



GOVERNMENT OF THE CAYMAN ISLANDS

Cabinet Office

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2011

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CABINET OFFICE

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STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

These financial statements have been prepared by the Cabinet Office in accordance with the provisions of the *Public Management and Finance Law (2010 Revision)*.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law (2010 Revision)*.

As Chief Officer and Chief Financial Officer, we are responsible for establishing; and have established and maintain a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the Cabinet Office.

As Chief Officer and Chief Financial Officer, we are responsible for the preparation of the Cabinet Office financial statements and for the judgements made in them.

The financial statements fairly present the statement of financial performance, statement of changes in net assets, statement of financial position and cash flow statement for the financial year ended 30 June 2011.

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

- (a) completely and reliably reflect the financial transactions of Cabinet Office for the year ended 30 June 2011;
- (b) fairly reflect the financial position as at 30th June 2011 and performance for the year ended 30th June 2011; and
- (c) comply with International Public Sector Accounting Standards under the responsibility of the International Accounting Standards Board.

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

Orrett Connor
Chief Officer

Date: 31/10/11

Matthew Tibbetts
Chief Financial Officer

Date: 31/10/11

Auditor General's Report

To the Cabinet Secretary and Members of the Legislative Assembly of the Cayman Islands

I have audited the accompanying financial statements for the Cabinet Office, which comprise the statement of financial position as at 30 June 2011 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 5-25 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 presentation of these financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Financial Statements

My responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we 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 we have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Qualified Opinion for the Financial Statements

Accounts Receivable

I was unable to satisfy myself as to the validity, accuracy and existence of the accounts receivable amounting to \$10.7M due to lack of provision on doubtful accounts and inadequate records to prove that the amounts were recorded on the books of the debtors. I was unable to perform alternative audit procedures to obtain reasonable assurance on the existence and accuracy of the account at June 30, 2011.

Inventories

I was unable to carry out satisfactory audit procedures to obtain reasonable assurance for the accuracy of the journal entry to close the inventory and related expense accounts as at June 30, 2011 due to inadequate supporting documents.

Property, plant and equipment

As the Cabinet Office did not maintain proper records, I was unable to satisfy myself as to the completeness, existence and valuation of property, plant and equipment amounting to \$5M on the statement of financial position.

Net worth

I was unable to satisfy myself that the amount of \$8.3M reported as net worth on the statement of financial position at 30 June 2011 was fairly stated because of the lack of adequate records on the beginning balance amounting to \$2.6M relating to the 2005-06 opening balance.

Revenues

I was unable to obtain reasonable assurance on the completeness of sale of goods and services due to system flaw in IRIS – Oracle Application. The magnitude of this observation to the statement of financial performance for the year ending 30 June 2011 cannot be determined due to the limitation in generating the required information on the system.

Qualified Opinion for the Financial Statements

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the validity, existence and accuracy of accounts receivable, existence and valuation of fixed assets, accuracy of the journal entry to close the inventory and related expense account, the accuracy of net worth and the completeness of sale of goods and services, the financial statements present fairly, in all material respects, the financial position of the Cabinet Office as of 30 June 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.



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

Cayman Islands
31 October 2011

CABINET OFFICE
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011
(Expressed in Cayman Islands Dollars)

Prior Year Actual CIS\$000		Note	Current Year Actual CIS\$000	Final/Original Budget CIS\$000	Variance (Original vs. Actual) CIS\$000
Current Assets					
2,595	Cash and cash equivalents	2	208	2,405	2,197
8,461	Trade receivables	3	10,737	8,239	(2,498)
756	Other Receivables		17	81	64
854	Inventory	4	-	822	822
80	Prepayments		515	-	(515)
12,746	Total Current Assets		11,477	11,547	70
Non-Current Assets					
4,220	Property, plant and equipment	5	5,053	2,809	(2,244)
4,220	Total Non-Current Assets		5,053	2,809	(2,244)
16,966	Total Assets		16,530	14,356	(2,174)
Current Liabilities					
1,926	Trade payables	6	1,212	2,234	1,022
260	Other payables and accruals	6	692	486	(206)
26	Unearned Revenue		-	-	-
197	Employee entitlements	7	223	203	(20)
2,409	Total Current Liabilities		2,127	2,923	796
Non-Current Liabilities					
-	Employee Entitlements		-	1	1
5,777	Other Payables and accruals	8	6,099	-	(6,099)
5,777	Total Non-Current Liabilities		6,099	1	(6,098)
8,186	Total Liabilities		8,226	2,924	(5,302)
8,780	Net Assets		8,304	11,432	3,128
Net Worth					
7,254	Contributed capital		7,554	6,967	(587)
1,526	Accumulated surpluses (deficit)		750	4,465	3,715
8,780	Total Net Worth		8,304	11,432	3,128

