | 3-20 |
| Computer hardware | 3-10 |
| Computer Software | 3-10 |
| Office equipment | 3-20 |
| Other plant and equipment | 5-25 |
| Leasehold Improvements | Based on term of leases |

*Computer hardware and software*

Computer hardware and software are recorded at cost less accumulated depreciation.

**Liabilities**

*Accounts Payable*

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

*Provisions*

Provisions are recognized in accordance with IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets.

*Employee entitlements*

*Annual Leave Entitlements*

Annual leave due, but not taken, is recognized as a current liability at the current rates of pay.

*Pension Obligations*

Pension contributions for employees are paid to the Public Service Pensions Fund (the "Fund"). The Fund is administered by the Public Service Pensions Board and is operated as a multi-employer, non-contributory Fund, whereby the employer pays both employer and employee contributions. 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 defined benefit and defined contribution elements. Participants joining after that date became members of the defined contribution element. Pension scheme contributions are included in personnel costs in the statement of financial performance.

**Capital Contributions**

Government contributions relate to acquisitions of property, plant and equipment, working capital and cash of Portfolio of Finance and Economics, that are funded by Cabinet.

**PORTFOLIO OF FINANCE & ECONOMICS**
**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED: June 30, 2010**
**(Expressed in Cayman Islands Dollars)**

## NOTE 2. Cash and Cash Equivalents

| Prior Year Actual | | Current Year Actual | Final Budget | Original Budget | Variance (Orig vs. Actual) |
|---|---|---|---|---|---|
| 67,726 | Cash on hand (petty cash) | 11,662 | 5,025 | 5,025 | (6,637) |
| 3,128 | Cash in transit | 216 | - | - | (216) |
| 26,117,496 | CI$ Operational Current Accounts | 27,654,885 | 28,383,529 | 28,383,529 | 728,644 |
| 703,759 | US$ Operational Current Accounts | 26,072 | 504,886 | 504,886 | 478,814 |
| 197,642 | Payroll Current Account | 3,161 | 197,642 | 197,642 | 194,481 |
| 692,535 | Short term fixed Deposits held with Treasury (up to 90 days) | 693,343 | 692,535 | 692,535 | (808) |
| - | Other cash or cash equivalents | - | - | - | - |
| **27,782,286** | **Total Cash and Cash Equivalents** | **28,389,339** | **29,783,617** | **29,783,617** | **1,394,278** |

## NOTE 3. Trade & Other Receivables

| | | | | | |
|---|---|---|---|---|---|
| | **Trade Receivables** | | | | |
| 4,919,550 | Sale of Goods and Services | 2,804,735 | 1,948,702 | 1,948,702 | (856,033) |
| 2,026,358 | Sale of Outputs to Cabinet | 4,000,831 | 1,523,404 | 1,523,404 | (2,477,427) |
| (2,268,474) | Less provision for doubtful debts | (2,513,736) | - | - | 2,513,736 |
| **4,677,434** | **Total Trade Receivables** | **4,291,830** | **3,472,106** | **3,472,106** | **(819,724)** |
| | **Other Receivables** | | | | |
| 21,913 | Advances | 17,430 | 17,677 | 17,677 | 247 |
| - | Dishonored cheques | 2,860 | 12,217 | 12,217 | 9,357 |
| 69 | Interest receivable | 288 | 69 | 69 | (219) |
| 6,971,139 | Other related party receivables | 7,402,962 | 202,633 | 202,633 | (7,200,329) |
| **6,993,121** | **Total Other Receivables** | **7,423,540** | **232,596** | **232,596** | **(7,190,944)** |

A significant receivable from executive relating to CORIS revenue, comprises most of Other related party receivables.

| | **Trade Receivables** | **Current Year Actual** | **Doubtful Debt** | **Current Year Net Receivable** |
|---|---|---|---|---|
| | **Current** | | | |
| 1,320,219 | Past due 1-30 days | 4,174,708 | - | 4,174,708 |
| 24,856 | Past due 31-60 days | 38,401 | - | 38,401 |
| 62,885 | Past due 61-90 days | 3,960 | - | 3,960 |
| 5,537,948 | Past due > 90 days | 2,588,497 | 2,513,736 | 74,761 |
| **6,945,908** | **Total** | **6,805,566** | **2,513,736** | **4,291,830** |

