

ANNUAL FINANCIAL STATEMENTS
CAYMAN ISLANDS MONETARY AUTHORITY
30 JUNE 2012

CAYMAN ISLANDS MONETARY AUTHORITY

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CAYMAN ISLANDS MONETARY AUTHORITY

Statement of Responsibility For Financial Statements 30 June 2012

These financial statements have been prepared by the Cayman Islands Monetary Authority in accordance with the provisions of the *Public Management and Finance Law* (2012 Revision).

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

As Chairman and Managing Director 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 Cayman Islands Monetary Authority.

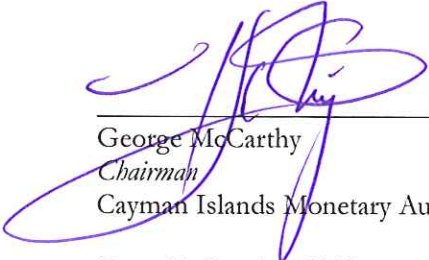
As Chairman and Managing Director we are responsible for the preparation of the Cayman Islands Monetary Authority financial statements and for the judgements made in them.

The financial statements fairly present the financial position, financial performance and cash flows of the Cayman Islands Monetary Authority for the financial year ended 30 June 2012.

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

- (a) Completely and reliably reflect the financial transactions of Cayman Islands Monetary Authority for the year ended 30 June 2012;
- (b) fairly reflect the financial position as at 30th June 2012 and performance for the Year ended 30th June 2012;
- (c) comply with International Public Sector Accounting Standards as set out by International Public Sector Accounting Standards Board under the responsibility of the International Federation of Accountants. Where guidance is not available, the financial statements comply with International Financial Reporting Standards under the responsibility of the International Accounting Standards Board.

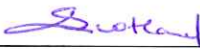
The Office of the Auditor General conducts an independent audit and expresses an opinion on the accompanying financial statements. The Office of the Auditor General has been provided access to all the information necessary to conduct an audit in accordance with International Standards of Auditing.



George McCarthy
Chairman

Cayman Islands Monetary Authority

Date: 31 October 2012



Cindy Scotland
Managing Director

Cayman Islands Monetary Authority

Date: 31 October 2012

Auditor General's Report To the Shareholder and Board of Directors of the Cayman Islands Monetary Authority

I have audited the accompanying financial statements of the Cayman Islands Monetary Authority ("*the Authority*") which comprise the statement of financial position as of 30 June 2012 and the related statements of comprehensive income, changes in reserves and capital and cash flows and other explanatory notes as set out on pages 4 to 20 and in accordance with Section 60 (1) (a) of the *Public Management and Finance Law* (2012 Revision).

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. 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 appropriated accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor General's Responsibility and Basis of Opinion

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Cayman Islands Monetary Authority as at 30 June 2012 and the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Monetary Authority Law (2010 Revision).

A handwritten signature in blue ink, appearing to read 'A Swarbrick', with a stylized flourish at the end.

Alastair Swarbrick MA. (Hon), CPFA
Auditor General

31 October 2012

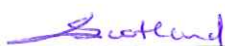
CAYMAN ISLANDS MONETARY AUTHORITY
STATEMENT OF FINANCIAL POSITION

At 30 June 2012

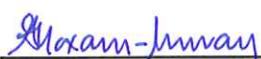
(in Cayman Islands Dollars)