The Notes to the Financial Statements on pages 9 to 25 form an integral part of these financial statements.

CABINET OFFICE
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2011
(Expressed in Cayman Islands Dollars)

Prior Year Actual CIS\$000		Note	Current Year Actual CIS\$000	Final/Original Budget CIS\$000	Variance (Original vs. Actual) CIS\$000
Revenue					
2,132	Sale of goods and services	9	1,411	1,543	132
12,893	Output to Cabinet	9	11,170	11,878	708
15,025	Total Revenue		12,581	13,421	840
Expenses					
8,760	Personnel costs	10	8,063	8,309	246
4,240	Supplies and consumables	11	3,550	3,989	439
481	Depreciation	5	468	823	355
13,481	Total Expenses		12,081	13,121	1,040
1,544	Surplus or (Deficit) for the period		500	300	(200)

The Notes to the Financial Statements on pages 9 to 25 form an integral part of these financial statements.

CABINET OFFICE
STATEMENT OF CHANGES IN NET WORTH
FOR THE YEAR ENDED 30 JUNE 2011
(Expressed in Cayman Islands Dollars)

	Contributed Capital CIS\$000	Accumulated Surplus/ (deficits) CIS\$000	Total CIS\$000	Final/ Original Budget CIS\$000	Variance (Original vs. Actual) CIS\$000
Balance at 30 June 2009	6,881	(269)	6,612	6,641	29
Equity Investment from Cabinet	373	-	373	490	117
Net adjustment to accumulated surplus	-	1,795	1,795	-	(1,795)
Repayment of surplus to Cabinet	-	(1,544)	(1,544)	-	1,544
Surplus/(deficit) for the (period 2009/10)	-	1,544	1,544	3,786	2,242
Balance at 30 June 2010	7,254	1,526	8,780	10,917	2,137
Equity Investment from Cabinet	300	-	300	515	215
Net adjustment to accumulated surplus	-	(776)	(776)	-	776
Repayment of surplus to Cabinet	-	(500)	(500)	(299)	201
Surplus/(deficit) for the (period 2010/11)	-	500	500	299	(201)
Balance at 30 June 2011	7,554	750	8,304	11,432	3,128

The Notes to the Financial Statements on pages 9 to 25 form an integral part of these financial statements.

**CABINET OFFICE
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2011
(Expressed in Cayman Islands Dollars)**

Prior Year Actual CIS\$000		Note	Current Year Actual CIS\$000	Final/ Original Budget CIS\$000	Variance (Original vs. Actual) CIS\$000
CASH FLOWS FROM OPERATING ACTIVITIES					
	<i>Receipts</i>				
12,367	Outputs to Cabinet		8,787	11,876	3,089
873	Outputs to other government agencies		328	479	151
1,030	Sale of goods and services - third party		922	1,065	143
-	Other receipts		302	-	(302)
	<i>Payments</i>				
(8,963)	Personnel costs		(8,113)	(8,309)	(196)
(4,784)	Supplies and consumables		(3,264)	(3,989)	(725)
-	Other payments		3,341	-	(3,341)
523	Net cash provided by operating activities	13	(1,035)	1,122	2,157
CASH FLOWS FROM INVESTING ACTIVITIES					
(235)	Purchase of property, plant and equipment		(1,058)	(990)	68
-	Proceeds from sale of property, plant and equipment		5	-	(5)
-	Cash advances		(22)	-	22
-	Cash receipts from repayment of cash advances		21	-	(21)
-	Proceeds from sale of investments		1	-	(1)
(235)	Net cash used by investing activities		(1,053)	(990)	63
CASH FLOWS FROM FINANCING ACTIVITIES					
373	Equity Investment		299	516	-
-	Capital withdrawal		-	(300)	(300)
373	Net cash provided by financing activities		300	216	84
661	Net increase/(decrease) in cash and cash equivalents		(2,387)	348	2,735
1,934	Cash and cash equivalents at beginning of period		2,595	2,056	(539)
2,595	Cash and cash equivalents at end of period		208	2,404	2,196

The Notes to the Financial Statements on pages 9 to 25 form an integral part of these financial statements.

