MINISTRY OF
FINANCE & ECONOMIC
DEVELOPMENT
CAYMAN ISLANDS GOVERNMENT

Entire Public Sector (EPS) Accounts
Annual Report

For the Financial Year ended
31 December 2018

INTRODUCTION

These financial statements contain the results and position for the period ended 31 December 2018, the financial year end of the Government was changed from 30 June to 31 December based on an amendment to the Public Management and Finance Act (2013 Revision), authorised by Parliament. Accordingly, the comparative figures in the financial statements are for the 18-month period ended 31 December 2017 and are not comparable to the results for the 12-month period ended 31 December 2018. Due to the change in financial year the comparability of the financial statements of the Government of the Cayman Islands has been impacted for the year ending 31 December 2018. As at 31 December 2019 comparability will be re-established.

Also, included in the information presented are:

- The original budget for the year as published in the 2018 Annual Plan & Estimates,
- The audited actuals for the prior year, 2016/17.

This commentary should be read in conjunction with the financial statements and disclosure notes.

GOVERNMENT STRUCTURE

The Cayman Islands is an Overseas Territory of the United Kingdom, a foreign sovereign territory. Her Majesty the Queen of England (''Her Majesty''), as the British queen regnant, is the head of state of the Cayman Islands. Her Majesty appoints a representative (the ''Governor'') to administer the Government of the Cayman Islands on her behalf. As the Cayman Islands is not part of the United Kingdom, the Cayman Islands has its own Constitution and is governed by a local parliamentary democracy comprised of executive, legislative and judicial branches. The Governor administers the Cayman Islands on behalf of Her Majesty and is constitutionally bound to promote the good governance and act in the best interest of the Cayman Islands, so long as it is consistent with the United Kingdom's interests. The United Kingdom provides defense of the Cayman Islands, and the Royal Cayman Islands Police Service provides police services in the Cayman Islands.

While all of the Cayman Islands' financing decisions are made by the Parliament and Cabinet, and the United Kingdom does not provide direct financial support to the Cayman Islands, the United Kingdom closely monitors borrowings incurred by the Cayman Islands.

The Cabinet is responsible for creating Government policy and currently consists of ten Cabinet members, headed by the Governor. The ten members consist of the Governor, the Premier, six ministers (the ''Ministers'') who are appointed by and from within the elected members of the Parliament, and two members (the ''Members'') consisting of the Deputy Governor and the Attorney General.

The Governments' organisational structure is broken into Core Government (CO) and Statutory Authorities and Government Companies (SAGC), and is collectively referred to as the Entire Public Sector (EPS). Core Government is made up of the Parliament, the Governor in Cabinet, Ministries, Portfolios, and Offices (M/P/O's) and includes the equity investment in Statutory Authorities and Government Companies.

Various statutory boards and authorities have been established for specific purposes, including, but not limited to, Cayman Airways Limited, the Cayman Islands Airport Authority, Cayman Islands Development Bank, Cayman Islands National Insurance Company, Cayman Islands Health Services Authority, The Water Authority of the Cayman Islands, Cayman Turtle Farm (1983) Limited, The Cayman Islands Stock Exchange, Utility Regulation and Competition Office, and The Port Authority of the Cayman Islands.

KEY FINANCIAL HIGHLIGHTS

For the sixth consecutive year the Government of the Cayman Islands posted a Surplus; a Surplus of $188.9 million was achieved by the Entire Public Sector (EPS) for the year ending 31 December 2018. For the prior 18-month period ending 31 December 2017, the EPS achieved a Surplus of $140.5 million.

Actual EPS Surplus results out-performed the EPS original budget by $144.1 million for the financial year 2018 (2016/17: $93.8 million).

The Government's financial position remains strong as:

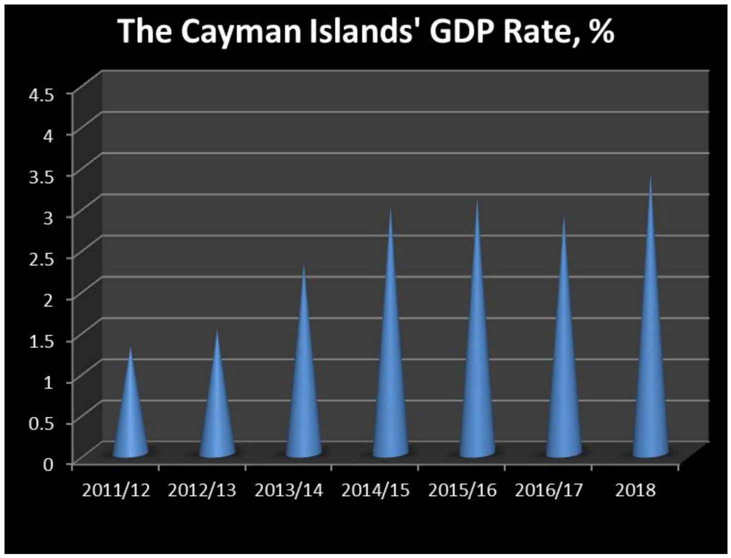
Net Assets (total Assets less all recognised Liabilities) were $1.4 billion as at 31 December 2018. EPS debt declined by 7% based on no new borrowings during the financial year and debt repayments of $43.5 million.

For the third consecutive time since 2012, the Government achieved full compliance with the Framework for Fiscal Responsibility (FFR) as required by the Foreign and Commonwealth Development Office and the Public Management and Finance Act (PMFA) (2020 Revision), for prudent fiscal management.

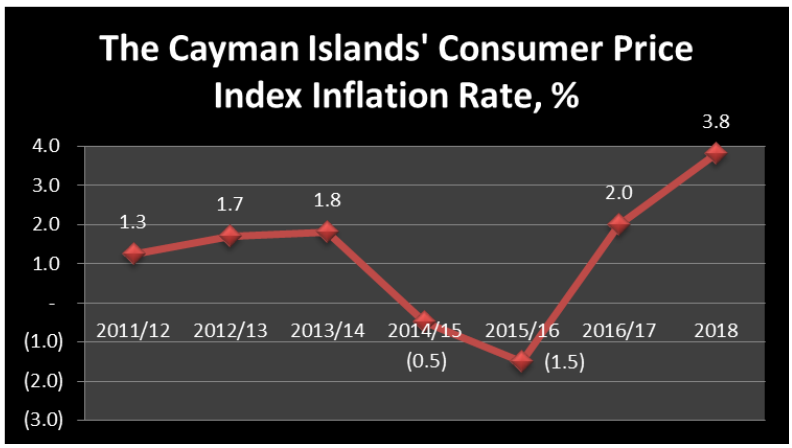
ECONOMIC OVERVIEW BASED ON THIRD QUARTER ECONOMIC REPORT 2018

- The international economy recorded higher growth and inflation in the first nine months of 2018 relative to 2017.
- Cayman's gross domestic product (GDP) continued to expand in the third quarter, resulting in an estimated annualised growth rate of 3.6% for the first three quarters.
- The average Consumer Price Index increased by 3.8%, as higher prices were recorded in all divisions except two.
- Merchandise imports increased by 16.6% to $758.1 million, due to higher oil and non-oil imports.
- Work permits rose by 7.9% to 25,598.
- Broad liquidity or money supply expanded by 2.2% as both local and foreign currency deposits held by residents expanded.
- The weighted average lending rate for KYD increased by 77 basis points to 7.95% while the prime lending rate increased by 83 basis points to 5.08%.
- Domestic credit expanded by 8.3% as a 10% increase in credit to the private sector outweighed a 14% decline in credit to the central government.
- Bank and trust company licences decreased by 5.8% to 146 and insurance licences fell by 0.8% to 727.
- Mutual funds including the category "master funds" grew by 2.4% to 10,889.
- The number of listings on the Stock Exchange rose by 39.9% to 1,579 while market capitalization increased by 28.4% to a record US$299.8 billion.
- New company registrations rose by 34.5% to 12,941 while new partnership registrations increased by 35.0% to 3,809.
- Air arrivals grew by 12.2% while cruise passengers increased by 19.7%.
- The value of building permits increased by 6.1% as the total number of permits rose by 3.7%.
- Property transfers declined by 8.3% in value and by 3.3% in volume.
- Electricity consumption declined by 0.1% while water consumption increased by 3.4%.
- The central government's overall fiscal surplus improved to $151.2 million compared to $114.6 million a year ago.
- The total outstanding debt of the central government declined to $428.9 million from $464.0 million a year ago.

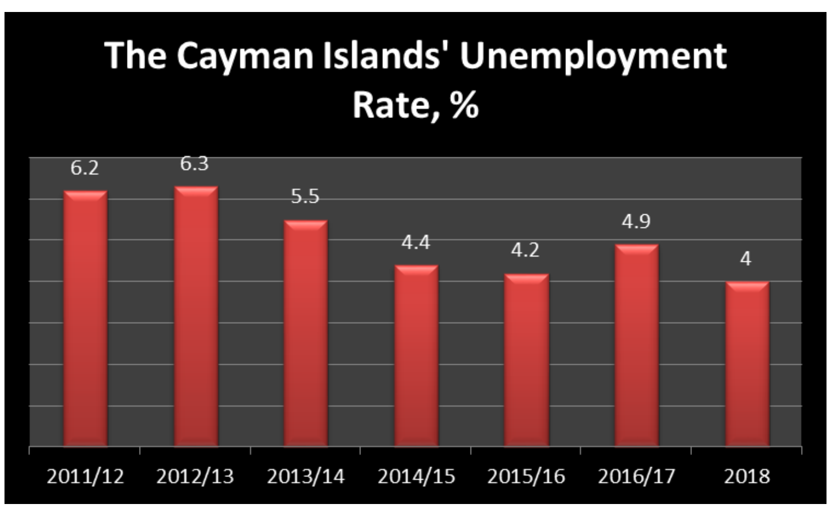
Source: Economics and Statistics Office



Source: Economics and Statistics Office



Source: Economics and Statistics Office



Source: Economics and Statistics Office

PERFORMANCE OVERVIEW and ANALYSIS

Government Revenue and Expenditure

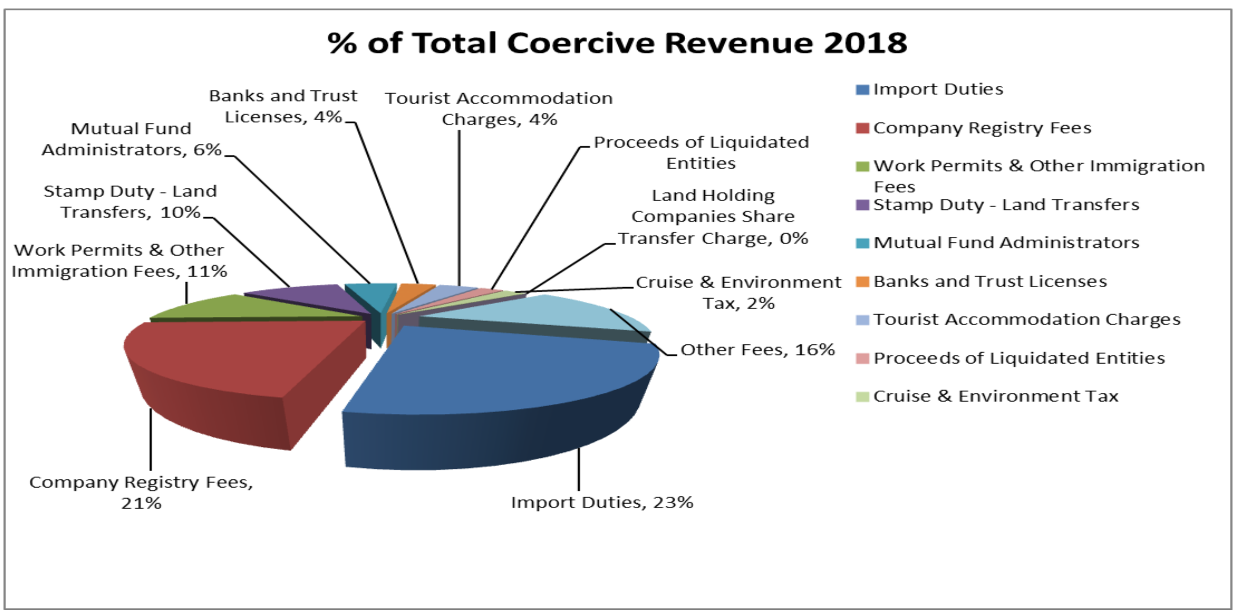
Revenue

DESCRIPTION	EPS Actual CI$000	
	2018	**2016/17**
Coercive Revenue	781,076	952,834
Sales of Goods & Services	290,903	384,810
Investment Revenue	17,230	15,631
Donations	2,517	2,405
Other Revenue	606	71
Total Revenue	**1,092,332**	**1,355,751**

The annualised figure for Total Revenue for the 18-month period 2016/17 is $903.8 million, which when compared to 2018 indicates that the year ended 31 December 2018 produced $188.5 million (21%) higher revenues.

What is the Government's primary source of revenue?

The primary source of revenue is coercive revenue, which was 72% of total public sector revenue in 2018 (2016/17: 70%), while sale of goods and services represented 27%, respectively. Coercive revenues are those revenues collected by Government under its coercive powers authorised under various acts passed by the Parliament (e.g. import duties, work permit fees, bank license fees, etc.) and for which there is no direct exchange of any goods or services. The primary type of coercive revenue is import duties, which represents 23% of total coercive revenue in financial year 2018 (2016/17: 26%). See table below showing details of total coercive revenue.



The preceding chart also shows that fees collected from the financial services industry (Bank and Trust Licenses, Company Registry fees, and Mutual Fund Administrator Fees) is a significant portion of Government revenue; these fees represented 31% of total coercive revenue and 22% of total public sector revenue as at 31 December 2018 (2016/17: 27% and 19%).

See seven year trend table on coercive revenue below:

DESCRIPTION	EPS Actual CI$000						
	2011/12	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2018**
Import Duties	159,923	169,113	161,670	156,393	159,834	243,239	181,132
Banks and Trust Licenses	23,373	33,511	34,225	32,795	31,592	30,074	29,382
Company Registry Fees	54,828	62,145	134,355	140,739	146,863	182,135	165,973
Work Permits & Other Immigration Fees	97,759	107,557	71,278	79,914	79,364	135,145	88,244
Mutual Fund Administrators	34,717	41,893	45,140	43,139	44,544	49,213	44,044
Stamp Duty - Land Transfers	23,254	35,422	30,502	38,967	52,987	76,340	80,655
Cruise & Environment Tax	13,468	13,946	13,695	15,409	16,494	23,061	17,961
Tourist Accommodation Charges	11,783	14,105	18,725	20,643	21,134	33,559	32,671
Proceeds of Liquidated Entities	-	-	-	-	16,652	3,550	19,054
Land Holding Companies Share Transfer Charge					-	2,589	-
Other Fees	67,983	82,485	102,027	95,505	103,797	173,929	121,945
Total Coercive Revenue	**487,088**	**560,177**	**611,617**	**623,503**	**673,261**	**952,834**	**781,061**

See Note 21 of the EPS Accounts.

Proceeds of Liquidated Entities – the 2015 amendment to the Public Management and Finance Act allowed the Government to recognise in revenue any trust asset that remained unclaimed for a period of four years after having become transferable to any person entitled to the asset.

EXPENDITURE

What does Government Spend on Providing Services and Operating costs?

The most significant elements of expenditure were the cost of employing staff and the purchase of supplies and consumables for normal day-to-day operations. Personnel costs represented approximately 49% of total expenditure as at 31 December 2018 (2016/17: 50%), which is typical for service-based organisations and consistent with prior years. See table below of total public sector expenses:

DESCRIPTION	EPS Actual CI$000		% of Total Public Sector Expenses	
	2018	2016/17	2018	2016/17
Personnel Costs	421,173	610,639	49%	50%
Supplies and Consumables (including Leases)	266,478	346,418	31%	29%
Depreciation	56,022	88,098	6%	7%
Outputs from Non-Governmental Organisations	48,159	51,585	6%	4%
Transfer Payments	36,476	48,556	4%	4%
Other Operating Expenses, Gains and Losses	12,037	26,457	1%	2%
Financing Expenses	26,852	43,540	3%	4%
Total Expenses	**867,197**	**1,215,293**	**100%**	**100%**

Personnel Costs

If the 2016/17 18-month period results are annualised, Salaries and wages for 2018 are up 3%. In September 2018, Cabinet approved a 5% Cost of Living Adjustment (CoLA), for Core Government, retroactive to July 2018. Additionally, several SAGCs also submitted request to Cabinet to award a CoLA in 2018.

Description	EPS Actual CI$000	
	2018	2016/17
Salaries, Wages and Allowances	373,698	518,883
Health Care	8,604	14,877
Pension	22,165	28,086
Leave	568	(813)
Defined Benefit Pension Liability	25,938	14,304
Post Retirement Health Care Liability	(16,059)	26,755
Other Personnel Costs	6,259	8,547
Total Personnel Costs	**421,173**	**610,639**

See Note 25 of the EPS Accounts.

Supplies and Consumables

Annualised supplies and consumables for the 18-month 2016/17 period is $222.7 million. For 2018 there was a 15% increase in cost for supplies and consumables. See detailed table below.

Description	EPS Actual CI$000	
	2018	2016/17
Supplies and Materials	60,392	76,126
Purchase of services	106,217	152,143
Utilities	19,478	29,373
General Insurance	3,063	12,751
Travel and Subsistence	4,803	6,037
Recruitment & Training	2,867	4,741
Other	59,857	52,867
Total Supplies & Consumables	**256,677**	**334,038**

See Note 26 of the EPS Accounts.

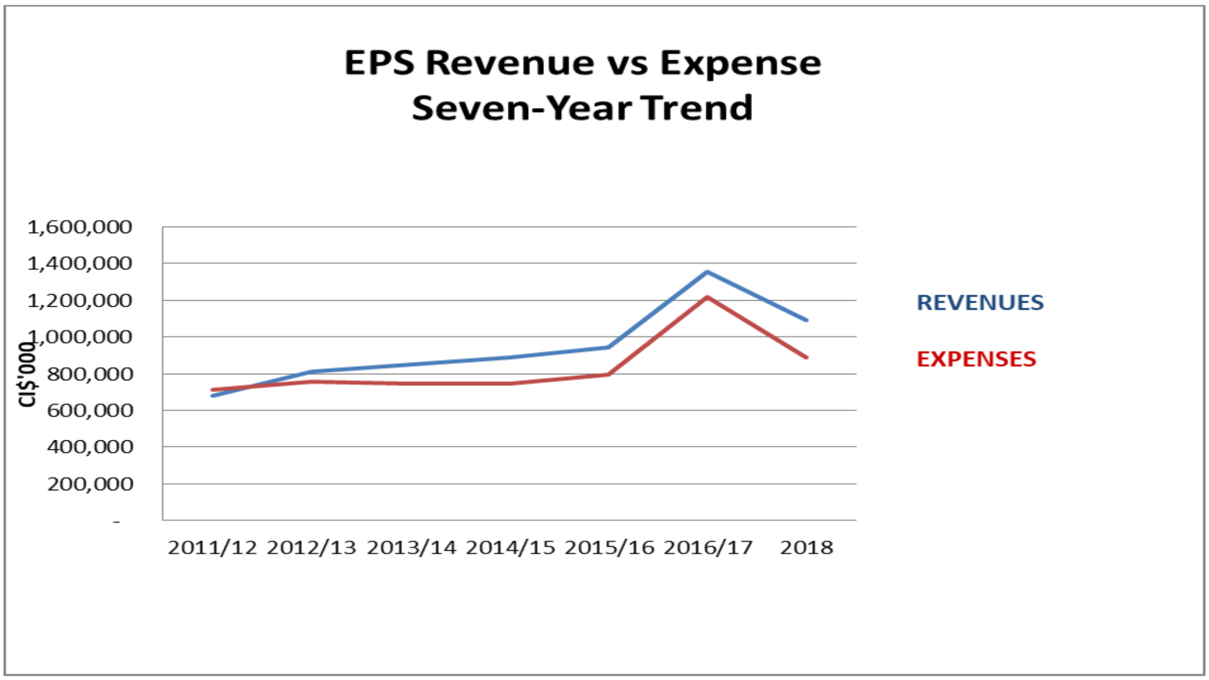
Financing Expenses

What does Government Pay to Finance its Liabilities?

The most significant element of financing costs for the year ended 31 December 2018 was debt financing expense of $26.9 million (2016/17: $43.5 million). This consists of interest paid on bank borrowings and to bond holders.

Net Revenue or Surplus (Revenue less Expenses)

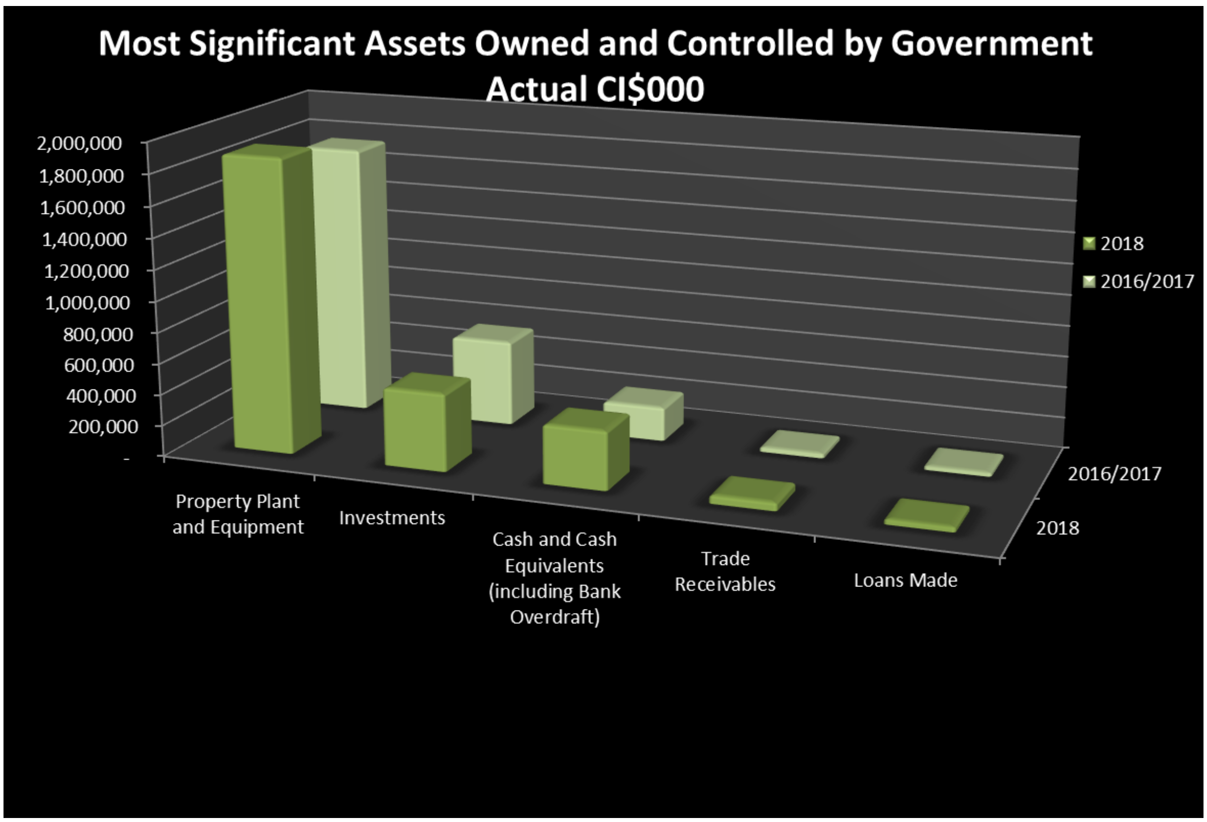
The surplus for the year ended 31 December 2018 was $225.1 million (2016/17: $140.5 million). See table and chart of revenue and expenditure summary for seven years below:



Government Assets and Liabilities

What are the Most Significant Assets Owned and Controlled by Government?

	EPS Actual CI$000	
Assets	**2018**	**2016/17**
Cash and Cash Equivalents (including Bank Overdraft)	377,156	220,281
Trade Receivables	54,008	31,044
Investments	500,056	554,591
Loans Made	33,907	26,243
Property Plant and Equipment	1,893,541	1,752,736



Property, Plant and Equipment

The most significant assets owned and controlled by Government are property, plant and equipment (which include land and buildings, infrastructure, vehicles and equipment). See Note 10 of the EPS accounts.

Investments

Over 90% of investments consist of fixed deposits (over 90 days but less than 365 days). Core Government investments of $430.6 million as at 31 December 2018 represents approximately 86% of total investments, with the SAGCs holding the remaining 14%. The majority of the $69.4 million investments held by SAGCs form part of the Currency Reserve Assets of the Cayman Islands Monetary Authority. These assets are to be used to fund the Authority's currency redemption obligations. See Note 7 of the EPS accounts.

Cash and Cash Equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash on hand, cash in transit, deposits held on call with banks and other short term highly liquid investments. See Note 2 of the EPS accounts.

Trade Receivables

The majority of the trade receivables are held by SAGCs. SAGCs held 65% of trade receivables as at 31 December 2018. See Note 3 of the EPS accounts.

The table below shows gross trade receivables of $84.5 million (2016/17: $129.9 million) as at 31 December 2018 less provision for doubtful debts $30.5 million (2016/17: $98.9 million) resulting in net trade receivables of $54.0 million (2015/16: $31.0 million).