	Note	2012 \$000	2011 \$000
ASSETS			
Currency Reserve Assets			
<i>Current Assets</i>			
Call Deposits	4b	3,738	2,858
Short-Term Investments	4a	70,420	77,484
Fixed Deposits	4b	1,535	1,533
Interest Receivable, Deposits		56	30
Stocks	7	2,889	3,286
<i>Non-Current Assets</i>			
Long-Term Investments	4a	20,779	10,417
Total Currency Reserve Assets		<u>99,417</u>	<u>95,608</u>
Operating Assets			
<i>Current Assets</i>			
Current and Call Deposits	4b	8,138	10,541
Accounts Receivable	5	2,927	198
Other Receivables and Prepayments		143	122
<i>Non-Current Assets</i>			
Fixed Assets	6	1,960	2,208
Employee Pension Plan	9	-	48
Total Operating Assets		<u>13,168</u>	<u>13,117</u>
TOTAL ASSETS		<u><u>112,585</u></u>	<u><u>108,725</u></u>
LIABILITIES, RESERVES and CONTRIBUTED CAPITAL			
Liabilities			
Demand Liabilities, Currency in Circulation	8a	88,696	84,921
Defined Asset Pension Liability	9	96	-
Other Liabilities and Payables	8b	1,017	1,142
Total Liabilities		<u>89,809</u>	<u>86,063</u>
Reserves			
General Reserve		17,218	16,743
Currency Issue Reserve		375	375
Capital Expenditures Reserve		2,509	2,818
Operational Expenditures Reserve		346	398
Total Reserves		<u>20,448</u>	<u>20,334</u>
Contributed Capital		<u>2,328</u>	<u>2,328</u>
TOTAL LIABILITIES, RESERVES and CONTRIBUTED CAPITAL		<u><u>112,585</u></u>	<u><u>108,725</u></u>

Approved on 31 October 2012



 Cindy Scotland
 Managing Director
 Cayman Islands Monetary Authority



 Gilda Moxam-Murray
 Chief Financial Officer
 Cayman Islands Monetary Authority

The accompanying notes form an integral part of these financial statements

**CAYMAN ISLANDS MONETARY AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 30 June 2012

(in Cayman Islands Dollars)

	Note	2012 \$000	2011 \$000
INCOME			
Services Provided to The Cayman Islands Government	11a	17,350	16,850
Investment Income		587	522
Commission Income		473	558
Numismatic Income		-	557
TOTAL INCOME		18,410	18,487
EXPENSES			
Salaries and Benefits		11,425	11,143
Other Operational Expenses	11d, 12	2,499	2,267
Pension Expenses	9	963	1,103
Accommodation	10	916	854
Depreciation	6	670	655
Training and Conferences		591	553
Utilities		441	457
Professional Fees		307	326
Official Travel		294	315
Loss on Numismatic Items		190	-
TOTAL EXPENSES		18,296	17,673
<i>TOTAL NET INCOME FOR THE YEAR</i>		114	814

The accompanying notes form an integral part of these financial statements

CAYMAN ISLANDS MONETARY AUTHORITY
STATEMENT OF CHANGES IN RESERVES AND CONTRIBUTED CAPITAL
For the year ended 30 June 2012
(in Cayman Islands Dollars)

	2012				2011					
	General Reserve \$000	Currency Issue Reserve \$000	Capital Expenditures Reserve \$000	Operational Expenditures Reserve \$000	Contributed Capital \$000	General Reserve \$000	Currency Issue Reserve \$000	Capital Expenditures Reserve \$000	Operational Expenditures Reserve \$000	Contributed Capital \$000
BALANCE AT 01 JULY 2011	16,743	375	2,818	398	2,328	15,890	420	3,543	526	1,939
Transfers in :										
From Net Income										389
From Capital Expenditures Reserve	423		114			725				
From Operational Expenditures Reserve	52					128				
Transfers out :										
To Capital Expenditure Reserve										
Currency Inventory Issued							(45)	(725)	(128)	
Fixed Assets Purchased										
Operational Expenses				(52)						
BALANCE AT 30 JUNE 2012	17,218	375	2,509	346	2,328	16,743	375	2,818	398	2,328

The accompanying notes form an integral part of these financial statements

CAYMAN ISLANDS MONETARY AUTHORITY
STATEMENT OF CASH FLOWS
For the year ended 30 June 2012
(in Cayman Islands Dollars)