**CABINET OFFICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

Description and principal activities

The Cabinet Office is a Government owned entity as defined by section 2 of the *Public Management and Finance Law (2010 Revision)* and it is domiciled in the Cayman Islands.

Its principal activities and operations include all activities carried out in terms of the outputs purchased by the Deputy Governor as defined in the Annual Plan and Estimates for the Government of Cayman Islands for the financial year ending 30 June 2011.

In addition, the Portfolio has reported the activities and trust monies that it administers on behalf of Cabinet.

Note 1: Significant Accounting Policies

These financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants and its International Public Sector Accounting Standards Board using the accrual basis of accounting. Where additional guidance is required, International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board are used.

There are no known accounting standards that have been adopted by the IPSAS Board for use in future years that will impact these financial statements. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Basis of preparation

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

Changes in Accounting Policies

When presentation or classification of items in the financial statements is amended or accounting policies are changed, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

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

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

Segment reporting has been included in accordance with IPSAS 18.

**CABINET OFFICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

Note 1: Significant Accounting Policies (continued)

(b) Reporting Period

The reporting period is the year ended 30 June 2011.

(c) Budget amounts

The original budget amounts for the financial year are as presented in the 2010/2011 Annual Budget Statement and approved by the Legislative Assembly on the 24 June 2011. The Final Budget is those budget amounts approved in Supplementary Budget.

(d) Judgments and Estimates

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

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

(e) Revenue

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

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

(f) Expenses

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

(g) Operating leases

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

(h) Capital Charges

Capital charges on the net assets due to the Cayman Islands Government are recognized as an expense in the period in which they are incurred.

**CABINET OFFICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

Note 1: Significant Accounting Policies (continued)

(i) Cash and Cash Equivalents

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

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

(j) Prepayments

The portion of recognised expenditure paid in advance of receiving services has been recognised as a prepayment and is classified as accounts receivable in these financial statements.

(k) Inventories

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

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

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

Costs are assigned to inventories using specific identification as appropriate.

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

(l) Property, Plant and Equipment

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

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

**CABINET OFFICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

Note 1: Significant Accounting Policies (continued)

<u>Asset Type</u>	<u>Estimated Useful life</u>
Buildings and structures	10 – 60 years
Building fit-out (when accounted for separately)	5 – 25 years
Computer Equipment	3 – 10 years
Developed software	4 – 10 years
Office equipment and furniture	3 – 25 years
Motor vehicles	3 – 20 years
Boats and marine equipment	3 – 25 years
Cleaning, refuse and recycling equipment	3 – 15 years
Construction and other equipment	3 – 25 years
Telecommunications	5 – 50 years
Books, Music, manuscripts and works of art	2 – 10 years
Clothing	0 – 4 years
Aeroplanes and airport/aviation equipment	8 – 33 years
Fire fighting plant and equipment	10 – 12 years
Other equipment	5 – 20 years
Medical and medical laboratory equipment	1 – 25 years
Library assets	5 – 10 years
Scientific and laboratory equipment	4 – 25 years
Leasehold Improvement	Over the unexpired period of lease or the useful life of the improvement

Disposals

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

(m) Employee Benefits

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

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

**CABINET OFFICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

Note 1: Significant Accounting Policies (continued)

Prior to 1 January 2000 the Board operated a defined benefit scheme. With effect from 1 January 2000 the Board continued to operate a defined benefit scheme for existing employees and a defined contribution scheme for all new employees. Obligations for contribution to defined contribution retirement plans are recognised in the Statement of Financial Performance as they are earned by employees. Obligations for defined benefit retirement plans are reported in the Consolidated Financial Statements for the Entire Public Sector of the Cayman Islands Government.