	EPS Actual CI$000	
Description	**2018**	**2016/2017**
Coerrcive Revenue Receivable	11,311	4,873
Non-Coercive Revenue Receivable	73,167	125,040
Total Trade Recievables	**84,478**	**129,913**
Provisions	(30,470)	(98,869)
Net Trade Receivables	**54,008**	**31,044**

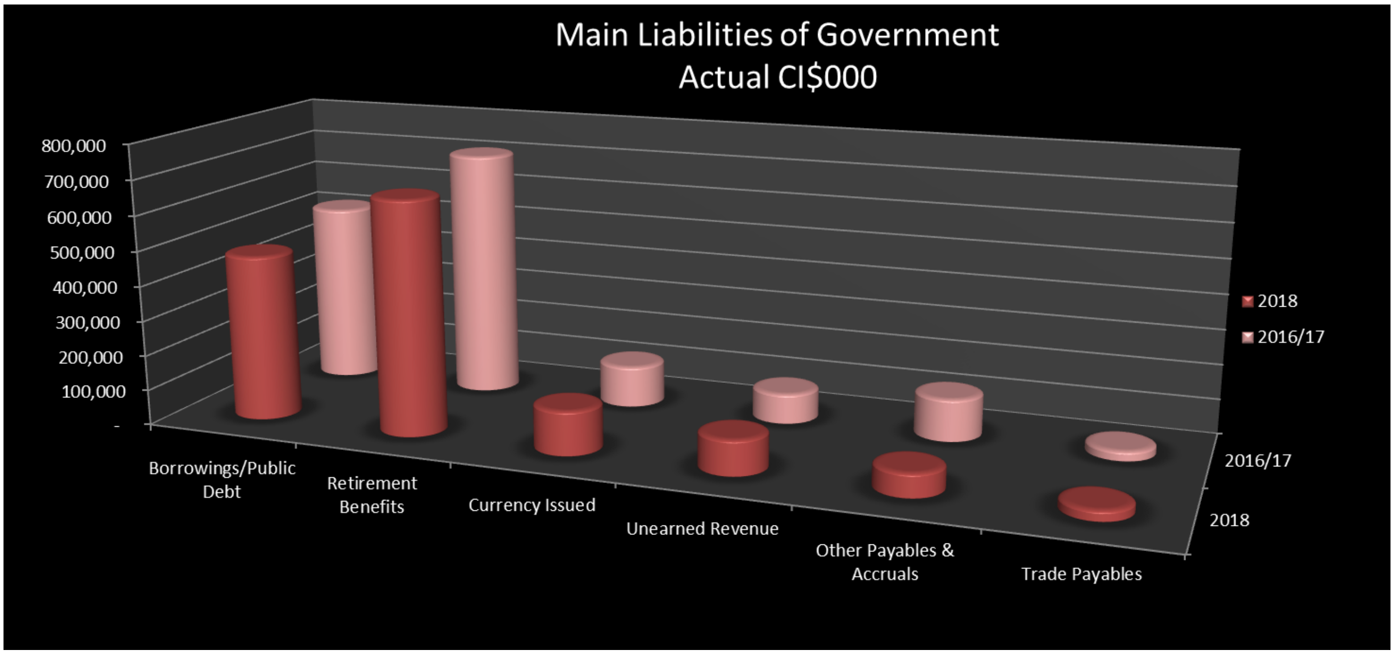
Loans Made

Loans Made consist mainly of commercial loans made by the Cayman Islands Development Bank and loans made to cover overseas medical care to persons not/insufficiently, covered by health insurance. See Note 6 of the EPS accounts.

What are the Main Liabilities of Government?

The table below shows the main liabilities of the Entire Public Sector:

	EPS Actual CI$000	
Liabilities	**2018**	**2016/17**
Borrowings/Public Debt	475,101	518,645
Retirement Benefits	678,491	709,833
Currency Issued	126,609	119,544
Unearned Revenue	100,412	86,929
Other Payables & Accruals	58,341	121,634
Trade Payables	29,447	27,779

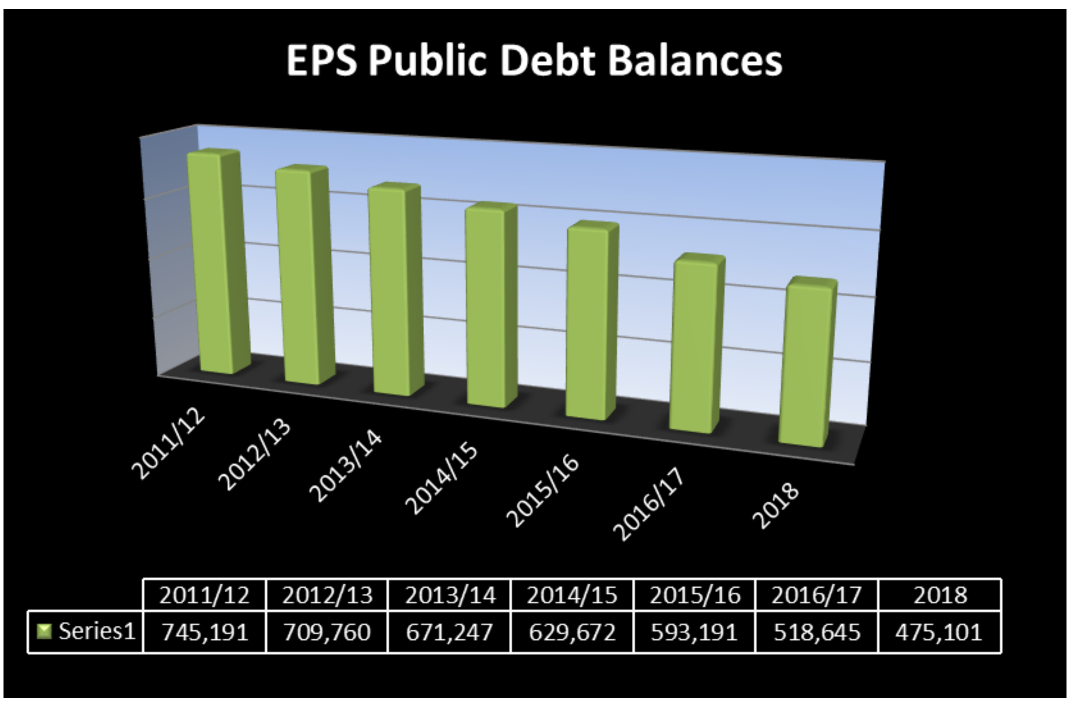


Public Sector Debt

To finance its activities and obligations, the Government borrows from the market to ensure sufficient funding is available to meet its daily cash requirements and financial commitments. Government borrowing comprises long-term borrowing in the form of commercial bank loans and a bond issued in 2009. There has been no new borrowing during the financial year. See tables of public sector debt below.

Description	Opening Balance 1 January 2018	Drawdowns/ Additions	Repayments	Revaluation	Closing Balance 31 December 2018
	CI$000	CI$000	CI$000	CI$000	CI$000
Core	451,081	-	31,117	-	419,964
Water Authority of the Cayman Islands	1,782	-	1,169	-	613
Cayman Islands Development Bank	23,927	-	4,076	-	19,851
National Housing Development Trust	13,825	-	1,366	-	12,459
Cayman Airways Limited	19,992	-	2,281	-	17,711
Cayman Islands Turtle Farm (1983) Limited	8,038	-	3,535	-	4,503
Total	**518,645**	**-**	**43,544**	**-**	**475,101**

See Note 17 of the EPS Accounts.



Public debt continued to decline, from $518.6 million to $475.1 million, as principal repayments of $43.5 million were applied and no new borrowing was added.

Retirement Benefits

The Government, under the provisions of the Public Service Management Act, is obligated to provide post-retirement benefits to qualified employees in the form of health care and pension. The Government recognises and provides for actuarially determined present value of retirement obligation on an accrual basis, using the Projected Unit Credit method. The following tables present the pension liability at fair value as at 31 December 2018:

	2018 CI$000	2016/2017 CI$000
Core Government	408,723	399,808
Parliamentarian Pensions	17,441	20,747
Judicial Pensions	(76)	(220)
Central Government Pension Liability Fair Value	426,088	420,335
Statutory Authorities and Government Companies	20,719	38,966
Entire Public Sector Pension Liability Fair Value	**446,807**	**459,301**

	Public Service Pensions Plan CI$000	Parliamentary Pensions Plan CI$000	Judiciary Pensions Plan CI$000	Total Central Government CI$000	Statutory Authorities CI$000	Entire Public Sector Pension CI$000
Present value benefit obligation	658,329	27,085	5,000	**690,414**	**58,358**	**748,772**
Fair Value of plan assets	249,606	9,644	5,076	**264,326**	**37,639**	**301,965**
Deficit/Surplus for funded plans	408,723	17,441	(76)	**426,088**	**20,719**	**446,807**
Net liability/(asset)	**408,723**	**17,441**	**(76)**	**426,088**	**20,719**	**446,807**

The Government is also obligated to provide for the future healthcare costs of Civil Servants who earned that benefit based on their prior service with the Government.

Previously Civil Servants who worked for a minimum of 10 years with the Government would be entitled to a healthcare benefit upon retirement. However, the Public Service Management Act now requires that the employee puts in the same amount of years of qualifying service and also retire from the Civil Service in order to obtain such benefits in the future.

The results of healthcare liability actuarial valuation, completed in March 2019, estimated the post-retirement healthcare obligation as at 31 December 2018 to be $1.6 billion. The post-retirement healthcare obligation and any related expenditure has not been recognised on the Statements of Financial Position and Performance for Central Government.

PERFORMANCE ANALYSIS

Assets and Liabilities

The seven-year trend in key assets and liabilities and revenues and expenses is presented in the tables below. The 2016/17 period was an 18-month period commencing 1 July 2016 to 31 December 2017 and is not comparable to the 2015/16 or 2018 results as these periods represent results for 12 months:

DESCRIPTION	EPS Actual CI$000						
Assets	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2018**
Cash and Cash Equivalents (including Bank Overdraft)	157,275	196,013	281,182	406,435	231,415	220,281	377,156
Trade Receivables	48,721	48,864	26,185	31,707	32,165	31,044	54,008
Investments	110,388	98,884	99,582	102,077	438,511	554,591	500,056
Loans Made	36,598	34,542	32,774	30,470	30,285	26,243	33,907
Property Plant and Equipment	2,058,506	2,105,054	2,078,619	2,068,405	1,732,843	1,752,736	1,893,541
Liabilities							
Borrowings/Public Debt	745,191	709,760	671,247	629,672	593,191	518,645	475,101
Retirement Benefits	220,696	211,731	225,519	227,048	481,283	709,833	678,491
Currency Issued	88,696	87,229	91,720	94,887	106,876	119,544	126,609
Unearned Revenue	32,133	33,054	37,313	40,238	65,282	86,929	100,412
Other Payables & Accruals	49,501	52,748	63,942	49,717	62,830	121,635	58,341
Trade Payables	29,142	25,454	27,369	30,163	20,213	27,779	29,447

Revenue and Expenses

DESCRIPTION	EPS Actual CI$000						
	2011/12	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2018**
Coercive Revenue	487,088	560,177	611,617	623,503	673,261	952,834	781,061
Sales of Goods & Services	189,761	245,935	234,165	261,478	261,344	384,810	290,918
Investment Revenue	2,321	2,636	2,336	4,700	5,669	15,631	17,230
Donations	145	1,401	1,203	1,081	931	2,405	2,517
Other Revenue	599	144	101	300	2,817	71	606
Total Revenue	**679,914**	**810,293**	**849,422**	**891,062**	**944,022**	**1,355,751**	**1,092,332**
Personnel Costs	331,040	345,049	352,316	352,795	400,116	610,639	421,173
Supplies and Consumables (including Leases)	201,512	246,785	236,842	231,567	223,896	346,418	266,478
Depreciation	40,207	45,182	43,734	50,846	53,851	88,098	56,022
Outputs from Non-Governmental Organisations	29,088	25,985	26,464	29,445	32,538	51,585	48,159
Transfer Payments	32,870	32,277	31,130	27,274	30,251	48,556	36,476
Other Operating Expenses, Gains and Losses	37,253	22,145	18,306	19,165	23,831	26,457	12,037
Financing Expenses	39,143	39,221	35,816	33,280	31,007	43,540	26,852
Total Expenses	**711,113**	**756,644**	**744,608**	**744,372**	**795,490**	**1,215,293**	**867,197**
Net (Deficit)/Surplus	**(31,199)**	**53,649**	**104,814**	**146,690**	**148,532**	**140,458**	**225,135**

Guarantees

Guarantees of the Government include: Guarantees of the borrowings of Statutory Authorities and Government Companies, and guarantees, either collective or specific, of the loans of certain individuals and companies obtained from the private sector. See table of guarantees below:

Description	Weighting Applied	Guaranteed Balance as at 31 December 2018	Loan Balance as at 31 December 2018
		CI$'000	CI$'000
Cayman Islands Turtle Farm (1983) Limited	**80%**	3,602	4,502
Cayman Airways Limited	**80%**	14,169	17,711
Water Authority of the Cayman Islands	**20%**	123	613
Cayman Islands Development Bank	**50%**	9,926	19,851
National Housing Development Trust	**80%**	9,967	12,459
		37,786	**55,136**

The weighting in the table above is applied under the PMFA based on entities that:

- Require an unpredictable level of budgetary support from the Governor in Cabinet are given an 80% weighting;
- Are financially stable and require predictable levels of support are given a 50% weighting; and
- Have not required budgetary support during the last three (3) years are given 20% weighting.

Commitments

Commitments are future expenses, liabilities and capital outlay to be incurred on contracts that have been entered into as at 31 December 2018. See tables of commitments below.

Entire Public Sector (includes Core Government)

	One Year or Less	One to Five Years	Over Five Years	31 December 2018	31 December 2017
Type	**CI$000**	**CI$000**	**CI$000**	**CI$000**	**CI$000**
Capital Commitments					
Capital Commitments	8,547	9,861	1,611	20,019	8,875
	489	-	-	489	489
	20	-	-	20	20
Total Capital Commitments	**9,055**	**9,861**	**1,611**	**20,527**	**9,384**
Operating Commitments					
Non-Cancellable Accommodation Leases					
Accommodation leases	5,976	3,188	1,922	11,086	12,335
Accommodation leases	209	85	-	294	770
Other Non-Cancellable Leases					
Land Lease	52	169	74	296	308
Premises Lease	360	775	-	1,135	1,175
Aircraft Leases	5,206	14,242	-	19,448	16,088
Licensing Agreement	705	-	-	705	1,048
Other Operating Lease	21	-	-	21	-
Other Operating Commitments					
Other Operating Commitments	4,967	-	-	4,967	5,933
Total Operating Commitments	**17,496**	**18,459**	**1,996**	**37,951**	**37,657**
Total Commitments	**26,551**	**28,320**	**3,607**	**58,478**	**47,041**

Core Government

	One Year or Less	One to Five Years	Over Five Years	31 December 2018	31 December 2017
Type	**CI$000**	**CI$000**	**CI$000**	**CI$000**	**CI$000**
Capital Commitments					
Capital Commitments	5,635	4,961	1,599	12,195	6,388
	-	-	-	-	-
	-	-	-	-	-
Total Capital Commitments	**5,635**	**4,961**	**1,599**	**12,195**	**6,388**
Operating Commitments					
Non-Cancellable Accommodation Leases					
Accommodation leases	1,689	1,996	1,922	5,607	6,346
Accommodation leases	-	-	-	-	-
Other Non-Cancellable Leases					
Land Lease	-	-	-	-	-
Premises Lease	240	775	-	1,015	836
Aircraft Leases	-	-	-	-	-
Licensing Agreement	-	-	-	-	-
Other Operating Lease	-	-	-	-	-
Other Operating Commitments					
Other Operating Commitments	4,369	-	-	4,369	5,375
Total Operating Commitments	**6,298**	**2,771**	**1,922**	**10,991**	**12,557**
Total Commitments	**11,933**	**7,732**	**3,521**	**23,186**	**18,945**

See Note 34 of the EPS Accounts.

BUDGET ANALYSIS

Actual EPS total surplus outperformed the original budget by $144.1 million or 178% as coercive revenue exceeded expectations by 13% and total expenses were lower than the budget by $36.5 million or 4%. Further details can be seen in the table of financial performance with actual results compared to the original and final budget below.

GOVERNMENT OF THE CAYMAN ISLANDS STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2018 ENTIRE PUBLIC SECTOR				
	Original Budget 2018	Actual 2018	Performance Difference Original Budget	% Change Actual vs. Budget
			CI$000	
Revenue				
Coercive Revenue	691,357	781,061	89,704	13%
Sales of Goods & Services	277,356	290,918	13,562	5%
Other Revenue	18,189	20,353	2,164	12%
Total Revenue	**986,902**	**1,092,332**	**105,430**	**11%**
Expenses				
Personnel Costs	444,434	421,173	(23,261)	5%
Supplies and Consumables	246,170	266,478	20,308	-8%
Output from Non-Government Organisations	24,867	48,159	23,292	-94%
Depreciation & Amortisation	53,472	56,022	2,550	-5%
Transfer Payments	36,462	36,476	14	0%
Other Executive Expenses	73,514	13,662	(59,852)	81%
Finance Costs	26,376	26,852	476	-2%
Total Expenses	**905,295**	**868,822**	**(36,473)**	**4%**
Total Other (Gains)/Losses	579	(1,625)	(2,204)	-381%
Net Surplus	**81,028**	**225,135**	**144,107**	**178%**

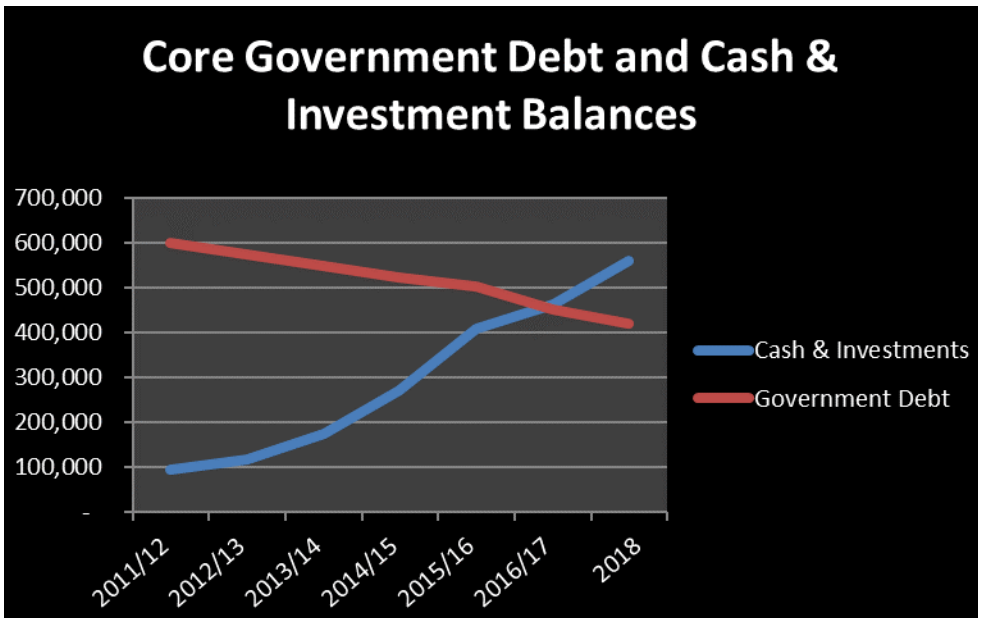
KEY FINANCIAL ACCOMPLISHMENT

The Government of the Cayman Islands manages its day-to-day operation without direct intervention by the Foreign and Commonwealth Development Office (FCDO) provided that the policies implemented are in keeping with the agreed direction/guidelines of the FCDO. These guidelines are referred to under the Public Management and Finance Act as Principles of Responsible Financial Management. Per section 34 of the PMFA, failure to comply with the borrowing, net debt and cash reserve principles as outlined below requires that any additional borrowing must first receive the approval of the Foreign and Commonwealth Development Office.

See below table showing trends for year-end cash (includes cash equivalents and investments) and debt balances for Core Government.

Core Government CI$000							
Indicator	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2018**
Cash & Investments	95,222	117,052	173,951	271,468	408,619	462,110	559,434
Government Debt	599,285	573,850	548,499	523,322	503,318	451,081	419,964

The chart below shows the steady narrowing of the gap between cash and debt balances for Core Government, and highlights that cash exceeded debt as at 31 December 2018.



Investments in fixed deposits with maturity dates greater than 90 days at the time of placement were no longer reflected under Cash and Cash Equivalents on the Statement of Financial Position, but as Investments.

The Table below outlines the requirements of the Principles of Responsible Financial Management.

Principle	Degree of Compliance	
	Audited 2018 Actual	Approved 2018 Budget
Core Government Operating Surplus : should be positive (Operating surplus = Core Government operating revenue – Core Government operating expenses)	**Complies** Surplus = $165.4 million	**Complies** Surplus = $86.6 million
Net Worth: should be positive (Net worth = Core Government assets – Core Government liabilities)	**Complies** Net Worth = $1.4 billion	**Complies** Net Worth = $1.34 billion
Borrowing: Debt servicing cost for the year should be no more than 10% of Core Government revenue* (Debt servicing = interest + other debt servicing expenses + principal repayments for Core Government debt, Public Authorities debt and self-financing loans)	**Complies** Debt servicing = 8.4%	**Complies** Debt servicing = 8.6%
Net Debt: should be no more than 80% of Core Government revenue (Net debt = outstanding balance of Core Government debt + outstanding balance of self-financing loan balance + weighted outstanding balance of Public Authorities guaranteed debt - Core Government liquid assets)	**Complies** Net debt < 0%	**Complies** Net debt = 22.3%
Cash Reserves should be no less than estimated executive expenses for 90 Days: (Cash reserves = Core Government cash and other liquid assets at lowest point)	**Complies** Cash Reserves = 256.1 days	**Complies** Cash Reserves = 167.9 days
Financial risks should be managed prudently so as to minimise risk	**Complies** Insurance cover exists for all government buildings, vehicles and major potential liabilities. Hurricane Preparedness Strategy in place.	**Complies** Insurance cover exists for all government buildings, vehicles and major potential liabilities. Hurricane Preparedness Strategy in place.

Responsible financial management as defined by section 14(3) of the PMFA is as below:

- Total core government revenue less total core government expenses (measured using generally accepted accounting practice) should be positive;
- Total core government assets less total core government liabilities (measured using generally accepted accounting practice) should be positive;
- borrowing should not exceed an amount for which the sum of interest, other debt servicing expenses, and principal repayments for a financial year are more than ten percent of core government revenue (calculated using generally accepted accounting practice) for that financial year, where, for the purposes of this principle, borrowing is defined as all borrowing that is in the name of the Government regardless of whether it is serviced directly by the core government, a statutory authority or government company;
- Net debt should be no more than eighty percent of core government revenue, where, for the purposes of this principle, net debt is defined as:
    - Central government borrowing less core government liquid assets
    - Borrowing that is serviced directly by a statutory authority or government company but is in the name of the Government; and
    - The percentage of statutory authority and government company debt guaranteed by the Government that regulations made under this Act specify is to be included in the net debt calculation;
- Cash reserves should be maintained at a level no less than the estimated executive expenses (measured using generally accepted accounting practice) for the following ninety days where, for the purpose of this principle, cash reserves are defined as core government cash and cash equivalents, marketable securities and deposits, and other liquid assets, including any amounts held for restricted funds and reserves purposes; and
- The financial risks, including contingent liabilities, facing the core government should be managed prudently so as to minimize the likelihood of any such risk resulting in an expense or liability.

Section 14(d) of the PMFA states that the Governor in Cabinet decisions may depart from the principles of responsible financial management for a limited period if the Governor in Cabinet specifies in a paper laid before the Parliament for its information.

- The reasons for the departure;
- The approach that the Governor in Cabinet intends to take in order to return to those principles; and
- The period of time that the Governor in Cabinet expects to take to return to those principles.

GOVERNANCE

Preparation of EPS accounts is managed within the Ministry of Finance's overall risk management framework. The Accountant General is responsible on a day-to-day basis for managing risk and for ensuring that the activities necessary for the production of these accounts are properly planned, resourced and performed.

In producing EPS accounts, the Accountant General must rely on the Chief Officer through their Chief Financial Officer of each entity to manage their own risks. In some instances, the risks from underlying accounts may have a significant impact on the EPS consolidation and preparation process.

The key risks in the preparation of the EPS include:

- no formal consolidation software, over reliance on excel spreadsheets;
- inaccuracies in entities' EPS submissions, which may result in materially misstated balances;
- failure to provide data or delays in the submission of EPS submissions; and
- non-elimination of intra-group transaction streams and balances in Core Government and SAGCs, resulting in materially misstated figures in the accounts.

To manage the key risks to the EPS consolidation and preparation process, the Accountant General maintains a control and validation framework to define the controls over the preparation of the accounts and to monitor the effectiveness and completeness of the controls in place.

Procedures that assist in mitigating key EPS consolidation risks are: validation of agencies' trial balances; monthly analysis of variances between actual results and the budget and actual results with prior year balances; monthly reconciliation of inter/intra-agency balances for confirmation by agencies; and confirmation that notes to agency accounts reflect balances in the main financial statements of each agency.

The EPS Governance Framework

The Ministry receives support and assurance on the management of risks in a number of ways:

- support in the responsibilities by the Internal Audit function;
- internal framework of governance and risk management; and
- EPS accounts are subject to external audit provided by the Auditor General. The Auditor General is independent; she and her staff have access to all Ministry papers and report their findings on the accounts to Parliament.

Ministry of Finance's role in Managing Financial Risk

In addition to the EPS accounts governance framework, the Ministry of Finance and Economic Development (Ministry of Finance) also has a role in managing the Central Government's financial risk more widely. Financial risk is managed in a number of ways, including:

The Public Management and Finance Act (PMFA) and its Regulations and the Public Finance Manual (PFM) - provides Chief Officers with guidance and sets out requirements on how to handle public funds properly. The Ministry of Finance takes the lead in ensuring compliance with the PMFA and bringing about changes to the PMFA and PFM to enhance prudent financial management.

Spending Reviews – the process through which spending is allocated to areas of Government activity according to the Government's priorities. Spending Reviews set firm and fixed spending budgets over several years for each department. This is achieved through the preparation of a Strategic Policy Statement which outlines the Government's medium term plan and sets spending limits for a period of three years. Multi-year budgets are then prepared based on these goals and objectives and within the expenditure limits.

The budget and estimates process for Core Government and SAGCs - the Government uses the biennial budgeting system to plan and control public expenditure. The Ministry presents estimates of budgetary plans to Parliament to obtain the statutory authority to consume resources and spend cash. The budgetary system has two main objectives:

- to support the achievement of macro-economic stability by ensuring that public expenditure is controlled in support of the Government's fiscal framework; and
- to provide good incentives for departments to manage spending well so as to provide high quality public services that offer value for money for citizens.

The Ministry of Finance works with the other agencies across the public service and help that the legislated financial reporting framework is adhered to and is practiced uniformly.

The Ministry of Finance monitors agencies' spending on an ongoing basis. The Ministry of Finance also advises Cabinet on the financial impact of requests for supplementary expenditure from Core Government agencies to ensure that the additional spending will not negatively impact the objective to comply with the FFR. During the year, 24 Cabinet papers were prepared for supplementary funding and reallocation of funding.

FINANCIAL RISK MANAGEMENT

The Ministry of Finance manages Core Government's financial risks such as credit, liquidity, insurance, interest rate risk, commodity price risk, and currency risk. See further details in Note 36 of the EPS annual accounts.

ENTITIES NOT CONSOLIDATED IN THE EPS ACCOUNTS

The public entities below have not been consolidated in the EPS.