	2012	2011
	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income for the year	114	814
Adjustments for:		
Depreciation	670	655
Loss on Defined Benefits Assets	144	258
Loss on Disposal of Fixed Assets	1	-
(Increase) in Investments	(3,298)	(6,469)
(Increase) / Decrease in Interest Receivable - Currency Reserve Assets	(26)	63
(Increase) / Decrease in Accounts Receivable	(2,729)	2,727
(Increase) / Decrease in Other Receivables and Prepayments	(21)	612
Increase / (Decrease) in Other Liabilities and Payables	300	(15)
Decrease / (Increase) in Stocks	397	(1,694)
Increase in Demand Liabilities	3,775	6,936
(Decrease) in Currency Issue Reserve Cost of Currency Notes Reprint	-	(45)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>(673)</u>	<u>3,842</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of Fixed Assets	(423)	(725)
NET CASH USED BY INVESTING ACTIVITIES	<u>(423)</u>	<u>(725)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contribution Paid to CI Government	(425)	-
NET CASH USED IN FINANCING ACTIVITIES	<u>(425)</u>	<u>-</u>
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(1,521)	3,117
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>14,932</u>	<u>11,815</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u><u>13,411</u></u>	<u><u>14,932</u></u>

The accompanying notes form an integral part of these financial statements

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2012

1. Organisation and Objectives

The Cayman Islands Monetary Authority (the "Authority") was established under the *Monetary Authority Law, 1996* on 1 January 1997. Under the *Monetary Authority Law (2011 Revision)* (the "Law (2011 revision)"), the primary functions of the Authority are: -

- To issue and redeem currency notes and coins and to manage the Currency Reserve
- To regulate and supervise the financial services business
- To provide assistance to overseas regulatory authorities, and
- To advise the Cayman Islands Government on regulatory matters.

As at 30 June 2012 the Authority has 153 employees (2011: 155). The Authority is located in Elizabethan Square, George Town, Grand Cayman, Cayman Islands.

2. 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.

a) Basis of preparation. The financial statements of the Authority are prepared in accordance with International Financial Reporting Standards ("IFRS"), on the accrual basis under historical cost convention.

b) Foreign currency. The reporting currency is Cayman Islands Dollars. 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 recognised in the Statement of Comprehensive Income. Assets and liabilities are translated at the exchange rate in effect at the date of these financial statements

c) Use of Estimates. The preparation of financial statements, in conformity with IFRS, 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.

d) 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 and cash equivalents, long and short-term investments, accounts and interest receivable, and other receivables and prepayments.

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 Authority recognises financial instruments on its balance sheet on the date it becomes a party to the contractual provisions of the instrument.

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2012

Significant Accounting Policies (continued)

Financial Instruments (continued)

Measurement.

Financial instruments are measured initially at cost, which is the fair value of the consideration given or received.

The financial assets classified as cash and cash equivalents, accounts and interest receivable, and other receivables and prepayments are carried at historical cost, which is considered to approximate to fair value due to the short-term or immediate nature of these instruments.

Short-term investments are valued, on a monthly basis at their amortised cost. Long term investments are valued at quoted market value. Unrealised gains or losses are recorded in the Statement of Comprehensive Income.

The Authority's financial liabilities are carried at historical cost, which is the fair value of the consideration expected to be paid in the future for goods and services received whether or not billed to the Authority, due to their short-term maturities.

e) Cash and Cash Equivalents. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of current and call deposits and fixed deposits maturing within 90 days from the date of acquisition.

f) Stock of Notes and Coins for Circulation. 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. All associated cost such as shipping, handling and insurance are expensed immediately.

g) Stocks of Numismatic Items. Stocks consist of gold and 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). Bullion stocks are stated at year-end market values for gold and silver bullion and unrealised gain/loss are recorded in the Statement of Comprehensive Income.

h) Numismatic Coins in Circulation. The total nominal value of numismatic coins outstanding as at 30 June 2012 is \$14,502k (2011: \$14,500k). No liability for redeeming numismatic coins is recognised 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 Statement of Comprehensive Income as incurred.

i) Fixed Assets. Fixed Assets are stated at historical cost less accumulated depreciation. Additions or improvements to assets during the year, which significantly add to the value of, or extend the useful life of such assets, are capitalised as part of the cost. Depreciation is calculated on the straight-line method of 20% per annum for Furniture & Fixtures, Leasehold Improvements, Motor Vehicle and Office Equipment (with the exception of Bank Note Sorting Machine calculated at 15% and DRC Equipment calculated at 33.33%); and 25% to 33.33% per annum for Computer Hardware and Software.

j) Employee Benefits.