(n) Financial Instruments

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

Classification

A financial asset is classified as any asset that is cash, a contractual right to receive cash or another financial asset, exchange financial instruments under conditions that are potentially favourable. Financial assets comprise of cash and cash equivalents and prepayments.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial instrument or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. Financial instruments comprise of accounts payable and accrued expenses.

Recognition

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

Measurement

Financial instruments are measured initially at cost which is the fair value of the consideration given or received. Subsequent to initial recognition all financial assets are recorded at historical cost, which is considered to approximate fair value due to the short-term or immediate nature of these instruments.

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

(o) Contingent Liabilities and Assets (including guarantees)

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

**CABINET OFFICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

Note 1: Significant Accounting Policies (continued)

De-recognition

A financial asset is de-recognition when the Cabinet Office 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.

(p) Foreign Currency

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

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

- Foreign currency monetary items are to be reported in Cayman Islands dollars using the closing rate;
- Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported in Cayman Islands dollars using the exchange rate at the date of the transaction; and
- Non-monetary items that are carried at fair value denominated in a foreign currency are reported using the exchange rates that existed when the fair values were determined.

(q) Comparative Figures

The presentation of the prior year financial statements has been changed to include a comparison of actual amounts with amounts in the original and final budget. Comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

(r) Revenue from Non Exchange Transactions

The entity receives various services from other government entities for which payment is made by the Cayman Islands Government. These services include accommodation in the central government building, project management by the Public Works Department and human resources management by the Portfolio of the Civil Service. The entity has designated these non exchange transactions as Services in-Kind as defined under IPSAS 23- Revenue from non-exchange Transactions. When fair values of such services can be reliably estimated then the non-exchange transaction is recorded as an expense and an equal amount is recorded in other income as a service in-kind. Where services in-kind offered are directly related to construction or acquisition of a fixed asset, such service in-kind is recognized in the cost of the fixed asset.

CABINET OFFICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

Note 2: Cash and cash equivalents

Cash and cash equivalents include cash on hand; bank accounts in the name of Cabinet Office maintained at Royal Bank of Canada; and short term deposits invested with the Cayman Islands Government Treasury. As at 30 June 2010 and 30 June 2011 the Cabinet Office unrestricted cash balances were presented below. No restricted cash balances were held by the Cabinet Office at 30 June 2011.

Actual Prior Year	Description	Foreign Currency	Exchange Rate	Actual Current Year
\$000				\$000
30	Cash on hand (IRIS Confirmation Account)			30
26	Cash in transit (IRIS Remittance Account)			22
2,437	CI\$ Operational Account at Royal Bank of Canada			620
88	US\$ Operational Account at Royal Bank of Canada		0.83	1
14	Payroll Current Account at Royal Bank of Canada			(465)
2,595	TOTAL			208

Note 3: Trade receivables and other receivables

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

Actual Prior Year	Trade Receivables	Actual Current Year	Final/Original Budget	Variance (Original vs. Actual)
\$000		\$000	\$000	\$000
3,264	Outputs to Cabinet	4,278	3,264	(1,014)
5,232	Outputs to other government agencies	6,494	5,231	(1,263)
-	Other	-	-	-
(35)	Less: provision for doubtful debts	(35)	-	35
8,461	Total trade receivables	10,737	8,495	(2,242)

CABINET OFFICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

Note 3: Trade receivables and other receivables (continued)

Actual Prior Year	Other Receivables	Actual Current Year	Final/Original Budget	Variance (Original vs. Actual)
\$000		\$000	\$000	\$000
146	Advances (salary, official travel, etc.)	3	-	(3)
4	Dishonoured cheques	6	-	(6)
606	Other	8	81	73
756	Total trade receivables	17	81	64

	Trade Receivables \$000	Prior Year Impairment \$000	Net \$000	Gross amount \$000
Current	1,121	-	1,121	1,121
Past due 1-30 days	997	-	997	997
Past due 31-60 days	43	-	43	43
Past due 61 and above	32	-	32	32
Past due 90 and above	8,544	-	8,544	8,544
Total	10,737	-	10,737	10,737

Changes in the provision of doubtful debts:

Actual Prior Year \$000	Description	Actual Current Year \$000
-	Balance at 1 July	(35)
(35)	Additional provisions made during the year	-
-	Receivables written off during the year	-
(35)	Balance at 30 June	(35)

CABINET OFFICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

Note 4: Inventory

The carrying amount of inventories held for distribution as at 30 June 2011 was \$0. The write-down of inventories for distribution that are measured at the lower of cost and net realizable value amounted to \$0 at June 30, 2011 and \$854K at June 30, 2010. There have been no reversals of write downs. No inventories are pledged as security for liabilities.