**Changes in the provision for doubtful debts:**

| Prior Year Actual | Description | Current Year Actual |
|---|---|---|
| - | Balance at July 1 | (2,268,474) |
| (2,268,474) | Provisions made during the year | (245,262) |
| - | Receivables written off during the year | - |
| **(2,268,474)** | **Balance at June 30 end of year** | **(2,513,736)** |

## NOTE 4. Property, Plant and Equipment

| Prior Year Actual | *Cost or Opening Valuation* | Balance July 1, 2009 | Additions | Disposals | Transfers | Balance June 30, 2010 |
|---|---|---|---|---|---|---|
| 4,671,205 | Buildings | 4,671,205 | - | - | - | 4,671,205 |
| 356,414 | Vehicles | 356,414 | - | 13,200 | - | 343,214 |
| 676,523 | Furniture and fittings | 676,523 | 1,028 | - | 446,963 | 230,588 |
| 535,976 | Computer hardware | 535,976 | 16,799 | 1,219 | 137,266 | 414,290 |
| 46,058 | Computer software | 46,058 | - | - | 1,500 | 44,558 |
| 496,298 | Office equipment | 496,298 | 6,314 | - | 121,911 | 380,701 |
| 248,388 | Plant and equipment | 248,388 | - | - | - | 248,388 |
| 1,546,857 | Leasehold Improvements | 1,546,857 | 5,103 | - | 1,216,397 | 335,563 |
| 953,991 | Work in Progress | 953,991 | 1,283,749 | - | 141,405 | 2,096,335 |
| **9,531,710** | **Total Cost or Valuation** | **9,531,710** | **1,312,993** | **14,419** | **2,065,442** | **8,764,842** |

| | *Accumulated Depreciation and Impairment Losses* | Balance July 1, 2010 | Gain/Loss | Depreciation Expense | Eliminate on Transfer/Disposal | Balance June 30, 2010 |
|---|---|---|---|---|---|---|
| 1,928,244 | Buildings | 1,928,244 | - | 116,780 | - | 2,045,024 |
| 233,459 | Vehicles | 233,459 | - | 52,040 | 10,560 | 274,939 |
| 294,661 | Furniture and fittings | 294,661 | - | 16,292 | 155,089 | 155,864 |
| 420,003 | Computer hardware | 420,003 | - | 48,394 | 121,229 | 347,168 |
| 25,921 | Computer software | 25,921 | - | 7,621 | 2,600 | 30,942 |
| 327,830 | Office equipment | 327,830 | - | 40,107 | 88,861 | 279,076 |
| 423,018 | Plant and equipment | 423,018 | - | 70,307 | 185,739 | 307,586 |
| 796,052 | Leasehold Improvements | 796,052 | - | 31,121 | 795,946 | 31,227 |
| **4,449,188** | **Total Depreciation** | **4,449,188** | **-** | **382,662** | **1,360,024** | **3,471,826** |

| | | June 30, 2010 | | |
|---|---|---|---|---|
| | *Net Book Value* | Closing Cost | Accumulated Depreciation | Net Book Value |
| 2,742,961 | Buildings | 4,671,205 | 2,045,024 | 2,626,181 |
| 122,955 | Vehicles | 343,214 | 274,939 | 68,275 |
| 381,862 | Furniture and fittings | 230,588 | 155,864 | 74,724 |
| 115,973 | Computer hardware | 414,290 | 347,168 | 67,122 |
| 20,137 | Computer software | 44,558 | 30,942 | 13,616 |
| 168,468 | Office equipment | 380,701 | 279,076 | 101,625 |
| (174,630) | Plant and equipment | 248,388 | 307,586 | (59,198) |
| 750,805 | Leasehold Improvements | 335,563 | 31,227 | 304,336 |
| 953,991 | Work in Progress | 2,096,335 | - | 2,096,335 |
| **5,082,522** | **Total Net Book Value** | **8,764,842** | **3,471,826** | **5,293,016** |