Public Service Pensions Board

Under the accounting standard for determining what entities should be consolidated, IPSAS 35, the Public Service Pensions Board's (PSPB) accounts would be eligible for consolidation in the EPS, however the Accountant General took the view that the assets of the PSPB were trust assets and therefore not subject to consolidation.

The accounts of the PSPB have not been consolidated in the EPS accounts as the PSPB is considered to be a "Trust" under the definition prescribed in the PMFA, and not a SAGC. Under section 70 of the PMFA, trust assets must be accounted for separately from Core Government and SAGC accounts and must be transferred to the chief officer responsible for public finance for management.

A legal opinion was obtained and it was recommended that although there are indications that the PSPB have characteristics of a trust, it would be best for the PSPB Act to be amended to clearly state that its accounts should not be included in the consolidation of the EPS.

The audited accounts of the PSPB and its annual report can be found at www.pspb.ky.

Segregated Insurance Fund of the Cayman Islands

The Segregated Insurance Fund (the Fund) was established under the Health Insurance Commission Act (2013). The Fund is maintained and administered by the Health Insurance Commission (HIC). The Fund's primary function is to assist the Government in providing healthcare to indigents, uninsurable, and partially uninsured individuals. Contributions to the Fund are received from approved health insurance providers regulated under the Health Insurance Regulations (2013 Revision) and under their legislation the Fund is required to remit all funds collected to the Ministry of Health, Environment, Culture and Housing (the Ministry).

Separate financial statements are prepared and audited for the Fund which is not included in the table of trust holdings below. It is the Accountant General's view that the assets of the Fund are considered as trust assets under the definition of the PMFA and therefore do not have to be consolidated in the EPS accounts.

Trust Holdings

Under the PMFA, "trust assets" are defined as assets (including money, not belonging to the Government) transferred or paid to the Government in trust for any purpose or to hold for or on behalf of any person, and include any such assets-

a. To be held pending the completion of a transaction or dispute; or
b. That belongs or is due to any person and is collected under any agreement with that person.

FINANCIAL STATEMENTS

FOR

THE GOVERNMENT

OF

THE CAYMAN ISLANDS

FOR THE YEAR ENDED

31 DECEMBER 2018

Contents

MINISTRY OF
FINANCE & ECONOMIC DEVELOPMENT
CAYMAN ISLANDS GOVERNMENT

Statement of Responsibility

These financial statements have been prepared in accordance with the provisions of section 29 of the Public Management and Finance Act (2020 Revision), as amended. They report the financial results and position for Central Government and the Entire Public Sector for the financial year ended 31 December 2018.

The financial statements were prepared by the Ministry of Finance & Economic Development on behalf of the Government. On the basis of the financial information available, the Ministry has used its best professional judgment in preparing these statements.

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 Act (2020 Revision), as amended.

To the best of our knowledge, the financial statements comply with generally accepted accounting practices as defined by International Public Sector Accounting Standards (IPSAS), except for IPSAS 39, Employee Benefits, as it relates to the accounting for post-retirement benefits and IPSAS 6, Consolidated and Separate Financial Statements, as it relates to the non-consolidation of the Public Service Pensions Board.

Hon. Chris Saunders, MP
Deputy Premier and Minister for Finance & Economic Development
Government of the Cayman Islands

Dated: 10 Aug 2021

Hon. G Wayne Panton, JP, MP
Premier
Government of the Cayman Islands

Dated: 10/08/21

Office of the Auditor General
CAYMAN ISLANDS

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
P.O.Box 2583
Grand Cayman, KY1-1103, Cayman Islands

AUDITOR GENERAL'S REPORT

To the Members of Parliament

I have audited the accompanying consolidated financial statements of the Cayman Islands Government, ("Government") which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated statement of financial performance, 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 information, as set out on pages 19 to 108 in accordance with the provisions of Section 60(1)(a) of the *Public Management and Finance Act (2020 Revision)*.

Basis of Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibility under those standards is further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of my report. I am independent of the Government in accordance with the International Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, together with ethical requirements that are relevant to my audit of the consolidated financial statements in the Cayman Islands, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Basis for Adverse Opinion

Exclusion of the Public Service Pensions Board from consolidation

The consolidated financial statements exclude material administrative transactions and balances relating to the Public Service Pensions Board ("Pensions Board") as management conclude that the related assets are being held in trust by the Pension Board. In my opinion, the Government has control over the Pensions Board and therefore all of its administrative transactions and balances should be consolidated in these financial statements in accordance with IPSAS 35 – ***Consolidated Financial Statements***. As a result of these omissions, the consolidated financial statements are understated as at 31 December 2018.

Pervasive inaccuracies arising from subsequent adjustments in subsidiaries, elimination on consolidation and opening balances

As at the date of this audit report, certain subsidiary audits were in progress; additionally, there were material adjustments which have not been posted to completed subsidiary audits or eliminated from the consolidation. It is likely that the net impact of these amounts could materially affect figures and disclosures in the consolidated financial statements. The impact of these net adjustments could be both pervasive and material.

AUDITOR GENERAL'S REPORT (continued)

Basis for Adverse Opinion (continued)

Incompleteness of revaluation, inconsistent accounting policies and poor controls over property, plant and equipment

Management has not been able to provide a complete valuation report to support the carrying value of the road network amount of $372.7 million related to infrastructure, roads and sidewalks as disclosed in Note 10 to the consolidated financial statements and has omitted significant requirements to support the valuation of its road network from the accounts. In addition, there is material difference of $79.5 million in the infrastructure, roads and sidewalks as compared to the valuation report.

Furthermore, the accounting policies used to measure the Statutory Authorities and Government Companies assets that recognizes land and buildings accounts, are inconsistent to the central government entities. IPSAS 35 – ***Consolidated Financial Statements*** requires consistent accounting policies to be used within the consolidation. Therefore, the consolidated figure for property, plant & equipment is materially misstated due to the lack of revalued carrying amounts for certain classes of property, plant & equipment owned by the statutory authorities and government companies ("SAGC"). The total carrying amount of these SAGC assets is $37.9 million.

As a result of the matters identified, the property, plant and equipment appearing in the consolidated financial statements is materially misstated as at 31 December 2018.

Inaccuracy of depreciation and amortization expenses

The depreciation and amortization expenses amounting to $56.0 million recorded in the statement of financial performance are materially misstated as a result of the valuation and completeness issues affecting property, plant and equipment as discussed above.

Understatement of retirement benefits liabilities

Government did not record its liabilities relating to its post-retirement healthcare program. The results of the health care liability actuarial valuation for Core government estimated the post-retirement health care net liability to be $1.6 billion, post-retirement medical expense totaling $111.1 million and other comprehensive income of $236.0 million as at 31 December 2018. Furthermore, the Core government participant data for the post-retirement health care as at 30 April 2016 was used to determine the obligation.

During the year, management has recognized a pension liability of $446.8 million relating to the CIG's participation in the Defined Benefit Pension Plan. The CIG participant data for the Defined Pension Plan as at 1 January 2017 was used to determine the obligation. As a result the, pension liability and related pension expense and other comprehensive income could be materially misstated as at 31 December 2018.

Based on the above, the total of current and non-current retirement benefits of $678.5 million are materially misstated as at 31 December 2018.

Basis for Adverse Opinion (continued)

Incompleteness of provisions
Management has represented that there is no process in place to properly access and account for its environmental liabilities. Therefore I have not received sufficient appropriate audit evidence to be able to conclude on the completeness of provisions and contingent liability disclosures as it relates to these liabilities for the year ended 31 December 2018.

Furthermore, I identified a material omission of provisions for environmental remediation cost of $24.4 million. As a result, the provisions of $12.3 million as reported in the statement of financial position is materially misstated as at 31 December 2018.

Understatement of personnel cost
The personnel costs amounting to $421.2 million appearing in the statement of financial performance are materially misstated due to the understatement of post-retirement health care and post retirement pension liabilities.

Incompleteness of revenue, receivables and unearned revenue
Due to poor controls, management was unable to provide sufficient appropriate audit evidence and were not able to assert to the completeness of its coercive revenue. I have not been able to conclude on the fairness of the amount reported as coercive revenues of $781.1 million on the statement of financial performance for the year ended 31 December 2018. Additionally, sales of goods and services amounting to $290.9 million as reported in the statement of financial performance is materially misstated due to unadjusted differences of $7.3 million.

As a result of the revenue incompleteness, I have not been able to conclude on the related current and non-current trade receivables balances of $53.5 million, other receivables of $14.3 million and unearned revenues of $100.4 million appearing on the statement of financial position as at 31 December 2018.

Inaccuracy of net worth
The revaluation reserve totaling to $619.2 million presented in the statement of financial position is materially misstated due to the valuation and completeness issues affecting property, plant & equipment. Likewise, the current and accumulated surpluses amounting to $225.1 million and $381.3 million respectively, are materially misstated due to qualifications noted above.

Statement of cash flows not fairly presented
I was not able to conclude on the fairness of the amounts reported in the Statement of Cash Flows due to the matters discussed affecting the pervasive inaccuracies in the opening balances of these consolidated financial statements and identify the effects of any adjustments that might be necessary on the current year's results of operations.

AUDITOR GENERAL'S REPORT (continued)

Basis for Adverse Opinion (continued)

Omissions in financial statement disclosures
The consolidated financial statements have omitted several required disclosures by the accounting standards. These include but are not limited to:

- The Government has not established a system for reporting key management personnel transactions as required by IPSAS 20, Related Party Disclosures, as a result, I do not opine on the accuracy of related party balances.

- The consolidated financial statement does not include all of the required disclosures of IPSAS 39 Employee Benefits.

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

Auditor's Responsibility
My responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraphs, the consolidated financial statements do not present fairly, the financial position of the Cayman Islands Government as at 31 December 2018 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Other Matter
Compliance with acts, regulations and other considerations
I draw to the attention of the reader, that due to the adverse opinion, no further consideration was given to any other balances, transactions, disclosures or compliance with acts or regulations matters as it relates to these consolidated financial statements.

Other information

Other financial information in the annual report has not been audited by us, and therefore, I do not express an opinion thereon.

Sue Winspear, CPFA
Auditor General

10 August 2021
Cayman Islands

Financial Statements

Statement of Financial Position

GOVERNMENT OF THE CAYMAN ISLANDS

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

Core Actual 2016/2017 CI$000	EPS Actual 2016/2017 CI$000		Note	Core Actual 2018 CI$000	EPS Actual 2018 CI$000
		Current Assets			
61,241	222,110	Cash and Cash Equivalents	2	129,632	378,652
8,804	30,617	Trade Receivables	3	18,508	53,581
17,702	21,270	Other Receivables	4	20,154	14,335
8,223	200	Dividend Receivable	4	2,738	-
3,149	15,239	Inventories	5	2,781	18,385
592	1,888	Loans Made	6	588	591
400,869	519,435	Investments	7	429,802	443,236
2,375	7,438	Prepayments	8	7,089	14,025
-	1,533	Biological Assets	9	-	1,136
502,955	819,730	**Total Current Assets**		611,292	923,941
		Non-Current Assets			
427	427	Trade Receivables	3	427	427
-	2,172	Other Receivables	4	-	-
456	24,355	Loans Made	6	-	33,316
1,419,697	1,752,736	Property, Plant and Equipment	10	1,442,987	1,893,541
3,018	5,672	Intangible Assets	11	2,860	5,188
-	14,764	Investment Property	12	-	7,818
831	35,156	Investments	7	831	56,820
219,851	-	Net Worth - Public Entities	41	407,367	-
253	436	Other Non-Current Assets		91	400
1,644,533	1,835,718	**Total non-current assets**		1,854,563	1,997,510
2,147,488	2,655,448	**Total Assets**		2,465,855	2,921,451
		Current Liabilities			
19,094	27,779	Trade Payables	13	18,679	29,447
126,271	121,508	Other Payables & Accruals	13	68,009	58,017
-	1,829	Bank Overdraft	2	-	1,496
61,739	73,019	Unearned Revenue	14	81,931	86,647
7,460	8,961	Employee Entitlements	15	8,053	9,840
10,000	26,269	Retirement Benefits	16	25,759	28,644
31,116	43,901	Borrowings/Public Debts	17	286,976	302,081
-	12,696	Provisons	18	-	12,348
255,680	315,962	**Total Current Liabilities**		489,407	528,520
		Non-Current Liabilities			
-	126	Other Payables & Accruals	13	-	324
13,910	13,910	Unearned Revenue	14	13,765	13,765
410,335	683,564	Retirement Benefits	16	400,329	649,847
419,965	474,744	Borrowings/Public Debts	17	132,988	173,020
-	119,544	Currency Issued	19	-	126,609
844,210	1,291,888	**Total Non-Current Liabilities**		547,082	963,565
1,099,890	1,607,850	**Total Liabilities**		1,036,489	1,492,085
1,047,598	1,047,598	**Net Assets**		1,429,366	1,429,366
		Net Assets/Equity			
171,245	201,746	Reserves	20	164,893	203,764
490,848	534,146	Revaluation Reserve	20	485,798	619,202
140,458	140,458	Current Period Surplus (Deficit)		225,135	225,135
245,047	171,248	Accumulated Surplus (Deficit)		553,540	381,265
1,047,598	1,047,598	**Total Net Assets/Equity**		1,429,366	1,429,366

Statement of Financial Performance

GOVERNMENT OF THE CAYMAN ISLANDS

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Core Actual 2016/2017 CI$000	EPS Actual 2016/2017 CI$000		Note	Core Actual 2018 CI$000	EPS Actual 2018 CI$000
		Revenue			
952,951	952,834	Coercive Revenue	21	781,077	781,061
59,601	384,810	Sales of Goods & Services	22	42,769	290,918
9,242	15,631	Investment Revenue	23	12,150	17,230
1,101	2,405	Donations	24	2,056	2,517
61	71	Other Revenue		55	606
1,022,956	1,355,751	**Total Revenue**		838,107	1,092,332
		Expenses			
390,204	610,639	Personnel Costs	25	302,145	421,173
126,659	334,038	Supplies and Consumables	26	93,496	256,677
7,764	12,380	Leases		5,286	9,025
55,814	88,098	Depreciation/Amortisation	27	32,474	56,022
150,969	-	Outputs from Statutory Authorities and Government Companies	40	119,307	-
51,585	51,585	Outputs from Non-government Organisations	28	48,159	48,159
48,556	48,556	Transfer Payments	29	36,476	36,476
561	1,536	Litigation Costs		264	776
15,108	26,628	Other Executive Expenses	30	12,611	13,662
39,064	43,540	Finance Costs	31	24,037	26,852
886,284	1,217,000	**Total Expenses**		674,255	868,822
		Other (Gains)/Losses			
46	46	(Gains)/Losses on Derecognition of Assets/Liabilities		434	434
-	(313)	Impairment of Inventory		-	(256)
(3,498)	(3,092)	(Gains)/Losses on Financial Instruments		(3,083)	(2,828)
1,083	1,652	(Gains)/Losses on Non-financial Instruments		787	1,025
(1,417)	-	(Surplus)/Deficit on Statutory Authorities & Government Companies		(59,421)	-
(3,786)	(1,707)	**Total Other (Gains)/Losses**		(61,283)	(1,625)
140,458	140,458	**Surplus/(Deficit) for the Period**		225,135	225,135

Statement of Cash Flows

GOVERNMENT OF THE CAYMAN ISLANDS

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Prior Year 2016/2017 CI$000		Note	Actual 2018 CI$000
	Operating Activities		
	Cash received		
957,762	Coercive Receipts		764,698
391,925	Sales of Goods & Services		216,072
13,998	Interest received		12,995
2,342	Donations / Grants received		474
39,337	Other receipts		23,770
1,405,364	***Total cash received***		**1,018,009**
	Cash used		
(612,770)	Personnel costs		(426,336)
(312,312)	Supplies and consumables		(164,455)
(55,629)	Outputs from non-governmental organisations		(52,204)
(47,915)	Transfer payments		(37,101)
(45,479)	Financing/interest payments		(28,230)
(57,477)	Other payments		(65,646)
(1,131,582)	***Total cash used***		**(773,972)**
273,782	***Net cash flows from (used by) operating activities***	**32**	**244,037**
	Investing activities		
	Cash received		
211	Proceeds from sale of property, plant and equipment		1,526
668,253	Proceeds from the sale of Investments		627,301
668,464	***Total cash received***		**628,827**
	Cash used		
(114,995)	Purchase of property, plant and equipment		(94,063)
(764,604)	Loans Made/Investments		(574,553)
(879,599)	***Total cash used***		**(668,616)**
(211,135)	***Net cash flows from (used by) investing activities***		**(39,789)**
	Financing activities		
(73,781)	Repayment of Borrowings		(47,373)
(73,781)	***Total cash used***		**(47,373)**
(73,781)	***Net cash flows from (used by) financing activities***		**(47,373)**
(11,134)	**Net increase/(decrease) in cash and cash equivalents held**		156,875
231,415	Cash and cash equivalents at beginning of period		220,281
220,281	**Cash and cash equivalents at end of period**	**2**	**377,156**
222,110	Cash and cash equivalents (excluding bank overdrafts)		378,652
(1,829)	Less Overdraft		(1,496)
220,281	**Cash and cash equivalents**		**377,156**

Statement of Changes in Net Worth

GOVERNMENT OF THE CAYMAN ISLANDS

SCHEDULE OF CHANGES IN NET WORTH

FOR THE PERIOD ENDED 31 DECEMBER 2018

	Attributable to Cayman Islands Government			
	Reserves	Revaluation	Accumulated Surplus/(Deficits)	Total Net Worth
	CI$000	CI$000	CI$000	CI$000
Balance at 30 June 2016	157,940	522,158	497,082	1,177,180
Changes in net worth for 2016/17				
Property revaluation adjustments	-	5,657	-	5,657
Movement in Post Retirement Benefit	-	-	(199,084)	(199,084)
Prior Period Adjustments	-	6,331	(82,944)	(76,613)
Movement in Reserves	43,806	-	(43,806)	-
Net revenue / expenses recognised directly in net worth	43,806	11,988	(325,834)	(270,040)
Surplus/(deficit)for the period 2015/16	-	-	140,458	140,458
Total recognised revenues and expenses for the period	43,806	11,988	(185,376)	(129,582)
Balance at 31 December 2017	201,746	534,146	311,706	1,047,598
Balance at 31 December 2017	201,746	534,146	311,706	1,047,598
Changes in net worth for 2018				
Movement in Post Retirement Benefit	-	-	20,009	20,009
Prior Period Adjustments	-	85,056	51,568	136,624
Movement in Reserves	2,018	-	(2,018)	-
Net revenue / expenses recognised directly in net worth	2,018	85,056	69,559	156,633
Surplus/(deficit)for the period 2018			225,135	225,135
Total recognised revenues and expenses for the period	2,018	85,056	294,694	381,768
				-
Balance at 31 December 2018	203,764	619,202	606,400	1,429,366

Statement of Comparison of Budget and Actual Amounts

GOVERNMENT OF THE CAYMAN ISLANDS

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

ENTIRE PUBLIC SECTOR

	Note	Original Budget 2018 CI$000	Actual 2018 CI$000	Performance Difference CI$000
Current Assets				
Cash and Cash Equivalents	2	488,381	378,652	(109,729)
Trade Receivables	3	20,026	53,581	33,555
Other Receivables	4	10,787	14,335	3,548
Inventories	5	19,806	18,385	(1,421)
Loans Made	6	3,312	591	(2,721)
Investments	7	125,719	443,236	317,517
Prepayments	8	11,570	14,025	2,455
Biological Assets	9	2,098	1,136	(962)
Total Current Assets		**681,699**	**923,941**	**242,242**
Non-Current Assets				
Trade Receivables	3	3,403	427	(2,976)
Other Receivables	4	113	-	(113)
Loans Made	6	32,637	33,316	679
Property, Plant and Equipment	10	1,892,875	1,893,541	666
Intangible Assets	11	12,398	5,188	(7,210)
Investment Property	12	-	7,818	7,818
Investments	7	831	56,820	55,989
Other Non-Financial Assets		-	400	400
Total Non-Current Assets		**1,942,257**	**1,997,510**	**55,253**
Total Assets		**2,623,956**	**2,921,451**	**297,495**
Current Liabilities				
Trade Payables	13	27,731	29,447	1,716
Other Payables & Accruals	13	54,147	58,017	3,870
Bank Overdraft	2	902	1,496	594
Unearned Revenue	14	74,122	86,647	12,525
Employee Entitlements	15	8,601	9,840	1,239
Retirement Benefits	16	14,429	28,644	14,215
Borrowings	17	302,537	302,081	(456)
Provisons	18	-	12,348	12,348
Total Current Liabilities		**482,469**	**528,520**	**46,051**
Non-Current Liabilities				
Trade Payables	13	36	-	(36)
Other Payables & Accruals	13	255	324	69
Unearned Revenue	14	-	13,765	13,765
Retirement Benefits	16	512,870	649,847	136,977
Borrowings	17	172,337	173,020	683
Currency Issued	19	119,323	126,609	7,286
Total Non-Current Liabilities		**804,821**	**963,565**	**158,744**
Total Liabilities		**1,287,290**	**1,492,085**	**204,795**
Net Assets		**1,336,666**	**1,429,366**	**92,700**
Net Assets/Equity				
Reserves	20	166,786	203,764	36,978
Revaluation Reserve	20	522,158	619,202	97,044
Current Period Surplus		81,028	225,135	144,107
Accumulated Surplus/(Deficit)		566,694	381,265	(185,429)
Total Net Assets/Equity		**1,336,666**	**1,429,366**	**92,700**

Statement of Comparison of Budget and Actual Amounts (continued)

GOVERNMENT OF THE CAYMAN ISLANDS

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

CORE GOVERNMENT

	Note	Original Budget 2018 CI$000	Actual 2018 CI$000	Performance Difference CI$000
Current Assets				
Cash and Cash Equivalents	2	373,556	129,632	(243,924)
Trade Receivables	3	14,242	18,508	4,266
Other Receivables	4	10,766	20,154	9,388
Dividends Receivable	4	-	2,738	2,738
Inventories	5	3,196	2,781	(415)
Loans Made	6	856	588	(268)
Investments	7	-	429,802	429,802
Prepayments	8	2,663	7,089	4,426
Total Current Assets		**405,279**	**611,292**	**206,013**
Non-Current Assets				
Trade Receivables	3	2,477	427	(2,050)
Other Receivables	4	113	-	(113)
Loans Made	6	16	-	(16)
Property, Plant and Equipment	10	1,490,020	1,442,987	(47,033)
Intangible Assets	11	4,688	2,860	(1,828)
Investments	7	831	831	-
Net Worth - Public Entities	41	369,171	407,367	38,196
Other Non-Financial Assets		-	91	91
Total Non-Current Assets		**1,867,316**	**1,854,563**	**(12,753)**
Total Assets		**2,272,595**	**2,465,855**	**193,260**
Current Liabilities				
Trade Payables	13	17,915	18,679	764
Other Payables & Accruals	13	40,075	68,009	27,934
Unearned Revenue	14	65,052	81,931	16,879
Employee Entitlements	15	6,302	8,053	1,751
Retirement Benefits	16	11,400	25,759	14,359
Borrowings	17	287,062	286,976	(86)
Total Current Liabilities		**427,806**	**489,407**	**61,601**
Non-Current Liabilities				
Unearned Revenue	14	-	13,765	13,765
Retirement Benefits	16	374,440	400,329	25,889
Borrowings	17	133,683	132,988	(695)
Total Non-Current Liabilities		**508,123**	**547,082**	**38,959**
Total Liabilities		**935,929**	**1,036,489**	**100,560**
Net Assets		**1,336,666**	**1,429,366**	**92,700**
Net Assets/Equity				
Reserves	20	166,786	164,893	(1,893)
Revaluation Reserve	20	489,490	485,798	(3,692)
Current Period Surplus		81,028	225,135	144,107
Accumulated Surplus/(Deficit)		599,362	553,540	(45,822)
Total Net Assets/Equity		**1,336,666**	**1,429,366**	**92,700**

GOVERNMENT OF THE CAYMAN ISLANDS
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2018
ENTIRE PUBLIC SECTOR

	Note	Original Budget 2018 CI$000	Actual 2018 CI$000	Performance Difference CI$000
Revenue				
Coercive Revenue	21	691,357	781,061	89,704
Sales of Goods & Services	22	277,356	290,918	13,562
Investment Revenue	23	12,384	17,230	4,846
Donations	24	717	2,517	1,800
Other Revenue		5,088	606	(4,482)
Total Revenue		986,902	1,092,332	105,430
Expenses				
Personnel Costs	25	444,434	421,173	(23,261)
Supplies and Consumables	26	244,699	256,677	11,978
Leases		-	9,025	9,025
Depreciation & Amoritisation	27	53,472	56,022	2,550
Outputs from Non-Government Organizations	28	24,867	48,159	23,292
Transfer Payments	29	36,462	36,476	14
Litigation Costs		1,471	776	(695)
Other Executive Expenses	30	73,514	13,662	(59,852)
Finance Costs	31	26,376	26,852	476
Total Expenses		905,295	868,822	(36,473)
Other (Gains)/Losses				
(Gains)/Losses on Derecognition of Assets/Liabilities		-	434	434
Impairment of Property, Plant and Equipment		1,003	-	(1,003)
Impairment of Inventory			(256)	(256)
(Gains)/Losses on Financial Instruments		(1,877)	(2,828)	(951)
(Gains)/Losses on Non-financial Instruments		1,453	1,025	(428)
Total Other (Gains)/Losses		579	(1,625)	(2,204)
Surplus/ (Deficit)for the period		81,028	225,135	144,107

Statement of Comparison of Budget and Actual Amounts (continued)

GOVERNMENT OF THE CAYMAN ISLANDS

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 DECEMBER 2018

CORE GOVERNMENT

	Note	Original Budget 2018 CI$000	Actual 2018 CI$000	Performance Difference CI$000
Revenue				
Coercive Revenue	21	691,357	781,077	89,720
Sales of Goods & Services	22	34,718	42,769	8,051
Investment Revenue	23	4,583	12,150	7,567
Donations	24	30	2,056	2,026
Other Revenue		50	55	5
Total Revenue		**730,738**	**838,107**	**107,369**
Expenses				
Personnel Costs	25	299,661	302,145	2,484
Supplies and Consumables	26	101,138	93,496	(7,642)
Leases		5,770	5,286	(484)
Depreciation & Amortisation	27	30,038	32,474	2,436
Outputs to Statutory Authorities and Government Companies	40	110,471	119,307	8,836
Outputs from Non-Government Organizations	28	24,867	48,159	23,292
Transfer Payments	29	36,462	36,476	14
Litigation Costs		583	264	(319)
Other Executive Expenses	30	11,841	12,611	770
Finance Costs	31	23,968	24,037	69
Total Expenses		**644,799**	**674,255**	**29,456**
Other (Gains)/Losses				
(Gains)/Losses on Derecognition of Assets/Liabilities		-	434	434
(Gains)/Losses on Financial Instruments		(1,988)	(3,083)	(1,095)
(Gains)/Losses on Non-financial Instruments		1,300	787	(513)
(Surplus)/Deficit on Statutory Authorities & Government Companies		5,599	(59,421)	(65,020)
Total Other (Gains)/Losses		**4,911**	**(61,283)**	**(66,194)**
Surplus/(Deficit) for the Period		**81,028**	**225,135**	**144,107**

Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018

The Cayman Islands is an Overseas Territory of the United Kingdom, a foreign sovereign territory. Her Majesty the Queen of England, as the British Queen regnant, is the head of state of the Cayman Islands and appoints the Governor to administer the Government of the Cayman Islands on her behalf. The Cayman Islands has its own Constitution and is governed by a local parliamentary democracy comprised of executive, legislative and judicial branches.