Actual Prior Year \$000	Inventories	Actual Current Year	Final/Original Budget	Variance (Original vs. Actual)
854	Inventory held for sale	-	822	822
854	Total inventories	-	822	822

Note 5: Property, plant and equipment

	Buildings	Furniture	Computer	Other Assets	Infrastructure	Motor Vehicles	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<u>COST</u>							
Balance at July 1, 2009	314	182	6,385	512	1,598	101	9,092
Additions	-	-	630	-	-	-	630
At June 30, 2010	314	182	7,015	512	1,598	101	9,722
Balance at July 1, 2010	314	182	7,014	512	1,598	101	9,721
Additions	234	(35)	971	(238)	325	45	1,302
Balance as at June 30, 2011	548	147	7,985	274	1,923	146	11,023
<u>ACCUMULATED DEPRECIATION</u>							
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at July 1, 2009	92	106	4,822	196	693	84	5,993
Depreciation expense 2009/10	23	20	291	43	88	16	481
Adjustment	(29)	(67)	(755)	(80)	(25)	(16)	(972)
Balance at July 1, 2010	86	59	4,358	159	756	84	5,502
Balance at July 1, 2010	86	59	4,358	159	756	84	5,502
Depreciation expense 2010/11	33	10	334	19	58	14	468
At June 30, 2011	119	70	4,692	178	813	98	5,970
Net book value 30 June 2010	228	123	2,657	353	842	17	4,220
Net book value 30 June 2011	429	77	3,293	96	1,110	48	5,053

CABINET OFFICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

Note 6: Trade payables, other payables and accruals

Actual Prior Year CI\$000	Description	Actual Current Year CI\$000
1,275	Creditors	260
652	Creditors Ministries/Portfolios	1,056
163	Accrued Expenses	588
96	Payroll deductions	
2,186	Total trade payables, other payables and accruals	1,904

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

Note 7: Employee entitlements

Actual Prior Year CI\$000	Description	Actual Current Year CI\$000
	Current employee entitlements are represented by:	
165	Annual Leave	158
32	Comp Time	65
197	Total current portion	223
	Non-current employee entitlements are represented by:	
-	Retirement and long service leave	-
197	Total employee entitlements	223

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

NOTE 8: Other Payables and Accruals – Non Current

Actual Prior Year CI\$000	Description	Actual Current Year CI\$000
469	Creditors Owed to Other Ministries	306
5,292	Surplus Payable	5,793
16	Others	-
5,777	Total trade payables, other payables and accruals	6,099

CABINET OFFICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

Note 9: Revenue

Actual Prior Year CI\$000	Revenue type	Actual Current Year CI\$000	Final/Original Budget CI\$000	Variance (Original vs. Actual) CI\$000
	Sale of Goods and Services			
991	Outputs to other government agencies	502	479	(23)
1,141	Outputs to Others, fees and charges	909	1,064	155
2,132	Total sales of goods and services	1,411	1,543	132
12,893	Outputs to Cabinet	11,170	11,878	708
15,025	Total Revenue	12,581	13,421	840

During the financial years ended 30 June 2010 and 2011 there were no revenue concessions.