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.

**CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2012

Significant Accounting Policies (continued)

Employee Benefits (continued).

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 Statement of Financial Position 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 Statement of Comprehensive Income 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 salary and other benefits expense in the Statement of Comprehensive Income as incurred.

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 as at 30 June 2012 is \$105k (2011: \$138k) and is included in the other liabilities and payables.

k) Allocation of profits. Under Section 9 and 10 of the *Law (2011 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 represents at least 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.

l) General Reserve. The Authority maintains a General Reserve in accordance with Section 8 of the *Law (2011 revision)*, to provide additional funding if necessary for Demand Liabilities and obligations arising from other business of the Authority. In accordance with section 8 of the *Law (2011 revision)* the General Reserve shall represent at least 15% of Demand Liabilities. As at 30 June 2012, the General Reserve was \$17,218 (2011: \$16,743k) equating to 19.41% (2011: 19.72%) of Demand Liabilities.

m) Currency Issue Reserve. The Currency Issue Reserve will be adjusted as the stock of notes printed prior to 2003 is all issued into circulation. The Currency Issue Reserve will then remain at \$375k.

n) Capital and Operational Expenditures Reserves. Under Section 9 of the *Law (2011 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. The Capital Expenditures Reserve has been established for the implementation and acquisition of key capital projects such E-Reporting, Document Management and various other IT Projects. The Operational Expenditures Reserve will fund the operating costs associated with these key projects.

**CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2012**

Significant Accounting Policies (continued)

o) Contributed Capital. The authorised capital of the Authority is \$100 million; with The Cayman Islands Government being the sole subscriber. In 1998, the Government made a commitment to increase the Contributed Capital of the Authority to a minimum of \$10 million by yearly transfers of approximately \$0.5 million from Operating Surplus.

In December 2009, Section 7 (5) of the Monetary Authority Law (2008 Revision) was amended by the Monetary Authority (Amendment Law, 2009), to allow Cabinet to vary the amount of paid-up capital held by the Authority, and where the capital is reduced any excess shall be transferred by the Authority to the Government. In June 2011 the Cayman Islands Government withdrew \$8.25 million. Contributed Capital as at 30 June 2012 was \$2.328 million (2011: \$2.328 million).

p) Revenue recognition. The Authority's main source of income is derived from the services it provides to the Government of the Cayman Islands. The Authority's other sources of income are generated from its investments, bank balances, and other currency transactions. The Authority recognises revenue in the period in which it is earned.

q) Leases. Those 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 Statement of Comprehensive Income on a straight line basis over the period of the lease.

2.1 Changes in Accounting Standards/IFRS

Relevant Standards and amendments issued prior to 30 June 2011 but not effective until future periods and are predicted to have an impact on the Authority

Amendments to IFRIC 14 IAS 19: Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011). These amendments apply in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendments permit such an entity to treat the benefit of such an early payment as an asset.

Amendments to IFRS 7: Financial Instruments: Disclosures (amended and effective for annual periods beginning on or after 1 January 2011). This amendment is expected to provide additional disclosures in the financial statements in succeeding years.

3. Financial Risk Management

a) Credit risk. Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation (IFRS 7). The Authority manages credit risk by adhering to the Authority's investment guidelines for its Currency Reserves Assets which establishes counterparty concentration limits and minimum standards that each counterparty must attain. The Authority's current, call, and fixed deposits are placed with high credit quality institutions. Credit risk with respect to long and short-term investments, accounts and interest receivable, and other receivables and prepayments is limited as the Authority only transacts business with counterparties it believes to be reputable and capable of performing their contractual obligations.

b) Liquidity risk. Liquidity risk is the risk that an entity will have difficulties in meeting its financial obligations (IFRS 7). Liquidity risk is managed on a basis which generally requires the Authority to hold assets of appropriate quantity and quality to meet all its obligations as they fall due. The Authority's investment guidelines for its Currency Reserves Assets are, in order: security, liquidity and income. Accordingly, the Authority believes that it is not exposed to any significant level of liquidity risk.