## NOTE 5. Trade payables and accrued expenses

| Prior Year Actual | | Current Year Actual | Final Budget | Original Budget | Variance (Orig vs. Actual) |
|---|---|---|---|---|---|
| 416,964 | Creditors | 42,860 | - | - | (42,860) |
| 75,809 | Creditors Ministries/Portfolios | 75,809 | - | - | (75,809) |
| 125,772 | Payroll Deductions | 39,266 | - | - | (39,266) |
| 1,436,054 | Accrued Expenses | 1,643,274 | - | - | (1,643,274) |
| - | Other payables | 18,760 | - | - | (18,760) |
| 281,812 | Other current liabilities | 82,939 | 82,939 | 82,939 | - |
| **2,336,411** | **Total Accounts Payable** | **1,902,908** | **82,939** | **82,939** | **(1,819,969)** |

## NOTE 6. Employee Entitlements

| | | | | | |
|---|---|---|---|---|---|
| 290,192 | Annual Leave | 263,107 | 355,384 | 355,384 | 92,277 |
| 255 | Retirement and long service leave | 109,780 | - | - | (109,780) |
| **290,447** | **Total Employee Entitlements** | **372,887** | **355,384** | **355,384** | **(17,503)** |

## NOTE 7. Sale of Goods and Services (Including Fees and Charges)

| | **Revenue type** | | | | |
|---|---|---|---|---|---|
| 20,113,471 | Outputs to Cabinet | 17,293,100 | 18,280,851 | 18,280,851 | 987,751 |
| 1,226,354 | Outputs to other government agencies | 37,925 | 40,999 | 40,999 | 3,074 |
| 18,877,833 | Fees and charges | 1,465,327 | 1,300,000 | 1,300,000 | (165,327) |
| 126,550 | General sales | 7,443 | - | - | (7,443) |
| 3,775 | Rentals | - | 3,000 | 3,000 | 3,000 |
| 257,537 | Others | 84,086 | - | - | (84,086) |
| **40,605,520** | **Total sales of goods and services** | **18,887,881** | **19,624,850** | **19,624,850** | **736,969** |

**Outputs to Cabinet** comprises goods delivered to and services performed on behalf of the Cayman Islands Government. These outputs are listed in Note 18.

**Outputs to other government agencies** comprises trade between the Portfolio of Finance and Economics and other government bodies. These are arm length transactions governed by Service Level Agreements (SLAs) between the contracting parties.

**Fees & charges, general sales, rentals & others** includes administrative fees and user charges levied on the public for the delivery of government services. Certain respective rates and fee structures are gazetted and governed by the relevant revenue laws and regulations.

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## NOTE 8. Investment Revenue

| Prior Year Actual | | Current Year Actual | Final Budget | Original Budget | Variance (Orig vs. Actual) |
|---|---|---|---|---|---|
| 8,348 | Interest on deposits | 1,027 | - | - | (1,027) |
| 21 | Other | - | - | - | - |
| 8,369 | **Total Investment Revenue** | 1,027 | - | - | (1,027) |

## NOTE 9. Personnel Costs

| Prior Year Actual | | Current Year Actual | Final Budget | Original Budget | Variance (Orig vs. Actual) |
|---|---|---|---|---|---|
| 15,754,676 | Salaries,wages,allowances & | 12,224,350 | 12,506,803 | 12,506,803 | 282,453 |
| - | employee pension contributions | - | - | - | - |
| 2,247,820 | Health Care | 1,983,660 | 2,130,933 | 2,130,933 | 147,273 |
| 814,363 | Employer pension expense | 664,759 | 689,667 | 689,667 | 24,908 |
| - | Movement in annual leave | (27,085) | 50,000 | 50,000 | 77,085 |
| 33,967 | Other personnel related expenses | 13,668 | 12,045 | 12,045 | (1,623) |
| 18,850,826 | **Total Personnel Costs** | 14,859,352 | 15,389,448 | 15,389,448 | 530,096 |