Note 10: Personnel costs

Actual Prior Year CI\$000	Description	Actual Current Year CI\$000	Original /Final Budget CI\$000	Variance (Original vs Actual) CI\$000
7,256	Salaries, wages and allowances	6,809	6,719	(90)
895	Health care	781	785	4
794	Pension	373	805	432
(185)	Other personnel related costs	100	-	-
8,760	Total Personnel Costs	8,063	8,309	246

Note 11: Supplies and consumables

Actual Prior Year CI\$000	Description	Actual Current Year CI\$000	Final/Original Budget CI\$000	Variance (Original vs. Actual) CI\$000
225	Supplies and Materials	237	2,065	1,828
2,817	Purchase of services	2,576	820	(1,756)
280	Lease of Property and Equipment	242	244	2
484	Utilities	246	433	187
18	Insurance	70	6	(63)
271	Interdepartmental expenses	71	62	(9)
145	Travel and Subsistence	38	142	104
-	Other	70	216	146
4,240	Total Supplies & consumables	3,550	3,989	439

CABINET OFFICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

Note 12: Revenue from Non Exchange Transactions

During the year ended 30 June 2011, the entity received services in-kind in the form of accommodation in the central government building. The fair value of these services cannot be determined and therefore no expense has been recognized in these financial statements.

Note 13: Reconciliation of net cash flows from operating activities to surplus

Actual Prior year CI\$000	Description	Actual Current year CI\$000
1,544	Surplus/(deficit) from ordinary activities	787
	Non-cash movements	
481	Depreciation expense	468
	Changes in current assets and liabilities:	
(35)	(Increase)/decrease in other current assets	(314)
2,884	(Increase)/(decrease) in receivables	
(2,156)	(Increase)/decrease in receivables – Cabinet	(2,276)
(89)	(Increase)/decrease in inventories	(854)
(893)	(Increase)/decrease in payables	(285)
(192)	(Increase)/decrease in provision relating to employee costs	(267)
<u>523</u>	<u>Net cash flows from operating activities</u>	<u>(1,035)</u>

Note 14: Investment revenue

Cabinet Office had no Investment revenue during 2010-11.

Note 15: Donations

Cabinet Office had no donations during 2010-11.

Note 16: Finance costs (Bank Overdraft)

During the year Cabinet Office did not incur any finance charges.

**CABINET OFFICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

Note 17: Litigation costs

The Attorney General's Office provides litigation services to Cabinet Office.

Note 18: Gains / (Losses)

During the period the Cabinet Office did not disposed of property, plant or equipment.

Note 19: Explanation of major variances against budget

Explanations for major variances for the Entity performance against the original budget are as follows:

Statement of financial performance

Cabinet revenue

Revenue from cabinet was \$708K below budget due to budget cuts.

Other Revenue

Revenue from other sources was \$132K below budget due to collections from trailer homes, gazette sales and tax undertakings being lower than expected.

Personnel Costs

Personnel costs were \$246K below budget due to delaying recruitments as well as budget cuts.

Supplies and consumables

Supplies and consumables were \$439K below budget due to budget cuts which restricted spending.

Depreciation

Depreciation expenses were \$355K below budget due to updating the fixed asset register.

Finance costs

Cabinet Office did not incur any finance costs during 2010/11.

Litigation costs

Cabinet Office did not incur any litigation costs during 2010/11.

Extraordinary items

Cabinet Office did not incur any extraordinary costs during 2010/11.

Other operating expenses

No other operating expenses were incurred.

**CABINET OFFICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

Note 19: Explanation of major variances against budget (continued)

Statement of financial position

Cash and cash equivalents

The actual year-end cash balances were \$2.2 million below budget due to receivables being higher than projected.

Debtors and other receivables

The actual year-end debtors and other receivables balances were \$2.5 million higher than the original budget due to the expectation of collecting a similar amount in receivables from government departments.

Fixed assets

Fixed assets were \$2.2 million higher than the original budget due to updating the fixed asset register.

Creditors and other payables

Creditors, accruals and other payables were \$.8 million higher than the original budget due to the delay in collection of receivables from other government departments and in turn delaying Cabinet Offices payment to other departments.

Repayment of surplus

The repayment of surplus provision reflects the actual surplus generated from savings in 2007-8 through 2010-11.

Statement of cash flows

Cash from operating activities

The decrease in cash from operating activities is due to the delay in collection of receivables from other government departments.

Cash from investing activities

The decrease in cash from investing activities is due to a minor variance between budget and actual purchases.

Cash from financing activities

The increase in cash from financing activities is due to the purchase of new assets being less than expected despite replacements being higher than projected.