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2012

Financial Risk Management (continued)

c) *Market risk.* Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks (IFRS 7). The ranges of interest rates and maturity dates are presented in Note 4. The carrying amount of call accounts, fixed deposit accounts, interest receivable and other liabilities approximated their fair value due to the short-term maturities of these assets and liabilities. The fair value of investments is presented in Note 4. The fair values of other assets and liabilities are not materially different from the carrying amounts. Readily available markets, enables the determination of fair values.

4. Currency Reserve Assets

Sections 32(8) of the *Law (2011 revision)* mandates the preservation of Currency Reserve Assets, separately from all other assets of the Authority. These assets are to be used to fund the Authority's currency redemption obligations. (See Note 8.) They shall not be used to satisfy liabilities arising from any other business of the Authority. After all Demand Liabilities are extinguished, any surplus Currency Reserve Assets would form, in part, the assets of the General Reserve. (See Note 2 I.)

Under the *Law (2011 revision)*, sections 32(2) and 32(6) respectively, the Currency Reserve Assets consist of external assets (not less in value than an amount equivalent to ninety percent of Demand Liabilities) and local assets (not to exceed ten percent of Demand Liabilities).

As at 30 June 2012, the value of Currency Reserve Assets was \$99,417k (2011: \$95,608k) representing 112.09% (2011: 112.58%) of total Demand Liabilities. The value of external assets equated to 105.41% (2011: 105.59%) while the value of local assets as at 30 June 2012 equated to 6.68% (2011: 6.99%) of Demand Liabilities.

Currency Reserve Assets comprise the following:

a) *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 of the Cayman Islands Monetary Authority, in accordance with the *Law (2011 Revision)*. Management fees are calculated based on the market value of the portfolio and are payable quarterly in arrears. Either party may terminate the agreement with thirty days notice.

Long-term Investments. US Treasury Notes, AAA corporate Bond and U.S. Government Sponsored Enterprise ("GSE") stated at market value, with interest rates ranging from 0.250% to 5.00% and a maturity dates between 31 August 2012 and of 20 July 2041.

	<u>2012</u>	<u>2011</u>
Range of maturities	\$000	\$000
1-5 years	12,126	10,417
6-10 Years	-	-
Over 10 Years	8,653	-
	<u>20,779</u>	<u>10,417</u>

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2012

Currency Reserve Assets (continued)

Investments (continued)

Short-term Investments. US Treasury Bills, AAA Bonds and US Treasury Notes with maturity dates ranging between 12 July 2012 and 15 May 2013, and the Federal Reserve Repurchase Agreement with a maturity date 02 July 2012.

	<u>2012</u>	<u>2011</u>
	\$000	\$000
US Treasury Bills	29,412	42,081
Federal Reserve Repurchase Agreement at 0.01 %	25,500	21,583
US Treasury Notes	14,257	10,030
AAA Bonds	1,251	3,790
Total Short-term Investments, at amortized cost	<u>70,420</u>	<u>77,484</u>

The fair value of the short term investments equates cost.

b) *Cash and Cash Equivalents.* The Authority maintains current, call and fixed term deposits with domestic and foreign banks. Under the *Law (2011 revision)*, domestic deposits (as part of the Currency Reserve Assets) cannot exceed 10% of Demand Liabilities. As at 30 June 2012, domestic deposits represent 4.77% (2011: 4.81%) of Demand Liabilities.