## NOTE 10. Supplies and Consumables

| Prior Year Actual | | Current Year Actual | Final Budget | Original Budget | Variance (Orig vs. Actual) |
|---|---|---|---|---|---|
| 694,089 | Supplies and materials | 185,212 | 290,187 | 290,187 | 104,975 |
| 1,179,994 | Purchase of services | 1,512,603 | 1,564,627 | 1,564,627 | 52,024 |
| 1,392,253 | Lease of property and equipment | 999,040 | 1,112,924 | 1,112,924 | 113,884 |
| 551,135 | Utilities | 352,226 | 359,397 | 359,397 | 7,171 |
| 161,810 | General insurance | 141,385 | 144,378 | 144,378 | 2,993 |
| 2,741,770 | Related party expenses | 166,061 | 100,000 | 100,000 | (66,061) |
| 340,342 | Travel and subsistence | 31,165 | 101,371 | 101,371 | 70,206 |
| 2,525,901 | Other supplies and consumables | 254,739 | 3,000 | 3,000 | (251,739) |
| **9,587,294** | **Total Supplies and Consumables** | **3,642,431** | **3,675,884** | **3,675,884** | **33,453** |

## Note 11. Litigation cost

The Attorney General's Office provides litigation services to Portfolio of Finance and Economics. During the year ended 30 June 2010 the use of outside legal services were authorised by the Attorney General's Office. The cost of these services were $0 in 2010 and $161,423 in 2009.

## Note 12. (Gains)/losses

During the period the Portfolio of Finance and Economics disposed of vehicles and computer equipment. The net gain on the disposition

| Prior Year Actual | | Current Year Actual | Final Budget | Original Budget | Variance (Orig vs. Actual) |
|---|---|---|---|---|---|
| 144,119 | Net (gain)/loss on disposal of property, plant and equipment | (4,309) | - | - | 4,309 |
| 841 | Net loss on foreign exchange | 8,772 | - | - | (8,772) |
| **144,960** | **Total losses** | **4,463** | **-** | **-** | **(4,463)** |

## NOTE 13. Explanation of major variances against budget

Explanations for major variances for the Portfolio of Finance and Economics performance are against the original budget are as follows:

***Statement of financial performance***

*Cabinet revenue*

Revenue from cabinet was $987,751 below budget due to cost saving initiatives mandated by Cabinet.

*Other Revenue*

Revenue from other sources was $250,782 above budget due to increased fees during the year.

*Personnel Costs*

Personnel costs were $530,096 below budget due to cost savings initiatives mandated by Cabinet and were predominately realized by not filling vacant posts .

*Supplies and consumables*

Supplies and consumables were $33,453  below budget due to cost saving measures mandated by Cabinet.

*Depreciation*

Depreciation expenses were $176,856 below budget due to the delay of the TRIPS system implementation, as depreciation was budgeted but not incurred.

**Statement of financial position**

*Cash and cash equivalents*

The actual year-end cash balances were $1,394,278 below budget as a result of the equity injection not being received by year end.

*Debtors and other receivables*

The actual year-end debtors and other receivables balances were $8,010,668 higher than the original budget due to the receivable for the equity injection and the receivable amount not being paid over from executive due to entity.

*Fixed assets*

Fixed assets were $556,107 lower than the original budget due to the delay  in the TRIPS system implementation.

*Creditors and other payables*

Creditors, accruals and other payables were $1,819,969 higher than the original budget due to timing of receipt of invoices.

*Repayment of surplus*

The repayment of surplus provision reflects the actual surplus generated from revenues earned and cost savings mandated by Cabinet.