**CABINET OFFICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

Note 20: Related party and key management personnel disclosures

Related party disclosure

The Entity is a wholly owned entity of the government from which it derives a major source of its revenue. The Entity and its key management personnel transact with other government entities on a regular basis. These transactions were provided free of cost during the financial year ended 30 June 2011 and were consistent with normal operating relationships between entities and were undertaken on terms and conditions that are normal for such transactions.

Key management personnel

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

Prior Year Actual \$000	Description	Current Year Actual \$000	Number of Persons
\$ 869	Salaries & Other short-term employee benefits	\$ 553	6
-	- Post employee benefits	-	
-	- Other long term benefits	-	
-	- Termination benefits	-	
-	- Loans	-	
<u>\$ 869</u>	<u>Total</u>	<u>\$ 553</u>	<u>6</u>

During the year, the entity had several transactions which are considered a related party to key management personnel. The total dollar value of these transactions totalled to \$548K (2010: \$695K).

Prior Year Actual \$000	Company	Current Year Actual \$000
14	ISSI Business	12
366	Lime	373
315	Alphasoft	163
<u>695</u>	<u>Total</u>	<u>548</u>

Note 21: Financial instrument risks

The Entity is exposed to a variety of financial risks including credit risk and liquidity risk. The Entity's risk management policies are designed to identify and manage these risks, to set appropriate risk limits and controls, and to monitor the risks and adhere to limits by means of up to date and reliable information systems. These risks are managed within the parameters established by the Financial Regulations (2008 Revision).

**CABINET OFFICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

Note 21: Financial instrument risks (continued)

Credit risks

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Entity. Financial assets which potentially expose the Entity to credit risk comprise cash and cash equivalents and accounts receivable.

The Entity is exposed to potential loss that would be incurred if the counterparty to the bank balances fails to discharge its obligation to repay. All bank balances are with one financial institution located in the Cayman Islands which management, considers to be financially secured and well managed.

The Entity is also exposed to a significant concentration of credit risk in relation to accounts receivable, a significant portion of which are due from other Government entities. No credit limits have been established. As at 30 June 2011 and 2010, management considers some of these debts to be unrecoverable hence a provision for doubtful debts is to be provided in the succeeding year.

The carrying amount of financial assets recorded in the financial statements represents the Entity's maximum exposure to credit risk. No collateral is required from debtors.

Liquidity risk

Liquidity risk is the risk that The Entity is unable to meet its payment obligations associated with its financial liabilities when they are due.

The ability of the Entity to meet its debts and obligation is dependent upon its ability to collect the debts outstanding to the Entity in a timely basis. In the event of being unable to collect its outstanding debts, it is expected that the Government would temporarily fund any shortfalls the Entity would have with its own cash flows. As at 30 June 2011 and 2010, all of the financial liabilities were due within three months of the year end dates.

Note 22: Financial instruments – fair values

As at 30 June 2011 and 2010, the carrying values of cash and cash equivalents, accounts receivable, accounts payable and employee entitlements approximate their fair values due to their relative short-term maturities.

Fair values are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions, economic conditions and other factors could cause significant changes in fair value estimates.

CABINET OFFICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

Note 23: Segment Reporting

The Cabinet Office does not have any major segments other than to provide policy advice and support services to Cabinet.

Note 24: Appropriations used

Appropriation description (including output number and name)	Amount appropriated	Appropriation used	Variance
CBO 1 – Coordination of Government Policy	751,725	751,725	-
CBO 2 – Cabinet Support and Servicing	665,980	665,980	-
CBO 5 – Administration of Temporary Housing Initiative	330,172	239,375	90,797
CBO 6 – Disaster Tolerant Central Information Technology Infrastructure	352,450	352,180	270
CBO 7 – Public Information Services and Products	569,403	456,660	112,743
CBO 9 – Protocol Services	944,849	944,849	-
CBO 11 – Freedom of Information and Data Protection Coordination	352,150	192,082	160,068
CBO 17 – Information Services Provided to Other Government Agencies	1,284,549	1,284,549	-
CBO 18 – Information Technology Support	6,350,284	6,013,740	-
CBO 19 – Information Technology Supplies and Procurement Services	274,799	268,480	6,319
EI – Cabinet Office	516,391	299,824	216,567
TOTAL	12,392,752	11,469,443	923,309