	Holding	<u>2012</u>	<u>2011</u>
	Currency	\$000	\$000
i) Operating Assets			
Current	KYD	(526)	(197)
Savings	KYD	8,035	10,370
Savings	USD	628	367
CI Cash on Hand	KYD	1	1
Current and Call Deposits		<u>8,138</u>	<u>10,541</u>
ii) Currency Reserve Assets	Holding	<u>2012</u>	<u>2011</u>
	Currency	\$000	\$000
Domestic Deposits			
Savings	GBP	8	8
Savings	KYD	1,421	522
Savings	USD	1,267	2,021
Foreign Deposits			
Federal Reserve Bank	USD	259	218
Investment Portfolio	USD	783	89
Total Call Deposits - Currency Reserve		<u>3,738</u>	<u>2,858</u>
Domestic - Fixed Deposits	USD	<u>1,535</u>	<u>1,533</u>
Total Operating Cash and Cash Equivalent		<u>13,411</u>	<u>14,932</u>

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2012

Currency Reserve Assets (continued)

Cash and Cash Equivalents (continued)

Interest was earned on domestic call accounts at a rate of 0.01% during the year ended 30 June 2012 (2011: 0.01%). The domestic fixed deposits earned interest at a rate of 0.4658% during the year ended 30 June 2012 (2011: 0.1200%).

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

Interest is calculated on the average daily balance of the foreign investment call account. During the year ended 30 June 2012 no interest was earned (2011: \$0).

5. Accounts Receivable

	2012	2011
	\$000	\$000
Cayman Islands Government	2,892	173
Other Receivables	55	48
Provision for doubtful accounts	(20)	(23)
Accounts Receivable, net	<u>2,927</u>	<u>198</u>

There was no bad debt expense included in the statement of comprehensive income. \$2.7k was recovered during the year in relation to an individual operating debt from an earlier period for which a full provision had been made.

6. Fixed Assets

	Furniture & Fixtures	Leasehold Improvement	Computer Equipment	Office Equipment	WIP	Motor Vehicle	Total
Original Cost	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance as at 30/06/11	709	881	3,599	694	-	23	5,906
Additions	23		186	134	80		423
Transfer to asset register							
Disposals	(13)		(24)	(155)			(192)
Balance as at 30/06/12	<u>719</u>	<u>881</u>	<u>3,761</u>	<u>673</u>	<u>80</u>	<u>23</u>	<u>6,137</u>
Accumulated Depreciation							
Balance as at 30/06/11	709	881	1,547	546	-	15	3,698
Depreciation for the year	2		621	42		5	670
Relieved on disposals	(13)		(23)	(155)			(191)
Balance as at 30/06/12	<u>698</u>	<u>881</u>	<u>2,145</u>	<u>433</u>	<u>-</u>	<u>20</u>	<u>4,177</u>
Net Book Value as at 30/06/12	<u>21</u>	<u>0</u>	<u>1,616</u>	<u>240</u>	<u>80</u>	<u>3</u>	<u>1,960</u>
Net Book Value as at 30/06/11	<u>-</u>	<u>-</u>	<u>2,052</u>	<u>148</u>	<u>-</u>	<u>8</u>	<u>2,208</u>

CAYMAN ISLANDS MONETARY AUTHORITY
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7. Stocks

	2012 \$000	2011 \$000
<i>External</i>		
Bullion from the melt-down of coins	773	983
Coins awaiting melt-down	64	81
Coins for resale	269	278
Museum items	91	88
	<u>1,197</u>	<u>1,430</u>
<i>Local</i>		
Inventory of unissued currency notes and coins	<u>1,692</u>	<u>1,856</u>
Total Stocks	<u>2,889</u>	<u>3,286</u>

8. Liabilities

a) Demand Liabilities. Demand Liabilities represents the value of currency notes and coins in circulation. These liabilities are fully funded by the Currency Reserve Assets.

Total Demand Liabilities comprise:

	2012 \$000	2011 \$000
Currency notes in circulation	79,015	75,638
Currency coins in circulation	9,681	9,283
Total Demand Liabilities	<u>88,696</u>	<u>84,921</u>

b) Other Liabilities.

	2012 \$000	2011 \$000
Due to Cayman Islands Government	-	425
Basel II Project	-	157
Annual Leave accrual	105	138
Other Accruals	739	335
Accounts Payable	173	87
	<u>1,017</u>	<u>1,142</u>

As at 30 June 2012, Other Liabilities included unsettled investment management and custody fees of \$24k (2011:\$30k).