Although financial decisions of the Government are made by the Legislative Assembly and Cabinet, and the United Kingdom does not provide direct financial support to the Cayman Islands, the United Kingdom closely monitors financial activities.

Principal Activities
The principal activities and operations of the Government of the Cayman Islands (the "Government") are to provide:

- General public services
- Public order and safety
- Economic opportunity
- Environmental protection
- Health
- Social Protection
- Housing and community amenities
- Recreational, cultural and religious diversity
- Education

In addition, the Government administers assets transferred or paid to it in trust for any purpose, or to hold for or, on behalf of any person or entity.

These financial statements should be read in conjunction with the financial statements of the individual Ministries, Portfolios, Offices, Statutory Authorities and Government Companies.

Note 1: Summary of Accounting Policies

Statement of Compliance

These consolidated Entire Public Sector (herein after the "EPS") 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.

Reporting Period

The reporting period for these financial statements of the Government of the Cayman Islands is for the period from 1 January 2018 to 31 December 2018.

The financial year end of the Government was changed from 30 June to 31 December based on an amendment to the Public Management and Finance Act (2013 Revision) authorised by the Legislative Assembly on 27 March 2017.

Accordingly, the corresponding figures in the financial statements for the eighteen months ended 31 December 2017 and are not comparable to the 31 December 2018 results.

Basis of Preparation

The financial statements have been prepared on the accrual basis of accounting, unless otherwise stated. The cash flows statement has been prepared using the direct method.

The measurement base applied to these financial statements is fair market value.

The financial statements are presented in Cayman Islands dollars rounded to the nearest thousand.

Judgments and Estimates

The preparation of these 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 areas where estimates, assumptions or judgement are significant include, but are not limited to: post-employment benefit obligations, provisions, fair value estimations, contingent assets and liabilities and impairment of non-financial assets. The estimates and associated assumptions are based on the judgement of management, historical experience, reports from independent experts and various other factors that are believed to be reasonable under the circumstances. Any uncertainties regarding possible outcomes are dealt with by using expected outcomes.

Actual results may differ from these estimates. Where these judgements significantly affect the amounts recognised in the financial statements they are described below and in the following notes.

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.

Basis of Combination

These financial statements utilise the equity method of combination at Central Government level for its investment in Statutory Authorities and Government Companies and a full consolidation approach is taken at the Entire Public Sector level.

The Reporting Entities of the Government of the Cayman Islands consists of Central Government and Statutory Authorities and Government Companies. These agencies collectively are referred to as Entire Public Sector. Reporting entities include:

Central Government

- Legislative Assembly
- Governor in Cabinet
- Ministries
- Portfolios
- Judicial Administration
- Office of the Premier
- Office of the Complaints Commissioner
- Office of the Auditor General
- Office of the Information Commissioner
- Office of the Director of Prosecutions
- Office of the Ombudsman
- Government Departments, Sections and Units

Other Entities

- Statutory Authorities
- Government Companies

The financial statements of each reporting entity include all revenues, expenses, assets, and liabilities which are controlled by the entity. Revenues, expenses, assets, and liabilities, which are not controlled by the reporting entity, e.g. trust assets, have been excluded from the consolidation and reported separately in the Statement of Trusts (see note 44).

Corresponding assets, liabilities, income and expenses, are added together line by line. Transactions, balances and unrealised gains and losses on transactions between entities are eliminated on combination. Where necessary, adjustments are made to the financial statements of Statutory Authorities and Government Companies to bring the accounting policies in line with those used by Central Government. Statutory Authorities and Government Companies are not required to report their results using IPSAS, however, for consolidation purposes all entities included in the Entire Public Sector reporting must provide restated results using IPSAS.

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 Statement of Changes in Net Worth reflects changes in accounting policies and corrections of errors and omissions.

New, Revised and Amended International Public Sector Accounting Standards issued not early adopted

New IPSAS issued and applicable:

- *IPSAS 39, Employee Benefits* (effective for period beginning on or after January 1, 2018). This replaces IPSAS 25, *Employee Benefits.*

New IPSAS issued but not yet applicable:

- *IPSAS 40, Public Sector Combinations* (effective for period beginning on or after January 1, 2019);
- *IPSAS 41, Financial Instruments* (effective for period beginning on or after January 1, 2022).

Budget Amounts
The original budget amounts for the financial year are as presented in the 2018 Annual Plan and Estimates as approved by the Legislative Assembly on 27 November 2017. The Final Budget does not include amounts authorised in advance of appropriation issued under section 11 (5) of the Public Management and Finance Act (2017 Revision).

The budget is prepared on the accrual basis. As a result of the adoption of the accrual basis for budgeting purpose there is no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the Statement of Comparison to Budget and Actual Amounts. Explanatory comments are provided in the notes to the financial statements for major variances (including adjustments, overspend or underspending) against budget (see Note 33).

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.

The Government derives its revenue through the coercive power of the state for which no direct exchange of service occurs and from the sale of goods and services to third parties.

Coercive revenue

Coercive revenue is recognised on the following basis:-

Revenue Type	*Revenue Recognition Point*
Taxes on International Trade and Transactions	
• Import Duties	When goods become liable for duty, generally at declaration, prior to release of goods
• Other Taxes on International Trade and Transactions	When liability for tax or fee is incurred
Domestic Levies on Goods and Services	
• Business and Professional Licenses	Upon initial application and, if appropriate, when renewed
• Other Taxes on Goods and Services	Upon delivery of goods and services
• Motor Vehicle Tax	Upon initial application and due date for annual renewal
• Tourist Accommodation Tax	When monthly return is due
• Miscellaneous Stamp Duty	At the time the goods are delivered
• Miscellaneous Immigration Fees	Upon application
Taxes on Property	
• Land Transfer Duty	At time of transfer of ownership
• Infrastructure Fund Fee	For non-refundable fees, upon application for planning approval For refundable fees, once planning approval is granted
Other	
• Court Fines	When fine imposed
• Other Fines	When fine imposed
• Other Revenue	As earned

Sale of Goods and Services

Revenue from the supply of goods and services to third parties is measured at the fair value of consideration received. Revenue from the supply of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from the supply of services is recognised on a straight line basis over the specified period of the services unless an alternative method better represents the stage of completion of the transaction.

Rental Income
Rental income is recognised in the Statement of Financial Performance on a straight line basis over the term of the lease. Lease incentives granted are recognised evenly over the term of the lease as a reduction in total rental income.

Investment Revenue
Income from investment is recognised when the right to receive payment has been established and/or it is probable that the economic benefits will flow to the Government and the amount can be measured reliably. Interest income is accrued using the effective interest rate method. The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

Donations
Donations received are recognized immediately as income in the fiscal year received if:

a) All conditions necessary for use of these resources have been met and/or,
b) In situations where specific use has been determined by the donor, the Government has purview on the timing of the use of resourced donated once the provisions of (a) above have already been met as necessary.

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

Interest expense
All interest and other costs incurred in connection with borrowings are expensed as incurred as part of loan interest, except where interest incurred on a qualifying asset is capitalised. The interest expense of loan payments is recognised in the statement of financial performance using the effective interest rate and or straight line method as appropriate.

Operating Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as 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. Where incentives are received under an operating lease, the expenses are recognised 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.

Finance Leases
Leases in which the contract transfers substantially all risks and rewards related to an asset incidental to the ownership thereof, is classified as finance lease. Such leases are treated in the Statement of Financial Position of the lessor as a receivable at an amount equal to the net investment in the lease.

Cash and Cash Equivalents
Cash and cash equivalents include cash on hand, cash in-transit, cash at bank, deposits on call and short term highly liquid investments with a maturity of no more than three months from the date of acquisition, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and short term investments as defined above, net of bank overdrafts.

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 a first-in first-out (FIFO) basis or weighted average cost basis 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.

Stock of Notes and Coins for/in Circulation
Unissued currency notes stock is stated at cost. Only the cost of issued notes into circulation is expensed, on a FIFO basis.

Stocks of Numismatic Items
Stocks of numismatic items consist of gold and silver bullion arising from the meltdown 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 gains/losses are recorded in the statement of financial performance.

Water inventory
Inventory of the Water Authority consists of consumable spares and water. Consumable spares are accounted for on the first-in, first-out basis. Water inventory is calculated at the cost of water plus chemicals multiplied by the volume of water.

Affordable Housing Initiative (AHI) Houses
Houses to be sold consist of completed houses that specific parcels have been allocated, Certificates of Occupancy have been issued, and are specifically held for re-sale. Homes are valued at lower of cost to construct and net realizable value. Houses which are held as rental property or lease-to-own are held in property, plant and equipment – Affordable Housing Initiative (AHI) Houses.

Inventory also consists of land lots held for transfer on sale of the completed houses held in inventory. In accordance with IPSAS 12, where inventory is acquired as a non-exchange transaction, the costs are measured at the fair value on acquisition. The fair value of the land is based on the first valuation carried out on acquisition.

Prepayments
The portion of recognised expenditure paid in advance of receiving services has been recognised as prepayments and classified as current assets in these financial statements.

Biological Assets
Biological assets are living animals or plants. For the purpose of these financial statements biological assets refer to turtles that are either reared for slaughter or breeding at the Cayman Islands Turtle Centre.

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

Biological Assets – Breeder Herd
It is management's policy to differentiate between turtles which were acquired from the wild and will be released at the end of their breeding lives, and farm bred turtles which may be slaughtered at the end of their breeding lives. Mature turtles (those that have reached breeding age) acquired from the wild have a zero carrying value. The breeder herd is valued at fair value, calculated using market prices and expected yields of each type of product based on historical data.

Property, Plant and Equipment

Property, plant and equipment, is stated at revalued cost less accumulated depreciation and impairment losses. 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.

Where revaluation of property, plant and equipment is carried out, all items of a given class of assets are revalued for a respective entity. Revaluation increases shall be credited directly to revaluation surplus. The increase shall be recognised as revenue in surplus or deficit to the extent that it reverses a revaluation decrease of the same class of assets previously recognised as an expense in the surplus or deficit. Revaluation decreases are debited first against the revaluation surplus related to the same class of assets previously recorded, and any excess against surplus or deficit.

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.

Asset Type	***Estimated Useful life***
• Buildings and structures	10 - 60 years
• Building fit-out (when accounted for separately)	5 - 25 years
• Roads, sidewalks, signs and traffic lights	6 - 50 years
• Heritage buildings & Memorials and Monuments	100 years
• Leasehold Improvement	Over the unexpired period of lease or the useful life of improvement
• Computer Equipment	3 - 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
• Water and sewage treatment	10 - 50 years
• Heritage Assets	Nil
• Public Open Spaces	Nil

Heritage Assets

Heritage assets (including monuments) are assets that have cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. Heritage assets which have a market value or determinable value and meet the definition and recognition criteria are to be accounted for in accordance with IPSAS 17 Property, Plant and Equipment; otherwise they are not recognized on the Statement of Financial Position but disclosed in the notes to the financial statements. Heritage assets included in the Statement of Financial Position are carried at a nominal value of $1.

Public Open Spaces

Public open space zones comprise predominantly undeveloped areas of land vested, or intended to be vested, in the Government or over which the public have rights and which is available to members of the public generally (whether subject to fulfilling any lawful condition or not) for purposes of sport, recreation, or the enjoyment of study of nature. Such areas include, but are not limited to, parks, reserves, beaches, playgrounds, sports grounds and playing fields, plazas, public access ways and land set aside for public purposes development and subdivisions under the Development and Planning Regulations (2015 Revision). These assets are carried at a nominal value of $1 in the Statement of Financial Position.

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.

Intangible Assets

Intangible assets are stated at historical cost less accumulated amortisation and any impairment losses. Amortisation is provided over the estimated useful life using the straight line method. The estimated useful life for intangible asset classes is as follows:

• Developed software	4 - 10 years
• Other Intangible assets	1 - 4 years

Gains and losses on disposals of intangible assets 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.

Investment Property

This is stated at cost less accumulated depreciation and impairment losses. Depreciation on investment property is charged to the Statement of Financial Performance on a straight-line basis at 2% which approximate to a useful life of 50 years.

Investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal.

Gains or losses on disposal of investment property are determined by comparing the sale proceeds and the carrying amount of the asset. Gains or losses on disposal are included in the Statement of Financial Performance in the period which the property was disposed.

Transfers are made to or from investment property only when, there is a change in use.

Construction in Progress
This relates to the development of quality concrete construction freehold homes developed by the Sister Island Affordable Housing Development Corporation ("SIAHDC"). This account consists of costs incurred or attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended. It is categorized as non-current assets for the actual cost related to each project. When the SIAHDC houses are completed, the infrastructure costs are allocated by parcel.

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 Central Government are paid in to the Public Service Pension Fund (the "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 Government.

Prior to 1 January 2000 the Board operated a defined benefit scheme. With effect from 1 January 2000 the Government continued to provide a defined benefit scheme for existing employees and a defined contributions 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 Statement of Financial Position and in the Statement of Financial Performance for any contributions made during the period.

With the introduction of the National Pension Act in 1998, all new employees of Statutory Authorities and Government Companies who are not participants in the Public Service Pensions Fund are enrolled in an approved local pension plan.

Pension Liability
The pension liability is accounted for in accordance with IPSAS 25 Employee Benefits.

Defined Benefit Plan
Pension liability under the defined benefit plan is recognised net of the following amounts:

- The present value of the defined benefit obligation as at the balance sheet date;
- Plus any actuarial gains (less any actuarial losses) not recognised as income or expense; and
- Minus any past service costs not yet recognised as an expense; and
- Minus the fair value at the balance date of plan assets out of which the obligations are to be settled directly.

Defined Contribution Plan
The pension liability under the defined contribution plan is recognised in the same period the contribution payable is exchanged for service rendered by an employee.

Financial Instruments
The Government is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short term deposits, loans made, trade and accounts receivables, investments and trade and accounts payable, loans and borrowings, 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 or exchange financial instruments under conditions that are potentially favourable. Financial assets comprise of cash and cash equivalents, loans made, investments, and accounts receivable.

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

Recognition
The Government 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.

The financial assets classified as cash and cash equivalents, accounts receivable, investments – not including those held by Cayman Islands Monetary Authority – are subsequently recorded at historical cost; which is considered to approximate fair value due to the short-term or immediate nature of these instruments.

Cayman Islands Monetary Authority's short-term investments are valued, on a monthly basis at their amortized cost. Long term investments are valued at quoted market value. Unrealized gains or losses are recorded in the Statement of Financial Performance.

Loans made are measured at amortized cost, being the initial amount of the loan less principal payments, less any impairment losses.

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

De-recognition

A financial asset is de-recognised when the Government realises or waives the rights to the benefits specified in the contract or loses control over any right that comprise that asset. A financial liability is de-recognised when it is extinguished, that is when the obligation is discharged, cancelled, or expires.

Off-setting

Financial Assets and financial liabilities are off-set and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize assets and settle the liabilities simultaneously.

Impairment of Financial Assets

The Government assesses at each reporting date whether there is objective evidence that a financial asset is, or a group of financial assets are, impaired. Impairment is deemed to have transpired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in Statement of Financial Performance. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or transferred to the Government. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to revenue in the Statement of Financial Performance.

Fair Value

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

Borrowing Costs

Borrowing costs are capitalised against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalisation ceases when construction of the asset is complete. Further borrowing costs are charged to the Statement of Financial Performance.

Provisions

Provisions are recognised when the Government has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Government expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the Statement of Financial Performance net of any reimbursement.

The Public Management and Finance Act (2020 Revision), as amended ("the Act" or "PMFA"), requires that the Government maintains a minimum of 90 days cash balance. These cash balances include the General Reserves Funds.

These funds are held in fixed deposits by the Treasury Department.

Reward Points
The Government-owned airline's frequent flyer programme allows frequent travellers to accumulate 'Sir Turtle Rewards' points each time they travel with the airline. These points entitle them to a choice of various awards, including free travel and upgrades. Additionally the airline sells Reward points to non-airline business partners.

The reward points are recognised as a separately identifiable component of the initial sale transaction by allocating the fair value of the consideration received between the award points and the other components of the sale such that the reward points are initially recognised as deferred income at their fair value and subsequently recognised as revenue on redemption of the miles by the participants to whom the miles are issued.

The frequent flyer provision in respect of the redemption under this programme is determined using various assumptions concerning the future behaviour of the participants. Those include the following assumptions:

i) The fair value attributable to the awarded mileage credit has been calculated based on the weighted average fare price across all routes over the last five years; and

ii) The rate of redemption for the program since its inception.

Revenue received against the issuance of Sir Turtle Rewards' points is deferred as a liability and shown as provision on the Statement of Financial Position until the points are redeemed or the passenger is uplifted in the case of flight redemptions. The frequent flyer provision is measured based on managements' estimates of the fair value of the expected awards for which the points will be redeemed. The fair value of the awards is reduced to take into account the proportion of points which are expected to expire.

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 require an outflow of resources. Contingent assets are disclosed if it is probable that the obligation will be realised.

Commitments
Commitments are future expenses and liabilities to be incurred on contracts that have been entered into as at 31 December.

Cancellable commitments that have penalty or exit costs explicit in the agreement on exercising the option to cancel are reported at the value of that penalty or exit cost (that is the minimum future payments).

Commitments are classified as:

- Capital commitments: aggregate amount of capital expenditure contracted for but not recognised as paid or provided for at the end of the reporting period,

- Non-cancellable operating leases with lease term of more than one year, and
- Other non-cancellable commitments (these may include consulting contracts and cleaning contracts).

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 were used to translate foreign currency balances:

- Central Government monetary and non-monetary assets held in US Dollars are reported in Cayman Islands dollars using a rate of 0.83 and liabilities are reported in Cayman Islands dollars using 0.8375. Statutory Authorities and Government Companies foreign currency assets and liabilities denominated in US dollars are reported using a fixed rate of exchange existing at the balance sheet date; and

- All other foreign currency monetary and non-monetary items are reported in Cayman Islands dollars using the rate of exchange existing at the balance sheet date.

Comparative Figures

During a regular financial year the financial statements include a prior year comparison of actual amounts with amounts in the current year. Where there is a change in accounting policies or errors and omissions, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so. However, due to the change from a fiscal year to a calendar year the current financial results are the product of an 18-month financial period ending 31 December 2017, prior year figures are for the 12-month fiscal year ending 30 June 2016.

Segment Reporting

These financial statements include segment reporting based on the material institutional components and major economic activities within or undertaken by the Government.

The three major institutional components of the Government are:

- *Central Government*: includes the Judicial Administration, Ministries and Portfolios, Office of the Complaints Commissioner, the Office of the Information Commissioner, the Office of the Premier, the Office of Auditor General, the Office of Director of Public Prosecutions and the office of the Ombudsman, it also includes the equity investment in Statutory Authorities and Government Companies.
- *Statutory Authorities*: Includes all entities established by law to carry out specific functions authorised by the law that governs the entity; being funded partly or entirely, by money provided by the Governor in Cabinet, and for which the Governor or the

Governor in Cabinet has the power to appoint or dismiss the majority of the Board or other governing body.

- *Government Companies*: Includes companies in which the Government has controlling interest and in respect of each such company, includes all subsidiary entities of the company.

Statutory Authorities and Government Companies are treated as one segment for the purposes of these financial statements.

Related Parties
Related party relationships and transactions are disclosed in accordance with IPSAS 20-Related Party Disclosures and are defined by the following criterion:

- Related party relationships where control exists, regardless of whether there have been transactions between the related parties;

- Transactions between related parties including the nature of the relationship, the type of transaction and the elements of the transactions necessary for an understanding of the financial statements.

No disclosure is required of transactions between:

- Ministries, Portfolios, Offices and Statutory Authorities and Government owned Companies acting in the course of their normal dealings;

- Customers with whom an entity transacts a significant volume of business are not related merely by virtue of the resulting economic dependence. This exclusion applies to private sector or not-for-profit agencies that are dependent upon government funding.

Related parties for the purposes of the Entire Public Sector include key management personnel such as Ministers and Official Members of Cabinet, Elected Members of the Legislative Assembly, Board members, Board Directors and Chief Officers or any other person acting in a capacity of influence in the Government.

Note 2: Cash and Cash Equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash on hand, cash in transit, deposits held on call with banks and other short term highly liquid investments net of overdraft.

EPS Actual 2016/2017	Description	EPS Actual 2018
CI$000		CI$000
950	Cash on Hand	487
125,275	Operational Accounts - KYD	103,236
41,745	Operational Accounts - USD	48,441
2	Operational Accounts - GBP	7
13,991	Other Bank Accounts	14,006
40,147	Fixed Deposits & Other Short term investments	212,475
222,110	**Cash and Cash Equivalents (excluding bank overdrafts)**	**378,652**
(1,829)	Less Overdrafts	(1,496)
220,281	**Cash and Cash Equivalents**	**377,156**

As part of the Governments' cash management strategy funds are classified as restricted and unrestricted and are represented as below:

EPS Actual 2016/2017	Description	EPS Actual 2018
CI$000		CI$000
212,331	Unrestricted Cash	368,906
7,950	Restricted Funds	8,250
220,281	**Cash and Cash Equivalents**	**377,156**

The use of Central Government restricted funds requires the approval of Cabinet and the Legislative Assembly and/or Finance Committee.

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Fixed deposits and short term investments (inclusive of Federal Reserve Repurchase Agreement) are made for varying periods, depending on the immediate cash requirements and earn interest at the respective short-term deposit rates. Deposits held for over 90 days at the time of placement are classified as investments and are reported in Note 7.

Note 3: Trade Receivables

Core Actual 2016/2017	EPS Actual 2016/2017	Description	Core Actual 2018	EPS Actual 2018
CI$'000	CI$'000		CI$000	CI$'000
7,152	4,873	Coercive Revenue Receivable	11,470	11,311
18,392	125,040	Non-Coercive Receivable	24,241	73,167
25,544	**129,913**	**Total Trade Receivables**	**35,711**	**84,478**
(16,313)	(98,869)	Less: Provision for Doubtful Debts	(16,776)	(30,470)
9,231	**31,044**	**Net Trade Receivables**	**18,935**	**54,008**

Movement in Provision and Impairment

Core Actual 2016/2017	EPS Actual 2016/2017	Description	Core Actual 2018	EPS Actual 2018
CI$000	CI$000		CI$000	CI$000
(12,889)	(111,588)	Balance at 1 July	(16,313)	(98,869)
(3,424)	(4,680)	Additional provisions made during the year	(463)	(12,300)
-	17,399	Receivables written off/back during the period	-	80,699
(16,313)	**(98,869)**	**Provision for Doubtful Debts**	**(16,776)**	**(30,470)**

Maturity Profile

Core Actual 2016/2017	EPS Actual 2016/2017	Description	Core Actual 2018	EPS Actual 2018
CI$000	CI$000		CI$000	CI$000
8,804	30,617	Trade Receivables due in one year	18,509	53,581
427	427	Trade Receivabels due after one year	427	427
9,231	**31,044**	**Total Trade Receivables**	**18,936**	**54,008**

Note 4: Other Receivables

Core Actual 2016/2017	EPS Actual 2016/2017	Description	Core Actual 2018	EPS Actual 2018
CI$000	CI$000		CI$000	CI$000
98	40	Advances and Expenditure Reimbursable	161	262
893	893	Dishonoured Cheques	848	848
1	106	Interest Receivable	-	363
8,223	200	Dividends Receivable	2,738	-
-	2,172	Long Term Other Receivables	-	-
16,741	20,262	Other Receivable	19,196	13,282
25,956	**23,673**	**Total Other Receivables**	**22,943**	**14,755**
(31)	(31)	Less: provision for Doubtful Debts	(51)	(420)
25,925	**23,642**	**Net Other Receivables**	**22,892**	**14,335**

Movement in Provision and Impairment

Core Actual 2016/2017	EPS Actual 2016/2017	Description	Core Actual 2018	EPS Actual 2018
CI$000	CI$000		CI$000	CI$000
(57)	(57)	Balance at 1 July	(31)	(31)
26	26	Additional provisions made during the year	(20)	(389)
-	-	Receivables written off during the period	-	-
(31)	**(31)**	**Provision for Doubtful Debts**	**(51)**	**(420)**

Maturity profile

Core Actual	EPS Actual	Description	Core Actual	EPS Actual
CI$001	CI$000		CI$001	CI$000
25,925	21,470	Other Receivables due in one year	22,892	14,335
-	2,172	Other Receivabels due after one year	-	-
25,925	**23,642**	**Total Trade Receivables**	**22,892**	**14,335**

Note 5: Inventories

EPS Actual 2016/2017	Description	EPS Actual 2018
CI$000		CI$000
311	Raw Materials (including consumable stores)	319
-	Work in Progress	156
3,136	Inventory held for use in the provision of goods and services	2,854
1,714	Other Inventories for use within one year	1,861
1,280	Water Inventory	1,335
6,306	Pharmaceutical and Medical Supplies	7,345
1,602	Inventory of Unissued Currency Notes and Coins	2,734
765	Coins awaiting melt-down, Coins for resale and Bullions	737
125	Affordable Houses	1,044
15,239	**Total Inventories**	**18,385**

Managed by:

CI$000		CI$000
3,149	Central Government	2,781
12,090	Statutory Authorities & Government Companies	15,604
15,239	**Total Inventories**	**18,385**

Maturity profile

EPS Actual 2016/2017	Description	EPS Actual 2018
CI$000		CI$000
15,239	Inventories for use in one year	18,385
15,239	**Total Inventories**	**18,385**

No inventory items were pledged as security during the current or prior financial year.