## NOTE 14. Related party and key management personnel disclosures

***Related party disclosure***

Portfolio of Finance and Economics is a wholly owned entity of the Government from which it derives a major source of its revenue.   Its key management personnel transact with other government entities on a regular basis.  The majority of these services were provided and/or received free of cost during the financial year ended 30 June 2010.  Two notable exceptions were internal audit services provided by the Internal Audit Unit to related parties and external audit services received from the Cayman Islands Audit Office.  Both of these services were subject to a fee. There were 11 key management personnel in 09/10 and 14 in 08/09.

## NOTE 14. Related party and key management personnel disclosures (Continued)

***Key management personnel***

Key management personnel, defined as Ministers of the Government, are also considered to be related parties.

| Prior year actual | Description | Current year actual |
|---|---|---|
| 1,647,497 | Salaries & other short-term employee | 1,317,956 |
| | Past employee benefits | |
| 196,881 | Other long-term benefits | 156,094 |
| | Termination benefits | |
| | Loans | |
| **1,844,378** | **Total** | **1,474,050** |

## NOTE 15. Events occurring after reporting date

As of the preparation date of these statements there are no subsequent events to report.

## NOTE 16. Financial instrument risks

The Porfolio of Finance and Economics is party to financial instrument arrangements as part of its everyday operations. These financial instruments include cash and bank balances, advances, accounts receivable, creditors and other payables. The fair value of financial instruments are equivalent to the carrying amount disclosed in the statement of financial position.

**Credit risk**

In the normal course of its business the Portfolio of Finance and Economics is subject to credit risk from debtors. The Portfolio does not have significant concentrations of credit risk in unrelated debtors for its other financial instruments.

**Currency and interest rate risk**

The Portfolio of Finance and Economics has no significant exposure to currency exchange loss risk and interest rate risk.

**Liquidity risk**

The Portfolio of Finance and Economics closely monitors its forecast cash requirements with expected cash drawdowns from Cabinet and receipts from third parties and maintains a target level of available cash to meet liquidity requirements.

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

## NOTE 17. Prior Period Adjustments

Prior period adjustments of $244 are the result of reversals of erroneous accruals and prior year liabilities that occurred prior to 2009/10 fiscal year. In the 2008/2009 fiscal year, adjustments relating to further prior years were recognized amounting to $179,592.

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## NOTE 18. Appropriations used

| Output Group Number | Output/ Group Name | Budgeted Appropriation | Appropriation Used | Variance |
|---|---|---|---|---|
| | ***Totals*** | 18,280,851 | 17,293,100 | 987,751 |
| FAE 1 | Policy Advice and Support to the Financial Secretary | 2,107,729 | 1,976,328 | 131,401 |
| FAE 5 | Publication of Statistical Reports | 1,371,988 | 1,418,793 | (46,805) |
| FAE 6 | Financial Reporting and Management Services | 4,591,930 | 4,486,783 | 105,147 |
| FAE 7 | Revenue Collection and Debt Management | 2,616,998 | 2,652,752 | (35,754) |
| FAE 9 | Processing and Inspection of Aircrafts, Vessels and Cargo | 4,227,330 | 3,901,175 | 326,155 |
| FAE 10 | Drugs Awareness Education and K-9 Support by Customs | 94,194 | 94,488 | (294) |
| FAE 11 | Identification and Investigation of Customs Offences | 1,130,858 | 1,134,685 | (3,827) |
| FAE 13 | Patrolling of Coastal Waters by Customs Department | 225,336 | 224,335 | 1,001 |
| FAE 16 | Administration and Processing of Applications | 582,238 | 328,951 | 253,287 |
| FAE 17 | Entire Public Sector Budget Management | 827,075 | 747,252 | 79,823 |
| FAE 18 | Monitoring and Reporting on the Economy | 368,383 | 299,553 | 68,830 |
| FAE 23 | Management and Administration of the CTC | 136,792 | 28,005 | 108,787 |

## NOTE 19. Contingent liabilities & assets

Public Finance had no contingent liabilities or assets in the current fiscal year.

## NOTE 20. Commitments

Public Finance is currently operating under expired leases, thereby operating on a monthly basis. Under these arrangements, both lessor and lessee and can terminate the leases with one month's notice.