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9. Public Service Pension Plan

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 plan. Prior to 1 January 2000 the Fund operated as a defined benefit plan. 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 % in his 'Actuarial Valuation as of January 1, 2005 for the purposes of establishing required contribution rates towards the Public Service Pensions Fund'. 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. The Authority pays this 1% for all employees. In addition, for some employees in the defined benefit plan, the Authority pays both the employer and employee contributions.

The Plans are funded at rates of:-

	2012	2011
	%	%
Defined Contribution Plans		
Employee	6	6
Employer	7	7
Defined Benefit Plans		
Employee	6	6
Employer	7	7

The Actuary to the Pensions Board has valued the Fund as at 30 June 2011. The defined contribution part of the Fund is not subject to actuarial valuation due to the nature of the benefits provided therein.

The total amount recognised as a pension expense for the year ended 30 June 2012 was \$819k (2011: \$845k). The actual amount of pension expense relating to the defined benefits for staff should also include the effect of any changes in the actuarial determined liability. Management is unable to determine the impact on the recorded expense for the year ended 30 June 2012, as the Actuary has not provided this information. Pension expense is the expense under IAS 19, inclusive of Company Service Cost, amortisations and net Interest. Company Service represents the pension cost to the Authority associated with the financial year benefit accruals and is net of participant contributions.

The actuarial position is as follows:

	2012	2011	2010	2009	2008
	\$000	\$000	\$000	\$000	\$000
Net Present Value of Funded Obligation	(6,649)	(5,283)	(4,902)	(4,120)	(2,791)
Fair Value of Plan Assets	5,415	5,054	3,919	3,501	3,522
Funded Status	(1,234)	(229)	(983)	(619)	731
Unrecognised Actuarial Loss/(Gain)	1,138	283	1,306	1,143	(246)
Net (Liability)/Asset	(96)	54	323	524	485

The amount of the defined benefit asset as at 30 June 2012 is as per the Actuary's projected funded status report.

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Public Service Pensions Plan (continued)

Pension Expense for fiscal year ending	30 June 2011	30 June 2010
	\$000	\$000
Company Service Cost	284	240
Interest Cost	270	237
Expected Return on Assets (net)	(241)	(216)
Recognition of Net Loss	63	56
Total Pension Expense	376	317

Reconciliation of Defined Benefit Asset/(Liability)	30 June 2011	30 June 2010
	\$000	\$000
Previous Year Defined Benefit Asset	323	524
Net Pension Expense for Fiscal Year	(376)	(317)
Employer Contributions	107	116
Defined Benefit Asset	54	323

Change in Defined Benefit Obligation over year ending	30 June 2011	30 June 2010
	\$000	\$000
Defined Benefit Obligation at end of Prior Year	4,902	4,120
Company Service Cost	284	240
Interest Cost	270	237
Plan Participant Contributions	98	99
Net Actuarial (Gain)/Loss	(271)	431
Transfers between other participating Entities	-	(225)
Defined Benefit Obligation at End of Year	5,283	4,902

Change in Plan Assets over year ending	30 June 2011	30 June 2010
	\$000	\$000
Fair Value of Plan Assets as at End of Prior Year	3,919	3,501
Employer Contributions	107	116
Plan Participant Contributions	98	99
Transfers between other participating entities	-	(225)
Expected Return on Assets net of expense	241	216
Asset Gain	689	212
Fair Value of Plan Assets as at End of Year	5,054	3,919

Change in Unrecognised Net Actuarial Loss/(Gain)	30 June 2011	30 June 2010
	\$000	\$000
Unrecognised Net Actuarial Loss	1,306	1,143
Amortisation (Cost) For Year	(63)	(56)
Liability (Gain)/Loss	(271)	431
Asset (Gain)	(689)	(212)
Unrecognised Net Actuarial Gain	283	1,306

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Public Service Pensions Plan (continued)