Total write off of inventory due to impairment was $256,081 (2017: $312,682)

Note 6: Loans Made

EPS Actual 2016/2017	Description	EPS Actual 2018
CI$000		CI$000
12,008	Medical Loans	11,878
220	Mortgage Loans	195
74	Home School Association	74
1,888	Loans (due within 12 months)	588
27,799	Commercial Loans	37,482
77	Private Schools	-
42,066	**Total Loans Made**	**50,217**
(15,823)	Less: Provision for Impairment Losses	(16,310)
26,243	**Net Loans Made**	**33,907**

CI$000		CI$000
1,048	Central Government	588
25,195	Statutory Authorities & Government Companies	33,319
26,243	**Total Net Loans Made**	**33,907**

Movement in Provision and Impairment

EPS Actual 2016/2017	Description	EPS Actual 2018
CI$000		CI$000
(16,258)	Balance at 1 July	(15,823)
435	Additional provisions made/Write-back of provisions during the year	(487)
(15,823)	**Provision for Impairment Losses**	**(16,310)**

Maturity Profile

EPS Actual 2016/2017	Description	EPS Actual 2018
CI$000		CI$000
1,888	Amounts due within 12 months	591
24,355	Amounts due after 1 year	33,316
26,243	**Total Net Loans Made**	**33,907**

Fair Value

The carrying values of loans made are not materially different from their fair values.

Loans made include commercial loans made by the Cayman Islands Development Bank; however the repayments and disbursement of loans are included in the operating section of the Statement of Cash Flows.

Note 7: Investments

During the year ended 31 December 2018, the Government had investments amounting to $554.6 million (2016: $438.5 million).

Short -Term Investments

EPS Actual 2016/2017	Description	EPS Actual 2018
CI$000		CI$000
516,989	Marketable Securities and Deposits	436,848
2,446	Interest Receivable	6,388
519,435	**Short-Term Investments**	**443,236**

Long-Term Investment

EPS Actual 2016/2017	Description	EPS Actual 2018
CI$000		CI$000
34,325	Marketable Securities	55,989
591	Caribbean Development Bank	591
240	Cayman First Insurance Limited	240
35,156	**Long-Term Investments**	**56,820**
554,591	**Total Investments**	**500,056**
	Investment Held by:	
401,700	Central Government	430,633
152,891	Statutory Authorities & Government Companies	69,423
554,591	**Total Investment**	**500,056**

Short-Term Investments

Short Term investments are held in the form of US Treasury Bills, AAA Corporate Bonds and US Treasury Notes with maturity dates ranging between 15 April 2019 and 31 July 2019, and Fixed Deposits with maturity dates over 90 days but within 365 days.

The US Treasury Bills are measured at amortised cost. All other investments are measured at fair value designate upon initial recognition.

EPS Actual 2016/2017	Description	EPS Actual 2018
CI$000		CI$000
57,583	Federal Reserves repurchase Agreement at 2.45%	-
36,594	US Treasury Notes	9,482
-	AAA Corporate bonds	1,281
422,812	Fixed Deposits (over 90 days but within 365 days)	426,085
2,446	Interest receivable	6,388
519,435	**Short-Term Investments**	**443,236**

Long-Term Investments

Long term investments in marketable securities are held in US Treasury Notes, and U.S. Government Sponsored Enterprise ("GSE") stated at market value, with interest rates ranging from 1.25% to 5.00% and maturity dates between 29 February 2020 and 20 September 2048.

EPS Actual 2016/2017	Description	EPS Actual 2018
CI$000		CI$000
31,119	1-5 years	47,380
689	6-10 years	38
2,517	Over 10 years	8,571
34,325	**Long-Term Investments**	**55,989**

Reserve Fixed Deposits

As part of the Core Governments' cash management strategy those funds classified as marketable securities are classified as restricted and unrestricted. As at 31 December 2018 Core Government held restricted funds of $164.9million of which $164.5 million is included in marketable securities.

Currency Reserve Assets

Marketable Securities and Deposits form part of the Currency Reserve Assets of the Cayman Islands Monetary Authority. These assets are to be used to fund the Authority's currency redemption obligations.

Sections 32(8) of the Cayman Islands Monetary Authority Act (2013 Revision) mandates the preservation of Currency Reserve Assets, separately from all other assets of the Monetary Authority. These assets are to be used to fund the Authority's currency redemption obligations and are not to 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.

In accordance with sections 32(2) and 32(6) of the Monetary Authority Act, 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 31 December 2018, the value of Currency Reserve Assets was $142.4 million (2017: $131.9 million) representing 112.45% (2017: 110.36%) of total Demand Liabilities. The value of external assets equated to 107.27% (2017: 105.92%) while the value of local assets as at 31 December 2018 equated to 5.19% (2017: 4.44%) of Demand Liabilities.

Caribbean Development Bank

The Government holds 533 Authorised Capital Stock and Member Subscription shares in the Caribbean Development Bank; of which 117 shares are paid up shares and the remaining 416 shares are callable shares. The paid up shares are at a cost of US$6,321.74 each.

Cayman First Insurance Limited

The Government holds 12% of the shareholdings of the company. These shares were issued in lieu of insurance settlement in August 2005 at a cost of $240,000.

Note 8: Prepayments

Core Actual 2016/2017	EPS Actual 2016/2017	Description	Core Actual 2018	EPS Actual 2018
CI$000	CI$000		CI$000	CI$000
364	479	Prepaid Insurance	349	475
2,012	6,959	Other Prepayments	6,740	13,550
2,376	**7,438**	**Total Prepayments**	**7,089**	**14,025**

Maturity Profile

Core Actual 2016/2017	EPS Actual 2016/2017	Description	Core Actual 2018	EPS Actual 2018
CI$000	CI$000		CI$000	CI$000
2,376	7,438	Prepayments due in one year	7,089	14,025
2,376	**7,438**	**Total Prepayments**	**7,089**	**14,025**

Note 9: Biological Assets

EPS Net 2016/2017 CI$000	Description	EPS Net 2018 CI$000
	Livestock, at fair values:	
1,195	Secondary herd	842
338	Breeder herd	294
1,533	**Biological Assets**	**1,136**

CI$000	Held by:	CI$000
-	Central Government	-
1,533	Statutory Authorities & Government Companies	1,136
1,533	**Total Biological Assets**	**1,136**

The movements in the carrying value of the secondary herd are outlined as follows:

EPS Net 2016/2017 CI$000	Description	EPS Net 2018 CI$000
1,290	Carrying value at beginning of year	1,195
-	Change attributable to differences in prior years fair values	133
(97)	Change attributable to differences in fair values	781
470	Biological transformation	640
(468)	Sales, at year end fair values	(1,907)
(95)	Net change in biological assets included in income	(486)
1,195	**Carrying value at end of year**	**842**

Biological transformation comprises the net effect of births, deaths and other losses, and growth within the secondary herd, measured at period-end fair values. Due to the continuing limitations surrounding the market for the products of the secondary herd, shells are valued at CI$Nil (2017: CI$Nil).

The movements in the net book value of the breeder herd are outlined as follows:

EPS Net 2016/2017 CI$000	Description	EPS Net 2018 CI$000
350	Carrying value at beginning of year	338
(12)	Net (decrease)/increase during the year	(44)
338	**Carrying value at end of year**	**294**

Net additions during the period are attributable to new breeders added, weight gained during the period, less mortalities. During the period ended 31 December 2018, zero new breeder (2017: Nil) was added to the herd and nine turtles (2017: nine) were transferred to the secondary herd or died. As of 31 December 2018 there was CI$500,000 insurance coverage associated with the livestock (2017: CI$500,000).

Measurement of fair values:

Fair value hierarchy

The fair value measurements for the breeder herd and secondary herd have been categorised as Level 3 fair values based on the inputs to the valuation techniques used.

Valuation techniques and significant unobservable inputs

The following valuation techniques and significant unobservable inputs have been used in determining the Level 3 fair values of the breeder herd and secondary herd:

Valuation technique: The valuation model considers the percentage of steak, stew, fin bone and menavelin that can be yielded as well as the current selling prices for these items. The expected cash flows are reduced for the expected processing costs.

Unobservable inputs: Percentage yields, estimated weight gain as well as the directly attributable processing costs to the Company are considered to be unobservable inputs.

Note 10: Property, Plant and Equipment

Entire Public Sector
CI'000

Cost of Property, plant & equipment

	Land	Plant and equipment	Buildings	Furniture and Office Equipment	Computer Hardware	Office Equipment	Leasehold Improvements	Other assets	Infrastructure, Roads & Sidewalks	Water reticulation	Motor Vehicles	Marine Vessels	Aircraft	Assets under construction or development	Total Property Plant and Equipment
Balance as at 1 July 2016	581,519	69,628	624,894	20,461	31,447	8,548	8,894	29,306	492,632	100,063	45,008	5,363	25,401	110,710	2,153,874
Additions	2,823	2,960	808	1,227	2,583	506	654	1,876	197	6,910	167	399	7,959	63,652	92,721
Revaluations	-	4	26,110	120	42	187	20	-	12	(903)	1,689	15	-	(2,085)	25,211
Disposal/ Derecognition	(82)	(728)	-	(454)	(656)	(332)	(520)	-	(4)	(150)		-	-	(2,518)	(5,444)
Adjustments & Transfers	62,329	(84)	(96,374)	(2,111)	(565)	(686)	(216)	1,233	(109,256)	10,174	(1,874)	72	(2,207)	(8,579)	(148,144)
Balance as at 31 December 2017	646,589	71,780	555,438	19,243	32,851	8,223	8,832	32,415	383,581	116,094	44,990	5,849	31,153	161,180	2,118,218
Balance as at 01 January 2018	646,589	71,780	555,438	19,243	32,851	8,223	8,832	32,415	383,581	116,094	44,990	5,849	31,153	161,180	2,118,218
Additions	34,181	17,960	9,196	478	8,928	302	899	1,705	141	4,573	10,058	46	(4,238)	42,360	126,589
Revaluations	54,292	3,520	(11,784)	(953)	318	(711)	212	-	14,792	-	(770)	(14)	3,254	(6,671)	55,485
Disposal/ Derecognition	(2,649)	(5,148)	(8,298)	(1,211)	(475)	(293)	(2,425)	(1,583)	(2)	-	(2,293)	-	(17,461)	(1,682)	(43,520)
Adjustments & Transfers	(2,266)	(17,277)	368	(226)	962	155	151	(8,993)	8,764.00	-	1,253	5	19,574	2,975	5,445
Balance as at 31 December 2018	730,147	70,835	544,920	17,331	42,584	7,676	7,669	23,544	407,276	120,667	53,238	5,886	32,282	198,162	2,262,217

Accumulated Depreciation and impairment losses

	Land	Plant and equipment	Buildings	Furniture and Office Equipment	Computer Hardware	Office Equipment	Leasehold Improvements	Other assets	Infrastructure, Roads & Sidewalks	Water reticulation	Motor Vehicles	Marine Vessels	Aircraft	Assets under construction or development	Total
Balance as at 1 July 2016	-	47,868	157,601	15,299	27,340	6,900	6,038	19,216	56,230	42,210	31,394	2,596	8,339	-	421,031
Eliminate on Disposal/Derecognition	-	(1,994)	(19,206)	(268)	(2,564)	(411)	-	(1,114)	(885)	(1,301)	(2,442)	-	-	-	(30,185)
Adjustments & Transfers	-	(635)	(59,640)	(1,905)	(1,212)	(574)	(248)	654	(50,205)	8,582	(1,197)	15	(2,036)	-	(108,401)
Depreciation Expense	-	5,989	33,124	1,757	3,690	663	584	3,226	18,546	5,936	5,269	505	3,748	-	83,037
Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2017	-	51,228	111,879	14,883	27,254	6,578	6,374	21,982	23,686	55,427	33,024	3,116	10,051	-	365,482
Balance as at 01 January 2018	-	51,228	111,879	14,883	27,254	6,578	6,374	21,982	23,686	55,427	33,024	3,116	10,051	-	365,482
Eliminate on Disposal/Derecognition	-	(6,886)	(40,265)	(1,419)	(425)	(899)	(401)	(2,693)	(71)	(15)	(63)	(84)	(3,335)	-	(56,556)
Adjustments & Transfers	-	840	(3,271)	(321)	713	(875)	209	(5,265)	10,436	(32)	1,311	(5)	2,119	-	5,859
Depreciation Expense	-	2,847	28,058	1,175	3,274	1,466	312	1,653	536	4,418	6,592	323	3,635	-	54,289
Impairment	-	-	(7)	-	(21)	-	-	-	-	-	(370)	-	-	-	(398)
Balance as at 31 December 2018	-	48,029	96,394	14,318	30,795	6,270	6,494	15,677	34,587	59,798	40,494	3,350	12,470	-	368,676
Net Book value 30 June 2016	581,519	21,760	467,293	5,162	4,107	1,648	2,856	10,090	436,402	57,853	13,614	2,767	17,062	110,710	1,732,843
Net Book value 31 December 2017	646,589	20,552	443,559	4,360	5,597	1,645	2,458	10,433	359,895	60,667	11,966	2,733	21,102	161,180	1,752,736
Net Book value 31 December 2018	730,147	22,806	448,526	3,013	11,789	1,406	1,175	7,867	372,689	60,869	12,744	2,536	19,812	198,162	1,893,541

Assets under Construction or Development

Below is a summary of major projects under construction or development as at 31 December 2018:

Agency	Description	2018 CI$000	2017 CI$000
Ministry of Education,Youth, Sports, Agriculture & Land	NJGHS Construction	45,400	44,796
Cayman Islands Airports Authority	ORIA Expansion Project	53,697	46,557
Ministry of Health, Environment, Culture & Housing	ISWMS & Landfill Impovements	9,135	8,508
Ministry of Education,Youth, Sports, Agriculture & Land	Carifta Facilities Upgrades	800	-
Water Authority of the Cayman Islands	Grand Cayman – WBSS – Pipeline Install	810	810
Water Authority of the Cayman Islands	Cayman Brac – Site Preparation	546	546
Water Authority of the Cayman Islands	Cayman Brac – Distribution Extension	140	106
Cayman Islands Port Authority	CDC Development	-	349
Cayman Islands Port Authority	New Building (CYB)	-	121

Owen Roberts International Airport Expansion and Renovation Project

The Owen Roberts International Airport Expansion and Renovation Project initially estimated to be valued, at $55 million is now under construction and being carried out in two main phases that includes the full renovation and expansion of the existing facility. Phase I was completed and opened in 2017 while phase II is on target for completion by the end of the second quarter 2019. The cost of Phase II buildings now under construction as at 31 December 2018 amounts to $53.7 million (2017: $30.8 million).

Revaluation

Property was revalued as at 30 June 2016 by in-house professionals with the exception of specialized buildings which were contracted to independent evaluators and are stated at revalued amounts less accumulated depreciation. Plant and equipment, are 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.

In accordance with IPSAS 17, when an item of property, plant, and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:

(a) Restated proportionately with the change in the gross carrying amount of the asset, so that the carrying amount of the asset after revaluation equals its revalued amount or

(b) Eliminated against the gross carrying amount of the asset.

Valuation methods
The valuations contained within this report have been prepared in accordance with the aforementioned Standards and the guidance notes provided by the Royal Institution of Chartered Surveyors. Particular regard should be paid to the following definitions and methodology having been adopted in the assessment of value:

Fair Value (Market Value) defined in accordance with IFRS 13 Fair Value Measurement as follows: "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

Fair Value (Existing Use Value) extends the definition of Fair Value (Market Value) in "assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost."

Specialised Assets: specialised assets are those for which no market exists for the current use. Specialised assets are valued using the Depreciated Replacement Cost method (DRC valuation) The definition of 'Depreciated Replacement Cost', as contained in The Standards, is as follows:- "The current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation."

Valuation assumptions
Plant and machinery has only been included in the valuation of building assets where this forms an integral part of the fabric of the building (e.g. lifts or air conditioning equipment) or where it performs a task crucial to the continuation of the existing use (e.g. swimming pools). Unless specifically stated otherwise it is assumed that such items are reflected in the unit building cost.

It is assumed that all properties have the required planning consents and certificates for use and construction. Where Fair Value (or land value in a DRC valuation) relies on obtaining an alternative planning consent the alternative use has been derived from consideration of prevailing land uses in the immediate area and Local Planning Policies and practice.

Where an asset has been valued by Depreciated Replacement Cost (DRC) it is subject to the prospect and viability of the asset continuing to be used for the existing use.

These valuations do not take into account any form of selling or purchase costs, tax (including Stamp Duty), inflation or finance costs. In the Cayman Islands there is no tax on property except for Stamp Duty which is ordinarily required to be paid by a purchaser.

Valuations of each 'specialised building' state their total asset value and the (depreciated) value of the respective building. Those with a depreciated building value greater than $0.5m also state figures for their 'component' parts. Buildings valued by the investment or comparison methods of valuation also state figures for their respective land values. These do not compute to reflect actual building values but indicate the inherent value attributing to the land only.

Where applicable the remaining economic life of the building / building components has been indicated. This is the period during which the building element is anticipated to have a future useful economic life for its existing purpose.

In preparing the valuations information has been obtained from the following sources:

- Cayman Islands Government 2001 Asset Register
- Cayman Islands Government Land Registry Database
- Caymanlandinfo System (Mapping, aerial photography, evidence of comparable sales and lettings)
- Copies of and extracts from leases
- Architect scaled floor plans
- Ministries and users / occupiers of operational property assets

Land areas (where stated) are provided for guidance only and are quoted from the Land Registers or otherwise from Caymanlandinfo database. Any building floor areas supplied have been obtained from one of the following sources:

- Measurements taken on site
- Measurements extracted from Cayman Islands Government property records

Note 11: Intangible Assets

Entire Public Sector
CI'000

Cost of Intangible Asset

	Computer Software	Other Intangible Assets	Intangible Assets under construction or development	Total
Balance as at 1 July 2016	22,926	56	1,678	24,660
Additions	1,503	-	-	1,503
Revaluations	-	-	-	-
Disposal/ Derecognition	(67)	-	-	(67)
Adjustments & Transfers	(2,698)	-	(1,678)	(4,376)
Balance as at 31 December 2017	21,664	56	-	21,720

Balance as at 01 January 2018	21,664	56	-	21,720
Additions	6	-	-	6
Revaluations	(450)	-	-	(450)
Disposal/ Derecognition	(249)	-	-	(249)
Adjustments & Transfers	(4,178)	(6)	290	(3,894)
Balance as at 31 December 2018	16,793	50	290	17,133

Accumulated Depreciation and impairment losses

	Computer Software	Other Intangible Assets	Intangible Assets under construction or development	Total
Balance as at 1 July 2016	18,095	49	-	18,144
Eliminate on Disposal/Derecognition	(334)	-	-	(334)
Adjustments & Transfers	(4,184)	-	-	(4,184)
Depreciation Expense	2,420	2	-	2,422
Impairment	-	-	-	-
Balance as at 31 December 2017	15,997	51	-	16,048

Balance as at 01 January 2018	15,997	51	-	16,048
Eliminate on Disposal/Derecognition	(1,508)	-	-	(1,508)
Adjustments & Transfers	(3,440)	(1)	-	(3,441)
Depreciation Expense	1,152	-	-	1,152
Impairment	(306)	-	-	(306)
Balance as at 31 December 2018	11,895	50	-	11,945

Net Book value 30 June 2016	4,831	7	1,678	6,516
Net Book value 31 December 2017	5,667	5	-	5,672
Net Book value 31 December 2018	4,898	-	290	5,188

Note 12: Investment Property

EPS Actual 2016/2017 CI$000	Description	EPS Actual 2018 CI$000
	Cost	
19,949	Balance as at 1 July 2016/1 January 2018	19,995
-	Prior period revaluation adjustment to opening balance	(11,639)
46	Additions	9
19,995	**Total Cost**	**8,365**
	Accumulated Depreciation	
4,571	Balance as at 1 July 2016/1 January 2018	5,231
-	Prior period revaluation adjustment to opening balance	(4,905)
660	Charge for Year	221
5,231	**Total Accumulated Depreciation**	**547**
14,764	**Net Book value**	**7,818**

	Managed by:	
CI$000		**CI$000**
-	Central Government	-
14,764	Statutory Authorities & Government Companies	7,818
14,764	**Total Loans Made**	**7,818**

Investment Property consist of retail shops which are leased.

Management received an independent professional appraisal of the Investment Property from DDL Studio as at 30 June 2016. The fair value of the investment property was indicated at CI$8,310,000.This was reflected in the Financial Statements for the 18-month period ended 31 December 2017 and year ended 31 December 2018.

EPS Actual 2016/2017 CI$000	Description	EPS Actual 2018 CI$000
1,562	Rental income from investment properties	1,050
-	Direct operating expenses arising from investment property that generated rental revenue during the period	-
-	Direct operating expenses arising from investment property that did not generate rental revenue during the period	-

Note 13: Trade Payables, Other Payables & Accruals

Core Actual 2016/2017	EPS Actual 2016/2017	Description	Core Actual 2018	EPS Actual 2018
CI$000	CI$000		CI$000	CI$000
19,094	27,779	Trade Payables	18,679	29,448
2,394	1,850	Payroll Deductions	1,989	4,966
98,102	96,337	Accruals	26,591	25,625
1	1,384	Trust liabilities	1	20
22	269	Transfers payable	692	885
3,353	3,723	Interest	3,077	3,110
-	-	Operating Leases	-	31
12,320	-	Core government trade with other public entities	11,982	-
2,073	-	Amounts due to public entities	16,332	-
3,811	3,812	Owing to trusts	3,705	3,705
1,116	-	Accruals- Equity Injection	476	-
3,079	14,259	Other Payables	3,164	19,998
145,365	**149,413**	**Total Trade Payables, Accruals and Other Payables**	**86,688**	**87,788**

Maturity Profile

Core Actual 2016/2017	EPS Actual 2016/2017	Description	Core Actual 2018	EPS Actual 2018
CI$000	CI$000		CI$000	CI$000
145,365	149,160	Current	86,688	87,464
-	253	Non-current	-	324
145,365	**149,413**	**Total Trade Payables, Accruals and Other Payables**	**86,688**	**87,788**

Trade and other payable are non – interest bearing and are normally settled on 30 days term. Accounts payable includes includes invoices received from suppliers not yet settled.

Note 14: Unearned Revenue

EPS Actual 2016/2017	Description	EPS Actual 2018
CI$000		CI$000
1,369	Customs Deposits	715
25,425	Immigration Deposits	26,334
7,266	Cayman Airways Deposits	7,899
27,897	General Registry Deposits	26,227
13,918	Lease of Crown Lands	35,727
11,054	Revenue and Other Deposits Held	3,510
86,929	**Total Unearned Revenue**	**100,412**

Held by

CI$000		CI$000
75,649	Central Government	95,696
11,280	Statutory Authorities & Government Companies	4,716
86,929	**Total Unearned Revenue**	**100,412**

Maturity Profile

EPS Actual 2016/2017	Description	EPS Actual 2018
CI$000		CI$000
73,019	Current	86,647
13,910	Non-current	13,765
86,929	**Total Unearned Revenue**	**100,412**

Note 15: Employee Entitlements

Core Actual 2016/2017	EPS Actual 2016/2017	Description	Core Actual 2018	EPS Actual 2018
CI$000	CI$000		CI$000	CI$000
5,100	6,045	Annual Leave	4,944	5,660
527	769	Salary & Wages	1,371	1,992
1,833	2,146	Other	1,738	2,188
7,460	**8,960**	**Total Employment Entitlement**	**8,053**	**9,840**

Maturity Profile

Core Actual 2016/2017	EPS Actual 2016/2017	Description	Core Actual 2018	EPS Actual 2018
CI$000	CI$000		CI$000	CI$000
7,460	8,960	Current	8,053	9,840
7,460	**8,960**	**Total Employment Entitlement**	**8,053**	**9,840**

Annual Leave

Annual leave accrues to employees on a monthly basis, subject to certain conditions and constraints. The provision is an estimate of the amount due to staff as at the financial year-end, based on the value of statutory and non-statutory leave. The provision was calculated based on the leave entitlement due to staff at year end adjusted for the salary scales applicable at the time of leave encashment and realisation of leave by employees.

Note 16: Retirement Benefits

Core Actual 2016/2017	EPS Actual 2016/2017	Description	Core Actual 2018	EPS Actual 2018
CI$000	CI$000		CI$000	CI$000
420,335	459,301	Pension Liability	426,088	446,807
-	250,532	Post Retirement Health Care Liability	-	231,684
420,335	**709,833**	**Total Retirement Benefits**	**426,088**	**678,491**

Maturity Profile

Core Actual 2016/2017	EPS Actual 2016/2017	Description	Core Actual 2018	EPS Actual 2018
CI$000	CI$000		CI$000	CI$000
10,000	26,269	Current	25,759	28,644
410,335	683,564	Non-current	400,329	649,847
420,335	**709,833**	**Total Retirement Benefits**	**426,088**	**678,491**

The Government, under the provisions of the Public Service Management Act, is obligated to provide post-retirement benefits to qualified employees in the form of health care and pension. The Government recognizes and provides for actuarially determined present value of retirement obligation on an accrual basis, using the Projected Unit Credit method.

Pensions

The Government participates in various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Two separate actuarial valuations are carried out on the Government's defined benefit pension plans to allocate the estimated costs to time periods: i) pension accounting valuation for liability fair value presentations, and ii) pension funding valuation.

The funding valuation primarily determines the cash contribution requirements to fund the liability. The accounting valuation, which is required annually, determines amounts to report in the Government's financial statements and has no cash impact.

Pension Liability Fair Value Presentations

The International Public Sector Accounting Standards - IPSAS 25 related to the accounting for Employee Benefits was replaced by IPSAS 39 with effect from January 1, 2018.

The old IPSAS 25 was developed to be aligned with International Accounting Standards - IAS19, but had not been updated to reflect all the changes made to IAS19 since 2008. As a result, it no longer converges with IAS19 as revised June 2011 (IAS19R). Due to the substantive changes required to be made to IPSAS25 to make it align with IAS19R, the IPSASB withdrew IPSAS25 and replaced it with a new standard, IPSAS39, which aligns with IAS19R.

IPSAS 39 – requires that the pension liabilities be revalued annually in order to present the fair value of the fund balances. The Government and Statutory Authorities and Government Companies have employed consultants to do this annual fair value assessment. The result of the 2018 actuarial valuation is a net liability of $446.8 million (central government net liability - $426.1 million). A summary of the results are shown below:

	2018 CI$000	2016/2017 CI$000
Core Government	408,723	399,808
Parliamentarian Pensions	17,441	20,747
Judicial Pensions	(76)	(220)
Central Government Pension Liability Fair Value	426,088	420,335
Statutory Authorities and Government Companies	20,719	38,966
Entire Public Sector Pension Liability Fair Value	**446,807**	**459,301**

Amounts recognised in the Statement of Financial Position

	Public Service Pensions Plan CI$000	Parliamentary Pensions Plan CI$000	Judiciary Pensions Plan CI$000	Total Central Government CI$000	Statutory Authorities CI$000	Entire Public Sector Pension CI$000
Present value benefit obligation	658,329	27,085	5,000	690,414	58,358	748,772
Fair Value of plan assets	249,606	9,644	5,076	264,326	37,639	301,965
Deficit/Surplus for funded plans	408,723	17,441	(76)	426,088	20,719	446,807
Net liability/(asset)	**408,723**	**17,441**	**(76)**	**426,088**	**20,719**	**446,807**

Principal Assumptions

The principal assumptions used in the computation of the actuarial estimate of the pension obligation for the Pension Plans, as at 31 December are as follows:

	2018	2017
Weighted average assumptions to determine defined benefit cost		
1. Discount rate	4.50%	3.80%
2. Rate of salary increase	2.50%	2.50%
3. Rate of price inflation	2.00%	2.00%
4. Rate of pension increases	2.00%	2.00%
Weighted average assumptions to determine defined benefit cost		
1. Effective rate for net interest cost	3.50%	3.40%
2. Effective discount rate for service cost	3.85%	4.10%
3.Effective rate for interest on service cost	3.70%	3.80%
4. Rate of salary increase	2.50%	3.50%
5. Rate of price inflation	2.00%	2.50%
6. Rate of pension increases	2.00%	2.50%

Plan Assets

Percentage of plan assets by asset allocation:

	2018	2017
Global Equity Securities	79%	80%
Debt Securities	20%	19%
Cash	1%	1%
Total invested assets	**100%**	**100%**

Post-Retirement Healthcare Benefit

In addition to the Past Service Pension Liability, the Government is also obligated to provide for the future healthcare costs of Civil Servants who earned that benefit based on their prior service with the Government.

Previously Civil Servants who worked for a minimum of 10 years with the Government would be entitled to a healthcare benefit upon retirement. However, the Public Service Management Act now requires that the employee puts in the same amount of years of qualifying service and also retire from the Civil Service in order to obtain such benefits in the future.

The results of healthcare liability actuarial valuation, completed in March 2019, estimated the post-retirement healthcare obligation as at 31 December 2018 to be $1.6 billion. The post-retirement healthcare obligation and any related expenditure has not been recognised on the Statements of Financial Position and Performance, for Central Government.

Therefore for all intents and purpose, the Government is on a "pay-as-you-go" plan in respect of post-retirement health care liabilities. Currently, no long term assets are set aside off balance sheet in respect of the Government's post-retirement healthcare liability.

There are some Statutory Authorities and Government Companies who have accrued a post-retirement liability as at 31 December 2018 of $231.7 million (2017: $250.5 million). The amounts recognised in the balance sheet represent the present value of unfunded obligations, actuarially determined for 31 December 2018.

Note 17: Borrowing /Public Debt

Description	Opening Balance 1 January 2018	Drawdowns/ Additions	Repayments	Revaluation	Closing Balance 31 December 2018
	CI$000	CI$000	CI$000	CI$000	CI$000
Core	451,081	-	31,117	-	419,964
Water Authority of the Cayman Islands	1,782	-	1,169	-	613
Cayman Islands Development Bank	23,927	-	4,076	-	19,851
National Housing Development Trust	13,825	-	1,366	-	12,459
Cayman Airways Limited	19,992	-	2,281	-	17,711
Cayman Islands Turtle Farm (1983) Limited	8,038	-	3,535	-	4,503
Total	**518,645**	**-**	**43,544**	**-**	**475,101**

Maturity Profile

Core Net 2016/2017	EPS 2016/2017		Core Net 2018	EPS 2018
$'000	$'000		$'000	$'000
		Local Currency Debt		
-	620	Not later than one year	-	1,270
-	449	Between one and two years	-	7,592
-	1,617	Between two and five years	-	2,731
-	3,086	Later than five Years	-	866
-	5,772	**Total Local Currency Debt**	-	12,459
		Foreign Currency Debt (stated in $CI)		
30,280	41,499	Not later than one year	286,976	300,811
312,726	325,504	Between one and two years	25,676	34,573
68,909	98,005	Between two and five years	68,755	88,701
39,166	47,865	Later than five years	38,557	38,557
451,081	512,873	**Total Foreign Currency Debt**	419,964	462,642
451,081	518,645	**Total Outstanding Debt**	419,964	475,101
		Local Currency Marketable Securities and Deposits		
-	23,123	Not later than one year	-	5,175
-	-	Between one and two years	-	-
-	-	Between two and five years	-	-
-	-	Later than five years	-	-
-	23,123	**Total Local Currency Marketable Securities and Deposits**	-	5,175
		Foreign Currency Marketable Securities and Deposits (stated in CI$)		
400,869	501,487	Not later than one year	400,869	502,650
-	25,944	Between one and two years	-	47,380
-	689	Between two and five years	-	-
-	2,517	Later than five years	-	8,609
400,869	530,637	**Total Foreign Currency Marketable Securities and Deposits**	400,869	558,639
400,869	553,760	**Less :Total Marketable Securities and Deposits**	400,869	563,814
50,212	(35,115)	**Net Public Debt**	19,095	(88,713)

Core Net 2016/2017	EPS 2016/2017		Core Net 2018	EPS 2018
$'000	$'000		$'000	$'000
30,280	42,119	Current Portion	286,976	302,081
420,801	476,526	Non-current Portion	132,988	173,020
451,081	518,645	**Total Debt**	419,964	475,101

Note 18: Provisions

EPS Actual 2016/2017	Description	EPS Actual 2018
CI$000		CI$000
10,206	Provision for health claims incurred but not yet reported	9,169
2,490	Other Provisions	3,179
12,696	**Total Provisions**	**12,348**

Movement in Provisions

EPS Actual 2016/2017	Description	EPS Actual 2018
CI$000		CI$000
12,877	Balance at 1 July	12,696
34	Additional provisions made during the year	-
(215)	Provisions utlised during the year	(348)
12,696	**Provision for Impairment Losses**	**12,348**

Maturity Profile

EPS Actual 2016/2017	Description	EPS Actual 2018
CI$000		CI$000
12,696	Current	12,348
12,696	**Total Provisions**	**12,348**

Provision for Claims Incurred

Management has estimated a provision for claims which have been incurred but not yet reported (IBNR). While management has estimated IBNR based on all information it has available to it at the time, the ultimate liability may be in excess of, or less than, the amounts provided. Management uses acceptable reserving methods to estimate provisions for claims incurred but not reported; these are periodically reviewed by an independent actuary.

A health claim is payable when an event has occurred that gives rise to a claim payment within the benefits of an insured member's policy while enforced. The lag between the occurrence of a claim and the final payment is normally short term in nature as providers are required by the Health Insurance Act to submit any claims within 180 days of date of service. Thus, any reserve estimates are normally settled within a year.

Frequent Flyer Programme

Other provisions include a provision in respect of the frequent flyer programme. This provision is released when points are used or when they become non-redeemable. Points are redeemable for a maximum of three years in the event of non-activity in dormant accounts. The Company uses an estimated value of redeemed travel, based on historical average fares, to determine the value attributed on each mile. The provision is included as a liability of $2,805,600 (2017: $2,840,000) on the Statement of Financial Position.

Casualty Investigation Fund

The Cayman Islands Government/Maritime Authority of the Cayman Islands (MACI) is party to the International Convention for Safety of Life at Sea (SOLAS) and is obliged to investigate certain marine casualties and publish the report of the findings. The investigations are required by International Maritime Organization's mandatory "Casualty Investigation Code" (MSC.255 (84)). During the 2015/16 financial year MACI created a sinking fund with the funds from this fund to be designated for carrying out casualty investigation on board Cayman registered vessels. The fund currently has a balance of $301,241 (2017: $238,622) of which the full amount forms part of MACI's 2018 cash balance.

Provision for Landfills

Currently the Cayman Islands Government does not have a provision for the rehabilitation of Lands at the various landfills across the islands. At the time of the preparation of these financial statements no formal valuation of the cost for rehabilitation was done, as the Government is in the process of identifying a company to value and manage the landfills. However, the Government has estimated it to be approximately $10 million.

Note 19: Currency Issued

Currency Issued (or Demand Liabilities) represents the value of currency notes and coins in circulation. These liabilities are fully funded by the Currency Reserve Assets of the Cayman Islands Monetary Authority.

EPS Actual 2016/2017	Description	EPS Actual 2018
CI$000		CI$000
107,804	Currency notes in circulation	114,372
11,740	Currency coins in circulation	12,237
119,544	**Total Demand Liabilities**	**126,609**

The Monetary Authority Act (2013 Revision) mandates that a reserve shall represent at least 15% of Demand Liabilities.

Note 20: Reserves

EPS Actual 2016/2017	Description	EPS Actual 2018
CI$000		CI$000
815	Housing Guarantee Reserve Fund	762
56,572	Environmental Protection Fund	54,343
2,228	Infrastructure Development Fund	2,228
6,434	Sinking Fund for 2009 Bond Issue	-
2,144	Student Loan Reserve Fund	2,310
5,575	National Hurricane Disaster Reserve Fund	6,027
119,594	General Reserve	123,719
375	Currency Issue Reserve	375
7,809	Capital Expenditure Reserve	14,000
200	Restricted Funds and Contigency Reserves	-
534,146	Asset Revaluation Reserve	619,202
735,892	**Total Reserves**	**822,966**

Housing Guarantee Reserve Fund

The Housing Guarantee Reserve Fund was created in 1994 to make good any default, which may arise from the government guarantees provided under the Government Guarantee Home Mortgage Scheme (formerly the Low Income Housing Scheme). The guarantee covers between 10 and 35% of the upper layer of loans, in lieu of prospective clients' own down payment, to help low income Caymanians to obtain mortgage financing. The guarantee will be extinguished once this layer is paid. The annual reserve provisions must be adjusted at the end of each year to equate to 15% of the aggregate liability outstanding against the actual guarantee.

The Environmental Protection Fund

The Environment Protection Fund was established in 1997 pursuant to section 30 of the Public Finance and Audit Act (1997 Revision). The purpose of the Fund is to ensure that environmental fees collected are segregated from other Government revenue. Disbursements from the Fund will only be made for the purpose of defraying expenditure incurred in protecting and preserving the environment of the Islands.

Infrastructure Development Fund

The Infrastructure Development Fund was created by the Development and Planning (Amendment) Act 1997 with a supplement of Motion (15/97), for the purpose of providing funds for the development of roads and other infrastructure in the Islands.

Student Loan Reserve Fund
The Student Loan Reserve Fund was established in 1999 in accordance with Section 30 of the Public Finance and Audit Act (23 of 1985) (1997 Revision). Its purpose is to support the Government's guarantee of 100% on student loan administered by the Cayman Islands Development Bank.

National Disaster Reserve Fund
The National Disaster Fund was established in 1999 in accordance with section 30 of the Public Finance and Audit Act (1997 Revision). Its purpose is to assist in dealing with and recovering from the events of a national disaster.

General Reserves
General Reserves include the General Funds Reserve for Central Government and General Reserve for the Cayman Islands Monetary Authority.

General Funds Reserve is an accumulation of Government surpluses which are set aside for the benefit of the Islands. Disbursements from the reserve are approved by the Legislative Assembly. The General Reserve Fund was $99.2 million (2017: $97.5 million).

Cayman Islands Monetary Authority maintains a General Reserve in accordance with Section 8 of the Monetary Authority Act (2013 Revision) ("MAL"), 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 MAL, the General Reserve shall represent at least 15% of Demand Liabilities. As at 31 December 2018, The General Reserve was $28.6 million (2017: $21.5 million) equating to 22.61% (2017: 17.98%) of Demand Liabilities.

Currency Issue Reserve
The Currency Issue Reserve was adjusted as the stock of notes printed prior to 2003 was all issued into circulation. The Currency Issue Reserve will then remain at $375,000.

Capital and Operational Expenditures Reserves
Capital and Operation Expenditures Reserves include the Capital Funds for the University College of the Cayman Islands and Capital and Operational Expenditures Reserves for the Cayman Islands Monetary Authority.

Capital Funds represents the balance of funds restricted by the Board of Governors to be used for future capital projects of the College.

Under Section 9 of the Monetary Authority Act (2013 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. The Operational Expenditure Reserve will fund the operating costs associated with these key projects.

Statutory Reserve Fund

Under Section 20 of the Cayman Islands Development Bank Act (2004 Revision), the Bank is required to establish a reserve. The Bank transfers 20% of its annual net income until the balance reaches the paid-up portion of the authorised capital of the Bank (currently $7.3 Million). There was no transfer to the Reserve Fund for the 12 months ended 31 December 2018 as the bank made a loss (2016: $2,126). As of 31 December 2018, the Statutory Reserve Fund has a balance of $62,973 (2017: $62,973).

Restricted Funds and Contingency Reserve

The Cayman Islands National Museum restricts funds that are derived from gifts, grants, and contracts received by the Museum for operating purposes but restricted by donors, grantors, and outside agencies as to the specific purpose for which the funds may be expended. As these funds have traditionally not been reimbursable, and the Museum does not consider there to be a legal or constructive obligation to do so, they form a part of the Museum's equity position as reflected on the Statement of Financial Position. Contributions that are restricted for specific purposes by the donor must be used as intended and cannot fund other activities or general operations without the proper consent of the original donor.

The contingency reserve was established by the Board of Control and Trustees as a precautionary measure to meet costs of overcoming any disaster that might befall the Museum in the future and is equal to the estimated operating costs of the Museum for a two month period. At 31 December 2018, the Museum's equity includes a contingency reserve of CI$200,000 (2017: CI$200,000). The contingency reserve is in the form of fixed deposits included in cash and cash equivalents.

Assets Revaluation Reserves

A revaluation is conducted periodically to reflect the major changes in fair market value of fixed assets. Revaluation increases are credited directly to an equity account, to which any decrease of revaluation will be debited for the same classes of assets.

Note 21: Coercive Revenue

EPS Actual 2016/2017 CI$000	Description	EPS Actual 2018 CI$000
266,300	Levies on International Trade and Transactions	199,093
574,956	Domestic Levies on Goods and Services	474,668
96,120	Levies on Property	83,033
3,519	Fines	2,705
11,939	Other Executive Revenue	21,562
952,834	**Total Coercive Revenue**	**781,061**

Coercive revenue types and percentages (%) of earnings during the 12-month period with 2016/2017 (18-month period) data is shown below:

EPS Actual 2016/2017 CI$000	Description	EPS Actual 2018 CI$000	% of Total Coercive %
243,239	Import Duties	181,132	23%
30,074	Banks and Trust Licenses	29,382	4%
182,135	Company Registry Fees	165,973	21%
135,145	Work Permits & Other Immigration Fees	88,244	11%
49,213	Mutual Fund Administrators	44,044	6%
76,340	Stamp Duty - Land Transfers	80,655	10%
23,061	Cruise & Environment Tax	17,961	2%
33,559	Tourist Accommodation Charges	32,671	4%
3,550	Proceeds of Liquidated Entities	19,054	2%
176,518	Other Fees	121,945	16%
952,834	**Total Coercive Revenue**	**781,061**	**100%**

Note 22: Sales of Goods and Services

Core Actual 2016/2017	EPS Actual 2016/2017	Description	Core Actual 2018	EPS Actual 2018
CI$'000	CI$000		CI$000	CI$000
41,968	80,823	Fees and Charges	29,414	98,689
8,512	242,717	General Sales	5,665	142,274
2,010	3,955	Rentals	1,541	3,405
3,800	-	Outputs to Other Government Agencies	2,796	-
3,311	57,315	Other Sales of Goods and Services	3,353	46,550
59,601	**384,810**	**Total Sales of Goods and Services**	**42,769**	**290,918**

A summary of the entity revenues earned during the period ended 31 December 2018 along with the 2016/2017 (18-month period) data is provided below:

EPS Actual 2016/2017	Description	EPS Actual 2018	% of Total Sales of Goods and Services
CI$000		CI$000	%
73,670	Airline Revenues	47,795	16%
225,592	Other Miscellaneous fees	180,227	62%
42,091	Water Sales	31,372	11%
26,227	Port Revenues	18,219	6%
7,151	Marine Survey Fees	5,700	2%
378	Health Care Services	252	0%
6,070	Passenger Charges and Taxes	4,726	2%
3,631	Garbage Fees	2,627	1%
384,810	**Total Sales of Goods and Services**	**290,918**	**100%**

Note 23: Investment Revenue

Investment revenue is primarily derived from royalties for the use of the Water Authority sewerage system by entities outside of the Government and interest earned on cash deposits held at the bank and short term deposits.

Core Actual 2016/2017 CI$000	EPS Actual 2016/2017 CI$000	Description	Core Actual 2018 CI$000	EPS Actual 2018 CI$000
8,948	11,060	Interest on Cash and Deposits	12,134	15,805
2	1,929	Royalties	3	1,412
22	2,372	Other	13	13
270	270	Investment in Sagicor	-	-
9,242	**15,631**	**Total Investment Revenue**	**12,150**	**17,230**

Note 24: Donations

During the period ended 31 December 2018, the Government received donations totalling $2.5 million (2017: $2.4 million); for which all obligations relating to these donations have been satisfied and are therefore recognised as revenue. This included amounts donated by the Foreign and Commonwealth Office towards the procurement of a new H145 helicopter for the Royal Cayman Islands Police Services. The total amount received was $2.3 million of which $2.0 million was realised by making a twenty-percent deposit on a new helicopter slated to arrive in June 2019. The balance of $0.3 million was deferred as the funds have not yet been utilised.

Core Actual 2016/2017	EPS Actual 2016/2017	Description	Core Actual 2018	EPS Actual 2018
CI$000	CI$000		CI$000	CI$000
1,101	2,405	Donation Received	2,056	2,517
1,101	**2,405**	**Total Donation Received**	**2,056**	**2,517**

Note 25: Personnel Costs

Core Actual 2016/2017 CI$000	EPS Actual 2016/2017 CI$000	Description	Core Actual 2018 CI$000	EPS Actual 2018 CI$000
304,490	518,883	Salaries, Wages and Allowances	219,217	373,698
51,461	14,877	Health Care	39,146	8,604
17,804	28,086	Pension	12,733	22,165
(431)	(813)	Leave	492	568
14,250	14,304	Defined Benefit Pension Liability	28,180	25,938
-	26,755	Post Retirement Health Care Liability	-	(16,059)
2,630	8,547	Other Personnel Costs	2,377	6,259
390,204	**610,639**	**Total Personnel Costs**	**302,145**	**421,173**

As at 31 December 2018 Government total staff complement was 6,429 employees (2017: 6,250 employees):

	2018	2017
Core Government	3,918	3,778
Statutory Authorities & Government Companies	2,511	2,472
Total number of employees	**6,429**	**6,250**

Health Care

All Central Government employees participate in the public sector run health care scheme operated by the CINICO and administered via the Health Services Authority. Each employee participates in the family, spouse and child or single person plan. The premium is paid directly to CINICO on behalf of each employee by the Government. Statutory Authorities are allowed to choose other health providers and insurers.

Pension

All pensionable employees (persons below the age of 65) participate in the Public Service pension scheme. The scheme has three plans; the Public Service Pension Plan, the Parliamentary Pension Plan and the Judiciary Pension Plan. The Parliamentary and Judicial Pension Plans are based on defined benefit i.e. the Government bears the risk should the plans fail. The Public Service Pensions Plan has both a defined benefit element as described above and a defined contribution where the participants bear the risk should the plan fail.

Annual Leave Provision

Employees are allowed 7 working days compassionate leave, 10 working days bereavement, and 18-28 working days annual leave based on years of service. Study and other special leave are based on the discretion of the head of the department and the exigencies of the department in question.

All staff leave are guided by the Public Service Management Act.

Note 26: Supplies and Consumables

Core Actual 2016/2017 CI$000	EPS Actual 2016/2017 CI$000	Description	Core Actual 2018 CI$000	EPS Actual 2018 CI$000
22,782	76,126	Supplies and Materials	16,183	60,392
70,019	152,143	Purchase of services	55,896	106,217
16,116	29,373	Utilities	11,913	19,478
7,038	12,751	General Insurance	806	3,063
3,118	6,037	Travel and Subsistence	2,925	4,803
2,343	4,741	Recruitment & Training	1,913	2,867
5,243	52,867	Other	3,860	59,857
126,659	**334,038**	**Total Supplies & Consumables**	**93,496**	**256,677**

Note 27: Depreciation and Amortisation Expense

Core Actual 2016/2017	EPS Actual 2016/2017	Description	Core Actual 2018	EPS Actual 2018
CI$000's	CI$000's			CI$000's
54,391	85,016	Property, Plant, and Equipment	31,422	54,220
1,423	2,422	Intangible Assets	1,052	1,581
-	660	Investment Property	-	221
55,814	**88,098**	**Total Depreciation and Amortization**	**32,474**	**56,022**

Note 28: Outputs from Non-Government Organisations

Non-government organisations (NGOs) involved in civic activities are allowed to access funding from the Government. These groups have to submit yearly applications for continued funding as well as account for past disbursements.

Total purchase of outputs from NGOs during the year ended 31 December 2018 was $48.2 million (2017: $51.6 million). The largest category of these payments was for the provision of tertiary care to overseas organisations, which totalled $34 million or 71% (2016: $30.1 million or 58%) of Outputs from Non-Government Organisations.

EPS Actual 2016/2017 CI$000	Description	EPS Actual 2018 CI$000
30	Organize, Administer and Execute the Cayman Islands Fishing Tournament	30
3,786	Legal Aid Services	2,599
45	Organization of Batabano Festival	30
33	HIV/AIDS and First Aid Public Education Programmes	22
345	Management of Small Business Development	230
218	Employee Assistance Programme	148
48	Spaying and Neutering of Dogs and Cats	34
485	Teaching of Tertiary Education Courses	250
125	Miss Cayman Committee	50
54	Supervision of Pre-School Children	-
2,217	Primary and Secondary Education by Private Schools	1,000
4,023	Services for Irregular Migrants	1,635
9	Mentoring Cayman Programme	9
120	Palliative Care Nursing	80
68	Social Marketing for Prevention of HIV/AIDS	50
30,093	Tertiary Care at Various Overseas Institutions	34,048
5	Gardening Projects and Landscaping	4
118	Elite Athletes Programme	40
290	Youth Development Programmes	66
979	Sports Programmes	639
31	Community Development, Prevention and Beautification Programmes	-
162	School Lunch and Uniform Programmes	252
2,100	Care of the Indigent, Elderly and Disabled Persons	1,650
176	General Programmes and Children Services	118
338	Foster Care for Children	225
226	Community Programmes	151
3,689	Rental Accommodation for Persons in Need	3,099
196	Burial Assistance for Indigents	136
482	Support for Battered Women and Children	325
37	Therapeutic Services for Young Persons	8
855	Preservation of Natural Environments and Places of Historic Significance	570
43	Autism Diagnostics and Sexual Trauma Recovery Programme	-
41	K9 Security Services	36
97	Other Sports Programmes	92
21	Other Health and Cultural Programmes	30
-	Cayman Islands Agricultural Society	30
-	Cayman Finance Services	473
51,585	**Total Outputs from Non-government Organizations**	**48,159**

Note 29: Transfer Payments

Transfer payments are the transfer of money from Government to an individual, organisation or another government for which the Government does not:

(a) Receive any goods or services directly in return as would occur in a purchase/sales transaction;

(b) Expect to be repaid in the future, as would be expected in a loan; or

(c) Expect a financial return, as would be expected in an investment.

During the year ended 31 December 2018, the Government of the Cayman Islands made transfer payments of $36.5 million (2017: $48.6 million). Included in the amount was $11.2 million (2016: 17.8 million) in local and overseas education scholarships, $9.6 million (2017: $11.5 million) in Poor Relief, $7.5 million (2017: $9.6 million) in benefit payments to seamen and ex-servicemen.

EPS Actual 2016/2017 CI$000	Description	EPS Actual 2018 CI$000
1,188	Tourism Scholarships	759
75	Miss Cayman Scholarships	22
1,008	Pre-School Educational Assistance	747
17,820	Local and Overseas Scholarships and Bursaries	11,216
8,562	Poor Relief Payments	7,303
2,944	Poor Relief Vouchers	2,327
24	Temporary Poor Relief for Young Parents Programme (YPP) Students	15
39	Youth After Care Payments	-
130	Emergency Relief Payments	74
8,262	Ex-Gratia Benefit Payments to Seamen	6,642
1,307	Benefit Payments to Ex-Servicemen	856
68	Youth Programmes and Other Non-Governmental Organisations	72
90	Pre-School Assistance	121
202	Other Educational and Training Assistance	73
905	Employment Initiatives	-
578	Children and Family Services Support	482
105	Support for Services at the Red Cross	370
500	Housing Assistance	434
870	Student Enrichment and Support Services	563
168	Support to Local Business Associations	7
270	Sister Islands Home Repairs Assistance	198
899	Sports and Cultural Tourism Programmes Assistance	973
165	Support for the Bridge Foundation	105
627	Other Youth and Sports Programmes	1,220
195	Other Health & Cultural Programme Assistance	221
112	Assistance in respect to Importation of Livestock	-
918	Needs Assessment Support	673
14	Assistance for Infrastructure Development	42
511	Ex-Gratia Payments Compensation - Linford Pierson expansion	-
-	Support for Business Initiatives	8
-	SEN Scholarships	618
-	Grants to farmers	270
-	Support to Local Financial Services Associations	65
48,556	**Total Outputs from Non-government Organizations**	**36,476**

Note 30: Other Executive Expenses

Other Executive Expenses are any government expenditures that do not relate to Outputs, Transfer Payments or Financing Expenses. These expenses do not relate to the activity of a particular Ministry, Portfolio or Office but instead relate to the activities of Ministers, Official Members, Members of the Legislative Assembly, and the Judiciary.

Also included in executive expenses is the allowance for doubtful debts which have not been budgeted in the financial year.