Allocation of Assets

The Distribution of the Plan Assets, as at 30 June 2011 and 2010, based on the share of the total Fund allocated to the Authority was as follows: -

	30 June 2011	30 June 2010
	%	%
Equity Investments	61	55
Bond Investments	32	37
Property	3	3
Cash/Other	4	5
Total	<u>100</u>	<u>100</u>

Actuarial Assumptions

The principal Actuarial Assumptions used to Determine Benefit Obligations at 30 June 2011 and 2010 are as follows:

	%	%
Discount Rate	5.50	5.50
Expected Long-Term Return on Plan Assets	6.00	6.00
Rate of Salary Increase	3.50	4.00
Rate of Price Inflation	2.50	2.50
Rate of Pension Increases	2.50	2.50

The economic assumptions used to determine Net Periodic Benefit Cost for the year ending 30 June 2011 and 2010 are as follows:

	30 June 2011	30 June 2010
	%	%
Discount Rate	5.50	5.50
Expected Long-Term Return on Plan Assets	6.00	6.00
Rate of Salary Increase	4.00	4.00
Rate of Price Inflation	2.50	2.50
Rate of Pension Increases	2.50	2.50

Other Assumptions:

- Mortality – Standard U.S. mortality rates
- Retirement Age – attainment of age 57 and at least 10 years of service
- Asset Valuation – Fair (Market) Value

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10. Commitments

Operating Commitments.

Business Continuity Leases

As a part of its Business Continuity Plan the Authority has 2 lease agreements.

- i. An agreement with the Disaster Recovery Centre (Cayman Islands) Limited effective 1 July 2011 for a period of three years at a monthly cost of US\$17k.
- ii. An agreement with the Brac Informatics Centre effective 1 April 2009 at a monthly cost of CI\$12k for a five year period.

Other Operating Commitment - relates to the Thomas Jefferson Memorial Scholarship.

	One year or less	One to five years
	\$000	\$000
Disaster Recovery Leases	317	280
Total Operating Lease Commitments	<u>317</u>	<u>280</u>
Scholarship	<u>25</u>	<u>-</u>

CAYMAN ISLANDS MONETARY AUTHORITY
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11. Related Party Transactions

a) Services Provided to the Cayman Islands Government. The Authority acts as the Government's custodian of the Cayman Islands currency as well as collector of license and other fees (these fees do not form a part of the Authority's revenue) and the regulator and supervisor of the financial services business.

The Authority's main source of revenue is from the services provided to the Cayman Islands Government, which is used to cover the Authority's recurrent expenditure. Commencing in the year ended 30 June 2007 the Authority's capital expenditure was funded from the Capital Expenditures Reserve, which was created from an allocation of the surplus for the year ended 30 June 2006; previously capital expenditure was funded by means of a Government grant. At the end each financial year the Authority contributes to the Government the net operating surplus after fulfilling Reserve requirements.

b) Directors. The Board of Directors of the Authority is appointed by the Governor in Cabinet, and consisted of the Managing Director ("MD") and six directors as of 30 June 2012. The fees of \$144k (2010-11: \$153k) relates to payments made to the directors only.

c) Key Management Personnel. For the purposes of IAS 24 disclosure the MD is included in the number and cost of the Senior Management Team. The total number of personnel of the Senior Management Team was 14 in 2011-12 (2010-11: 14) and salaries & other short term benefits expensed in 2011-12 was \$2,055k (2010-11: \$2,043k).

d) Services Provided by Government Entities. The Authority obtained various goods and services from other Government departments/entities of the Cayman Islands Government, at prevailing market prices on an arm's length basis, during 2011-12 in the amount of \$691k (2010-11: \$400k).

12. Other Operating Expenses

	2012	2011
	\$000	\$000
Maintenance and software licences	658	388
Currency Stock issues	373	461
Business Continuity	340	332
Directors Fees	144	153
Management and Custody Fees	50	49
Realised loss on investments	407	308
Other expenses	527	576
Total	<u>2,499</u>	<u>2,267</u>