EPS Actual 2016/2017 CI$000	Description	EPS Actual 2018 CI$000
53	Universal Postal Union	56
205	Conference Contributions	407
12,474	Doubtful Debt Expenses	647
831	Settlement of Case - Entity	133
-	Postal Supplies-Exec Org	10
77	Executive bank Charges	60
164	Debt Write off-Executive Transactions	-
1,894	Judiciary Expenses	1,856
1,198	Constituency Allowance	1,135
89	Contribution to Caribbean Financial Action Task Force	47
232	Caribbean Economic Community (CARICOM) Fees	154
377	Caribbean Regional Technical Assistance Centre (CARTAC) Contribution	84
-	Subscription to Caribbean Examinations Council	11
243	University of the West Indies	2,624
6	Pan American Health Organisation Subscription	5
1,256	Caribbean Catastrophe Risk Insurance Facility - Annual Premium	838
871	Court of Appeal Expenses	784
12	United Nations Caribbean Environmental Programme	6
187	Commonwealth Parliamentary Association	275
3	World Anti-Doping Agency	3
515	Compensation	-
141	Caribbean Agriculture Research and Development Institute (CARDI)	113
1	Organisation for Economic Co-peration Development (OECD) Global Forum	-
85	New Court House	82
18	Caribbean Public Health Agency (CARPHA)	18
-	Caribbean Energy Information System Membership	3
5,000	Settlement of Claims - Executive	-
150	Project Future	155
-	General Insurance	3,966
546	Regional Security Initiatives (OE 115)	60
-	CIG Core Christmas Stipend	115
-	Repairs to Governor's Residence	15
26,628	**Total Other Operational Expenses**	**13,662**

Note 31: Financing Costs

During the period ending 31 December 2018, the Government incurred financing charges of $26.9 million (2017: $43.5 million) in relation to its public debt.

EPS Actual 2016/2017 CI$000	Description	EPS Actual 2018 CI$000
42,370	Interest on borrowings	25,092
1,143	Other borrowing costs	1,760
27	Interest on overdraft	-
43,540	**Total Finance Costs**	**26,852**

Costs attributed to

EPS Actual 2016/2017 CI$000	Description	EPS Actual 2018 CI$000
39,064	Central Government	23,928
4,476	Statutory Authorities & Government Companies	2,924
43,540	**Total Finance Costs**	**26,852**

Note 32: Reconciliation of Surplus to Net Operating Cash Flow

GOVERNMENT OF THE CAYMAN ISLANDS

RECONCILIATION OF SURPLUS TO OPERATING CASH FLOW

AS AT 31 DECEMBER 2018

	Actual 2018 CI$000
Surplus/(deficit) from ordinary activities	225,135
Non-cash movements	
Depreciation expense	56,022
Losses on non-financial instruments	1,025
Impairment of assets	434
Gain on foreign exchange transactions	(2,828)
Increase in provision for bad debt	12,300
Changes in assets and liabilities:	
(Increase)/decrease in receivables	(18,201)
(Increase)/decrease in inventories	(3,146)
(Increase)/decrease in other current assets	(6,623)
(Increase)/decrease in biological assets	397
Increase/(decrease) in payables and other accruals	(713)
Increase/(decrease) in other current liabilities	(348)
Increase/(decrease) in provisions relating to employee costs	(19,417)
Net cash flows from operating activities	**244,037**

Note 33: Explanation of Major Variances to Budget

Statement of Financial Performance

The results show a $225.1 million Operating Surplus for the Entire Public Sector; this amount is $144.1 million better than the budgeted year-to-date Surplus of $81.0 million.

Revenue

Actual EPS total revenue of $1.09 billion out-performed the original budget by $105.4 million or 11% as collection of coercive revenue exceeded expectations by 13%.

Coercive Revenue of $781.1 million (which generated 72% of total Revenue earned), was $89.7 million (13%) higher than the budget (variance shown in brackets); due mainly to:

- *Banks and Trusts Licences ($4.4 million) - primarily due to the number of active Bank licences being higher than budgeted (i.e. less terminations of licences), or paying higher tier of fees due to higher asset values;*
- *Building Permit Fees ($2.4 million) - primarily due to several large developments commencing during the year;*
- *Import duties ($25.0 million)* – due to an increased volume & consumption of alcoholic beverages ($3,3 million), imported gasoline and diesel ($2.2 million), motor vehicles ($3.2 million) and other import duties ($16.3 million) compared to projections;
- *Mutual Fund Administrators ($3.0 million) - primarily due to a 14% increase in the volume of funds processed over the same period in 2017;*
- *Other Company Fees ($3.7 million) - due to a 1.7% increase in new exempt companies registrations;*
- *Tourist Accommodation Charges ($9.0 million) - due to higher arrivals year-to-date than anticipated; most recent data indicates an 10.7% increase in air arrivals year-on-year; and*
- *Stamp Duty - Land Transfers ($35.7 million) - due to higher volumes of property transactions coupled with rising property values. The largest collections were attributable to Westin Hotel & Sunshine Suites $22.6 million, and Harbour Beach Club Ltd. and The Grand Cayman Ltd., amounting to $1.6 million in duties each.*

Sale of Goods and Services earned $290.9 million, which was $13.6 million or 5% above the budget of $277.3 million.

Investment Revenue earned $17.2 million which was $4.8 million more than the budget of $12.4 million. Higher cash balances have afforded higher values to be placed on deposit and when coupled with increases in interest rates have driven higher yields on investments (all held in the form of fixed deposits).

Donations of $2.5 million were $1.8 million higher than the budget. This was mainly due to the donation of an Airbus H 145 Helicopter for the Royal Cayman Islands Police Services by the Foreign & Commonwealth Office.

Expenses

EPS Actual total expenses of $868.8 million were less than the budget by $36.5 million or 4%.

Personnel Costs of $421.2 million were $23.2 million less than the budget of $444.4 million mainly attributed to delayed recruitment.

Supplies and Consumables and Operating Leases of $265.7 million were $21.0 million more than the budget of $244.7 million; mainly due to increased spend mostly by SAGCs in some areas such as supplies for health services, professional fees, fuel prices and increased rental rates.

Outputs from Non-Government Output Suppliers of $48.2 million were $23.3 million more than the budget of $24.9 million, mainly related to additional cost incurred for Tertiary Care at Various Overseas Institutions.

Other executive expenses of $13.7 million were $59.9 million less than budget due mainly to protracted spending in other operational costs of SAGCs during the period.

Statement of Financial Position

As at 31 December 2018 net assets of $1.4 billion were $92.7 million more than the expected net assets of $1.3 billion.

Assets

Total EPS assets as at 31 December 2018 were $2.9 billion, 11% higher than the anticipated balance of $2.6 million; and were mainly attributable to investments as marketable securities.

Cash and cash equivalents of $378.7 million were less than the budgeted cash balance of $488.4 million. This is due to there being significantly higher cash balances than anticipated which allowed for higher values being placed on longer-term fixed deposits. These longer-term deposits are not included in the definition "Cash and Cash Equivalents", which only represent deposits that are less than 90 days to maturity.

Investments were $373.5 million more than the budgeted balance of $126.6 million owing to higher values being placed on longer-term fixed deposits driven by higher interest rates.

Liabilities

Total EPS liabilities as at 31 December 2018 of $1.5 billion were 16% higher than the anticipated balance of $1.3 billion; which was mainly due to the increase in the post-retirement benefit being more than projected value.

Retirement benefits liability were $151.2 million more than budgeted $527.3 million due to the recognition of the 2018 pension actuarial valuation offset by recognition of the decreased SAGCs post-retirement health care liability based on the 2018 actuarial valuation.

Note 34: Commitments

Type	One Year or Less CI$000	One to Five Years CI$000	Over Five Years CI$000	31 December 2018 CI$000	31 December 2017 CI$000
Capital Commitments					
Capital Commitments	8,844	9,018	12	17,874	9,840
Total Capital Commitments	**8,844**	**9,018**	**12**	**17,874**	**9,840**
Operating Commitments					
Non-Cancellable Accommodation Leases					
Accommodation leases	6,396	4,348	3,521	14,265	13,241
Other Non-Cancellable Leases					
Land Lease	52	169	74	295	302
Premises Lease	360	775	-	1,135	1,175
Aircraft Leases	4,671	12,238	-	16,909	16,088
Licensing Agreement	705	-	-	705	1,048
Other Operating Lease	21	-	-	21	-
Other Operating Commitments					
Other Operating Commitments	4,967	-	-	4,967	5,933
Total Operating Commitments	**17,172**	**17,530**	**3,595**	**38,297**	**37,787**
Total Commitments	**26,016**	**26,548**	**3,607**	**56,171**	**47,627**

Capital Commitments

The largest capital commitment is held by the Cayman Turtle Centre and the Ministry of Education, Youth, Sports, Agriculture and Lands.

Operating Commitments

Operating commitments relate to leases held by several SAGCs. The Aircraft leases are held by Cayman Airways Limited, which has entered into lease agreements in connection with the leasing of aircrafts. Pursuant to the lease agreements, the Cayman Airways Limited advanced a number of refundable security deposits to a total value of $3,561,450 (2017: $2,321,250) for the term of the lease. These deposits are refundable at the end of the lease term. Lease payments are due monthly in advance, and all balances overdue are subject to an interest charges. There are no balances overdue as at 31 December 2018 (2017: $Nil). Effective 30 June 2016 the Company entered into various new lease arrangements in relation to multiple Boeing 737-8Max aircrafts. The aircrafts are expected to be delivered and become operational between November 2018 and September 2020, respectively. Certain leases have options for extension. Under the terms of the lease agreements, the Government has issued guarantees of $Nil (2017: $Nil) to the lessor in respect of lease obligations relating to aircraft. Other operating commitments are mainly held by the Ministry of Education, Youth, Sports, Agriculture and Lands.

Note 35: Contingent Liabilities

Environmental Remediation

An environmental remediation liability results from the normal operation of a long-lived asset and is associated with the retirement of that asset. The Government currently operates waste landfill sites in all three of the Cayman Islands. The capping of these landfills is currently out for bidding.

Legal Proceedings and Disputes

In relation to legal matters, estimates are developed by the Office of the Attorney General who is charged under the Constitution with the handling of the defence in these matters, using the current facts and known circumstances. The factors considered in developing the legal provisions include the merits and jurisdiction of the litigation, the nature and number of other similar current and past litigation cases, the nature of the subject matter of the litigation, the likelihood of settlement and current state of settlement discussions, if any.

The Government is routinely engaged in litigation arising in the ordinary course of its business. It does not believe that any such litigation will individually or in aggregate, have a material adverse financial effect on the Government. It is Government's policy to rigorously assert its position in such cases. Should the Government be unsuccessful in these matters, it does not expect the outcome to materially affect the results of operations or financial position. At the 31 December 2018 the Government has estimated contingent liabilities of $6.7 million (2017: $7.6 million) with respect to Civil/Quasi Civil Matters.

In addition to the above there were proceedings involving a number of Statutory Authorities and Government Companies as detailed below.

Health Services Authority

Contingent Legal Claims

The Health Authority believes that the outflow of funds for the malpractice and employee related legal claims amounting to $860,000 and nil (2017: $6,360,000 and nil), respectively are less than probable to be successful and are covered by insurance in excess of deductible; accordingly, no provisions were recognized for possible losses.

Port Authority of the Cayman Islands

Vessel Claim

On 13 July 2012, a claim was made due to perceived negligence by the Port Authority which resulted in the total loss of a third party's vessel while in Cayman Islands Waters. The amount of the claim is $280,178. Management is reviewing the claim with its legal representatives with the aim of vigorously defending its position. At the end of the financial year no further action has been brought about by the plaintiff. The legal representatives do not believe there is a high probability that this action, if brought against the Port Authority, will be successful.

Marina Claim

On 4 September 2012, a statement of claim was served upon the Port Authority, as the second defendant, with regard to certain declaratory rights to a Marina under development on the Port Authority's Land. The Action is on-going. The Authority has involved its lawyers who are vigorously defending its position. No provision has been made in the accounts for this and there was no indication as to the amount being pursued. However, the Port Authority's legal representatives advised that the probability of this action being successful is unlikely.

Vehicle Accident Claim

On 19 March 2009, legal proceedings were commenced against the Port Authority regarding injury sustained by a third party after an accident involving the Port Authority's vehicle. Our attorneys advised that they received a claim from the Plaintiff for medical costs and damages totalling $846,873. This claim is being reviewed by the Port Authority's insurer, who is expected to settle the claims. The Port Authority has an annual coverage for third party risks of $1M therefore management does not expect the Port Authority to be impacted financially by the eventual settlement of this claim.

Other Claims

Additionally, the Port Authority has been served noticed for matters relating to employment, property damaged during shipping, injury while disembarking a cruise tender and the grounding of a vessel. These other claims against the Port Authority were made between May 2012 and November 2017.

As at the date of these accounts, there was no further development on the aforementioned legal matters and management expects no loss arising from any potential action.

Cayman National Cultural Foundation

The Foundation was named as a defendant, among others, in a personal injury claim relating to an incident that occurred at an event organised by the Foundation in 2001. During the year ended June 30, 2016, the judgment was awarded in the plaintiff's favour for $5,946,889 with an additional sum and liability for legal costs still to be determined. Payments in the amount of $3,221,800 were made as at 31 December 2018. A portion of these costs are recoverable under an insurance policy to the benefit of the Foundation. At 31 December 2018, management did not have access to sufficient information to determine the amount of this settlement applicable to the Foundation and therefore cannot determine the impact this judgment has on the financial statements.

National Housing Development Trust

There was a legal action against the Trust by the Security Centre Limited in the amount $12,000 for breach of contract for work performed in August 2005. The case is currently inactive.

National Drug Council

Labour Dispute

An employee resigned from her position, by letter dated 6 March 2007, as National Drug Coordinator and on 28 May 2007 lodged a complaint with the Labour Board alleging that she had been constructively dismissed and claiming CI$ 48,559, being statutory compensation for alleged unfair dismissal, statutory severance pay, accrued holiday pay, unpaid salary and one month's pay in lieu of notice. The employee's allegation that she was constructively dismissed is not accepted by the National Drug Council, who accordingly lodged a reply with the Director of Labour dated 21 June 2007 maintaining that she resigned her position and is owed nothing. A letter dated March 4th 2008 indicated that the hearing that was scheduled for March 17th 2008 was postponed. The NDC understands that the Director of Labour is to indicate the new date when this matter will go to hearing, to present a new date has not yet been set. During the 2018 financial period, the Council has not been provided with an update on the matter.

Utilities Regulation and Competition Office (OfReg)

The application to the Grand Court for judicial review between the OfReg and an ICT Licensee Data Link has been heard by the Court and the Office is currently awaiting the decision of the Judge. The application concerned a determination made by the Office concerning the level of pole attachment reservation fees levied by the ICT Licensee in the broadband internet provision sector against the named telecommunications providers. There is a possibility that the OfReg may be required to pay certain legal costs, if the defence of the application is not successful. The precise level of costs that the Licensee will seek if successful cannot be determined at this time; however, the lawyers estimate that the figure would not exceed $15,000.

Guarantees

Statutory Authorities and Government Companies

In accordance with section 50 of the Financial Regulations, Government is expected to calculate the portion of the guaranteed debt of Statutory Authorities and Government Companies. This represents at minimum, the Government's immediate level of exposure and as such is disclosed as a contingent liability.

Guarantees of the Government include:

- Guarantees of the borrowings of Statutory Authorities and Government Companies;
- Guarantees, either collective or specific, of the loans of certain individuals and companies obtained from the private sector; and

Under the PMFL, entities that;

(a) Require an unpredictable level of budgetary support from the Governor in Cabinet are given an 80% weighting;

(b) Are financially stable and require predictable levels of support are given a 50% weighting; and

(c) Have not required budgetary support during the last three (3) years are given 20% weighting.

Description	Weighting Applied	Guaranteed Balance as at 31 December 2018	Loan Balance as at 31 December 2018
		CI$'000	CI$'000
Cayman Islands Turtle Farm (1983) Limited	80%	3,602	4,502
Cayman Airways Limited	80%	14,169	17,711
Water Authority of the Cayman Islands	20%	123	613
Cayman Islands Development Bank	50%	9,926	19,851
National Housing Development Trust	80%	9,967	12,459
		37,787	**55,136**

Government Guaranteed Home Assistance Mortgage (GGHAM) Program

The Government Guaranteed Home Assisted Mortgage program (GGHAM) that is administered by the National Housing Development Trust was introduced November 2007 and to date has helped 325 households achieve home ownership.

The initial 5-year GGHAM agreement provided approval for $5 million to each of the six participating banks. Due to the high demand for this program, some participating banks reached the maximum lending amounts, which required additional funding. Central Government approved additional funding for this program, through a supplementary agreement to the participating banks.

The current GGHAM approved amount is $65 million; however this agreement expired on November 2012. The GGHAM drawn balance is currently $27.5 million. The total approved mortgages are $27.5 million for which on face value indicates that Central Government is committed to a contingent liability of 35% which equates to $9.6 million. A Housing Guarantee Reserve is established at 15% of the exposure outstanding, which is adjusted at the end of each financial year. As at 31 December 2018 the reserve balance was adjusted to $580,364 (2017: $541,721).

As at 31 December 2018, for the life of the program, four local banks have called in the guarantees of twenty-three GGHAM loans totalling $867,304 of which two loans have a balance $16,320 remains outstanding. The claims are at various stages of the claims process ranging from discussions with the banks to awaiting approval for payment. These amounts include interest and other related costs and have been included as an amount payable as at 31 December 2018. Based on the delinquency as at 31 December 2018 a provision of $1,077,035 (2017: $895,444) has been made for potential claims.

Other Contingent Liabilities

Pursuant to the agreement with the local bank, Cayman Airways Limited must comply with certain covenants, namely ensuring that all scheduled repayments are current and the provision of audited financial statements and other financial data of both the Company and the Government (as guarantor). In the event of default, the local bank may, by written notice to the Company, declare all borrowings under the agreements to be immediately due and payable. During the 18-month period ended 31 December 2017 the Company failed to comply with a financial reporting covenant; related to the provision of the Company's annual audited financial statements to the lenders within 180 days of the financial year end. At 31 December 2018 the local banks provided waivers of such covenants to the Company.

Letters of Credit

A local bank has issued a number of letters of credit on behalf of Cayman Airways Limited in the amount of $986,561 (2017: $986,561). These are used as collateral for United States Customs bonds and credit account support. The letters of credit bear interest at a rate of 1% per annum.

Note 36: Financial Risk Management

Credit Risk

Core Government

Credit and counterparty risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation or commitment. Financial instruments potentially expose the government to credit risk. Concentrations of credit risk relate to groups of customers or counter- parties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Core Government entities are only allowed to conduct business with reputable financial institutions as part of the centralized banking system.

The Core Government primary banker continues to be RBC Royal Bank (Cayman) Limited which is considered to be stable and one of the top tier banking institutions.

The Government generally operates a no credit policy however, where credit is allowed such customers have to be pre-approved and are required to place assessed deposits with the Government from which such credit is being requested. Sales to retail customers are settled in cash or credit cards.

For trade customers, the Government performs adequate due diligence (including, but not limited to, independent credit ratings, assessment of credit quality, taking into account its financial position, past experience and other factors) on the stability of the customer and their repayment capabilities prior to extending credit.

Cayman Islands Development Bank

Credit risk is the risk that the Bank will incur a loss because its customers fail to discharge their contractual obligations.

The Bank manages credit risks on loans advanced to individuals and companies, which satisfies the Bank's lending requirements, by requiring borrowers to provide adequate security, limiting the total value of loans to a single borrower to 10% of its total capital and spreading its risk over several developmental sectors.

Health Services Authority

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. To reduce exposure to credit risk, the Health Authority performs ongoing credit evaluations of the financial condition of its customers but generally does not require collateral. Parties who default on their obligations despite repetitive collection efforts are referred to a collection agency or to legal counsel. The Health Authority is exposed to credit-related losses in the event of non-performance by counter parties to these financial instruments.

Accounts receivable consist of a large number of customers who would either have health insurance coverage with CINICO or with various commercial insurance or no insurance coverage at all. Concentration of credit risk belongs to the group of customers known as "self-pay". These amounts are owed by customers who have neither insurance coverage nor sufficient coverage. These are estimated to be 50% - 100% (31 December 2017: 65%-100%) uncollectible.

Accounts receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include: Age, balance outstanding, inability to contact debtor, means of debtor to make repayment, existence of a repayment plan or promissory note.

Utility Regulation and Competition Office

The Utility Regulation and Competition Office is exposed to credit risk primarily from its receivables from licensees, and from its various deposits in its bank. The Office does not have the flexibility in refusing to transact with licensees in accordance with the laws. At year-end, the Office evaluates the financial capability of its licensees to determine any issues with collectability that can result in a financial loss. The Office also continues to monitor the financial soundness of its banking institution, and currently believes that there are no issues impacting the bank's ability to repay amounts in accordance with the respective terms of various deposits. The Office's accounts receivable balance does not have any significant credit risk exposure to any single licensee, but is inherently exposed in its entirety to the telecommunications industry in the Cayman Islands. The Office's licensees include well-established local telecommunication and media companies and, at 31 December 2018, there have been no indications of any insolvency in those entities that impacts their ability to pay the Office. On the other hand, the Office's deposits are concentrated in a single accredited banking institution based locally.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities coupled with the ability to predict and manage the expected cash outflows in order to sustain the operations of the government.

Government currently monitors rolling cash forecasts, other current assets and the liabilities of government departments on the basis of expected cash requirements and matching the maturity profiles of financial assets and liabilities.

Insurance Risk

The risk under insurance contracts is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. The very nature of an insurance contract involves randomness and therefore unpredictability. The principal risk that the Cayman Islands National Insurance Company (CINICO or the Company) faces is that the actual claim payments exceed the amount of insurance provisions. This could occur for various reasons; for example, the severity and/or frequency of claims may be higher than anticipated, or unit claim costs could be higher than estimated. Any significant delays in the reporting of claims information from service providers will also lead to increased uncertainty. Claim losses are random and the actual number and amount of claims will vary from year to year, from the level established using statistical and actuarial techniques.

CINICO uses several techniques to mitigate risk surrounding potential high claim losses. For its largest group (Group 30100 - Civil, Servants, Pensioners and Government Entities), reinsurance has been purchased that covers overseas claim losses which exceed US$700,000, up to US$5,000,000 in respect of any one covered person during the policy year, with an aggregate cap of US$10,500,000 per year. The Company's Standard Health Insurance Contracts ("SHIC" plans) use a combination of pre-existing condition exclusions, and annual limits to mitigate risk. The Company uses CMN (up to 31 December 2014) and United Healthcare for the provision of overseas network access. These entities have pre-negotiated contracts with many overseas providers which would allow the Company to realise significant savings. During the current fiscal year on a monthly basis, the Risk and Appeals Committee met to discuss large claims and any disputed claims.

The Company uses reinsurance to manage insurance risk. However, this does not discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment of the claim. As part of the reinsurance renewal, the Company reviews the creditworthiness of the reinsurer prior to finalisation of any contract, and has chosen a reinsurer with an AM Best rating of A (Excellent).

Interest Rate Risk

Core Government

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 values of assets and liabilities are not materially different from the carrying amounts. Readily available markets, enables the determination of fair values.

Cayman Islands Development Bank

Interest rate risk arises from the possibility that changes in interest will affect future cash flows or the fair values of financial instruments. Cayman Islands Development Bank (CIDB or the Bank) provides loans and technical assistance in the areas of human resource development, housing and small business, in particular in the agricultural, tourism, and industrial sectors. The Bank minimises interest rate risk principally by on-lending at variable rates of interest from funding provided by long-term debts with variable interest rates.

The Bank manages the interest rate risk by securing funds from international financial institutions which review their lending rates to CIDB on a semi-annual basis.

Cayman Airways Ltd

The Company has an overdraft facility and long term debt which are priced at a floating rate of interest, which is reset monthly as market rate changes. The Company is exposed to cash flow interest rate risk should market rates change. Management does not consider the Company is exposed to interest rate risk on cash at bank, since this cash is held on call.

Health Services Authority

The Health Services Authority is exposed to interest rate risk for the $4 million credit facility with First Caribbean International Bank (Cayman) Ltd ("FCIB") at a prime rate plus 0.25% per annum. This interest rate will fluctuate from time to time in line with the general level of interest rates. The risk is managed by the Health Authority by maintaining a short-term credit agreement that is renewable every year to have a negotiable and preferred rate. In addition, the Health Services Authority is limiting the usage of the credit facility by continuously monitoring the daily cash position which management views as likely to result into a bank preferred interest rate on the renewal of the agreement. The Health Authority has a minimal exposure on interest risk as none of the other financial instruments is exposed to this type of risk.

Civil Aviation Authority

The Authority has cash amounts held at Cayman National Bank (over CI$500,000) that are placed on semi-annual and annual fixed deposits and generally earn an interest rate of between 0.85% and 1.15% (2017: 0.53% and 1.00%) per annum in the year ending 31 December 2018. There are two accounts held at NatWest Bank in the UK, an operating account and a credit card account for the surveyors operating in the United Kingdom and Europe. It is required that a deposit be held on the credit card account to cover the exposure of the total credit card limits of each card held. At the statement of financial position date, £16,000 (2017: £16,000) was held as a deposit. This deposit earns 1% interest per annum.

Port Authority

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Port Authority holds long-term debts and cash and cash equivalents that are interest bearing and as a result the Port Authority is subject to risk due to fluctuations in the prevailing levels of market interest rates in relation to these financial instruments.

Commodity Price Risk

The Government's fuel requirements expose it to the market volatility of fuel prices for jet fuel, gas and diesel. Cayman Airways Limited (CAL) is subject to jet fuel price risk resulting from its aviation activities as the national air carrier of the Cayman Islands. The volatility of jet fuel prices has been significant in recent years and can have a significant effect on the profitability of CAL's operations. Similarly the Department of Vehicle and Equipment Services is charged with purchasing and supplying all government vehicles (land and marine craft) with fuel.

The Government does not engage in any hedging activities with respect to mitigating the risk of fluctuations in fuel prices and instead, purchases fuel at the daily spot rate as the demand exists, consequently, there is significant exposure to fluctuations in the price of fuel.

Currency Risk

As substantially all transactions are denominated in Cayman Islands dollars, the Government is not significantly exposed to currency risk due to the Cayman Islands dollar being fixed to the United States dollar. The nature of the Government's exposure to currency risk has not changed significantly from the prior year.

Note 37: Fair Value Estimation

The carrying value of cash and cash equivalents, accounts receivable (net of provisions), work in progress, accounts payable and employee entitlements approximate their fair values due to their relative short-term maturities. Fair values estimates are made at a specific point in time, based on market conditions and the 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.

Borrowings

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

Majority of long term debt are at a fixed rate of interest, however, the fair value of long-term debt which is at a floating rate of interest approximates the carrying value as in the opinion of management the current rate approximates the interest rate which the Company expects similar financing for similar term to be raised at, at the balance sheet dates, and additionally, the rate is reset in response to market changes.

Included in Current and long term debt balances are certain non-interest bearing loans. The carrying amount of these loans represents the principal balance owing. The anticipated future principal repayments have not been discounted. All other loans are floating rate and bear interest at the market rate. The carrying value of these loans approximates the fair market value.

Turtle Farm long-term liabilities are carried at their contracted settlement value. Additionally, the cost of all monetary assets and liabilities has been appropriately adjusted to reflect estimated losses on realization or discounts on settlement.

Fair value hierarchy

The Government uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as price) or indirectly (i.e., derived from prices)

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

Note 38: Related Parties

The Government comprise of 15 Ministries, Portfolios, Offices and 26 Statutory Authorities and Government Agencies. While inter-agency charges between central governments agencies have been suspended generally these entities and their key management personnel, transact business amongst them and with the Government reporting entity on a regular basis. Transactions between Ministries, Portfolios, Offices and Statutory Authorities and Government Agencies include health care, purchasing airline tickets, audit services, water, sewage and registration of vehicles. The Public Management and Finance Act (2017 Revision), as amended, requires that each Ministry, Portfolio, Office and Statutory Authority and Government Company report their financial activities separately and submit them for auditing both at the entity and executive level including the disclosure of all transactions with the Central Government and other related parties as appropriate in these individual financial statements.

With the exception of key senior management personnel no other parties control the Government, are controlled by the Government without forming part of these consolidated statements, or are under common control of another entity with the Government. Key management personnel include Cabinet Ministers, Chief Executive Officers, Chief Officers, Chief Financial Officers, and deputies for the purposes of these financial statements are considered related parties.

Compensation of Key Management Personnel

Total remuneration includes regular salary, pension contribution, health insurance contribution, allowances, bonuses and termination benefits.

Loans given to key management personnel includes mortgage, debt consolidation at average interest rate of 4.75%.

Note 39: Segment Reporting

GOVERNMENT OF THE CAYMAN ISLANDS
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	Central Government CI$000	Statutory Authorities & Government Companies CI$000	Inter-government trade CI$000	EPS Actual 2018 CI$000
Current Assets					
Cash and Cash Equivalents	2	129,632	249,020	-	378,652
Trade Receivables	3	18,508	57,167	22,094	53,581
Other Receivables	4	20,154	6,069	11,888	14,335
Dividends Receivable	4	2,738	-	2,738	-
Inventories	5	2,781	15,609	5	18,385
Loans Made	6	588	3	-	591
Investments	7	429,802	29,675	16,242	443,236
Prepayments	8	7,089	6,969	33	14,025
Biological Assets	9	-	1,136	-	1,136
Total Current Assets		**611,292**	**365,648**	**53,000**	**923,941**
Non-Current Assets					
Trade Receivables	3	427	-	-	427
Loans Made	6	-	33,316	-	33,316
Property, Plant and Equipment	10	1,442,987	450,554	-	1,893,541
Intangible Assets	11	2,860	2,328	-	5,188
Investment Property	12	-	7,818	-	7,818
Investments	7	831	55,989	-	56,820
Net Worth - Public Entities		407,367	-	407,367	-
Other Non-Current Assets		91	309	-	400
Total Non-Current Assets		**1,854,563**	**550,314**	**407,367**	**1,997,510**
Total Assets		**2,465,855**	**915,962**	**460,367**	**2,921,451**
Current Liabilities					
Trade Payables	13	18,679	16,205	5,437	29,447
Other Payables & Accruals	13	68,009	34,551	44,543	58,017
Bank Overdraft	2	-	1,496	-	1,496
Unearned Revenue	14	81,931	4,958	242	86,647
Employee Entitlements	15	8,053	1,787	-	9,840
Retirement Benefits	16	25,759	2,885	-	28,644
Borrowings/Public Debts	17	286,976	15,105	-	302,081
Repayment of Surplus		-	2,738	2,738	-
Provisons	18	-	12,388	40	12,348
Total Current Liabilities		**489,407**	**92,113**	**53,000**	**528,520**
Non-Current Liabilities					
Other Payables & Accruals	13	-	324	-	324
Unearned Revenue	14	13,765	-	-	13,765
Retirement Benefits	16	400,329	249,518	-	649,847
Borrowings/Public Debts	17	132,988	40,031	-	173,020
Currency Issued	19	-	126,609	-	126,609
Total Non-Current Liabilities		**547,082**	**416,482**	**-**	**963,565**
Total Liabilities		**1,036,489**	**508,595**	**53,000**	**1,492,085**
Net Assets		**1,429,366**	**407,367**	**407,367**	**1,429,366**
Net Assets/Equity					
Reserves	20	164,893	38,871	-	203,764
Revaluation Reserve	20	485,798	133,404	-	619,202
Current Period Surplus		225,135	59,421	59,421	225,135
Accumlated Surplus/(Deficit)		553,540	175,671	347,946	381,265
Total Net Assets/Equity		**1,429,366**	**407,367**	**407,367**	**1,429,366**

Segment Reporting (continued)

GOVERNMENT OF THE CAYMAN ISLANDS

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Central Government CI$000	Statutory Authorities & Government Companies CI$000	Inter-government Trade CI$000	EPS Actual 2018 CI$000
Revenue					
Coercive Revenue	21	781,077	-	16	781,061
Sales of Goods & Services	22	42,769	317,606	69,457	290,918
Cabinet Revenue		-	98,962	98,962	-
Investment Revenue	23	12,150	5,080	-	17,230
Donations	24	2,056	474	13	2,517
Other Revenue		55	551	-	606
Total Revenue		**838,107**	**422,673**	**168,448**	**1,092,332**
Expenses					
Personnel Costs	25	302,145	159,564	40,536	421,173
Supplies and Consumables	26	93,496	170,585	7,404	256,677
Leases		5,286	4,236	497	9,025
Depreciation/Amortisation	27	32,474	23,548	-	56,022
Outputs from Statutory Authorities and Government Companies	40	119,307	-	119,307	-
Outputs from Non-government Organisations	28	48,159	-	-	48,159
Transfer Payments	29	36,476	-	-	36,476
Litigation Costs		264	735	223	776
Other Executive Expenses	30	12,611	1,423	372	13,662
Finance Costs	31	24,037	2,924	109	26,852
Total Expenses		**674,255**	**363,015**	**168,448**	**868,822**
Other (Gains)/Losses					
(Gains)/Losses on Derecognition of Assets/Liabilities		434	-	-	434
Impairment of Inventory		-	(256)	-	(256)
(Gains)/Losses on Financial Instruments		(3,083)	255	-	(2,828)
(Gains)/Losses on Non-financial Instruments		787	238	-	1,025
(Surplus)/Deficit on Statutory Authorities & Government Companies		(59,421)	-	(59,421)	-
Total Other (Gains)/Losses		**(61,283)**	**237**	**(59,421)**	**(1,625)**
Surplus/(Deficit) for the Period		**225,135**	**59,421**	**59,421**	**225,135**

Segment Reporting (continued)

GOVERNMENT OF THE CAYMAN ISLANDS

STATEMENT OF CASH FLOWS

FOR THE YEAR FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Central Government CI$000	Statutory Authorities & Government Companies CI$000	Inter-government trade & Adjustments CI$000	Actual 2018 CI$000
Operating Activities					
Cash received					
Coercive Receipts		764,698	-	-	764,698
Sales of Goods & Services		40,378	296,914	(121,220)	216,072
Outputs to Cabinet		-	126,408	(126,408)	-
Outputs to other government agencies		2,606	53,325	(55,931)	-
Interest received		8,525	4,470	-	12,995
Donations / Grants received		-	474	-	474
Other receipts		13,061	10,709	-	23,770
Total cash received		**829,268**	**492,300**	**(303,559)**	**1,018,009**
Cash used					
Personnel costs		(290,761)	(183,018)	47,443	(426,336)
Supplies and consumables		(85,520)	(222,826)	143,891	(164,455)
Outputs from public authorities		(126,408)	-	126,408	-
Outputs from non-governmental organisations		(52,204)	-	-	(52,204)
Transfer payments		(37,101)	-	-	(37,101)
Financing/interest payments		(24,298)	(3,932)	-	(28,230)
Other payments		(27,512)	(38,134)	-	(65,646)
Total cash used		**(643,804)**	**(447,910)**	**317,741**	**(773,972)**
Net cash flows from (used by) operating activities	**32**	**185,464**	**44,390**	**14,183**	**244,037**
Investing activities					
Cash received					
Proceeds from sale of property, plant and equipment		1,526	-	-	1,526
Proceeds from the sale of Investments		532,522	94,779	-	627,301
Dividends and Capital withdrawal from Public Entities		4,538	-	(4,538)	-
Total cash received		**538,586**	**94,779**	**(4,538)**	**628,827**
Cash used					
Purchase of property, plant and equipment		(53,796)	(40,267)	-	(94,063)
Loans Made/Investments		(557,523)	(17,030)	-	(574,553)
Equity injection in public authorities		(27,641)	-	27,641	-
Total cash used		**(638,960)**	**(57,297)**	**27,641**	**(668,616)**
Net cash flows from (used by) investing activities		**(100,374)**	**37,482**	**23,103**	**(39,789)**
Financing activities					
Cash received					
Deposits from Public Authorities		14,183	-	(14,183)	-
Equity injections from Cabinet		-	27,641	(27,641)	-
Total cash received		**14,183**	**27,641**	**(41,824)**	**-**
Cash used					
Repayment of Borrowings		(30,882)	(16,491)	-	(47,373)
Repayment of Entity surplus to Org 40			(4,538)	4,538	-
Total cash used		**(30,882)**	**(21,029)**	**4,538**	**(47,373)**
Net cash flows from (used by) financing activities		**(16,699)**	**6,612**	**(37,286)**	**(47,373)**
Net increase/(decrease) in cash and cash equivalents held		68,391	88,484	-	156,875
Cash and cash equivalents at beginning of period		61,241	159,040	-	220,281
Cash and cash equivalents at end of period	**2**	**129,632**	**247,524**	**-**	**377,156**

Note 40: Subsequent Event

Management has evaluated the possibility of subsequent events existing in the Government's Financial Statements through 31 December 2020. During March 2020, the Government implemented mitigation measures to combat the COVID-19 global health pandemic. Management believes that the COVID-19 crisis has had a significant impact to assets and liabilities, which will have a significant effect on the Government's future operations. At the date of the issuance of these Financial Statements, the Government has incurred approximately CI$65.4 million in expenses related to COVID-19 mitigation. These costs included supplies purchased to combat COVID-19 and other social benefits paid out to people directly affected by effects of the mitigation measures implemented.

Line of Credit and Long-Term Loan Facility

On 10 June 2020, the Government awarded the provision of a stand-by Line of Credit ("LoC") to a consortium of local banks for CI$330.5 million (US$403.0 million) - in order to provide additional financial resources in the event that such resources are needed and to mitigate the effects of Government's loss of revenue and increased expenditure related to COVID-19. At the end of its 18-month tenor, any amount advanced and unpaid under the LoC will be converted to a 15-year fixed interest rate amortising loan. Both the LoC and the long-term loan are at an annual interest rate of 3.25% – which is the current Prime Rate offered by local banks. The cost to put the LoC and long-term loan in place is approximately US$2.4 million.

The Government continues to monitor and revise the policies and protocols in place to manage the effects of the COVID-19 pandemic on the economy. Additional costs are expected to continue to be incurred by the Government as a result of this and an expected loss of surplus.

Management has determined that there are no further material events that would require disclosure in the Government's financial statements. A further review will be carried out when the Financial Statements become ready to be issued.

Supplementary Statements

Note 41: Outputs from Statutory Authorities & Government Companies

In order to improve the delivery and range of services it offers to the public, the Government has established several authorities and companies with the sole mandate of making such a good or service available to the public with the mode of delivery being akin to, or comparable to, private sector operating standards. These bodies are overseen by Boards appointed by the sitting Government and are guided by a Act specific to that particular entity, with ultimate governance provided by the Public Authorities Act (2017). In an effort to reduce cost to the general public, the Government subsidises the cost of operation with the public being asked to make minimal contributions for these services. For the year ended 31 December 2018, the Government provided subsidies amounting to $119.3 million (2017: $151.0 million).

EPS Actual 2016/2017 CI$000	Description	EPS Actual 2018 CI$000
473	Auditors Oversight Authority	315
24,695	Cayman Airways Ltd	19,713
850	Cayman Islands Development Bank	1,067
20,805	Cayman Islands Monetary Authority	16,333
42,315	Cayman Islands National Insurance Company	32,925
943	Cayman National Cultural Foundation	660
3,617	Children & Youth Services Foundation	2,683
42,761	Health Services Authority	34,553
895	Information and Communications Technology Authority	1,625
539	MARITIME AUTHORITY CAYMAN ISLANDS	401
1,003	National Drug Council	645
603	National Gallery of the Cayman Islands	586
871	National Housing Development Trust	580
1,231	National Museum	821
108	Sister Islands Affordable Housing Corporation	75
2,945	Tourism Attractions Board	2,009
6,315	University College of the Cayman Islands	4,316
150,969	**Total Outputs from Public Entities**	**119,307**

Note 42: Investment in Statutory Authorities & Government Companies

Actual 2016/2017 CI$000	Description	Equity Injection CI$000	Prior Period Adjustments CI$000	Withdrawals CI$000	Surplus/ (Deficit) CI$000	Actual 2018 CI$000
346	Auditors Oversight Authority	-	-	-	33	379
1,472	Sister Islands Affordable Housing Corporation	-	9	-	(184)	1,297
31,849	Cayman Islands Monetary Authority	-	81	-	7,586	39,516
64,056	Water Authority-Cayman	-	(240)	(250)	9,809	73,375
18,978	Port Authority	-	19,230	-	4,977	43,185
15,787	Cayman Islands Development Bank	2,250	(98)	-	(295)	17,644
2,925	National Gallery of the Cayman Islands	25	(147)	-	(11)	2,792
2,801	National Museum	71	(1,226)	-	28	1,674
8,387	University College of the Cayman Islands	470	29	-	207	9,093
3,466	Civil Aviation Authority	-	4,928	(3,468)	3,635	8,561
397	National Drug Council	-	1	-	(15)	383
8,478	Cayman National Cultural Foundation	22	(149)	-	(122)	8,229
(39,245)	Health Services Authority	-	5,095	-	35,200	1,050
9,147	Tourism Attractions Board	100	(2,847)	-	250	6,650
2,247	Utility Regulation and Competition Office	1,000	(286)	-	152	3,113
(1,544)	Maritime Authority of the Cayman Islands	-	624	-	1,255	335
2,771	Children & Youth Services Foundation	-	(943)	-	(469)	1,359
6,042	National Housing Development Trust	2,036	(1,029)	-	(1,395)	5,654
(21,706)	Cayman Airways Ltd	12,600	(3,258)	-	(6,540)	(18,904)
2,192	Cayman Islands Stock Exchange	-	819	(820)	1,616	3,807
16,554	Cayman Turtle Conservation and Education Centre Ltd	8,500	(128)	-	(6,715)	18,211
(11,602)	National Roads Authority	-	(2,575)	-	5,194	(8,983)
83,364	Cayman Islands Airports Authority	-	82,366	-	14,746	180,476
12,689	Cayman Islands National Insurance Company	-	5,303	-	(9,521)	8,471
219,851	**Total**	**27,074**	**105,559**	**(4,538)**	**59,421**	**407,367**

Note 43: Details of Borrowings

Central Government

CAYMAN ISLANDS GOVERNMENT
DETAILS OF BORROWINGS
as at 31 DECEMBER 2018

	Type of Debt	Managed By	Original Borrowing $'000	Balance as at 31 December 2018 CI$'000	Balance as at 31 December 2017 CI$'000
The Cayman Islands Government Securities Law, 2003 **2003 Bond Issue** A Bond in the amount is US$163.2 million was issued on 8th April 2003. Principal of USD5,440,000 plus interest at 5.3% is repaid semi-annually in April and October with a final maturity date of 8th April 2018.	Foreign Currency - USD	Central Government	US 163,200	-	4,556
2009 Notes Issue A Bond was issued on 19 November 2009 in the amount of US$312 million. Interest only is payable semi-annually at a rate of 5.95% per annum with a bullet payment due on 24 November 2019.	Foreign Currency - USD	Central Government	US 312,000	261,300	261,300
CIBC FirstCaribbean International Bank (Cayman) Limited Loan # 10123355 Loan Agreement of US$74.4 million amortised over 15 years at a fixed interest rate of 5.58% per annum, with quarterly payments of interest plus Principal of US$0.5 million commencing with final repayment due 30th November 2020.	Foreign Currency - USD	Central Government	US 28,800	3,200	4,800
CIBC FirstCaribbean International Bank (Cayman) Limited Loan # 10331239 Loan in the amount of US$62,999,949.60 was drawn on 27th June 2008. The loan has been amortised over 15 yrs with 1/4ly pay'ts of Principal US$1,050,000 plus interest @ 2.71% effective with final repayment due 24 June 2023.	Foreign Currency - USD	Central Government	US 63,000	16,625	20,125
CIBC FirstCaribbean International Bank (Cayman) Limited Loan # 10330158 Loan in the amount of US$45,599,963.52 was drawn on 24 June 2008 amortised over 15 yrs with 1/4ly Principal payments of US$760,000 plus interest @ 2.71% effective 24 January 2014 with a final repayment due 24 June 2023.	Foreign Currency - USD	Central Government	US 45,600	12,033	14,567
CIBC FirstCaribbean International Bank (Cayman) Limited Loan # 10276203 Facility in the amount of US$47.16 Million amortised over 15 yrs with 1/4ly Principal payments of US$786,000 plus interest at 2.67% effective 11 February 2014 with a final repayment due 11 February 2023.	Foreign Currency - USD	Central Government	US 47,160	11,135	13,755
CIBC FirstCaribbean International Bank (Cayman) Limited Loan # 10444245 15-Year fixed-rate loan of US$185.0 million advanced on 19th April 2011 at an interest rate of 5.44% per annum. Semi-annual payments of interest only commencing 19 October 2011 with Principal payments of US$9.2 million plus interest to commence 19th October 2016.	Foreign Currency - USD	Central Government	US 185,074	115,671	131,094

CAYMAN ISLANDS GOVERNMET
DETAILS OF BORROWINGS
as at 31 DECEMBER 2018

	Type of Debt	Managed By	Original Borrowing $'000	Balance as at 31 December 2018 CI$'000	Balance as at 31 December 2017 CI$'000
European Investment Bank Loan # 8.0283 1989 CAYMAN ISLANDS COMMUNITY COLLEGE Loan of ECU1.5 million (European Currency Units) repayable over 30 years commencing 15th October, 1999 at interest of 1.0% per annum on outstanding balance. Loan was re-classified as Core Government 30th June 2014. Loan to be fully repaid on next scheduled payment date 16 April 2018.	Foreign Currency - EUR	Central Government	EUR 1,500	-	627
European Investment Bank Loan # 8.0056 **1981 Civil Aviation Authority (Cayman Brac Airport):** Soft Loan of ECU0.3 (European Currency Units) repayable over 30 years commencing 1st May, 1990 at interest of 1.0% per annum on outstanding balance with final repayment originally scheduled May 2027. Loan to be fully repaid on next scheduled payment date 2 May 2018.	Foreign Currency - EUR	Central Government	EUR 330	-	26
European Investment Bank Loan # 8.0244 **1987 Civil Aviation Authority (Cayman Brac Airport):** Soft Loan of ECU0.7 million (European Currency Units) repayable over 30 years commencing 5th November 1997 at interest of 1.0% per annum on outstanding balance with final repayment originally scheduled November 2019. Loan to be fully repaid on next scheduled payment date 15 May 2018.	Foreign Currency - EUR	Central Government	EUR 658	-	231
TOTAL DEBTS MANAGED BY CENTRAL GOVERNMENT				419,964	451,081

Statutory Authorities and Government Companies

STATUTORY AUTHORITIES AND GOVERNMENT OWNED COMPANIES
DETAILS OF BORROWINGS
as at 31 DECEMBER 2018

	Type of Debt	Managed By	Original Borrowing $'000	Balance as at 31 December 2018 CI$'000	Balance as at 31 December 2017 CI$'000
RBC Royal Bank of Canada	Foreign Currency - USD	Cayman Airways Ltd	US 23,800	17,711	19,992
During the 18-month period ended 31 December 2017, the Company consolidated all existing loan arrangements with a single local bank. The loan bears a fixed rate of interest based on Libor. The loan is secured by way of a guarantee from the Government and is repayable by 2022. The loans bear a floating rate of interest priced at one-month Libor plus a percentage spread per annum.					
CIBC FirstCaribbean International Bank - Debt Consolidation	Foreign Currency - USD	Cayman Islands Development Bank	US 36,800	19,851	23,927
During June 2015, CIDB used funds from its fixed deposit to repay US$5 Million credit facility which was originally due for repayment in January 2016 and received US$36.8 Million proceeds under a new credit facility with FCIB to consolidate and repay the remaining credit facilities listed above. The new credit facility will be for a term of 10 years (maturing June 30, 2025) at an interest rate of U.S. 3-Month LIBOR plus 1.125% and is secured by a Government Guarantee. Under the terms of the agreement, interest only will be paid in the first 3 years after which amortized payments of principal and interest will be made					
Bond	Foreign Currency - USD	National Housing Development Trust	US 14,500	5,026	5,772
Issued at 5.238% 28th October 2004 for 20 years to 28th October 2024 with semi-annual payments					
Bond	Local Currency KYD	National Housing Development Trust	$12,083	7,433	8,053
Issued in August 2009 at 11 yrs at 3.250 % for 19 years (first 2 yrs Monthly interest only, 9 yrs of semi-annually principal payments) Balloon note at end in 11 yrs 30 Dec 2019 or refinancing required.					
Guaranteed Senior Notes	Foreign Currency - USD	Cayman Islands Turtle Farm (1983) Ltd	US 44,600	4,503	8,038
Pursuant to a confidential placement memorandum, the Company issued Notes in the amount of US$44,600,000 (equivalent to CI$37,464,000) primarily for the purpose of funding the Park. The Notes were issued at par and were placed by William Blair & Company, L.L.C. (the "Placement Agent") with third party institutional investors. The Notes are guaranteed by the Cayman Islands Government up to an amount of CI$36,600,000. The Notes mature on March 1, 2019 and bear interest at a fixed rate of 4.85% per annum, payable quarterly in arrears. Quarterly payments commenced on June 2, 2004. The first 9 quarterly payments were interest only, and quarterly payments of principal and interest commenced on September 1, 2006. The principal amount of the Notes will amortise quarterly to an approximate final principal payment of US$5,400,000 (CI$4,536,000) due on March 1, 2019.					
Ocean Conversion (Cayman) Ltd	Foreign Currency - USD	Water Authority - Cayman	US 9,176	613	1,782
North Side-Original: 10 Year Loan of US$9,176,442 commenced July 2009. Interest is 6.48%.					
TOTAL DEBTS MANAGED BY STATUTORY AUTHORITIES AND GOVERNMENT COMPANIES				55,137	67,564
TOTAL BORROWINGS				475,101	518,645

SUMMARY OF BORROWINGS
as at 31 DECEMBER 2018

	Number of Debts	Original Borrowing US$/CI$/€'000	Balance as at 31 December 2018 CI$'000	Balance as at 31 December 2017 CI$'000
Summary by Type				
Total USD Debt	10	US$ 1,142,709	467,668	509,708
Total KYD Debt	1	$14,583	7,433	8,053
Other Currency Debt	0	€ 2,488	-	884
Total Public Debt	**11**		**475,101**	**518,645**
Summary by assignment				
Central Government - USD Debt	6	US$ 844,834	419,964	450,197
Central Government - Euros Debt	0	€ 2,488	-	884
Statutory Authorities & Government Companies - USD Debt	3	US$ 128,876	47,704	59,511
Statutory Authorities & Government Companies - KYD Debt	1	12,083	7,433	8,053
Total Public Debt	**10**		**475,101**	**518,645**

Note 44: Statement of Trust Holdings

Under the PMFL, "trust assets" are defined as assets (including money, but not money belonging to the Government) transferred or paid to the Government in trust for any purpose or to hold for or on behalf of any person, and include any such assets-

(a) To be held pending the completion of a transaction or dispute; or

(b) That belongs or is due to any person and is collected under any agreement with that person.

Trust assets are held separately and are not reported as part of these financials statements but are being disclosed in accordance with the provisions of the PMFL.

These trusts are classified into nine (9) broad groups and are shown in the Statement of Trust Holdings.

As at 31 December 2018, the Government held $192.8 million (2017:$ 257.2 million) in trust assets as shown below.

GOVERNMENT OF THE CAYMAN ISLANDS

Statement of Trust Assets
As at 31 December 2018

	Opening Balance CI$000	Additions CI$000	Disbursements CI$000	Closing Balance CI$000
Prisoners' Monies	92	-	-	92
Immigration Repatriation Depos	5,406	-	-	5,406
Police Bail Bonds	307	21	(12)	316
Asset Forfeiture	1,201	23	(6)	1,218
Defunct Companies	78,965	19,128	(29,726)	68,367
Court Fund Trusts	159,727	30,442	(82,251)	107,918
Dormant Trusts Account	11,785	1,873	(4,291)	9,367
Immigration Bail Bonds	19	-	-	19
Other Trusts	50	-	-	50
Total Trust Assets	**257,552**	**51,487**	**(116,286)**	**192,753**

Note 45: Government Reporting Entities as at 31 December 2018

Entity	Segement
Audit Office	CORE
Cabinet Office	CORE
Director of Public Prosecutions	CORE
Judicial Administration	CORE
Ministry of Commerce, Planning, & Infrastructure	CORE
Ministry of Community Affairs	CORE
Ministry of District Administration, Tourism and Transport	CORE
Ministry of Education, Youth, Sports, Agriculture & Lands	CORE
Ministry of Finance and Economic Development	CORE
Ministry of Financial Services & Home Affairs	CORE
Ministry of Health, Environment, Culture & Housing	CORE
Ministry of Human Resources & Immigration	CORE
Office of the Ombudsman	CORE
Portfolio of Legal Affairs	CORE
Portfolio of the Civil Service	CORE
Auditors Oversight Authority	SAGC
Cayman Airways Ltd	SAGC
Cayman Islands Airports Authority	SAGC
Cayman Islands Development Bank	SAGC
Cayman Islands Monetary Authority	SAGC
Cayman Islands National Insurance Company	SAGC
Cayman Islands Stock Exchange	SAGC
Cayman National Cultural Foundation	SAGC
Cayman Islands Turtle Centre	SAGC
Children and Youth Services Foundation	SAGC
Civil Aviation Authority	SAGC
Health Services Authority	SAGC
Maritime Authority of the Cayman Islands	SAGC
National Drug Council	SAGC
National Gallery of the Cayman Islands	SAGC
National Housing Development Trust	SAGC
National Museum	SAGC
National Roads Authority	SAGC
Port Authority	SAGC
Sister Islands Affordable Housing Corporation	SAGC
Tourism Attractions Board	SAGC
University College of the Cayman Islands	SAGC
Utilities Regulations and Compettition Office	SAGC
Water Authority-Cayman	SAGC